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# IMMIGRANT ENTREPRENEURS AND THE CONTINGENT VALUE OF PERSONAL LEGITIMACY

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## **ABSTRACT**

Despite growing recognition of the importance of the founder's personal legitimacy for successful venturing, various questions remain with respect to what founder legitimacy is and how it is achieved. My review of the legitimacy literature reveals that founder legitimacy can be conceptualized as both a characteristic and a process, and that the entity signaling the founder's legitimacy can be the founder, an organization, or even an industry or region. My review also shows that the expertise needed for founder legitimacy is taken for granted in most studies. To develop a better understanding of how founders acquire and signal personal legitimacy, I investigate the processes through which the latter is developed by studying immigrant entrepreneurs. Immigrant entrepreneurs suffer from liability of foreignness and provide an excellent sample to investigate what legitimacy is, and how it is perceived and acquired. The findings from my research suggest that potential entrepreneurs interpret institutional expectations regarding founder legitimacy in different ways, and that these interpretations influence how they build legitimacy and how much legitimacy they build. I also find that the costs of building this legitimacy, specifically by complying with regulations, can be high enough for immigrant entrepreneurs, to put them at a relative disadvantage in terms of their business earnings. My research contributes to the legitimacy and entrepreneurship literature. It has also significant and timely implications by showing how, at a time when countries are restricting entry, immigrants can successfully overcome legitimacy challenges associated with venturing and become contributing members of society.

**IMMIGRANT ENTREPRENEURS AND THE CONTINGENT VALUE OF  
PERSONAL LEGITIMACY**

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Dissertation

Submitted in partial fulfillment of the requirements for the degree of  
Doctor of Philosophy (Ph.D.) in Business Administration.

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## CHAPTER ONE: DISSERTATION OVERVIEW

### INTRODUCTION

Legitimacy plays a pivotal role in venturing by attracting key resources (Bitektine, 2011; Delmar & Shane, 2004; Lounsbury & Glynn, 2001; Zimmerman & Zeitz, 2002). Defined as a “generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995: 574), legitimacy helps new ventures overcome their liability of newness by increasing their likelihood of emergence (Tornikoski & Newbert, 2007) and survival (Singh, Tucker, & House, 1986; Stinchcombe, 1965). Scholars studying legitimacy and entrepreneurship have generally focused on the organizational level, specifically the legitimacy of the new venture founded by an entrepreneur.

Legitimacy at the level of the individual entrepreneur, however, is also important for venturing (Aldrich & Fiol, 1994; Boeker & Fleming, 2010; Nagy, Pollack, Rutherford, & Lohrke, 2012; Packalen, 2007). Specifically, whether an individual is able to attract resources for venturing also depends on whether that individual is perceived to be legitimate as a founder (Shantz, Kistruck, & Zietsma, 2018; Spiegel & Harrison, 2018). This legitimacy, which I refer to as *founder legitimacy*, is seen to be particularly important during organizational emergence, when the legitimacy of the *would-be* organization or venture is weak and unreliable (Dobrev & Barnett, 2005; Navis & Glynn, 2011; Newbert & Tornikoski, 2012; Tornikoski & Newbert, 2007). Yet, despite its importance and its application in various theoretical and empirical contexts, founder legitimacy remains an underexplored concept. For example, founder legitimacy is still often used as a synonym for venture legitimacy (Fisher, 2020). This lack of

clarity has greatly hampered further theorizing on founder legitimacy, despite growing recognition about its importance for starting and growing ventures.

The purpose of this dissertation is to bring clarity to, and extend, founder legitimacy research by reviewing existing literature, and by filling important research gaps identified through the review. As it will be shown, these gaps relate primarily to the expertise needed by entrepreneurs to establish and maintain their legitimacy as founders. Specifically, they include how entrepreneurs interpret and learn the legitimacy expectations of resource-holders, what tactics entrepreneurs use to meet these expectations and be perceived as *legitimate* founders, and how this legitimacy influences the performance of their ventures.

To fill the above gaps, I operationalize my research using immigrant entrepreneurs, with a particular focus on refugee entrepreneurs. Owing to their foreignness, immigrant entrepreneurs start with limited resources, legitimacy and familiarity with the host country, relative to other entrepreneurs (Drori, Honig, & Wright, 2009; Kloosterman, 2003, 2010; Szkudlarek, Nardon, Osland, Adler, & Lee, 2019). This makes immigrant entrepreneurship an extreme case and well suited to investigate founder legitimacy. Studies have shown that extreme contexts can be helpful to “uncover what people were probably doing in more ordinary situations but were too unreflective to recognize or too conventional to admit” (Riesman & Becker, 2017). In the case of the immigrant entrepreneurship context, immigrant entrepreneurs’ transition into the host country provides a natural experiment to study the processes through which founder legitimacy is built from “scratch” (Bolzani, Marabello, & Honig, 2020). The processes of developing the expertise needed to acquire legitimacy as a founder is harder to study in other entrepreneurs, since this expertise, and to a large extent founder legitimacy itself, is taken for granted for native entrepreneurs.

This dissertation provides several contributions to the entrepreneurship and management literature. First, by consolidating existing founder legitimacy research through a literature review, the dissertation allows for a clear conceptualization of founder legitimacy, and paves the way for meaningful future research. Second, the dissertation shows that the expertise needed to develop legitimacy as founders cannot be taken for granted, as commonly assumed in existing literature. Investigation of how this expertise is developed is important, since it explains how even individuals with little initial legitimacy can attain it over time and attract resources for venturing. Third, the dissertation shows how entrepreneurs make sense of institutional expectations regarding founder legitimacy, and explain how entrepreneurs' interpretation of these expectations influence how they build founder legitimacy and how much legitimacy they build. These findings challenge the portrayal of entrepreneurs as homogenous cultural operators common in prior legitimacy studies such as Lounsbury and Glynn (2001). Fourth, the dissertation evaluates the costs and benefits of building founder legitimacy by complying with regulations. The dissertation shows that the costs of complying with regulations can sometimes be high enough for some entrepreneurs, specifically immigrants, to put them at a disadvantage relative to others in terms of business earnings.

## **THEORETICAL BACKGROUND**

Due to the recognized importance of founder legitimacy in venturing (Aldrich & Fiol, 1994; Boeker & Fleming, 2010; Nagy et al., 2012; Packalen, 2007), founder legitimacy has been used in a variety of entrepreneurship and management contexts. For example, Huang, Pickernell, Battisti, and Nguyen (2022) use signaling theory and the context of crowdfunding to examine how entrepreneurs' prior funding successes and failures signals their legitimacy as founders. York, O'Neil, and Sarasvathy (2016), instead, use identity theory to investigate how

environmental entrepreneurs establish founder legitimacy with diverse stakeholders by constructing a hybrid identity. Finally, Kibler, Mandl, Kautonen, and Berger (2017) use impression management theory to investigate how entrepreneurs foster their legitimacy with stakeholders following venture failure.

Despite the growing body of work on founder legitimacy, however, we don't know much about (1) what founder legitimacy is and how it can be operationalized, and (2) how founder legitimacy is achieved for venturing. There are three main reasons for this lack of understanding about founder legitimacy and its role in venturing, which has hindered further development of theory on founder legitimacy. First, extant entrepreneurship and management research have portrayed founder legitimacy in different ways. For example, some studies describe founder legitimacy as an attribute that is derived from static features of the founder such as gender, race and personality (for examples, see Cohen and Dean, 2005; Gicheva and Link, 2015; Hisrich and Jankowicz, 1990), while other studies describe founder legitimacy as the product of a process undertaken by firms the founder is associated with (for examples. see Bolzani et al., 2020; Phillips, 2002). Second, extant entrepreneurship and management research have focused less on stages of venturing prior to venture formation, when founder legitimacy is most relevant (Tornikoski & Newbert, 2007). This omission can be attributed mainly to the difficulty in obtaining data on these stages of venturing, when the entrepreneur has just started working on a business idea and the firm do not yet exist (Tornikoski & Newbert, 2007). Third, much of extant entrepreneurship and management studies take founder legitimacy for granted, because of their focus on entrepreneurs who are well established in their local context (Miller & Le Breton-Miller, 2017).

Founder legitimacy, however, cannot be taken for granted since many entrepreneurs, such as immigrants or people with disabilities, do not readily possess characteristics deemed legitimate by society (Miller & Le Breton-Miller, 2017). Thus, many potential entrepreneurs need to actively work to establish their legitimacy as founders, particularly prior to forming their ventures. For example, to influence perceptions of key stakeholders about their legitimacy as founders, disabled entrepreneurs are found to rely on non-linguistic practices and to reveal their impairment strategically (Kašperová, 2021). Indeed, founder legitimation efforts crucially involve shaping the perceptions of legitimacy-granting audiences (Aldrich & Fiol, 1994; De Clercq & Voronov, 2009; Lounsbury & Glynn, 2001). Yet, we still know little about how they develop the expertise needed to do so; and what kind of differences may exist among entrepreneurs in how they influence audiences to establish their legitimacy as founders.

Importantly, Scott (1995) shows that legitimacy, at the founder, organizational or industry level, can be partitioned into three dimensions: regulative, normative, and cognitive. Regulative legitimacy refers to the degree to which an entity complies with “explicit regulative processes—rule setting, monitoring and sanctioning activities” (Scott, 1995: 42). Normative legitimacy refers to the degree of congruence or fit between the actions, characteristics, and form of an entity and the beliefs and cultural values of the broader social environment within which it exists. Finally, cognitive legitimacy refers to the taken-for-granted nature of an entity, i.e., the degree of social recognition and acceptance of an entity in society. These different dimensions of legitimacy emphasize different attributes and have different resource implications for entrepreneurs and their ventures (Suddaby, Bitektine, & Haack, 2017). Yet, extant work does not explain how each of these dimensions, particularly regulative legitimacy, are established and maintained at the founder level, and how they influence venturing.

A better understanding of founder legitimacy is needed because, depending on how much, with whom, and what kind (dimension) of legitimacy is established, the implications for founders and their ventures can be significant. Specifically, because founder legitimacy can determine the resources available to entrepreneurs, it can influence the emergence and trajectory of new ventures (Delmar & Shane, 2004). Insights that help us better understand how and why varied conditions lead to alternative founder legitimacy outcomes also have practical implications for policymakers. For example, these insights can help policymakers to better design government programs that facilitate business formation. These programs have been found to be particularly important for the economic integration of individuals often considered *illegitimate* by society, such as immigrants and refugees (Backman, Lopez, & Rowe, 2021; Szkudlarek et al., 2019).

## **CONTEXT, DATA AND METHODOLOGY**

To fill the gaps in the founder legitimacy literature highlighted in the earlier section, I operationalize my research by focusing on immigrant entrepreneurs, and in particular, refugee entrepreneurs. Research shows that immigrants make up a substantial proportion of the population in developed countries (Kerr & Kerr, 2011). Immigrants also tend to have a high propensity for entrepreneurship (Kerr & Kerr, 2020). Owing to the growing importance of immigrant entrepreneurship and its richness as a research setting, an increasing number of scholars are studying it to build and advance entrepreneurship theory (Bird & Wennberg, 2016; Christensen, Newman, Herrick, & Godfrey, 2020; Dabić et al., 2020; Drori, Honig, & Wright, 2009; Kane & Levina, 2017; Szkudlarek et al., 2019). Specifically, two characteristics related to their foreignness makes immigrants and, in particular, refugees well suited for studying how founder legitimacy is established, relative to non-immigrants. First, immigrants start with limited

legitimacy and resources relative to others, and hence, their “need” to establish themselves as legitimate for venturing is more (Mata & Alves, 2018; Stoyanov, Woodward, & Stoyanova, 2018). Second, immigrants lack familiarity with the local institutional context. Hence, immigrants often do not “know” how to establish their legitimacy with people in the local context, unlike non-immigrants, whose familiarity with the local context makes them more likely to have this knowledge. (Drori, Honig, & Wright, 2009; Friedberg, 2000; Kloosterman, 2003, 2010).

For the empirical execution of the dissertation, I use both quantitative and qualitative techniques. In the first chapter, I use the systematic procedure proposed by Tranfield, Denyer, and Smart (2003) to review the literature on founder legitimacy. This procedure consists of three broad stages - planning the review, conducting the review, and reporting/dissemination. The procedure ensures transparency and replicability of reviews by minimizing bias through exhaustive literature searches, and by providing an audit trail of the reviewer’s decisions, procedures and conclusions. The disciplinary scope of the review is limited to management and entrepreneurship research, since the study of founders is an important research focus in each of them. The search terms focus on the simultaneous occurrence of two aspects: the founder aspect, and the legitimacy aspect. For quality and comparability purposes, the selection criteria are limited to articles in the 12 leading management and entrepreneurship journals. My final dataset consists of 83 articles, of which 32 were found through the keyword search and the rest were found through snowballing approach. Finally, I adopt a thematic and inductive approach, involving open coding, for comparing and interpreting the data drawn from the reviewed studies (Noblit & Hare, 1988).

In the second chapter, I adopt a qualitative grounded theoretical approach (Glaser & Straus, 1967; Strauss & Corbin, 1990). Grounded theory is a process of inductively developing and elaborating theories from data. This approach is most effective for processes that are not well understood, as is the case with the processes through which entrepreneurs develop the expertise to influence the legitimacy perceptions of their audience. Specifically, I adopt a flexible and emergent data collection approach (Gioia, Corley, & Hamilton, 2013). This means that the data analysis overlapped with the data collection efforts and involved repeated comparisons of emerging evidence. The data for this chapter was collected as part of a larger qualitative project conducted by a team of four researchers: Maria Minniti, Todd Moss, Trent Williams, and myself, and three research assistants. For this project, the team conducted in-depth, face-to-face semi-structured interviews with 63 resettled refugees in the U.S. I use data from 47 of these refugees, specifically those who had started ventures in the U.S., for this chapter of the dissertation. I followed traditional grounded theory protocols in analyzing and coding the data (Gioia et al., 2013; Locke, 2001; Strauss & Corbin, 1990).

In the third chapter, I use a quantitative simulated-panel approach that enables the modeling of longitudinal variation from individual-level pooled cross-sectional data (Chin & Cortes, 2015; Cortes, 2004). I use data on self-employed immigrants and natives from the 2000 U.S. Census's 5-Percent Public Use Microdata Sample alongside the 2006–2018 American Community Survey (ACS) one-year PUMS, and RegData. The latter allows me to measure state and federal regulatory restrictions to specific industries, thereby measuring industries' regulatory burden (Al-Ubaydli & McLaughlin, 2017). Using this data, I am able to study the extent to which industry regulation influences the self-employment earnings differential between

immigrants and natives, and how this differential varies with the time spent in the host country by immigrants.

## **OVERVIEW OF THE THREE CHAPTERS**

As discussed above, a challenge for potential and existing entrepreneurs can be building their legitimacy as founders—a type of legitimacy at the individual level necessary to attract resources from stakeholders (e.g., funding agencies, potential employees, and potential customers). In this dissertation, I present three chapters investigating this topic.

In the first chapter, entitled “Founder Legitimacy: A Literature Review,” I conduct a systematic review of the management and entrepreneurship literature concerned with founder legitimacy. The goal of the review is twofold. First, it aims to resolve theoretical and terminological inconsistencies in order to allow for a common understanding and conceptualization of founder legitimacy. Second, it identifies gaps in the literature and provides a roadmap for future scholarship. To achieve these goals, the review offers an integrative typology to map the field and delineate relevant avenues for future research.

The typology highlights two main differences among existing founder legitimacy studies in terms of how they characterize founder legitimacy - divergence in manifestation of founder legitimacy, and divergence in source of founder legitimacy. I then organize, structure, and frame the existing literature based on this difference and build a 2 x 3 typology of founder legitimacy studies. Following this, I compare and contrast the six study categories in the typology to highlight similarities and differences in various aspects of venturing emphasized in the studies. This detailed comparison helps uncover important gaps in the literature, which I then expand to chart out three broad avenues for future research. These are avenues from extending current categories of founder legitimacy work; avenues from combining categories of founder legitimacy

work; and avenues from challenging taken-for-granted assumptions of existing work. Finally, I suggest and explain how these identified research gaps can best be addressed by using appropriate empirical contexts. In the second and third chapter of the dissertation, I fill two of the gaps identified in the review, using the context of immigrant entrepreneurship.

In the second chapter, entitled “Founder Legitimacy and Framing Tactics: The Case of Refugee Entrepreneurs,” I explore how do entrepreneurs develop the expertise needed to influence audiences’ perceptions about their legitimacy as founders. Furthermore, I investigate what, if any, are the differences in how entrepreneurs influence audience perceptions and why do these differences emerge. When it comes to establishing founder legitimacy, entrepreneurs have been depicted by scholars as cultural operators who use “framing” to portray themselves differently to different resource-holding audiences (Lounsbury & Glynn, 2001; Zott & Huy, 2007). This depiction ignores how entrepreneurs develop the expertise to influence audience perceptions through framing. However, depending on how this expertise is developed, there may be fundamental differences among entrepreneurs in how they choose to frame, i.e., their framing tactics, which also have been ignored. These differences matter because framing can influence the first impression that potential resource-providers have of the entrepreneur and the would-be firm; and may play an important role in mitigating the entrepreneur’s liability of newness (Snihur, Thomas, Garud, & Phillips, 2021). I fill the above gaps in the literature by studying the transition process of resettled refugee entrepreneurs in a host country. The extreme foreignness of this population makes them uniquely suited to advance theory on the processes through which framing tactics are “developed,” while other populations might be expected to “know” such tactics.

My main contribution is a novel process model that identifies two pathways adopted by informants to develop the expertise needed to influence audiences' perceptions about their legitimacy as founders. These pathways lead to expertise in two contrasting types of framing tactics, which I identify as differing on the theoretical dimension of flexibility – the willingness to change looks, stories and narratives for different audiences. Unlike prior studies that attribute framing differences primarily to individuals' abilities, I highlight how entrepreneurs may “choose” to frame differently depending on their prior experiences, mindsets and learning. Specifically, I find that the diversity of audiences that entrepreneurs previously held legitimacy with influences whether entrepreneurs perceive themselves as members of a social group or as unique individuals. These differences in how entrepreneurs perceive themselves and others around them, in turn, influence whether they develop capabilities oriented primarily towards meeting audience expectations through adaptation and flexible framing, or towards altering audience expectations by demonstrating distinctiveness and rigid framing. Finally, the study challenges the popular perception of refugees as helpless and incompetent (Pandir, 2020), by shedding light on refugees' efforts to integrate themselves through venturing.

In the third chapter, entitled “The Outsider Penalty: Regulation and the Earnings of Self-Employed Immigrants,” I study how the regulative dimension of founder legitimacy, i.e., degree to which a founder complies with regulations, influences founder's business performance by comparing self-employed immigrants with natives. Since immigrants initially have limited founder legitimacy relative to natives due to their foreignness and close this gap over time (Mata & Alves, 2018), the change in earnings differential between self-employed immigrants and natives over time is a good indicator of the effect of founder legitimacy on founder's business performance. Therefore, to understand this effect specifically with respect to regulative founder

legitimacy, I quantitatively analyze the effect of industry regulation on the self-employment earnings differential between immigrants and natives; and then, examine how this differential influence changes with time spent by immigrants in the host country. Understanding these asymmetric effects of industry regulation is important considering, not only the growing importance of immigrant entrepreneurs across the world (Dabić et al., 2020), but also the increasing recognition of the role played by regulations in immigrants' economic integration through venturing (Kloosterman, 2010). Yet, these effects are not straightforward, since regulatory aspects, such as licensing requirements, offer benefits, but also raise costs for immigrant entrepreneurs, and remain unclear (Dheer, 2018).

My empirical findings suggest that self-employed immigrants in more regulated industries face a regulatory “outsider penalty,” in the form of lower earnings compared to self-employed natives. Importantly, I also find evidence that this penalty is not mitigated over time. Drawing on public choice theory, I attribute the relative underperformance of immigrant entrepreneurs compared to native entrepreneurs primarily to the compliance costs of regulations, which are not accompanied by corresponding benefits. These costs are likely to burden immigrants asymmetrically owing to their relative unfamiliarity with industry regulation. For example, this unfamiliarity increases immigrant entrepreneurs' chances of non-compliance with legal requirements, which carries the risk of penalty payments (Rath & Kloosterman, 2000). Overall, my findings provide evidence of the relative disadvantage entrepreneurs face in venturing when they lack regulative founder legitimacy, which reflects the degree to which a founder complies with regulations. My findings further suggest that, although these entrepreneurs are able to build this dimension of legitimacy over time, it is difficult for them to completely overcome their disadvantage.

## CONTRIBUTIONS

By studying the legitimacy of the entrepreneur at the individual level, this dissertation contributes to several research streams. First, through the review of the founder legitimacy literature, I clarify the meaning of founder legitimacy. Previous studies on founder legitimacy take a partial view of the concept, focusing on a single way in which founder legitimacy manifests and a single source of legitimacy. My review shows that founder legitimacy can manifest both as a characteristic and as a process; and that the entity signaling legitimacy can be the founder themselves, organizations the founder is associated with, and even industries or geographies or communities the founder is a part of. My review also identifies several limiting assumptions about founder legitimacy in previous studies due to their partial view of the concept, and shows how these assumptions can be relaxed in future studies. Overall, the review contributes to the entrepreneurship and legitimacy literature by allowing for coherent future conceptualization and theorization of founder legitimacy, as well as paving the way for more integrative and meaningful future research.

The second contribution of my dissertation is in challenging the assumption that founder legitimacy can be taken for granted characterizing the entrepreneurship and management literatures. Prior studies assume that entrepreneurs either possess characteristics that grant them legitimacy (Cohen & Dean, 2005; Hisrich & Jankowicz, 1990) or the skills to establish legitimacy through their actions (Nagy et al., 2012; Navis & Glynn, 2011). By focusing on immigrants and refugees, who do not possess these characteristics or skills, my work shows that potential entrepreneurs often work several years to develop the expertise needed to establish legitimacy. This suggests that entrepreneurs attach great importance to the skills needed for attracting venture resources, particularly during the period prior to forming their ventures. By

shedding light on this legitimation process, my dissertation also responds to calls for a more process-oriented approach to understanding legitimacy (Drori & Honig, 2013; Garud, Schildt, & Lant, 2014; O'Neil & Ucbasaran, 2016; Überbacher, 2014; Voronov, De Clercq, & Hinings, 2013).

Third, my dissertation challenges the homogenous depiction of entrepreneurs in the existing legitimacy literature with respect to entrepreneurs' use of cultural mechanisms, such as storytelling, symbolic management and impression management (Clarke, 2011; Zott & Huy, 2007). Prior work assumes that entrepreneurs, while seeking legitimacy from resource-providing audiences, use these mechanisms to influence audience perceptions in somewhat similar ways. I extend this literature by showing that entrepreneurs may use cultural mechanisms in very contrasting ways to influence audience perceptions about their legitimacy as founders. Furthermore, I also identify how these differences may be driven by prior experiences, motivations and learning of entrepreneurs. Studying these dissimilarities among entrepreneurs in how they influence audience perceptions is important, since they may help us explain differences in entrepreneurial resource acquisition, trajectories of organizational emergence and growth, and integration of entrepreneurs into the local economic fabric.

Finally, I shed light on the regulative dimension of founder legitimacy, which reflects the degree to which a founder complies with regulations, and show how it contributes to venture performance. While prior studies show how founder legitimacy contributes to venture performance (Jo & Lee, 1996; Mata & Alves, 2018), these studies do not separate the normative, cognitive, and regulative dimensions of founder legitimacy. Some studies have shown that a lack of regulative founder legitimacy can deter individuals from starting ventures (Dheer, 2018; Kloosterman, 2010), although its impact after starting ventures is less clear. My findings provide

evidence that the lack of founders' regulative legitimacy can indeed be detrimental to individuals even after starting ventures. Furthermore, I find limited evidence that this regulation-induced earnings gap is mitigated over time. This suggests that it can be quite challenging for entrepreneurs to build this dimension of legitimacy even over several years.

## **CHAPTER TWO: A LITERATURE REVIEW OF FOUNDER LEGITIMACY AND FUTURE RESEARCH AGENDA**

### **ABSTRACT**

Research on legitimacy at the level of the individual founder has grown in recent years. Yet ambiguities remain in the literature due to the divergent characterizations of founder legitimacy. To lend structure to this fragmented field of inquiry, my systematic review offers an integrative typology to map the field based on manifestations and sources of founder legitimacy described in the literature. I further use the typology to delineate several avenues for future research on founder legitimacy that extend each of the existing categories of work; that form links between existing categories; and that challenges limiting assumptions in existing work. I also show why immigrant entrepreneurship is an appropriate empirical context for future founder legitimacy research. Overall, the review helps advance a more coherent conceptualization of founder legitimacy and paves the way for meaningful future research that provides a more comprehensive understanding of founder legitimacy.

***Keywords:*** Founder legitimacy; Legitimacy at the individual level; Entrepreneurship

## INTRODUCTION

Legitimacy plays a significant role in the entrepreneurial process and has been the subject of a significant amount of management and entrepreneurship research (Überbacher, 2014). Defined as a social judgment of acceptance, appropriateness, and desirability, legitimacy enables founders to attract the resources needed for the creation, survival, and growth of their new ventures (Zimmerman & Zeitz, 2002). To attract these resources, both the new venture and its founder need to be perceived as legitimate entities (Hallen, 2008; Katz & Gartner, 1988; Packalen, 2007). Founder legitimacy is, in fact, seen to be more important than venture legitimacy when the founder is working on a new business idea prior to establishing the venture (Aldrich & Fiol, 1994; Navis & Glynn, 2011; Reynolds, Reynolds, & White, 1997). This is because it is difficult for would-be ventures to achieve legitimacy and attract resources due to their lack of a formal organizational structure (Kazanjian, 1988).

Over the past few decades, the concept of founder legitimacy has been applied to various theoretical and empirical contexts in the management and entrepreneurship literature (Boeker & Fleming, 2010; Fisher, 2010). This reflects the prevalence of this concept and its importance in the venturing process. The founder legitimacy concept, however, has been labeled in different ways, such as personal legitimacy (Suchman, 1995) or individual legitimacy (Bolzani et al., 2020), and given different meanings. For example, while founder legitimacy is treated as synonymous to venture legitimacy in some contexts (O'Neil & Ucbasaran, 2016), founder legitimacy is shown to exist independently of venture legitimacy in other contexts (Wasserman, 2003). As such, there remains ambiguity particularly around (1) what founder legitimacy is and how it can be operationalized, and (2) how founder legitimacy is achieved. This ambiguity has limited researchers' understanding of founder legitimacy and its role in the venturing process,

and has caused different parts of the literature to evolve along separate avenues. This has hampered further theorizing on the topic, and as a result, some aspects of founder legitimacy remain somewhat understudied (Fisher, 2010). Thus, further research on founder legitimacy, particularly research that bridges the different avenues of the literature, is needed to provide a more comprehensive understanding of founder legitimacy.

The goal of this paper is to review the extant literature and to bring clarity to the founder legitimacy concept. To do so, I conduct a systematic review of the management and entrepreneurship literature concerned with founder legitimacy. The review is structured as follows. First, I identify two key differences among existing founder legitimacy studies in terms of how founder legitimacy is characterized. That is, I identify divergences in how the manifestation of founder legitimacy is described and divergences in how the source of founder legitimacy is described. I then organize, structure, and frame the existing literature based on these differences to build a 2 x 3 typology of founder legitimacy studies. Finally, I explore additional themes related to founder legitimacy across each of the typology categories to uncover key gaps in the literature, which I then expand to chart out three broad avenues for future research. The first avenue extends current categories of founder legitimacy work; the second combines categories of founder legitimacy work; and the third challenges limiting assumptions of existing work. I also make the case that immigrant entrepreneurship is a suitable context for exploring these avenues of future research. Overall, this review contributes to the entrepreneurship and legitimacy literature by mapping out a coherent future conceptualization of founder legitimacy, as well as paving the way for integrative and meaningful future research.

## **REVIEW METHOD**

I adopted an interpretive approach for systematically reviewing and synthesizing the founder legitimacy literature. Interpretive approaches, being thematic and inductive, allow the data drawn from the reviewed studies to be compared and interpreted (Noblit & Hare, 1988). This approach tends to be more appropriate when the concepts lack clarity. Since founder legitimacy research suffers from such a lack of conceptual clarity, it is particularly well suited for an interpretive review approach. Specifically, I used the procedure proposed by Tranfield et al. (2003) for the review. This procedure, which consists of three key stages—planning, conducting, and reporting—ensures transparency and replicability of reviews.

As part of planning for the review, I developed a protocol document that defined the disciplinary scope of the review, the search terms for the relevant studies, the selection criteria for the studies, and finally the synthesis and analysis approaches that were to be applied in the review (see Appendix II-1 for the research protocol). The protocol was developed through an iterative process of defining, refining and delineating the scope of the review based on multiple scoping studies (Clarke & Oxman, 2000). The disciplinary scope of the review was limited to management and entrepreneurship research domains, since the study of founders is an important research focus in each of them. The search terms for the review were derived from the adopted delineation of the topic “legitimacy of an individual as a founder.” Accordingly, the search terms focused on the simultaneous occurrence of two aspects: the founder aspect and the legitimacy aspect. For quality and comparability purposes, the selection criteria were limited to articles in 12 leading management and entrepreneurship journals. These journals were selected based on their high impact factors (2015-2020) according to Journal Citation Reports of the Clarivate Web of Science group, and their history of legitimacy research publications (see Table II-1 for the list

of journals). Similar selection criteria have been used in previous review papers on legitimacy, such as the review by Überbacher (2014). The current review spanned the period from 1985 to 2022, starting with the paper by MacMillan, Siegel, and Narasimha (1985), one of the first papers to look at the criteria used by audiences, specifically venture capitalists, for granting legitimacy to founders.

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Insert Table II-1 about here

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I conducted the review in three steps. First, I ran a search for the keywords “founder OR entrepreneur” and “legitim\*” in the title or abstract of the selected journals, which yielded 98 articles. 52 of these articles were omitted after screening their abstracts, and 14 were omitted after screening their full texts, since founder legitimacy was not found to be a focal element in them. In the second step, I searched the citation records of the remaining articles for relevant articles on founder legitimacy that did not appear in the first step, i.e., the keyword search. Thus, through this snowballing technique, I found 100 additional articles. Among those, 49 were dropped after a screening of their full text, since, once again, founder legitimacy was not found to be a focal element in them. Only articles belonging to the 12 leading management and entrepreneurship were retained. My final dataset consists of 83 articles. Finally, in the third step, I read, coded, and analyzed these 83 articles on a range of emergent themes, such as sources of founder legitimacy, consequences of founder legitimacy, type of founder legitimacy, focal institutions being studied, focal audiences being studied, as well as methodological themes related to measurement and operationalization. The open coding phase revealed the similarities between the reviewed articles, but also the wide divergences from one another in various

respects, such as the theoretical lenses and methodological approaches used. Appendix II-2 provides the relevant coding results of each of the 83 articles and summarizes the outcome of my analysis.

## **DIFFERENCES IN THE CHARACTERIZATIONS OF FOUNDER LEGITIMACY**

Upon analyzing the coded data, I identified two ways in which extant studies diverge in terms of their founder legitimacy characterizations. The studies diverged in terms of their descriptions of the manifestation of founder legitimacy and in their identification of the primary source of founder legitimacy. In this section, I shed light on these differences and how they contribute to the fragmentation in the founder legitimacy literature.

### **Manifestation of founder legitimacy: Characteristic or process?**

My analysis of the reviewed studies revealed that founder legitimacy is portrayed either as a characteristic or as a process in each of the studies. These portrayals of founder legitimacy also seemed to influence how these studies portrayed legitimacy-seeking founders and legitimacy-granting audiences, specifically their roles in the legitimation of the founder.

The majority of studies on founder legitimacy (53 studies), particularly earlier ones, view legitimacy as a characteristic or attribute possessed by an individual. This characteristic reflects the degree of “fit” between an individual and the prevailing social expectations regarding a founder. These expectations relate to static features related to the founder, such as their gender (Fay & Williams, 1993; Gicheva & Link, 2015), personality (Hisrich & Jankowicz, 1990), social ties (Plummer, Allison, & Connelly, 2016), location (Haveman, Habinek, & Goodman, 2012), community (Liu, Xu, Zhou, & Li, 2019), educational credentials (Cohen & Dean, 2005), prior wage-employment experience (Zacharakis & Meyer, 2000), prior founding experience (Kacperczyk & Younkin, 2017), and industry experience (Huang et al., 2022). Individuals who

fit these expectations are considered as legitimate founders and are more easily able to acquire resources needed for venturing. Individuals who do not fit are viewed as lacking legitimacy or even illegitimate, and find it more difficult to acquire resources. I call studies adopting this view “founder legitimacy as characteristic” studies.

Studies that define founder legitimacy as a characteristic portray founders as actors who are somewhat *passive*, with little influence over how they are perceived by legitimacy-granting audiences (cf. Meyer and Rowan, 1977). On the other hand, in most of these studies, the audiences are portrayed as actors with somewhat unalterable legitimacy expectations, which they use to *actively* scrutinize/evaluate the founders. Thus, in these studies, the audiences are shown to have more control over the legitimation of the founder than the founders. Moreover, most studies taking this view also portray audiences as being somewhat homogenous. Therefore, different audiences are shown to share similar legitimacy expectations of founders. Zott and Huy (2007) highlight this point in their paper by stating that early legitimacy studies “do not systematically distinguish the legitimacy judgments of the different audience types.”

More recent studies on founder legitimacy, however, take the view that founder legitimacy is a process. These studies focus on how actions and activities undertaken by individuals, organizations and even industries can influence the legitimacy of founders in the eyes of society. Thus, these process studies deal with founder *legitimation* in its true sense. There are far fewer studies (30 studies) that view founder legitimacy as a process than those that view it as a characteristic; that is, there is a clear emphasis in the literature on the legitimacy-as-characteristic view. The most common type of founder legitimacy-as-process studies highlights actions undertaken by the founder, such as impression management (Marlow & McAdam, 2015) and storytelling (Rutherford, Buller, & Stebbins, 2009), to meet or change audience expectations.

Other types of legitimacy-as-process studies, meanwhile, investigate activities or changes taking place in an organization, industry or even a region that could influence audience perceptions about an individual's legitimacy as a founder (e.g., Dobrev and Barnett, 2005; Low and Abrahamson, 1997; Phillips, 2002).

The founders in legitimacy-as-process studies are portrayed as capable of influencing audience perceptions about their legitimacy, and hence are shown to have more agency and control over their legitimacy than founders portrayed in legitimacy-as-characteristic studies (cf. Suchman, 1995). This agency is seen to be greatest when the legitimation activity is undertaken by the founders themselves; less so when the legitimation activity happens indirectly through the firm/s they are a part of; and least when the legitimation activity happens as a result of changes in the macro-entities such, as the industries, communities or regions, of which they are a part. The audiences in these studies are portrayed as flexible actors with somewhat malleable legitimacy expectations. Thus, in these studies, the legitimation process is portrayed as more of a negotiation between the legitimacy-seeking entities and the legitimacy-granting audience/s. Unlike in founder legitimacy-as-characteristic studies, the heterogeneity among legitimacy-granting audiences in their legitimacy expectations is also highlighted more distinctly in these studies.

#### **Source of founder legitimacy: Micro-, meso- or macro-level?**

Founder legitimacy studies also diverge in terms of whether the key entity described to be signaling the legitimacy of the founder is at the micro-, meso-, or macro-level. The majority of the existing studies, particularly the earlier ones, focus on micro-level sources of founder legitimacy. These studies primarily look at the founder's individual characteristics, such as gender and race, and actions taken by the founder, such as storytelling, symbolic actions and

impression management, that contribute to their legitimacy as founders (e.g., Becker-Blease and Sohl, 2007; Clarke, 2011; Ibarra and Barbulescu, 2010; Zhang and Wiersema, 2009). These studies assume that the signal conveying the founder's legitimacy to audiences emanates from the founder themselves. Thus, the founder is the primary entity who determines how he/she is perceived by others in these studies.

Later studies, however, began to look also at meso-level and macro-level sources of founder legitimacy. These studies assume that legitimation operates top-down: i.e., meso and macro units confer founders with legitimacy. At the meso-level, studies emphasize how the organization/s with which the founders have been associated with or endorsed by contribute to their legitimacy. These organizations could include prior and/or current firms founded by the individuals, prior firms at which they have been employed, and even mediator organizations, such as certification boards and venture development organizations, that convey the legitimacy of founders to others (e.g., Bolzani et al., 2020; Dobrev and Barnett, 2005; Phillips, 2002; Zacharakis and Meyer, 2000).

At the macro-level, studies look at the impact on founder legitimacy of industries, communities, and places the founder has been associated with or endorsed by. For instance, the political affiliation of the founder is shown to be a key source of legitimacy, which in turn helps the founder acquire bank loans (Zhao & Lu, 2016). Some studies also look at the impact of the success of the prior/current industries the founder was/is a part of (e.g., Huang et al., 2022; Low and Abrahamson, 1997; Packalen, 2007). Other studies look at the impact of location on legitimacy—such as whether the founder is in a metropolitan area (e.g., Haveman et al., 2012)—or the impact of the founder's immigrant status (e.g., Mata and Alves, 2018). Finally, at the

community level, studies look at aspects such as the ethnic communities the founders belong to and how this community membership contributes to their legitimacy (e.g., Joshi et al., 2018).

## **TYPOLOGY OF FOUNDER LEGITIMACY CHARACTERIZATIONS AND INTER-CATEGORY COMPARISON**

On the basis of the two dimensions of divergence in founder legitimacy characterizations discussed in the previous section, I synthesize the reviewed studies into six categories using a 2 x 3 typology, i.e., founder legitimacy source (micro/meso/macro) and manifestation (characteristics/process) combinations (see Table II-2 for examples of studies under each category).

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Insert Table II-2 about here  
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Using this typology, I highlight similarities and differences between these six categories other than their founder legitimacy characterizations. These include similarities and differences between the categories of studies in five areas related to venturing and founder legitimacy, as follows:

(1) *Focus on external and internal legitimacy.* External legitimacy refers to legitimacy with audiences external to the firm, such as financing entities, customers and suppliers, while internal legitimacy refers to legitimacy with audiences internal to the firm, such as employees, partners, and board members (Kostova & Zaheer, 1999). (2) *Key stages of venturing studied,* i.e., the conception, commercialization, growth and stability stages. Introduced first by Alfred Chandler in 1962, organizational life cycle research suggests that organizations evolve in a predictable manner through different stages. Several proposed life cycle models exhibit similar

descriptions of the different stages of the life cycle; in this paper, I use the organizational life cycle model developed by Kazanjian (1988). Kazanjian's model has been adopted in other legitimacy studies such as Fisher, Kotha, & Lahiri (2016), and outlines four distinctive stage of venturing: conception, commercialization, growth and stability. Conception, the first stage of a venture's life cycle, refers to the stage in which a new venture's idea or core insight about a product or service opportunity is first conceived and developed. Organizational structure and formality do not exist at this stage. Commercialization, the second stage, represents the phase when the new venture's initial idea turns into a product or service for a market niche. At this stage, the organization exists, and discrete organizational functions begin to emerge. Growth, the third stage, is characterized by a sequence of functionally localized problems, as each function works to build an efficient and effective task system aimed at expansion. Finally, stability, the last stage, is characterized by less onus on expansion and more on maintaining smooth functioning, in case the company goes through a period of decline. (3) *Dimensions of legitimacy studied*, i.e., cognitive, normative and regulative legitimacy. Cognitive legitimacy, at the individual level, relates to an individual's culture (Scott, 2013), language (Whorf, 1956), and other taken-for-granted and preconscious behavior that people barely think about (Meyer & Rowan, 1977). Normative legitimacy relates to individual behavior based on obligatory dimensions of social, professional, and organizational interaction, whereas regulative legitimacy relates to individual compliance with regulative components such as laws and regulations (Bruton, Ahlstrom, & Li, 2010). (4) *Focus on presence and magnitude of legitimacy*. Presence of legitimacy, at the individual level, is concerned with the question of whether an individual is perceived to be legitimate or not by relevant audiences. On the other hand, magnitude of legitimacy is concerned with the question of how much legitimacy the individual has. The

answer to this question could be in terms of having more or less legitimacy with one audience, or it could be in terms of having legitimacy with greater or fewer number of audiences (Fisher, 2020). (5) *Focus on positive and negative legitimacy*. Positive legitimacy is seen as a resource that enables acquisition of further resources, while negative legitimacy or illegitimacy or stigma is seen as a hindrance to acquisition of further resources.

I now discuss each of the six study categories in the 2 x 3 typology in terms of how the above five areas are represented in them. I begin with the micro-characteristic combination of studies from the typology.

### **Micro-Characteristic**

Studies that take the micro-characteristic view of founder legitimacy characterize founder legitimacy as a characteristic derived from micro-level venturing entities. This category, with 26 studies, was also the category with the highest number of studies. In these studies, despite the limited agency attributed to the founder in their own legitimation, the signal conveying the founder's legitimacy to audiences is still seen to be emanating from the founder (micro-level). Specifically, according to this view, founder legitimacy is primarily determined by static features of the founder. Founder features that favorably influence audiences' legitimacy judgments can include demographic features (Fay & Williams, 1993; Gicheva & Link, 2015), personality (Hisrich & Jankowicz, 1990), education credentials (Cohen & Dean, 2005; Tornikoski & Newbert, 2007), past achievements of the founder (Zimmerman & Zeitz, 2002), and pre-existing ties with other credible individuals (Hallen, 2008).

Studies adopting the micro-characteristic view have primarily focused on external legitimacy. Thus, these studies take internal legitimacy to be somewhat taken-for-granted. For instance, Buttner and Rosen (1988), a micro-characteristic study, explores the role gender plays

in establishing legitimacy with bank loan officers (an external audience). Similarly, in several other micro-characteristics studies, the focal audiences are other external audiences such as venture capitalists, angel investors, federal grant giving agencies, and other funding entities (e.g., Becker-Blease and Sohl, 2007; Hisrich and Jankowicz, 1990).

Studies adopting the micro-characteristic view primarily look at the early stages of venturing, with founder legitimacy portrayed as being somewhat less relevant during later stages of venturing. Specifically, micro-characteristic studies focus primarily on the conception and commercialization stage of venturing. For example, Petkova, Rindova, and Gupta (2013) discusses how the human capital of technology entrepreneurs acts as a source of founder legitimacy for them during the first round of Venture Capital (VC) funding.

Studies adopting the micro-characteristic view focus on cognitive and normative legitimacy, with limited focus on regulative legitimacy. Micro-characteristic studies focusing on cognitive legitimacy explore, for instance, how the founder's gender acts as a signal of their legitimacy (Buttner and Rosen, 1988). Micro-characteristic studies focusing on normative legitimacy examine, for instance, how the founder's initial ties are a source of founder legitimacy during the early stages of venturing (Hallen, 2008).

Micro-characteristic studies primarily focus on the presence or absence of legitimacy, i.e., legitimacy is interpreted as a binary concept in these studies. For example, while educational credentials are recognized as a feature that confers legitimacy on founders in micro-characteristic studies, it is not clear whether some types of educational credentials can offer *more* legitimacy to a founder than others. Micro-characteristic studies also do not consider the possibility of negative founder legitimacy or stigma, focusing instead only on positive legitimacy.

## **Meso-Characteristic**

Founder legitimacy studies that take the meso-characteristic view characterize founder legitimacy as a characteristic derived from meso-level entities, such as organizations founded by the founder or other organizations the founder is affiliated with or endorsed by. Thus, in meso-characteristic studies the signal conveying the founder's legitimacy to audiences is shown as emanating not from the founder, but rather from the organization/s. For instance, Hearn and Filatotchev (2019) found that higher levels of private equity ownership of a founder in their venture is positively associated with the founder's legitimacy and the probability of their retention as CEO in the venture. There were 17 studies in the review belonging to this category.

Unlike micro-characteristic studies, meso-characteristic studies focus not only on external legitimacy, but also internal legitimacy. For instance, Hearn and Filatotchev (2019) looked at the influence of founders' private equity ownership in their firms on their legitimacy with internal audiences such as board members and shareholders. Meso-characteristic studies also take a broader perspective than micro-characteristic studies in that they explore the role of founder legitimacy during all stages of venturing. These include even the later stages of venturing, such as the growth and stability stages, when founder retention as CEO in the venture primarily depends on their legitimacy with key stakeholders.

Meso-characteristic studies focus primarily on cognitive legitimacy, with limited focus on normative and regulative legitimacy. For example, several meso-characteristic studies, such as those by Du, Guariglia, and Newman (2015), Riquelme and Rickards (1992), and Zacharakis and Meyer (2000), focus on the founder's prior work experience as a signal of their cognitive legitimacy. These experiences relate to their market, managerial and start-up experience.

Finally, unlike micro-characteristic studies, meso-characteristic studies primarily focus on the presence and magnitude of legitimacy, i.e., legitimacy is interpreted as a graded concept in these studies. For example, Kackovic and Wijnberg (2020) argue that legitimacy signals coming from credible third-party sources convey more legitimacy on founders than other kinds of third-party sources. Meso-characteristic studies, similar to micro-characteristic studies, also do not consider the possibility of negative founder legitimacy or stigma but rather focus solely on positive legitimacy.

### **Macro-Characteristic**

Macro-characteristic studies characterize founder legitimacy as a characteristic derived from macro-level entities with which the founder is associated, such as an industry, a community or a region. Thus, the founder is conferred legitimacy by audiences from the founder's past or current membership in these macro-level entities. There were ten studies in the review belonging to this category.

Similar to micro-characteristic studies and unlike meso-characteristic studies, macro-characteristic studies focus primarily on external legitimacy, with limited focus on internal legitimacy. For example, studies such as those by Kacperczyk and Younkin (2017), and Huang and colleagues (2022) explore the relationship between entrepreneurs' work experience and the legitimacy conferred on them by external audiences such as investors, customers and even potential employees.

Studies adopting the macro-characteristic view investigate founder legitimacy at all stages of venturing. While some macro-characteristic studies, such as that by Kacperczyk and Younkin (2017), explore the conception and commercialization stages of venturing, other macro-characteristic studies, such as that by Lee, Peng, and Barney (2007), explore later stages of the

venturing, such as periods of decline when a firm files for bankruptcy. Macro-characteristic studies, similar to meso-characteristic studies, also focus on cognitive legitimacy, with limited attention paid to normative legitimacy and regulative legitimacy.

Finally, similar to meso-characteristic studies, these studies also focus on both the presence and magnitude of legitimacy. Some macro-characteristic studies also theorize negative founder legitimacy or stigma. For example, Lee et al. (2007) show how introduction of lenient bankruptcy laws can reduce the negative founder legitimacy or stigma experienced after filing for bankruptcy.

### **Micro-Process**

Studies that take the micro-process view characterize founder legitimacy as a process undertaken by micro-level entities. There were 22 studies belonging to this category. Studies that take this view focus on the actions of individuals that help them establish in the eyes of society their legitimacy as founders. These actions, such as impression management and storytelling, are shown to enable founders to meet (e.g., Garud et al., 2014) or even change audience expectations (e.g., Granados, Rosli, & Gotsi, 2022).

Micro-process studies focus primarily on the different ways in which external legitimacy of the founder is established. These studies look at how founders establish their legitimacy with audiences such as potential customers, investors, potential employees, suppliers and advisors. Similar to meso and macro-characteristic studies, micro-process studies also look at all stages of venturing, including later stages of venturing such as growth and stability. For example, while studies such as that by Pollack, Rutherford, and Nagy (2012) focus on the process by which founders establish legitimacy during the early stages of venturing, other studies such as that by

Kibler et al., (2017) focus on how they maintain their legitimacy during later stages of venturing, particularly whether and when a firm fails.

Micro-process studies focus on normative and cognitive legitimacy, with limited focus on regulative legitimacy. For example, Pollack and colleagues (2012) discuss how founders' preparedness behavior can be a source of cognitive legitimacy for key stakeholders, while Starr and MacMillan (1990) show how founders achieve normative legitimacy for themselves through associations and endorsements with other credible individuals.

Finally, micro-process studies focus on both the presence and magnitude of legitimacy. Thus, these studies portray legitimacy as a continuous variable that varies with the effectiveness of the legitimating actions undertaken by the founders (e.g., Shepherd et al., 2000; Zott and Huy, 2007). These studies, however, do not investigate actions of individuals that may lead to stigma or negative legitimacy and focus only on positive legitimacy.

### **Meso-Process**

Studies that take the meso-process view characterize founder legitimacy as a process undertaken by meso-level entities with which the founder is associated. Five studies in the review belonged to this category. In these studies, the founders indirectly legitimize themselves while playing an active role in helping their firms acquire legitimacy. The process of acquiring legitimacy for their firms, in turn, confers legitimacy on the founder. However, the founder may not have complete control over how the firm's legitimacy influences their legitimacy. For example, as the firm grows in age and size, audiences may see the founder as unfit to manage the firm, which may reduce their founder legitimacy (Wasserman, 2003).

Unlike micro-process studies, meso-process studies focus both on external and internal legitimacy. For example, Bolzani et al. (2020) focused on external stakeholders such as

investors, customers and the government, while Wasserman (2003) focused on internal stakeholders such as the focal venture's shareholders and board members. However, unlike micro-process studies, meso-process studies focus primarily on the conceptualization and commercialization stage, with limited focus on later stages of venturing.

Meso-process studies focus almost exclusively on cognitive legitimacy, with limited attention given to normative and regulative legitimacy. For example, Bolzani et al. (2020) show that founders "hook" onto their venture's legitimacy, which they help establish, to gain cognitive legitimacy for themselves and improve their status.

Finally, meso-process studies also focus on both the presence and magnitude of legitimacy. The studies, however, do not focus on founders' actions that may lead to stigma or negative legitimacy but rather focus on positive legitimacy.

### **Macro-Process**

Studies that take the macro-process view characterize founder legitimacy as a process influenced by macro-level entities such as the industry. For example, the evolution of the industry is shown to have (1) a direct effect on the importance given to founders in the industry by audiences, and (2) an indirect effect on the legitimation strategies adopted by founders to legitimize themselves (Low & Abrahamson, 1997). This was the category that had the fewest studies, with only three.

Macro-process studies, like most of the other categories, focus exclusively on external legitimacy. These include all types of external audiences, such as financing entities, potential employees, customers, and strategic partners. Studies adopting this view focus on all stages of venturing, including later stages of venturing. For example, Low and Abrahamson (1997) study

the influence of the evolution of the industry on founder legitimation mechanisms for successful founding (conception stage).

Macro-process studies also focus on all three types of legitimacy, i.e., cognitive, normative, and regulative legitimacy. For example, Low and Abrahamson (1997) explore changes in the relative importance given by founders to cognitive and normative legitimacy as an industry evolves; while Eberhart, Eesley, and Eisenhardt (2017) explore the influence of bankruptcy laws (regulations) on the stigmatization of founders following firm failure (stability/decline stage). These studies also focus on both the presence and the magnitude of legitimacy. They also focus on both the positive and negative legitimacy of the founder.

### **DIRECTIONS FOR FUTURE RESEARCH**

The novel typology introduced in the previous sections provides a coherent framework for conceptualizing and studying founder legitimacy. In this section, I suggest several avenues for future research that can build on this typology. These avenues emerged from the research gaps that I identified by comparing the six categories of studies discussed in the earlier sections. The comparison is captured in Table II-3.

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Insert Table II-3 about here

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I classify the potential avenues for research into three types: (1) avenues from extending current categories of founder legitimacy work; (2) avenues from combining categories of founder legitimacy work; and (3) avenues from challenging assumptions of existing studies. Finally, I suggest that and explain how novel empirical contexts, such as immigrant entrepreneurship, can be effectively used to answer research questions related to these three avenues of future research.

### **Avenues from extending current categories of founder legitimacy work**

Future research could directly build on the founder typology by refining each of its six study categories to focus on previously under-explored themes such as audiences, legitimacy types, and venture life cycle stages.

For example, future research could expand micro-characteristic studies by focusing not only on external audiences, but also on internal audiences of a firm. Thus, studies could explore the ways in which characteristics such as gender, age, and race influence founder legitimacy in the eyes of internal audiences such as employees, partners, or board members. For example, will the gender of the founder have the same influence on the legitimacy judgments of internal audiences as they have with external audiences? Or will the influence be less due to the closer proximity and more frequent interactions of internal audiences to the founder? Future studies could also expand research that adopts the macro-characteristic view by studying regulative founder legitimacy apart from cognitive founder legitimacy. For example, studies could explore to what extent regulative founder legitimacy mediates the relationship between the level of regulations in an industry and the probability of starting a firm in the industry.

Future studies could expand research that adopts the meso-process view by studying not only founder legitimation during early stages of venturing, but also during later stages. For example, studies could explore whether loss of a venture's legitimacy during its later stages, such as due to the inability of the venture to adapt to a changing business environment, may pass on to the founder.

### **Avenues from combining categories of existing studies**

Another avenue for future research involves linking the six categories of founder legitimacy work and engaging in more integrative ways of theorizing. This new line of work

could adopt more complex characterizations of founder legitimacy that combine various aspects of the existing characterizations.

Future studies could combine founder legitimacy-as-characteristic and founder legitimacy-as-process studies. Thus, studies could look at how differences in gender, race or prior work experiences among founders influence actions taken by them to influence audience perceptions about their legitimacy. For example, are individuals with more diverse prior work experiences likely to be more effective in their storytelling while establishing founder legitimacy?

Similarly, future studies could also incorporate multiple sources of founder legitimacy, i.e., micro, meso, and macro. These studies could look at substitutability among the different sources. For example, will founder legitimacy derived from having greater equity (meso source) be more effective than legitimacy derived from relevant industry experience (macro source) in helping founders avoid founder-CEO succession?

### **Avenues from challenging assumptions of existing studies**

Another avenue for future research involves challenging certain limiting assumptions currently shared by founder legitimacy studies. Challenging these assumptions can help refine and broaden the scope of the literature (Gergen, 1978).

For example, most founder legitimacy-as-characteristic studies tend to assume that different legitimacy-granting audiences have somewhat similar legitimacy expectations of founders. However, it is clear from recent studies, such as Fisher, Kuratko, Bloodgood, & Hornsby (2017), that this is a limiting assumption considering the contrasting tastes, preferences, beliefs, and values of different audiences. Although founder legitimacy-as-process studies have begun to incorporate audience diversity as an essential component of their theorizing, the same

cannot be said about founder legitimacy-as-characteristic studies. Hence, future research could focus on how the same founder characteristics may lead to different legitimacy judgments among different audiences, and the consequences of this for founders' venturing.

Similarly, founder legitimacy-as-process studies assume that founders know how to establish founder legitimacy with diverse audiences. However, considering the in-depth knowledge of audiences that is often needed to influence audience perceptions, this seems like a premature assumption, since this knowledge can take months or perhaps even years to develop. Furthermore, legitimation being a skilled activity, the expertise to apply this knowledge through skilled activities like storytelling and impression management may also require years of practice. Thus, future research can explore how founders develop the knowledge and skills or expertise needed to become skillful cultural operators.

Founder legitimacy-as-process studies also tend to assume that all founders go through somewhat similar legitimation processes to establish their legitimacy. However, it is conceivable that different founders, even those in the same environment, could use different tactics to establish their legitimacy depending on how they interpret the environment and the audiences in it. Thus, future research could explore how and why different prior experiences and conditioning of founders influence them to establish their legitimacy differently.

### **Using appropriate empirical context for future founder legitimacy research**

A probable reason for the limited research on founder legitimacy relative to venture legitimacy (Fisher, 2010) is the focus of extant studies on entrepreneurs who are well established in their local context and whose legitimacy as founders is somewhat taken for granted. Taking for granted founder legitimacy during the venturing process limits theoretical development of whether and how ventures emerge and grow.

Moreover, many entrepreneurs have limited legitimacy as founders, such as former inmates, individuals with disabilities, and immigrants (Berry, Kim, Power, Young, & Bujaki, 1989). These individuals need to work to establish their founder legitimacy so that they can then engage in successful venturing. The founder legitimacy of immigrants, in particular, cannot be taken for granted due to their initial lack of familiarity with the local context. Thus, immigrants wanting to engage in venturing not only have a greater need to establish legitimacy than natives, but to do so, they also need to first familiarize themselves with local expectations regarding who or what is perceived as legitimate (Friedberg, 2000). These distinctive characteristics of immigrant entrepreneurship make immigrant entrepreneurs a suitable sample for investigations on founder legitimacy (Mata & Alves, 2018) that would fill some of the research gaps highlighted above.

Specifically, studies on the early period of immigrant entrepreneurs' integration into the host country, in particular, could help shed light on some of the earliest stages of the founder legitimation process, which is poorly understood. For example, such studies into this period could shed light on how founders learn about audiences from whom they eventually seek legitimacy, how they decide which audiences to target, and how they develop the tools and knowledge necessary to establish legitimacy with diverse audiences.

## **CONCLUSION**

Although steps have been taken in recent years to address the conceptual ambiguity plaguing venture legitimacy research in the management literature (see Suddaby et al., 2017 and Überbacher, 2014), the same cannot be said of founder legitimacy research. Yet, scholars recognize founder legitimacy as an important resource needed at various stages of the venturing process, particularly the early stages. Thus, these conceptual ambiguities should be clarified,

particularly ambiguities regarding the definition of founder legitimacy and how founder legitimacy is achieved, so that researchers can undertake more integrative theorizing on the topic. By offering an integrative typology that helps map the research stream, and by suggesting several avenues for future research that build off of this typology, this review can serve as a roadmap and reference point for scholars interested in founder legitimacy research.

**Table II-1: List of Journals Selected for Review**

Domain	Journal	Articles	
Entrepreneurship	Journal of Business Venturing (JBV)	25	
	Entrepreneurship Theory and Practice (ETP)	10	45
	Strategic Entrepreneurship Journal (SEJ)	3	
	Small Business Economics (SBE)	7	
Management	Academy of Management Journal (AMJ)	6	
	Academy of Management Review (AMR)	7	
	Administrative Science Quarterly (ASQ)	6	
	Organization Science (OrgSc)	6	38
	Strategic Management Journal (SMJ)	8	
	Journal of Management (JOM)	1	
	Journal of Management Studies (JMS)	3	
	Management Science (MgSc)	1	
<b>Total</b>		<b>83</b>	

**Table II-2: Typology of Founder Legitimacy Characterizations with Examples**

Founder legitimacy	Micro-level sources	Meso-level sources	Macro-level sources
Manifestation as characteristic	<p><b>Factors conferring founder legitimacy:</b></p> <ul style="list-style-type: none"> <li>• Education credentials (Cohen &amp; Dean, 2005; Tornikoski &amp; Newbert, 2007)</li> <li>• Pre-existing ties with individuals (Hallen, 2008; Mollick, 2014)</li> <li>• Gender (Becker-Blease &amp; Sohl, 2007; Gicheva &amp; Link, 2013, 2015)</li> <li>• Accomplishments/awards (Zimmerman &amp; Zeitz, 2002)</li> <li>• Personality/Charisma (Hisrich &amp; Jankowicz, 1990)</li> <li>• Subject positions (Garud, Hardy, &amp; Maguire, 2007)</li> </ul>	<p><b>Factors conferring founder legitimacy:</b></p> <ul style="list-style-type: none"> <li>• Status of parent firm and position in it (Boeker &amp; Fleming, 2010)</li> <li>• Performance of prior/current venture (Sapienza &amp; Gupta, 1994; Zacharakis &amp; Meyer, 2000)</li> <li>• Equity ownership in focal venture (Hearn &amp; Filatotchev, 2019; Sapienza &amp; Gupta, 1994)</li> <li>• Credibility of TMT members and joint-work experience (Beckman, Burton, &amp; O'Reilly, 2007; Godwin, Stevens, &amp; Brenner, 2006; Higgins &amp; Gulati, 2006)</li> <li>• Endorsement by third-party organizations (Kackovic nd Wijnberg, 2020; Plummer et al., 2016)</li> <li>• Pre-existing ties with other organizations (Zhang &amp; Wiersema, 2009)</li> </ul>	<p><b>Factors conferring founder legitimacy:</b></p> <ul style="list-style-type: none"> <li>• Relevance of prior industry experience (Huang et al., 2022; Kacperczyk &amp; Younkin, 2017)</li> <li>• Uncertainty in current industry/region (Huang et al., 2022; Lee et al., 2007)</li> <li>• Location (Cardon, Stevens, &amp; Potter, 2011; Mollick, 2014)</li> <li>• Ethnicity and immigrant status (Joshi et al., 2018; Mata &amp; Alves, 2018)</li> <li>• Religion (Liu et al., 2019; Xu, Liu, &amp; Wu, 2021)</li> <li>• Political affiliation (Du et al., 2015; Zhao &amp; Lu, 2016)</li> </ul>
Manifestation as process	<p><b>Processes influencing founder legitimacy:</b></p> <ul style="list-style-type: none"> <li>• Storytelling (Ibarra &amp; Barbulescu, 2010; Navis &amp; Glynn, 2011)</li> <li>• Symbolic action (Zott &amp; Huy, 2007)</li> <li>• Impression management (Granados et al., 2022; Nagy et al., 2012)</li> <li>• Founder training and skill development (Shepherd et al., 2000)</li> <li>• Identity work (Marlow &amp; McAdam, 2015; York et al., 2016)</li> <li>• Cooptation (Starr &amp; MacMillan, 1990)</li> </ul>	<p><b>Processes influencing founder legitimacy:</b></p> <ul style="list-style-type: none"> <li>• Venture legitimation activities (Bolzani et al., 2020)</li> <li>• Firm life cycle evolution (Fisher et al., 2016)</li> <li>• Change in age and size of venture over time (Boeker &amp; Karichalil, 2002; Phillips, 2002)</li> <li>• Product life cycle changes (Wasserman, 2003)</li> </ul>	<p><b>Processes influencing founder legitimacy:</b></p> <ul style="list-style-type: none"> <li>• Industry life cycle evolution (Low &amp; Abrahamson, 1997)l</li> <li>• Regulatory change (Eberhart et al., 2017)</li> <li>• Change in status of occupations, education stratification and locational attractiveness (Haveman et al., 2012)</li> </ul>

**Table II-3: Comparison of Studies Adopting Different Founder Legitimacy Characterizations**

Founder legitimacy	Micro-level sources	Meso-level sources	Macro-level sources
Manifestation as characteristic	<p><b>Limiting assumptions:</b>                      Audience legitimacy expectations are unalterable                      Audiences have similar legitimacy expectations</p>		
	<p><b>Focus:</b>                      Only on external legitimacy                      Only on conception and commercialization stages of venturing                      Only on cognitive and normative legitimacy                      Only on presence/absence of legitimacy                      Only on positive conceptualization of legitimacy</p>	<p><b>Focus:</b>                      On both internal and external legitimacy                      On all stages of venturing                      Only on cognitive legitimacy                      On presence and magnitude of legitimacy                      Only on positive conceptualization of legitimacy</p>	<p><b>Focus:</b>                      Only on external legitimacy                      On all stages of venturing                      Only on cognitive legitimacy                      On presence and magnitude of legitimacy                      On both positive and negative conceptualization of legitimacy</p>
Manifestation as process	<p><b>Limiting assumptions:</b>                      Founders “know” how to establish legitimacy                      Founders establish legitimacy in similar ways</p>		
	<p><b>Focus:</b>                      Only on external legitimacy                      On all stages of venturing                      Only cognitive and normative legitimacy                      On presence and magnitude of legitimacy                      Only on positive conceptualization of legitimacy</p>	<p><b>Focus:</b>                      On both internal and external legitimacy                      Only on conception and commercialization stages of venturing                      Only on cognitive legitimacy                      On presence and magnitude of legitimacy                      Only on positive conceptualization of legitimacy</p>	<p><b>Focus:</b>                      Only on external legitimacy                      On all stages of venturing                      On cognitive, normative and regulative legitimacy                      On presence and magnitude of legitimacy                      On both positive and negative conceptualization of legitimacy</p>

## **CHAPTER THREE: LEGITIMACY AND FRAMING TACTICS: THE CASE OF REFUGEE ENTREPRENEURS**

### **ABSTRACT**

Entrepreneurs are usually portrayed as skilled cultural operators who influence stakeholder perceptions to establish legitimacy. Yet, this portrayal ignores the processes by which entrepreneurs become skilled operators. I investigate these processes by conducting a qualitative study based on 47 semi-structured interviews with resettled refugee entrepreneurs. I identify two pathways that lead to expertise in two contrasting ways of establishing founder legitimacy. The first pathway is followed by refugees who perceive themselves as members of a large and diverse social group, and who consequently develop flexible framing capabilities to adapt to diverse audiences. The second pathway is followed by refugees who perceive themselves as unique individuals, and who develop rigid framing capabilities to demonstrate their uniqueness across diverse audiences. Unlike prior studies that attribute framing differences to individual attributes, I find these pathways to emerge from founders' prior legitimacy experiences that differently shape their motivations for legitimation.

**Keywords:** Entrepreneurial legitimacy; Cultural entrepreneurship; Entrepreneurial framing; Institutional logics

## INTRODUCTION

To attract the resources needed for starting and growing new ventures, entrepreneurs need to be perceived as “legitimate” founders and worthy of being trusted by resource-providing audiences (Aldrich & Fiol, 1994; Shantz et al., 2018; Spigel & Harrison, 2018). While legitimizing one’s identity as a founder is a challenge, entrepreneurs overcome this challenge by employing cultural mechanisms such as storytelling, using analogies and arguments, and managing audiences’ impressions (De Clercq & Voronov, 2009; Tornikoski & Newbert, 2007). Entrepreneurs often use these mechanisms to portray themselves differently to different audiences such as individual supporters, corporations, government agencies and communities, since these audiences differ in their expectations regarding who a legitimate founder is (Fisher et al., 2017; Ibarra & Barbulescu, 2010; Värlander, Sölvell, & Klyver, 2020). For example, many technology entrepreneurs use storytelling to highlight their past entrepreneurial achievements when appealing to investors, but they emphasize their desire to contribute to science when appealing to government agencies (Maurer & Ebers, 2006; Sauermann & Stephan, 2013). This act of customizing one’s looks, stories and narratives for different audiences is referred to as framing (Cornelissen & Werner, 2014). In fact, when it comes to framing, entrepreneurs are depicted as “skilled cultural operators” capable of simultaneously meeting contrasting legitimacy expectations of different kinds of audiences (Lounsbury & Glynn, 2001, 2019).

Yet, this depiction of entrepreneurs as skilled cultural operators assumes that entrepreneurs “know” how to portray themselves to different audiences, and thus, ignores how entrepreneurs become the skilled operators. Furthermore, depending on how they develop this knowledge or expertise, it is conceivable that differences may emerge among entrepreneurs in how they influence audiences through framing. However, the homogeneous depiction of

entrepreneurs in the legitimacy literature means that existing studies still assume that entrepreneurs frame in somewhat similar ways, i.e., for the purposes of this study, they use similar framing tactics. Framing tactics matter because they influence how much and from whom entrepreneurs are able to attract legitimacy and resources (Fisher et al., 2017).

The goal of this paper is to investigate the processes through which entrepreneurs become skilled cultural operators (O’Neil & Ucbasaran, 2016), particularly how entrepreneurs make sense of audiences they seek legitimacy from and what framing tactics are used by the entrepreneurs to influence these audiences. Specifically, I investigate how do entrepreneurs develop framing tactics to influence audiences’ perceptions about their legitimacy as founders? What, if any, are the differences in these framing tactics developed by entrepreneurs and why do these differences emerge? I operationalize my research questions by studying resettled refugee entrepreneurs. After resettlement, refugees start with limited legitimacy, limited resources, and limited familiarity with local audiences (Szkudlarek et al., 2019). The newness to the hosting context renders this population uniquely suitable to advance theory on the processes through which framing tactics are “developed,” while other populations might be expected to “know” such tactics. Using semi-structured interview data on 47 refugees who started ventures after resettlement in the U.S., I focus on how refugees adapt to the new context and new audiences in preparation for venturing. Since there is limited research addressing my research questions, I employ a qualitative inductive methodology (Gioia et al., 2013), and develop context-specific grounded theory.

My paper contributes to the entrepreneurial legitimacy and cultural entrepreneurship literature. My main contribution is a novel framework that identifies two pathways adopted by my informants to develop the expertise needed to establish their legitimacy as founders. These

pathways lead to expertise in two contrasting types of framing tactics, which I identify as differing on the theoretical dimension of flexibility – the willingness to change looks, stories and narratives for different audiences. Unlike prior studies that attribute framing differences among entrepreneurs, if any, to individual abilities (Zott & Huy, 2007), my framework extends theory by showing how different prior experiences, mindsets, and learning combine to determine how flexibly entrepreneurs choose to frame. Specifically, I find that the diversity of audiences that entrepreneurs previously held legitimacy with influences whether entrepreneurs perceive themselves as members of a social group or as unique individuals. These differences in how entrepreneurs perceive themselves and others around them, in turn, influence whether they develop capabilities oriented primarily towards meeting audience expectations through adaptation and flexible framing, or towards altering audience expectations by demonstrating distinctiveness and rigid framing.

## **CONCEPTUAL BACKGROUND**

The theoretical framework and research questions in this paper are the outcome of a period of data collection and analysis efforts lasting more than a year. These efforts began with an initial set of research questions exploring how and why some refugees were more resilient than others when transitioning permanently to a new context, and how venturing helped them to transition. As I collected data with the help of a team with the purpose of finding answers to these questions, I found that my informants repeatedly mentioned “needing to be accepted” and “doing what is appropriate” as it related to “finding money for starting a business” and “social support.” In other words, my informants frequently highlighted in their responses the difficulties they faced for not being considered “legitimate,” their attempts to “find their place” in the United States, and the success they achieved in “adjusting to different new cultures and people” in the

new country. These responses redirected the focus of my interviews to how my informants established themselves as “legitimate” founders after resettlement. This, in turn, revealed different stories, not only about informants’ initial attitudes and the steps they took towards achieving legitimacy, but also about how prior experiences influenced their attitudes and actions. With this revised focus, I explored the literature on legitimacy that could inform my inductive inquiry. Specifically, I drew upon the entrepreneurial legitimacy and cultural entrepreneurship literature to frame and orient my findings and associated grounded theoretical model.

The entrepreneurial legitimacy literature has highlighted the importance of the founder’s legitimacy for successful venturing, particularly when ventures are in their pre-operational stage (Aldrich & Fiol, 1994; Suchman, 1995; Tornikoski & Newbert, 2007). This is because it is difficult for nascent ventures to establish legitimacy at this stage, due to their lack of a clear form or structure, and the difficulty resource-holding audiences face in judging them (Navis & Glynn, 2011). Thus, founder legitimacy plays a key role in enabling a nascent venture to gain the resources and support needed to render the organization successfully operational (Boeker & Fleming, 2010).

But to establish legitimacy, entrepreneurs must do more than passively possess characteristics deemed credible by society; rather, they must carefully manage their legitimacy by actively shaping others’ perceptions (Aldrich & Fiol, 1994; De Clercq & Voronov, 2009; Down & Reveley, 2004). Studies show that entrepreneurs may shape audience perceptions by conforming to the audience’s legitimacy expectations, but also by enabling otherwise taken-for-granted expectations to be revisited and altered (Weick, 1995). To conceptualize how entrepreneurs establish founder legitimacy, scholars increasingly draw on a “cultural entrepreneurship” perspective (Caza, Moss, & Vough, 2018; Giorgi, Lockwood, & Glynn, 2015;

Lounsbury & Glynn, 2001; Värlander et al., 2020; Wry, Lounsbury, & Glynn, 2011). These studies explore the meaning-making mechanisms used for founder legitimation, such as storytelling (e.g., Aldrich and Fiol, 1994; Garud et al., 2007; Lounsbury and Glynn, 2001; Martens et al., 2007), forging ties (e.g., Certo, 2003; Haveman et al., 2012; Higgins and Gulati, 2006, 2003; Stuart et al., 1999), attaining certification (e.g., Rao, 2004), engaging in symbolic actions (e.g., Zott and Huy, 2007), and managing impressions (e.g., Benson, Brau, Cicon, & Ferris, 2015; Clarke, 2011; Rutherford et al., 2009).

Recent research shows that entrepreneurs, while seeking founder legitimacy, often need to adapt the above-mentioned cultural mechanisms for a particular audience; so as to ensure that the claim they make about their founder identity aligns with the expectations of that audience (Fisher et al., 2016; Garud et al., 2014; Kraatz & Block, 2008). This is necessary because different audiences have different expectations with respect to what constitutes a “legitimate” founder identity (Aldrich & Fiol, 1994). Audiences have different legitimacy expectations since they are governed by different institutional logics, which provide the governing principles that define appropriate behavior for audiences (Pahnke, Katila, & Eisenhardt, 2015). Institutional logics are “socially constructed, historical patterns of material practices, assumptions, values, beliefs, norms, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio, 1999: 804). Institutional logics differ across audiences because of the different environmental contexts to which audiences belong.

Most entrepreneurs depend on resource support from multiple audiences with different institutional logics. This often creates a situation in which entrepreneurs need to manage competing legitimacy expectations of different audiences (Pache & Santos, 2010; Überbacher,

2014). To manage legitimacy expectations across diverse audiences, entrepreneurs use framing. Framing is “the use of rhetorical devices in communication to mobilize support and minimize resistance” (Cornelissen and Werner, 2014: 185). Entrepreneurs have been shown to use framing to draw attention to the distinctiveness of their offerings (McKnight & Zietsma, 2018), or to the environmentally friendly practices they embrace (Weber, Heinze, & DeSoucey, 2008). Framing is particularly important for entrepreneurs because it often constitutes their first contact with potential resource-providers, and plays a key role in mitigating the liability of newness faced by them while creating and growing new ventures (Snihur et al., 2021). In recent years, there has been increasing recognition among scholars that entrepreneurs use framing to legitimize themselves and their ventures (Snihur et al., 2021). Framing “enables entrepreneurs to quickly and strategically adjust salient elements of their presentations, pitches, videos, documents, or meeting discussions to emphasize specific legitimacy mechanisms that align with the institutional logic of the focal audience” (Fisher et al., 2017: 67). Thus, through framing, entrepreneurs are able to manipulate and deploy several evocative audience-specific cultural mechanisms, such as symbols and narratives (Suchman, 1995; Zimmerman & Zeitz, 2002). They are then able to use these mechanisms to create multiple founder identity frames and to select frames that best meet the legitimacy expectations of each audience (Grimes, 2018).

This review of the entrepreneurial legitimacy and cultural entrepreneurship literatures reveals two key omissions, which if addressed, can help researchers better understand the earliest stage of the entrepreneurial journey (McMullen & Dimov, 2013; Venkataraman, Sarasvathy, Dew, & Forster, 2012; Vogel, 2017). First, extant literature sheds light on various cultural mechanisms, such as storytelling, use of narratives, analogies and arguments, and impression and symbolic management used skillfully by entrepreneurs to establish widespread legitimacy

(Lounsbury & Glynn, 2019). Yet, the literature has neglected how entrepreneurs develop this expertise to use these cultural mechanisms, which have to be customized to each audience. O’Neil and Ucbasaran (2016: 136) highlight this gap by remarking that “the process through which entrepreneurs become the skillful cultural operators needed to gain legitimacy is not fully explained.” Existing studies assume that entrepreneurs “know” how to frame stories and narratives for different target audiences (Drori, Honig, & Wright, 2009; O’Neil & Ucbasaran, 2016). Recent studies, however, suggest that it can take time and effort to develop these framing tactics, since entrepreneurs often need to develop a deep understanding of each of their target audiences to do so (Fisher et al., 2016; Überbacher, Jacobs, & Cornelissen, 2015). Nevertheless, even these studies assume that entrepreneurs “know” how to frame to their target audiences when they start venturing, and focus on how entrepreneurs are forced to revise their initial understanding of audiences during later stages of venturing. Thus, we still do not understand completely the processes through which entrepreneurs develop framing tactics, particularly the tactics they use to establish their legitimacy as founders during the pre-operational stages of venturing. Understanding these processes can help explain why different entrepreneurs may use different ways to influence audiences’ perceptions about their legitimacy as founders.

Second, existing studies do not adequately recognize if and how entrepreneurs may differ in influencing audiences’ legitimacy perceptions, specifically in how they choose to frame to audiences, i.e., their framing tactics. This is due to the implicit assumption that two or more entrepreneurs will customize their stories and narratives in similar ways (to each other) when seeking legitimacy from the same set of audiences. Fisher and his colleagues (2017: 69) highlight this gap, remarking that “future research might explore different framing tactics (used by entrepreneurs) and assess the effectiveness of each tactic, under different conditions or

contexts.” Yet, despite the growing recognition of the importance of framing in the entrepreneurship literature (Allison, Davis, Short, & Webb, 2015; McKnight & Zietsma, 2018; Shepherd, Wennberg, Suddaby, & Wiklund, 2019), existing studies do not distinguish between different framing tactics, particularly tactics used to establish founder legitimacy, based on any clear theoretical dimension. Although studies such as that by Zott and Huy (2007) suggest some differences among entrepreneurs in their framing, these studies attribute these differences to individual abilities, rather than any conscious choice on the part of the entrepreneurs. Thus, it is still not clear if, how and why entrepreneurs may consciously choose to adopt different framing tactics to establish legitimacy. Research that focuses on entrepreneurs who have spent little time among focal audiences may better capture differences in framing tactics, since entrepreneurs’ framing tactics may converge over a longer period of time.

Thus, I fill the above gaps and contribute to the literature by conducting an inductive study of individuals who, being new to their context, are forced to establish their legitimacy as founders, and for whom knowledge of accepted framing tactics cannot be assumed. Specifically, I focus my study on the experiences, mindsets and legitimacy-focused activities of these individuals before their ventures become operational.

## **DATA AND METHODS**

I adopted a grounded theory approach (Glaser & Straus, 1967; Strauss & Corbin, 1998) for this study. Grounded theory is a process of inductively developing and elaborating on theories from data. Grounded theory is most effective when constructs or phenomena are not well understood (Christensen & Raynor, 2003), as is the case with the process through which entrepreneurs develop the expertise to establish legitimacy. Moreover, the grounded theory approach is particularly useful in exploring variations in constructs or phenomena and their

antecedents (Fischer & Reuber, 2004). Thus, this approach facilitates the detection of differences among individuals in how they influence audiences' perceptions about their legitimacy as founders, and how such differences may be induced by different dimensions.

### **Research context**

I selected the extreme context of resettled refugee entrepreneurs in the northeastern U.S. for this study. The UN defines refugees as people who have left their own country because of a well-founded fear of persecution for such reasons as race, religion, nationality, and political opinion. Resettled refugees are refugees who have been transferred from a country where they were temporarily given asylum to another country, which has agreed to admit them and ultimately grant them permanent residence. UNHCR is mandated by its Statute and the UN General Assembly Resolutions to undertake resettlement (UNHCR, 2020). Studying an “extreme context,” such as that of refugees who have started ventures in their country of resettlement, is helpful in theory-building as it “provides a unique platform for the study of hard-to-get-at organizational phenomena, particularly organizational processes of adaptation” (Hällgren et al., 2018: 112). Hughes, Riesman, and Becker (2017), for example, point out that extreme contexts uncover what people were probably doing in more ordinary situations but were too unreflective to recognize or too conventional to admit.

My rationale for selecting resettled refugee entrepreneurship as a relevant “extreme context” is two-fold. First, refugees have gone through an extreme institutional change in moving from a *home* institutional context to a *host* institutional context with different norms, rules, laws, values, and conventions (FitzGerald & Arar, 2018). Thus, owing to their foreignness in the new context, refugees start with little or no legitimacy after resettlement. Second, the extreme institutional change experienced by refugees tends to be motivated by circumstances

like war, violence, and persecution. That is, the circumstances are unplanned and forced. This means that refugees initially have limited resources and limited familiarity with locals upon resettlement (Szkudlarek et al., 2019). Taken together, their limited legitimacy, resources and familiarity, relative to natives or other immigrants, make refugees an ideal sample to study how entrepreneurs establish legitimacy from scratch. For example, although natives may sometimes experience extreme institutional changes, such as changes in regulations or political regimes (e.g., Nigam and Ocasio, 2010), these changes tend to be slower-moving and partial. Similarly, transitions experienced by non-refugee immigrants tend to be planned, with some opportunities to accumulate relevant knowledge and resources before moving to the new context (e.g., Sequeira, Carr, & Rasheed, 2009).

Establishing legitimacy matters more for refugee entrepreneurs, compared to refugee wage employees, due to the significance of legitimacy for resource acquisition during organizational emergence and growth (Szkudlarek et al., 2019). Refugee wage employees often enjoy the backing of a supportive and highly legitimate host country company, which reduces their need to establish legitimacy for themselves (Szkudlarek et al., 2019). Therefore, I narrowed my sample in this paper to refugees who had the experience of starting a business after resettling in the U.S.

### **Data collection<sup>1</sup>**

I adopted a flexible data collection approach and gathered information from a variety of sources (Gioia et al., 2013). The data were collected in waves and analyzed after each wave. The analysis after each wave informed my next wave of data collection. In line with the grounded theory approach, I followed theoretical sampling and decided which data should be collected

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<sup>1</sup> The data collection for this paper was part of data collection efforts for a larger qualitative project conducted by a team of researchers, which has yielded multiple papers, including this paper.

next based on the theory being constructed (Suddaby, 2006). Six research team members, which included three research assistants and the author, were split into two teams for collecting the data. The data collection process spanned one year, from November 2018 through November 2019, during which five waves of interviews were conducted. I also collected and analyzed archival data and reviewed relevant literature during each wave of data collection, as well as beyond the data collection period. Finally, during the data collection process, I reflected on emergent findings, developed my model, revised interview protocols, and refined my research questions (see Annexure III-1 for an overview of the data collection and analysis process).

*Interviews.* The main source for my primary data consists of formal and informal interviews with 47 refugees who became entrepreneurs after resettling in the U.S. (see Annexure III-2 for descriptive information on my informants and their businesses). 15 out of the 47 refugees also had entrepreneurial experience prior to resettlement. Informants included refugees who had moved to the United States between 2 and 39 years prior to the interview and were between 24 and 62 years of age. Countries of origin included Bhutan, Burma, Cuba, Ethiopia, Poland, Iraq, Somalia, Congo-Brazzaville, Congo-Kinshasa, Ukraine, and Vietnam. 33 of the 47 refugees interviewed were men. Each interview lasted an average of 55 minutes and was audio-recorded. Businesses started by the informants included grocery stores, restaurants, childcare centers, trucking companies, and construction companies. The businesses also varied considerably in size, age, number of owners, and location. Two of the informants were employed at the time of the interview but had been entrepreneurs previously.

The first wave of interviews took place with the executive directors and staff members of two refugee resettlement agencies. Specifically, research team members, excluding the research assistants, informally interviewed and observed staff members of these agencies who were

actively involved in the refugee resettlement process. These interviews provided valuable inputs that helped prepare the initial interview protocol, which can be made available by the author on request. In addition to information on the informants' demographic, education, and work characteristics, the initial questions in the protocol focused broadly on the informants' pre- and post-resettlement conditions, entrepreneurship experience, resilience, individual and collective identity, and future outlook. It was also decided that equal importance and time would be given to each of these areas during the interviews. Personnel from the resettlement agencies noted that informants would be more comfortable if at least some of the interviewers were refugees themselves. Thus, the three research assistants hired were refugees, had been in the U.S. for less than two years, were attending institutes of higher education, and were fluent in English, to carry out and assist with the interviews.

The second wave of interviews consisted of practice interviews of six refugee entrepreneurs. This served to train the research assistants on the interview protocol, with three other research team members taking part in each interview to provide feedback and coaching. The informants were refugees recommended by the resettlement agencies or found through team members' personal networks. These practice interviews helped us revise the initial research questions and protocol to emphasize emergent themes, and to identify additional refugees to interview through snowball sampling. Specifically, the interview questions were revised to reflect the emphasis placed by the informants on the importance of being "accepted" by new audiences in the host country, particularly local communities, prior to venturing. Many informants talked, in particular and at length, about their pursuits to "understand what they needed to do" to be accepted. The informants then talked about what they eventually did to be

accepted. As a result, I reduced the number of questions on resilience in my questionnaire and replaced them with more targeted questions around the topic of entrepreneurial legitimacy.

I repeated the process of analyzing completed interviews and reworked the research questions for subsequent waves of interviews. The third wave included interviews with 14 additional refugee entrepreneurs. The responses emphasized that pre-resettlement experiences played an important role in shaping the self-legitimizing efforts of refugees. Therefore, I added more interview questions to better understand this relationship between pre-resettlement experiences and self-legitimizing efforts of refugees. These questions were specifically related to “prior hardships” and “people encountered in the past,” and how these factors influenced the informants’ perceptions about themselves, perceptions about people they met after resettlement, and what they did to acquire legitimacy and resources for venturing again after resettlement. The fourth wave of interviews included 12 more refugees. I noted a split in the informants from this wave with two types of refugee entrepreneurs emerging. These two types differed in their prior legitimacy experiences, their mindsets towards establishing their legitimacy as founders in the host country, and the tactics they used for establishing this legitimacy. Therefore, while selecting participants for my fifth and final wave of interviews, I tried to ensure that I had a relatively even number of informants for these two types of refugee entrepreneurs.

*Site visits.* The two data-collection teams, which included the author, visited various sites relevant to the paper as part of the data collection efforts. The teams visited two refugee resettlement agencies and six nonprofits that provide support services for refugees. These visits helped to better understand the resettlement process that refugees undergo while they adjust to the new host country institutional environment. The teams also visited a business venture that primarily hires refugees to run their operations, many of whom had gone on to start businesses of

their own. This allowed me to understand the environment refugee entrepreneurs often choose to work in prior to switching to entrepreneurship. I also attended two events on refugees—a symposium on the topic of refugee resettlement and a government workshop—to identify problems and opportunities faced by refugee communities in the county. These events helped me gain valuable inputs from several key stakeholders involved in the resettlement process. These events also helped me to identify several refugee entrepreneurs to interview.

The data-collection teams also visited 41 business locations, which included places such as grocery stores, restaurants, childcare centers, private clinics, and trucking company offices, to conduct interviews. These locations were convenient and comfortable place for the resettled refugees to talk without inhibitions about their experiences. The visits to the business locations also allowed the data-collection teams to observe the informants engaging in business activities and interacting with key business stakeholders, such as customers, co-founders, and employees. When my line of inquiry shifted to entrepreneurial legitimacy after the first two waves of interviews, I found the site visits particularly useful. The site visits helped me understand what entrepreneurs did to maintain legitimacy with audiences who already considered them legitimate, and what they did to establish legitimacy with audiences who did not yet consider them legitimate. For example, I was able to identify differences in how informants deployed non-verbal cultural mechanisms such as facial expressions, mannerisms, and tone of speech differently to different audiences. These observations were particularly useful in substantiating informant accounts on how they framed stories and narratives about themselves to audiences prior to starting their ventures – the key focus of my study, but which could not be captured at the time it actually happened.

*Secondary data and field notes.* I used archival data to supplement the interview data. These data came primarily from news and magazine articles, press releases, government reports on refugees, and international aid agencies' websites. The data from these sources were used to 1) develop and reframe my research questions during the data collection process, 2) follow additional leads as they were uncovered, and 3) find corroborative material to support the main facts gathered in the field from the informants. The data-collection teams also took detailed field notes to capture key observations of sites visited, initial impressions of informants, and preliminary and emergent findings based on specific interviews.

### **Data Analysis**

To analyze the data, I followed procedures consistent with traditional grounded theory research (Locke, 2001; Strauss & Corbin, 1990). The analysis was iterative, overlapping with the data collection efforts and involving repeated comparisons of emerging evidence (Glaser & Straus, 1967). I ensured that the concepts were grounded in the data but also that they resonated with relevant prior literature (cf. Eisenhardt, 1989). Despite its iterative nature, the analysis progressed through several recognized rounds of coding.

*First-order codes.* My data analysis began with an open-coding approach (Strauss & Corbin, 1990), which was used to identify initial concepts based on interview transcripts and field notes. At this stage, I maintained an open mind to allow the data to speak while I categorized and labeled informant statements (first-order codes) to “denote concepts to stand for meaning” (Corbin and Strauss, 2014: 57). Specific codes were assigned to similar segments of interview text and recorded in Microsoft Excel spreadsheets. I also identified concepts that repeatedly surfaced and concepts that were conspicuous by their absence, and differences in how the informants described some concepts. Concepts that repeatedly surfaced were used to revise

the interview questions for subsequent interviews to gain more clarity about those concepts, and to separate them into different codes, if needed.

During this stage of analysis, I found that concepts such as “being accepted by locals,” “behaving appropriately,” “following the laws,” “facing discrimination,” and “learning the culture and language” repeatedly appeared after my first two waves of interviews. This observation caused me to turn my attention to the topic of founder legitimacy and entrepreneurial framing – the focus of this paper. Similarly, I found differences in how my informants described their professional and personal experiences prior to resettlement, and their approaches towards establishing their legitimacy as founders after resettlement during this stage of analysis. These differences were the early signs of the split I later identified among my informants in the type of framing tactics they developed and how they developed those tactics. Studying these differences in detail was critical to answering my final research question. I also recorded demographic information about my informants such as gender, age, country of origin, the reason for leaving their home country, years in the U.S., and prior entrepreneurship experience.

*Second-order codes.* Based on the methodology suggested by Glaser and Strauss (1967), I refined the coded data to a higher level of abstraction. Specifically, I clustered the first-order codes into higher-order themes to develop, relate, and segregate categories (i.e., axial coding) (Strauss & Corbin, 1998). This integration of first-order codes was based on potential theoretical connections between the codes and led to the identification of second-order themes. The initial second-order codes were related to the theme of legitimacy, but also to other aspects such as resilience, community logics, and venture growth. It was also during this stage of the analysis that I found some connections between some codes related to legitimacy. For example, at this stage, I observed a connection between pre-resettlement legitimacy experiences of my

informants and their post-resettlement attitudes and subsequently, efforts to establish themselves as legitimate founders. Similarly, I found a relation between informants' choice of tactics to establish legitimacy and the people they interacted with in the host country prior to venturing. Finally, in this stage of the analysis, I was able to provide more theoretical clarity to the differences I had found during the earlier stage of coding. For example, the differences I identified between informants in their degree of openness towards new cultures, norms, and laws were identified as a difference in their legitimation mindsets.

*Theoretical concepts.* The final stage of the analysis involved abstracting second-order themes into higher-ordered theoretical dimensions (Glaser & Strauss, 1967). Specifically, I compared and contrasted cases on multiple second-order themes and examined relevant literature streams to identify patterns and boundary conditions (Strauss & Corbin, 1998). I also iteratively compared my data across dimensions that were repeatedly expressed by informants, in line with Gephart Jr (1993). As a result of these comparisons, consistent with Corbin and Strauss (1990), I could trace sequences of and linkages between themes to create an emergent dynamic process model. At this stage, I also eliminated concepts that I determined to be unrelated to legitimacy and returned to the data a few times to validate my model (Strauss & Corbin, 1998). Overall, I identified five overarching theoretical dimensions that served as the foundation of my model. I divided these dimensions in the model on the basis of when they occurred in the informants' timeline, with some of the dimensions occurring before resettlement and others after resettlement. I then grouped the differences found among the informants during the earlier stages of coding into these dimensions, and I split my sample into two broad categories: refugee entrepreneurs with flexible framing tactics and refugee entrepreneurs with rigid framing tactics.

Several steps were also taken to ensure the quality of the data analysis. First, the codes that emerged from data analysis were refined during team meetings with members of the research team. Second, preliminary findings from the data analysis were discussed with certain refugee entrepreneurs, and their feedback was incorporated into the analysis. Finally, feedback on the analysis was also sought from colleagues (other than the research team members) in the entrepreneurship field.

Consistent with the study by Gioia and his colleagues (2013), my first- and second-order coding and my theoretical concepts yielded the data structure presented in Figure III-1. Figure III-1 provides an overview of the data analysis and illustrates how two different groups emerged from my data. The process model created from the data analysis is presented in Figure III-2.

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Insert Figure III-1 and III-2 about here

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## **FINDINGS**

### **Overview of findings and initial identification of differences across cases**

All my informants described the time immediately following resettlement as extremely challenging and uncertain, although they also reported a sense of relief from escaping adversity in their homelands or refugee camps. Resettlement involved starting almost from scratch, after having to leave behind, often traumatically, not only all their possessions, but also everyone and everything they knew (field notes). One informant explained this period in the following way:

Actually, initially, there was a lot of excitement and then when time goes, I start my job and then I begin to feel the pressure of the job. The responsibilities were very high. It was a very minimum job like cleaning, but you have to do that. We didn't know how to do that. I have never done a [any] job in my life.

Similarly, others explained this initial period in the following way:

I remember when I landed in Oakland. We came out of Thailand. We go from 120 degrees to 20 degrees. I didn't understand the feeling of cold. I didn't realize it could get that cold. I didn't understand the world is round. I thought it is just flat. You just go from one end to the other. I didn't understand what jet lag is either. I just went over there just talking. How come I am wide awake at 3 am. [6-R]

At first, when I first landed when I was coming from Nepal to the US, when I first landed in New York City, I called my parents after three four days when I reached California, please do not come to this country. Because I was the one who has a little bit of education among my family members. And I know elevator, like arrow up means going up. But my parents, they don't. And New York City, oh my God, going up the elevator, and then we need to follow the arrow, too many things. But when I was over there in California, a couple of days, I was crying, because if I go on the street and ask some kind of help, nobody can understand. [30-F]

For all actors in my dataset, this feeling of emptiness and void prompted action to re-establish themselves again. As I analyzed my data, I recognized that in the days (and sometimes months) immediately after resettlement, all 47 refugee entrepreneurs engaged in similar actions tied to immediate adjustment to the new surroundings and people: (1) recovering from trauma experienced prior to resettlement, such as violence, threats of bodily harm, psychological distress or severe economic loss; (2) reconciling with being disadvantaged relative to locals at the start, while also being unable to return to their home countries; (3) finding means to attend to very basic needs like shelter, food, and transportation in the short run, with help from resettlement agencies. However, over time, after their initial adjustment, the informants described engaging in more deliberate efforts to prepare for venturing. In exploring differences across informants, I began to recognize themes that underlined differences in how entrepreneurs acquired widespread legitimacy and resources for venturing in the new context. Moreover, I realized how these different actions may have been driven by contrasting prior experiences, mindsets, and learning (see Figure III-2).

### **Sample splitting: Entrepreneurs with flexible and rigid framing tactics**

My analysis of the data revealed that my informants differed in how they framed their stories and narratives to focal audiences, specifically the framing tactics they used, to establish their legitimacy as founders (see Table III-1).

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Insert Table III-1 about here

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*Entrepreneurs with flexible framing tactics or Adaptables.* Some informants described employing a wide array of cultural legitimation symbols, impressions, actions, and arguments, and framing stories and narratives about themselves in several different ways while appealing to different audiences for resources. Since the framing tactics of these entrepreneurs involved *flexibly* adopting and enacting the diverse symbols, impressions, and arguments of different audiences, I refer to these tactics as *flexible framing tactics*, and to these entrepreneurs (24 in my sample) as *Adaptables*. One Adaptable explained how they can understand and meet the contrasting expectations of diverse community audiences:

I can understand each community and what they need. I know Iranian food, Iraqi food. I know Bosnian food. Lots of stuff. We have a lot of friends now from different places. If I had stayed working in a factory or stayed home collecting benefits, I would not know all these people. [12-F]

Another Adaptable explained how they would customize their future business offerings, in order to establish legitimacy and acquire resources from diverse potential customers and employees.

In the near future, my goal is to create jobs and also promote safety, especially in the new American community. A lot of the parents, they don't take their kids to daycare. They don't feel comfortable taking their kids to somebody else. When they come to our center it will be diverse. I will hire someone from Nepal, someone from Vietnam, from Somali,

so it will be diverse center where it will be divided into classes. Each class, those kids will learn different languages. Also, I will promote language accessibility. [39-F]

*Entrepreneurs with rigid framing tactics or Adamants.* In contrast to the entrepreneurs described above, another group of informants described employing a narrower set of symbols, impressions, and arguments, and thus, framing their stories and narratives in less diverse ways while appealing to different audiences. Since the framing tactics of these entrepreneurs involved quite *rigidly* adopting and enacting a narrow set of symbols, impressions, and arguments irrespective of the audience, I refer to these tactics as *rigid framing tactics*, and to these entrepreneurs (23 in my sample) as *Adamants*.

Adamants showed a desire to “hold on to their culture” [15-F] and the rules, practices, beliefs, and norms familiar to them from before resettlement. They tended to enact symbols, impressions and arguments reflecting these rules, practices, beliefs, and norms even when appealing to different local audiences:

A lot of our people are not starting a business because we cannot pick up anything that has any interest rate to it, so no interest loan is the only loan we can take. It is the sharia law. The Congolese and the other people. It is easier for them because they do not have the same rules in their culture and their religion. Most of them are Christians and it does not apply to them. So they can pick up any loan and pay back the interest they have. We have a specific loan process. [13-R]

These entrepreneurs showed a strong inclination to focus on themselves and on their “uniqueness” while trying to garner legitimacy from audiences:

I feel like I am Mary<sup>2</sup>. Like I am me. Yeah, yes that’s me. I cannot be you. I cannot be her. I have to be me. [11-F]

Thus, inflexible framing tactics involved appealing to diverse local audiences to consider the entrepreneur’s unique and distinct offerings, which were often unfamiliar to local audiences:

We have to, like you know introduce, because a lot of people don’t know African food. Trying to introduce this to people is like “Oh, what are you guys eating?” like (laughing),

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<sup>2</sup> Name changed to ensure confidentiality

“You know what is it?” and just explaining to people what. Because it is not really unique food. Just the seasoning is different. And I have to like you know, like explain a little bit to people to get them to come, you know, so they can feel like “Oh, okay it’s the same things that we eat”. Like once they come in and eat, they keep coming. It is a good thing. We have like a lot of Americans, a lot of Asians who come in. They embrace our food because our cuisine it is similar to Caribbean cuisine but not exactly the same. So, they embrace it because they feel like they used to eat all that food. It was going to take time for people to kind of get to know us, but this is easy way I think for people to learn the cultures by offering them your food. [2-R]

As I considered these findings, I tried to better understand the different processes through which differences in framing tactics emerged among these two groups of cases. My analysis revealed two contrasting pathways adopted by Adaptables and Adamants to develop their framing tactics. I uncovered three dimensions on which these pathways differed, and which explain why the informants developed these particular framing tactics. In the sections that follow, I report on these major dimensions that emerged from the data.

### **Processes through which framing tactics are developed**

As I tried to understand why Adaptables and Adamants took different pathways to develop their contrasting framing tactics, my informants’ responses suggested that these pathways had their origins well before their resettlement. While examining my informants’ pre-resettlement experiences, I found that both Adaptables and Adamants described leading somewhat similar lives in their home countries at first. However, differences began to emerge among Adaptables and Adamants when conditions in their home countries turned adverse for them, due to circumstances like political turmoil, religious tensions, and war. Adaptables could not immediately find a country in which they could escape from the crisis in their home country, forcing them to temporarily live through the crisis in their home country or seek short-term refuge in other countries, until permanently resettling in the U.S. Adamants, however, were able to escape and permanently resettle in the U.S (or in a few cases, in another country where they

were allowed to stay for a long period of time until permanent resettlement), somewhat soon after encountering the crisis in their home country. As I looked deeper into these contrasting pre-resettlement experiences of Adaptables and Adamants, I found that the experiences differed on an important dimension related to legitimacy. I describe this dimension, which I identified as having a key influence on how they developed framing tactics after resettlement, in detail below.

### **Prior legitimacy distribution**

My informants described enjoying legitimacy with and accessing resources from various audiences in the countries they had lived in prior to resettlement. They interacted with these audience primarily while engaging in meaningful employment or operating their own ventures.

My dad started a business after moving to Nepal when I was two or three years old. He did business for around 18 years. He got money on loan whenever he needed money and we sold beds, tables etc. My dad made a lot of money. Even people who were educated, people who do master's and PhD, whatever doctor, would come to my dad. [23-F]

Studies show that “legitimacy achieved in one setting can provide a strong foundation for building legitimacy and relationships in a different setting” (Fisher et al., 2016: 399). I found similar themes for the role that my informants’ prior legitimacy played in helping them gain legitimacy again after resettlement. Specifically, my informants highlighted a unique aspect of their prior legitimacy scarcely given attention to in prior literature – the diversity of audiences they held prior legitimacy with. This diversity, which I refer to as “prior legitimacy distribution,” captures the exposure that individuals have had to heterogenous audiences and in turn, to diverse practices, symbols, values, beliefs and rules in the past. This matters because meaningful prior experiences, such as prior entrepreneurial and industry experiences, have been found to have a profound influence on subsequent legitimation efforts of entrepreneurs. For example, Clarke (2011) found that entrepreneurs with prior entrepreneurial experience developed a more innate understanding and used a wider range of visual symbols for legitimation than entrepreneurs with

no entrepreneurial experience (for other examples, see Rao, 2004 and Westhead and Wright, 1998). My informants recounted several instances of how their experiences with various stakeholders before resettlement could have potentially shaped their legitimation efforts post resettlement.

So, what we were just saying, in the refugee camp, those transitions may have shaped the way people understand things and how they think life is supposed to be. [26-R]

Your experience with the Red Cross must have introduced you to people from other countries, maybe even Americans. Did that help in any way? Yes. As a field officer, I had to ask some questions to the experts. I was a field officer guiding the experts in different areas, even in their safety, their communication in the Congo. There was a time when after work we slept in the same hotels and spoke about life in their countries and what is going on there. By the time the war was done, we had to leave. Coming here with that experience helped. [26-R]

That experience really helped a lot. Being a refugee, we had hardship everywhere. So, over here, by applying those hardship, we can easily grow. That is what I learned. [30-F]

As I further explored this data on the legitimacy-granting audiences my informants had interacted with, I recognized that Adaptables and Adamants differed in the diversity of audiences with whom they had held legitimacy with prior to resettlement (see Table III-2).

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Insert Table III-2 about here

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*Adaptables' prior legitimacy distribution.* I found that Adaptables tended to have had diversified prior legitimacy, or legitimacy with diverse audiences prior to their resettlement in the U.S. These audiences were not only from their home countries, but also from other countries in which they were forced to temporarily seek asylum after being displaced from their home countries. For example, one informant described how in the past they were forced to establish

legitimacy with and acquire resources with audiences belonging to different parts of the world, as a result of disruptive institutional changes happening in their home country:

Before 2003, everything was controlled either by the government or people who have good relations with the gov. I had a farm. The government supported the farm because there was no foreign trade with Iraq. After 2003, the military came from Saudi Arabia and destroyed our farms. We had to think quickly to change our business, or we will lose everything. At that time, we started importing and selling oil from Dubai. With a stable environment you don't have to think of changing business. You can just build your business. But Iraq, with everything changing so much, you have to adjust to that change. It was very dangerous and risky for us in Iraq. So we took the decision to flee to Syria. In Syria, I did business of exporting detergents from Syria to Iraq. [12-F]

These disruptive changes in their home country also forced them to relocate, exposing them to a completely new set of audiences with whom they had to establish legitimacy, as recounted by this informant:

When we lived in Poland, it was not that good. There was the Revolution in Poland. There were the changes to Communism. And it was hard to live. We got a choice to leave the country on a political exile because of my ex-husband. Otherwise, he would end up in the jail. And then we left. We left in 1986 and we end up in Greece. We came to the U.S. after two years living in Greece [28-F]

*Adamants' prior legitimacy distribution.* In contrast, Adamants tended to have had concentrated prior legitimacy distribution, or legitimacy concentrated around a few similar audiences prior to their resettlement in the U.S. These audiences were usually from one country, usually their home country or sometimes a refugee camp, where they had lived most of their life prior to resettlement:

I'm from Cuba. I came from Cuba to United States 12 years ago. In my country I was a doctor for around 20 years, but you know, the country doesn't have possibility for you to grow up. [19-F]

I was born and raised in a refugee camp in Kenya. So the refugee camp is the only place I know. I did not know anything else. We have never seen a city or a town except the camp in the whole life that we were there. We could not leave the camp at all or travel...unless it was urgent, and somebody's life is at risk. [13-R]

I found that the different conditioning of the Adaptables and Adamants, due to the above-mentioned differences in their prior legitimacy distribution, had a crucial influence on their “legitimation mindset,” the next dimension that I identified as influencing framing tactics development.

### **Legitimation mindset**

My informants indicated being concerned about “not knowing anybody,” “who would give them a hand,” and whether they would “experience discrimination” following resettlement. This suggested that refugee entrepreneurs saw legitimacy among local audiences as a prerequisite to gain necessary resources to set up ventures in the host country. When pressed further on how they overcame their initial lack of legitimacy, I found that all my informants mentioned having some notions and plans about establishing legitimacy in the new country soon after resettling. I labeled these notions and plans as *legitimation mindset*. I found that Adaptables and Adamants differed considerably in their legitimation mindsets, and that these differences seem to be influenced by differences in their prior legitimacy distribution (see Table III-3). Self-categorization theory (SCT) offers an explanation for the mechanism through which prior legitimacy distribution may have influenced the legitimation mindsets of refugee entrepreneurs in our study.

SCT argues that people can define their own social identity, i.e., they can perceive themselves as unique individuals or as members of a group (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). Self-categorization or defining one’s social identity matters because people live in a socially structured system, where there are group-based regularities about proper ways of perception, judgment, and conduct (Yao, 2020). Once an individual identifies with a social group (e.g., students), they are expected to behave as member of the group. According to SCT,

how individuals define their social identity is situational, and is particularly relevant when they are seeking legitimacy for themselves (Hornsey, 2008). This is because the social identity defined by a person influences how they portray themselves to audiences while seeking legitimacy (Hogg, Hains, & Mason, 1998). Thus, I argue that the prior legitimacy distribution of refugee entrepreneurs in our study influences how they define their social identity upon resettlement, and this, in turn, influences their legitimation mindsets.

*Adaptables' legitimation mindset.* I found that Adaptables, on account of their diversified exposure and legitimacy with diverse audiences in the past, defined their identity, i.e., self-categorized themselves, at a high level of abstraction or superordinate level – specifically, as members of the American society. SCT points out that individuals who define themselves “inclusively” as members of a large and diverse social group tend to overlook differences and focus on the similarities with other ingroup members (Yao, 2020). This means that such individuals tend to engage in actions/behavior that accentuates their perceived similarity to the relevant ingroup *prototype*; the prototype being the cognitive representation of features that describe and prescribe attributes of the ingroup (Hogg & Terry, 2000). I found this orientation reflected in the legitimation mindset of Adaptables. Specifically, the motivations of Adaptables for establishing legitimacy with the diverse audiences in American society were primarily in terms of “adapting,” “adjusting,” and “conforming” to the practices, beliefs, norms and rules of these audiences (field notes).

I feel that I am a Ukrainian woman who live in American society. I have to adapt to the rules on which the American society lives. [21-F]

In addition, due to their past exposure to diverse types of practices, beliefs, norms and rules arising from their diversified prior legitimacy distribution, Adaptables believed that they

could easily learn unfamiliar symbols and narratives needed to “adapt” to American society and establish legitimacy with its diverse constituents:

*[What challenges did you have after coming to the USA?]* For me it was not so difficult. So I cannot tell you about too many difficulties. Language, of course, was a little difficult, but step by step we learned the language by visiting a school. We got a driver’s license. We had a normal rhythm of life. I also opened my business without any big difficulties. I learnt all the things step by step and grew up. It was easy to learn about all the documents. [10-F]

Consistent with their penchant for “adapting,” Adaptables also seemed to make a conscious effort to “forget” practices, beliefs, norms, and rules from their past, and replace them with new practices, beliefs, norms and rules they encountered after resettlement:

Where I came from it still matters to me, but I have to forget. That is very important. Everything has changed, so I have to change. So, you know, we are living here, we have to do something for this country. [23-F]

Moreover, Adaptables felt other members of the American society showed a willingness to help acclimate them and teach them about the local culture and institutions, which would help them conform to unfamiliar practices, beliefs, norms, and rules in the host country:

Again, when I say that this land gives you everything that you want, it’s true, there is number of places where you can ask for help. It’s actually for free and they’ll give it to you, and you can take classes for free, you know people can talk to you, and you don’t have to pay a penny, just taking pointers on what is the right direction. [16-F]

Finally, they also believed that the rules and laws of the broader society, which they had to conform to, “would not discriminate” against them in particular or make them illegitimate:

This is no disadvantage for me as a refugee woman. You never have a problem because of that. Because every people come from another country to here, we all have the same privilege you know. No discrimination. If you think you can open daycare, you can. If you can grow up in different areas [fields], you can do that. [19-F]

*Adamants' legitimation mindset.* I found Adamants to differ considerably from Adaptables in their legitimation mindset. Specifically, I found that Adamants, on account of their concentrated exposure and legitimacy with a narrow set of audiences in the past, defined their identity at a low level of abstraction or interpersonal level. This meant that Adamants perceived themselves as unique individuals relative to the people they came across in the new country after resettlement. SCT points out that, when individuals categorize themselves at the interpersonal level, they pay attention to their unique characteristics that separate them from other people (Yao, 2020). I found this reflected in the legitimation mindset of Adamants, whose motivations for legitimation were primarily in terms of “pioneering,” “bringing something new,” and “offering their own uniqueness” to people in the host country (field notes).

I think in the United States you have to come with entrepreneurship and new ideas. Right, even a gas station has to be different. To be creative, different, have variety, and bring different culture. [44-F]

Adamants believed that people, with a little persuasion, would be accepting of ideas, practices, and tastes unfamiliar to them. Further strengthening this notion, Adamants felt people showed a genuine interest and curiosity to learn about them and what they had to offer. This interest and curiosity they saw as a reflection of peoples' willingness to “adapt” to them, rather than vice versa:

When I came here things were very hard at the beginning... you know, when you move to a totally different country. [You think] like how do I go to sleep or how do I get up, you know, how do I even take one step forward, you know, because I don't know anybody outside, surrounding, you know, but when I came here, like I said, a lot of people tried to help me, a lot of people reached up, gave me the hand, “How can I help you?” you know, “What kind of food you like?” “What language do you speak?” [11-F]

Thus, Adamants believed that they had the “freedom to be themselves” [field notes] in the host country and still be accepted among local audiences:

When I came to America, I learned that all you have to do is work hard and be a good citizen and you can do anything you want. Think about what rights do we have as American citizens and that is what drives me. You work hard and you get what you want. USA gives you big opportunity. If you want to work you can work, you can learn, you can do your business. [6-R]

In addition, Adamants perceived the rules, norms, and cultures in the host country as being somewhat difficult to “completely understand” and align with. For example, they perceived the formal rules and laws, which “embody the values, norms, and beliefs of large groups in society” (Webb, Tihanyi, Ireland, & Sirmon, 2009: 495), to be particularly challenging to understand:

A lot of time people want them to work for someone else, but that does not work for us [Somalis] because we work for nobody and because we [Somalis] are entrepreneurs. We are independent but at the same time because of the documentation and all the formalities, people don't find it so easy. [13-R]

Adamants also felt that people they encountered in the host country seemed incapable and unwilling to explain local rules, norms, and practices related to venturing, which made it more challenging for the entrepreneurs to “learn” it. These negative perceptions about “learning,” in turn, seemed to reduce their incentives to try and adapt to new audiences as a way to establish legitimacy with them:

The U.S. system, the way we could jump into the business, have your dream, and realize it is not the same. You may dream of something, and you don't see the thing. Many things you may ask here and other questions, people will say, "I don't know." Or you may ask another person and say, "Yes, we can get it. I never tried it." There are things that even Americans who were born here, you ask them a question and they say, "I have no idea." The bureaucracy is complex, there is no one who understands at all. If you wanted this specific thing, you may not get the right advice. For example, when I came here, I was to start a shop, a car shop, and it did not work because I did not have support and people to work with. When I say help in a business, I say, how do you fund your business? You have the dream, you have the idea, how do you fund it? [26-R]

People when they come here [the U.S.], without help of the friends and relatives, have to stay at home, since nobody's available to help you buy a car. They don't take you to get an application, get ready to read it and get the permit. These kinds of things, especially credit, nobody's teaching you how you make credit. Without credit, one time you try to

rent a good house, even you had some money, but nobody was ready to give it. [Is it possible to make friends after coming here?] Nobody is going to help you. No friends. [What about the other people from your community?] Maybe they can help you for a few minutes or one day. Nobody can help each other because they are busy. That is why it is important to find people who can help you before coming here. [45-R]

As reflected in the above-described different legitimation mindsets, the different notions and plans of Adaptables and Adamants about establishing legitimacy had a key influence on their “learning-oriented audience engagement,” the next dimension that I identified as influencing the development of their framing tactics.

### **Learning-oriented audience engagement**

The next dimension of my framework involves the efforts of the resettled refugees to engage with host country audiences to learn about them and their legitimacy expectations. O’Neil and Ucbasaran (2016) point out that learning about “what matters to them” (the audiences) is a key part of the legitimation process entrepreneurs undertake *after* starting their firms. I too found that my informants began engaging with audiences with the purpose of learning after resettling, but that they did so even *before* starting their firms. I refer to this dimension as *learning-oriented audience engagement*. Studies show that entrepreneurs face considerable uncertainty when starting their ventures and may not know how to interact with audiences to gain their support, thus highlighting the importance of this dimension (Drori, Honig, & Sheaffer, 2009). The entrepreneurs’ comprehension of the unfamiliar audiences and their legitimacy expectations is an important yet understated step in the development of framing tactics; a step that helps them understand *how* to frame their stories and narratives to different audiences effectively. All my informants described undertaking this step, as they engaged with various local audiences over varied periods of time. However, I found that entrepreneurs’

comprehension of audience expectations usually took place through two inter-related models that fed off each other: through venture- and non-venture-oriented audience engagement.

### **Non-venture-oriented audience engagement**

The primary mode through which my informants learned about unfamiliar local audiences was through professional and personal engagements with these audiences. I found that these learning-oriented audience engagements began for my informants soon after resettlement, before their venture ideas had even taken concrete shape. Previous studies show that a key part of such learning involves actively engaging in the search for knowledge and in value exchanges with local audiences (Leyden, Link, & Siegel, 2014; Vaghely & Julien, 2010). Since these engagements often did not involve conveying to audiences the entrepreneurs' intentions to start venturing, I labeled such interactions as *non-venture-oriented audience engagement*.

Non-venture-oriented engagement often involved closely observing dealings, practices, narratives and gestures considered legitimate by audiences, in an attempt to learn their boundary conditions, binding features, or functions:

Especially in the first six months, I studied the market. I understand American people, they like the Middle Eastern food. [42-R]

However, non-venture-oriented engagement did not always occur in a merely passive way through observation of audiences, as some of the knowledge was tacit in nature (Ambrosini & Bowman, 2001), such as subtle expressions or nuances of spoken language practiced by audiences. This meant that the refugees often needed deep involvement and interaction with audiences over long periods to understand them:

English was the major problem in the beginning, but we got it a little faster because nobody else helped, we “had” to speak, we “had” to learn. Also, schools were available for [teaching] English and we even took [courses in these schools]. We learnt ESL in high school. [14-F]

I found that, although this step was equally critical for both Adaptables and Adamants, there was a substantial difference in informants in terms of which whom they primarily engaged with, and why they did so (see Table III-4).

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Insert Table III-4 about here

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*Adaptables' non-venture-oriented audience engagement.* Since their legitimation mindset primarily revolved around “adapting” to audience expectations, Adaptables described closely engaging with a diverse range of local people, from , bureaucrats of government agencies to politicians or investors outside of their national community, and closely learning their ways or logics. They saw this as essential for adapting to the contrasting practices, norms, values, and beliefs of diverse audiences; and for establishing widespread legitimacy:

I just like to learn new things, new hairstyles, new colors, new fashions, meet new people. I always go to bigger shows and see others' cultures what they do. So that is very cool because you are meeting different kinds of people. [14-F]

I studied the American community. Not only the Arabic side or Middle Eastern side. No, I am studying all the communities. Because if you want your business to be a success, you have to make your studying all the communities. [42-R]

Thus, I found that Adaptables simultaneously took part in multiple channels of non-venture-oriented engagement in both personal and professional spheres of their lives, as a way to engage with as diverse a set of people as possible. They felt a “need” to make use of the freedom and opportunities at hand to connect to different people, both familiar and unfamiliar to them (field notes):

[In the refugee camp there are] no options, no opportunities. But over here, if you think like I need to go to school, I have to work, and then I have to do another thing [like] some kind of business, you can do [all] three things at a time. I do not know why, but I really enjoyed working three, four jobs at a time. [30-F]

I like to go out, see the people. If you ever see me out, you are going to see me with young people. They are not just Bosnian. You are never, ever, ever going to hear me ask you which religion you follow. I don't care. It's not important for me. We are all same. I don't see people to their color, to their religion, I see them to their heart. It does not matter who they are. That is how I see it. [22-F]

So, it depends on the person, how open they are, and how they go outside. As for myself, if I talk about myself, I never hesitate to speak with anybody. So, I have a pretty good network now, from people in very low areas of life to the high areas like elected officials, city government etc. I have been to many churches and spoke there. So, if you speak up and tell your story, I think you can reach the heart of the people. I have a pretty good relationship with all the different countries leaders. I worked with many profit and non-profit organizations, smaller to bigger. [3-R]

Even despite the unfamiliarity of Adaptables with most local audiences, they were not hesitant to seek help to learn about local rules, norms, procedures, and practices required for framing to those audiences:

I'll never be ashamed of saying, "I don't know this, and I need help." Since then I have had support from all these women that have been in business for ten years. They were people, Americans who have been here. We were not born with our intelligence. We learn as we grow. Some of us come late to the surface or we are late in learning. [39-F]

*Adamants' non-venture-oriented audience engagement.* Since the legitimization mindset of Adamants primarily revolved around "convincing" people to accept the entrepreneurs' "unique ways," Adamants saw less need to "completely understand" unfamiliar practices, norms, values, and beliefs to establish legitimacy (field notes). Thus, relative to Adaptables, Adamants stuck to limited channels of engagement. Particularly on the professional front, they often remained in one job for several years.:

Over here, a lot of people get stuck in one place. One job. They just say, "Oh, I don't want to." They don't want to learn English. [41-F]

These limited channels of engagement and the nature of these engagements reduced the interaction of Adamants to a narrow set of people. On the personal front and sometimes even in the professional front, they interacted closely with the few people who shared their views,

values, and beliefs, and whose practices, norms, and rules they were already somewhat familiar with. Thus, I found that Adamants usually engaged “closely” and “deeply” with audiences familiar to them, such as those from their ethnic communities, who were usually few in number (field notes):

[When you came here, did your (Burmese) community somehow help you?] Yeah, they help us start our business. They came here and so we would talk to them, we would ask them what they would want so we could provide them in the store. Also, whenever we have a donation or a charity event, we would always have people [from our community] supporting it and coming around to help us. We don't really interact with the American community. Language is a problem. If we talk to American people, they did not understand. [24-R]

I am my friend. My wife is my friend, my kids is my friends. Your friend is your money, your pocket. I don't need friends. Because friends will \*\*\*\* you up. Really. No friends will support you. There is no friends in this country. Maybe before in the past, there were friends, real friends. [42-R]

They believed that such focused engagement with familiar audiences would be helpful in introducing ideas, practices, and values of the entrepreneur (and shared by familiar audiences) to other audiences:

But when we opened the restaurant, we see a couple thousand Vietnamese people who lived here. It's not enough [of a target market]. Then, we target everybody. But, at least, first of all, [we have to target] the Vietnamese people. When they come here and eat, and they think it is good, they will talk to their friends. If you come to the Vietnamese restaurant, and you don't see any Vietnamese people here, people will think the Vietnamese restaurant is not good. [46-R]

### **Venture-oriented audience engagement**

The second mode through which my informants engaged with audiences, for the purpose of learning, involved more explicit communication and, sometimes, even transactions related to the entrepreneurs' nascent or emerging venture. I label this as *venture-oriented audience engagement*. This is in line with findings by Gartner, Bird, and Starr (1992) that would-be entrepreneurs engage in many “legitimizing behaviors,” targeted at potential resource-providing

audiences, to make their emerging venture seem more real than it is. I found that, during such venture-oriented engagement, the informants experimented with different cultural mechanisms on their focal audiences, based on the understanding of audiences they had gained through their non-venture-oriented engagement. Venture-oriented engagement often took place through various “gigs” the entrepreneurs engaged in, prior to the starting of their key business, which helped them get a “hands-on” venturing experience (field notes):

I think when I first started [venturing] I delivered Penny Saver. Then a friend of mine asked me if I can help him out since he is sick. So, I helped him out. So, I start delivering papers. That was my first learning of money. At that time, the minimum wage was like 3 dollars 15 cents. This was 1982. I was learning that you can earn money if you work. [6-R]

Once again, I found a difference between the Adaptables and Adamants, this time in terms of how they enacted legitimation symbols during venture-oriented engagement (see Table III-5).

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Insert Table III-5 about here

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*Adaptables’ venture-oriented engagement.* Adaptables showed an inclination to experiment with and enact diverse audience-specific symbols they had observed during non-venture-oriented engagement, such as getting a business license. For example, one informant explained:

[*What was the most challenging for you while opening these businesses?*] For real estate it wasn’t that challenging, so real estate was very simple like I said you take here 75 hours licensing course in New York State and you’re all set, then you can buy and sell a real state for other people. Hmm...the car dealership that one was a little more difficult just because I know a few people that had car dealerships but it was just the system obviously that is in place, you know they give you, Hmm...it’s packet and I think there is 7-8 pages and on the back it says do this, so this, do this or not do this but get this, this and this, and then you know...you have to see “Where do I get this?” so you have to get

insurance, you have to get an office. I don't know all the things there, but you have signs up. So it's a lot of those "do" things, you know, where do I get this, and so you do research, okay, you call this person, you call this person. I would say it's the main thing. [15-F]

This exploratory symbol enactment of Adaptables included sharing stories about their prospective venture and behaving like an entrepreneur with unfamiliar audiences:

I know every neighbor now. They come here all the time. Especially in summertime, I like to sit outside [my store] in the chair, because I like the sun. They come, and we start talking here. I know this owner right next door, and next one. Almost all the owners around this neighborhood. The guy who used to run this store, he didn't know anybody. I know everybody now. The owner next door is a manager. She came to talk when she saw me opening the store. She told me that she doesn't know what we do over here. I said, "Why don't you stop at my store? We don't bite people. Trust me." She said, "I don't know. Is the store only for Bosnians?" I said, "There is no store in the world just for certain people. It's for everybody." [22-F]

*Adamants' venture-oriented engagement.* Adamants, on the other hand, engaged in limited experimentation with new and unfamiliar legitimation symbols. Their more conservative symbol enactment involved using familiar symbols from their home country, such as speaking in their native language, during nascent venturing. They engaged primarily with people who were already familiar with such symbols to reinforce their familiarity with those symbols:

We had a very hard time for six, seven years. All the people do business the American way here. So, they don't survive. But, the good thing about us, we are different. We use our family labor and stuff. We do everything by ourselves. I work lots of hours and everything. Lots of my friends come here and help me. Even though they don't get paid for it and we just have beer at the end of the day. Even if we don't make money. We don't make money. But, it's okay, we build up little by little. For marketing, we relied on word of mouth. [46-R]

Yeah, Sha<sup>3</sup> and I planned together. Sha came here two years before. He knows everything. He knows the paperwork. He knows everything well. He was a case worker. He knows everything about how things work in Syracuse. That's why we're planning to open the one small [Nepali] grocery store. Then we're planning; we decide work over there. Then I lose the job, then I start grocery store. Me and Sha were partners. My cousin gave[invest] some money; some families gave \$10,000, some other family \$5000, some other family \$10,000. Like a loan. [31-R]

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<sup>3</sup> Name changed to preserve anonymity

## **Pathway switching**

Finally, although most of my informants were either Adaptables or Adamants who framed using two distinct tactics, I found that some informants switched pathways from that of Adamants to Adaptables, or vice-versa. This switch seemed to be a result of the change in legitimization mindsets after the informants had enacted their original framing tactics. My informants described the trigger for this change in mindsets as being feedback they got after enacting their original framing tactics (see Table III-6):

### *Adamants to Adaptable: Pathway switching from rigid to flexible framing tactics*

I wish I never worked at Stickley. I wish I stayed there for three months and left, because that was three years of lost time. In Stickley, you got the Vietnamese, they got their own little crew, Russians and Ukranians , they are in their corner and they talk their language. They are afraid to go out of their comfort zone. They don't want to take risks. [41-F]

### *Adaptable to Adamant: Pathway switching from flexible to rigid framing tactics*

So, 2011, I started a used clothing business. There is no pressure in this business. After 1 year, I don't make any money, it didn't work. Because if you need clothing, you go to the mall. But it helped me in starting and increased my knowledge about how to pay taxes, how to start a business., those things without losing money. After that, a lot of people said, "You are wasting your time here. Just convert it for [arab] food." So, we convert it into [arab]food business. [12-F]

## **DISCUSSION AND CONCLUSION**

In this study, I examine how individuals develop legitimization framing tactics, in different ways, for establishing their legitimacy as founders. My empirical answer for this question is an inductively derived process-framework (see Figure III-2). This study responds to calls for a more process-oriented approach to understanding *how* entrepreneurs become the skilful operators of cultural mechanisms highlighted in the literature (Barley, 2008; Drori & Honig, 2013; Garud et al., 2014; Überbacher, 2014; Voronov et al., 2013). A novel contribution in my study is the use of a sample consisting of resettled refugee entrepreneurs to help accurately capture how framing

tactics are developed. These individuals were placed in a novel institutional context with completely unfamiliar audiences, essentially having to develop framing tactics for these audiences from scratch, in stark contrast to the average entrepreneur, who is born and raised in a similar context to that of their audiences. Below, I summarize my findings and explain how they answer my research questions. I then discuss the implications of my study.

### **Summary of findings**

I find that my informants adopted either flexible or rigid framing tactics in response to an initial lack of founder legitimacy, resources and familiarity in the host country. I refer to the informants who develop flexible framing tactics as Adaptables. This was on account of their inclination to enact a wide array of both familiar and unfamiliar symbols and narratives, selected to adapt to each audience's expectations of a founder. I refer to the informants who develop rigid framing tactics as Adamants. This was on account of their inclination to enact a narrower set of mostly familiar symbols and narratives, which made them appear novel to most audiences and to persuade the audiences to deviate from their original expectations of a founder.

As illustrated in Figure III-2, my findings suggest a framework that identifies one pathway through which Adaptables develop flexible framing tactics, and another through which Adamants develop rigid framing tactics. These pathways shed light on my first research question regarding how framing tactics are developed. Then, I focused on differences between these pathways to help me answer my second research question on differences in framing tactics and the reasons behind it. I find that the two pathways differed on three key inter-related dimensions described by my informants: their prior legitimacy distribution, their legitimation mindset, and their learning-oriented engagement. I explain below the interrelations among these three dimensions and how they combine to influence entrepreneurs' framing tactics.

My data suggest that refugee entrepreneurs' prior legitimacy distribution, i.e., the diversity of audiences that entrepreneurs previously held legitimacy with, influences their framing tactics by determining their initial legitimation mindset towards host-country audiences. I use self-categorization theory to explain the mechanism for the relationship between prior legitimacy distribution and legitimation mindset. Specifically, I find that Adaptables, on account of having legitimacy with a diverse set of audiences in the past, perceive themselves as members of a large and diverse social group, i.e., as members of American society. This perception of themselves and others around them means that Adaptables' motivations for establishing legitimacy are primarily in terms of adapting to audiences, as a way to accentuate perceived similarities with other ingroup members. However, Adamants, on account of having legitimacy with a narrow and somewhat similar set of audiences in the past, perceive themselves as unique individuals. This perception of themselves and others around them means that Adamants' motivations for establishing legitimacy are primarily in terms of demonstrating their distinctiveness, as a way to highlight perceived differences with others. Thus, I find that Adaptables' adaptation-oriented legitimation mindsets incentivize them to frame flexibly, while Adamants' distinctiveness-oriented legitimation mindsets incentivize them to frame flexibly.

I also find that entrepreneurs develop expertise in the type of framing tactics that best aligns with their different mindsets through learning-oriented engagement with local audiences. I find that this initial engagement with local audiences helped them acquire the local knowledge about symbols and narratives needed to establish legitimacy in the new context. As entrepreneurs engaged mainly with either diverse audiences (Adaptables) or a similar few who shared their values, practices, and beliefs (Adamants), differences emerged in the entrepreneurs' capabilities to frame flexibly or rigidly. Adaptables, through their diverse engagement, learned and

experimented with a wider array of symbols and narratives, which enabled them to frame flexibly. Adamants, through their focused engagement, reinforced a narrower set of symbols and narratives already somewhat familiar to them but novel to most audiences, which enabled them to frame rigidly.

Finally, I also find that individuals may change the framing tactics they use over time. Some Adaptables switched to being Adamants, and vice-versa, because of a change in their legitimation mindset after enacting a particular framing tactic. This change was motivated by feedback they received from audiences while they tried to establish legitimacy using their original tactic. Below, I summarize my key theoretical and practical contributions.

### **Contributions**

Majority of the entrepreneurial legitimacy research to date, spanning several decades, takes-for-granted that entrepreneurs innately “know” how to skilfully influence audiences’ perceptions and establish widespread legitimacy (O’Neil & Ucbasaran, 2016). My paper relaxes this simplistic assumption by shedding light on how entrepreneurs become skilled in legitimation. Specifically, my paper illuminates the processes through which entrepreneurs develop framing tactics to influence audiences’ perceptions about their legitimacy as founders. In doing so, first, my paper captures key differences among entrepreneurs in how they develop framing tactics, i.e., how they choose to frame their stories, actions, and narratives for legitimacy-granting audiences. Previous studies assume that all entrepreneurs choose to frame somewhat similarly, relying primarily on adapting to different audiences. These studies attribute differences in framing, if any, to individual abilities (Überbacher, 2014). The findings of my paper suggests that entrepreneurs may adopt very different framing tactics. I identify “flexibility” as a theoretically meaningful way of distinguishing framing tactics. Adaptables frame flexibly,

choosing symbols and narratives that best align with audiences' expectations. These flexible framing tactics emphasize adaptation and conformance. However, Adamants frame rigidly, choosing symbols and narratives that involve audiences having to realign their expectations. These rigid framing tactics emphasize distinctiveness. Flexibility of framing tactics are likely to have different consequences for entrepreneurial resource acquisition and venture emergence, depending on the context.

While conformance and distinctiveness have been previously recognized in the studies on legitimate distinctiveness as ingredients for legitimation, particularly in legitimating new ventures, these studies assume that entrepreneurs always give equal importance to conformance and distinctiveness (Navis & Glynn, 2011; Voronov et al., 2013). However, the differences among entrepreneurs identified in this study suggest that entrepreneurs may tend to heavily favor either conformance or distinctiveness while establishing their own legitimacy as founders. Since the framing tactics entrepreneurs use for establishing their venture's legitimacy is likely to be influenced by the tactics they use for establishing their legitimacy as founders (Navis & Glynn, 2011), our findings suggest the possibility that some entrepreneurs may favor conformance and others distinctiveness even while establishing their venture's legitimacy.

My study also identifies three unique and previously understudied dimensions which influence how entrepreneurs develop these framing tactics: their prior legitimacy distribution, their legitimation mindset, and their learning-oriented engagement with local audiences. I elaborate on how each of these dimensions contribute to the literature below:

*Prior legitimacy distribution.* I respond to calls to explore how prior experiences, particularly prior legitimacy, influence entrepreneurs' subsequent legitimation process (Dalziel, Gentry, & Bowerman, 2011; Nagy et al., 2012), by studying the role of prior legitimacy

distribution in this paper. Prior studies have pointed out that the “magnitude” of legitimacy with audiences in one environment matters when seeking legitimacy with audiences in a different environment (Fisher et al., 2016; Suchman, 1995). Fisher and colleagues (2016) point out that having high prior legitimacy makes it harder for entrepreneurs to detach and seek legitimacy with audiences in the new environment, due to cognitive and relational lock-ins. However, existing studies do not focus on “whom” the entrepreneurs held prior legitimacy with and assume that it was evenly distributed between various audiences in the prior environment. By exploring this previously understudied dimension of prior legitimacy, i.e., its distribution among prior audiences, I find novel insights into the role of prior legitimacy on entrepreneurs’ subsequent legitimation efforts in another environment. Specifically, my findings suggest that entrepreneurs’ prior legitimacy distribution determines whether they are likely to adopt flexible or rigid framing tactics in the new environment. Thus, although extant studies suggest that entrepreneurs’ prior legitimacy can act as a hindrance in a different institutional context (Berry, 1997; Portes & Sensenbrenner, 1993), I show that it can play an important role in shaping “how” entrepreneurs establish legitimacy in that context.

*Legitimation mindset.* My findings on the legitimation mindset shed light on how entrepreneurs’ perception of themselves (and others) affect how they choose to seek legitimacy from resource-providing audiences. Although the entrepreneurial legitimacy research has explored in depth how audiences perceive entrepreneurs (Fisher et al., 2017; Tost, 2011), it has not focused much on how entrepreneurs perceive themselves in the context of legitimation. Thus, extant studies continue to assume that entrepreneurs seeking legitimacy perceive themselves in somewhat similar ways, and that these perceptions do not have a major influence on their legitimation efforts. I find that entrepreneurs’ perception of themselves, within the scope of

social groups and membership, influence their motivations for framing, while seeking founder legitimacy. I show that perceptions of themselves as members of a large social group, such as members of American society, encourage adaptation and flexible framing among entrepreneurs, while perceptions of themselves as unique individuals encourage distinctiveness and rigid framing. Thus, my findings provide more clarity to the relationship between entrepreneurs' perceptions of themselves, entrepreneurs' perceptions of audiences they wish to seek legitimacy from, and ultimately, entrepreneurs' legitimation efforts oriented at influencing audiences' perceptions about them.

*Learning-oriented audience engagement.* Recent studies recognize that engaging with local audiences and by doing so, understanding “what matters” to the audiences, is essential for entrepreneurs to establish legitimacy (O’Neil & Ucbasaran, 2016; Thornton, Ocasio, & Lounsbury, 2012). These studies generally assume that all entrepreneurs engage with audiences the same way when trying to learn how to establish legitimacy in a particular context. However, I found that entrepreneurs differed in terms of whom they engaged with to learn about local rules, norms, procedures, and practices needed to establish legitimacy. Those who engaged with more diverse audiences developed capabilities oriented towards meeting audience expectations through adaptation and flexible framing. Those who engaged only with a few similar audiences developed capabilities oriented towards altering audiences’ expectations through distinctiveness and rigid framing. I thus extend legitimacy theory by showing how different types of audience engagement can lead to the development of different framing tactics, whereas previous studies suggest such differences arise due to differences in individual abilities (Zott & Huy, 2007).

My findings have important practical implications, especially in terms of addressing the humanitarian grand challenge of refugee resettlement and integration into host countries. Since

1975, more than three million refugees have permanently resettled in the U.S. (UNHCR, 2020). Resettlement has been seen primarily as an activity undertaken by the U.S. government along with other actors, such as non-government organizations. Indeed, the role played by these organizations in assisting refugees to become integrated members of American society has received the most attention to date (Fee, 2019). In contrast, my paper emphasizes efforts taken by resettled refugees themselves, and shows how they establish themselves as “legitimate” founders and attract resources to start new ventures. Due to limited meaningful employment prospects in the host country (Klaesson & Öner, 2021), entrepreneurship is shown to be a key vehicle for social integration.

A major challenge for refugee entrepreneurs after resettlement is establishing legitimacy (FitzGerald & Arar, 2018). By studying the process through which refugee entrepreneurs develop framing tactics after resettlement, I expose previously taken-for-granted assumptions and generate insights that allow general management and immigrant entrepreneurship scholars to develop more robust theories. Moreover, at a time when countries are showing hesitancy in accepting refugees due to perceptions that they are a drain on society (Crawley & Skleparis, 2018), my study shows different ways in which refugee entrepreneurs can successfully overcome legitimacy challenges associated with venturing and become contributing members of society.

### **Limitations and avenues for future research**

Some limitations of the paper need to be highlighted. First, my research covers resettled refugee entrepreneurs who had been in the host country context for different lengths of time prior to venturing. Detailed interviews covering this period of their lives helped me gain rich insights into the processes through which they developed framing tactics for establishing founder legitimacy. However, since some of the informants had been in the host country for several

decades, the resulting data may suffer from some recall bias. Future research can add to my theorizing by studying resettled refugees longitudinally from the time of their arrival in the host country to when they start their ventures. Second, my study covers the *founder* legitimation process of entrepreneurs prior to their ventures becoming operational, while other studies, such as that by O'Neil and Ucbasaran (2016), cover the *new venture* legitimation process during the initial operational years of a new venture. Although entrepreneurs may use some of the same cultural mechanisms and framing tactics used during the founder legitimation process during the new venture legitimation process, the link between the two is not clear. Future studies could examine how the founder legitimation process influences the new venture legitimation process. Others may also examine how the founder legitimation process influences other aspects of entrepreneurship such as opportunity identification, resource mobilization, customer acquisition, and entrepreneurial exit. Third, my study looks at one aspect of prior experience that influences how entrepreneurs establish legitimacy in a new environment, namely prior legitimacy distribution. This was particularly relevant to my sample of refugee entrepreneurs. Future research can explore other relevant types of prior experiences entrepreneurs may have had, such as prior entrepreneurial experience or different types of prior wage employment experience. Finally, although I highlight and discuss different framing tactics adopted by entrepreneurs, I distinguish framing tactics only on the basis of flexibility. Future research may also look at other relevant criteria for distinguishing framing tactics, such as those based on their effectiveness or efficiency in establishing legitimacy.

**Table III-1: Quotes and 1st Order Codes - Legitimation Framing**

Quotes	1 <sup>st</sup> order codes	Quotes	1 <sup>st</sup> order codes
<i>Adaptables - Flexible framing</i>		<i>Adamants - Inflexible framing</i>	
27-F: If you come in, and we don't have what you want, you're not going to tell anybody, or you're not going to come back. So, that's what we try to do. Then, when they come and they find something they like, they tell their friends, and their friends tell their friends. Now, we have customers from Watertown all the way to Philadelphia.	Adapts to audiences to gain support  Customizes products/services according to customer preferences	1-R: It was going to take time for people to kind of get to know us, but this is easy way I think for people to learn my culture by offering them our food. Offering the food to them and then, based on that, there's a little bit of a connection because everybody eats.	Projects distinctiveness to gain support  Urges diverse customers to adopt entrepreneur's novel products/services
14-F: Over here it's not too bad because everything is online, if you don't know something you search, let say what do I need to have a business, what kind of license, a lot of help is online, if you don't know you can call to Albany and they will tell you about that. Over here, you have to have license for the shop, you have to pay taxes on end of the year, have to provide people with the taxes and other else. Maybe easier because if you learn this system, you go to school for this particular field it's definitely easier.	Finds it easy to follow business laws and regulations	17-R: We get a lot of people from my country, but also a lot of Arabic people and American people. They want to try something new. We have a store, and we also make food. So, a lot of people really like that, especially American people.  3-R: "Yes, yes, because the first thing that I never know, was how to start the new business. So, somebody told me I have to find the place. So, as soon as we looked at the place the leasing starts. But the business does not start until we do not know how many months, and we still have to pay the leasing fee. So, we need to have a bucket of money at the front to start any business and for the new business, the loan is not easy, they don't approve, because they want to see the bank request at least two years of previous entrepreneur experiences and we don't have that experience here.	Wary of laws and regulations

**Table III-2: Quotes and 1st Order Codes - Prior Legitimacy Distribution**

Quotes	1 <sup>st</sup> order codes	Quotes	1 <sup>st</sup> order codes
<i>Adaptables - Diversified prior legitimacy distribution</i>		<i>Adamants - Concentrated prior legitimacy distribution</i>	
<p>22-F: Back in '90, there was a union of six republics named Yugoslavia. And then they started fighting, and they separated from each other. That is when Bosnia became separate. And the war started because of religion. And then during the war, they destroyed everything. There wasn't any future for that country. I was going to open a store, and the war started. I already prepared everything. And I saw complication. They closed this road and that. And my dad said, "No, don't even think." And then almost at end of the war, we escaped to Croatia. Croatia to Germany. I was there 2.5 years. I worked on construction. A little over here, a little there, but not a lot. Not a lot, because you got to work under the table. If they catch you, you are in big trouble.</p>	<p>Experienced and lived through major changes in institutional regime in home country</p>	<p>40-R: Actually, it was very easy, you just have to go to Croatia, you put your name to agency, they do some paperwork. They usually have two or three interviews and most cases they approve you and you got here. The whole process takes about three to five months. You're supposed to [live in Croatia], but, as I said, I kind of lived in Bosnia and they (relatives in Croatia) tell you time for interview two or three days in advance. So, you had enough time to go to Croatia because life in Croatia was expensive and if you didn't work, you didn't have any money to live in Croatia to pay for rent.</p>	<p>Experienced stable institutional regime in home country until they had to leave</p>
<p>20-F: I was born in Cuba. I then went to work on a health mission in Venezuela. My husband fled to Ecuador. After I finish my mission in Venezuela, I then went to Ecuador. When we finished our work in Ecuador, we moved to the United States. We got a visa because I was a doctor, and qualified to get a special visa. So, that's how we came to United States in 2012.</p>	<p>Relied on and exposed to diverse laws and cultures prior to resettlement</p> <p>Lived in multiple countries prior to resettlement</p>	<p>25-R: I was actually born in Bhutan. I was like nine years when I left and then after that I came as a refugee and stayed in Nepal for like 20 years. And as a refugee we stayed in the refugee camp. Then after I got a chance to come to the United States.</p>	<p>Exposed to same laws and cultures throughout their life prior to resettlement</p> <p>Stayed permanently in one country prior to resettlement</p>

**Table III-3: Quotes and 1st Order Codes - Legitimation Mindset**

Quotes	1 <sup>st</sup> order codes	Quotes	1 <sup>st</sup> order codes
<i>Adaptables - Adaptable mindset</i>		<i>Adamants - Adamant mindset</i>	
21-F: There are people who are adapting to every situation. My aunt said that you work with a pen in Ukraine, and you work with a broom in the USA. It is necessary to survive the beginning, to go to work, to school, to college. For each adaptation takes place in different terms, for some it is a year, for some two, for some four. But everything depends on the person.	<p><i>Mindset oriented towards adapting to audiences for legitimacy:</i></p> <p>Believes they can get resources from anybody once they adapt and get accepted</p> <p>Allows own values and beliefs to change, and be influenced by others</p>	3-R: So, I think where I am now today, because of my passion of hard working. The second thing is that the whole bigger community accepted us very well. I can say that, because we are in such a good place today. I was a refugee and had nothing, I did not know good English and did not come with any property. But I had that opportunity to grow myself here. So, anyone who comes with a good mission and a good thinking, and know how to work, they can be anywhere.	<p><i>Mindset oriented towards offering audiences something new for legitimacy:</i></p> <p>Believes they can offer something unique to local people</p> <p>Believes locals are accepting of outsiders and open to their culture, practices and ideas</p>
23-F: I live here now, so this is my place, and I am even a US citizen now. So, this is my country, this is my community. Where I live, this is my community. And even though the language is different [here], it doesn't matter. Where I came from, it still matters to me, although I have to forget (the bad things)			
21-F: When I came to the USA, I remember that a lot of American people treated me very well, tried to help me every time. I cannot say that we needed something, but they asked whether we needed help. I adhere to the principle that when you are waving to water with a stick, you see in the water the reflection of the stick. Same in	<p><i>Believes unfamiliar legitimation symbols and narratives are easy to learn and enact:</i></p> <p>Doesn't believe there is any pre-existing bias against refugees</p> <p>Sees formal rules and laws as easy to adhere</p>	26-R: When I came here..2-3 years after I came here, I was to start a shop, a car shop, and it did not work because I did not have support and people to work with. It did not work because ... Now, I think even of the housing, when I think of the real estate, investing in housing, there is no help you could get as same as you get public assistance or food stamps	<p><i>Believes unfamiliar legitimation symbols and narratives are hard to learn and enact:</i></p> <p>Intimidated by local laws and regulations</p>

Quotes	1 <sup>st</sup> order codes	Quotes	1 <sup>st</sup> order codes
<p>life. When you smile to people, in return, you see a smile. A lot of people tried to help me, people from refugee center, from my job in library, I had really kind coworkers there</p> <p>44-F: [<i>Were you worried initially about all the laws and rules you'd have to learn?</i>] As a businessman, you would always be worried about that and other requirements from city, fire department, and health department. But it will not stop you to do business. If you comply with the law, what the law says and you really manage it good, then you don't have to worry about inspection.</p>		<p>or something. Help in a business is like ... When I say help in a business, it's money. I say, how do you fund your business? You have the dream, you have the idea, how do you fund it?</p>	
<p>47-F: [<i>What is it that helped you reach this level?</i>] Learning. All about learning. Working hard and learning. We had no experience, we learnt from scratch. Nowadays it's easier because all the technology, but back then.</p>	<p>Can get accepted by spending time and effort learning about people</p>	<p>15-F: Language is definitely the number one [problem], and my parents still struggle with it even though they have been here almost for 19 years now. They can understand a lot more than they can speak. So you go to the store you can't say "Hey, I am looking for this", you don't know how to explain what you want and due to the language it's difficult to get, you know, good paying jobs. Obviously they say just go work for the factory or do something. My mother worked at a lab that they made small chips for ceiling, lights, and my dad was a welder and he still works as a welder.</p>	<p>Believes it is hard to learn unfamiliar language, practices, values and beliefs of locals</p>
<p>21-F: [<i>What advice can you give for the people who came to USA as refugees?</i>] I don't know, maybe these people have to calm themselves down. They have one - two months to adapt, they must find friends here</p>			

**Table III-4: Quotes and 1st Order Codes - Non-Venture-Oriented Audience Engagement**

Quotes	1 <sup>st</sup> order codes	Quotes	1 <sup>st</sup> order codes
<i>Adaptables - Diverse audience engagement</i>		<i>Adamants - Focused audience engagement</i>	
36-F: They said they could give me a job right away. And I told the guy, "I don't want to go. There's 200 Bosnians, I'm never going to learn English, I don't want to go there." I was paid a bit more, 50 cents more, but it wasn't the pay, you know? When you stick with 200 people and they speak the same language, you are never going to learn anything	<p><i>Interactions with diverse audiences:</i></p> <p>Engages with people for the sake of learning</p> <p>Feels compelled to use newly found freedom to connect to diverse audiences</p>	46-R: [So, when you came to the US, what did you do initially?] At that time, I think I was 17 years old, so they put me in high school. At that time, I don't speak English, I don't do anything. I get help from the government like welfare. After high school, I went to California. Lots of Vietnamese people there. Then, I was lucky I had my cousin. We rent a house, we lived together, we share money. The good thing about Vietnamese, family, relationship is very strong. If by yourself, the money, the aid from the government, I don't have enough to rent a house. But many people live together, eat together, and that saved lots.	<p><i>Interactions with select audiences:</i></p> <p>Engages primarily with own community</p> <p>Do not usually engage with people for the sake of learning</p>
12-F: If you need my opinion, you have to keep your own culture. At the same time, you have to maintain good relations with your neighbors and your community. You have to look forward to the future since you are not going back. In the future, your kids and even yourself will be a part of this community. So it is ok to keep your culture, your own language and teach it to your kids, but don't forget that this is also your country	Believes engaging only with one/few communities lead to typecasting	24-R: We like to really depend on ourselves. We don't really like to go and branch out to different people	Tries to uphold own culture and reinforce familiar practices by interacting with others who share those practices
32-F: In the daytime he worked at the accounting office printing paper for the people. At night he went to OCC to learn English. He was working and studying, he earned money, and back then money worth a lot of money. Five thousand, ten thousand you can open a business	<p><i>Multiple channels of engagement:</i></p> <p>Engages in diverse professional and personal activities</p>	26-R: If somebody has killed my family in front of my face and I've seen it and survived it, others can't understand what is going on in me and tell me to forgive. So that is why we are working in a community because we all went through that.	
		33-R: Some people, they don't want to stress. Like me, I don't want to stress. I don't like that. I don't want to be stressed. [What do you want to do in the next five to 10 years?] Same thing I'm doing here. That's it. Who do I make more money for?	<p><i>Limited channels of engagement:</i></p> <p>Engages in limited routine professional and personal activities with familiar audiences</p>

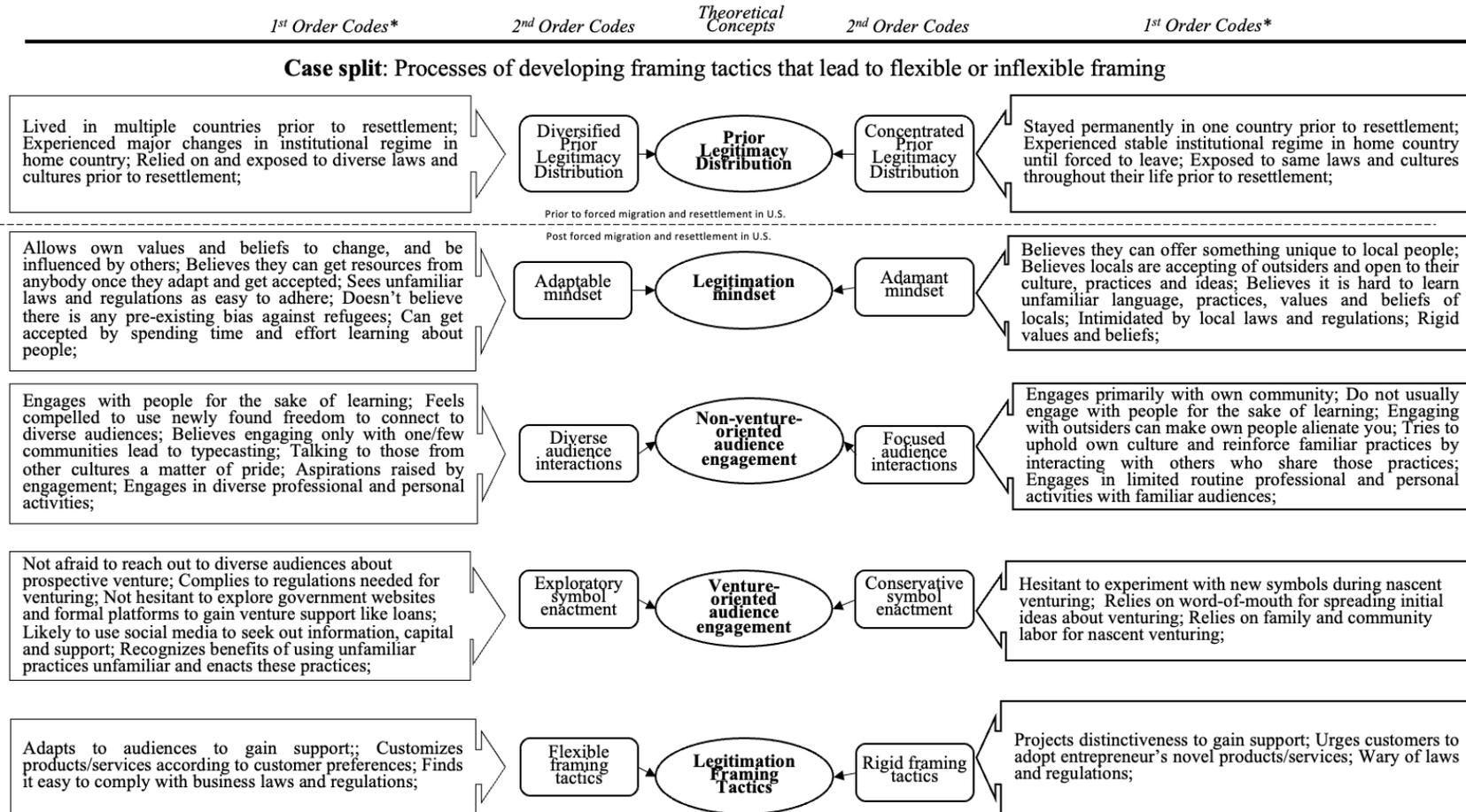
**Table III-5: Quotes and 1st Order Codes - Venture-Oriented Audience Engagement**

Quotes	1 <sup>st</sup> order codes	Quotes	1 <sup>st</sup> order codes
<i>Adaptables - Exploratory symbol enactment</i>		<i>Adamants - Conservative symbol enactment</i>	
42-R: The money he earned and saved was not enough to open the business. We took out some loans too because I worked at the bank. so I asked him to take a five thousand dollar loan more to open the business. [Was it easy to get a loan then?] Yeah, very easy because they looked at your record. You hard worker. [Good] credit score, so easy to get a loan. They don't ask you many questions.	<p>Not afraid to reach out to diverse audiences about prospective venture</p> <p>Sees value in complying to regulations needed for venturing</p> <p>Not hesitant to explore government websites and formal platforms to gain venture support like loans</p>	38-R: [When you came to the U.S, what was your dream? What did you want to achieve?] To work with young people, work with children, to work with the Bosnian people to save my culture and religion	<p>Hesitant to experiment with new symbols during nascent venturing</p> <p>Relies on word-of-mouth for spreading initial ideas about venturing</p>
11-F: Now maybe things have changed [in their home country], but before it was not like that. You just find a building, you make it nice and spacious, you must make sure you have chairs, you have tables, you open the restaurant, you put your name and that's it. The whole business. Here you do not do that, you know, and I like it because you have to be very conscious of what you are doing, if you don't know the food you are cooking, maybe somebody is going to have allergy, somebody is going to get hurt, somebody is going get sick, you never know. So, I love the system the way they have the system here in the United States, I love it.	Recognizes benefits of using unfamiliar practices and enacts these practices	31-R: When I lose the job, then I start grocery store with my partner Sha. My cousin give some money; some relatives give \$10,000, some give \$5000, some \$10,000. Like a loan.	Relies on family and community labor for nascent venturing

**Table III-6: Quotes and 1<sup>st</sup> Order Codes - Pathway Switching**

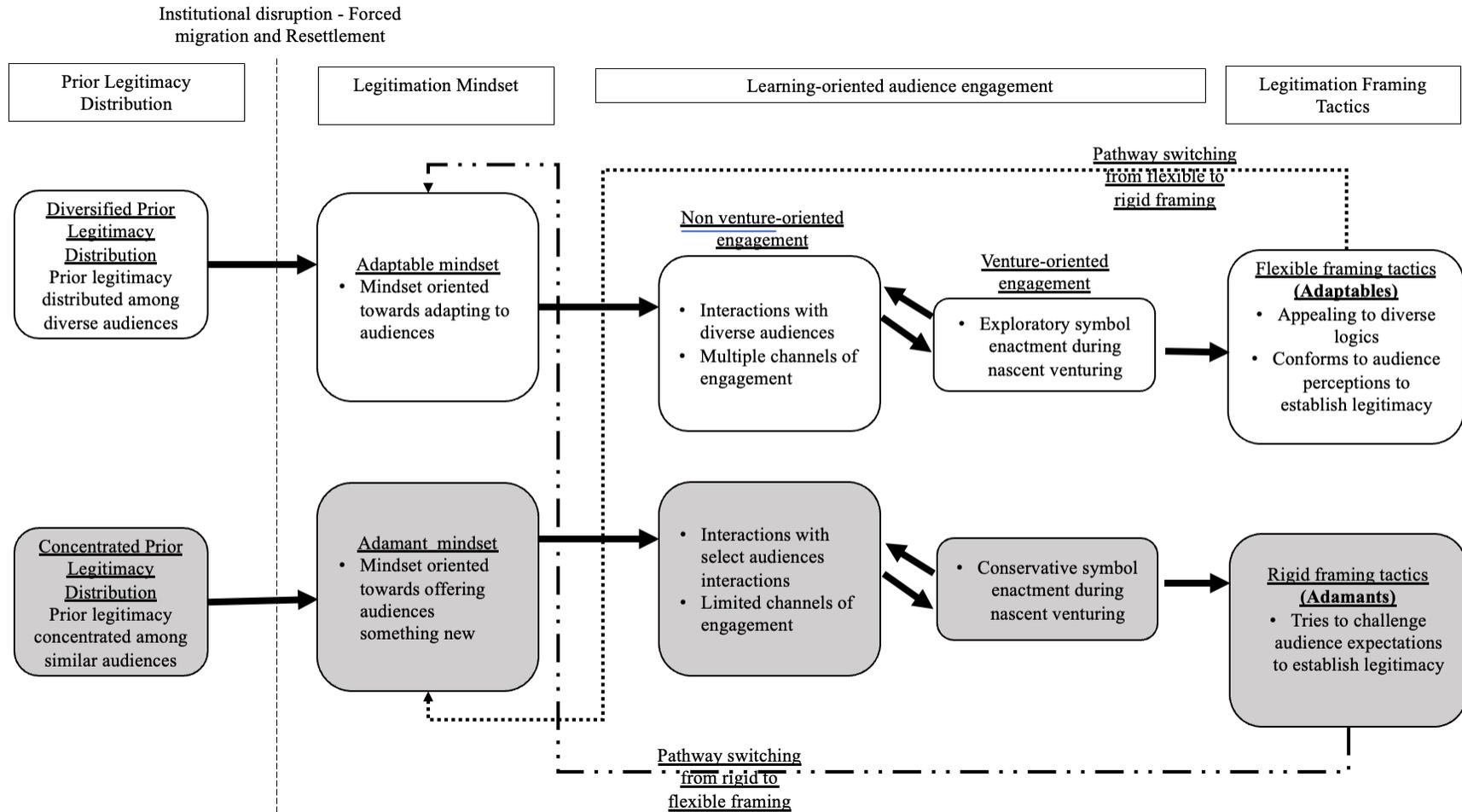
Quotes	1 <sup>st</sup> order codes
<p>12-F: Even if we are successful in this business, I have a feeling that I made a mistake because I just [only] focused on this business. I have to do something for everyone. So, if I can go back in time, I will not open this. I will take a franchise for Subway or McDonalds or Arby's, it is better than this. [Why do you say that opening Subway is better?] Because this business does not give me the opportunity to know everyone, your neighbors. Neighbors won't buy from us. They are not familiar with what I have here in this shop.</p>	<p>Desire to change business approach to appeal to wider audiences</p>
<p>40-R: [<i>Have you ever regretted that you closed your business?</i>] It's hard. See, I like to be honest with people and working with people is really hard. Not everybody is happy if you tell him that his 20 years old furnace is broken, and that he needs to spend probably 500-600 bucks just to repair or 2000 bucks to replace the furnace. They're going to get pissed off. It's really hard to deal with the people and it's getting harder and harder. If you have to do some work for them, even if you are to make the work easier, it's just hard to get them to get that idea that something old has to be replaced.</p>	<p>Recognition of inability of current attempts to attract customers</p>

**Figure III-1: Data Structure**



*\*These statements are representative of the language used by informants in our raw data*

**Figure III-2: Model of Founders' Framing Tactics Development**



## **CHAPTER FOUR: THE OUTSIDER PENALTY: REGULATION AND EARNINGS OF SELF-EMPLOYED IMMIGRANTS**

### **ABSTRACT**

Self-employed immigrants earn less than self-employed natives on average due to the liability of foreignness. Yet, the average earnings differential hides considerable heterogeneity in the performance of immigrant entrepreneurs across industries. Industry regulation is an important albeit understudied source of this heterogeneity. Drawing on the economic theory of regulation, I suggest that more regulation will exacerbate self-employed immigrants' liability of foreignness and the earnings gap between self-employed immigrants and self-employed natives. I also suggest that the gap closes across industries over time, as immigrants' learning and cultural assimilation help offset the asymmetric effects of regulation. I test my hypotheses using a simulated-panel approach. This approach enables me to model longitudinal variation from individual-level pooled data, combined with measures of state and federal regulatory restrictions across a number of industries. My findings confirm that self-employed immigrants face a regulatory outsider penalty, in the form of greater earnings underperformance in industries with more regulation. I do not find strong evidence, however, for a mitigating effect of time on this penalty.

**Keywords:** Immigrant entrepreneurship; Regulations and entrepreneurship; Self-employment earnings

## INTRODUCTION

Self-employed immigrants have been shown to earn less than self-employed natives on average (Constant & Zimmermann, 2006; Lofstrom, 2002). Scholars attribute this underperformance to a “liability of foreignness” (LOF): a competitive disadvantage resulting from unfamiliarity with local culture, rules, and markets, and from a lack of local networks (Zaheer & Mosakowski, 1997). Studies also show that this LOF and underperformance tend to narrow over time, suggesting immigrants’ cultural assimilation and learning in the host country over time (Neuman, 2021). The average earnings differential, however, belies considerable heterogeneity observed in the performance of immigrant entrepreneurs across industries. For instance, scholars have found little or no performance differences between ventures started by immigrants and natives in the information technology industry, unlike in most industries (Chaganti, Watts, Chaganti, & Zimmerman-Treichel, 2008; Kerr & Kerr, 2020).

This finding suggests that it is important to investigate the heterogeneity in immigrant entrepreneurs’ relative performance across industries and the sources of that heterogeneity. One important, yet understudied source of this heterogeneity may be industry regulations. Prior literature suggests that industry regulatory requirements, such as business registration and licensing requirements, may have both positive and negative effects on immigrants’ ability to create and grow ventures (Dheer, 2018; Kloosterman, 2010). However, scholars have not explored the effects of the overall scope of regulation in an industry on the venture performance of immigrants. This omission matters because understanding these aggregate effects of regulation can help better explain immigrants’ integration into the host country through venturing. Thus, in this paper, I first study whether, and to what extent, the influence of industry regulation on self-employment earnings differs between immigrants and natives. I then

investigate whether, and to what extent, this differential influence varies with the time spent by immigrants in the host country.

I answer the above research questions by drawing upon the economic theory of regulation (Stigler, 1971; Tullock, 1967). This theory pays particular attention to regulatory compliance costs and highlights the differential burden that these costs represent for different market entities, such as small and large firms. Specifically, this view suggests that regulation is produced through “exchange” between political actors and well-organized interest groups. These groups, who are often referred to as “insiders,” supply political support to political actors. In exchange, insiders demand regulatory rules that asymmetrically burden their competitors, who are referred to as “outsiders” (Laffont & Tirole, 1991). I expect that more regulation will exacerbate LOF and reduce earnings of self-employed immigrants relative to those of self-employed natives. This is primarily because compliance costs of regulations are likely to burden immigrants—the “outsiders”—asymmetrically. In addition, I expect that, across industries, the self-employment earnings gap between immigrants and natives will converge over time. This is because immigrants’ cultural assimilation and learning should help them offset the asymmetric effects of regulation.

To test my hypotheses, I use a simulated-panel approach that enables me to model longitudinal variation from individual-level pooled cross-sectional data (Chin & Cortes, 2015; Cortes, 2004). My data on self-employed immigrants and natives come from the 2000 U.S. Census’s 5-Percent Public Use Microdata Sample, alongside the 2006–2018 American Community Survey (ACS) one-year PUMS and RegData. The latter allows me to measure state and federal regulatory restrictions in specific industries, thereby measuring industries’ regulatory burden (Al-Ubaydli & McLaughlin, 2017).

My findings indicate that self-employed immigrants face a regulatory “outsider penalty” in the form of greater earnings underperformance in industries with more regulation. Specifically, my estimates suggest that, relative to self-employed natives, self-employed immigrants earn roughly \$6,000 less in high-regulation industries, compared to \$3,000 less in low-regulation industries. I do not, moreover, find strong evidence to suggest that this penalty is mitigated over time. Across regulatory levels, the earnings estimates of self-employed immigrants do not converge, even after nearly two decades. While prior work points to tensions between entrepreneurs and regulatory institutions (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2002), my work demonstrates a plausibly regressive implication of regulations for a group that already faces significant economic hurdles.

## **THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT**

### **The self-employment performance of immigrants compared to natives**

Self-employment represents a key pathway for immigrants to integrate into the host-country’s economy, with self-employment rates of immigrants historically seen to be higher than those of natives across several countries (Borjas, 1986; Yuengert, 1995, for U.S.; Clark and Drinkwater, 2010, for Britain; Hammarstedt, 2001, for Sweden). Because of the well-known popularity of self-employment among immigrants, scholars have studied this topic for the last few decades (Irastorza & Peña, 2014; Neuman, 2021; Portes & Zhou, 1996). Several of these studies have investigated differences in performance between self-employed immigrants and natives. These studies show that self-employed immigrants tend to earn less, on average, than self-employed natives. These studies also show that this earnings disparity decreases as immigrants spend more time in the host country (Lofstrom, 2002, 2011; Schuetze & Antecol, 2006).

The key theoretical explanation offered by scholars for the underperformance of immigrant entrepreneurs is that immigrants suffer from a “liability of foreignness” (LOF) (Jiang, Kotabe, Hamilton III, & Smith, 2016; Mata & Alves, 2018). This LOF stems primarily from immigrants’ unfamiliarity with the host-country environment, their lack of legitimacy, and other constraints, such as restrictions explicitly established in legal dispositions (Zaheer, 1995). These factors reduce the value of immigrants’ human and social capital (Friedberg, 2000) and make it difficult for them to identify business opportunities (Mata & Alves, 2018), manage employees (Fang, Samnani, Novicevic, & Bing, 2013), and anticipate political decisions that affect their business (Maxwell, 2010). Moreover, among immigrants, these factors and the LOF they cause are more extreme for immigrants from countries whose laws, policies, regulations, culture, and other institutions are significantly different from those of the host country (Portes & Zhou, 1996; Zaheer, 1995).

The literature proposes that the LOF experienced by immigrant entrepreneurs is likely to be highest immediately after their arrival in the host country but to decrease over time (Mata & Alves, 2018). Thus, extant studies indicate a convergence in the earnings of immigrant entrepreneurs with those of native entrepreneurs over time. This is because, over time, immigrant entrepreneurs gain familiarity with and legitimacy in the local environment by acquiring social knowledge, conforming to local rules, practices, and norms, and forming harmonious relationships with local actors (Barkema, Bell, & Pennings, 1996; Delios & Beamish, 2001; Zhou, Wu, & Luo, 2007). These arguments on immigrant entrepreneurs’ LOF provide important building blocks for the development of subsequent theory. Thus, my baseline hypotheses are:

***Hypothesis 1a.*** *The self-employment earnings of immigrants will be lower than that of natives.*

***Hypothesis 1b.*** *The self-employment earnings gap between immigrants and natives will narrow over time.*

Although these baseline hypotheses and the theories they are based on shed some light on *how* immigrant entrepreneurs integrate into the local economic fabric, they paint an incomplete picture. The hypotheses speak only about the relative business performance of the “average” self-employed immigrant compared to a self-employed native. However, recent studies show that the business performance of immigrant entrepreneurs differs considerably for different immigrant groups. These studies have focused primarily on differences among immigrant entrepreneurs based on their home country/region. For example, Robb and Fairlie (2009) show that Asian-owned businesses have higher profits than other immigrant-owned businesses in the United States. Similarly, Hammarstedt (2006) shows that, in Sweden, non-European self-employed immigrants have lower earnings than do their native counterparts, while the earnings of self-employed immigrants originating from Europe are more similar to those of self-employed natives. Another related branch of study, under the ambit of ethnic entrepreneurship, has focused on differences in immigrant entrepreneurs’ performance based on the ethnic communities they belong to in the host country. For example, Mata and Alves (2018) show that immigrant firms in areas with large national community networks have lower exit rates than immigrant firms in areas with a small community network.

### **Industry-Regulatory Framework and Immigrant Entrepreneurship**

The above-mentioned studies notwithstanding, little research exists to date on differences in the performance of immigrant entrepreneurs as affected by the institutional environment, particularly the politico-institutional environment, of the industries in which they operate. This environment includes the laws, rules, and regulations concerning economic activity (Freeman & Ögelman, 1998). Researchers have argued that the politico-institutional environment of the industries in which immigrants are embedded can be a critical factor in their self-employment

experiences (Kloosterman, 2010; Rosales, 2013; Thomas & Ong, 2015). These studies have focused primarily on how industry regulatory aspects, such as permitting requirements, influence the opportunities of immigrants to start businesses. For example, if a special educational qualification, which can only be acquired in the host country, is needed to obtain a self-employment permit in a particular industry, then immigrants in that industry will be at a disadvantage relative to immigrants in other industries in terms of becoming self-employed (Kloosterman, 2003).

However, industry regulatory aspects can also affect the self-employment experiences of immigrants *after* they start their businesses. For example, some regulations, such as recruitment laws that make it easier to hire foreign workers in the industry, may benefit the performance of ventures started by immigrant entrepreneurs (Kulchina, 2016). Other regulations, such as the need to renew business licenses and procure additional licenses to expand the range of services offered by a business in the industry, may hurt the performance of ventures started by immigrant entrepreneurs (Federman, Harrington, & Krynski, 2006). Thus, it is clear that industry regulatory aspects can sometimes positively and sometimes negatively influence the venture performance of immigrants and in turn, their earnings from these ventures. Yet, scholars have not fully explored the net effects of the overall scope of regulation in the industry on the venture performance of immigrants.

Outside of the immigrant entrepreneurship literature, though, recent literature on regulations and entrepreneurship has explored the net effects of regulations in a market, such as an industry or a country. These studies have highlighted the asymmetric effects of regulation on different types of entrepreneurs in the market, and in particular, on how regulation disproportionately hurts entrepreneurs looking to enter the market more than incumbents (Bailey

& Thomas, 2017; Lucas & Boudreaux, 2020). This is because regulations impose different costs and benefits on different types of entities in a regulated market. So far, this line of research has limited its focus to the effects of regulation on the incentives of entrepreneurs to start new firms in a regulated market. For example, Djankov and his colleagues (2002) show that, as the number of procedures for starting a new business increases in a specific country, fewer new businesses will be created by entrepreneurs in that country. Yet, existing research has been less concerned with the asymmetrical influence of regulations on different types of entrepreneurs that have already entered the market, specifically the performance of their ventures and their earnings from these ventures.

I address the above research gaps by studying the asymmetric effects of aggregate industry regulation on the self-employment earnings of immigrants and natives. Extant literature suggests two plausible yet competing theories of regulation that can help fill these gaps. The classic “public interest” view suggests that regulation mitigates information asymmetries faced by groups such as immigrants, helping “level the playing field” (La Porta, Lopez-De-Silanes, & Shleifer, 2006; Mata & Alves, 2018). However, this view tends to underestimate the costs, particularly the compliance costs, associated with regulation. Therefore, following Tullock (1967), this view has been replaced in recent years by the “public choice” view, specifically George Stigler’s application of the public choice view known as the economic theory of regulation. This theory of regulation suggests that regulation is promoted by well-organized interest groups or insiders within the regulated industry (e.g., incumbents) to protect them from competition. Politicians are seen to produce regulations that cater to the business interests of these insiders to maximize their reelection prospects. Thus, in this view, regulation tends to

exacerbate asymmetries to disfavor poorly organized outsiders (e.g., prospective entrants) and favor instead the insiders that successfully demand regulation (Peltzman, 1976; Stigler, 1971).

Previous studies show that more regulation works in favor of insiders because they are able to overcome regulatory compliance costs more easily than outsiders, owing to the insiders' size and/or experience. Thus, in the context of immigrant entrepreneurship, self-employed immigrants—who are less organized and less familiar with the focal regulatory framework within an industry—may be treated as outsiders, while self-employed natives are treated as insiders.

Thus, applying the public choice view to self-employed immigrants and natives in an industry, I expect that self-employed natives will demand regulatory rules that asymmetrically burden self-employed immigrants—their competitors and relative outsiders. Regulation primarily burdens self-employed immigrants by influencing their regulatory compliance costs. Because regulatory requirements are neither completely specified nor perfectly enforced, interpreting these rules constitutes a key part of entrepreneurs' compliance efforts (Lucas & Fuller, 2017). This interpretive element, arising from an initial information asymmetry related to focal regulatory requirements, is likely to require more effort for immigrants who are less familiar than are natives with the host country and the particular industry (Berry, 1997). For example, in more regulated industries, self-employed immigrants may need to hire a lawyer to comply with regulations, while self-employed natives may not need to do so (Rosales, 2013). Furthermore, the same information asymmetry also increases the chances of immigrants' non-compliance with legal requirements and sanctions, further burdening them through penalties (Rath & Kloosterman, 2000). Mata and Alves (2018) highlight this point: “Compliance costs, which are a problem for all new and small businesses, are aggravated in the case of immigrants.”

Thus, the greater the regulatory burden is in an industry, the greater the competitive disadvantage will be for self-employed immigrants; and this disadvantage is even greater for immigrants from countries with regulations considerably different from regulations in the host country.

Hence, expanding the baseline Hypothesis 1a to look at immigrant-native self-employment earnings gap, across industries with different scope of regulation, I hypothesize:

**Hypothesis 2.** *The self-employment earnings gap between immigrants and natives will be larger in industries with a greater regulatory burden.*

Just as the gap between the earnings of self-employed immigrants and natives varies across industries with different regulatory burdens, the length of time until this gap is closed may also vary across industries. Specifically, I expect that improvements in immigrants' relative venture performance over time, which arise from mitigating information asymmetry, are likely to be greater in industries that are more regulated. This is because in industries where immigrants experience greater information asymmetry, they are more likely to benefit from cultural assimilation and learning that aid in mitigating information asymmetry. Mata and Alves (2018) provide some evidence for this faster "catch-up" effect. They show that immigrants who suffer greater information asymmetry initially benefit more from cultural assimilation through host-country work experience. Thus, I expect that differences in the relative earnings of self-employed immigrants across industries, with different regulatory burdens, will diminish with the length of time spent in the host country. Hence, expanding the baseline Hypothesis 1b to look at the reduction in immigrant-native self-employment earnings gap over time, across industries, I hypothesize:

**Hypothesis 3.** *The differences in earning gaps between immigrants and natives across industries with different regulatory burdens will decrease over time.*

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Insert Figure IV-1 about here  
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Figure IV-1 maps my hypotheses as a conceptual model.

## **DATA AND METHODS**

### **Data**

To test my hypotheses, I use individual-level pooled cross-sectional data from the Integrated Public Use Microdata Series (IPUMS) (Ruggles et al., 2018). IPUMS consists of microdata samples from U.S. and international census records as well as data from U.S. and international surveys. The records are converted into a consistent format and made available to researchers through a web-based data dissemination system. I use the 2000 U.S. Decennial Census PUMS 5-Percent alongside the 2006–2018 American Community Survey (ACS) one-year PUMS for my analysis. The decennial census and ACS collect individual-level information related to employment, education, demographics, household composition, nativity, years since migration, and other socioeconomic variables. The decennial census and ACS are administered to random 5 percent and 1 percent samples of the U.S. population, respectively. Since these samples are drawn independently across years, it is not possible to link individuals across years.

Important for my analysis, the microdata include not only an individual's current U.S. state of residence, but also the country in which they were born. Thus, I am able to identify immigrants based on their foreign-born status and to separate them from natives or U.S.-born individuals in these data. Furthermore, I limit my analytical sample to self-employed individuals; respondents identify whether they work for their own enterprise(s) or for someone else. I also limit my sample to men ages 18 through 64 because the self-employment choices and

experiences of immigrant men and women have been found to be very different (Constant & Zimmermann, 2006), and could lead to difficulties in interpretation of results if both men and women were included in the sample. To obtain representative statistics, I also apply sample weights, which are part of PUMS, to my data. These weights indicate the population represented by each individual in the sample.

Further, to compare the relative earnings of self-employed immigrants to those of natives, across industries with different scopes of regulations, I then match IPUMS data with RegData's index of regulation (Al-Ubaydli & McLaughlin, 2017). Most of the existing studies on regulation and entrepreneurship calculate measures of regulation at the county or state level, despite regulation being primarily industry-specific (Bailey & Thomas, 2017); moreover, the measures of regulation they use do not simultaneously measure multiple dimensions of regulation, such as restrictiveness or complexity, across industries consistently or comparably. I overcome these challenges by using RegData, a database compiled by the Mercatus Center that quantifies federal regulations and measures the extent to which they target specific industries. Since its creation in 2012, RegData has been used by several scholars (McLaughlin, 2016), including those studying entrepreneurship (Bailey & Thomas, 2017; Lucas & Boudreaux, 2020). RegData uses machine learning and text analysis to quantify several features of regulation – such as volume, restrictiveness, complexity, and relevance to different sectors and industries – in the U.S. Code of Federal Regulations (CFR) from 1970 to 2017 (Al-Ubaydli & McLaughlin, 2017). I use regulatory restrictiveness as a measure of regulatory burden in my main results, and regulatory complexity as a measure of regulatory burden in my robustness checks.

For my main analysis, my full sample consists of 954,268 observations of self-employed men ages 18 through 64, of which about 16 percent are immigrants or foreign-born. A sample of

this size, on average, has nearly a 100 percent chance of finding population effects as small as  $r = 0.1$ , which is considered as a small effect size according to Cohen (1988) at 1 % significance level. This suggests that statistical significance should not be the only criterion for evaluating construct validity or relevance and that close attention should be paid to theoretical and managerial significance as well (Combs, 2010). Finally, the individuals in my sample are spread across twenty-four sectors (two-digit NAICS industry levels) and ninety-four subsectors (three-digit NAICS industry levels).

### **Dependent variable**

The key dependent variable in this study is total earnings. The key measure of this variable that I use in the main results is the annual *personal income* measure from IPUMS. This variable reports each respondent's total pre-tax personal income from all sources for the previous calendar year. These sources are income from wage/salary, business, social security, welfare (public assistance), interest, dividends, rentals, retirement, supplementary security, and other sources such as child support or alimony. No distinction was made between incorporated and unincorporated self-employed individuals. The amounts are adjusted for inflation and are in real year-2000 dollars. This is an ideal measure, as self-employed individuals may not always draw returns from venturing through one channel, such as dividends, but may do so through other channels such as those listed above. The “annual personal income” variable has been previously used in studies of self-employment performance such as that by Fairlie (2005).

### **Independent variables**

My key independent variable is a binary immigrant variable created from IPUMS. To capture immigrant status, I take advantage of my data set, which provides data on birthplace as well as citizenship status of the individuals in my sample. The immigrant variable takes the value

1 if the individual is foreign-born, unless the individual's parents are U.S. citizens. The variable takes the value 0 for all other individuals, including individuals born in the United States and foreign-born individuals born to U.S. citizens.

In my robustness check, I also use an alternative continuous immigrant measure, the number of years spent by an immigrant in the U.S., divided into five-year increments. This measure takes the value 0 if the individual is not an immigrant. I restrict this measure to a twenty-year range, using only the 2000 Census PUMS 5-Percent data.

### **Moderators**

Since my data capture different cross-sections of self-employed individuals for census years 2000 (decennial census) and 2006–2018 (ACS), I can model or simulate longitudinal variation for immigrants in my data. I do this by restricting immigrants in my sample to those who entered the United States in the years 1995–1999. This approach, called the simulated-panel approach (Chin & Cortes, 2015; Cortes, 2004), allows me to study a fixed cohort of immigrants who entered the United States in the years 1995–1999 across multiple points in time from 2000 through 2018 (excluding years 2001–2005). I do this using “time spent in the U.S.” as a moderator variable with census year 2000 assigned value 1 and years 2006–2018 assigned values 7–19. Interacting this variable with the immigrant variable allows me to capture the moderating effect of time spent in the U.S. on the relationship between immigrant status and self-employment earnings.

The other key moderator in my study is industry-regulatory burden. I use RegData's index of regulatory restrictiveness, measured at the three-digit NAICS subsector industry level, as a measure of regulatory burden. Regulatory restrictiveness is a measure created by combining restrictions in CFR with industry relevance. Restrictions are a “cardinal proxy of the number of

restrictions contained in regulatory text, devised by counting select words and phrases that are typically used in legal language to create binding obligations or prohibitions” (Al-Ubaydli & McLaughlin, 2017). These words are “shall,” “must,” “may not,” “prohibited,” and “required.” The “industry relevance” measure in RegData enables industry targeting: it estimates the relevance of a section of the CFR to the different sectors and industries in the economy. Thus, by combining restrictions and industry relevance, I provide an absolute measure of the effect of regulatory restrictiveness on self-employment earnings by industry: I use three-digit NAICS industry levels to match IPUMS data. In my robustness checks, I also use state regulatory restrictiveness as a measure of regulatory burden. The state regulatory restrictiveness measure is created by combining restrictions in state regulations, rather than restrictions in federal regulations or CFR, with industry relevance.

Interacting the regulatory burden term with the immigrant variable allows me to capture the moderating effect of regulation on the relationship between immigrant status and self-employment earnings. I transform the measure of regulatory burden using the natural logarithm and mean-center it based on the global mean for interpretability.

### **Control variables**

I use several individual-level controls for my analysis that have been found to influence entrepreneurs’ venture performance. Venture performance has been found to be affected by the educational attainment of the entrepreneur (Gimeno, Folta, Cooper, & Woo, 1997), their English fluency (Bates, 1999), marriage status (Dyer, Nenque, & Hill, 2014), hours worked per week (Cooper, Ramachandran, & Schoorman, 1998), metropolitan status (Löf & Nabavi, 2014), and their age (Van Praag, 2003). Therefore, at the level of the entrepreneur, I control for educational attainment (measured as the highest year of school or degree completed), age and age squared,

marital status, hours worked per week, metropolitan status (measured as residence of the entrepreneur within or outside metropolitan area), and English fluency (measured as whether or not the entrepreneur speaks poor English). I include a quadratic term for entrepreneur age to account for retirement age (Van Praag, 2003) and for a possible nonmonotonic relationship with self-employment earnings (Hamilton, 2000).

To account for differences across states, industries, and race in performance outcomes, dummy variables were included for states and industries in which the respondents operate, and for their race. These fixed effects control for unobserved state-level, race-level, and industry-level idiosyncrasies that do not vary over time. However, to control for idiosyncrasies at the state level that may vary over time, I use controls such as immigrant density (measured as number of immigrants per capita in the state), firm density (measured as number of firms per capita in the state), and state GDP per capita. Venture performance has been found to be positively affected by density of immigrants in the region where the venture is located. This is due to the benefits to the ventures from increased trade in such regions (Li, Isidor, Dau, & Kabst, 2018).

I also control for institutional distance between the entrepreneur's country of origin and the host country. U.S. institutional distance is calculated by taking the absolute "distance" between the institutional quality of the origin country and the host country. I use indicators for institutional quality used by McMullen et al. (2008), which originate from the Heritage Foundation's set of 50 institutional indicators. I use a data reduction technique, factor analysis, to handle the multicollinearity arising from the abundance of closely related indicators. In line with the study by Aidis, Estrin, and Mickiewicz (2012), I aggregate the indicators into two factors: "market freedom," which captures various dimensions of regulation, and "government size," which captures various dimensions related to taxes and government expenses. Thus, I use two

controls for institutional distance: market freedom distance and government size distance.

Venture performance has been found to be negatively associated with institutional distance of the entrepreneur, since entrepreneurs from countries that are institutionally more distant confront greater LOF (Mata & Alves, 2018). Finally, I use robust standard errors without specific clustering designation in my analysis.

## **Methods**

Prior to testing my main hypotheses, I tested my two baseline hypotheses, H1a and H1b. For H1a, I ran an OLS regression comparing the earnings of self-employed immigrants sampled from the 1995–1999 arrival cohort with the earnings of natives in my sample. For H1b, I then introduced a continuous time counter. Interacting the time counter with the immigrant variable allowed me to compare the earnings of self-employed immigrants, relative to self-employed natives, at consecutive points in time. Similar to the study by Lofstrom (2002), these two regressions provide an average estimate of self-employed immigrants’ initial underperformance and their catch-up effect, that is, mitigation of their underperformance over time.

I used the results from the above regressions as the baseline to test my main hypotheses. Thus, for H2, I ran a regression to see the moderating effect of industry-regulatory burden on the immigrants’ initial underperformance. For H3, I ran a regression to see the moderating effect of industry-regulatory burden on the immigrants’ catch-up effect.

## **RESULTS**

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Table IV-1 about here

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Table IV-1 summarizes the means and pairwise correlations for all variables in the main model. As indicated in Table IV-1, I find that individuals in my sample, on average, earn roughly \$43,000 annually, with immigrants earning roughly \$37,000 and natives \$44,000. After the mean-centering technique is used, the variance inflation factor (VIF) estimates for all variables (mean VIF=15.49) in the full models suggest that multicollinearity does not pose a serious problem (Barringer & Bluedorn, 1999).

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Table IV-2 about here  
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Table IV-2 presents the results of the regression analyses for all my hypotheses. Model 1 shows the effects of only my control variables on total earnings, which are broadly in line with my expectations. Results indicate that earnings increase with greater educational attainment, with those having a bachelor's or graduate degree earning substantially more than those with lower educational attainment. This is because education increases not only the ability to run new ventures, but also the opportunity costs for the self-employed individuals (Gimeno et al., 1997). Being married also has a positive coefficient, while having poor English fluency has a negative coefficient. Similarly, hours worked per week also has a positive coefficient. Results indicate that earnings increase and then decrease with the age of self-employed individuals. Residing in metropolitan area has a positive effect on earnings. As for state-level characteristics, immigrant density seems to have an unexpected negative coefficient (although nonsignificant  $p > 0.1$ ). Firm density and GDP per capita both have a positive effect. Finally, both market freedom distance

and government size distance have a negative effect. I also find that the estimated effects of control variables are largely unaffected by the inclusion of my variables of interest (Models 2-5).

Model 2 of Table IV-2 presents my results for H1a, which indicates the direct effects of immigrant status on total earnings. Model 3 of Table IV-2 presents my results for H1b, which augments the results of H1a by interacting immigrant status measure with time spent in the host country. I find strong support for both H1a ( $\beta = -4474.1$ ;  $p < 0.01$ ) and H1b ( $\beta = 407$ ;  $p < 0.001$ ). The standardized  $\beta$  coefficient for H1a is -0.01, which means that a change of 1 standard deviation in the immigrant variable is associated with a negative change of 0.01 standard deviations of the earnings variable (where the standard deviation of the earnings variable is approximately \$65,584, as seen in Table IV-1). Similarly, the standardized  $\beta$  coefficient for H1b is 0.012, which means that a change of 1 standard deviation in the immigrant status-time in the host country interaction variable is associated with a positive change of 0.01 standard deviations of the earnings variable. The results in Model 2 indicate that, consistent with findings of previous studies, self-employed immigrants in my sample underperform self-employed natives, earning on average roughly \$4,500 less annually. Furthermore, the results in Model 3 indicate that self-employed immigrants in my sample underperform self-employed natives by earning roughly \$9,600 less immediately after arrival. This difference is mitigated over time, as self-employed immigrants' earnings increase by around \$400 for each year spent in the United States.

Hypothesis 2 predicts that self-employed immigrants' underperformance will be greater in industries with higher regulatory burden. Results relevant to these hypotheses are presented in Model 4 of Table IV-2. My results indicate support for H2 ( $\beta = -657.1$ ;  $p < 0.05$ ). The standardized  $\beta$  coefficient for H2 is -0.002, which means that a change of 1 standard deviation in the immigrant status-regulation interaction variable is associated with a negative change of

0.002 standard deviations of the earnings variable. Specifically, my estimates suggest that self-employed immigrants earn roughly \$3,000 less, on average, than their domestic counterparts in industries with regulatory restrictiveness one standard deviation lower than mean, compared to roughly \$6,000 less, on average, in industries with regulatory restrictiveness one standard deviation greater than mean.

Hypothesis 3 predicts that the underperformance of self-employed immigrants in industries with more regulatory burden is mitigated over time. Results relevant to this hypothesis are presented in Model 5 of Table IV-2. These results do not indicate support for Hypothesis 3 even at the 10 percent significance level ( $\beta = 88.05$ ;  $p > 0.1$ ). Specifically, I do not find strong evidence that immigrant earnings estimates across regulatory restrictiveness levels converge even after nineteen years.

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Figure IV-2 about here

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The earnings convergence over time among immigrant entrepreneurs across industries with different regulatory burdens is captured in Figure IV-2. The solid line represents the earnings of self-employed immigrants relative to self-employed natives over time in industries with low regulatory restrictiveness (i.e., restrictiveness 1 standard deviation lower than mean). The dotted line represents the relative income of self-employed immigrants compared to natives over time in industries with high regulatory restrictiveness (i.e., restrictiveness 1 standard deviation greater than mean). It can be seen from the figure that the dotted line is below the solid line, even among immigrants who have stayed in the country for 19 years. This shows that the self-employment underperformance experienced by immigrants in more regulated industries

relative to less regulated industries persists, even after 19 years. Furthermore, it can be seen that the solid line does not touch the upper horizontal axis even after 19 years. This suggests that, even in industries with low regulatory restrictiveness, self-employed immigrants underperform relative to their domestic counterparts even after 19 years.

### **Robustness checks**

I employ coarsened exact matching (CEM) in my robustness checks to determine whether addressing selection effects in my sample through matching affects my findings. CEM has also been used previously in other studies on self-employment (Abreu, Oner, Brouwer, & van Leeuwen, 2019). Using CEM, I created a balanced sample on the basis of a set of observable variables identified in the literature as being strongly associated with self-employment earnings (Constant & Zimmermann, 2006; Neuman, 2021). Thus, CEM can help mitigate the ex-ante differences between self-employed immigrants and natives before estimating the differences in the performance consequences of each of these two groups. The advantage of CEM over other forms of matching, such as propensity score matching, is that it provides a form of exact matching through its use of the coarsening process. This matching allows the degree of imbalance to be set in advance of the analysis. This imbalance is bounded by the coarsening process. CEM also provides a simple way (via weights) to use the resulting matched sample in regression analysis (Iacus, King, & Porro, 2011). The results for the robustness checks of all my hypotheses using CEM weights are presented in Models 1–4 of Appendix IV-1. Models 1 and 2 present my results for Hypotheses 1a and 1b, respectively. I once again find support for H1a ( $\beta = -7824.8$ ;  $p < 0.001$ ) with respect to the underperformance of immigrants' earnings relative to natives' earnings, and limited support for H1b ( $\beta = 210$ ;  $p = 0.07$ ), with the coefficient of the interaction term signifying the immigrants' catch-up effect only marginally tending towards the

5% significance threshold. The results relevant to H2 are presented in Model 3 of Appendix IV-1. The results indicate support for H2 ( $\beta = -700$ ;  $p < 0.05$ ), with respect to the underperformance of self-employed immigrants in industries with more regulatory burden. However, as seen in Model 4, I do not find support for Hypotheses 3, even at the 10 percent significance level, with respect to the moderating effect of time on regulation-induced immigrant underperformance.

In my main analysis, I use a simulated panel approach, which involves comparing a narrow set of immigrants (i.e., male self-employed immigrants in the labor force between the age of 18 and 64 who immigrated between 1995-1999) from different census year samples to model changes in immigrant earnings over time. This is done by interacting a binary immigrant variable with a continuous time counter. Since I am comparing data from different time periods, this approach has the drawback that I might be attributing the effects of unobserved variables that vary over time to my explanatory variables. To overcome this challenge, I ran a robustness check using only the 2000 Census PUMS 5-Percent data, modeling changes in immigrant earnings over time using a host-country duration variable. The host-country duration variable takes the value 0 for natives and the duration of their stay in the U.S. for immigrants in my sample. Thus, for this check, I compared how long different immigrants had been in the U.S. as of that year, i.e., 2000. The results for this robustness check are presented in Models 1 and 2 (using two-digit NAICS regulatory burden measures), and in Models 3 and 4 (using three-digit NAICS regulatory burden measures) of Appendix IV-2. The results in Appendix IV-2 offer support for Hypotheses 1a, 1b, 2, and 3. Specifically, with respect to H2, Models 2 and 4 show that, for all four groups of immigrants who vary in time spent in the host country, immigrants' relative underperformance is greater in industries with a greater scope of regulatory burden. Similar to findings from the main

analysis, Models 2 and 4, however, do not offer support for H3 with respect to the moderating effect of time on regulation-induced immigrant underperformance.

The results for the robustness checks of all my hypotheses using a measure of regulation derived from text from state regulations are presented in Appendix IV-3. This text of state regulations is a dataset available on State RegData, which is different from the RegData dataset on federal regulation used in my main analysis. State RegData provides an alternate index of regulatory restrictiveness from that used in my main analysis. The state regulatory restrictiveness measure is created by combining restrictions in state regulations with industry relevance. One limitation of this dataset is that the state regulation dataset is only available for one year, 2020, unlike the federal regulation dataset used in the main analysis, which is available for multiple years. Models 1 and 2 present my results for Hypotheses 1a and 1b, respectively. I once again find support for both H1a ( $\beta = -3778.7$ ;  $p < 0.01$ ) and H1b ( $\beta = 270.8$ ;  $p < 0.001$ ). Results relevant to Hypothesis 2 are presented in Model 3 and indicate support for H2 ( $\beta = -741.5$ ;  $p < 0.001$ ) with respect to the regulation-induced immigrant underperformance. I also find some support for Hypothesis 3 ( $\beta = 154.1$ ;  $p < 0.1$ ) with respect to the moderating effect of time on regulation-induced immigrant underperformance; this is presented in Model 4.

The results for the robustness checks of all my hypotheses using regulatory complexity as a measure of regulatory burden, instead of regulatory restrictiveness used in my main analysis, are presented in Models 1–4 of Appendix IV-4. Since my argument for the asymmetric effects of regulation on self-employed immigrants and natives rests on unequal compliance costs, regulatory complexity offers a good way to test my argument. RegData's index of industry regulatory complexity is created by combining complexity in CFR with industry relevance. Complexity is measured independently by calculating the Shannon entropy of the regulatory text,

and is “used to surface regulations that may be difficult to read or comprehend from an objective, statistical standpoint” (Al-Ubaydli & McLaughlin, 2017). In this case, the Shannon entropy measures the likelihood of encountering new words and concepts in a given body of text. By combining complexity and industry relevance, I provide an absolute measure of the effect of regulatory complexity on self-employment earnings by industry. Models 1 and 2 present my results for Hypotheses 1a and 1b, respectively. I once again find support for both H1a ( $\beta = -3544.7$ ;  $p < 0.01$ ) and H1b ( $\beta = 270.6$ ;  $p < 0.001$ ). Results relevant to Hypothesis 2 are presented in Model 3 of Appendix IV-4 and indicate support for H2 ( $\beta = -563.5$ ;  $p < 0.05$ ) with respect to regulation-induced immigrant underperformance. I also find some support for Hypothesis 3 ( $\beta = 134.4$ ;  $p < 0.05$ ), although only at the 5% significance level, with respect to the moderating effect of time on regulation-induced immigrant underperformance; this is presented in Model 4.

## **DISCUSSION AND CONCLUSION**

The surge in migration to many countries has sparked renewed debate on the economic integration of immigrants in host countries, particularly in developed countries like the United States. Based on the high self-employment rates among immigrants relative to natives (Kerr & Kerr, 2020), self-employment has often been portrayed as a means of achieving labor market integration for immigrants (Lofstrom, 2017; Yang, Ho, & Chang, 2012). However, it is still unclear whether and under what conditions self-employment represents a clear pathway for immigrants to achieve upward mobility. While individual background, education, and human capital affect self-employed immigrants’ performance relative to natives, an external yet important determinant is the institutional environment of the host-country industry in which they operate (Basu & Pruthi, 2021). The mixed-embeddedness view of immigrant entrepreneurship, in particular, has emphasized the impact of the host-country’s politico-institutional environment in

explaining immigrant entrepreneurship (Kloosterman, 2010; Kloosterman & Rath, 2001). This mixed-embeddedness literature has highlighted regulatory aspects of institutions, in particular, as having a key impact on immigrant entrepreneurship, and as affecting the opportunities available to immigrants (Kloosterman, Van der Leun, & Rath, 1999).

In this chapter, I explored how the overall scope of regulatory burden in an industry impacts self-employed immigrants' venture performance relative to self-employed natives. To do so, I first compared the earnings of self-employed immigrants to those of self-employed natives in my sample, and whether this earnings gap diminishes with the time spent in the host country. While previous scholars have made these comparisons between self-employed immigrants and natives in the U.S. using 1980 and 1990 census data (Lofstrom, 2002), it was necessary to confirm that their results still hold for the more recent census data from 2000–2018. My results provide further evidence for the existence of an LOF for immigrant entrepreneurs as established by previous studies (Fairlie, 2012; Mata & Alves, 2018). I find that recently arrived self-employed immigrants earn less than self-employed natives on average, and that this deficit narrows with more time spent in the host country. Consistent with other studies, I also find that this deficit persists even after nearly two decades in the host country (Lofstrom, 2002).

Using the above findings on self-employed immigrants' LOF as a basis for answering my research questions, I explored the moderating effect of industry regulation on immigrants' initial underperformance and subsequent catch-up. My results show that the earnings deficit between recently arrived self-employed immigrants and natives is greater in high-regulation industries than in low-regulation industries. I do not find strong evidence that this added burden faced by self-employed immigrants in high-regulation industries diminishes with time spent in the host

country. These findings shed light on the extent to which the LOF faced by self-employed immigrants is conditional on and aggravated by the accumulation of industry regulation.

Previous research has highlighted various difficulties faced by immigrants due to regulations when starting their businesses. For example, Kloosterman (2003) noted that laws curbing illegal activities of small businesses, such as hiring undocumented labor, significantly reduced entrepreneurial opportunity structures for immigrants in the Netherlands. But it is often taken for granted that these difficulties recede or even disappear *after* starting the business (Jones, Ram, Edwards, Kiselinchev, & Muchenje, 2014; Rath, 2000). My findings suggest that the difficulties faced by immigrants due to regulations persist even after they start the business; this is captured in my study by the greater performance differential between self-employed immigrants and natives in more regulated industries. These differences exist across industries, not only for recently arrived immigrants, but even for immigrants who have spent nearly two decades in the host country, demonstrating the longevity of regulation-induced LOF. Thus, my research clarifies that difficulties faced by immigrants when starting their businesses persist even after starting their businesses, and that the difficulties last for a long time.

Regulations can act as a guide for immigrant entrepreneurs for dealing with key business stakeholders such as customers, employees, suppliers, and lenders, but they also place a burden on immigrant entrepreneurs, particularly in the form of compliance costs (Mata & Alves, 2018; Rath & Swagerman, 2016). However, the literature does not provide conclusive evidence about the net effect of the underlying positive and negative effects of different industry regulations. Thus, whether the overall scope of industry regulations benefits or hurts immigrant entrepreneurs' venture performance relative to that of natives becomes an empirical question, which I answer in this chapter. To my knowledge, this study is the first to empirically capture the

net effect of overall industry regulations on immigrants' economic integration through self-employment. I find that this net effect is negative in the short run, and to some extent, even in the long run.

My findings support the "public choice" view of regulations that suggests that regulations exacerbate asymmetries in favor of insiders and against outsiders. Compared to outsiders, insiders tend to be in better-organized groups whose political support is more valued by political actors and accepted in exchange for regulatory rules that burden outsiders (Peltzman, 1976). Traditionally, studies on regulation have treated incumbent and large firms as insiders, and entrants and small firms as outsiders (Djankov et al., 2002; Klapper, Laeven, & Rajan, 2006). In this chapter, I show that another way to classify insiders and outsiders may be to treat native entrepreneurs as insiders and immigrant entrepreneurs as outsiders. My finding that self-employed immigrants earn less than self-employed natives in more regulated industries provides evidence for the asymmetric effect of regulation on the two groups. This chapter also contributes to the public choice literature by highlighting the intertemporal effects of regulation. Specifically, while public choice theory has been employed to explain the competitive advantage of insiders relative to outsiders in many firm contexts (Lucas & Fuller, 2017), extant theory offers little explanation of the process by which outsiders overcome regulatory hurdles over time. My findings, although weak on the narrowing gap between immigrants' performance in industries regulated to different degrees, suggest that outsider status may not be permanent, and that outsiders may be able to shake off their outsider status over time. I draw on assimilation and learning as mechanisms by which prior outsiders tend toward insider status with respect to regulatory hurdles.

From a policy standpoint, this chapter informs policymakers about a previously unrecognized, unintended consequence of the extensive regulations they produce: an asymmetric hindrance to newly arrived immigrants' self-employment success. Prior work has highlighted the negative implications of regulatory burden for entrepreneurs (Bailey & Thomas, 2017; Chambers & Munemo, 2019). My work shows that, among all entrepreneurs, immigrant entrepreneurs may be one of the hardest hit groups by regulations, since regulations can aggravate their other disadvantages arising from LOF.

### **Limitations and avenues for future research**

I recognize that this study is not without limitations. First, the data I use are pooled cross-sectional data on individuals; therefore, I cannot follow these individuals over time and thus cannot control for individual fixed effects—the differences across individuals that do not change over time. Future studies could use panel data that track individuals over time to study the effects of regulation on their venture performance. Second, I do not have data on the period before immigration for most of the individuals in my study. Thus, I cannot control for factors during that period such as work experience or investments they may have made in learning about the host country, which could influence their entrepreneurial performance after immigration. Third, there is considerable heterogeneity even among self-employed immigrants, in terms of how they respond to regulations in the short and long run. This needs to be explored further in future studies. Fourth, the literature on transnational entrepreneurs stresses the importance of simultaneous embeddedness in two environments on the success of the businesses created by immigrants (Drori, Honig, & Wright, 2009). Yet my data do not indicate the extent to which my self-employed immigrants maintain relations with their home countries or engage in international trade. Fifth, as my study was performed with U.S. data, I do not know whether the results

generalize to other countries. This calls for replication studies for other countries, particularly developing countries, which may have different politico-institutional environments and different immigrant populations compared to the United States.

**Table IV-1: Summary Statistics and Correlation Matrix**

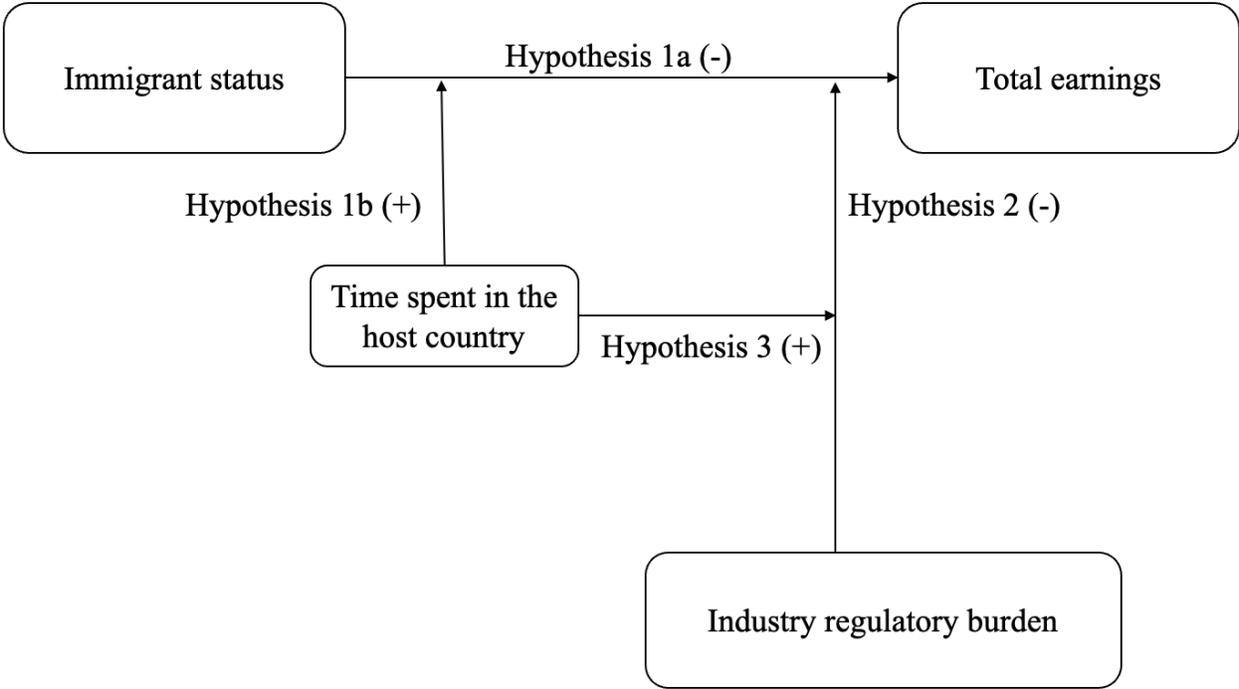
Variables	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Personal income	42927	65583	1														
(2) Education	1.48	1.48	0.30	1													
(3) Married	0.68	0.47	0.13	0.09	1												
(4) Poor English	0.04	0.19	-0.07	-0.13	-0.02	1											
(5) Age	47.70	12.41	0.12	0.11	0.20	-0.04	1										
(6) Immigrant status	0.16	0.37	-0.04	-0.04	0.001	0.43	-0.05	1									
(7) Time	9.74	6.31	-0.03	0.06	-0.05	0.02	0.11	0.06	1								
(8) Regulation	0.86	1.59	0.06	0.24	0.001	-0.01	0.02	0	0.10	1							
(9) Hours worked per week	36.49	20.20	0.26	0.05	0.09	-0.03	-0.06	0	-0.09	-0.02	1						
(10) Metro area	0.73	0.44	0.08	0.16	-0.04	0.09	-0.03	0.20	0.01	0.04	-0.04	1					
(11) Immigrant share	14.19	8.5	0.05	0.10	-0.06	0.16	0.01	0.30	0.14	0.04	-0.05	0.39	1				
(12) Firms per capita	2.53	0.99	0.04	0.06	-0.01	0.03	-0.02	0.07	-0.01	0.001	-0.07	0.16	0.08	1			
(13) State GDP	10.82	0.18	0.06	0.11	-0.03	0.07	0.03	0.15	0.30	0.07	-0.01	0.20	0.54	0.04	1		
(14) Market freedom distance	0.20	0.50	-0.03	-0.02	0.01	0.40	-0.05	0.93	0.06	0.001	0.01	0.19	0.28	0.06	0.13	1	
(15) Gov size distance	0.22	0.55	-0.04	-0.03	0.001	0.39	-0.04	0.94	0.06	0.001	0.001	0.18	0.28	0.07	0.13	0.88	1

**Table IV-2: Results with Federal Regulatory Restrictiveness at NAICS 3-digit level**

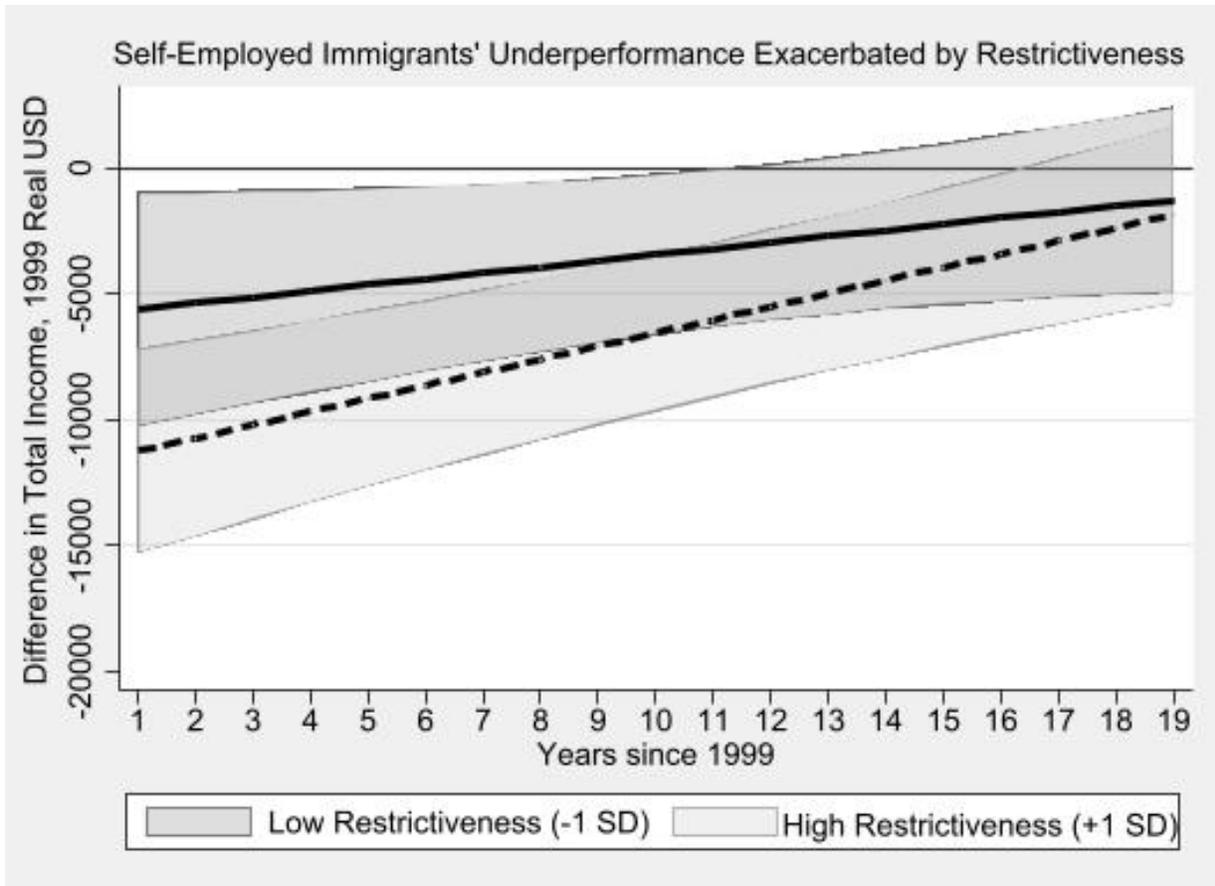
DV: Total Earnings	(1)	(2)	(3)	(4)	(5)
Education - Some college	3282.2*** (20.38)	3479.7*** (18.77)	3484.6*** (18.80)	3479.6*** (18.77)	3484.6*** (18.80)
Education - Associates	2545.8*** (10.06)	2823.8*** (9.71)	2832.7*** (9.74)	2821.8*** (9.70)	2830.1*** (9.73)
Education - Bachelor's	20760.2*** (87.95)	21428.1*** (79.91)	21437.5*** (79.94)	21426.3*** (79.90)	21435.5*** (79.93)
Education - Graduate	48175.0*** (124.04)	50403.2*** (117.54)	50411.8*** (117.56)	50397.0*** (117.52)	50400.7*** (117.48)
Married	13151.2*** (81.94)	13480.7*** (73.51)	13478.1*** (73.50)	13481.7*** (73.52)	13480.2*** (73.51)
Poor English	-6605.6*** (-13.40)	-6789.0*** (-11.32)	-6531.4*** (-10.81)	-6927.6*** (-11.62)	-6677.6*** (-11.10)
Age	1713.2*** (39.06)	1635.5*** (32.60)	1627.6*** (32.41)	1637.1*** (32.63)	1628.7*** (32.44)
Hours Worked / Week	726.0*** (151.37)	781.4*** (141.22)	781.5*** (141.24)	781.3*** (141.21)	781.4*** (141.24)
Metro Area	7244.0*** (43.00)	7669.3*** (39.52)	7671.5*** (39.53)	7663.7*** (39.49)	7664.7*** (39.50)
Firm Density	5654.2*** (19.12)	4406.1*** (13.39)	4408.5*** (13.39)	4416.4*** (13.42)	4433.4*** (13.39)
GDP Per Capita	26154.3*** (16.07)	44789.8*** (21.78)	44763.5*** (21.77)	44783.2*** (21.77)	44773.1*** (21.75)
Market Freedom Distance	-4211.6*** (-6.76)	-1747.5 (-1.77)	-1749.4 (-1.77)	-1693.4 (-1.71)	-1703.8 (-1.72)
Government Size Distance	-3002.8*** (-5.26)	-1769.3* (-2.12)	-1752.6* (-2.10)	-1852.0* (-2.22)	-1852.8* (-2.23)
Regulation		-2159.8*** (-10.14)	-2167.1*** (-10.17)	-2144.8*** (-10.06)	-2067.2*** (-8.37)
Time		-672.8*** (-18.97)	-682.3*** (-19.16)	-672.7*** (-18.97)	-677.5*** (-18.75)
Regulation X Time					-7.324 (-0.62)
<b>H1a: Immigrant</b>		-4474.1** (-2.91)	-9661.7*** (-4.99)	-3999.7** (-2.61)	-8821.6*** (-4.51)
<b>H1b: Immigrant X Time</b>			407.0*** (4.36)		381.5*** (4.10)
<b>H2: Immigrant X Regulation</b>				-657.1* (-2.43)	-1858.8* (-2.27)
<b>H3: Immigrant X Regulation X Time</b>					88.05 (1.31)
Constant		-521192.4*** (-24.12)	-520617.5*** (-24.09)	-521167.1*** (-24.12)	-520799.0*** (-24.08)
Obs	1225109	954268	954268	954268	954268
R <sup>2</sup>	0.233	0.247	0.247	0.247	0.247
Sector effects; State effects;	Yes	Yes	Yes	Yes	Yes
Race effects					
Other controls – Age x Age;	Yes	Yes	Yes	Yes	Yes
Immigrant Density					

Cluster-robust standard errors in parentheses; \*\*\* p&lt;0.001, \*\* p&lt;0.01, \* p&lt;0.05

**Figure IV-1: Conceptual Map – Moderating Effect of Industry Regulatory Burden on Self-Employed Earnings of Immigrants Relative to That of Natives**



**Figure IV-2: Predicted Earnings Contrast of Self-Employed Immigrants Relative to Natives over Federal Regulatory Restrictiveness**



## **APPENDICES**

### **Appendix II-1: Review Protocol for Search, Selection, and Exclusion of Founder**

#### **Legitimacy Studies**

Approximate target population/samples for the review: 100 articles

- a. Criteria for inclusion
  1. Conceptual and empirical studies
  2. Focus on founder legitimacy
  3. All years
  4. Published in the English language
  5. Scientific peer-reviewed journals with an impact factor limited to 12 leading entrepreneurship and management journals. The 12 journals were selected according to Journal Citation Report's impact factor (2015–2020):
    - Management: Journals consistently in Quartile 1 (except Organization Science and Management Science) based on 5-year impact factor (2015–2020)
    - Entrepreneurship: Top 4 entrepreneurship journals (Highest 5-year impact factor)
- b. Search method and scope
  1. Keyword search of title and abstract
  2. Keywords: (founder OR entrepreneur) AND (legitim\*)
  3. Snowball search using citation records of articles found through keyword search to ensure other articles of relevance are included
  4. Screening of abstract and in some cases, full text, of all articles to ensure only articles of relevance are included
- c. Exclusion criteria
  1. Studies unavailable electronically
  2. Literature review studies
  3. Studies in which founder legitimacy was not found to be a focal element based on screening of full article text

## Appendix II-2: Coding Table for Founder Legitimacy Review

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
1	Better Together? Signaling Interactions in New Venture Pursuit of Initial External Capital	Plummer, LA and Allison, TH and Connelly, BL	2016	AMJ	Quant	Legitimacy of founding team	High-technology firms	Characteristic	Meso
2	Fools Rush In - The Institutional Context of Industry Creation	Aldrich, HE and Fiol, CM	1994	AMR	Conceptual	Charisma; trust	-	Process	Micro
3	Legitimate Distinctiveness and The Entrepreneurial Identity: Influence on Investor Judgments of New Venture Plausibility	Navis, C and Glynn, MA	2011	AMR	Conceptual	Fit with entrepreneurial prototype; Credibility	-	Process	Micro
4	Changing With the Times: An Integrated View of Identity, Legitimacy, And New Venture Life Cycles	Fisher, G and Kotha, S and Lahiri, A	2016	AMR	Conceptual	Identity claims about founder aligned with institutional conventions of audiences	-	Process	Meso
5	How Entrepreneurship Evolves: The Founders of New Magazines in America, 1741-1860	Haveman, HA and Habinek, J and Goodman, LA	2012	ASQ	Quant	Social position (Personal reputation and connection to prominent others); Status	Magazine Industry	Process	Macro
6	How Entrepreneurs Use Symbolic Management to Acquire Resources	Zott, C and Huy, QN	2007	ETP	Qual	Credibility; Personal legitimacy	Entrepreneurs from business school alumni	Process	Micro
7	The Paradox of Breadth: The Tension Between Experience and Legitimacy in the Transition to Entrepreneurship	Kacperczyk, A and Younkin, P	2017	ASQ	Quant	Legitimacy of entrepreneurial appeal/claims	Music industry 1990-2013	Characteristic	Macro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
8	The Influence of Entrepreneurs' Credentials and Impression Management Behaviors on Perceptions of New Venture Legitimacy	Nagy, BG and Pollack, JM and Rutherford, MW and Lohrke, FT	2012	ETP	Quant	Decisions made about an entrepreneur by a stakeholder	Investment and Financial professionals	Process	Micro
9	Incubation Or Induction? Gendered Identity Work in the Context of Technology Business Incubation	Marlow, S and McAdam, M	2015	ETP	Qual	Legitimacy as technology venturers/entrepreneurial legitimacy	Incubated technology entrepreneurs	Process	Micro
10	Forced To Play by The Rules? Theorizing How Mixed-Sex Founding Teams Benefit Women Entrepreneurs in Male-Dominated Contexts	Godwin, LN and Stevens, CE and Brenner, NL	2006	ETP	Conceptual	Legitimacy of the women entrepreneur	-	Characteristic	Meso
11	Preparedness And Cognitive Legitimacy as Antecedents of New Venture Funding in Televised Business Pitches	Pollack, JM and Rutherford, MW and Nagy, BG	2012	ETP	Quant	Perceived cognitive legitimacy of the founder	Televised Business Pitches	Process	Micro
12	Ethical Considerations of The Legitimacy Lie	Rutherford, MW and Buller, PF and Stebbins, JM	2009	ETP	Conceptual	Trust between ENT and stakeholders	-	Process	Micro
13	Artists Finding Galleries: Entrepreneurs Gaining Legitimacy in the Art Market	Kackovic, M. and Wijnberg, N.M.	2020	ETP	Quant	Legitimacy of the entrepreneur	Contemporary visual arts market	Characteristic	Meso
14	Balancing "What Matters to Me" With "What Matters to Them": Exploring the Legitimation Process of Environmental Entrepreneurs	O'Neil, I and Ucbasaran, D	2016	JBV	Qual	Decisions made about an entrepreneur by a stakeholder	Environmental entrepreneurs	Process	Micro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
15	Founder Retention as CEO At IPO In Emerging Economies: The Role of Private Equity Owners and National Institutions	Hearn, B and Filatotchev, I	2019	JBV	Quant	Founder value; Exchange and influence legitimacy conveyed by the founder	Firms who've undertaken IPOs in emerging markets in Africa	Characteristic	Meso
16	Attributes Of Legitimate Venture Failure Impressions	Kibler, E and Mandl, C and Kautonen, T and Berger, ESC	2017	JBV	Quant	Social stigma; Public evaluative legitimacy judgments; Social approval	Adults in Germany	Process	Micro
17	Exploring The Multi-Level Processes of Legitimacy in Transnational Social Enterprises	Bolzani, D and Marabello, S and Honig, B	2020	JBV	Qual	Social status; individual legitimation; pragmatic individual micro-legitimacy	Transnational social enterprise	Process	Meso
18	Legitimate To Whom? The Challenge of Audience Diversity and New Venture Legitimacy	Fisher, G and Kuratko, DF and Bloodgood, JM and Hornsby, JS	2017	JBV	Conceptual	Legitimacy of the entrepreneur	-	Process	Micro
19	Weaving Network Theory into Effectuation: A Multi-Level Reconceptualization of Effectual Dynamics	Kerr, J and Coviello, N	2020	JBV	Conceptual	Process legitimacy (cognitive flexibility on the part of entrepreneurs)	-	Process	Micro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
20	Movements, Bandwagons, and Clones: Industry Evolution and The Entrepreneurial Process	Low, M.B. and Abrahamson, E.	1997	JBV	Conceptual	Competence/Trustworthiness/Confidence/Credibility	-	Process	Macro
21	Entrepreneurial Hustle: Navigating Uncertainty and Enrolling Venture Stakeholders Through Urgent and Unorthodox Action	Fisher, G and Stevenson, R and Neubert, E and Burnell, D and Kuratko, DF	2020	JOMS	Mixed	Entrepreneur's leadership effectiveness and ability-based trustworthiness	Innovative entrepreneurs	Process	Micro
22	Revitalizing Entrepreneurship: How Visual Symbols Are Used in Entrepreneurial Performances	Clarke, J	2011	JOMS	Qual	Status in terms of legitimacy	University entrepreneurs	Process	Micro
23	Exploring Environmental Entrepreneurship: Identity Coupling, Venture Goals, and Stakeholder Incentives	York, JG and O'Neil, I and Sarasvathy, SD	2016	JOMS	Qual	Legitimacy of firm/founder	Environmental entrepreneurs	Process	Micro
24	Certification Relics: Entrepreneurship Amidst Discontinued Certifications	Eberhart, RN and Armanios, DE	2021	OrgSc	Quant	Elite/Prominent/unconventional founders	Japan's corporate certification	Characteristic	Micro
25	Entrepreneurial Storytelling, Future Expectations, and the Paradox of Legitimacy	Garud, R. and Schildt, H.A. and Lant, T.K.	2014	OrgSc	Conceptual	Credibility	-	Process	Micro
26	No News Is Bad News: Sensegiving Activities, Media Attention, And Venture Capital Funding of New Technology Organizations	Petkova, A.P. and Rindova, V.P. and Gupta, A.K.	2013	OrgSc	Quant	Human capital; credibility; competence and experience;	IT sector	Characteristic	Micro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
27	Buddhist Entrepreneurs, Charitable Behaviors, And Social Entrepreneurship: Evidence from China	Xu, ZH and Liu, ZY and Wu, J	2021	SBE	Quant	Legitimacy of the entrepreneur	Chinese entrepreneurs and provinces	Characteristic	Macro
28	Signalling Entrepreneurs' Credibility and Project Quality for Crowdfunding Success: Cases from The Kickstarter And Indiegogo Environments	Huang, SF and Pickernell, D and Battisti, M and Nguyen, T	2021	SBE	Qual	Entrepreneurs' credibility	Crowdfunding - Kickstarter and Indiegogo	Characteristic	Macro
29	Parent Firm Effects on Founder Turnover: Parent Success, Founder Legitimacy, And Founder Tenure	Boeker, W and Fleming, B	2010	SEJ	Quant	Founder legitimacy	Semiconductor firms	Characteristic	Meso
30	Cultural Entrepreneurship: Stories, Legitimacy, and the Acquisition of Resources	Lounsbury, M and Glynn, MA	2001	SMJ	Conceptual	Entrepreneurs viewed as talented charismatic leaders; Reputation	-	Process	Micro
31	Exploring The Determinants of Organizational Emergence: A Legitimacy Perspective	Tornikoski, Erno T. and Newbert, Scott L.	2007	JBV	Quant	Individual legitimacy	Randomly selected nascent entrepreneurs	Characteristic	Micro
32	Complementing Capital: The Role of Status, Demographic Features, And Social Capital in Founding Teams' Abilities to Obtain Resources	Packalen, Kelley A.	2007	ETP	Conceptual	Legitimacy to the founder/Status?	-	Characteristic	Micro
33	Staying Poor: Unpacking the Process of Barefoot Institutional Entrepreneurship Failure	Granados, M.L.; Rosli, A.; Gotsi, M	2022	JBV	Qual	Legitimacy as formal entrepreneur	Barefoot entrepreneurs	Process	Micro
34	Buddhist Entrepreneurs and New Venture Performance: The	Liu, ZY and Xu, ZH and	2019	SBE	Quant	Legitimacy of the entrepreneur	Buddhist founders of	Characteristic	Macro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
	Mediating Role of Entrepreneurial Risk-Taking	Zhou, Z and Li, Y					private enterprises		
35	Resolving Information Asymmetry: Signaling, Endorsement, And Crowdfunding Success	Courtney, C and Dutta, S and Li, Y	2017	ETP	Quant	Credibility; Trust	Crowdfunding	Characteristic	Meso
36	Enrolling Stakeholders Under Conditions of Risk and Uncertainty	Burns, BL and Barney, JB and Angus, RW and Herrick, HN	2016	SEJ	Conceptual	Charisma, trustworthiness, reputation	-	Characteristic	Micro
37	Venture Failure, Stigma, And Impression Management: A Self-Verification, Self-Determination View	Shepherd, DA and Haynie, JM	2011	SEJ	Conceptual	Stigma	-	Characteristic	Meso
38	Identity As Narrative: Prevalence, Effectiveness, And Consequences of Narrative Identity Work in Macro Work Role Transitions	Ibarra, H and Barbulescu, R	2010	AMR	Conceptual	Entrepreneur validation	-	Process	Micro
39	Do Women-Owned Businesses Have Equal Access to Angel Capital?	Becker-Blease, JR and Sohl, JE	2007	JBV	Quant	Trustworthy and capable	Angel investing in women-owned businesses	Characteristic	Micro
40	Organizational Roles and Transition to Entrepreneurship	Dobrev, SD and Barnett, WP	2005	AMJ	Quant	Charismatic authority	Individuals at risk of becoming entrepreneurs from B-schools	Characteristic	Meso
41	Picking Winners or Building Them? Alliance, Intellectual, And Human Capital as Selection Criteria in Venture Financing and	Baum, JAC and Silverman, BS	2004	JBV	Quant	Identity perception	Biotechnology firms in Canada	Characteristic	Micro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
	Performance of Biotechnology Startups								
42	Founder-CEO Succession and The Paradox of Entrepreneurial Success	Wasserman, N	2003	OrgSc	Mixed	Importance of founder for firm	Information Technology companies in U.S.	Process	Meso
43	Entrepreneurial Transitions: Factors Influencing Founder Departure	Boeker, W and Karichalil, R	2002	AMJ	Quant	Perception about founder capability	Semiconductor or producers in Silicon Valley	Process	Meso
44	Managing Legitimacy - Strategic and Institutional Approaches	Suchman, MC	1995	AMR	Conceptual	Personal legitimacy/Charisma	-	Characteristic	Micro
45	Impact Of Agency Risks and Task Uncertainty on Venture Capitalist CEO Interaction	Sapienza, HJ and Gupta, AK	1994	AMJ	Quant	Perception of founder-CEO capability	VC-CEO dyad	Characteristic	Meso
46	Resource Cooptation Via Social Contracting - Resource Acquisition Strategies for New Ventures	Starr, JA and Macmillan, IC	1990	SMJ	Conceptual	Credibility	-	Process	Micro
47	How Entrepreneurs Leverage Institutional Intermediaries in Emerging Economies to Acquire Public Resources	Armanios, D.E. and Eesley, C.E. and Li, J. and Eisenhardt, K.M.	2017	SMJ	Quant	Skill adequacy and context relevance	Chinese science parks and entrepreneurs	Characteristic	Meso
48	Failed, Not Finished: A Narrative Approach to Understanding Venture Failure Stigmatization	Singh, S. and Corner, P.D. and Pavlovich, K.	2015	JBV	Qual	Stigma	Entrepreneurship failure in New Zealand	Process	Micro
49	Stock Market Reaction to CEO Certification: The Signaling Role of CEO Background	Zhang, Y. and Wiersema, M.F.	2009	SMJ	Quant	Credibility	CEO certification of financial statements	Characteristic	Meso

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
50	The Causes and Consequences of the Initial Network Positions of New Organizations: From Whom Do Entrepreneurs Receive Investments?	Hallen, B.L.	2008	ASQ		Legitimacy of the individual	Internet security firms	Characteristic	Micro
51	Early Teams: The Impact of Team Demography on VC Financing and Going Public	Beckman, C.M. and Burton, M.D. and O'Reilly, C.	2007	JBV	Quant	Perception about founder's ability to reach entrepreneurial milestones	High-technology private firms in Silicon Valley	Characteristic	Meso
52	Getting Off to A Good Start: The Effects of Upper Echelon Affiliations on Underwriter Prestige	Higgins, M.C. and Gulati, R.	2003	OrgSc	Quant	Credibility/endorsement of upper echelon including founder	Biotechnology firms in U.S.	Characteristic	Meso
53	A Genealogical Approach to Organizational Life Chances: The Parent-Progeny Transfer Among Silicon Valley Law Firms, 1946-1996	Phillips, D.J.	2002	ASQ	Quant	Founder's importance	Silicon Valley law firms	Process	Meso
54	Beyond Survival: Achieving New Venture Growth by Building Legitimacy	Zimmerman, M.A. and Zeitz, G.J.	2002	AMR	Conceptual	Credibility of the entrepreneur	-	Characteristic	Micro
55	New Venture Survival: Ignorance, External Shocks, and Risk Reduction Strategies	Shepherd, D.A. and Douglas, E.J. and Shanley, M.	2000	JBV	Conceptual	Perceived as competent and capable	-	Process	Micro
56	Signaling in Equity Crowdfunding	Ahlers, GKC and Cumming, D and Guenther, C and Schweizer, D	2015	ETP	Quant	Signal of entrepreneur's ability to generate future cashflow	Crowdfunding	Characteristic	Micro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
57	How Do Entrepreneurs Organize Firms Under Conditions of Uncertainty?	Alvarez, SA and Barney, JB	2005	JOM	Conceptual	Replacing of values, beliefs and logics of subordinates / Choosing as boss	-	Characteristic	Micro
58	Bank Loan Officers' Perceptions of the Characteristics of Men, Women, And Successful Entrepreneurs	Buttner, E.H. and Rosen, B.	1988	JBV	Quant	Possessing characteristics necessary for successful entrepreneurship	Bank loan officers perceptions of entrepreneurs	Characteristic	Micro
59	Misfortunes Or Mistakes?. Cultural Sensemaking of Entrepreneurial Failure	Cardon, M.S. and Stevens, C.E. and Potter, D.R.	2011	JBV	Qual	Stigma	Media accounts of venture failures	Characteristic	Macro
60	Wealth And the Effects of Founder Management Among IPO-Stage New Ventures	Certo, ST and Covin, JG and Daily, CM and Dalton, DR	2001	SMJ	Quant	Perception about founder's objectivity as a manager	IPO firms	Characteristic	Meso
61	Information Asymmetry and Investor Valuation of IPOs: Top Management Team Legitimacy as a Capital Market Signal	Cohen, BD and Dean, TJ	2005	SMJ	Quant	TMT legitimacy including founders	IPO firms	Characteristic	Micro
62	Do Social Capital Building Strategies Influence the Financing Behavior of Chinese Private Small and Medium-Sized Enterprises?	Du, J and Guariglia, A and Newman, A	2015	ETP	Quant	Social capital; preference; vouch	Private SMEs in China	Characteristic	Macro
63	Failure is an Option: Institutional Change, Entrepreneurial Risk, And New Firm Growth	Eberhart, RN and Eesley, CE and Eisenhardt, KM	2017	OrgSc	Quant	Personal legitimacy; reputational damage; stigma	Bankruptcy and venture formation in Japan during bankruptcy reforms	Process	Macro

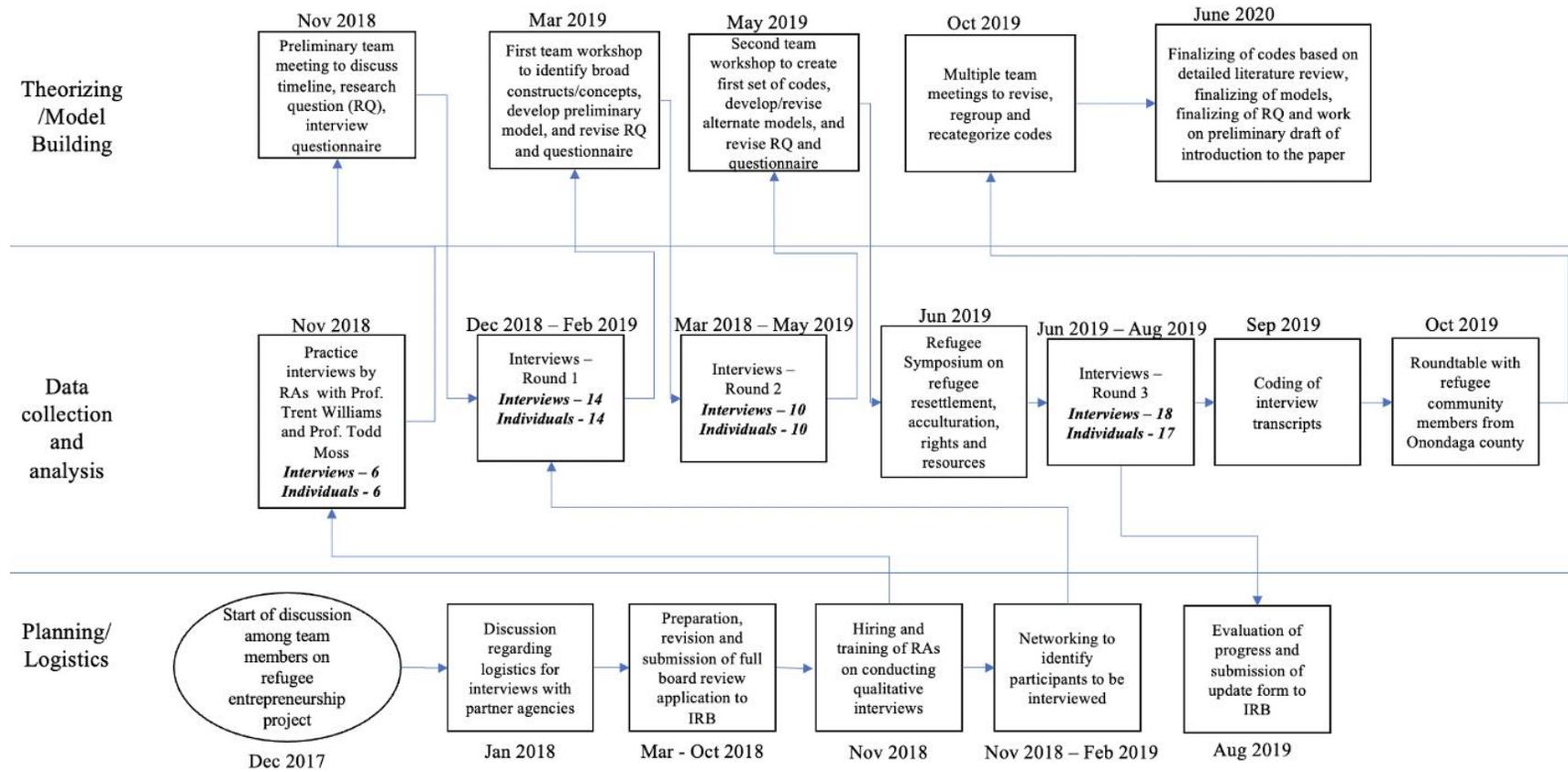
Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
64	Organizational Growth - Linking Founding Team, Strategy, Environment, And Growth Among United-States Semiconductor Ventures, 1978-1988	Eisenhardt, KM and Schoonhoven, CB	1990	ASQ	Quant	Trust	Semiconductor firms in U.S.	Characteristic	Meso
65	Gender Bias and the Availability of Business Loans	Fay, M and Williams, L	1993	JBV	Quant	Discrimination; perception; prejudice	Trading bank branches	Characteristic	Micro
66	Stacking The Deck: The Effects of Top Management Backgrounds on Investor Decisions	Higgins, MC and Gulati, R	2006	SMJ	Quant	Legitimacy of TMT	Biotechnology firms in U.S.	Characteristic	Macro
67	Intuition In Venture Capital Decisions - An Exploratory-Study Using a New Technique	Hisrich, RD and Jankowicz, AD	1990	JBV	Quant	Perception about founder capability; Personal chemistry	Venture capitalists	Characteristic	Micro
68	How Does Agency Workforce Diversity Influence Federal R&D Funding of Minority and Women Technology Entrepreneurs? An Analysis of The SBIR and STTR Programs	Joshi, A.M. and Inouye, T.M. and Robinson, J.A.	2018	SBE	Quant	Perception about minority/ women entrepreneurs	Minority and women technology entrepreneurs	Characteristic	Micro
69	Bankruptcy Law and Entrepreneurship Development: A Real Options Perspective	Lee, SH and Peng, MW and Barney, JB	2007	AMR	Conceptual	Reputation; stigma	-	Characteristic	Macro
70	Criteria Used by Venture Capitalists to Evaluate New Venture Proposals	Macmillan, I.C. and Siegel, R. and Narasimha, P.N.S.	1985	JBV	Quant	Show capability and the had staying power, familiarity, react to risk, track record; Show that "jockey is fit to ride"	VC in New York	Characteristic	Micro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
71	Institutional Entrepreneurship in Emerging Fields: HIY/AIDS Treatment Advocacy in Canada	Maguire, S. and Hardy, C. and Lawrence, T.B.	2004	AMJ	Qual	Legitimacy of the individual	Pharmaceutical industry	Characteristic	Micro
72	The Dynamics of Crowdfunding: An Exploratory Study	Mollick, E	2014	JBV	Quant exploratory	Signal of entrepreneurs legitimacy	Crowdfunding	Characteristic	Micro
73	Hybrid Conjoint Analysis: An Estimation Probe in New Venture Decisions	Riquelme, H. and Rickards, T.	1992	JBV	Quant	Credibility	VCs	Characteristic	Meso
74	Network Ties, Reputation, And the Financing of New Ventures	Shane, S and Cable, D	2002	MgSc	Mixed	Reputational credibility; Trust	Seed stage VCs	Characteristic	Micro
75	New Venture Strategy and Profitability: A Venture Capitalist's Assessment	Shepherd, D.A. and Ettenson, R. and Crouch, A.	2000	JBV	Quant	Perceived capability	VCs in Australia	Characteristic	Micro
76	The Stigma of Bankruptcy - Spoiled Organizational Image and its Management	Sutton, RI and Callahan, AL	1987	AMJ	Qual	Image of TMT and leaders of firm; Stigma	Computer firms facing bankruptcy	Process	Micro
77	The Potential of Actuarial Decision Models: Can They Improve the Venture Capital Investment Decision?	Zacharakis, AL and Meyer, GD	2000	JBV	Quant	Reputation	VCs in Silicon valley and Colorado	Characteristic	Meso
78	The Contingent Value of Social Resources: Entrepreneurs' Use of Debt-Financing Sources in Western China	Zhang, YL	2015	JBV	Quant	Perception about founder's behavior	Chinese entrepreneurs and debt financing	Characteristic	Micro
79	Contingent Value of Political Capital in Bank Loan Acquisition: Evidence from Founder-Controlled Private Enterprises in China	Zhao, HX and Lu, JY	2016	JBV	Quant	Founder's legitimacy	Chinese entrepreneurs and debt financing	Characteristic	Macro

Sl. No	Name of study	Authors	Year	Journal	Study type	Terminology for founder legitimacy	Research setting *	Legitimacy manifestation	Legitimacy source
80	The Gender Gap in Federal and Private Support for Entrepreneurship	Gicheva, D and Link, AN	2015	SBE	Quant	Signal about the founder	Women-owned firms and government funding	Characteristic	Micro
81	Leveraging Entrepreneurship Through Private Investments: Does Gender Matter?	Gicheva, D and Link, AN	2013	SBE	Quant	Signal about the founder	Women-owned firms and government funding	Characteristic	Micro
82	Nascent Ventures' Green Initiatives and Angel Investor Judgments of Legitimacy and Funding	Truong, Y and Nagy, BG	2021	SBE	Quant	Perceived legitimacy of the entrepreneur	Environmental venturing	Characteristic	Micro
83	The survival of firms founded by immigrants: Institutional distance between home and host country, and experience in the host country	Mata, José and Alvez, Caludia	2018	SMJ	Quant	Legitimacy of the entrepreneur	Immigrant entrepreneurs hip	Characteristic	Macro

\*Conceptual papers did not have a specific research setting

### Appendix III-1: Data Collection and Analysis Process Map



## Appendix III-2: Descriptive Information of Refugee Entrepreneurs and their Businesses

Infor mant ID*	Date of Interview	Age	Gender	Country of Origin	Reason for Resettlement	Interview Language	Years in U.S.	Previous Career	Business type
1-R	11/27/2018	36	Male	Congo	Political violence	English	20	Student	Restaurant
2-R	11/27/2018	39	Female	Congo	Political violence	English	20	Student	Restaurant
3-R	11/28/2018	39	Male	Bhutan	Political violence	English	18	Teacher/Tutor	Healthcare business
4-R	11/27/2018	45	Male	Iraq	Political violence	Arabic	4	Entrepreneur	Restaurant
5-R	11/27/2018	42	Female	Iraq	Political violence	English	4	Entrepreneur	Restaurant
6-R	11/28/2018	47	Male	Vietnam	Political violence	English	37	Student	Garments store
7-R	12/14/2018	62	Male	Ukraine	Religious persecution	Ukrainian	26	Entrepreneur	Car body shop and garments store
8-R	12/20/2018	36	Male	Bhutan	Political violence	English	13	High school teacher	Insurance business
9-F	12/26/2018	26	Male	Iraq	Political violence	English	6	Different jobs	Hookah store
10-F	12/27/2018	62	Male	Ukraine	Religious persecution	Ukrainian	29	Construction/Entrepreneur	Car body shop
11-F	12/30/2018	32	Female	Ethiopia	Religious persecution	English	18	Student	Restaurant
12-F	01/02/2019	46	Male	Iraq	Political violence	English	13	Entrepreneur	Grocery store
13-R	01/07/2019	24	Female	Kenya/Somali	Political violence	English	10	Student	Translation services
14-F	01/14/2019	46	Female	Ukraine	Religious persecution	English	30	Student	Barbershop
15-F	01/14/2019	24	Male	Bosnia	War	English	17	Student	Car dealership/Realtor
16-F	01/15/2019	34	Male	Bosnia	War	English	19	Student	Private health clinic
17-R	01/15/2019	50	Male	Bosnia	War	English	18	Workers	Restaurant
18-R	01/15/2019	26	Male	Bosnia	War	English	18	Student	Restaurant
19-F	02/05/2019	55	Female	Cuba	Religious persecution	English	12	Medical nurse	Day-care
20-F	02/15/2019	48	Female	Cuba	Religious persecution	English	7	Medical nurse	Day-care
21-F	03/07/2019	48	Female	Ukraine	Religious persecution	Ukrainian	15	Worked in library, at the store	Have a truck company
22-F	03/18/2019	48	Male	Bosnia	War	English	22	Entrepreneur	European goods store
23-F	03/18/2019	28	Male	Bhutan	Political violence	English	10	Entrepreneur	Indian grocery store
24-R	04/01/2019	37	Female	Burmese	Religious persecution	English	15	Restaurant	Asian grocery store

25-R	04/03/2019	39	Male	Bhutan	War	English	10	Refugee camp	Nepali grocery store
26-R	04/04/2019	54	Male	Congo	War	English	18	Entrepreneur/ Aid worker	Insurance agency and Not- for-profit
27-F	04/08/2019	40	Male	Vietnam	War	English	36	Refugee camp	Grocery store
28-F	04/09/2019	59	Female	Poland	Political violence	English	31	Worked in restaurant	Restaurant
29-F	04/16/2019	31	Male	Bosnia	War	English	18	Student/Entrep reneur	IT firm
30-F	04/26/2019	34	Male	Bhutan	Political violence	English	11	Student/Part- time work	Tax consultancy and Insurance business
31-R	06/13/2019	32	Male	Bhutan	Political violence	English + Hindi	9	Entrepreneur	Grocery store; Uber driver
32-F	06/17/2019, 06/24/2019	56	Female	Vietnam	Political violence	English	39	Babysitter	Ethnic grocery store
33-R	06/18/2019	38	Male	Bosnia	War	English	18	Student	Trucking company
34-F	06/21/2019	31	Male	Bosnia	War	English	19	Student	Trucking company
35-R	06/21/2019	34	Male	Bosnia	War	English	19	Student	Car dealership
36-F	06/24/2019	45	Male	Bosnia	War	English	20	Soldier	Construction company
37-F	07/04/2019	55	Male	Bosnia	War	English	24	Student	Consultancy firm
38-R	07/06/2019	51	Male	Bosnia	War	English	10	Priest	Not-for-profit
39-F	07/06/2019	26	Female	Somalia	War	English	7	Student	Day-care
40-R	07/08/2019	49	Male	Bosnia	War	English	23	Soldier	Informal heating/AC business
41-F	07/11/2019	37	Male	Bosnia	War	English	19	Student	Construction business
42-R	07/15/2019	40	Male	Syria	War	English	3	Accountant, Entrepreneur	Sweet shop
43-R	07/20/2019	38	Male	Bosnia	War, Medical condition	English	24	Student	Social enterprise
44-F	08/17/2019	34	Male	Afghanistan	War	English	9	Served in military	Gas station
45-R	08/17/2019	41	Male	Afghanistan	War	English	2	Construction work for Us military	Gas station
46-R	08/27/2019	52	Male	Vietnam	Political discrimination	English	36	Student	Restaurant
47-F	08/29/2019	37	Female	Vietnam	Poverty	English	20	Student	Nail salon

*\*The informant ID identifies whether the informant is an Adaptable who frames themselves flexibly (F) or an Adamant who frames themselves rigidly (R)*

## Appendix IV-1: Results with Coarsened Exact Matching using Federal Regulatory

### Restrictiveness at NAICS 2-digit level

DV: Total Earnings	(1)	(2)	(3)	(4)
<b>H1a: Immigrant</b>	-7824.8*** (-13.06)	-10442.1*** (-6.60)	-7669.3*** (-13.04)	-10373.1*** (-6.59)
<b>H1b: Immigrant X Time</b>		210.0 (1.78)		211.6 (1.80)
<b>H2: Immigrant X Regulation</b>			-700.0* (-2.00)	-1803.1 (-1.77)
<b>H3: Immigrant X Regulation X Time</b>				88.11 (1.17)
Constant	48394.3*** (57.98)	48519.8*** (55.80)	48388.1*** (57.99)	48443.0*** (55.98)
Obs	518458	518458	518458	518458
R <sup>2</sup>	0.00857	0.00859	0.00859	0.00866

Cluster-robust standard errors in parentheses; \*\*\* p<0.001, \*\* p<0.01, \* p<0.05

**Appendix IV-2: Results with Census 2000 Sample Using Years in U.S., and Federal  
Regulatory Restrictiveness**

DV: Total Earnings	2-digit Restrictiveness		3-digit Restrictiveness	
	(1)	(2)	(3)	(4)
<b><u>H1a/b: Immigrant Years in US</u></b>				
0-5 years	-9858.4*** (-5.62)	-9744.1*** (-5.55)	-11967.6*** (-5.19)	-11140.0*** (-4.77)
6-10 years	-9032.0*** (-5.12)	-9030.8*** (-5.14)	-11675.5*** (-5.02)	-10793.9*** (-4.60)
11-15 years	-7786.1*** (-4.72)	-7779.1*** (-4.71)	-10180.3*** (-4.66)	-9591.9*** (-4.35)
16-20 years	-5067.9** (-2.84)	-5037.8** (-2.81)	-7501.5** (-3.14)	-7117.2** (-2.95)
<b><u>H2a/3a: Immigrant Years X Regulation</u></b>				
0-5 years X Restrictiveness		-1670.3* (-2.92)		-1262.4 (-1.61)
6-10 years X Restrictiveness		-714.2 (-1.39)		-1294.5 (-1.69)
11-15 years X Restrictiveness		-950.3* (-2.07)		-868.8 (-1.29)
16-20 years X Restrictiveness		-880.8 (-1.68)		-461.3 (-0.62)
Constant	-63863.0*** (-34.89)	-63936.3*** (-34.93)	-67517.7*** (-31.80)	-67545.2*** (-31.82)
Obs	378081	378081	353807	353807
R <sup>2</sup>	0.202	0.202	0.210	0.210
State effects	Yes	Yes	Yes	Yes
Race effects	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes

Cluster-robust standard errors in parentheses; \*\*\* p<0.001, \*\* p<0.01, \* p<0.05

### Appendix IV-3: Results with State Regulatory Restrictiveness at NAICS 3-digit level

DV: Total Earnings	(1)	(2)	(3)	(4)
Education - Some college	3413.0*** (20.55)	3416.0*** (20.57)	3409.5*** (20.53)	3409.5*** (20.53)
Education - Associates	2732.1*** (10.52)	2737.9*** (10.54)	2725.0*** (10.49)	2710.3*** (10.44)
Education - Bachelor's	20463.0*** (83.65)	20470.2*** (83.67)	20456.7*** (83.61)	20457.8*** (83.62)
Education - Graduate	47555.4*** (118.39)	47562.0*** (118.40)	47542.8*** (118.35)	47488.5*** (118.19)
Married	12674.3*** (76.96)	12672.7*** (76.95)	12674.9*** (76.96)	12683.5*** (77.03)
Poor English	-6330.5*** (-12.13)	-6165.5*** (-11.74)	-6294.2*** (-12.04)	-6126.5*** (-11.66)
Age	1600.2*** (35.77)	1595.0*** (35.62)	1601.0*** (35.79)	1593.4*** (35.59)
Hours Worked / Week	713.0*** (144.39)	713.0*** (144.41)	713.0*** (144.40)	712.7*** (144.38)
Metro Area	7234.4*** (41.95)	7235.0*** (41.95)	7228.2*** (41.92)	7218.6*** (41.86)
Firm Density	4309.6*** (13.56)	4307.9*** (13.55)	4314.9*** (13.58)	4515.9*** (14.17)
GDP Per Capita	42800.6*** (23.57)	42750.6*** (23.54)	42835.7*** (23.59)	45105.1*** (24.67)
Market Freedom Distance	-2580.8** (-3.24)	-2584.1** (-3.25)	-2789.0*** (-3.50)	-2807.3*** (-3.52)
Government Size Distance	-1713.7* (-2.41)	-1702.4* (-2.39)	-1799.8* (-2.53)	-1793.3* (-2.52)
State Regulation	-159.1 (-1.56)	-158.6 (-1.56)	-133.5 (-1.31)	1098.0*** (7.41)
Time	-691.6*** (-22.14)	-698.9*** (-22.26)	-691.9*** (-22.15)	-610.4*** (-19.36)
State Regulation X Time				136.5** (2.65)
<b>H1a: Immigrant</b>	-3778.7** (-2.91)	-7225.3*** (-4.42)	-2587.2 (-1.96)	-4394.1* (-2.45)
<b>H1b: Immigrant X Time</b>		270.8*** (3.49)		133.3 (1.48)
<b>H2: Immigrant X State Regulation</b>			-741.5*** (-3.35)	-2357.7*** (-3.64)
<b>H3: Immigrant X State Regulation X Time</b>				136.5** (2.65)
Constant	-496452.7*** (-26.02)	-495733.0*** (-25.98)	-496859.6*** (-26.04)	-521551.1*** (-27.14)
Obs	1110828	1110828	1110828	1173906
R <sup>2</sup>	0.232	0.232	0.232	0.204
Sector effects; State effects; Race effects	Yes	Yes	Yes	Yes
Other controls – Age x Age; Immigrant Density	Yes	Yes	Yes	Yes

Cluster-robust standard errors in parentheses; \*\*\* p<0.001, \*\* p<0.01, \* p<0.05

#### Appendix IV-4: Result with Federal Regulatory Complexity at NAICS 3-digit level

DV: Total Earnings	(1)	(2)	(3)	(4)
Education - Some college	3361.3*** (20.73)	3364.6*** (20.74)	3360.4*** (20.72)	3363.4*** (20.74)
Education - Associates	2694.3*** (10.61)	2700.1*** (10.64)	2691.5*** (10.60)	2694.5*** (10.62)
Education - Bachelor's	20506.6*** (85.90)	20513.7*** (85.92)	20504.1*** (85.88)	20510.4*** (85.91)
Education - Graduate	47759.5*** (121.73)	47766.2*** (121.74)	47754.4*** (121.71)	47742.9*** (121.64)
Married	12820.4*** (79.67)	12818.9*** (79.66)	12820.6*** (79.67)	12822.4*** (79.69)
Poor English	-6388.6*** (-12.59)	-6222.8*** (-12.19)	-6439.1*** (-12.73)	-6271.0*** (-12.32)
Age	1605.7*** (36.58)	1600.4*** (36.43)	1606.5*** (36.60)	1600.2*** (36.43)
Hours Worked / Week	721.3*** (149.72)	721.4*** (149.73)	721.3*** (149.72)	721.4*** (149.75)
Metro Area	7225.2*** (42.64)	7226.1*** (42.64)	7221.1*** (42.61)	7220.8*** (42.61)
Firm Density	4707.3*** (15.64)	4705.4*** (15.63)	4718.5*** (15.67)	4776.2*** (15.82)
GDP Per Capita	41455.1*** (23.10)	41423.5*** (23.08)	41445.2*** (23.09)	41503.6*** (23.12)
Market Freedom Distance	-2704.0*** (-3.51)	-2705.4*** (-3.51)	-2772.5*** (-3.59)	-2788.2*** (-3.62)
Government Size Distance	-1872.8** (-2.72)	-1865.9** (-2.71)	-1923.9** (-2.80)	-1925.6** (-2.80)
Complexity	-591.0*** (-4.02)	-591.6*** (-4.03)	-571.8*** (-3.89)	-170.4 (-0.91)
Time	-666.1*** (-21.73)	-673.2*** (-21.86)	-666.0*** (-21.73)	-652.5*** (-21.02)
Complexity X Time				-36.09*** (-3.30)
<b>H1a: Immigrant</b>	-3544.7** (-2.80)	-6989.6*** (-4.36)	-3111.5* (-2.46)	-5873.5*** (-3.61)
<b>H1b: Immigrant X Time</b>		270.6*** (3.55)		215.6** (2.84)
<b>H2: Immigrant X Complexity</b>			-563.5* (-2.21)	-2249.7** (-2.97)
<b>H3: Immigrant X Complexity X Time</b>				134.4* (2.17)
Constant	-482561.2*** (-25.58)	-482027.4*** (-25.55)	-482490.6*** (-25.58)	-483091.3*** (-25.60)
Obs	1180209	1180209	1180209	1180209
R <sup>2</sup>	0.234	0.234	0.234	0.234
Sector effects; State effects; Race effects	Yes	Yes	Yes	Yes
Other controls – Age x Age; Immigrant Density	Yes	Yes	Yes	Yes

Cluster-robust standard errors in parentheses; \*\*\* p<0.001, \*\* p<0.01, \* p<0.05;

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## CURRICULUM VITAE

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## EDUCATION

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Syracuse University, USA 2017-2022  
*PhD in Business Administration (Entrepreneurship and Emerging Enterprises)* (Expected)

*Dissertation Title:* “Immigrant Entrepreneurship and the Contingent Value of Personal Legitimacy”  
*Dissertation Committee:* Maria Minniti (Advisor), Trenton Williams, Todd Moss, Suho Han, David Lucas, Lynne Vincent.

Institute of Rural Management, Anand, Gujarat, India 2012-2014  
*Postgraduate Diploma in Rural Management* (M.S. Equivalent)

St. Stephens College, Delhi University, India 2008-2011  
*Bachelor of Arts – Economics (Hons)*

## RESEARCH INTERESTS

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Immigrant Entrepreneurship, Founder Legitimacy, Cultural Entrepreneurship, Community Entrepreneurship

## RESEARCH ACTIVITIES

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### Conference Proceeding

**George, K.**, Lucas, D., & Minniti, M. (2020), “Legitimacy, Embeddedness and Immigrant Entrepreneurship.” *Frontiers of Entrepreneurship Research 2020 BCERC Proceedings* (Peer reviewed)

### Working Papers

**George, K.**, “Founder legitimacy and Framing Tactics: The Case of Refugee Entrepreneurs” (Job Market Paper)

Williams, T., Moss, T., **George, K.** & Minniti, M, “Community Logics and Venturing Following a Significant Disruption” (Being finalized for submission)

**George, K.**, Lucas, D, & Minniti, M, “The Outsider Penalty: Regulation and the Earnings of Self-employed Immigrants”

**George, K.** & Minniti, M, “State-Administered Prices and Innovation in the Wheelchair Industry”

**George, K.,** “Founder Legitimacy: A Literature Review and Future Research Agenda”

### **Other Writings**

George, K. (2020), How Refugee Entrepreneurs are Changing the Narrative on Refugees in America, 2020 Babson Doctoral Consortium Translation Showcase

(<https://www.babson.edu/media/babson/assets/bcerc-dc-translationsl-/George-Research--Translation-2020.pdf>)

## **EDITORIAL ACTIVITIES**

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### **Journal review**

Ad-hoc reviewer, *Small Business Economics Journal* (SBEJ), 2018-present

Ad-hoc reviewer, *Journal of Small Business Management* (JSBM), 2021-present

### **Conference reviews**

Ad-hoc reviewer, *Academy of Management Meeting* (ENT division), 2022

Ad-hoc reviewer, *Academy of Management Meeting* (ENT division), 2021

Ad-hoc reviewer, *Academy of Management Meeting* (ENT division), 2020

Ad-hoc reviewer, *Academy of Management Meeting* (ENT and STR divisions), Boston, 2019

Ad-hoc reviewer, *Academy of Management Meeting* (ENT and STR divisions), Chicago, 2018

## **REFEREED CONFERENCE PRESENTATIONS**

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"Founder Legitimacy, Refugee Entrepreneurship and Prior Exposure to Institutional Disruptions"

- Babson College Entrepreneurship Research Conference (BCERC), 2021
- Academy of Management annual meeting, 2021

"Who Are My People? Re-building Community Logics and Venturing Following a Significant Disruption" With Williams, T., Moss, T., & Minniti, M.

- Babson College Entrepreneurship Research Conference (BCERC), Munich, Germany, 2021

"Legitimacy, Embeddedness and Immigrant Entrepreneurship" With Lucas, D., & Minniti, M.

- Babson College Entrepreneurship Research Conference (BCERC), Knoxville, TN, 2020

"State-Administered Prices and Innovation: Evidence from the Wheelchair Industry" With Minniti, M.

- Academy of Management annual meeting, Vancouver, CA, 2020
- Babson College Entrepreneurship Research Conference (BCERC), Knoxville, TN, 2020
- Association of Private Enterprise Education (APEE) Conference, Nassau, Bahamas 2019
- Great Lakes Entrepreneurship Network (GLEN) Conference, University of Minnesota 2019

## **WORKSHOPS AND DOCTORAL CONSORTIA**

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AOM Entrepreneurship Doctoral Consortium, 2021  
SMS Entrepreneurship & Strategy IG Pitch Your Entrepreneurship Doctoral Research Workshop, 2021  
Babson College Entrepreneurship Research Conference Doctoral Consortium, 2020  
Great Lakes Entrepreneurship Network PhD Workshop, 2019  
Johns Hopkins University Carey Business School Consortium and Symposium on Market Solutions to Grand Challenges, 2019

## **TEACHING EXPERIENCE**

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Whitman School of Management, Syracuse University Spring 2022  
Instructor, *EEE 370: Introduction to Entrepreneurship*  
Instructor ratings (Considering the instructor as distinct from the course content, evaluate the instructor's contribution to your learning) : **4.6/5.0**

Whitman School of Management, Syracuse University Fall 2021  
Instructor, *EEE 370: Introduction to Entrepreneurship*  
Instructor ratings (Considering the instructor as distinct from the course content, evaluate the instructor's contribution to your learning) : **4.3/5.0**

Whitman School of Management, Syracuse University Fall 2020  
Instructor, *EEE 370: Introduction to Entrepreneurship*  
Instructor ratings (Considering the instructor as distinct from the course content, evaluate the instructor's contribution to your learning) : **4.3/5.0**

Whitman School of Management, Syracuse University Spring 2020  
Instructor, *EEE 370: Introduction to Entrepreneurship*  
Instructor ratings (Considering the instructor as distinct from the course content, evaluate the instructor's contribution to your learning) : **4.5/5.0**

## **PROFESSIONAL AFFILIATIONS**

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Academy of Management, 2017-Present  
Southern Economic Association, 2017 and 2018  
Society for the Development of Austrian Economics, 2017

## **AWARDS AND SCHOLARSHIPS**

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- Institute For an Entrepreneurial Society (IES) Fellowship, 2017-present
- Outstanding Teaching Assistant Award, Syracuse University, 2021
- Johns Hopkins University Consortium and Symposium, 2019 – USD 1000
- Association of Private Enterprise Ed. Young Scholars Program, 2019 – USD 655
- Hayek Fund scholarship, 2019 – USD 400

## **WORK EXPERIENCE**

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Independent consultant for UNDP and Ministry of Rural Development, 2016-17  
Thematic Anchor, *Kudumbashree*, Resource Organization for World Bank-supported NRLM,  
Ministry of Rural Development, India, 2015-2016  
Team Leader, Scheduled Tribes Development Department, Government of Kerala, India, 2014-  
2015

## **SKILLS**

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High proficiency: Stata, SPSS, Microsoft Excel, Microsoft Access, Microsoft Visio  
Working knowledge: R, SAS, NVivo  
Language: English (fluent), Malayalam (native), Hindi (conversational), Tamil (familiar)

## **REFERENCES**

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### **Maria Minniti, PhD**

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