

Entrepreneurial Apologies: A Strategic Tool for Increasing Legitimacy.

Principal Topic

Legitimacy, or the perception that the actions of an entrepreneur are “desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995), is a salient factor in the performance of a new venture (Aldrich & Fiol, 1994). New ventures typically have a low level of legitimacy capital and must therefore adopt mechanisms that demonstrate adherence to the expected norms. However, entrepreneurs are characterized by nonconformity and risk-taking that make violations of norms likely to occur (Navis & Glynn, 2011).

This paper adopts a strategic view of managing legitimacy in the entrepreneurial context. Specifically, we argue that entrepreneurial apologies serve as a strategic mechanism for increasing legitimacy for new ventures, and that entrepreneurial apologies have different components than *mea culpa*s issued by corporations. While miscues from entrepreneurs may damage a new venture’s legitimacy, offending entrepreneurs and their businesses are tightly intertwined providing a unique mechanism for apologies. By contrast, offending corporations are strictly legal entities that have difficulty conveying key components of an effective *mea culpa* (Lazare, 2005). We therefore propose that the ability of entrepreneurs to offer apologies represents a strategic advantage that leads to a greater restoration of legitimacy than would apologies issued by large corporations.

Methods/Key Propositions

Established organizations often have an expectation from customers and stakeholders to offer apologies when violations of norms and beliefs within societal systems occur (Ashforth & Barrie, 1990), such as in the aftermath of a product or service miscue (Salvador, et al., 2012).

Furthermore, entrepreneurs improve their legitimacy by mimicking large established organizations within their environment (Navis & Glynn, 2011). Thus, an entrepreneurial apology serves two-fold purpose in developing legitimacy. First, it has similar restorative functions as the organizational apology by providing the new venture with a means of atoning for a norm violation by symbolically separating itself from the offense (Goffman, 1967). Second, the entrepreneurial apology has a supra-restorative function leading to a net increase in legitimacy, because the delivery of a *mea culpa* mimics the expected response from a large organization.

Hypothesis 1: An entrepreneurial apology is positively related to the legitimacy of the new venture.

Second, we argue that new ventures have an advantage in offering apologies because of the shared identity of the new venture and entrepreneur (Navis & Glynn, 2011). There is a normative expectation from stakeholders that apologies include expressions of remorse when responding to violations (Arsenio & Lover, 1995). Corporations are limited in their ability to express clear emotions within an apology, leading to apologies that are less meaningful than those offered by individuals (Smith, 2008). Such organizations are “dependent on a compelling performance”

(Hearit, 2006) from their agents to render an effective mea culpa, and the agents delivering the apology may not have a direct causative nexus to the transgression itself.

Conversely, a new venture has a social identity closely tied to the entrepreneur that allows the entrepreneur to more credibly apologize with emotions that customers and stakeholders perceive as efficacious. This shared identity allows entrepreneurs to better meet the expectations of their environment within their apology. The entrepreneur is also much more likely to have a direct causative nexus to the transgression, making the apology more meaningful and restorative than a mere performance.

Lastly, consumers realize that new ventures involve more risk-taking and may thus be more forgiving of a blunder if it is made from any entrepreneur rather than a large organization.

Hypothesis 2: Entrepreneurial apologies with expressions of sincere remorse are positively related to the perceived legitimacy of the new venture.

Finally, we examine the moderating effects of the intent of the violations for which the entrepreneur is making an apology. Violations that arise from ethical lapses are more difficult to repair than those arising from competence failures (Kim, et al., 2009). Competence violations refer to the failure to meet expectations because of poor performance and/or abilities. Conversely, ethical breaches refer to norm violations relating to integrity and/or trust. While entrepreneurs are likely to commit violations as they pursue uncertain opportunities, the perceived intent of the violations will likely have an impact on the restoration of legitimacy.

Hypothesis 3: Perceived integrity violations will more negatively impact the relationship between apologies and legitimacy than will perceived competence violations.

A 120-item instrument developed (Rhodes, 2017) was adapted for this study to examine entrepreneurial apology effectiveness using hierarchical regression analysis. The apology items are based on two scenarios adapted from a 1992 Gonzales, Manning and Haugen study (subsequently used by Fehr & Gelfand, 2010) to reflect a large corporate wrongdoer versus a startup company wrongdoer. Changes were also made to reflect recent technological advancements. A pilot study of the revised instrument with 21 undergraduate students was successfully undertaken in May 2017. All items other than demographic rely on a 10-point Likert scale. A second study is underway using participants recruited through Amazon mTurk.

Implications

This paper offers a strategic view of apology-making in the context of entrepreneurial legitimacy. While apologies are often perceived as responses to norm-violating events and may not traditionally be viewed as tools for enhancing reputation, the expectations of apologies from the environment and the need for entrepreneurs to mimic existing organizations make the apology an important mechanism for rebuilding as well as increasing legitimacy. It is also the first study to conceptually distinguish entrepreneurial apologies from established organization apologies and propose mea culpas as a strategic tool for managing legitimacy.