THE POWER OF ARGUMENTS: HOW ENTREPRENEURS CONVINCE STAKEHOLDERS OF THE LEGITIMATE DISTINCTIVENESS OF THEIR VENTURES

Entrepreneurs gain positive evaluations when their stakeholders are convinced that a new venture is simultaneously legitimate and distinct. Prior research highlights that analogies are a powerful device for constructing such legitimate distinctiveness. We extend this work by providing a more comprehensive typology of arguments that, besides analogies, contains five additional arguments that entrepreneurs can use to gain legitimacy and support for their ventures. We use this rhetorical typology in turn to consider how the nature of the business concept associated with a new venture constrains the choice, and effects, of certain arguments. Our typology provides a base for future research on the micro-discursive processes through which entrepreneurs claim, and in turn achieve, legitimate distinctiveness for their ventures.

1. INTRODUCTION

Firms that are similar to other organizations in their institutional environment, but at the same time differ from those organizations, have been found to perform well on a variety of measures, such as organizational productivity (Jennings et al., 2009), return on assets (Deephouse, 1999; McNamara et al., 2003; Norman et al., 2007), and product innovation (Tan et al., 2013). These findings suggest that founders of new ventures need to persuade stakeholders that their firm simultaneously fits in with, and stands out from, other ventures and businesses in its environment – that is, it is legitimately distinct (e.g., Jennings et al., 2009; Lounsbury and Glynn, 2001; Navis and Glynn, 2011). Most scholars describe the task of actually combining legitimacy and distinctiveness as complicated (Chaney and Marshall, 2013; Tan et al., 2013), given the seemingly contradictory goals of claiming similarity to, and difference from, other ventures and businesses. The question that this raises is how entrepreneurs are able to acquire such legitimate distinctiveness for their ventures, and specifically what rhetorical strategies they may use to this end. In other words, in this paper we set out to answer the following question: how can founders of new ventures convince stakeholders that their firm is both legitimate and distinct?

To address this question, we first discuss prior work on the notion of legitimate distinctiveness, which generally assumes that stakeholders compare organizations in broader terms and assign them to relevant categories (King and Whetten, 2008), such as markets or industries. Once a firm has been evaluated as being a legitimate member of a particular category, stakeholders will start making within-category distinctions between firms (Bitektine, 2011; Lamertz et al., 2005). When making these within-category comparisons, stakeholders assess whether an organization is distinctive from other organizations in the same category. In order to get stakeholder support, entrepreneurs therefore need to obtain the legitimacy that flows from being a member of a category, while at the same time highlighting their firm's distinctiveness from other rival firms. We argue that the careful use of arguments can help entrepreneurs present and build a firm that is likely to be perceived as legitimately distinct. Specifically, we turn to insights drawn from argumentation theory (Brockriede and Ehninger, 1960; Perelman, 2008; Rieke and Sillars, 2001) that allows us to develop a typology of arguments that are available to entrepreneurs to persuade stakeholders that their venture is both legitimate and has distinctive potential. Our focus is on nascent entrepreneurs – individuals who are 'in the process of establishing a business venture' (Dimov, 2010: 1126) – as these entrepreneurs have not yet realized any tangible results and are therefore most dependent on argumentation to convince stakeholders. We highlight how the freedom these entrepreneurs have to choose certain arguments is constrained, and how, depending on the specific nature of the business concept, a certain set of arguments is more (or less) likely to garner legitimate distinctiveness, and in turn support from key stakeholders.

In developing this overall argument, we aim to make three contributions. First, the typology that we develop advances the limited work on argumentation in entrepreneurship by providing a more comprehensive overview of the types of argumentation that entrepreneurs may, and indeed do, use to influence stakeholders. Prior work on the rhetorical efforts of entrepreneurs has mainly focused on the role of analogies (Cornelissen and Clarke, 2010; Etzion and Ferraro, 2010; Hill and Levenhagen, 1995; Navis and Glynn, 2011), and fails to acknowledge that other arguments can effectively be used to convince stakeholders of a new venture's legitimate distinctiveness. Our typology therefore includes five additional arguments, and specifies their effects on stakeholders' evaluations of new ventures, thus broadening the perspective of future research on the argumentation strategies of entrepreneurs. Furthermore, we discuss the constraints around using specific arguments. Although entrepreneurs may have some freedom to choose certain arguments (Corvellec and Risberg, 2007; Golant and Sillince, 2007; Martens et al., 2007), such choices, as we will demonstrate, are significantly curtailed. In particular, when an entrepreneur develops a radically novel business concept, we expect that assigning the firm to a legitimate category of organizations is difficult due to the lack of similarities with existing organizations. As a consequence, fewer grounds are available to support legitimating claims. The lack of grounds makes it harder for entrepreneurs to support their claims with evidence, and eventually gain legitimacy for their ventures. Equally, due to the inherently uncertain nature of radically novel undertakings (Navis and Glynn, 2011, Rosa et al., 1999; Santos and Eisenhardt, 2009), the warrants in these arguments also remain weak. We discuss these kinds of conditions as well as the overall constraints associated with using certain types of arguments to claim legitimate distinctiveness for a novel venture.

Our second contribution relates to the notion of legitimate distinctiveness itself. A firm is endowed with cognitive legitimacy when stakeholders assign it to a certain class of organizations (Bitektine, 2011), either by stressing similarities with established members of this class or by highlighting the differences with members of other classes. Although judgments on a firm's cognitive legitimacy are commonly made at an abstract level, involving an entire category (Lounsbury and Glynn, 2001; Reinecke et al., 2012), creating legitimate distinctiveness also involves comparing a firm to and contrasting it with other organizations within the same category (Gioia et al., 2010; Lamertz et al., 2005; Tan et al., 2013; Voronov et al., 2013). Prior work on legitimate distinctiveness has not specified which instruments entrepreneurs use to influence stakeholder assessments of the extent to which a particular venture is similar to or different from other firms. Using the typology we develop, we specify the argumentation strategies that entrepreneurs use to claim and establish legitimate distinctiveness for their ventures. In doing so, we add much needed detail on the micro-processes that lead to an outcome where legitimate distinctiveness is attributed to a venture. For example, entrepreneurs who introduce a radically novel business are generally only able to contrast their firm with other organizations, and cannot easily assign their firm to an existing class of organizations. In their case, legitimate distinctiveness is not purely a matter of arguing that a venture belongs to one category rather than another, but also involves increasing comprehensibility through explaining its activities. By discussing these kinds of rhetorical arguments that entrepreneurs have at their disposal, to both assign a new venture to a market category and compare it to other members of that particular category, we aim to flesh out the micro-processes of argumentation that lead to the attribution of legitimate distinctiveness to a new venture.

Third, we contribute to a growing body of research (Clarke & Cornelissen, 2011; Phillips and Oswick, 2012; Steyaert, 2007) that incorporates a linguistic focus into entrepreneurship research. Researchers have advocated language and narrative approaches to explain the mechanisms underlying entrepreneurial phenomena (Martens et al., 2007) and to better understand entrepreneurial intentions and actions (Gartner, 2010). Prior studies in this vein have examined how the narratives entrepreneurs tell can help them acquire legitimacy and resources (Golant and Sillince, 2007; Martens et al., 2007), as well as how the terms they borrow from dominant discourses (Arbuthnott et al., 2010; Cornelissen & Clarke, 2010: Navis and Glynn, 2011) help them to convince stakeholders. Our study joins this stream of research and elaborates theory on how nascent entrepreneurs may use different types of arguments during interactions with potential resource providers. With this theory elaboration, we not only provide further breadth and depth to the range of argumentation strategies that new venture founders use, but we also signal the fruitfulness of a rhetoric-informed perspective on entrepreneurship, alongside other communication and language-informed approaches, such as narrative and discourse analysis. Specifically, by adopting a rhetorical perspective we are able to increase our understanding of the mechanisms through which entrepreneurs present their firm as both legitimate and distinct. But we also expand the perspective itself by discussing how the linguistic freedom of entrepreneurs is constrained by the characteristics of the business concept they develop, thereby delimiting the area within which entrepreneurs' rhetorical efforts take place.

The paper is structured as follows. In the next section, we provide an overview of prior entrepreneurship research on legitimate distinctiveness. We then introduce our typology and discuss in detail the specific arguments that entrepreneurs can use to claim legitimate distinctiveness for their ventures. As part of this discussion, we demonstrate with examples from prior work that the choice for, and the subsequent strength of, particular types of arguments depend on the novelty of the business concept associated with a venture. We conclude with an overview of our typology and arguments, highlight the paper's contributions, and elaborate the implications for further research.

2. STAKEHOLDER JUDGMENTS OF NEW VENTURES

The mortality rate of new firms is high compared to established firms (Deutsch and Ross, 2003; Rao et al., 2008), mainly because stakeholders are often reluctant to commit to novel ventures and therefore do not provide them with the initial resources they need to survive (Clarke, 2011; Tornikowski and Newbert, 2007). Reluctance among stakeholders stems from the difficulty they have when assessing a new firm's potential for success (Dushnitsky, 2010), due to the limited availability of information on these firms (Higgins and Gulati, 2006; Stuart et al., 1999). Their reluctance will be exacerbated when a venture is nascent, i.e. when the pursued opportunity is perceptual in nature rather than supported by actual results (Dimov, 2010), and when the proposed venture operates in a new industry (Aldrich and Fiol, 1994), and thus develops a novel business concept. We define a business concept as the basic capabilities and product or service offering associated with a new venture. A new venture's business concept can involve an incremental variation on existing business concepts in a particular market or industry (Carayannopoulos, 2009) or, alternatively, a more radical revision that constitutes to a greater or lesser degree a new category of thinking (Lounsbury and Glynn, 2001). In the latter case, stakeholders generally lack the cognitive norms, models, scripts, and patterns of behavior (Déjean et al., 2004; Navis and Glynn, 2011; Santos and Eisenhardt, 2009) they need to understand the new firm (Navis and Glynn, 2010).

Addressing these challenges requires that new venture founders, especially those that introduce a novel business concept, provide stakeholders with the information they need to grasp what the firm is doing. In other words, trying to acquire legitimacy is a vital task for entrepreneurs (Zimmerman and Zeitz, 2002). Legitimacy is 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), and consists of two dimensions: cognitive and sociopolitical (or normative) legitimacy (e.g. Aldrich and Fiol, 1994; Bitektine, 2011). Cognitive legitimacy involves cognitive judgments of a venture's comprehensibility and taken-for-grantedness (Aldrich and Fiol, 1994; Suchman, 1995), whereas sociopolitical legitimacy is a broader normative construct that results from a fit between a proposed venture and the broader worldviews of stakeholders (Golant and Sillince, 2007; Green and Li, 2011; Rutherford et al., 2009). Because we aim to find out how new venture founders help stakeholders understand that the characteristics of their firm are both different from and similar to other organizations, our discussion of legitimacy will, in line with prior research (Navis & Glynn, 2010), focus only on its cognitive dimension.

Cognitive legitimacy is central to help stakeholders understand a novel venture. An organization is evaluated as cognitively legitimate when it is taken for granted or comprehensible (Suddaby and Greenwood, 2005). Taken-for-grantedness is the ultimate form of cognitive legitimacy (Aldrich and Fiol, 1994; Choi and Shepherd, 2005; Shepherd and Zacharakis, 2003) because it is a lasting form of cognitive support (Suchman, 1995). Stakeholders of a taken-for-granted organization are so familiar with it that they no longer actively think about it (Aldrich and Fiol, 1994), i.e. they see the organization as a ‘given’ (Suchman, 1995). However, since knowledge about the activities of a new venture is not widespread (Rutherford et al., 2009; Wiklund et al., 2010), these firms are not likely to be seen yet as taken for granted by their stakeholders (Rutherford and Buller, 2007). Founders of new ventures are therefore more likely to attain a favorable cognitive legitimacy judgment if they manage to render their firm more comprehensible to stakeholders. Comprehensibility relates to the plausibility of the firm (Suchman, 1995; Pollack et al., 2012), and is a more episodic cognitive assessment than taken-for-grantedness (Suchman, 1995).

Generally speaking, there are two ways in which entrepreneurs can enhance the comprehensibility of a new venture. First, they can categorize their firm in a group of organizations that is taken for granted (Lamertz et al., 2005), for instance by implementing the widely accepted practices that these organizations employ (Zimmerman and Zeitz, 2002). Second, entrepreneurs can spread knowledge about a new venture (Aldrich and Fiol, 1994; Shepherd and Zacharakis, 2003) in order to help stakeholders realize that the venture idea makes sense (Suchman, 1995).

Although novelty comes with certain disadvantages, ‘a degree of deviance or distinctiveness might be necessary or beneficial as well’ (Voronov et al., 2013: 609) in order to reduce competition (Carayannopoulos, 2009; Deephouse, 1999). Similar to the construct of legitimacy, distinctiveness appears to have a cognitive and a normative dimension. The first dimension concerns to what extent a new venture is different from its rivals, in the sense that its attributes are not similar to those of prototypical members of their category (Navis and Glynn, 2011). The normative dimension involves an evaluation and weighing of whether the firm is doing better than other organizations on some measure of performance (Lounsbury and Glynn, 2011). Ideally, new ventures meet the criteria for both dimensions (Carayannopoulos, 2009; King and Whetten, 2008), i.e. create 'a perception that a firm is positively different from its competitors' (Chaney and Marshall, 2013: 1551). Because normative evaluations of new ventures are beyond the scope of this paper, we will focus on the cognitive dimension of distinctiveness.

Navis and Glynn (2011) argue that new venture proposals will most likely receive a favorable judgment when they 'consist of legitimating claims that align the entrepreneurial endeavor with expectations arising from institutionalized conventions and consist of distinctiveness claims that distance it from such institutionalized conventions in ways that are meaningful' (Ibid.: 480). Hence, a crucial task for founders of new ventures is convincing stakeholders that their firm both fits in and stands out from its environment. Because both legitimacy and distinctiveness arise from processes of comparison (King and Whetten, 2008), convincing stakeholders of a firm's legitimate distinctiveness involves comparing it to other organizations. Comparisons are facilitated by categories (Khaire and Wadhwani, 2010; Porac et al., 1995), so in their attempts to show that their firm is legitimately distinct, entrepreneurs will relate it to existing categories of organizations. When seeking cognitive legitimacy, entrepreneurs benefit from demonstrating that their venture is similar to other members of a particular category (Lamertz et al., 2005). This also implies that when a firm does not share all the characteristics with the prototypical members of that category, it may be seen as cognitively distinct.

King and Whetten (2008) argue that stakeholders who evaluate whether an organization is legitimately distinct make two types of comparison: between-category and within-category. With respect to between-category comparisons, the pressure to be both legitimate and distinct appears to be conflicting. In order to be seen as member of a certain category of organizations a new venture has to meet the minimum standards of membership (King and Whetten, 2008). Firms that deviate significantly from these standards are less likely to be evaluated as legitimate members of that category (Deephouse, 1999; Hargadon and Douglas, 2001), and run the risk of being penalized (Alvarez et al., 2005; Zuckerman, 1999). Therefore, with respect to between-category classifications of organizations, cognitive legitimacy and distinctiveness have been characterized as 'opposing needs' (Alvarez et al., 2005: 864), 'oppositional tugs' (Navis and Glynn, 2011: 493), and involving a 'trade-off' (Deephouse, 1999: 153; Norman et al., 2007: 1137).

However, once an organization meets the minimum standards of category membership, stakeholders will start making within-category distinctions (King and Whetten, 2008; Lamertz et al., 2005). As a consequence, legitimate members of organizational categories attempt to cognitively distinguish themselves from other members of the same category (Pedersen and Dobbin, 2006; Reinecke et al., 2012; Ruebottom, 2013). These actors thus position their legitimating claims and distinctiveness claims at separate levels (Lounsbury and Glynn, 2001; King and Whetten, 2008): they claim legitimacy by conveying that they meet the standards for category membership (thereby attempting to influence stakeholders' between-category comparisons), and they claim distinctiveness by setting themselves apart from other members of that category (hence addressing within-category comparisons). In so doing, it is possible to create a venture with a moderate level of strategic similarity to other ventures, while at the same time articulating and claiming a distinct position. Hence, when claims to legitimacy and distinctiveness are made at separate levels, they do not function as two opposing ends on a continuum, but operate in parallel to one another (Gioia et al., 2010; Tan et al., 2013; Voronov et al., 2013).

We now turn to how the novelty of the business concept of new venture founders affects their ability to convince stakeholders of the legitimate distinctiveness of their firm. Prior research on legitimate distinctiveness has argued that entrepreneurs can claim membership of a certain market category (e.g. King and Whetten, 2008; Navis and Glynn, 2011). We will argue that entrepreneurs who launch a radically innovative product or service, i.e. a business concept that is highly novel and thereby disrupts the status quo (Carayannopoulos, 2009; Lounsbury and Glynn, 2001), face different obstacles in making convincing claims than those selling more incrementally novel products or services. This is because incrementally novel business concepts remain consistent with the minimum standards of a category, whereas radical innovations change those standards (Jennings et al., 2009) and create a novel market category. In order to identify how novelty influences claims to legitimate distinctiveness, we will first provide an overview of the types of claims entrepreneurs can make to convince stakeholders that their firm simultaneously fits in and stands out.

3. USING ARGUMENTS TO INFLUENCE JUDGMENTS OF A NEW VENTURE

Prior studies of the attempts of entrepreneurs to obtain favorable stakeholder assessments of a new venture point out that rhetoric is a valuable instrument (e.g. Holt and Macpherson, 2010; Rindova et al., 2009; Ruebottom, 2013). Despite the fact that the potential grounds for a variety of arguments have been identified by prior research (see Table 1), these studies have only specified few actual devices that can be used to make legitimating and/or distinctiveness claims. The argument by analogy seems to be an exception. A number of studies have argued that analogical reasoning can facilitate the comprehension of a new venture (Cornelissen and Clarke, 2010; Hill and Levenhagen, 1995), and others have stated that analogical work can, additionally, ‘emphasize modification and contrast between source and target domains, and not just equivalence or similarity’ (Etzion and Ferraro, 2010: 1104). Based on work by scholars of argumentation (Brockriede and Ehninger, 1960; Perelman, 2008; Rieke and Sillars, 2001), we argue that new venture founders have in fact a much broader repertoire of arguments at their disposal to claim legitimate distinctiveness. We draw these arguments together in a typology that includes six types of argument: arguments by analogy, classification, generalization, cause, and sign, and arguments from authority. Table 1 provides a summary overview of our typology.

- **Insert table 1 about here -**

We will introduce each of these arguments in turn, and discuss how each one is effectively used by entrepreneurs as support for a legitimating claim, a distinctiveness claim, or both. Each type of argument will be illustrated by two examples, where possible drawn from prior studies on new ventures. The first example indicates how the argument can be used to claim legitimacy, and the second shows its distinguishing effect. Because ‘a bare conclusion, without any data produced in its support, is no argument’ (Toulmin 1994: 106), we do not only discuss an argument’s claim, but also introduce two additional basic components of an argument: the grounds and the warrant (Figure 1 below).

If an arguer, for example fume cupboard manufacturer Ian, claims that the 'cupboards that we are making now are probably better and safer than any that have ever been made' (Holt and Macpherson 2010: 32), his audience may be hesitant to believe him. In order to convince them, Ian needs to complete his argument by introducing a ground. According to Toulmin et al. (1984), grounds are the data or foundational reasons that an arguer refers to as support for a conclusion. So to convince stakeholders that the fume cupboards his firm produces are indeed of superior quality and safety, Ian explained that all cupboards are subject to quality control: 'we make sure that everything is tested on the gas, that there's no leakages at all, we make sure that the sash mechanism is safe' (Holt and Macpherson 2010: 32).

For a claim to be accepted as plausible, however, merely presenting grounds does not suffice. The claim actually has to follow from the grounds, i.e. the step that is made from grounds to claim should be clear. It is the function of a warrant to bridge these two elements, and thereby carry the data to the claim (Brockriede and Ehninger 1960; Toulmin 1994). As such, a warrant helps to explicate the seemingly logical connection between the grounds and the claim. In our example, the implied warrant is the causal relation between Ian's actions (the testing) and the safety of the product. Usually these warrants are largely implicit as they offer no new content but give force to an argument. In our discussion of the typology we however make these warrants explicit, as part of the strength of the ensuing argumentation (Berente et al. 2011: 693; Bouwmeester 2013: 419). Figure 1 presents the three basic elements of an argument, and shows how the grounds and claim in Ian's argument are connected by an implicit warrant.

- **Insert Figure 1 about here -**

Argumentation theory (Toulmin, 1994) distinguishes further elements as part of this microstructure of an argument – such as rebuttals, qualifiers, and backing for the warrant – but we focus here on the core structure of arguments. The reason for doing so is that we aim to establish the force of specific arguments when claiming legitimacy and distinctiveness, in contrast to a focus on how chains of complex argumentation evolve over time in interactions between entrepreneurs and stakeholders.

3.1 Argument by analogy

Argumentation scholars suggest that an unknown situation can be clarified by comparing it to a more familiar case, i.e. by drawing an analogy (Perelman, 2008). In an argument by analogy, the arguer suggests that a characteristic that can be found in one situation also exists in another situation (Rieke and Sillars, 2001). As stated above, prior research (e.g. Cornelissen and Clarke, 2010; Etzion and Ferraro, 2010; Hill and Levenhagen, 1995) has studied the use of analogies by new venture founders, suggesting that founders of start-up firms can use metaphors and analogies to 'draw on existing linguistic repertoires to anchor new interpretations in already familiar categories of meaning' (Navis and Glynn, 2011: 490) and to highlight 'differences and not just similarities between [an] analogical source and target' (Etzion and Ferraro, 2010: 1104).

3.1.1 Using arguments by analogy to enhance cognitive legitimacy

We argue that grounds for claiming cognitive legitimacy by means of an argument by analogy are generally available. Entrepreneurs who make incremental changes to a business concept can draw from a large pool of grounds because similarities with other organizations within the industry will be apparent from the start. New venture founders trying to legitimize a radical innovation have to put more effort into identifying these grounds because their product or service is, by definition, distinct from what other organizations within a particular industry offer. Nevertheless, for two reasons we expect that these entrepreneurs are able to find grounds for making a legitimizing argument by analogy. First, they may extend the analogy metaphorically, and thus stress the similarities with established business concepts in more remotely related industries. Second, they can themselves create the grounds for their argument, which is not uncommon: 'successful mimicry is often combined with analogical work that highlights conformity to existing templates' (Slager et al., 2012: 776).

With respect to the warrant in an argument by analogy, stakeholders may find that, in addition to the similarity that is highlighted in the analogy, there are differences between the novel concept and existing products and services. If they decide that the differences outweigh the similarities, they can conclude that the analogy does not hold because the misfit dominates and thus causes 'all kinds of distortions' (Majone, 1989: 64). In making this judgment, the stakeholders do not question the data because they do not deny that there are similarities. Rather, they doubt whether a particular similarity justifies the claim that the novel business concept is indeed similar to existing concepts in any relevant sense. We argue that stakeholders are more likely to question a warrant when the business concept that entrepreneurs introduce is radically novel than when it is incrementally novel. As we argued above, entrepreneurs of radically novel concepts may refer to similarities with firms in other industries as the grounds on which a legitimizing argument by analogy is based. Hence, the gap between grounds and claim in such instances tends to be wider, i.e. the argument by analogy used to legitimize the business concept rests on a weaker warrant.

A concrete example of the use of analogy is provided by Etzion and Ferraro (2010), who studied the Global Reporting Initiative (GRI), a non-profit organization aiming to develop an international standard for reporting on economic, environmental, and social performance. GRI-based reports were structured in a way that resembled financial reports:

> In the same way that annual financial reports typically contain interpretive material in the front end and financial statements in the back, so too should GRI-based reports strive for a clear distinction between the reporting organisation's interpretation of information and factual presentation (Ibid.: 1099).

By emphasizing the similarity between the structure of GRI-based reports and financial reports (ground), the initiators of the GRI claim that reporting on environmental and social performance is as routine and rigorous as financial reporting (claim). The entrepreneurs thus help their stakeholders understand that sustainability reporting – although it initially seems very distinct from traditional reporting – shares many relevant characteristics with financial reporting (warrant). Because the comprehensibility of a taken-for-granted category spills over to its target (Suchman, 1995; Zimmerman and Zeitz, 2002), the argument by analogy used by the founders of the GRI convinced stakeholders of the cognitive legitimacy of their venture.

The example illustrates that entrepreneurs who develop a radically novel business concept have to invest effort in finding solid grounds to support the analogy. The lack of similar initiatives led the initiators of the GRI to actively make sustainability reporting look more like traditional reporting by copying the structure of financial reports. Nevertheless, they were able to construct a plausible argument by analogy. The warrant of the argument, however, is relatively weak due to the newness of the concept. Stakeholders may wonder whether the similarity GRI created by copying the structure of financial reports may be outweighed by differences on other aspects, such as the accounting methods used.

3.1.2 Using arguments by analogy to emphasize distinctiveness

Analogies can also be used to claim that the product offered by a new venture is cognitively distinct from any prior or existing solutions. The basis for an argument by analogy is often a relationship between two items that arguers see as similar to another pair of items (Brockriede and Ehninger, 1960). Attempting to claim distinctiveness by means of an argument by analogy thus creates the paradoxical situation that entrepreneurs need to identify a similar instance of distinctiveness. When a business concept is radically novel there is a smaller number of similarly distinctive cases. Nevertheless, we expect that entrepreneurs who introduce a highly novel product or service are able to ground their claims by drawing more on figurative analogies or metaphors (Cornelissen and Clarke, 2010).

Warrants are more strongly affected by the novelty of a business concept. Because a highly novel concept is by definition ambiguous, its features are yet unknown (Navis and Glynn, 2011). Hence, it will be hard to plausibly claim that it is similar to other distinctive concepts. Incremental innovations are more closely related to the distinctiveness of other products within a market category, which makes the warrant stronger. As a consequence, it is easier to convince stakeholders that the analogy holds.

Navis and Glynn (2010) describe how the founders of Sirius, one of the two firms that was licensed to broadcast satellite radio in the US, tried to distinguish their product from the services provided by the broadcasters of terrestrial radio: Sirius' 'service will bring to radio what cable networks have brought to television' (Ibid.: 452). In this example, Sirius' founders suggest that satellite radio is an improvement over terrestrial radio (claim) in the same way as cable networks were an improvement over traditional broadcast television (ground). The founders of Sirius thus used an argument by analogy (warrant) to convince stakeholders of the distinctiveness of their firm.

The example suggests that entrepreneurs who develop a radically novel business concept may have to search outside of their immediate environment for grounds for an argument by analogy. Satellite radio had not yet established itself as a market category by the time the founders of Sirius drew the analogy with cable networks (Navis and Glynn, 2010). Although we generally argue that the novelty of a business concept negatively affects the strength of the warrant in an argument by analogy, the warrant in this example is surprisingly strong. Even though Sirius' business concept was a radical departure from established ways of radio broadcasting, the entrepreneurs found a similar case of distinctiveness. Furthermore, the highly novel way in which Sirius transmits a radio signal to its customers does not weaken the warrant because radio and television can both be categorized as media and therefore belong to the same overarching category. The example thus illustrates that, despite the general weakness of warrants in arguments by analogy put forward by entrepreneurs who launch a radically novel business concept, they can still be a suitable rhetorical device for these entrepreneurs, providing they find a matching figurative extension.

3.2 Argument by classification

Analogies often relate an unknown phenomenon to a known comparable case. A similar effect can be realized by introducing an argument by classification, which assumes that a generalized conclusion about known members of a class applies to a hitherto unexamined item or example (Brockriede and Ehninger, 1960). In an argument by classification, therefore, the generalized conclusion is already accepted, and the specific case serves as an illustration of this general conclusion (Perelman, 2008). The applicability of the conclusion to the specific case is taken for granted by the arguer, who thus assigns the case to the general category. Because categories function as models that describe the features of its members, thereby providing cognitive economy (Porac et al., 1995) and generating shared understandings among relevant actors (Khaire and Wadhwani, 2010), arguments by classification can be very useful to founders of new firms.

3.2.1 Using arguments by classification to enhance cognitive legitimacy

Entrepreneurs who introduce a radically novel concept, we argue, generally have a hard time identifying suitable grounds to support an argument by classification. Because highly novel market categories are ‘ill formed, in flux, and without a clear prototype or exemplar’ (Navis and Glynn, 2011: 486), there are few generalized conclusions that can be applied to the novel business concept. Furthermore, stakeholders may question the strength of the warrant in such a general argument by classification. As much is unknown about radically novel ventures, they are likely to doubt if the ventures indeed belong to the class described by the general statement referred to in the ground.

Prior entrepreneurship studies provide examples of the use of arguments by classification by founders of start-up firms. In Tracey et al.’s (2011: 65) study of Aspire, a social enterprise aiming to provide employment to homeless people, one of the firm’s founders stated that ‘most charities rely on the whims of foundations over whether they receive a grant and can’t plan more than three years ahead. Because we are running a business, we can look 10 to 20 years into the future.’

In this example, the entrepreneur transfers a general statement – contrary to charities, businesses have the ability to plan ahead (ground) – to his venture. By stating that Aspire is a business and thus belongs to this category (warrant), the founder suggests that the general statement about businesses applies to his firm (claim). He hereby wants to help stakeholders understand that although Aspire's approach to helping the homeless may be new, it is an established way of working in other contexts. Hence, arguments by classification can be used to enhance a new venture's cognitive legitimacy.

The example illustrates that finding grounds for a legitimizing argument by classification is more challenging when a venture introduces a radically novel concept – as the notion of social enterprise was when Aspire was set up (Tracey et al. 2011). The entrepreneurs therefore decided to ground their claim by referring to a highly generic conclusion about businesses. If a larger number of generalized conclusions about social enterprises had been available, social entrepreneurs like the founders of Aspire could have more easily identified grounds specific to their firm. Stakeholders of Aspire may however have questioned the warrant in the entrepreneurs' argument by asking whether an organization that aims to 'help the homeless rather than generate wealth for its owners' (Tracey et al., 2011: 67) can truly be a business.

3.2.2 Using arguments by classification to emphasize distinctiveness

Although we argued that, generally speaking, generalized conclusions about existing market categories are widely available and can therefore be used as grounds to claim cognitive legitimacy, the category-specific nature of these conclusions makes them less suitable for grounding distinctiveness claims. In cases of radical newness, the availability of generalized conclusions will be more limited than in cases of incremental newness. The strength of a warrant also depends on the degree of novelty of a business concept. The warrants in the arguments by classification used by entrepreneurs who commercialize a product or service that is incrementally novel will be stronger than the warrants in arguments from entrepreneurs who launch a more radical innovation. We argue that the reason for this difference is that general rules about radically novel business concepts have not yet been discovered, so it is hard to apply generalized conclusions to the radical innovation. Entrepreneurs who develop a radically novel concept therefore have to convince stakeholders that rules about other product categories apply to their firm, which can undermine the warrant.

Holt and Macpherson (2010) interviewed Mick, a precision machinist, who used an argument by classification when he explained his business-planning activities. Mick realized that his customers ‘want plans; they want to see that the business is strong and could survive any difficulties that arise’ (Ibid.: 29). Because of this awareness, he decided to put more effort into structuring his business activities by starting to keep formal records of continuous improvement. Mick claims that these record-keeping activities convinced potential customers that his firm stands out from its competitors: ‘no other company that they picked were doing anything like that and we got three years out of that’ (Ibid.). In this example, Mick applies a general rule – customers are interested in firms that have plans (ground) – to his firm (warrant), claiming that it is cognitively distinct because it is one of the few firms that actually keep records of continuous improvement, and thus stands out from the competition (claim).

This example illustrates that entrepreneurs who make an incremental change to existing products or services do not have the grounds to claim that they are highly distinctive. Mick produces components for the aerospace industry (Holt and Macpherson, 2010), which is an established industry. The incremental change he made by structuring his business activities helped him claim that the way he runs his business is somewhat distinct, but his activities are still in line with existing market conventions (cf. Lounsbury and Glynn, 2001). As a consequence, the warrant of Mick's argument is plausible because he claims a distinctive feature through an argument by classification while remaining similar in all other aspects to his competitors.

3.3 Argument by generalization

Arguments by generalization are inductive and seek 'in the specific case the law or the structure which the example reveals' (Perelman, 2008: 106). As such, they are the opposite of arguments by classification. Whereas arguments by generalization usually refer to data from a sample of multiple persons or events (Brockriede and Ehninger, 1960), 'generalizations can also be made from individual cases' (Rieke and Sillars, 2001: 119). Inductive reasoning of this kind helps both entrepreneurs and the stakeholders of a new firm 'achieve some ability to comprehend the opportunity for a venture and the future consequences of decisions and actions' (Cornelissen and Clarke, 2010: 544). Therefore, arguments by generalization are suitable instruments for new venture founders.

3.3.1 Using arguments by generalization to enhance cognitive legitimacy

We argue that even in the context of highly novel business concepts, where it is generally harder to find grounds to claim legitimacy, new venture founders can use arguments by generalization to claim that specific cases or instances that are related to their business concept have a broader appeal. While it is often unclear what highly novel products can be used for (Rosa et al., 1999), let alone who their users will be, entrepreneurs can skilfully rely on the results of successful test versions or validated prototypes of their product and through generalization claim a broader currency for their products. However, unlike these entrepreneurs, new venture founders who launch a more incrementally novel business concept can also refer to the results of earlier versions of the product, and argue that the new and improved version will prove even more successful. In other words, these entrepreneurs often have direct grounds at their disposal for constructing a legitimizing argument by generalization.

Whereas, generally speaking, more grounds are available for legitimizing an incrementally novel business concept than a radically novel one, we do not expect a difference with respect to warrants. Warrants in arguments by generalization are typically strong, regardless of whether the venture is a radically or incrementally novel undertaking. The reason for the strength of warrants in this type of argument is that the claim and the grounds by definition concern the same information – unlike, for example, arguments by analogy and classification (as the previous examples illustrate). So provided that an entrepreneur has collected a sufficient amount of information to ground the argument, for example based on the performance of a prototype, or the results of a pilot, arriving at a plausible conclusion does not depend on the novelty of the business concept. Hence, the warrant in an argument by generalization is strong, even when the argument is made by an entrepreneur who develops a radically novel business concept.

Prior entrepreneurship research offers illustrations of arguments by generalization when it describes how entrepreneurs develop prototypes to convince stakeholders. Ries (2011) provides the example of Aardvark, a search engine that complements the factual queries and algorithms of Google searches. For example, it provides answers to questions like ‘what’s a good place to go out for a drink after the ball game in my city?' (Ibid.: 103). The founders of Aardvark used prototyping to create grounds for generalizing the broader currency of their engine:

> We self-funded the company and released very cheap prototypes to test. What became Aardvark was the sixth prototype. Each prototype was a two- to four-week effort. We used humans to replicate the back end as much as possible. We invited one hundred to two hundred friends to try the prototypes and measured how many of them came back. The results were unambiguously negative until Aardvark (Ries, 2011: 104-105).

This example illustrates how entrepreneurs can use an argument by generalization to help stakeholders understand the future consequences of their business concept. The founders of Aardvark explain that the current version of the product is the outcome of a process of trial and error, and that a sample of trial customers used and appreciated Aardvark (ground). They were able to use that information to tell stakeholders that customers will buy and like the product when it is released in the market (claim), thus generalizing the evaluations of their trial customers to a broader group consisting of all potential customers (warrant).

Because Aardvark is the first search engine that allows people to search for more than just facts, the entrepreneurs could not generalize based on the results of previous versions of similar products. Instead, they had to rely on the results of their own prototype. The example thus suggests that entrepreneurs who introduce a radically novel product have a more limited number of grounds at their disposal. It also illustrates that warrants in arguments by generalization are typically strong: claiming that people with similar preferences as the 'one hundred to two hundred friends' who preferred Aardvark over earlier prototypes are likely to be interested in using it logically follows from the grounds.

3.3.2 Using arguments by generalization to emphasize distinctiveness

Claiming distinctiveness with an argument by generalization, we argue, can be challenging if a new venture develops an incrementally novel business concept because the concept does not differ radically from existing concepts. Hence, it is hard to identify the grounds needed to support a distinctiveness claim. Entrepreneurs who introduce radically new products or services, however, will find it easier to identify the dissimilar aspects of their business concept. These entrepreneurs can choose from a larger number of grounds when constructing an argument by generalization aimed at emphasizing distinctiveness. As discussed above, warrants in an argument by generalization are generally strong, irrespective of the novelty of the business concept and irrespective of whether such arguments involve claiming legitimacy or distinctiveness. In inductive reasoning, the arguments are derived from the sample itself, so there is always a close connection between the business concept and the generalization made.

The case of Enviro Fundraising, documented by Ruebottom (2013), provides an example of how arguments by generalization can be used to emphasize distinctiveness. The founders of the venture argued:

> ‘we try to say that our green fundraiser is the best because of specific pieces of our program, like, there’s no minimum order, we pay the shipping costs – so, the things that our direct green competitors don’t offer’ (Ibid.: 108).

The founders thus present particular aspects of their program, such as the absence of a minimum order and shipping costs (ground), as more generally indicative (warrant) of a different business proposition (claim). The example illustrates that entrepreneurs who develop an incrementally novel business concept have fewer grounds for claiming distinctiveness through an argument by generalization. The founders of Enviro Fundraising claim that their fundraiser is unlike the things their competitors offer, but only mention two specific aspects that actually differentiate it. We expect that if their business concept had differed more drastically from their competitors' offerings, they would have been able to point out more significant differences. The warrant in their argument can be regarded as strong – which we argued is common for arguments by generalization – because the claim of the entrepreneurs directly follows from the sample of characteristics that distinguish Enviro from other (green) fundraisers.

3.4 Argument by cause

Rieke and Sillars (2001: 120) state that 'in western culture we tend to believe that people, things, and ideas cause events to take place'. Arguments by cause generally work on the basis that by affirming a causal tie between phenomena (Perelman, 2008), a creative or generative power is attributed to certain facts about a person, object, event, or condition (Brockriede and Ehninger, 1960).

3.4.1 Using arguments by cause to enhance cognitive legitimacy

Entrepreneurs who introduce a radically novel business concept will have few grounds for arguments by cause at their disposal because cause and effect relations in novel circumstances are typically unknown (Santos and Eisenhardt, 2009). The novelty of a concept also affects the power of warrants in an argument by cause. We argue that the warrant of an argument by cause is relatively weak when the argument targets a highly novel business concept because it is uncertain if the facts that are used as grounds for this argument will indeed have the expected effects.

The following example of an argument by cause is derived from Golant and Sillince's (2007) study of the London Lighthouse, an organization providing services to people suffering from HIV/AIDS. The entrepreneurs attempted to convince the National Health Service (NHS) of their services by stressing that

> The Lighthouse will … release significant numbers of beds by taking in end stage patients who would otherwise be the responsibility of hospitals … It is clear that the existence of the Lighthouse could do much to reduce the approximate average of £18,000 that each AIDS patient currently costs the NHS (Ibid.: 1158).

The founders of the London Lighthouse here claim that as an effect (warrant) of their services (ground), the NHS will be able to realize cost reductions (claim). In so doing, the entrepreneurs provide insight into the relationship between the type of AIDS patients they take care of and the availability of hospital beds: by taking in end-stage patients, the Lighthouse organization frees the beds these people would otherwise have occupied for acute medical care (Golant and Sillince, 2007). The argument by cause thereby makes the services of the London Lighthouse more comprehensible, thus contributing to its cognitive legitimacy.

Our example suggests that entrepreneurs who introduce a radically novel business concept have fewer grounds at their disposal for constructing arguments by cause. Because the London Lighthouse was one of the first organizations to respond to the growing need for care around HIV/AIDS (Golant and Sillince, 2007), the ground that its founders used to support their claim is only a promise. Because the center had not yet opened (Golant and Sillince, 2007), they could not have known for sure how many end-stage AIDS patients they were able to take in. The argument put forward by the founders of the London Lighthouse also illustrates our point regarding the strength of warrants in arguments by cause used by entrepreneurs who develop radically novel products or services. The NHS may have doubted whether the London Lighthouse would be able to release significant numbers of beds, and could have requested additional evidence before they decided to support the initiative. In the early stages of the initiative, the founders would not have been able to provide this evidence because HIV/AIDS treatment yet had to obtain its first results.

3.4.2 Using arguments by cause to emphasize distinctiveness

In terms of finding grounds for an argument by cause that is used to claim distinctiveness, having a radically novel business concept is an advantage. Although accepted facts – which are typically used as grounds for arguments by cause (Brockriede and Ehninger, 1960) – about highly novel concepts are rare due to the lack of proof available about these concepts (Dushnitsky, 2010; Rao et al., 2008), most facts an entrepreneur can come up with will be distinctive. However, in cases where an entrepreneur can come up with grounds for a distinct causal argument, the lack of proof and inadequate knowledge about cause and effect relationships (Santos and Eisenhardt, 2009) may generally undermine the strength of the warrant.

One of the founders of Aspire is an example of an entrepreneur who uses an argument by cause to claim distinctiveness. He said:

> 'This is a more sustainable model than a charity, because (…) our revenue is recycled and re-used so that, starting from small amounts, we can do more and more' (Tracey et al., 2011: 65).

The entrepreneur argues that as a result (warrant) of tackling the issue of homelessness by recycling and reusing revenue (ground), Aspire differs from charities because its business model is more sustainable (claim) and leads to progressively more outcomes. The founders of Aspire in effect introduced a business logic in an environment that was dominated by charities (Tracey et al., 2010). Hence, Aspire's approach is a radically novel way of dealing with social issues. The example illustrates that in a situation of radical novelty many facts can be referred to in order to claim distinctiveness. Generating revenue, and subsequently recycling it by reinvesting it in the firm, is perhaps not a highly distinctive feature per se, but in the context of Aspire a focus on revenue can be presented as highly distinctive.

The example also suggests that the warrants in arguments by cause used to claim distinctiveness for a radically novel business concept are generally weak. Because the effects of their own business were yet unknown, the founders of Aspire relied on the general idea that their businesslike approach was more sustainable than the way charities traditionally addressed the problem of homelessness. Because Aspire was one of the first social enterprises (Tracey et al., 2010), there was little evidence of the effects of these novel organizational forms. The warrant in Aspire's distinctiveness claim was therefore somewhat weak. As a consequence, Aspire's stakeholders may have wondered whether a businesslike approach would indeed amount to tackling homelessness in any significant way.

3.5 Argument by sign

Although 'argument by sign is closely related to causal argument' (Rieke and Sillars, 2001: 121), it is a different type of argument. Unlike causal arguments, arguments by sign establish a tie between elements on unequal levels: a particular characteristic is shown to be the manifestation of a broader phenomenon (Perelman, 2008). Prior research on entrepreneurship recognizes that signals, such as an entrepreneur's financial commitment to his firm (Arthurs et al., 2009; DeKinder and Kohli, 2008; Dushnitsky, 2010), can play an important role in getting stakeholders to support a new venture.

3.5.1 Using arguments by sign to enhance cognitive legitimacy

Using an argument by sign to claim legitimacy is complicated for entrepreneurs who introduce a radically novel concept. First, potential grounds in arguments by sign are clues or symptoms that can be seen as the manifestation of some essential attribute (Brockriede and Ehninger, 1960). For radically novel business concepts, that essential attribute could be its potential to create a new market or its competitiveness. However, because these novel concepts are by definition unlike established products or services, we expect that it is more difficult to recognize whether the characteristics of these concepts are symptoms of a more essential attribute. Hence, entrepreneurs who launch a radically novel product or service have fewer grounds for constructing a legitimating argument by sign. Second, we argue that the more novel the product or service is, the more difficulties entrepreneurs will face in connecting the grounds to their claims, thereby resulting in a weaker warrant. This difficulty stems from a 'lack of clarity about the meaning and implications of particular events or situations' (Santos and Eisenhardt, 2009: 644) in contexts that are characterized by novelty.

The following example illustrates how an argument by sign can serve to establish the broader currency and cognitive legitimacy of a venture. Déjean et al. (2004) studied ARESE, a French rating agency specializing in socially responsible investment (SRI). ARESE's founders tried to help ‘socially responsible fund managers to legitimize themselves within this [financial] community’ (Ibid.: 752), by pointing out their rigorous methodology:

> ‘we have a system of analysis – a complex black calculating box. It gives us a result that’s relevant, and we can make sense of the data precisely because we can make correlations, interpret trends’ (Déjean et al., 2004: 753–754).

By making this statement, the ARESE analysts want to suggest that their use of a ‘complex black calculating box’ (ground) indicates (warrant) that ARESE provides ‘a result that is relevant’ (claim) and should thus be regarded a serious member of the rating industry. The argument illustrates that finding the grounds to construct a legitimizing argument by sign for highly novel concepts, like extra-financial ratings (Déjean et al., 2004), is difficult. Instead of referring to a symptom specific to their new concept, the ARESE analysts relied on the generic statement that the methodology they use is systematic and appropriate. The number of applicable grounds would, however, have been larger if the entrepreneurs had started a regular rating agency. In that case, they could have referred to the actual results of their methodology as a sign of its relevance.

As in this example, connecting the grounds of an argument to its claim requires making a leap from the signs to the underlying essential attributes. However, in this instance, ARESE’s stakeholders might question the strength of this warrant. They may, for instance, have wondered whether the presence of a complex methodology presented as a ‘black calculating box’ really indicates that SRI fits with the working practices within the rating industry. The situation may well have been different for a venture in the rating industry that introduced a more incremental innovation.

3.5.2 Using arguments by sign to emphasize distinctiveness

With respect to finding grounds to support an argument by sign that is used for emphasizing distinctiveness, we argue that entrepreneurs benefit from having a highly novel business concept. The inherently unique nature of novel markets (Santos and Eisenhardt, 2009) provides new venture founders who enter or create such markets with ample opportunity to point out distinctive characteristics of their firm. We do, however, expect radical novelty to hinder entrepreneurs' ability to plausibly bridge the gap between grounds and claim. Due to the uncertain nature of novel market categories (Navis and Glynn, 2011), stakeholders may doubt whether the symptom referred to in the ground really is a meaningful signal. Hence, we argue that the warrant in arguments by sign is weaker when it relates to radically novel concepts than to an incrementally novel product or service.

An example of how an argument by sign can be used to claim distinctiveness is found in a document issued by the initiators of the GRI. When discussing the measurement of economic performance, GRI states that:

> 'In some cases, existing financial indicators can directly inform these assessments. However, in other cases, different measures may be necessary (…) In this context, shareholders are considered one among several stakeholder groups' (Etzion and Ferraro, 2010: 1100).

Here, the entrepreneurs are suggesting that the 'different measures' they use to make assessments (ground) are indicative (warrant) of a higher-order phenomenon – in this case a broader view of firm performance and corporate social responsibility that includes not only shareholders but also other stakeholders (claim). We argue that if the founders of the GRI had started a reporting agency that only assesses the financial performance of organizations they would have been unable to refer to the special measures they use as grounds for claiming distinctiveness. The example thus suggests that entrepreneurs who introduce a more novel business concept have more opportunities to point out the distinctiveness of their firm.

Because the GRI was a novel initiative (Etzion and Ferraro, 2010), the connection that the entrepreneurs made between the grounds and their claim is yet unproven, i.e. it is hard for stakeholders to assess whether the measures the entrepreneurs refer to will be a meaningful symptom of their broader view on corporate social responsibility. As these measures are not well established yet, certain stakeholders may therefore doubt whether the adoption of non-financial performance measures will indeed make a difference. Hence, the example illustrates that the warrants in arguments by sign for distinctiveness claims are weaker for a more novel as opposed to incremental business concept.

3.6 Argument from authority

Each of the arguments we discussed above establishes some logical relationship among phenomena in the external world. They are called substantive arguments (Brockriede and Ehninger, 1960). Claims can also be justified, however, because they are made by an authoritative or credible person. This type of claim is therefore commonly referred to as an argument from authority (Brockriede and Ehninger, 1960; Perelman, 2008). Ordinarily, these arguments build upon secondary credibility; arguers associate the credibility of someone else in relation to themselves (Rieke and Sillars, 2001). Prior entrepreneurship studies indeed found that entrepreneurs try to obtain endorsements from credible actors (Deutsch and Ross, 2003; Higgins and Gulati, 2006; Pollock et al., 2010; Zimmerman and Zeitz, 2002) because, through connections with an established or recognized actor, a new venture can benefit from legitimacy spillover effects (Chen et al., 2008; Martens et al., 2007; McGaughey, 2007; Stuart et al., 1999). Arguments from authority can also employ direct credibility, i.e. 'the kind of credibility that you develop by making direct statements about yourself' (Rieke and Sillars, 2001: 222). Entrepreneurs can develop direct credibility by referring to certain personal characteristics that stakeholders evaluate positively, such as significant professional and management experience (De Clerq and Voronov, 2011; Tornikowski and Newbert, 2007) or having a diverse skill set (Packalen, 2007).

We have discussed how the business concept of a new venture can constrain entrepreneurs' rhetorical freedom. Along the same lines we will illustrate in this section how the novelty of a business concept affects entrepreneurs' ability to construct arguments from authority. Because novelty predominantly influences whether other actors are willing to endorse a new venture (Rao et al., 2008), our discussion will focus on arguments from authority that build on secondary credibility.

3.6.1 Using arguments from authority to enhance cognitive legitimacy

We argue that nascent entrepreneurs without directly relevant experience who introduce a radically novel business concept generally do not possess many grounds to construct arguments from authority. Due to their lack of direct credibility, these entrepreneurs have to relate the credibility of someone else to their venture in order to make an argument from authority. However, as a result of the uncertainty surrounding a firm that develops a highly novel product or service, prominent actors are unlikely to endorse it (Hellmann, 2007; Rao et al., 2008). The novelty of a business concept not only limits the availability of grounds for constructing arguments from authority, but also reduces the strength of their warrants. Because both grounds and warrants in these arguments stress the reliability of the authoritative actor that is being cited (Brockriede and Ehninger, 1960), and entrepreneurs who develop a radically novel product or service are less likely to obtain endorsements, stakeholders might question whether the endorsements these entrepreneurs receive are reliable. Hence, the warrants in arguments from authority are indirectly and negatively affected by the novelty of a concept.

The founders of Aspire used several endorsements by highly legitimate actors to convince other stakeholders of the legitimacy of their firm. For example, in a letter that Prince Charles, a member of the British royal family, sent Aspire he said: ‘homelessness has become a chronic problem in society and I was fascinated to read about your proposals to combat it in Bristol’ (Tracey et al., 2010: 74). By sharing this quote with their stakeholders, the founders of Aspire were able to communicate that authoritative actors (warrant) understand what Aspire is trying to achieve (ground). Stakeholders who accept the authority of the person who is cited will also believe Aspire’s proposal to be legitimate (claim), even though the entrepreneurs have not logically explained it to them. The support from well-known and credible endorsers thus helped the founders of Aspire to ‘legitimate their form and logic among key actors in the non-profit and for-profit sectors’ (Ibid.).

When Prince Charles wrote his letter, Aspire’s approach to helping the homeless was still novel (Tracey et al., 2010). As Aspire’s founders had just graduated from university (Ibid.) they could not employ direct credibility. Instead, they relied on the royal endorsement to ground their argument from authority. This dependence would have decreased if Aspire had turned out to be successful. In that case, the founders could have leveraged Aspire's own track record to enhance its comprehensibility. The example thus illustrates that there are not many grounds that entrepreneurs who develop a radically novel business concept and lack direct credibility can use to make a legitimating argument from authority. It also makes clear why stakeholders may question the strength of the warrant in an argument from authority. Although Prince Charles is an authoritative person, they could doubt whether he is a reliable source of information with respect to the proposed solution for fighting homelessness.

3.6.2 Using arguments from authority to emphasize distinctiveness

While entrepreneurs who introduce an incrementally novel product or service may be better able to obtain endorsements from prominent actors in order to legitimize their firm, we argue that it is more difficult for them to use secondary credibility to support their distinctiveness claims. The reason is that prominent actors will not want to risk their authority by endorsing an implausible message or a risky undertaking. But, as argued above, a lower degree of novelty strengthens the warrants in an argument from authority because entrepreneurs who launch an incrementally novel business concept are more likely to obtain endorsements from relevant actors in their immediate environment. Stakeholders will therefore perceive these actors as better equipped to say something about the new venture.

Navis and Glynn's (2010) study of satellite radio firms provides an example of the use of secondary credibility to claim distinctiveness. The founders of XM convinced Ludacris, a famous hip-hop artist, to support the firm, and subsequently tried to use his endorsement to convince other stakeholders that their product offering was distinct from that of their competitors. According to XM's founders, Ludacris' support was 'a testament to XM's commitment to create the best original music programming available on satellite radio' (Ibid.: 456). The entrepreneurs thus used Ludacris' credibility as an artist (warrant) to claim distinctiveness from their competition (claim): in contrast to Sirius, the other satellite radio firm that focused on sports, Ludacris portrayed XM as a music purist (ground).

The example illustrates our argument that novelty is negatively associated with the number of grounds available to back up arguments from authority. By the time the founders of XM convinced the hip-hop artist to endorse their firm, the general public had already accepted the market for satellite radio (Navis and Glynn 2010), which helped XM find more grounds for arguments from authority. If they had not already closed their first deals with large customers, it would have been harder to convince celebrities such as Ludacris to endorse their firm because, in general, stakeholders 'are unlikely to grant (…) legitimacy until legitimacy has been granted from another source' (Rutherford and Buller, 2007: 79).

In terms of our example, the expertise of Ludacris was relevant because he is a successful music artist. Hence, the warrant is quite strong. Had satellite radio not already been validated by the general public (Navis and Glynn, 2010), chances are that music artists would not have supported XM due to their lack of knowledge about the business concept, thereby forcing the entrepreneurs to rely on the support of more exceptional visionary authorities.

Table 2 summarizes the arguments discussed above: the five substantive arguments, followed by the argument from authority. For each argument, we have evaluated its general suitability and force in terms of claiming cognitive legitimacy (first two columns) and claiming cognitive distinctiveness (last two columns).

- Insert table 2 about here -

Table 2 suggests that the novelty of a business concept influences the strength of warrants, albeit to a different degree. Arguments by generalization are relatively unaffected by novelty because they are based on the novel concept itself. The warrant in the remaining substantive arguments is weaker. Although novel markets are inherently ambiguous, arguments based on analogy, classification, cause, and sign generally work well in these contexts because entrepreneurs can look for grounds outside of their immediate environment. This, however, enhances the gap between the grounds and the claim. Why would one in fact assume that evidence from other settings would have similar effects? Arguments from authority have a somewhat different position because the source of authority is not only affected by substantive arguments, but also stems from other human qualities such as the charisma, personal credentials, or reputation of an entrepreneur. The effect of the novelty of a business concept on the strength of warrants thus reflects the lack of a cognitive anchor on the part of stakeholders evaluating a new venture that enters or creates a novel market (Navis and Glynn, 2011).

Some scholars have stated that entrepreneurs who introduce a radically novel concept choose to stress its distinctiveness (Lounsbury and Glynn, 2001; Rindova et al., 2009). With respect to warrants, Table 2 shows that it makes no difference whether entrepreneurs stress legitimacy or distinctiveness. Regarding grounds, however, a high degree of novelty is an advantage when making a distinctiveness claim. A radically novel business concept challenges the status quo (Jennings et al., 2009); therefore a larger number of its characteristics can serve as grounds for a distinctiveness claim. However, when entrepreneurs want to legitimate a new venture, novelty is an obstacle. Finding grounds to support arguments by classification, generalization, cause, and sign is especially difficult when trying to enhance the cognitive legitimacy of a radically novel business concept. The grounds for analogies are however relatively unaffected by novelty – which marks their potential for legitimizing radically novel ventures and market categories (Navis and Glynn, 2011) – and arguments from authority occupy an intermediate position.

4. DISCUSSION AND CONCLUSION

Because a new venture is highly dependent upon stakeholders' assessments (Barreto and Baden-Fuller, 2006; De Clerq and Voronov, 2009; Zuckerman, 1999), and stakeholders are interested in firms that both fit in with and stand out from their environment (e.g. Elsbach and Sutton, 1992; Lounsbury and Glynn, 2001; De Clerq and Voronov, 2009), one of the main tasks entrepreneurs face is convincing these actors that their firm is legitimately distinct. In this article we have outlined how founders of new ventures can use argumentation to convince stakeholders of the legitimate distinctiveness of their firm. Below we discuss the implications of our arguments.

First, our work elaborates theory on the range and types of arguments that new venture founders have at their disposal to influence stakeholders' cognitive evaluations of the legitimate distinctiveness of their firm. Although prior research in entrepreneurship has established that rhetoric is useful to justify a new activity or idea as efficient and effective, appeal to socially accepted norms, and excite others' interests (e.g. Green, 2004; Holt and Macpherson, 2010; Ruebottom, 2013), it has to date only provided a limited overview of argument types that entrepreneurs use. The role analogies can play in inducing a comprehensible image of a new venture has been studied quite extensively (Cornelissen and Clarke, 2010; Etzion and Ferraro, 2010; Hill and Levenhagen, 1995; Navis and Glynn, 2011), but other arguments have hardly been recognized as a means to convince investors of the legitimate distinctiveness of a new firm. Our discussion of analogies suggests that they are, indeed, powerful devices because, when well chosen, they provide sufficient grounds to support the entrepreneur's argument, regardless of the novelty of their business. In addition, we demonstrate that a focus on other arguments besides analogies is crucial to understand how and when entrepreneurs are able to persuade stakeholders to support a burgeoning venture. Our typology includes five additional arguments that have not been identified by prior entrepreneurship research. In the paper we discuss each type of argument and, specifically, whether and how each of these arguments can be used to claim legitimacy and distinctiveness for a new venture, or both.

Second, by considering the rhetorical means by which entrepreneurs can combine legitimacy and distinctiveness, we extend prior work on the concept of legitimate distinctiveness. The existing literature largely focuses on the achievement or establishment of legitimate distinctiveness as an outcome or state (cf. Navis and Glynn, 2010, 2011), but has to date been less specific on the actual rhetoric and discourse through which entrepreneurs may shape and influence stakeholder assessments. By spelling out the arguments that entrepreneurs make to claim legitimate distinctiveness for their ventures we believe that we add necessary detail to the emerging literature on this concept within the entrepreneurship field. We also distinguish between entrepreneurs who develop a radically novel business concept and entrepreneurs who commercialize an incrementally novel business concept. The ventures of entrepreneurs who introduce a radically novel business concept are unlikely to meet the minimum standards for membership of a certain category because they are often too cognitively distinct from other category members. We argue that these entrepreneurs face difficulties identifying the grounds or evidence for making legitimating claims and, therefore, also encounter problems in establishing a plausible connection between these grounds and the claim. Their best chances for success are in building arguments from generalization to establish a category and context for their venture. New ventures started by entrepreneurs who commercialize an incremental innovation are more likely to be assigned to a taken-for-granted market category by their stakeholders. The entrepreneurs can therefore start to try to differentiate it from other category members within the constraints set by the institutional environment (cf. Bitektine, 2011; Navis and Glynn, 2010). We argue however that they have fewer grounds available for claiming distinctiveness, but are generally able to construct arguments with a strong warrant that suggest that their undertaking is legitimate and feasible from within the current market constraints.

Third, our work contributes to the growing stream of research that takes a linguistic approach to the study of entrepreneurship. Although it took some time before the linguistic turn in the social sciences found its way into organization studies (Phillips and Oswick, 2012), research on 'entrepreneurship now increasingly turns to narrative approaches' (Steyaert, 2007: 742). Studying the language of entrepreneurs enables researchers to address issues that 'are concerned with entrepreneurial intentions and actions and their interrelationships with circumstance' (Gartner, 2010: 12), and thus helps explain the mechanisms through which entrepreneurial phenomena occur (Martens et al., 2007). We have outlined how nascent entrepreneurs may use six different types of argument to convince stakeholders of the legitimate distinctiveness of a new venture. A focus on arguments we believe complements prior research that has largely focused on broader discursive approaches, such as narratives or discourse (Gartner, 2010), or as mentioned has focused in a narrow and exclusive way on particular types of argument, such as analogy. Our rhetoric-informed perspective, however, provides a broader overview of the micro-processes of argumentation that are used by entrepreneurs to claim legitimate distinctiveness for their ventures. In drawing on the field of rhetoric, we signal the fruitfulness of an alternative, micro-approach to the role of language in entrepreneurship.

This approach, together with the typology, provides a coherent theoretical base for further micro-level research that traces how arguments are used to gain and sustain stakeholder support for their organization. A process study of a sample of new venture founders or managers may be a promising way to flesh out our ideas. Such a study could track how the use of arguments develops over time in line with the evolution of the venture and its market category. This kind of research can then also establish to what extent the reliance on specific types of arguments (such as analogy) is being trumped over time by the information that becomes available on the performance of the venture (Aldrich and Fiol, 1994; Cornelissen and Clarke, 2010). Another, yet related, focus for a process study may be the extent to which argumentation, like narratives (Corvellec and Risberg, 2007; Golant and Sillince, 2007), is modified to appeal to the desires of specific audiences. Within the context of entrepreneurship, stakeholders may respond differently to new ventures that develop a radically innovative product or service. Whereas some may be skeptical of committing to such ventures, other stakeholders 'exhibit a strong affective congruence to innovation and newness' (Choi and Shepherd, 2005: 579). It may therefore be that entrepreneurs adapt their argumentation depending on the stakeholder audiences that they address and the feedback that they receive from them.

Furthermore, it is worth pointing out that the examples that we have discussed suggest that entrepreneurs may primarily be using one type of argument as the most salient form of rhetoric that they use to convince stakeholders. Future research can, however, also explore how individual arguments may be connected as part of broader rhetorical strategies employed by entrepreneurs. For example, further research may involve in-depth argumentation analyses of pitches. Such research may then identify patterns in argumentation and explore whether and how individual arguments may cohere into a meaningful whole (Chen et al., 2009; Maguire et al., 2004). Finally, future studies may also address how the use of argumentation connects to the use of other rhetorical devices, such as the introduction of relevant terms from dominant discourses (Arbuthnott et al., 2010; Navis and Glynn, 2011), or non-verbal symbols, such as office furniture or framed patents (Clarke, 2011), gestures (Cornelissen et al., 2012), and the ability to express emotions (Baron and Markman, 2003).

In conclusion, we delimited our scope in this paper to the cognitive dimension of legitimate distinctiveness, consistent with prior research (Navis and Glynn, 2010; Navis and Glynn, 2011). Yet, prior research has also started to hint at the fact that in some instances being cognitively legitimate or 'just being different clearly is not enough' (King and Whetten, 2008: 204). That is, stakeholders may also mobilize normative values and ideologies when they assess ventures, and indeed they may judge a venture on the basis of its so-called sociopolitical legitimacy – its resonance and alignment with broader societal values – over and beyond its cognitive legitimacy (Suchman, 1995). Such norms may be particularly salient when judging a social venture or a venture with a direct or indirect impact on a range of stakeholders. Prior research suggests that such normative assessments fundamentally build on cognitive distinctions (Haack et al., 2014; Bitektine, 2011), and can thus be made salient by the very same arguments that entrepreneurs use to establish a cognitive basis for their ventures. Indeed, assessments of broader societal value, in line with specific norms and ideologies, are often seen as second-order effects that can only be realized when cognitive legitimacy has already been achieved (Aldrich and Fiol, 1994). Such assessments then in turn reflect as much the stakeholder audience (and the norms and values they have) as the key characteristics of the venture itself. Future research can address this limitation of our paper and specifically explore whether and how sociopolitical legitimacy builds on assessments of the cognitive aspects of legitimate distinctiveness.

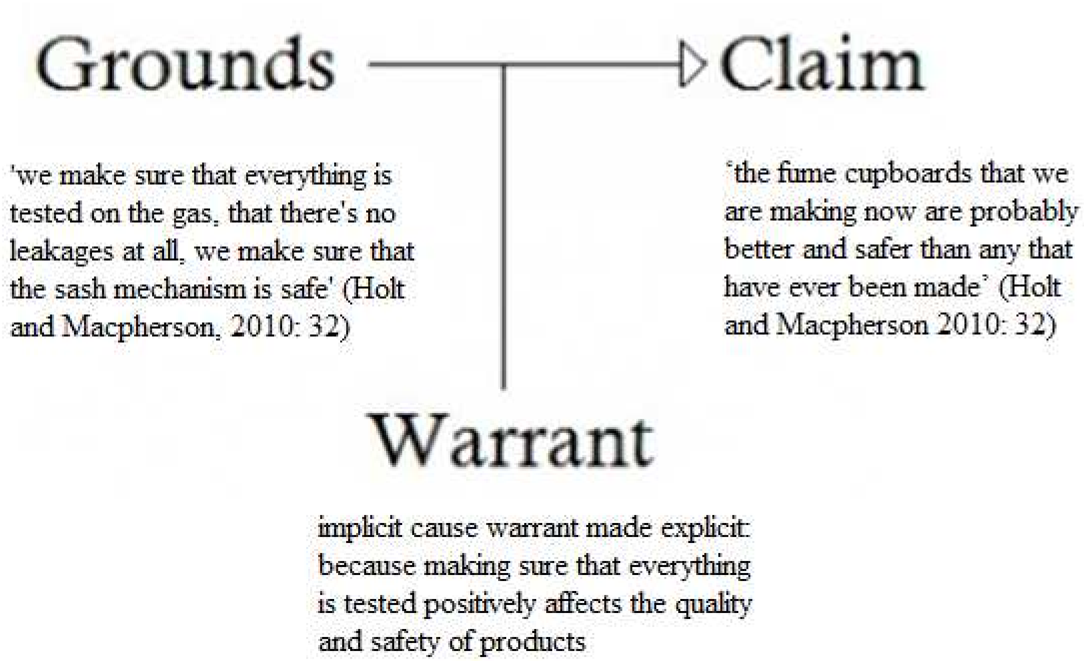
Table 1: Legitimating and distinguishing effects of different types of argument

Type of argument	Claim	Legitimating effect	Distinguishing effect	Prior research
Analogy	'A specific characteristic found in one situation also exists in the analogous situation' (Rieke & Sillars, 2001: 122)	Positioning new venture within a taken-for-granted market category by stressing similarities with established members of that category	Positioning new venture within the category of distinctive organizations by stressing similarities with organizations that are known for their distinctiveness	The use of analogies has been studied by Cornelissen and Clarke, 2011; Etzion and Ferraro, 2010; Navis and Glynn, 2011
Classification	A generalized conclusion about known members of a class is claimed to 'also be true of a hitherto unexamined item' (Brockriede & Ehninger, 1960: 50)	Positioning new venture within a taken-for-granted market category by applying a generalized conclusion about members of that category to the new venture	Positioning new venture within the category of distinctive organizations by applying generalized conclusion about members of that category to the new venture	The legitimating effect of category membership has been recognized by Khaire and Wadhwani, 2010; Porac et al., 1995
Generalization	'What is true of the items constituting the sample will also be true of additional members of the class' (Brockriede & Ehninger, 1960: 49)	Inducing images of how a new venture is likely to function as an established member of an industry	Inducing images of how a new venture is likely to change or create an industry	Inductive reasoning has been addressed as important to new venture founders in the studies on analogy
Cause	An 'affirmation of a causal tie between phenomena' (Perelman, 2008: 81)	Explaining how the activities of a new venture have certain expected effects	Explaining how the activities of a new venture have certain distinctive effects	Causal reasoning has been identified as a dominant way of thinking about creation (e.g. Sarasvathy, 2001)
Sign	A particular characteristic is claimed to be the manifestation of a larger phenomenon (Perelman, 2008)	Positioning new venture within a taken-for-granted market category by emphasizing that the new venture possesses some symptoms of membership	Positioning new venture within the category of distinctive organizations by emphasizing that the new venture possesses some symptoms of membership	Many studies on entrepreneurship have used signaling theory (e.g. Arthurs et al., 2009; DeKinder and Kohli, 2008; Dushnitsky, 2010)
Authority	'A claim is justified because it is held by a credible person' (Rieke & Sillars, 2001: 123–124): yourself	Citing a credible actor who understands that the new venture belongs to a taken-for-granted market category	Citing a credible actor who believes that the new venture stands out from other organizations	Several studies have pointed to the positive effect of endorsement by authorities (e.g. Higgins and Gulati, 2006; Pollock et al., 2010)

Table 2: The influence of business concept novelty on new venture founders' ability to use arguments

Type of argument	Claiming cognitive legitimacy for new ventures that develop a		Claiming distinctiveness for new ventures that develop a	
	Incrementally novel business concept ←→	**Radically novel business concept**	**Incrementally novel business concept** ←→	**Radically novel business concept**
Analogy	Ground: sufficient number of similar concepts Warrant: stronger, due to similarity with comparable concepts	Ground: sufficient number of similar concepts Warrant: weaker, due to bigger differences with comparable concepts	Ground: sufficient number of concepts that are similarly distinctive Warrant: stronger, due to similarity to other concepts	Ground: sufficient number of concepts that are similarly distinctive Warrant: weaker, due to differences with other concepts
Classification	Ground: general availability of suitable conclusions about taken-for-granted categories Warrant: stronger, due to fit within category	Ground: limited availability of suitable conclusions about novel categories Warrant: weaker, due to lack of clarity about fit within category	Ground: suitable conclusions about taken-for-granted categories do not articulate its distinctive aspects Warrant: stronger, due to fit within category	Ground: limited availability of suitable conclusions about novel categories Warrant: weaker, due to lack of clarity about fit within category
Generalization	Ground: more generalizable data available Warrant: strong, due to close fit data and conclusion	Ground: less generalizable data available Warrant: strong, due to close fit data and conclusion	Ground: available data less suitable to establish newness of new category Warrant: strong, due to close fit data and the newly established category	Ground: available data more suitable to establish newness of new category Warrant: strong, due to close fit data and the newly established category
Cause	Ground: more known features that may have causal power Warrant: stronger, due to knowledge of cause-effect relationships	Ground: less known features that may have causal power Warrant: weaker, due to uncertainty about cause-effect relationships	Ground: fewer features that indicate the concept has distinctive effects Warrant: stronger, due to knowledge of cause-effect relationships	Ground: more features that indicate the concept has distinctive effects Warrant: weaker, due to uncertainty about cause-effect relationships
Sign	Ground: more known symptoms of essential attributes Warrant: stronger, due to knowledge about significance of symptoms	Ground: less known symptoms of essential attributes Warrant: weaker, due to uncertainty about significance of symptoms	Ground: fewer symptoms of distinctiveness Warrant: stronger, due to knowledge about significance of symptoms	Ground: more symptoms of distinctiveness Warrant: weaker, due to uncertainty about significance of symptoms
Authority	Ground: more authorities can support cognitive legitimacy Warrant: stronger, due to credibility of authorities	Ground: fewer authorities can support cognitive legitimacy Warrant: weaker, due to questionable credibility of authorities	Ground: fewer authorities view concept as different Warrant: stronger, due to credibility of authorities	Ground: more authorities view concept as different Warrant: weaker, due to questionable credibility of authorities

Figure 1: The basic structure of argumentation



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