

Optimal distinctiveness and entrepreneurial growth

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Abstract

Around the world, new ventures of all sizes face the challenge of becoming as differentiated as possible while still being perceived as legitimate. Therefore, it is hardly surprising that organizational scholars and managers alike are interested in how to attain this “optimal distinctiveness.” Even after successfully obtaining funding, new ventures are known to be prone to failure during the first years of their existence, which makes attaining optimal distinctiveness particularly relevant during that period of entrepreneurial growth. To better understand this issue, this thesis investigates contextual factors that shape the relationship between optimal distinctiveness and new ventures’ performance during this organizational life cycle stage.

On a theoretical level, this thesis relies on the literature on strategic management, entrepreneurship, and internationalization, which shows that during entrepreneurial growth, the effect of optimal distinctiveness is shaped particularly by new ventures’ strategic product market scope when deciding to grow into additional product markets, the cultural and institutional context of international target markets when they decide to grow internationally, and the accumulation of organizational traits that evolve during growth, i.e., status and reputation. Three studies are used that analyze large panel datasets on new ventures’ performance during their growth phase.

The first study investigates how optimal distinctiveness affects new ventures’ success through decisions on product market scope. The study shows that the effect of distinctiveness as a corporate strategy, i.e., the distinctiveness of the portfolio of product markets bundled by the new venture, is contextualized by the individual product markets’ own distinctiveness appeal. Distinctiveness as a corporate strategy only improves performance for products that are also offered in distinct and niche product markets. Only in such product markets can the differentiation claims of corporate-level distinctiveness unfold to the fullest. However, corporate-level distinctiveness strongly limits performance in non-distinct and mainstream product markets. Here, the lack of conformity induced by distinctiveness as a corporate

strategy results in a major loss of legitimacy. New ventures are consequently advised to grow into product markets whose individual distinctiveness appeal matches that of their corporate distinctiveness strategy.

The second study investigates how optimal distinctiveness affects new ventures' success in expanding their offering by growing into international markets. It shows that, in order to maximize the effect of distinctiveness in international markets, new ventures need to balance the liability of foreignness, which reduces their conformity, with international differentiation, which increases their distinctiveness. This balance is contingent on the cultural and institutional distance to the explored international market. New ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant and have strongly different perceptions of value, or into international markets that are institutionally close and have very similar perceptions of norms and rules.

In culturally distant markets, new ventures with very low or very high distinctiveness generate additional competitive advantages due to their international differentiation. In institutionally close markets, those types of new ventures can more easily claim conformity, causing them to suffer less from a liability of foreignness. For new ventures with a moderate level of distinctiveness, the results are exactly the opposite. They are advised to expand into international markets that are either culturally close or institutionally distant. In those markets, their strategy of finding an average balance of conformity and differentiation yields the best results. Consequently, highly distinct new ventures are advised to grow into culturally distant or institutionally close international markets.

The third study investigates how optimal distinctiveness is influenced when new ventures grow by accumulating additional organizational traits, i.e., status and reputation. While a U-shaped effect of distinctiveness on performance emerges for average status and average reputation, the effect changes significantly for high and low status, and for high and low reputation. While the effect of distinctiveness on performance is rather linear and positive for new ventures with low status, new ventures with high status suffer from a significant

drop in performance at intermediate levels of distinctiveness. The pattern of a U-shaped effect prevails for moderate and high levels of reputation, yet it flips into an inverted U-shaped effect for low levels. Thus, new ventures that are growing in status and reputation are advised to strengthen either their conformity claims or their differentiation claims to avoid being “stuck in the middle.”

This thesis makes three important contributions to the theory on optimal distinctiveness. First, it contributes to this stream of research by adding a multi-level perspective on optimal distinctiveness of new ventures and its effect on performance that entails both a corporate-level perspective (product market portfolio) and a business-level perspective (product market). Second, it extends the focus of research from distinctiveness in domestic markets towards that in international markets, thereby focusing on the growth phase of a new venture’s life cycle. Third, it contributes to the research on how the effect of optimal distinctiveness on performance is contextualized and emphasizes that audiences’ evaluation of conformity and differentiation claims is dependent on other observable organizational traits that evolve during growth, such as status and reputation.

In terms of managerial implications, this thesis provides useful information for new ventures that operate as online vendors and aim to grow and attain or retain optimal distinctiveness. In terms of growth through decisions on product market scope, this thesis emphasizes new ventures that rely on a distinct product market portfolio to refrain from orchestrating it and diversify with more legitimate product markets. With regard to internationalization, new ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant or institutionally close. For new ventures with a moderate level of distinctiveness, this thesis suggests exactly the opposite, i.e., to explore culturally close or institutional distant international markets. New ventures that are growing in status and reputation are advised to strengthen either their conformity claims or their differentiation claims to avoid being “stuck in the middle.”

1 Introduction

Entrepreneurial endeavors enjoy a lot of attention from audiences such as policymakers, investors, and researchers alike. For policymakers, the number of new ventures represents an important driver of growth and is regarded as a symbol of the innovativeness of societies as a whole. For professional investors, new ventures are a worthy gamble that promises high returns on their investment (Fisher et al., 2016). Therefore, it is not surprising that, in 2019 alone, professional investors in Germany, France, and the UK invested between \$2 billion and \$3 billion, while investors in the United States even invested the staggering sum of around \$136 billion in new ventures (OECD, 2020). However, investments in new ventures involve a significant risk (Fisher et al., 2016; Zimmerman and Zeitz, 2002). To minimize that risk, both audiences carefully compare new ventures and/or their innovative potential against existing organizations to facilitate sense-making and evaluation.

This facet is one of the most intriguing aspects for researchers when examining new ventures to investigate how they can attain optimal distinctiveness—that is, how to become as differentiated as possible while still being perceived as legitimate by possible investors (Deepphouse, 1999; Zhao et al., 2017). While being distinctive enables new ventures to enjoy the benefit of avoiding competitive pressure, at the same time distinctiveness in itself is a liability that comes with costs, most prominently a lack of legitimacy (Deepphouse, 1999; Haans, 2019; Navis and Glynn, 2011; Zhao et al., 2017). Based on this trade-off, previous research has established a curvilinear effect of distinctiveness on performance (Zhao et al., 2017) that is thoroughly contingent on context (Haans, 2019). This thesis introduces growth as such an influential context that is able to shape a new venture’s optimal distinctiveness.

Growth is such an influential context, as new ventures not only face multiple, heterogeneous audiences with varying evaluation standards and expectations during this organizational life cycle stage (Fisher et al., 2016; Kazanjian, 1988); the new venture itself also changes dramatically in the first years after its initial funding bid. New ventures change because they are embedded in a new context that they have to adjust to (Fisher et al., 2016;

Zhao et al., 2017) as they expand their business by exploring additional, possibly international markets, or by adding products to their portfolio (Fernhaber and Patel, 2012; Fisher et al., 2016; Zhao et al., 2017). In addition, audiences' perception of organizations themselves changes as they grow into more mature market actors over time and acquire organizational traits such as status and reputation (George et al., 2016). Therefore, both new ventures and audiences differ during entrepreneurial growth as compared to what we know from existing research on initial funding (Fisher et al., 2016; Zhao et al., 2017).

Yet growth remains a major challenge for new ventures, and around half of them (in the United States as well as the EU) cease to exist during the first five years (European Statistical Office, 2020; U.S. Statistics Bureau of Labor, 2019). As new ventures are known to operate in niche markets (Greve, 2000), which are small and have less demand (Qian and Li, 2003), growth enables them to increase their consumer base they need to increase their earnings (Gilbert et al., 2006). Consequently, growth is the key factor in determining a new venture's success and its potential to establish itself as future market actor (Oviatt and McDougall, 1994; Sapienza et al., 2006; Zahra et al., 2000). Therefore, new ventures seek answers to the question of how they should grow, in particular how they can grow to attain or retain optimal distinctiveness (Zhao et al., 2017). Policymakers around the world, too, seek information they can use to support new ventures during growth, because the value generation that creates prosperity happens in this stage of the organizational life cycle (Fisher et al., 2016; Kazanjian, 1988).

In order to understand how growth influences optimal distinctiveness, this thesis focuses on three different types of growth: Growth through decisions on product market scope, i.e., based on product market portfolios (Barlow et al., 2018; Litov et al., 2012); growth through internationalization, i.e., the exploration of additional international markets (Beugelsdijk et al., 2018; Hennart, 2014; Jones et al., 2011; Oviatt and McDougall, 1994; Zahra et al., 2000); and growth by acquiring organizational traits, i.e., the accumulation of status and reputation (George et al., 2016).

The relevance of this thesis for the theory is founded on the fact that prior research on optimal distinctiveness focuses mainly on investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014), yet little is known of other life cycle stages such as commercialization and growth (Fisher et al., 2016; Kazanjian, 1988; Zhao et al., 2017). More importantly, prior research has produced contradictory findings and calls for research that goes beyond the simplistic perspective of the two countervailing forces of loss of legitimacy and avoidance of competitive pressure (Haans, 2019; Zhao et al., 2017). Addressing this call, this thesis introduces entrepreneurial growth, which is able to account for contextual factors (Haans, 2019) that shape the relationship between distinctiveness and performance (Zhao et al., 2017).

After this brief introduction, this thesis presents the necessary theoretical background. As such, chapter two introduces the theory on optimal distinctiveness and entrepreneurial growth, giving a detailed introduction of the strategy perspective of growth, i.e., growth through decisions on product market scope, growth through internationalization, and growth through acquiring organizational traits, i.e., the accumulation of status and reputation. Based on the theoretical background, chapter three demonstrates where existing research gaps remain and derives suitable research questions to address these gaps. Chapters four, five, and six are the three integrated studies of this thesis. The first study (chapter four) investigates how optimal distinctiveness is shaped by growth through decisions on product market scope. The second study (chapter five) investigates how optimal distinctiveness is affected by growth through internationalization and the cultural and institutional context of international target markets. The third study (chapter six) investigates how optimal distinctiveness is influenced by growth through the acquisition of additional organizational traits, such as the accumulation of status and reputation. The concluding chapter seven summarizes and discusses the findings of this thesis, introduces its theoretical and managerial implications, gives an overview of its limitations, and provides a future outlook.

2 Theoretical background

2.1 Optimal distinctiveness

Optimal distinctiveness can be described “as a firm-level construct representing the extent to which a firm’s strategic position resembles the strategic positions of other firms competing in its market at a particular point in time” (Deephouse, 1999 p.148). The overarching research question of optimal distinctiveness is how organizations should manage the trade-off between being distinct and being similar to others, in order to optimize their performance (Zhao et al., 2017). The emergence of the theory of optimal distinctiveness is grounded in the work of Deephouse (1999), who introduced it by combining theory on organizational strategy with institutional theory. The two differ in their views on how organizations can acquire resources in order to improve their performance (Zhao et al., 2017). The theory of organizational strategy argues that distinctiveness enables organizations to gain a competitive advantage (Porter, 1980). In this view, the ability of organizations to occupy a unique market position with no competition lets them develop and/or acquire rare resources, which protects them from imitation (Barney, 1991; Porter, 1980). In contrast, institutional theory argues that the main source affecting organizational performance and resource acquisition is legitimacy (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). In this view, organizations gain legitimacy by adopting the success factors of other organizations that face similar environmental conditions and, as a consequence, avoid devaluation by audiences (DiMaggio and Powell, 1983).

Clearly, adopting existing practices is an easy path to legitimacy. In such cases, organizations aim for a position close to established organizations (Navis and Glynn, 2010). These established organizations represent the accepted norms and can be seen as the frame of reference or the average member of the market (Vergne and Wry, 2014), and audiences judge such organizations as legitimate or appropriate (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Suchman, 1995). Taking a more removed position induces uncertainty

due to deviation from the categorical imperative (Zuckerman, 1999), and organizations that lack a well-defined identity face the risk of being avoided (Smith, 2011). However, while conformity is an easy means to obtain legitimacy, it confronts organizations with fierce competition due to more, highly similar market players (Cennamo and Santalo, 2013; Haans, 2019). This similarity enables audiences to compare organizations more easily and increases their interchangeability (Navis and Glynn, 2011).

By definition, distinctiveness sets an organization apart from other market players by minimizing similarity (Navis and Glynn, 2010). Such a contrary position makes it difficult for audiences to evaluate the organization, and organizations that occupy such a position risk being perceived as illegitimate (Deephouse, 1999). However, this perceived illegitimacy is at least partly compensated by competitive advantages (Cennamo and Santalo, 2013; Deephouse, 1999). Organizations that conform scatter around central organizations and try to mirror their products and services, yet consequently compete for the same market shares and audiences (Chung and Kalnins, 2001; Markman et al., 2009). When the overlap between one organization's market share and that of another organization increases, incentives rise to move further towards distinctiveness and remote product markets to evade competition (Haans, 2019) and capture audiences ahead of competitors (Eisenmann, 2006; Schilling, 2002). Without competitors, organizations can develop competitive advantages (Chung and Kalnins, 2001; Swaminathan, 2001), and distancing themselves from the central organizations is an effective way to do so (Chen, 1996).

Based on this twofold perspective, past research on optimal distinctiveness has established a curvilinear effect of distinctiveness on organizational performance and investigated various contexts (Zhao et al., 2017). As such, this research is focused on optimal distinctiveness in the context of commercial banking (Deephouse, 1999), creative industries (Haans, 2019), crowdfunding (Taeuscher et al., 2020), the film industry (Zhao et al., 2013), the music industry (Askin and Mauskapf, 2017; Younkin and Kashkooli, 2020), or the video game industry (Cennamo and Santalo, 2013; Vossen and Ihl, 2020; Zhao et al., 2018). How-

ever, the literature has produced contradictory findings, as some studies find that moderate distinctiveness yields the highest levels of performance, resulting in an inverted U-shaped relationship (Deephouse, 1999; McNamara et al., 2003), while others find that such levels of distinctiveness perform worst, resulting in a U-shaped relationship (Cennamo and Santalo, 2013; Haans, 2019). One reason for these contradictory findings is that the strategic balance perspective of optimal distinctiveness can be approached in different ways (Zhao et al., 2017).

The perspective of strategic balance deals with the analysis unit of distinctiveness, and the degree from which distinctiveness is judged in a market or industry (Zhao et al., 2017). Some studies use the organization as the unit of analysis and perceive distinctiveness as a case of corporate strategy (Deephouse, 1999; Haans, 2019), while others use an organization's product or service as the unit of analysis and perceive distinctiveness as a case of business strategy (Zhao et al., 2018). Most of these studies measure the degree from which distinctiveness is judged from a "static convergence point" (Zhao et al., 2017), focusing on the extent to which an organization deviates from an industry-average position (Haans, 2019; Tauscher et al., 2020; Zuckerman, 1999).

The strategic balance perspective also includes the type of audience investigated in studies of optimal distinctiveness (Zhao et al., 2017). A very prominent audience type are investor audiences, such as venture capitalists (Wry et al., 2014) or crowdfunding investors (Tauscher et al., 2020). Yet there are also some studies focusing on other types of audiences such as consumers (Zhao et al., 2018) or user audiences (Vossen and Ihl, 2020). Clearly, the type of audience addressed in terms of optimal distinctiveness also determines which part of the organizational environment is investigated. As the broad majority of research focuses on investors (Tauscher et al., 2020; Wry et al., 2014), those studies focus on the conception stage of the organizational life cycle (Fisher et al., 2016; Kazanjian, 1988).

Recent development in this stream of research shows that the life cycle stage can be very influential in a new venture's optimal distinctiveness. In the context of investor audiences

evaluating a new venture in its conception stage, it has been shown that the curvilinear effect can be erased due to audiences' expectations (Taeuscher et al., 2020). Because unconventional behavior is more common in such a context, distinctiveness is largely expected by investors and may even be considered a source of legitimacy, which results in a positive linear relationship between distinctiveness and performance (Taeuscher et al., 2020). In later stages such as commercialization, the influence of distinctiveness on performance depends not only on the organization's own behavior, but also on the behavior of competitors within a market, and new ventures have to consider this "distinctiveness heterogeneity" during their efforts to achieve optimal distinctiveness (Haans, 2019).

The introduced literature on optimal distinctiveness demonstrates the logic behind the trade-off between the two countervailing forces, loss of legitimacy and avoidance of competitive pressure; additionally, the various contexts that were investigated have been highlighted (Zhao et al., 2017). It has been shown that recent developments in this stream of research highlight the influence of a new venture's life cycle (Haans, 2019; Taeuscher et al., 2020; Zhao et al., 2017). To better understand the context behind the growth stage of the life cycle, this thesis now introduces relevant literature related to this stage.

2.2 Entrepreneurial growth

Growth is a key factor in determining both an organization's success and its potential to establish itself as a future market actor (Oviatt and McDougall, 1994; Sapienza et al., 2006; Zahra et al., 2000). Broadly defined "as an increase in sales volume" (Zimmerman and Zeitz, 2002 p.417), it includes the expansion of business practices that aim to increase an organization's market share (Gilbert et al., 2006). While the broad majority of research focuses on such an "outcome" variable to measure growth, there is also a good deal of research that investigates the requirements organizations must meet to be able to grow.

A prominent perspective that investigates the requirements that enable organizations, and new ventures in particular, to grow is the organizational learning perspective. Growth through organizational learning deals with the fact that those organizations that manage to maintain, create, or accumulate knowledge are able to grow (Grant, 1996; Helfat, 1994; Zahra et al., 2000; Zhou and Li, 2012). This ability enables them to introduce new products they need to grow further (Hill and Rothaermel, 2003; Miller et al., 2007; Subramaniam and Youndt, 2005; Zhou and Li, 2012; Zhou and Wu, 2010). The majority of research in this field focuses on an organization's existing internal knowledge base and investigates how this influences its ability to innovate and introduce new products (Laursen and Salter, 2006; Miller et al., 2007; Subramaniam and Youndt, 2005; Taylor and Greve, 2006; Zahra and George, 2002). However, in order to be able to grow through new product launches, it is pointed out that this often requires external knowledge, e.g., gained by forming strategic alliances with competitors (Ahuja and Katila, 2001; Carayannopoulos and Auster, 2010; Darr et al., 1995; Klein and Sorra, 1996; Laursen and Salter, 2006; Yli-Renko et al., 2001; Zhou and Li, 2012).

Another stream of research on entrepreneurial growth that does not focus primarily on a direct "outcome" variable is the perspective of growth through operational management. This stream of research emphasizes that organizations grow by increasing their efficiency during operations (Bowen and Ostroff, 2004; Porter, 1980), or by way of simple modifications

to their existing products (Chandy and Tellis, 2000; Gilbert et al., 2006; Henderson and Clark, 1990; Simon, 2005). A very common way to modify existing products is to sell them in new ways, e.g., in different sizes or weights, or to change the price of existing products (Chandy and Tellis, 2000; Gilbert et al., 2006; Henderson and Clark, 1990; Simon, 2005). In particular, price decreases in product markets that are already dominated by an organization can help them to make a market entry by making competitors look unprofitable (Chandy and Tellis, 2000; Gilbert et al., 2006; Henderson and Clark, 1990; Simon, 2005). This enables them to increase prices in later stages and build a monopoly (Chandy and Tellis, 2000; Gilbert et al., 2006; Henderson and Clark, 1990; Simon, 2005).

The most important perspective of growth, however, remains the strategy perspective, which deals with strategic actions an organization and new venture can follow in order to grow and optimize its performance. Two prominent streams in this perspective are growth through the expansion of markets, i.e., growth through decisions on product market scope and growth through internationalization. Decisions on product market scope describe the extent to which an organization designs its product market portfolio (Fernhaber and Patel, 2012; Litov et al., 2012; Rothaermel, 2001; Rothaermel and Deeds, 2004). As such, research has established that increases in the breadth, depth, or complexity of a product market portfolio are strategies for growth (Fernhaber and Patel, 2012; Kekre and Srinivasan, 1990). Growth through internationalization deals with the fact that such organizations grow into markets beyond their domestic one (Hennart, 2014; Jones et al., 2011; Oviatt and McDougall, 1994; Qian and Li, 2003; Sapienza et al., 2006). As such, it is a common strategy for new ventures to grow, as they often serve niche markets with little demand and commonly seek additional opportunities to grow (Hennart, 2014; Knight and Cavusgil, 2004; Madsen and Servais, 1997). Besides such expansion of markets, this perspective also deals with the fact that new ventures simply grow into more mature market actors over time and acquire additional organization traits, e.g., they accumulate status and reputation (George et al., 2016). New ventures decide to work on improving such traits, as this strengthens their

market position and enables them to grow by increasing their market share (George et al., 2016).

The strategy perspective is the most influential stream of literature, as it is related to a new venture's outcome. Consequently, this thesis focuses on that perspective and looks at growth through decisions on product market scope, growth through internationalization, and growth through the accumulation of status and reputation.

2.2.1 Entrepreneurial growth through decisions on product market scope

One way for entrepreneurial ventures to grow relies on decisions on the product market scope that aim at expanding their businesses into new product markets or diversifying into existing ones. An organization's decisions on product market scope are bundled as a portfolio; from a conceptual perspective, such a product market portfolio can be seen "as the composition of businesses bundled within the firm" (Litov et al., 2012 p.1799). In order to create or maintain a competitive advantage in a market, organizations have to introduce new products and remove old ones (Brown and Eisenhardt, 1997; Rothaermel et al., 2006), constantly changing their portfolio over time (Bettis and Hitt, 1995). Literature dealing with growth through decisions on product market scope can be categorized into two broader perspectives: Growth in breadth and depth, and growth in complexity (Fernhaber and Patel, 2012; Morgan and Rego, 2009; Thompson et al., 2005).

From a conceptual perspective, the breadth of a product market portfolio refers to the number of products a portfolio consists of (Fernhaber and Patel, 2012; Morgan and Rego, 2009; Thompson et al., 2005). New ventures that decide to grow through a greater portfolio breadth aim to address more audiences, with the hope of increasing their market share and earnings (Kekre and Srinivasan, 1990; Lancaster, 1990; Morgan and Rego, 2009). A greater breadth of a product market portfolio is particularly important for new ventures, because their survival strongly depends on the success of one product (Zimmerman and Zeitz, 2002). By building a product portfolio around it, they can spread the risk from a single to multiple

products (Fernhaber and Patel, 2012; Rothaermel and Deeds, 2004), which increases their chance of survival (Dowell and Swaminathan, 2006). As such, they are able to make the sole product more appealing (Thompson et al., 2005), as more products create additional touchpoints audiences can use for their evaluation (Barlow et al., 2018).

However, a greater breadth can also be a drawback and can hinder new ventures' growth. A greater portfolio breadth also increases search costs for audiences if they are interested in getting information about the new venture and the products it sells (Thompson et al., 2005; Mukherjee and Hoyer, 2001). If they do not perceive that the added products deliver value to them, new ventures face the risk of being avoided (Mukherjee and Hoyer, 2001). Additionally, more products increase the expenditure required to develop the additional products (Chandy et al., 2006; Ehrenberg et al., 1990). This consumes a new venture's limited resources (Eisenhardt and Schoonhoven, 1990; King et al., 2008), so that they cannot use them for other growth purposes.

To keep product development costs low, an alternative way to grow is to only target existing product markets that the new venture already serves (Grant and Jammine, 1988; Morgan and Rego, 2009; Palich et al., 2000; Zhou, 2011). By doing so, new ventures grow by focusing on their portfolio's depth, which can be described as "the scope of its product-market coverage within an industry" (Morgan and Rego, 2009 p.61). When the added product markets are a close fit with the existing ones, organizations are able to create synergies across product lines and increase their efficiency, making more resources available for further growth (Grant and Jammine, 1988; Morgan and Rego, 2009; Palich et al., 2000; Zhou, 2011). Additional products that closely fit the existing ones also satisfy consumers' expectations (Aaker and Keller, 1990; Broniarczyk and Alba, 1994; Morgan and Rego, 2009), as it facilitates their sense- and decision-making (Navis and Glynn, 2011), while signal alignment helps to avoid penalties (Durand and Paoletta, 2013).

While growth in breadth and depth focuses strongly on the expansion of business practices, many organizations decide to grow by increasing the complexity of their product mar-

ket portfolio (Fernhaber and Patel, 2012). Complexity increases within a product market portfolio not only because of the added products, but also due to the different product development processes needed to create the added products (Closs et al., 2008; Fernhaber and Patel, 2012). Such complex structures enable organizations to be very flexible when they have to develop new innovations to grow, or when they have to quickly react to new market needs during growth (Fernhaber and Patel, 2012; Sorescu et al., 2003). More importantly, complex portfolios are hard to replicate and are consequently better able to protect organizations from a market entry of competitors during their growth stage (Fernhaber and Patel, 2012; Sorescu et al., 2003).

However, high complexity complicates the coordination among the products in the portfolio, increasing management costs (Fernhaber and Patel, 2012). Complexity achieved through innovation also requires managers that are capable of handling a potential information overload, due to the multiple ambitious processes of new product development (Fernhaber and Patel, 2012; Rothaermel et al., 2006). More importantly, not all product development efforts result in success stories (King et al., 2008). For new ventures, developing a complex product market portfolio is very risky, as new ventures are known to rely on limited resources (Eisenhardt and Schoonhoven, 1990; King et al., 2008) and a poor investment of them increases the chances that they will not survive, or that the resources are unavailable for other growth purposes (Fernhaber and Patel, 2012; Zimmerman and Zeitz, 2002).

In summary, the literature on growth through decisions on product market scope demonstrates that it is a major task for new ventures (Fernhaber and Patel, 2012). If new ventures decide to further grow by exploring international markets, they meet other challenges and opportunities that are able to ease or complicate growth.

2.2.2 Entrepreneurial growth through internationalization

Growth through internationalization is achieved by means of the exploration of international markets (Beugelsdijk et al., 2018; Hennart, 2014; Jones et al., 2011; Oviatt and McDougall, 1994; Zahra et al., 2000). Compared to organizations that focus on domestic markets, those that explore international ones are embedded in international environments that provide benefits and challenges of their own (Beugelsdijk et al., 2018; Hennart, 2014; Hymer, 1976; Jones et al., 2011; Kostova et al., 2008; Kostova and Zaheer, 1999; Oviatt and McDougall, 1994; Zaheer, 1995; Zaheer and Mosakowski, 1997; Zahra et al., 2000). One of the main reasons for the high number of international organizations and new ventures today is the invention of new technology, which is responsible for a decrease in costs related to transportation and communication in such markets (Oviatt and McDougall, 1994). Consequently, the research field of international entrepreneurship is a very large one, yet it can be categorized into three broader perspectives: The perspective describing the venture type and the reason for internationalization, the perspective dealing with patterns and processes during internationalization, and the perspective of comparisons across countries and cultures (Jones et al., 2011).

A prominent type of new ventures that internationalize are the so called “born globals” (Hennart, 2014; Knight and Cavusgil, 2004; Madsen and Servais, 1997; Sharma and Blomstermo, 2003). The theory explaining born globals is rooted in the resource-based view (Barney, 1991), emphasizing that such new ventures rely on unique knowledge and technology that enables them to rapidly explore international markets (Hennart, 2014; Jones et al., 2011; Knight and Cavusgil, 2004; Madsen and Servais, 1997; Sharma and Blomstermo, 2003). Such new ventures often grow into international markets because they were founded in a home market with only little demand for their products and their success can be explained by the fact that merely a few substitutes exist for their products (Hennart, 2014).

A more general type of organizations that internationalize are those that want to benefit from the country-of-origin effect. The country of origin can be described as an extrinsic cue

audiences use to make their judgment about product quality based on the phrase “Made in (country XY)” (Bilkey and Nes, 1982; Schooler, 1965; Veale and Quester, 2009; Verlegh and Steenkamp, 1999; Verlegh et al., 2005). It is strongly related to specific product categories, and audiences consider specific countries within such categories, such as France and French wine (Roth and Diamantopoulos, 2009), or Germany and German cars (Verlegh et al., 2005). As such, it can help audiences in situations in which they experience information overload as a fast and easily accessible cue to make a judgment about the quality of a product or organization (Bilkey and Nes, 1982; Veale and Quester, 2009; Verlegh and Steenkamp, 1999; Verlegh et al., 2005). When organizations internationalize and introduce a product in a category in which their domestic market is a strong country of origin, they hope to benefit from this effect (Bilkey and Nes, 1982; Veale and Quester, 2009; Verlegh and Steenkamp, 1999; Verlegh et al., 2005).

Besides the reasons and venture types that grow through internationalization, the research investigates the patterns and processes new ventures face during internationalization. This perspective deals with the mode of entry of international ventures and the challenges and opportunities they face during internationalization. Organizational types of entry are joint ventures, contracts with strategic partners, or wholly owned subsidiaries (Brouthers, 2002; Chang et al., 2013; Kogut and Singh, 1988; Reuer and Koza, 2000; Xia et al., 2008; Yiu and Makino, 2002), and acquisition or greenfield investments (i.e., founding a new venture in the international market) (Beugelsdijk et al., 2018; Brouthers and Hennart, 2007; Chan and Makino, 2007; Hennart and Park, 1993; Madsen, 2009; Meyer et al., 2009). While wholly owned subsidiaries usually outperform joint ventures (Brouthers and Hennart, 2007; Chang et al., 2013; Delios and Beamish, 2001), the performance and survival of all entry modes is strongly dependent on other important aspects of growth, such as host country experience or organizational age (Brouthers and Brouthers, 2000; Gaur and Lu, 2007; Sapienza et al., 2006; Slangen and Hennart, 2007).

Regardless of the entry mode, the challenges and opportunities are the same for all ven-

ture types that internationalize. A prominent challenge for new ventures and organizations that grow into international markets is described under the concept of liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). It can be described “as all additional costs a firm operating in a market overseas incurs that a local firm would not incur” (Zaheer, 1995 p.343). Such costs are associated with the spatial distance, economic nationalism, or the unfamiliarity of the organization with the non-domestic market (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). Economic nationalism leads directly to devaluation by audiences (Bell et al., 2012), while unfamiliarity with the non-domestic market increases costs, because the process of understanding the unknown environment and its standards and the developing new concepts to address the non-domestic audiences takes time (Li et al., 2007). At the same time, the foreign audience typically has less information with which to evaluate an unknown, non-domestic organization (Kostova and Zaheer, 1999; Li et al., 2007).

A prominent opportunity or effect of internationalization is that it adds to the differentiation of an organization as a whole, which results in a competitive advantage (Aulakh et al., 2000; Porter, 1980). Generally speaking, organizations that differentiate aim to create a unique organizational image for their services, products, and business models (Aulakh et al., 2000; Porter, 1980). Audiences use an organizational image as a lens (Smith, 2011) through which they perceive and define the organization (Edman, 2016). Images influence audience perceptions of conform and legitimate behavior (Phillips et al., 2013) and group membership (Edman, 2016; Rao et al., 2000). International differentiation in particular is able to add to a unique organizational image (Aulakh et al., 2000). Additionally, it is recognized as a unique organizational image that also attracts the attention of audiences that demonstrate openness towards other cultures and foreign organizations, which they are willing to explore (Levy et al., 2007; Riefler and Diamantopoulos, 2009; Riefler et al., 2012; Zeugner-Roth et al., 2015).

Next to the venture types that grow into international markets and the opportunities

and challenges in international markets, research across countries and cultures investigates how new ventures can simplify growth by identifying international markets that are similar to their domestic one. As such, this research pays attention to differences between countries such as different contexts, including geographic (Eden and Miller, 2004), political (Henisz and Delios, 2001), linguistic (Dow and Karunaratna, 2006), institutional (Kostova and Zaheer, 1999; Kostova et al., 2008; Xu and Shenkar, 2002), or cultural contexts such as cultural values (Beugelsdijk et al., 2018; Hofstede, 1980; Kogut and Singh, 1988). Differences in terms of institutional and cultural contexts are the most influential during growth, as cultural values help to understand the foreign audiences (Hofstede, 1980; Li et al., 2007), while the institutional context helps to understand the legitimacy standards in the international market (Kostova and Zaheer, 1999; Kostova et al., 2008; Xu and Shenkar, 2002).

To measure cultural differences, research commonly uses distance measures, such as cultural or institutional distance (Beugelsdijk et al., 2018). Cultural distance describes the extent to which countries and their audiences are similar or different in terms of their cultural values (Beugelsdijk et al., 2018; Hofstede, 1980; Kim and Jensen, 2014; Kogut and Singh, 1988). Accounting for cultural differences has been found to be influential in many instances, most prominently organizational performance (Beugelsdijk et al., 2018; Vaara et al., 2014). The most common concept to measure cultural distance is the one introduced by Kogut and Singh (1988), while the broad majority of research uses the six national cultural value dimensions of Hofstede (1980). Exploring culturally close markets might facilitate growth because organizations encounter audiences whose legitimacy standards have been formed on the basis of the same cultural values (Hofstede, 1980), which makes it easier to make sense of those standards (Li et al., 2007). Yet closeness between markets increases audiences' familiarity (Knight et al., 2007), which could also hinder growth, as this causes audiences to recognize less unique organizational attributes that come with internationalization, such as international differentiation (Aulakh et al., 2000; Porter, 1980).

Institutional distance is defined as the differences between the regulatory, cognitive, and

normative institutional “pillars” of two countries (Kostova and Zaheer, 1999; Meyer and Rowan, 1977; Scott, 1995). These pillars focus on the prevailing rules (regulatory), the cognitive structures (cognitive) and the prevailing norms (normative) in societies (Aldrich and Fiol, 1994; Kostova and Zaheer, 1999; Meyer and Rowan, 1977; North, 1990; Scott, 1995; Suchman, 1995; Xu and Shenkar, 2002). To be evaluated as legitimate, organizations have to conform to the prevailing laws, adapt to the established cognitive structures or align their pursued norms to the ones of the explored market (Aldrich and Fiol, 1994; Kostova and Zaheer, 1999; Suchman, 1995; Xu and Shenkar, 2002). Unlike the regulatory or cognitive pillar, norms capture structural aspects of the situational context in which cultural interaction occurs (Leung and Morris, 2015; Shin et al., 2017) and specify how things should be done, albeit in an informal, tacit manner (Eden and Miller, 2004). Such informal cues are very hard to understand as a foreign organization, but they are very important as they give cues for how to interact with the foreign audience (Leung and Morris, 2015).

In conclusion, entrepreneurial growth viewed through the lens of internationalization shows that the international context presents new ventures with many challenges and opportunities that are able to ease or complicate growth. While growth through decisions on product market scope and growth through internationalization include the exploration of business practices, the next stream of literature demonstrates how new ventures grow by acquiring additional organizational traits over time, i.e., status and reputation.

2.2.3 Entrepreneurial growth through accumulation of status and reputation

During the growth stage of the life cycle (Fisher et al., 2016; Kazanjian, 1988), new ventures not only expand their business by adding products to their portfolios or exploring additional, possibly international, markets (Fernhaber and Patel, 2012; Fisher et al., 2016; Zhao et al., 2017), they also simply grow into more mature market actors over time and develop organizational traits that they can work on to strengthen their market position (George et al., 2016). Two prominent organizational traits that evolve during growth and significantly influence audience evaluation are status and reputation (George et al., 2016). Status can be described as the social standing or prominence within the society or market of an organization (Bothner et al., 2012; George et al., 2016; Graffin et al., 2013; Kovács and Sharkey, 2014; Young et al., 2010). Reputation, in contrast, refers to the beliefs audiences hold based on prior performance of the product or the organization (Cattani et al., 2014; George et al., 2016; Shymko and Roulet, 2017). Although status and reputation are often conceptualized as the same construct, they remain different (George et al., 2016). As prior performance can be influenced directly by a new venture (George et al., 2016), status often refers to the age or membership in a product market, which cannot be directly manipulated (Khaire, 2010; Young et al., 2010).

The literature on status can be divided into two broader perspectives, i.e., status on the broader organizational level (Bothner et al., 2012; Graffin et al., 2013; Kovács and Sharkey, 2014) and status on the individual level (Darley and Gross, 1983; Graffin et al., 2013, 2008; Sande et al., 1986). On the individual level, high status has been found to influence audience perceptions of competence (Darley and Gross, 1983; Graffin et al., 2013); it is associated with greater leadership abilities (Sande et al., 1986) and has the ability to offer more opportunities in the labor market (Graffin et al., 2013, 2008).

On the organizational level, status has been found to influence a new venture's IPO (Certo, 2003; Stuart et al., 1999), increase its attractiveness to stakeholders (Graffin et al., 2013; Zhao and Zhou, 2011), provide organizations with more bargaining power (Benjamin

and Podolny, 1999; Phillips, 2001), and to consequently shape organizational performance (Bothner et al., 2012; Graffin et al., 2013; Kovács and Sharkey, 2014). As status enables new ventures to hold more bargaining power (Benjamin and Podolny, 1999; Phillips, 2001) within an existing market, it is easier for them to determine prices, which strengthens their market position within a market and offers the opportunity to grow by gaining more market share. This also leaves them with more of their limited resources to invest in further growth (Eisenhardt and Schoonhoven, 1990; King et al., 2008). In particular, the influence of status on a new venture's ability to raise more capital during an IPO directly influences growth, as this equips them with more capital they can use to invest in growth opportunities (Certo, 2003; Stuart et al., 1999).

While those studies emphasize the positive influence of high status on organizational performance and growth, there are also studies suggesting a negative influence (Graffin et al., 2013; Kovács and Sharkey, 2014). High status has been found to raise audience expectations that organizations have to fulfill to maintain their status (Bothner et al., 2012; Graffin et al., 2013; Kovács and Sharkey, 2014). Audiences expect the highest quality (George et al., 2016), and they likewise expect new ventures to be present in the media or to conduct other activities that they associate with prominence and status (Bothner et al., 2012; Graffin et al., 2013). In the case of new ventures, this forces them to invest their scarce resources in unprofitable, high-risk side projects, which is liable to decrease their performance and limit their opportunities to invest in further growth (Hirshleifer et al., 2012; Malmendier and Tate, 2005).

A narrower view of status on the organizational level is status on the business level. This perspective suggests that, in order to be influential, status has to be accessible and visible to the receiving audience (Kim and Jensen, 2014; Pollock and Gulati, 2007). While investor audiences evaluating an IPO make their decision based on a new venture's board structure and status (Beasley, 1996; Certo et al., 2001; Certo, 2003), consumers are more interested in its status on the business level, which refers to product characteristics (Reuber

and Fischer, 2009). As such, the research identifies that high prices are able to shape status perceptions of new ventures (Kirmani and Rao, 2000; Tellis, 1986; Völckner, 2008), and that new ventures are perceived as having high status if they are known to be considered a prominent member of a product market (Khaire, 2010; Young et al., 2010). Status helps new ventures in particular to evolve into an exemplar of a product market, which enables them to stand out in crowded markets (Barlow et al., 2019). Hence, it is another dimension new ventures can use to differentiate themselves from competitors (Barlow et al., 2019).

The majority of research across disciplines demonstrates the positive influence of a good reputation on actors and organizations alike (Banerjee and Duffo, 2000; Deephouse, 2000; Ertug et al., 2016; George et al., 2016; Kilduff and Krackhardt, 1994; Lee et al., 2011; Rao, 1994; Raub and Weesie, 1990; Roberts and Dowling, 2002; Shapiro, 1983). Similar to status, reputation can be held on the individual level, e.g., by an actor, or on the broader organizational level (George et al., 2016).

On the broader organizational level, high reputation has been found to have a significant influence on an organization’s performance (Lange et al., 2011), such as by positively influencing its return on assets (Deephouse, 2000) or its ability to charge higher prices (Benjamin and Podolny, 1999; Lange et al., 2011). In particular when new ventures work to grow further within an existing market and increase their market share, the ability to charge higher prices can be very helpful (Benjamin and Podolny, 1999; Lange et al., 2011). Additionally, organizations that have a high reputation are known to be given the “benefit of the doubt” (Pfarrer et al., 2010; Zavyalova et al., 2016), which also allows them to increase their prices and significantly improve their performance (Benjamin and Podolny, 1999; Deephouse, 2000; Lange et al., 2011; Roberts and Dowling, 2002; Zavyalova et al., 2016). Moreover, it helps to convince cautious consumers to try out new products that the new ventures may introduce during their growth (Love and Kraatz, 2009; Pfarrer et al., 2010; Zavyalova et al., 2016).

However, there are cases where high reputation might not be beneficial for organizations and may hinder their growth (Rhee and Haunschild, 2006; Zavyalova et al., 2016). High

reputation is known to raise audience expectations, which the organization has to fulfill (Rhee and Haunschild, 2006; Wade et al., 2006; Zavyalova et al., 2016). Audiences who buy products from organizations that hold high reputation are more inclined to detect product defects and return their products than they would be with organizations of lower reputation (Rhee and Haunschild, 2006). This is particularly relevant for new ventures when they commercialize their products and aim to grow further, but product bugs are quite common (Rhee and Haunschild, 2006). Moreover, organizations with high reputation are known to be devaluated more strongly in case of a negative event, such as a product recall, than those with low reputation (Rhee and Haunschild, 2006; Wade et al., 2006; Zavyalova et al., 2016).

Similar to status, a narrower view of reputation on the organizational level is reputation on the business level. In today's online world, such reputation is often earned through bonds between organizations and their stakeholder groups, such as their investors or consumers (Shymko and Roulet, 2017). For instance, consumers can become crowdfunders of new ventures and support new ventures by providing resources such as capital (Parhankangas and Renko, 2017). By increasing the number of crowdfunders, new ventures are able to increase their visibility, which in turn helps them to acquire additional funding (Parhankangas and Renko, 2017). Another type of bonds are such when consumers provide word-of-mouth advertising in the form of online reviews (Dellarocas, 2006). Such reputation signals can either be quantitative, e.g., the volume of online reviews, or more qualitative, e.g., the valence of the ratings (Floyd et al., 2014). The volume refers to the total number of online consumer ratings, while valence refers to the overall tendency of all ratings (Floyd et al., 2014). When new ventures rely on a high volume of reputation, they signal that a great number of consumers have already purchased their product (George et al., 2016), which strengthens their market position with the possibility to grow by getting more market share.

In conclusion, the literature on status and reputation shows that these are easy means to strengthen a new venture's market position, helping it to further increase its market share and grow.

3 Research gap and questions

The preceding theoretical background shows that the existing research offers multiple paths for further exploration. It was shown that prior research has produced contradictory findings and calls for research that goes beyond the simplistic perspective of the two countervailing forces of loss of legitimacy and avoidance of competitive pressure (Haans, 2019; Zhao et al., 2017). Addressing this call, this thesis perceives entrepreneurial growth as being able to account for contextual factors (Haans, 2019) that shape the relationship between distinctiveness and performance (Zhao et al., 2017). Comparing the literature on optimal distinctiveness and entrepreneurial growth demonstrates that there are clear research gaps that can be further elaborated.

One of these research gaps revolves around growth through decisions on product market scope. By defining what these decisions on product market scope include, the existing research on optimal distinctiveness demonstrates that such decisions can be seen as either a case of corporate strategy (Haans, 2019) or a case of business strategy (Zhao et al., 2018), but has not demonstrated how the two are orchestrated together (Zhao et al., 2017). New ventures might orchestrate both strategies to satisfy different types of stakeholders by embedding distinctiveness in some product lines and conformity in others (Oliver, 1991; Zhao et al., 2017). Little is known of how optimal distinctiveness is evaluated, taking a multi-level perspective into account, which calls for an investigation that accounts for such “orchestration” of both strategy levels (Zhao et al., 2017).

Additionally, prior research on optimal distinctiveness focuses mainly on investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014), yet optimal distinctiveness remains important during later stages such as growth, while addressing different audiences (Zhao et al., 2017). Consequently, research on optimal distinctiveness must go beyond the simplistic perspective of one homogeneous audience group and account for “stakeholder multiplicity” (Zhao et al., 2017). As such, it would be useful to account for different audiences across diverse product markets, or to widen the perspective of optimal

distinctiveness from domestic towards international markets, in order to be able to account for diverse international audiences (Zhao et al., 2017). Consumer audiences are thus a promising venue for further exploration, as consumers in different individual product markets could have very different evaluation standards and may value distinctiveness in different ways (Taeuscher et al., 2020; Zhao et al., 2017). To address these gaps, this thesis asks the following research question:

1. How is the effect of optimal distinctiveness influenced by decisions on product market scope during growth?

With regard to growth through internationalization, this thesis demonstrates its challenges and opportunities. In international markets, organizations and new ventures suffer from the liability of foreignness, which describes the devaluation of foreign organizations due to economic nationalism and the additional costs foreign organizations bear that domestic ones do not (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). Moreover, it is shown that ventures that grow into multiple international markets create a unique organizational image that is valued by audiences and can be seen as an intangible resource that equips them with a competitive advantage (Aulakh et al., 2000; Porter, 1980). The liability of foreignness may influence audiences' perception of conformity, while international differentiation may offer organizations further possibilities to set themselves apart. Yet these perceptions of conformity and differentiation are exactly the core constructs of optimal distinctiveness (Zhao et al., 2017). Thus, the liability of foreignness might influence the effect of loss of legitimacy, while international differentiation might influence the effect of avoiding competitive pressure through optimal distinctiveness.

Past research has firmly established that audiences not only differ across product markets, but also have varying evaluation standards across different geographies (Kim and Jensen, 2014; Shin et al., 2017). Such differences exist because they are formed by the different context the audience grew up in (Beugelsdijk et al., 2018). It is emphasized that cultural values are responsible for forming varying conformity standards of audiences with

regard to the evaluation of legitimacy (Hofstede, 1980; Kogut and Singh, 1988; Li et al., 2007), while the norms of institutions are known to form different evaluation standards of deviant behavior (Gelfand et al., 2011; Shin et al., 2017). Thus, both are able to shape the two mechanisms of loss of legitimacy and avoidance of competitive pressure through optimal distinctiveness. New ventures might simplify growth and optimal distinctiveness when they explore similar markets that are culturally and/or institutionally close (Kostova and Zaheer, 1999), to better prevent a loss of legitimacy and more easily avoid competitive pressure. Consequently, this thesis investigates the following research question:

2. How is the effect of optimal distinctiveness influenced by internationalization decisions during growth?

New ventures do not only expand their business by adding products to their portfolios or exploring additional, possibly international, markets (Fernhaber and Patel, 2012; Fisher et al., 2016; Zhao et al., 2017), they also simply grow into more mature market actors over time and they acquire organizational traits. New ventures commonly decide to work on such traits to strengthen their market position and grow by increasing their market share. While prior research firmly establishes a curvilinear effect of distinctiveness on performance (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017), a recent development denotes that its shape and magnitude are contingent on context (Haans, 2019). In the context of investor audiences evaluating a new venture in its conception stage, it has been shown that the curvilinear effect can be erased due to audiences' expectation of distinctiveness (Taeuscher et al., 2020). Yet when new ventures grow into more mature market actors and develop additional organizational traits such as status and reputation (George et al., 2016), audiences might consider such traits during their evaluation of distinctiveness. It could be that when such traits are available for evaluation, distinctiveness no longer acts as the sole relevant source of legitimacy (Taeuscher et al., 2020). Thus, this thesis asks:

3. How is the effect of optimal distinctiveness influenced by accumulating status and reputation during growth?

3.1 Research design of the dissertation

To investigate how optimal distinctiveness is influenced by different types of growth, this thesis is divided into a total of three distinct studies. Figure 1 illustrates the thesis’s research design.

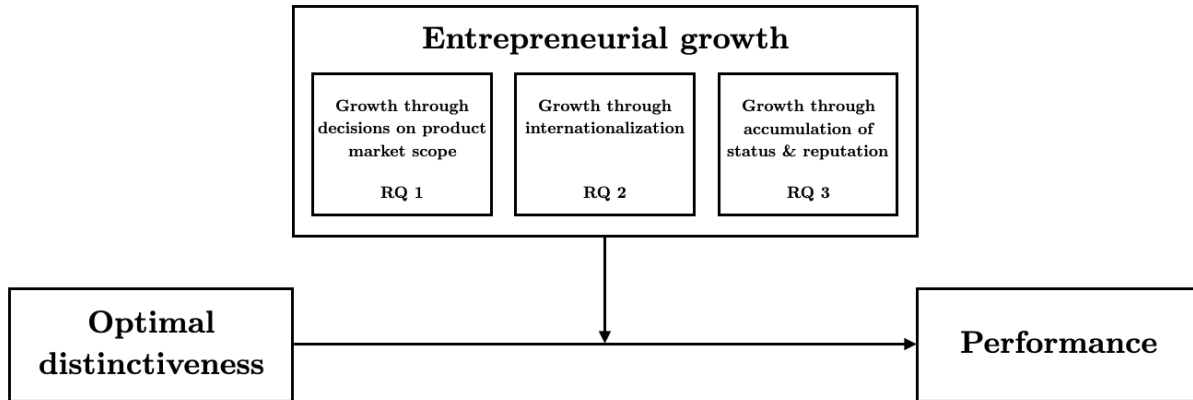


Figure 1: Overview of the dissertation’s research design.

The first study investigates optimal distinctiveness in the context of entrepreneurial growth through decisions on product market scope (research question one). The second study investigates optimal distinctiveness in the context of entrepreneurial growth through internationalization (research question two). The third study investigates optimal distinctiveness in the context of entrepreneurial growth through accumulation of status and reputation (research question three).

The following three chapters are the integrated studies of this thesis. Each chapter will begin with a table that illustrate information about the integrated study. For each study, it includes the authors, the main theoretical concepts, essential information about the methodology used and the sample size, the history and publication status of each study, and the exact contribution made by the author of this thesis.

4 Different on another level? A multi-level perspective on optimal distinctiveness and its effect on entrepreneurial product performance

Authorship	Janisch, Jonas; Vossen, Alexander.
Main theoretical concepts	Optimal distinctiveness; product market portfolio distinctiveness; product market distinctiveness.
Methodology and sample	Quantitative; large panel dataset including 335 new ventures, 2,198 products, 169 weeks (2015-2018).
History of the study	Presented at the Academy of Management Annual Meeting (AOM) 2019 and European Academy of Management (EURAM) 2019.
Publication status	Revise and resubmit at Journal of Business Venturing.
Contribution	In this study I was in charge of collecting all data, reviewing the literature, analyzing the data and writing the study.

Table 1: Information about study 1.

Abstract

We analyze how new ventures' efforts to attain optimal distinctiveness on a corporate level affects the performance of their products on different business levels. Arguing along literature on product market scope, we perceive corporate strategy as the portfolio of product markets a new venture competes in and the business strategy as the individual product markets said portfolio consists of. Using a unique, longitudinal data set on 335 new ventures competing in 328 product markets with heterogeneous distinctiveness levels of their own, we find that corporate-level product market portfolio distinctiveness (PPD) has on average a U-shaped effect on product performance but is strongly bounded by an individual product market's own level of distinctiveness. While this effect is rather marginal for new ventures with low PPD, it becomes significantly more relevant for new ventures with high PPD, as it fosters product performance in product markets that fit the high level of corporate distinctiveness, but strongly limits performance in non-distinct product markets that do not. Our work introduces a multi-level perspective on optimal distinctiveness, showing how corporate- and business-level strategies jointly shape and contextualize new ventures' efforts to conform and to differentiate themselves. This is particularly valuable for new ventures that need to expand their portfolios and seek to attain or retain optimal distinctiveness when exploring additional product markets. New ventures that rely on their corporate-level distinctiveness are advised to expand to distinct product markets to improve or retain high levels of differentiation rather than to add non-distinct ones to increase their conformity appeal.

Keywords: New ventures, optimal distinctiveness, product market portfolio

JEL Codes: M13, L26, L22

4.1 Introduction

New ventures are one of the main sources of growth in modern economies, often centered around a novel and potentially market-disrupting product (Schumpeter, 1939). A core challenge of new ventures is to attain optimal distinctiveness, i.e., to become as differentiated as possible while still being perceived as legitimate (Deephouse, 1999; Zhao et al., 2017). Of particular importance in securing funding and a successful market launch (Fisher et al., 2016; Kazanjian, 1988), optimal distinctiveness ensures that new ventures stand out and attract attention while simultaneously adhering to market norms that appeal to institutionalized audiences (Zuckerman, 1999). While such audiences' preferences may be heterogeneous (Kim and Jensen, 2014) or even detrimental (Pontikes, 2012), there is a recent consensus that whether there is a single or multiple points of optimal distinctiveness is contingent on context (Haans, 2019).

The life cycle stage can be deemed particularly important in terms of context (Fisher et al., 2016; Kazanjian, 1988). New ventures remain vulnerable even after passing the hurdles of funding and market launch (Zimmerman and Zeitz, 2002), and around half of them (in the United States as well as the EU) cease to exist within the first five years (European Statistical Office, 2020; U.S. Statistics Bureau of Labor, 2019). Developing a sustainable growth strategy is central to their survival at this stage (Fisher et al., 2016; Kazanjian, 1988). Such a strategy often evolves around a certain product market scope that relates to strategic decisions on product market portfolios (Fernhaber and Patel, 2012). New ventures can use product market portfolios as a way to create additional opportunities to generate income and strengthen their competitiveness (Rothaermel and Deeds, 2004), as a consequence increasing their likelihood of survival (Dowell and Swaminathan, 2006).

While existing research has identified an elaborate list of benefits and costs of product market portfolios from an organizational learning perspective (Fernhaber and Patel, 2012), little is known about how product market portfolios actually influence new ventures in their pursuit of optimal distinctiveness during growth (Zhao et al., 2017). Following recent calls

(Haans, 2019; Fisher et al., 2016; Zhao et al., 2017), we therefore aim to contribute to this issue.

To guide our analysis, we rely on a multi-level perspective on optimal distinctiveness (Zhao et al., 2017) shaped by contextual factors (Haans, 2019). We use the product market scope to identify the attainment of optimal distinctiveness as a case of both *corporate* and *business* strategy (Litov et al., 2012), consequently focusing on *product market portfolio distinctiveness (PPD)* and *product market distinctiveness*, respectively. As such, we want to examine whether PPD as a corporate strategy can be used by new ventures to attain optimal distinctiveness and whether the use of PPD is limited by business strategy context factors, such as the specific product market to compete in. Specifically, we ask the following research questions: Does the effect of corporate-level distinctiveness, such as the distinctiveness of the product market portfolio, differ for product markets with heterogeneous distinctiveness levels of their own? Is it more promising for new ventures to orchestrate diverging corporate- and business-level distinctiveness, or to put their focus on product markets with distinctiveness levels that match their corporate distinctiveness?

Following a call for a longitudinal study on optimal distinctiveness (Haans, 2019), we use an unbalanced panel data set from 335 new ventures that are in the commercialization and growth stage of their life cycle, selling 2,198 products over a time window of 169 weeks (from February 2015 to April 2018) on Amazon Launchpad. Launchpad is an Amazon initiative to foster inclusion of new ventures in their online marketplace, so as to remove barriers for new ventures and ease the process of getting access to its huge consumer base.

We find the effect of PPD on product performance to follow a U-shaped form, suggesting that there is no single, static point of optimal PPD (Haans, 2019; Zhao et al., 2017). PPD allows new ventures to enjoy the “benefit” of avoiding fierce competition yet also induces a lack of legitimacy, resulting in a curvilinear effect of distinctiveness on product performance (Zhao et al., 2017). As such, it seems that PPD provides suitable means for new ventures to attain optimal distinctiveness, albeit not through strategic balance (Deephouse, 1999). New

ventures should create a product market portfolio that focuses closely either on mainstream product markets or on very distinct ones to avoid being “stuck in the middle” (Cennamo and Santalo, 2013; Haans, 2019). Moreover, results indicate that this U-shaped effect of corporate distinctiveness strategy is significantly contextualized by business strategy. When PPD is low, products of both distinct and non-distinct product markets perform on a similar level. However, when PPD is high, product performance increases for those in distinct product markets, while it decreases for those in non-distinct ones.

Our work has some important implications for research on optimal distinctiveness and is a direct response to several calls for further research (Haans, 2019; Fisher et al., 2016; Zhao et al., 2017). By using an adaptive and evolving, longitudinal, and multi-level measure of optimal distinctiveness that entails both corporate and business strategy, we show that product market scope influences the effectiveness of new ventures’ differentiation and conformity claims. New ventures need to account for the business strategy context in which corporate strategy distinctiveness is enforced. Consumers do not base their conformity and differentiation evaluation solely on either the corporate or the business strategy level but take both into account simultaneously.

Contrary to what recent research expected (Zhao et al., 2017), our results do not support the proposition that product market portfolios can satisfy different types of stakeholders by embedding distinctiveness in some product lines and conformity in others (Oliver, 1991). Our results instead indicate that pursuing high PPD as a corporate strategy to appeal to consumer audiences is harmful for products that compete in more legitimate product markets and only amplifies product performance in distinct product markets. Not many benefits can be generated by orchestrating product market portfolios, as distinct product markets only help to marginally differentiate low PPD, while non-distinct product markets cannot legitimize high PPD and even harm product performance. New ventures that rely on their corporate-level distinctiveness are therefore advised to expand into distinct product markets in order to achieve or retain high levels of differentiation, rather than to add non-distinct

ones to increase their conformity appeal.

We also provide insights from an often underrepresented yet important life-cycle stage for new ventures: That of commercialization and subsequent growth (Fisher et al., 2016; Kazanjian, 1988). Particularly during the commercialization stage (Fisher et al., 2016; Navis and Glynn, 2011), new ventures encounter the additional challenge of finding support, not only from investor audiences that provide resources (Fisher et al., 2017) but also from consumers (Pontikes, 2012), who directly influence their performance by purchasing products. This work thus extends the focus of research from the effect of distinctiveness on investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014) to that on consumer audiences during the commercialization and growth stage (Fisher et al., 2016; Zhao et al., 2017). We show that, particularly in markets where new ventures offer more than one core service or product or develop a diverse product market portfolio tailored to assumed heterogeneous consumer audiences, it may not be sufficient to evaluate distinctiveness as a corporate or business strategy alone (Zhao et al., 2017).

From a managerial perspective, we propose that managers should strongly consider their optimal distinctiveness approach from a corporate and business strategy perspective (Litov et al., 2012; Zhao et al., 2017). Although it may seem a tempting strategy for new ventures with distinct product market portfolios to orchestrate and diversify more legitimate product markets (Zhao et al., 2017), our results suggest that this would be harmful. When new ventures already have high PPD, they should include distinct product markets to further differentiate themselves rather than include non-distinct ones in an attempt to legitimize themselves. Only in this way can they leverage their corporate strategy distinctiveness to be “different on another level” and reap the benefits of their differentiation efforts to the fullest extent.

4.2 Theoretical background

4.2.1 Product market portfolio distinctiveness as a case of corporate strategy

Product market portfolios are “the composition of businesses bundled within the firm” (Litov et al., 2012 p.1799) and thus an expression of corporate strategy (Barlow et al., 2018; Litov et al., 2012). Taken together, an organization’s product markets are a means to realize growth and increase sales (Fernhaber and Patel, 2012; Rothaermel and Deeds, 2004). To maintain the portfolio’s effectiveness, product markets have to be regularly added and removed (Brown and Eisenhardt, 1997; Rothaermel et al., 2006), constantly changing the portfolio over time (Bettis and Hitt, 1995). Developing a suitable product market portfolio at an early point is particularly important for new ventures, because their survival often depends solely on the success of their initial single product market (Zimmerman and Zeitz, 2002). Creating a portfolio around this product market helps new ventures spread the risk (Rothaermel and Deeds, 2004). Product markets also serve as a signal that audiences can use for their evaluation (Barlow et al., 2018), enabling new ventures with multiple product markets to appeal to multiple audiences (Kim and Jensen, 2014). Naturally, these signals also include new ventures’ claims to conformity or differentiation (Barlow et al., 2019, 2018; Navis and Glynn, 2010).

From a new venture perspective, building a distinctive product market portfolio brings both costs and benefits. Product market portfolios are often complex and require costly and extensive innovation activities (Johnson and Kirchain, 2011). When these activities aim at developing products for distinct or novel product markets, this effect may be amplified (Greve and Taylor, 2000). By nature, not all innovation activities are successful, and new ventures may have to invest attention and time, as well as money—resources they likely lack (Eisenhardt and Schoonhoven, 1990; Fernhaber and Patel, 2012; King et al., 2008). These investments may be considerably higher for distinct product markets, as new ventures have to additionally invest significant effort in market testing and anticipating audience reactions

(Haans, 2019).

Operating several product markets simultaneously via portfolios also causes high complexity that complicates coordination and increases management costs (Fernhaber and Patel, 2012). Distinct product markets in particular benefit from managers with extensive and specific experience (Zhao et al., 2017), and new ventures may lack those experienced managers, while the ones they have are forced to split their attention (Rothaermel et al., 2006). This may lead to suboptimal choices and increases the risk of an early unwise investment—particularly fatal in light of new ventures’ scarce resources (Eisenhardt and Schoonhoven, 1990; King et al., 2008).

Getting the most out of a distinct product market often requires specialization (Cennamo and Santalo, 2013), which may be missing if the product market portfolio contains multiple distinct product markets. Economically, it may also not be worthwhile pursuing multiple distinctive product markets due to their small size and low demand, reducing growth potential within that product market (Qian and Li, 2003). Consequently, acceptance among consumer audiences or market takers (Pontikes, 2012), which is of the utmost importance for product performance during the growth and commercialization stage (Fisher et al., 2016; Kazanjian, 1988), could be low, resulting in a negative effect of PPD on product performance.

Yet there is reason to believe that PPD could also have a positive impact on product performance. Most importantly, distinctive product market portfolios enable new ventures to benefit from competitive advantages (Barney, 1991; Fernhaber and Patel, 2012). While this is a benefit of distinct product markets alone, it could be amplified in the case of distinct product market portfolios. As argued above, efficiently managing PPD is complicated and costly (Johnson and Kirchain, 2011) and, due to the absence of clear norms and best-practice examples, even fewer competitors may opt for such a corporate strategy (Navis and Glynn, 2010). This enables new ventures that do so to avoid competitive pressure to an even larger extent (Haans, 2019; Zhao et al., 2017). Without competitors fighting for the same product markets (Chung and Kalnins, 2001; Markman et al., 2009; Swaminathan, 2001), new ventures

can capture consumers ahead of competitors (Eisenmann, 2006; Schilling, 2002), giving them first-mover advantages and time to build up unique knowledge (Cohen and Levinthal, 1990; Zahra and George, 2002). Such unique knowledge enables new ventures to understand fast-changing audience demands and rapidly implement them in the portfolio, protecting it from replication or imitation (Fernhaber and Patel, 2012).

Evaluating audiences may also exhibit favorable preferences for PPD that result in a positive effect on product performance. Audiences could favor new ventures that exhibit PPD as conforming with expectations (Durand and Paoletta, 2013; Vergne and Wry, 2014), as in entrepreneurial markets such expectations include novelty and distinctiveness (Taeuscher et al., 2020; Vossen and Ihl, 2020). PPD could be perceived as a highly salient attribute that is crucial in the field of new ventures and could represent a case of conventionality that enables new ventures to stand out from their peers while still being perceived as legitimate (Durand and Kremp, 2016). Moreover, PPD could influence the perceived market identity of new ventures, as bundling multiple distinct product markets may increase the salience of distinctiveness (Kim and Jensen, 2011).

Based on this twofold perspective of both costs and benefits, previous research establishes a curvilinear effect of distinctiveness on performance and notes that the relative strength of the costs and the benefits determines its shape (Haans et al., 2016). We expect the benefits of PPD to outweigh its costs with growing levels of distinctiveness (Cennamo and Santalo, 2013; Haans, 2019). Although highly distinctive product market portfolios merely serve small, distinct product markets with less demand, such niches are typically profitable for new ventures, as they are hard to reach and too small for larger organizations to enter (Chandy and Tellis, 1998; Christensen and Bower, 1996; Debruyne and Reibstein, 2005).

Yet these benefits may only manifest above a certain level of distinctiveness. If new ventures only have a low or moderate PPD, the benefits may be minuscule, as everyone tries to be distinct (Haans, 2019), resulting in a “stuck in the middle” problem (Cennamo and Santalo, 2013; Haans, 2019). At moderate levels of distinctiveness, new ventures may fail

to differentiate themselves sufficiently, while still bearing the cost of not conforming (Zhao et al., 2017). We therefore believe that PPD has a U-shaped effect on a new venture's product performance and hypothesize:

Hypothesis 1: *Product market portfolio distinctiveness (PPD) has a U-shaped effect on product performance.*

4.2.1.1 Contextualizing corporate strategy distinctiveness: The role of individual product markets

The preceding chapter made the case for product market portfolio distinctiveness (PPD) as a corporate strategy to attain optimal distinctiveness (Zhao et al., 2017). Yet product market portfolios are bundles of the individual product markets (Fernhaber and Patel, 2012; Litov et al., 2012), and differences in these product markets may impact the effectiveness of new ventures' claims to conformity and differentiation (Zhao et al., 2017). Most importantly for our approach, product markets differ in terms of their prevalence, exposure, and acceptability of distinctiveness (Haans, 2019; Zhao et al., 2017).

In distinct product markets, new ventures often compete with few others, and those few competitors typically vary widely in their positions (Navis and Glynn, 2011). Average members often do not exist and boundaries regarding what behavior and norms to follow are fuzzy (Haans, 2019). Because unconventional behavior is more common, distinctiveness is largely expected by audiences and may even be considered a source of legitimacy (Taeuscher et al., 2020; Vossen and Ihl, 2020). Audiences of distinct product markets may therefore perceive products offered with distinct product market portfolios favorably.

Non-distinct product markets, in contrast, are characterized by a high number of similar organizations with similar positions (Navis and Glynn, 2011) that all scatter around the space of the average member who is deemed legitimate (Deephouse, 1996, 1999; Vergne and Wry, 2014). There is a clear view of what norms and behavior constitute legitimacy (Zuckerman, 1999), which enables audiences to compare organizations more easily, yet also

increases their interchangeability (Navis and Glynn, 2011). As such, non-distinct product markets require organizations to follow clear guidelines on conformity in order to avoid quickly losing legitimacy (Cennamo and Santalo, 2013). New ventures that rely heavily on PPD may find that it lowers their appeal in non-distinct product markets.

When PPD and product market distinctiveness match, new ventures create synergies from existing resources and skills (Fernhaber and Patel, 2012; Morgan and Rego, 2009; Zhou, 2011). Product markets that match the portfolio's distinctiveness appeal to audiences, as they facilitate sense- and decision-making (Navis and Glynn, 2011) and signal an alignment that helps to avoid penalties (Durand and Paoella, 2013). Competing in distinct product markets with a distinct product market portfolio enables organizations to further differentiate themselves and has the potential to secure a unique market positioning and consequently improve performance (Amason et al., 2006). Such new ventures exhibit a niche product market scope, focusing on product markets that suit their corporate-level distinctiveness appeal and on those in which their differentiation claims may find fertile ground. Competing in non-distinct product markets with a non-distinct product market portfolio increases a new venture's conformity claims and allows it to appear as a highly legitimate, representative member of those product markets (Navis and Glynn, 2011). Such new ventures exhibit a mainstream product market scope, focusing on product markets where their corporate-level conformity claims can be leveraged to the fullest extent.

If PPD and product market distinctiveness do not match, new ventures are dependent on either compensatory or integrative orchestration efforts (Zhao et al., 2017). They can use integrative orchestration to overcome strategic decisions that audiences may perceive as problematic (Zhao et al., 2017). This entails a corporate strategy that focuses little on distinctiveness and may be perceived as a lack of the novelty and innovative legitimacy that consumers may expect of new ventures (Taeuscher et al., 2020; Vossen and Ihl, 2020). Therefore, new ventures may try to increase their differentiation efforts and innovative legitimacy by adding distinct product markets to their non-distinct product market portfolios.

They can further use compensatory orchestration to overcome legitimacy challenges by signaling conformity in some product markets to compensate for differentiation in others (Zhao et al., 2017). Consequently, they may want to legitimize their distinct product market portfolio by adding non-distinct and legitimate product markets (Navis and Glynn, 2011). This strategy becomes more important particularly when new ventures try to expand from their niche position into the mainstream market (Fisher et al., 2016).

Beside these obvious advantages, such an orchestration strategy could also carry risks. New ventures and their products are already hard to evaluate (Navis and Glynn, 2011), and enabling audiences to make sense of them requires a considerable effort (Lounsbury and Glynn, 2001). Adding product markets that do not fit the portfolio's distinctiveness could increase that effort, as portfolios become more difficult to classify (Bowers, 2015). Products in distinct and non-distinct product markets require different organizational resources and expertise to operate (Fernhaber and Patel, 2012), and handling both simultaneously may be cumbersome for new ventures and lowly valued by consumer audiences (Pontikes, 2012).

Moreover, the advantages of differentiation that high levels of PPD bring to new ventures may be considerably lower for products in non-distinct product markets where conventions may be more strongly institutionalized (Zuckerman, 1999). This limits new ventures' differentiation efforts and might even lead to a negative effect of PPD on product performance due to a non-conformance penalty. We also deem it unlikely that non-distinctive product market portfolios help to compete in distinct product markets. Audiences likely perceive that new ventures operating mainly in non-distinct product markets do not possess the expertise and resources needed to deliver value in distinct product markets (Navis and Glynn, 2011). As such, they would evaluate their efforts to differentiate themselves by adding distinct product markets as less appealing, which would also lower the performance of their products.

Summarizing, we propose that product market distinctiveness affects the effect of PPD on product performance. Products by new ventures with high PPD will perform better when offered in distinct product markets, while they will perform worse when offered in

non-distinct ones. We therefore hypothesize:

Hypothesis 2: *The U-shaped effect of PPD on product performance will be accentuated (attenuated) in product markets with high (low) distinctiveness.*

Figure 2 summarizes the different ways business strategy distinctiveness contextualizes corporate strategy distinctiveness. When corporate-level distinctiveness and business-level distinctiveness match, new ventures follow either a mainstream or a niche product market scope. If the two do not match, new ventures pursue either integrative orchestration, in order to differentiate their rather conforming, non-distinct corporate strategy with a distinct product market, or they may conduct compensatory orchestration to legitimize their distinct corporate strategy with a conforming, non-distinct product market (Zhao et al., 2017).

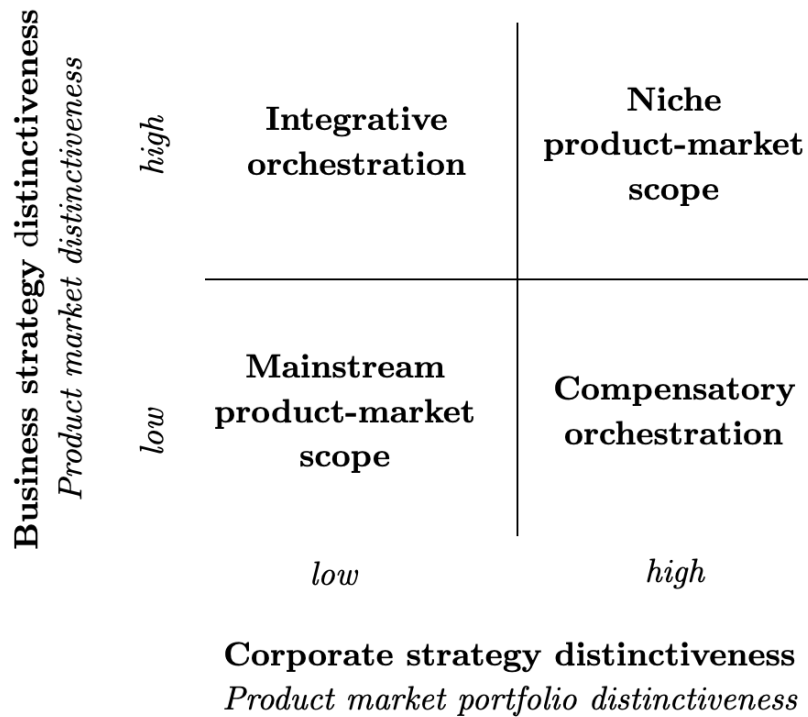


Figure 2: Interplay of corporate- and business-level distinctiveness.

4.3 Data and method

4.3.1 Data collection and sample

To test our hypotheses, we collected and compiled a unique secondary dataset from multiple online sources. Our starting point was Amazon Launchpad, which connects new ventures with consumer audiences in the Amazon webstore. Amazon Launchpad works with strategic partners, such as investors or crowdfunding platforms, to provide their invested new ventures with a well-established framework to present themselves and sell their new products.¹

All products that participate in Amazon Launchpad are integrated into the regular Amazon webstore and its product markets. In addition, products are also added to a special Launchpad summary that allows consumers to specifically browse and search exclusively for products of new ventures. We used this special summary to identify the products and related new ventures for our sample. We collected information on all products and new ventures available on the German version of Amazon Launchpad at the time of data collection, which was in the spring of 2018.

To ensure reliability, we assessed our data in multiple steps. We first checked every product available on the Amazon Launchpad web page to get its product information, such as the unique Amazon Standard Identification Number (ASIN) that we used for matching, and gathered all company-specific information, e.g., company name, tax number, or trade register number, to unambiguously identify each venture. In a second step, we double-checked each venture and cleaned the dataset of errors, pure resellers selling products they do not produce themselves, and firms that do not qualify as new ventures due to their size or age. To do so, we visited the websites obtained from the terms and conditions on all identified Amazon profiles and thoroughly double-checked the information provided there.

Consequently, we were able to identify 335 new ventures selling 2,198 products between

¹More information on Amazon Launchpad can be found at <https://www.amazon.com/launchpad/startups/faqs>.

February 2015 and May 2018 (169 weeks). For all identified products, we used the commercial data analysis service Keepa.com to obtain time series data on price development and sales performance, as well as information on product markets. Keepa.com tracks hundreds of millions of products available on Amazon in many countries and offers subscribers the analytics via API. By providing the unique Amazon ASIN, we were able to request a daily observation of price and sales rank changes. In the process, we discarded a few products for which this data was not available. To account for intraweek variability, we aggregated our data from a daily to a weekly basis (van Oest et al., 2010). As our 169-week time frame is quite large, we believe that a weekly analysis will provide sufficient detail over time. As products were added to and removed from the shop over the course of these 169 weeks, our panel is unbalanced.

At this point, it is important to clarify that our sample consists only of new ventures and their products listed on Amazon Launchpad and does not include all hundreds of millions of Amazon products tracked by Keepa.com. Consequently, our measures focus on new ventures as the reference group. This setting gives us a unique perspective in examining new ventures that explicitly compete with each other in existing product markets for consumers that are particularly interested in entrepreneurial products.

4.3.2 Measurements

4.3.2.1 Dependent variable

The dependent variable and a measure of product performance is the sales rank on Amazon, which indicates a product's sales performance (Chevalier and Mayzlin, 2006; Smith and Telang, 2009). This sales rank is product market-specific and does not represent sales performance in absolute terms. A product in a smaller product market could reach a high ranking even with relatively low sales compared to a product in a broader product market. To account for this, we use consumer review data as a sign of product market size and include a variable that cumulatively counts the total number of consumer reviews in our sample for

each product market in each week.

For example, if the specific product sales rank originates from a product in the product market “Electronics,” we sum up all reviews that all products in that product market received in that specific week in our sample and add that number as a control variable. To smooth out distribution, we log-transformed both the sales rank and the review count variable (Smith and Telang, 2009). Because a low sales rank denotes a better sales performance than a high sales rank (e.g., a craft beer with the sales rank 10 has lower sales than a craft beer with the sales rank 2), all negative coefficients on an explanatory variable would imply an increase in sales performance as the sales rank decreases. To bypass this circumstance, we multiplied the sales rank by negative one.²

4.3.2.2 Independent variables

Our two key independent variables are PPD and product market distinctiveness. We built our PPD measure based on the product market information provided for each product of the new venture. All products on Amazon Launchpad are assigned product market labels that we employ for our analysis (Cennamo and Santalo, 2013; de Vaan et al., 2015; Venkatraman and Lee, 2004). We summarized all product market labels a new venture is affiliated with through its products in the given week; more specifically, we included the product market labels of all products that a new venture offered in a specific week. This is based on the assumption that a new venture can only compete in a product market it also offers products in, and that the product market portfolio is the sum of its parts (Fernhaber and Patel, 2012). Consequently, if a new venture offers many products with uncommon product market labels that are not shared by many other new venture products, its PPD will be larger. Due to the results of our testing and data exploration, we limited our product market labels to three, as any labels beyond that typically just included color and size variants of the focal product.

As an illustrative example, an innovative smartwatch offered by a new venture that can

²We thank an anonymous reviewer for the suggestions on controlling for the market size and recoding the sales rank to increase interpretability.

be connected to a smartphone would have the product market labels (1) Electronics, (2) Smartphones and Accessories, and (3) Smartwatches.³ If, for example, a new venture offered only the smartwatch above, it would be associated with the three unique product market labels of the smartwatch product: (1) Electronics, (2) Smartphones and Accessories, and (3) Smartwatches. If it additionally offered another product, such as a protective case for smartphones, it would be associated with a total of four unique product market labels, as the three product market labels of the protective case would be (1) Electronics and (2) Smartphones and Accessories—both already included as labels of the smartwatch product—and (3) Accessories, which would be added as a new product market label. If the same venture, for whatever reason, offered craft beer next to the smartwatch, it would have six unique product market labels, (1) Electronics, (2) Smartphone and Accessories, and (3) Smartwatches for the smartwatch product, and (1) Food & Beverages, (2) Alcoholic Beverages, and (3) Beer for the craft beer product.

Based on these product market labels, we applied an approach employed by prior research to compute our measure of PPD and used the inverse of the cosine similarity index calculated for the focal product market portfolio, as opposed to all product market portfolios available in our sample at that point in time (de Vaan et al., 2015). By doing so, we computed a variable that dynamically measures the extent to which a new venture’s combination of product market labels differs from those of all other new ventures in the specific week. Thus, we computed the distance between the focal product market portfolio i and each other product market portfolio j as follows:

$$Product\ market\ portfolio\ distance_{ij} = 1 - \left[\frac{\sum_{k=1}^K f_{ik} f_{jk}}{\sqrt{(\sum_{k=1}^K f_{ik}^2)} \cdot \sqrt{(\sum_{k=1}^K f_{jk}^2)}} \right] \quad (1)$$

³Although our product market data is nested, e.g., (2) Smartphones and Accessories is a lower-level element of the higher-level element (1) Electronics, this has not been found influential in similar settings (de Vaan et al., 2015).

where f_{ik} equals $1/K$ if product market label k is present for product market portfolio i and K equals the total number of product market labels of a product market portfolio, and 0 otherwise (de Vaan et al., 2015). This results in a distance vector for all product market portfolios that summarizes distances between focal product market portfolio i and all other product market portfolios available at the focal point in time (de Vaan et al., 2015). Finally, we average the distances for each product market portfolio i and each week. Thus, we compose our measure of PPD i in the focal week as:

$$PPD_i = \frac{\sum_{j=1, j \neq i}^N \text{Product market portfolio distance}_{ij}}{N} \quad (2)$$

where N stands for the total number of new ventures in the respective week.

To compute our measure of product market distinctiveness, we employed a similar approach as we did with PPD. We again used the product market labels but limited them to the single product. Hence, we computed a variable that dynamically measures the extent to which a product’s combination of product market labels differs from those of all other products in the overall market in a given week. Hence, the more unique a product’s product market label combination, the higher its distinctiveness. Conversely, we refer to a product as non-distinctive if its product market combination is shared by many of its competitors (Brouthers et al., 2005; Tan et al., 2013).

With this study, we want to utilize our data to highlight the special competition between new ventures in existing product markets that compete for consumer audiences interested in entrepreneurial products. One could argue, however, that they also stand in competition with established products in said product markets.⁴ In online consumer markets such as Amazon, the most important established competitors are a given product market’s top-selling products, which receive the most attention and serve as a point of reference for consumers searching for products. Amazon offers a specific web page that keeps track of the top 100 bestselling products in each top-level product market (“Electronics,” “Food,” “Clothing,”

⁴We thank an anonymous reviewer for this suggestion.

etc.). However, accessing that page only provides the bestsellers at the time it is accessed, not a chronological overview of how bestsellers have evolved over time. Especially in fast-moving entrepreneurial consumer goods markets, this could potentially bias our results, as the bestsellers in week 1 could easily be out of business in week 169.

To solve this dilemma, we collect that chronological information using Archive.org, the digital archive of the World Wide Web.⁵ For each of our highest-order product market labels (“Electronics,” “Food,” “Clothing,” etc.), we collect all available instances of that bestseller list that match our time period (2015–2018). Unfortunately, Archive.org does not track all bestseller pages of all product markets on Amazon; it also saves the bestsellers at different time intervals. This could be problematic, as it is possible that a specific product was just included at the specific point in time that Archive.org saved the web page—a problem that becomes particularly relevant for products at the lower end of the list. To address this problem, we collected information on all bestselling products that appeared on these lists at least once and again accessed Keepa.com to check the sales rank of each of those products in every week of our sample. We then included those representative bestselling products that managed to stay in the top 100 the entire time in our calculation of product market distinctiveness.

We coded each product as a binary vector of each possible product market and compared it with the vectors of all product markets available in the market (including bestselling products) at that point in time. Thus, we computed the distance between the focal product i and each other product j as follows:

$$Product\ market\ distance_{ij} = 1 - \left[\frac{\sum_{k=1}^K f_{ik} f_{jk}}{\sqrt{(\sum_{k=1}^K f_{ik}^2)} \cdot \sqrt{(\sum_{k=1}^K f_{jk}^2)}} \right] \quad (3)$$

where f_{ik} equals $1/K$ if category label k is present for product i and 0 otherwise (de Vaan et al., 2015). K equals the total number of product market labels of each product (de Vaan

⁵More information can be found at <https://web.archive.org>.

et al., 2015). As we limited our product market labels to three, K is always three. Consequently, the distances range from 0 (the same three product market labels are present for both product i and product j) to 1 (no shared product market label for product i and product j). This results in a distance vector for all products that summarizes distances between focal product i and all other products available at the focal point in time (de Vaan et al., 2015). Finally, we average the distances and compose our measure of product market distinctiveness i in the focal week as:

$$\text{Product market distinctiveness}_i = \frac{\sum_{j=1, j \neq i}^N \text{Product market distance}_{ij}}{N} \quad (4)$$

where N stands for the total number of products in the respective week.

As the measures of both PPD and product market distinctiveness are empirically closely related, multicollinearity issues may arise. We checked the correlation between the two variables and found it to be moderate, at 0.38; additionally, the variance inflation factor (VIF) for a main-effects-only model is unproblematic for both PPD (1.29) and product market distinctiveness (1.13) (McClelland et al., 2017). Moreover, even if a new venture only offers one product, its product market and PPD measures are typically different, as we normalize both measures and the N number of all products is always different from the N number of competing new ventures in any given week.

To further clarify, we provide some illustrative examples to give an intuition of what new ventures with high values of PPD (few other new ventures with shared product market labels) and high (low) product market distinctiveness (few (many) other products with shared product market labels) look like. It should be kept in mind that the measures of PPD and product market distinctiveness are evolving due to the unbalanced panel structure of our sample and may therefore constantly vary from week to week. An exemplary new venture with high values of PPD and high values of product market distinctiveness sells an air-quality sensor for babies (labels “Baby,” “Security,” and “Baby Monitors”) and an indoor security camera (labels “Home Improvement,” “Security Technology,” and “Surveil-

lance Technology”). A new venture with high PPD and low product market distinctiveness sells a weight scale (labels “Sports & Leisure,” “Fitness,” and “Strength Training”) and a smartphone case (labels “Electronics,” “Smartphones and Accessories,” and “Accessories”).

4.3.2.3 Control variables

We used several control variables to increase the robustness of our results. First, we controlled for the product market size and built a variable that cumulatively counted the total number of consumer reviews in our sample for each product market per week. We log-transformed this variable due to skewness. We controlled for the product market portfolio size and built a variable that counted the number of unique product markets (lowest level) each new venture offered for each of the 169 weeks. Moreover, we controlled for the product portfolio size and built a variable that counted the number of products of each new venture in each of the 169 weeks.

Then, we controlled for the average price of the focal product (in euro cents) to account for price-related inferences on the sales rank. Further, we controlled for the number of recent price changes, computing a count variable that combined price in- and decreases for the last week. This variable captures the influence of a recent permanent price increase or decrease as well as short-term price changes due to special offers such as “deal of the day.” All price-related control variables were log-transformed. Additionally, we controlled for competition and built count variables that counted the number of competing new ventures and the number of competing products in a specific product market for each of the 169 weeks. To do so, we chose to measure competition based on a shared highest-level product market label. Returning to the abovementioned example, the number of competitors for the innovative smartwatches would be calculated based on other products with the product market label (1) Electronics.

To control for learning effects and the prominence of a product (Cohen and Levinthal, 1990; Khaire, 2010; Young et al., 2010; Zahra and George, 2002), we built a variable that

cumulatively counted the number of weeks a product is offered. We log-transformed it due to skewness.⁶ To account for audience evaluation, we included the customer reviews a product received that week, cumulatively counting the total number of reviews a product has each week, and log-transformed it due to skewness. Additionally, we included a product’s average rating each week, ranging from one to five stars. Moreover, we controlled for the valance of consumer reviews by calculating the standard deviation between all of a product’s ratings per week.

Unfortunately, we lack review data for 415 out of the 2,198 products. Moreover, not all products have reviews right from the first week of their appearance in the sample. To avoid dropping a significant number of observations from our sample, which could introduce a bias, we follow Tauscher (2019) and see consumer reviews as a signal of organizational reputation (Rindova et al., 2005) and built on the assumption that if “an organization’s reputation is unknown, the organization will most likely be treated as reputation neutral, since neither positive nor negative predictions about its future behavior normally can be made when there is a lack of information” (Bitektine, 2011 p.165). Hence, we assume that consumer audiences evaluate the absence of any ratings as reputation-neutral. Consequently, when a product had no reviews we used the sample mean in the respective week for both variables (Tauscher, 2019).

Finally, we control for a market’s distinctiveness heterogeneity, i.e., the average PPD of actors in a product market, to control for the fact that PPD may be more common in some product markets than in others (Haans, 2019). Distinctiveness heterogeneity of the product market k in the focal week is measured as:

$$Distinctiveness\ heterogeneity_k = \sum_{P=1}^n \sqrt{\frac{\sum_{i=1}^N (\Theta_{Pi} - \bar{\Theta}_{P,k})^2}{N - 1}} \quad (5)$$

where N is the number of new ventures with a product in that product market k in the focal week (Haans, 2019). $\Theta_{P,i}$ indicates a new venture’s i product market portfolio

⁶We thank an anonymous reviewer for this remark.

distinctiveness value P and $\bar{\Theta}_{P,k}$ indicates the focal product market k 's average product market portfolio distinctiveness value P (Haans, 2019). Hence, distinctiveness heterogeneity is the standard deviation of values of product market portfolio distinctiveness in the focal product market (Haans, 2019).

We calculated distinctiveness heterogeneity by using the highest product market label in our sample (e.g., (1) Electronics) and n refers to the total number of product market labels. To turn these highly skewed frequencies into a smoothly distributed measure, we take the log and scale it by -100. Examples of heterogeneous product markets are (1) Games and (1) Baby, while examples of homogeneous product markets are (1) Industrial and (1) Luggage. Table 2 summarizes all variables and their measurement used in our models.

Variable	Variable description
Amazon sales rank	Average sales rank of product i in week t . Log-transformed and multiplied by -1.
Product market size	Cumulative count of reviews per product market (highest level) per week t . Log-transformed.
Product market portfolio size	Count variable of all product markets (lowest level) i offered by new venture j in week t .
Product portfolio size	Count variable of all products i offered by new venture j in week t .
Product price	Average price in euro cent of product i in week t . Log-transformed.
Price changes prior week	Count of price increases and decreases of product i in week $t-1$. Log-transformed.
Product competition	Count of competing products i in product market (highest level) in week t .
New venture competition	Count of new ventures j in product market (highest level) in week t .
Product age	Cumulative count of weeks product i is in the sample. Log-transformed.
Consumer review volume	Cumulative count of consumer reviews of product i per week t . Log-transformed.
Consumer review rating	Average consumer review rating of product i per week t .
Consumer review valence	Standard deviation of consumer reviews of product i per week t .
Distinctiveness heterogeneity	Standard deviation between values of PPD in the focal product market. Log-transformed and multiplied by -100.
Product market portfolio distinctiveness	Inverse of the cosine similarity based on all product market labels k affiliated with each new venture j in week t . Averaged.
Product market distinctiveness	Inverse of the cosine similarity based on all product market labels k affiliated with each product i in week t . Averaged.

Table 2: Summary of variables used in analysis of study one.

4.3.2.4 Estimation approach

Due to the nature of our data, we used a panel model to estimate the effect of all independent and control variables on a new venture's product performance. We deem random effects to be suited to our specific data set, as we have selected a subsample of new ventures

with uneven sampling and want to allow for heterogeneity across product and week entities. Our panel structure is nested, as the specific product is a lower-level factor that appears only within the upper-level factor of the new venture. A new venture can be affiliated with multiple products, but a product can only be affiliated with exactly one new venture. Consequently, we estimated nested random effects models with random individual (“product”) and time (“week”) effects. We used the free statistical software *R* and the package *plm* (Croissant and Millo, 2008) to estimate the nested panel models. As a robustness check, we also ran all models as nested fixed effects models. The results are comparable and can be found in Table 5 as Models 3 and 4.

Heteroskedasticity and autocorrelation are common sources of bias in panel models. To test and account for both, we conducted tests introduced by Croissant and Millo (2008), which confirm the existence of both in our data. Following the procedure proposed by Arellano (1987), we consequently used robust and clustered standard errors. All plots and regression results are modified to incorporate robust and clustered standard errors, and the significance of coefficients was tested with the adjusted variance-covariance matrix.

To more thoroughly test the curvilinear interaction term of PPD, we followed the procedure presented by Haans et al. (2016) and Lind and Mehlum (2010). Hence, we visualized the magnitude of the interaction, calculated a turning point for the curvilinear relationship, and tested the sign and significance of the slope at both low and high values.

4.4 Results

Table 3 and Table 4 provide an overview of the descriptive statistics and correlations of our variables. As can be seen, most of our variables show only low correlation, with some exceptions that show medium correlation. Table 5 provides the output of our regression analysis.

Statistic	N	Mean	Median	St. Dev.	Min	Max
Sales rank	118,334	-8.647	-8.233	2.245	-15.590	0.000
Product market size	118,334	6.548	7.077	1.675	0.000	9.175
Product market portfolio size	118,334	4.074	3	3.487	1	15
Product portfolio size	118,334	58.611	13	96.534	1	361
Product price	118,334	7.776	7.596	1.058	4.595	13.570
Price changes prior week	118,334	0.208	0	0.508	0	3
Product competition	118,334	182.322	116	188.804	1	658
New venture competition	118,334	26.919	21	18.836	1	68
Product age	118,334	3.326	3.5	1.106	0	5
Consumer review volume	118,334	1.170	0.7	1.462	0	7
Consumer review rating	118,334	4.225	4.277	0.672	1.000	5.000
Consumer review valence	118,334	0.754	0.776	0.533	0.000	2.828
Distinctiveness heterogeneity	118,334	1.845	1.939	0.675	0.000	4.712
Product market portfolio distinctiveness	118,334	0.950	0.950	0.023	0.877	0.997
Product market portfolio distinctiveness sqrd.	118,334	0.904	0.903	0.044	0.769	0.994
Product market distinctiveness	118,334	0.932	0.960	0.058	0.767	0.999

Table 3: Descriptive statistics of study one.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) Sales rank	1															
(2) Product market size	0.264	1														
(3) Product market portfolio size	-0.027	0.217	1													
(4) Product portfolio size	-0.009	0.188	0.669	1												
(5) Product price	0	-0.028	-0.224	-0.287	1											
(6) Price changes prior week	0.018	-0.076	-0.062	-0.098	0.151	1										
(7) Product competition	0.156	0.504	0.366	0.605	-0.276	-0.157	1									
(8) New venture competition	0.221	0.74	0.16	0.284	-0.039	-0.101	0.719	1								
(9) Product age	0.157	0.128	0.08	0.024	0.037	0.108	0.069	0.078	1							
(10) Consumer review volume	0.408	0.16	-0.189	-0.278	0.177	0.101	-0.154	-0.02	0.268	1						
(11) Consumer review rating	-0.004	-0.007	0.015	-0.005	-0.06	-0.06	0.069	0.009	-0.074	0.02	1					
(12) Consumer review valence	0.151	0.069	-0.042	-0.041	0.126	0.087	-0.06	0.01	0.104	0.266	-0.396	1				
(13) Distinctiveness heterogeneity	0.087	0.235	0.267	0.29	-0.192	-0.06	0.395	0.31	0.006	-0.126	-0.013	-0.007	1			
(14) Product market portfolio distinctiveness	-0.021	-0.307	-0.066	-0.15	0.105	0.051	-0.299	-0.428	0.129	-0.045	-0.064	0.027	-0.371	1		
(15) Product market portfolio distinctiveness sqrd.	-0.018	-0.31	-0.071	-0.154	0.105	0.05	-0.302	-0.43	0.128	-0.044	-0.064	0.027	-0.371	1	1	
(16) Product market distinctiveness	0.147	-0.274	-0.317	-0.503	0.354	0.09	-0.673	-0.354	-0.011	0.202	-0.126	0.138	-0.376	0.384	0.387	1

Table 4: Correlations of study one.

Model 1 in Table 5 shows that the main effect of PPD is negative and significant, while the squared term is positive and significant, as is mandatory for the U-shaped relationship (Figure 3) (Haans et al., 2016). Conducting the additional statistical testing proposed by Haans et al. (2016) and Lind and Mehlum (2010) shows that the slope is sufficiently steep at both ends, as the lower bound of the curve, at 0.877, is negative and highly significant (-19.99 , $p = 0.021$) and the upper bound of the curve, at 0.997, is positive and highly significant

(22.085, $p = 0.004$). The turning point located at .934 (95% Fieller’s confidence interval: [0.905; 0.947]) is well within the data [min = 0.877; max = 0.997].

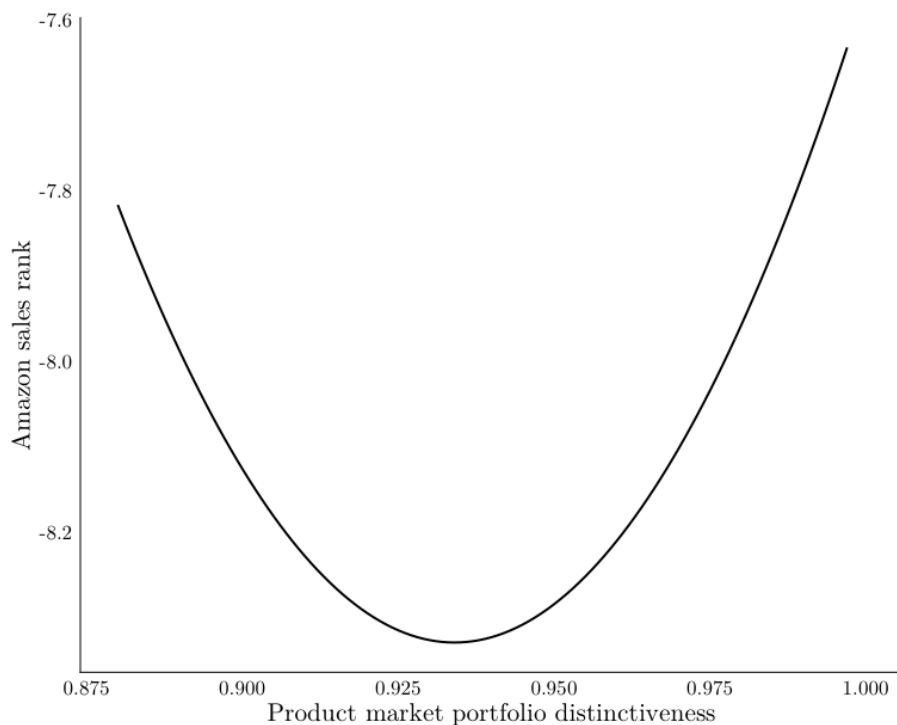


Figure 3: Effect of product market portfolio distinctiveness on product performance. Based on Model 1 in Table 5.

As another robustness check, we followed Qian et al. (2010) and built two sub-samples with product market portfolio distinctiveness values below and above the turning point, to test whether two linear regressions would yield slopes that are consistent with the predicted shape of the curve (Haans et al., 2016). Both slopes of the two sub-samples show consistency with the predicted shape and support our hypothesis H1. Interacting both the PPD linear and multiplicative term (Model 2 in Table 5) shows that PPD is positively moderated by product market distinctiveness, as suggested by our hypothesis H2. To visualize the moderation (see Figure 4), we set the values of the moderator product market distinctiveness at mean (0.932) minus one standard deviation (low) and mean plus one standard deviation (high). Analyzing the graphics shows that the interaction of the U-shaped effect of PPD

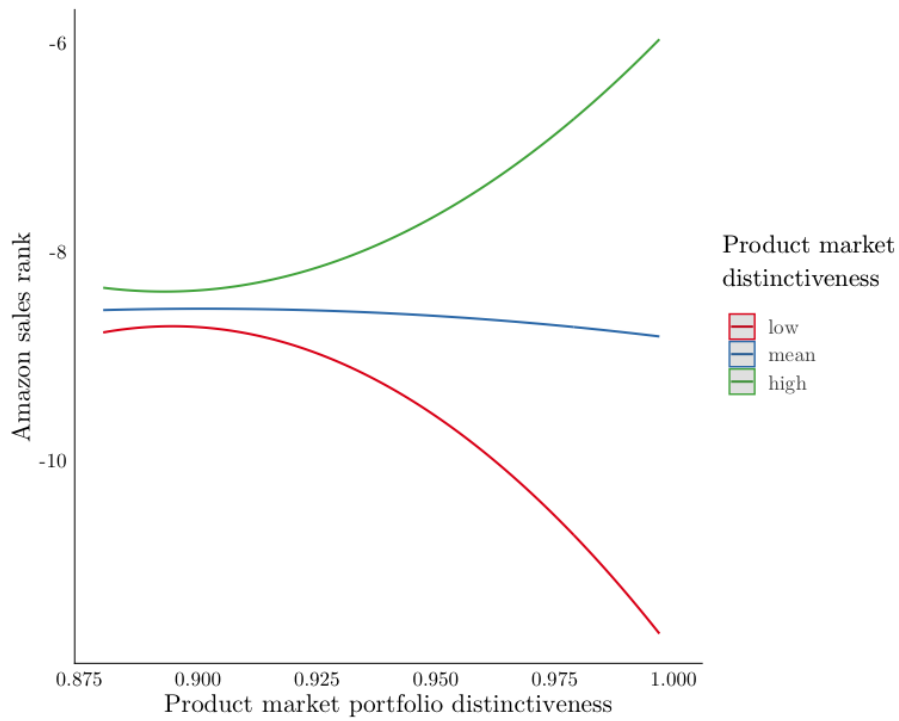


Figure 4: Effect of product market portfolio distinctiveness on product performance by product market distinctiveness. Based on Model 2 in Table 5.

with product market distinctiveness flips the curve (Haans et al., 2016). As compared to its shape in Figure 3, low (high) product market distinctiveness flips (steepens) the curve. Models 3 and 4 in Table 5 show the regression results of the nested fixed effects model. As can be seen, the results are comparable.

	<i>Dependent variable:</i>			
	Amazon sales rank			
	(1)	(2)	(3)	(4)
Product market size	0.264*** (0.041)	0.243*** (0.043)	0.263*** (0.041)	0.238*** (0.041)
Product market portfolio size	0.073*** (0.022)	0.090*** (0.022)	0.075*** (0.022)	0.097*** (0.022)
Product portfolio size	0.003*** (0.001)	0.002*** (0.001)	0.003*** (0.001)	0.002*** (0.001)
Product price	-0.150** (0.072)	-0.175** (0.069)	-0.145** (0.068)	-0.142*** (0.053)
Price changes prior week	0.045** (0.022)	0.047** (0.022)	0.045** (0.022)	0.052** (0.022)
Product competition	0.001*** (0.0004)	0.002*** (0.0004)	0.001*** (0.0004)	0.002*** (0.0004)
New venture competition	0.026*** (0.005)	0.031*** (0.005)	0.026*** (0.004)	0.029*** (0.004)
Product age	0.151*** (0.024)	0.121*** (0.023)	0.151*** (0.023)	0.124*** (0.021)
Consumer review volume	0.401*** (0.041)	0.384*** (0.041)	0.402*** (0.039)	0.393*** (0.034)
Consumer review rating	0.080 (0.052)	0.099* (0.053)	0.080 (0.051)	0.093* (0.048)
Consumer review valence	0.075 (0.064)	0.057 (0.063)	0.074 (0.064)	0.055 (0.059)
Distinctiveness heterogeneity	0.057 (0.049)	0.050 (0.051)	0.061 (0.049)	0.069 (0.049)
Product market portfolio distinctiveness	-327.485*** (123.499)	7,030.185*** (1,589.217)	-330.215*** (123.078)	6,846.394*** (1,544.206)
Product market distinctiveness	12.122*** (1.118)	3,355.981*** (794.511)	12.056*** (1.093)	3,273.815*** (770.968)
Product market portfolio distinctiveness sqrd.	175.311*** (65.614)	-3,932.510*** (848.903)	176.779*** (65.389)	-3,831.152*** (825.389)
Product market portfolio distinctiveness x product market distinctiveness		-7,503.262*** (1,696.706)		-7,321.786*** (1,647.539)
Product market portfolio distinctiveness sqrd. x product market distinctiveness		4,197.391*** (905.862)		4,097.152*** (880.197)
Constant	129.848** (58.189)	-3,156.390*** (743.801)	131.148** (57.988)	-3,073.251*** (722.261)
Product random effect	Yes	Yes	No	No
Sales week random effect	Yes	Yes	No	No
Product fixed effect	No	No	Yes	Yes
Sales week fixed effect	No	No	Yes	Yes

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 5: Results of nested (new venture) random (Model 1, 2) and nested (new venture) fixed (Model 3, 4) effects regressions of study one.

4.5 Discussion and implications

The overarching goal of this paper is to determine whether the attainment of optimal distinctiveness as a corporate strategy is influenced by the actual business strategy context that new ventures face after market launch during their growth stage (Zhao et al., 2017). We analyzed how the effect of PPD (Fernhaber and Patel, 2012) as a corporate strategy (Litov et al., 2012) differs based on different business-level product markets with heterogeneous distinctiveness levels of their own (Haans, 2019).

While this question may not be of the utmost importance for new ventures that are about to launch or center around a single product, it is relevant in particular for those with a portfolio of products and for those that aspire to grow and face the challenges of exploring additional markets and revenue streams (Fernhaber and Patel, 2012; Fisher et al., 2017; Zhao et al., 2017). Instead of emphasizing optimal distinctiveness solely as either a corporate strategy for the whole organization (Haans, 2019) or a business strategy for a specific product (Zhao et al., 2018), our work follows recent calls for a multi-level perspective on optimal distinctiveness that combines both strategy levels (Zhao et al., 2017). Our unique data set allows us to present a case where distinctiveness is highly dynamic and observed over time (Haans, 2019).

In general, PPD can be effective as a corporate strategy to attain optimal distinctiveness, and the multi-level perspective and business strategy context on (non-)distinct product markets matters. While this is not particularly important for a corporate strategy with little emphasis on distinctiveness, it is important when distinctiveness is pursued, such as when new ventures intend to compete with high PPD. Contrary to expectations (Zhao et al., 2017), high PPD does not allow for differentiation in non-distinct and more legitimate product markets. Products in such product markets are not able to benefit from the corporate strategy's differentiation and even suffer a tremendous legitimacy loss that results in poor performance. The differentiation potential unfolds only when PPD is used in distinct product markets, giving product performance a strong boost. It seems reasonable to assume that these results

are at least partially driven by our empirical context that focuses on new ventures and their appeal to consumer audiences, who may have different expectations (Taeuscher et al., 2020) or preferences as compared to, for example, investor audiences (Fisher et al., 2017; Pontikes, 2012).

New ventures' orchestration efforts (Zhao et al., 2017), which include both corporate and business strategy to increase their appeal to consumer audiences, do not seem to yield favorable results. Not much can be achieved by mixing corporate- and business-level distinctiveness, as differentiating a conforming corporate strategy by means of integrative orchestration yields only marginally better results than a mainstream product market scope, while trying to legitimize a distinct corporate strategy through compensatory orchestration actually harms product performance. Thus, even when new ventures have obtained "optimal" distinctiveness at a corporate level, it may not help them equally in all product markets and may even be harmful. Our work introduces a multi-level perspective on optimal distinctiveness (Zhao et al., 2017), showing how corporate- and business-level strategy jointly shape and contextualize new ventures' efforts to conform and differentiate. New ventures that rely on their corporate-level distinctiveness are advised to expand to distinct product markets in order to improve or retain high levels of differentiation, rather than to add non-distinct ones to increase their conformity appeal. This is the core insight of our study and our main contribution.

In addition, our study offers further contributions. It adds to the evidence on attaining optimal distinctiveness as a corporate strategy (Haans, 2019) by highlighting that portfolios of product markets are a means of expressing conformity and differentiation. PPD has an influential, yet non-linear effect on product performance (Zhao et al., 2017). However, PPD is not a case of strategic balance (Deephouse, 1999), as both low and high distinctiveness are able to improve performance to a certain extent (Cennamo and Santalo, 2013). Products sell better if the new venture that produces them focuses its product market portfolio strictly on either conforming or distinct product markets. This confirms that, in an entrepreneurial

context, lower to moderate levels of distinctiveness are not sufficient for new ventures to differentiate themselves (Navis and Glynn, 2011) and that high distinctiveness itself holds innovative legitimacy (Taeuscher et al., 2020; Vossen and Ihl, 2020). In terms of the relative strength, results are in line with studies that weigh the latter effect more strongly with rising distinctiveness, resulting in a U-shaped relationship (Cennamo and Santalo, 2013; Haans, 2019). Of the two “optimal” levels of PPD, high distinctiveness yields the better product performance.

Additionally, we contribute to institutional pluralism and audience multiplicity, showcasing strategies to attain optimal distinctiveness in the eyes of consumer audiences (Fisher et al., 2017). Past research shows that consumers do express preferences for organizations with an ambiguous corporate strategy (Pontikes, 2012). We find that this is not necessarily true of new ventures that compete in distinct product markets, as consumers’ dislike only manifests for new ventures with a distinct corporate strategy competing in mainstream product markets. This does not generally contradict the finding that, on average, consumers value ambiguity in new ventures (Pontikes, 2012)—as expressed by the good product performance of new ventures with low PPD—but only adds to our argument on the importance of accounting for the business strategy context in which corporate strategy distinctiveness takes place (Zhao et al., 2017). Consumers do not base their conformity and differentiation evaluation solely on either the corporate or the business strategy level but take both into account simultaneously. When PPD is high, consumers seem to consider additional information about the product market for their evaluation; when new ventures compete in non-distinct product markets, PPD goes almost unnoticed. Given consumers’ preference for novelty in entrepreneurial markets (Taeuscher et al., 2020; Vossen and Ihl, 2020), we would nevertheless advise new ventures to aim for a distinctive product market portfolio that consists of distinct product markets. When new ventures offer more than one core service or product or a diverse product market portfolio tailored to assumed heterogeneous consumer audiences, it may not be sufficient to evaluate the distinctiveness as a corporate or business

strategy alone (Zhao et al., 2017).

By shifting the focus of distinctiveness from investor audiences to consumer audiences, we also provide insights for differentiation and conformity efforts of new ventures during the commercialization and growth stage (Fisher et al., 2016; Kazanjian, 1988). Growth is challenging for new ventures, particularly if they intend to grow by adding additional product markets (Fernhaber and Patel, 2012). We show that growing into such markets may significantly alter strategic differentiation efforts and may even turn a former optimal distinctiveness into a liability. As such, the role of distinctiveness during the growth stage seems to differ slightly from its role during funding. While growing from high PPD to low PPD bears some initial costs (in terms of bad product performance), our results nevertheless suggest that new ventures may evolve into the mainstream, albeit at the cost of losing their differentiation appeal. Once the product market portfolio has become non-distinct, the choice of which additional product markets to explore does not matter much, as PPD offers little to no means to differentiate or conform.

From a managerial point of view, our results are highly valuable, but not limited, to entrepreneurs that seek to grow into additional product markets (Fisher et al., 2016; Kazanjian, 1988). Growth is an important life cycle stage—and one that almost half of all new ventures fail at (European Statistical Office, 2020; U.S. Statistics Bureau of Labor, 2019). While it may be tempting to move from a niche product market into a more mainstream one, our results suggest that this strategy is not necessarily advisable for new ventures in online consumer good markets. If new ventures intend to sustain their distinctiveness appeal during the growth stage, they are well advised to grow into distinct product markets and sharpen their profile as a successful niche actor rather than trying to enter mainstream product markets. Managers need to consider that their strategy of attaining optimal distinctiveness, developed to acquire funding or to launch into their first product market, may be significantly changed by the growth decision on which additional product markets to include in their portfolio.

4.6 Limitations, future research, and conclusion

Our study is not without limitations. Several limitations arise from the selection of our variables and our empirical setting. Using a product’s sales rank as a dependent variable may facilitate the comparison of sales performance across very heterogeneous product markets, yet it still remains a well-established, but also rather peculiar measurement (Chevalier and Mayzlin, 2006; Smith and Telang, 2009). However, given the fact that “rank” variables are quite common (Barlow et al., 2019; Pontikes, 2012) and the longitudinal character of our study, this bears the limitation that they may also be partially driven by market dynamics, as a product’s own rank can improve as a result of a decrease in the performance of competitors.

Our measure of distinctiveness also follows a narrow focus on product markets (Barlow et al., 2019). There are a lot of situations where such information is blurry and not easily recognizable by audiences. More research is needed to determine the extent to which this influences our results and their generalizability. Future research could also examine other dimensions of distinctiveness, such as conforming to or differentiating from categorical exemplars or prototypes (Barlow et al., 2019), or could analyze strategic decisions that new ventures need to make when entering existing category schemes, such as the one Amazon mandates. In line with recent research (Haans, 2019; Zhao et al., 2017), our work emphasizes optimal distinctiveness as a result of conformity and differentiation claims. It seems promising to examine how the mere inclusion on Amazon Launchpad may boost new ventures’ legitimacy appeal to various audiences, but analyzing this empirically would require the collection of data on comparable new ventures that are not included on Amazon Launchpad.

Besides the multiple advantages, our setting of online consumer good markets also holds limitations. Using data from Amazon Launchpad may imply a sample selection bias, as only new ventures that fulfill Amazon’s requirements are included. Future research is needed that is capable of controlling for such an effect. Moreover, further research is needed to check whether our results also hold true in a business-to-business context, to test whether differences exist between ordinary and business customers in the way they perceive new

ventures' conformity and differentiation claims during growth and beyond.

We also use a definition of portfolios that emphasizes our product market context and focuses on portfolio breadth rather than depth (Fernhaber and Patel, 2012). While we control for it via the number of products offered, we cannot disentangle differentiation and conformity claims of products within the same product market. Future research could examine whether PPD is also suited to attain optimal distinctiveness when focusing on product-portfolio depth, such as differentiation within the same product market, e.g., through narratives or product descriptions (Barlow et al., 2019; Vossen and Ihl, 2020).

Arriving in the mainstream is a central and important milestone for a new venture, and more research is needed that determines how new ventures can use their corporate strategy of optimal distinctiveness to grow into more legitimate, mainstream markets. Contrary to expectations (Zhao et al., 2017), PPD does not offer an easy solution for this, and more research is needed that identifies how new ventures can retain their optimal distinctiveness while continuously growing into mainstream markets. Our definition of growth for new ventures has a strong focus on including product markets, and it may be interesting to pursue other venues of growth, such as expanding internationally (Oviatt and McDougall, 1994; Sapienza et al., 2006; Zahra et al., 2000). All these aspects would not only generate managerial best practices and guidelines that new ventures are in dire need of, but would also significantly advance our theoretical understanding of how conformity and differentiation claims are impacted by decisions that new ventures need to make along their life cycle stages.

We can conclude that we set out to find a means for new ventures to make the most of their distinctiveness. New ventures face a daunting challenge when deciding how to grow and expand their product market portfolio—one that will ultimately see half of them fail. Referring to the title of this work, we hope that these insights help new ventures realize that, in order to succeed, they need to pair distinct product portfolios with distinct product markets. Only in this way can they become “different on another level” and enable their products to fully benefit from their corporate strategy distinctiveness.

5 Lost in translation? How cultural and institutional distance shapes the effect of new ventures' distinctiveness on international performance

Authorship	Janisch, Jonas; Vossen, Alexander.
Main theoretical concepts	Optimal distinctiveness; liability of foreignness; international differentiation; cultural distance; institutional distance.
Methodology and sample	Quantitative; large panel dataset including 754 new ventures, 6,650 products, 211 weeks (2015-2019).
History of the study	Presented at the Academy of Management Annual Meeting (AOM) 2020. Finalist for the "HKUST best paper award in global strategy" at the IM division of the Academy of Management Annual Meeting 2020.
Publication status	6-page abridge version published in Academy of Management Proceedings 2020.
Contribution	In this study I was in charge of collecting almost all data, reviewing the literature, analyzing the data and writing the study.

Table 6: Information about study 2.

Abstract

We examine how optimal distinctiveness of new ventures affects their performance when they expand into international markets. In line with the literature on optimal distinctiveness, we propose that the effect follows a curvilinear form that depends on conformity claims to prevent a loss of legitimacy, and on differentiation claims to avoid competitive pressure. We show that both are significantly impacted in the context of international growth, arguing that conformity claims are amplified by the negative liability of foreignness, while differentiation claims are fostered by positive international differentiation. Using data on 6,650 products offered by 754 new ventures in 6 different markets over a span of 211 weeks, we show that new ventures that manage to find an average balance of conformity and differentiation yield the best results. However, this balance is contingent on the cultural and institutional distance from the explored international market. New ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant and have strongly different perceptions of values, or into international markets that are institutionally close and have very similar perceptions of norms and rules. In culturally distant markets, new ventures with very low or very high distinctiveness generate additional competitive advantages due to their international differentiation, while in institutionally close markets those types of new ventures can more easily claim conformity, causing them to suffer less from a liability of foreignness. For new ventures with moderate distinctiveness, the results are exactly the opposite. Consequently, if new ventures aim to simplify international growth, they are advised to consider both cultural and institutional distance.

Keywords: Optimal distinctiveness, cultural distance, institutional distance

JEL Codes: M13, L26, L22

5.1 Introduction

New ventures are often centered around the process of generating new products and business models (Schumpeter, 1939). As such, studies on new ventures often focus on this “generation”, i.e., the conception and foundation stage of new ventures, exploring factors that amplify or attenuate their success in gaining funding and subsequently entering a market (Fisher et al., 2016; Wry et al., 2014; Tauscher et al., 2020). Among others, prior research highlights the important role of optimal distinctiveness in this life cycle stage (Zhao et al., 2017). A key strategic decision new ventures need to make is how they intend to compete; that is, the extent to which their market entry relies on conformity claims to avoid a loss of legitimacy in audience evaluation, and on differentiation claims to stand out and avoid competitive pressure (Deephouse, 1999; DiMaggio and Powell, 1983; Haans, 2019; Navis and Glynn, 2011). In this paper, we seek to add insights on how audiences evaluate an entrepreneurial venture’s optimal distinctiveness efforts not during its conception stage but during its growth into international markets.

International growth naturally refers to a different life cycle stage than the investor-focused conception stage (Fisher et al., 2016; Kazanjian, 1988). New ventures grow into international markets as an easy means to expand their business or escape dynamic market environments, including competition or price-sensitive audiences (Baum and Oliver, 1991). The growth stage is very challenging for new ventures, because they have to find support not only from resource providers (Fisher et al., 2017), but also from consumers (Pontikes, 2012), who directly influence their performance by purchasing their products. Consumers exhibit different, even contradictory preferences from investors (Pontikes, 2012), and we argue that they do so even more when they differ across countries and interpret organizational attributes such as conformity or differentiation in different ways.

In the process of systematically identifying and analyzing such differences across countries, *cultural* and *institutional* distance are suited means (Kim and Jensen, 2014; Kostova and Zaheer, 1999; Shin et al., 2017). *Cultural* in this context references a broader, interpre-

tative framework that facilitates sense-making and reflects social and cultural values (Scott and Lane, 2000; Vossen and Ihl, 2020). This context has a considerable influence on audience evaluation, particularly in shaping what they deem legitimate (Wry et al., 2011; Zhao et al., 2013). *Institutional* in this context references the normative “pillar” of a society (Kostova and Zaheer, 1999; Meyer and Rowan, 1977; Scott, 1995) and captures structural aspects of the situation in which cultural interactions occur (Leung and Morris, 2015; Shin et al., 2017). Norms strongly influence the evaluation of distinctiveness, as they form different levels of tolerance of deviant behavior (Gelfand et al., 2011; Shin et al., 2017). This line of reasoning leads directly to the focus of our investigation: How do consumers evaluate new ventures’ optimal distinctiveness when they grow internationally? How does cultural and institutional distance affect new ventures’ claims to conformity and differentiation?

We assume that being foreign can be both a liability to conformity and a competitive advantage in consumer audiences’ evaluation of new ventures. To test our assumption, we use an unbalanced panel data set of 754 new ventures that sold 6,650 products in 6 markets during a time window of 211 weeks (from February 2015 until February 2019) on Amazon Launchpad, an Amazon initiative to specifically include new ventures in its online store. We find that the distinctiveness of new ventures and the target markets’ cultural and institutional distance have solitary and joint effects on consumers’ evaluations and, subsequently, on products’ international performance.

Our results indicate that in international markets both a negative liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997) and a positive international differentiation (Aulakh et al., 2000; Porter, 1980) influence a new venture’s claims to conformity and differentiation, i.e., their optimal distinctiveness (Haans, 2019; Navis and Glynn, 2011; Zhao et al., 2017). Averaging across all markets, our results emphasize that new ventures suffer more from the liability of foreignness than draw advantages from international differentiation, such that the effect of distinctiveness on performance follows an inverted U-shape with increasing levels of distinctiveness. However, this relationship changes when accounting

for the cultural distance (Beugelsdijk et al., 2018; Kim and Jensen, 2014) and institutional distance (Kostova and Zaheer, 1999; Kostova et al., 2008; Shin et al., 2017; Xu and Shenkar, 2002) between the domestic and the international market. When they grow into culturally close markets, it is easier for new ventures to understand and address audiences and their legitimacy standards, as they hold more similar cultural values, such that the liability of foreignness is less influential (Hofstede, 1980; Kostova and Zaheer, 1999; Zaheer, 1995; Zaheer and Mosakowski, 1997). However, this closer cultural proximity also severely limits potential benefits from international differentiation (Aulakh et al., 2000; Porter, 1980). In culturally distant markets, these positive international differentiation effects unfold to such an extent that they outgrow the liability of foreignness, which flips the inverted U-shape effect towards a U-shaped form.

When looking at the institutional context, the effect is reversed. In institutionally close markets, international differentiation can be accentuated, as it becomes easier for new ventures to transfer their competitive advantages (Kostova and Zaheer, 1999; Xu and Shenkar, 2002; Yang et al., 2012). As an empirical consequence, the relationship between distinctiveness and international performance flips towards a U-shaped form. In institutionally distant markets, new ventures cannot draw on their experience in terms of whether one should interact in a formal or informal manner depending on the business situation (Leung and Morris, 2015). This complicates sense-making of the foreign market and its audiences' conformity requirements, making it harder to be perceived as legitimate (Kostova and Zaheer, 1999). Consequently, the loss of legitimacy induced by the liability of foreignness is the dominant mechanism, resulting in an inverted U-shaped effect between distinctiveness and international performance. This highlights that optimal distinctiveness of new ventures in international markets is further contingent on the cultural and institutional distance.

We contribute to the theory on optimal distinctiveness by introducing and accounting for meaningful contextual factors, going beyond the simplistic perspective of two countervailing forces influencing optimal distinctiveness (Haans, 2019). We expand the focus from domestic

(Haans, 2019; Zhao et al., 2017) towards international markets by showing that the liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997) reduces a new venture's conformity, and that international differentiation (Aulakh et al., 2000; Porter, 1980) fosters their differentiation. Additionally, we showcase that optimal distinctiveness is also contingent on the cultural and institutional distance to the explored international market. An explanation of the opposite influence of cultural values and cultural norms on optimal distinctiveness might be that conformity claims are related more to cultural values than to cultural norms. Although cultural values are located within the individual self, and cultural norms capture structural aspects of the situation in which cultural interactions occur (Leung and Morris, 2015; Shin et al., 2017), one could argue that norms are the driving force influencing conformity claims during optimal distinctiveness—however, our results speak against this. This is the core insight of our study and our main contribution.

Due to our focus on optimal distinctiveness of new ventures in international markets, we contribute to the theory of institutional pluralism by showing that new ventures have to deal with heterogeneous audiences within the same life cycle stage and not only in different life cycle stages (Fisher et al., 2016; Kazanjian, 1988; Zhao et al., 2017). Another contribution is made to the literature on new venture internationalization and cross-cultural research, as we show how cultural and institutional distance are related to strategic decisions of a new venture, i.e., optimal distinctiveness. Moreover, we extend the focus of institutional pluralism from the effect of distinctiveness on investor audiences during the conception and commercialization stage (Fisher et al., 2017) towards consumer audiences, a very important audience that directly influences a new venture's performance by purchasing its products (Fisher et al., 2016; Zhao et al., 2018).

In terms of managerial implications, we provide useful information for new ventures that operate as online vendors and aim to introduce novel distinctive products that deviate from those of incumbents (Greve, 2000), and we provide clear guidelines that will help them to decide on the markets in which to internationalize. We show that new ventures that intend to

grow internationally should strongly consider their distinctiveness as well as both the cultural and the institutional distance of the target market. New ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant and have strongly different perceptions of values, or into international markets that are institutionally close and have very similar perceptions of norms and rules. New ventures with moderate levels of distinctiveness are advised to expand into international markets that are either culturally close or institutionally distant.

5.2 Theoretical background

5.2.1 Entrepreneurial growth, internationalization, and optimal distinctiveness

Growth is a key factor in determining both an organization's success and its potential to establish itself as a future market actor (Oviatt and McDougall, 1994; Sapienza et al., 2006; Zahra et al., 2000). Growth seems to be hard to maintain if organizations operate in niche markets, which are small and hold less demand (Qian and Li, 2003). Small markets are served mainly by new ventures (Greve, 2000), and when these ventures quickly optimize their production processes, they are able to satisfy demand and create overcapacities. One way to put that overcapacity to use is the exploration of international markets (Hennart, 2014; Qian and Li, 2003). Due to their limited resources, new ventures grow by using their existing ones and strategically positioning them in the international market (Hennart, 2014; Zhao et al., 2017). In domestic markets, the literature emphasizes optimal distinctiveness as a trade-off between conformity claims, i.e., aligning with categorical norms to be perceived as legitimate, and differentiation claims to avoid competitive pressure (Deephouse, 1999; DiMaggio and Powell, 1983; Haans, 2019; Navis and Glynn, 2011; Zhao et al., 2017). Based on this trade-off, previous research establishes a curvilinear effect of distinctiveness on performance (Zhao et al., 2017) that is thoroughly contingent on context (Haans, 2019). The international market provides new ventures with additional context that is able to influence their optimal distinctiveness efforts, as it offers challenges influencing their conformity and differentiation

claims.

Perceptions of conformity are influenced by the negative liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997), which describes challenges foreign organizations face, such as devaluation by audiences due to economic nationalism as well as costs that arise due to the unfamiliarity with the new international environment and its audiences (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). In addition, audiences have less information available to adequately evaluate the conformity of an unknown foreign organization (Bell et al., 2012; Kostova and Zaheer, 1999; Li et al., 2007). This requires them to gather more information for their evaluation, a cumbersome process leading to a delay in legitimation (Kostova and Zaheer, 1999; Li et al., 2007). Cumbersome evaluation processes incentivize audiences to use stereotypical judgments (Tversky and Kahneman, 1974), often influenced by negative associations with similar foreign organizations (Kostova and Zaheer, 1999). Such stereotypical judgments arise from long-established assumptions in the non-domestic market (Kostova and Zaheer, 1999) that have been formed by its cultural background (Hofstede, 1980). They are also responsible for varying legitimacy standards and perceptions in different markets (Li et al., 2007).

Differentiation claims are influenced by the positive international differentiation (Aulakh et al., 2000). In general, organizations that differentiate themselves aim to create a unique organizational image for their products and their business model (Aulakh et al., 2000; Porter, 1980). Audiences use an organizational image as a lens (Smith, 2011) through which they perceive and define the organization and its differentiation claims (Edman, 2016). Images influence audience perceptions of conform and legitimate behavior (Phillips et al., 2013) and group membership (Edman, 2016; Rao et al., 2000). Unique organizational images are composed of organizational attributes such as innovative products (Greve and Taylor, 2000) or the ability to grow into international markets and differentiate oneself (Aulakh et al., 2000). International differentiation in particular is recognized as a unique organizational image by consumer audiences because it demonstrates the ability to manage competition across mul-

tiple international markets (Miller, 1988). As only few manage to do so, they attract the attention of audiences that are less price-sensitive (Miller, 1988) and are open to foreign products and business models and willing to explore them (Riefler and Diamantopoulos, 2009; Riefler et al., 2012). Thus, international differentiation enables organizations to build a competitive advantage, helping them to further avoid competitive pressure.

We expect that, on average, the effect of loss of legitimacy induced by the negative liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997) weighs stronger than additional relief of competitive pressure due to positive international differentiation (Aulakh et al., 2000). Although the opportunities induced by positive international differentiation easily unfold in markets such as online retail (Reuber and Fischer, 2009), which offer low barriers to entry for foreign organizations and low search costs for audiences looking for foreign products, purchasing a product from a domestic organization is associated with fewer risks and lower uncertainty than purchasing a product from a foreign organization. This is due to the fact that audiences have more information about domestic organizations and often have established long-term successful relationships and experience with them (Kostova and Zaheer, 1999; Li et al., 2007; Zaheer, 1995). Successful relationships help to establish trust, decreasing audience uncertainty towards new products of domestic organizations and yielding another legitimizing factor (Morgan and Hunt, 1994) helping them to claim conformity during optimal distinctiveness. As an empirical consequence, we expect that distinctiveness follows an inverted U-shaped effect on a new venture's international performance and hypothesize:

Hypothesis 3: *Distinctiveness has an inverted U-shaped effect on international product performance.*

5.2.2 The moderating role of cultural and institutional distance during international growth and optimal distinctiveness

To simplify optimal distinctiveness and growth, the key challenge for organizations is identifying similar markets. Similarity in markets can be identified by paying attention to different contexts, including geographic (Eden and Miller, 2004), political (Henisz and Delios, 2001), linguistic (Dow and Karunaratna, 2006), institutional (Kostova and Zaheer, 1999; Kostova et al., 2008; Xu and Shenkar, 2002), or cultural contexts such as cultural values (Beugelsdijk et al., 2018; Hofstede, 1980; Kogut and Singh, 1988). The consideration of cultural values in particular helps to understand the foreign audiences, as values are responsible for shaping varying legitimacy standards of audiences with regard to the evaluation of conformity (Hofstede, 1980; Li et al., 2007), much like the institutional context shapes organizational behavior and structure (DiMaggio and Powell, 1983; Scott, 1995), thereby providing guidance on what organizational behavior to follow or avoid to be evaluated as legitimate (Kostova and Zaheer, 1999). We therefore assume that new ventures can simplify growth by paying attention to both the cultural and the institutional distance (Hofstede, 1980; Kim and Jensen, 2014; Kogut and Singh, 1988; Kostova and Zaheer, 1999; Kostova et al., 2008; Shin et al., 2017; Xu and Shenkar, 2002) between their domestic and a foreign market, which will significantly influence their optimal distinctiveness.

Cultural distance describes the extent to which countries and their audiences are culturally similar or different in terms of their cultural values (Beugelsdijk et al., 2018; Hofstede, 1980; Kim and Jensen, 2014; Kogut and Singh, 1988). Accounting for cultural differences has been found to be influential in many instances, prominently in organizational performance (Beugelsdijk et al., 2018; Vaara et al., 2014). Cultural values are located within the individual self, describing differences in preferences that drive the behavior of audiences (Leung and Morris, 2015). The most common concept to describe cultural values in countries is that of Hofstede (1980), who identifies six national cultural value dimensions. Although culture is highly complex (Swidler, 1986), national culture and its values still account for differences

in cultural production and consumption (Akdeniz and Talay, 2013; Kim and Jensen, 2014).

Exploring culturally close markets can influence growth and optimal distinctiveness in terms of perceived conformity. Here, new ventures encounter audiences whose legitimacy standards have been formed on the basis of similar cultural values (Hofstede, 1980; Zhao et al., 2017), which makes it easier to understand those standards (Li et al., 2007). Because a new venture's product and business model were designed for audiences with similar values, the probability increases that the foreign audience will be familiar with that type of organization. Particularly when audiences are familiar with products or organizations, foreignness is not a liability (Knight et al., 2007). Audiences might not recognize foreignness, which in turn reduces the likelihood of being devalued due to a liability of foreignness (Kostova and Zaheer, 1999; Zaheer, 1995; Zaheer and Mosakowski, 1997). Likewise, culture affects the level of trust, and audiences trust new ventures that share similar cultural values (Bell et al., 2012). Additionally, other signals that reduce the risk of supporting a foreign organization, such as its prior domestic performance, have been found to be recognized when cultural distance is short (Kim and Jensen, 2014).

Exploring culturally distant markets influences growth and optimal distinctiveness in terms of differentiation. Here, new ventures encounter audiences with different cultural values, which decreases the probability that the audience is familiar with foreign products (Beugelsdijk et al., 2018). Although unfamiliarity leads audiences to apply stereotypical judgment (Tversky and Kahneman, 1974), foreignness itself attracts attention, as it deviates from the familiar. Anything that attracts attention increases the probability that other important organizational attributes, such as international differentiation, will be recognized (Aulakh et al., 2000; Porter, 1980). Additionally, closeness between markets is subject to overestimation and increases the probability that small but important differences in legitimacy standards will be ignored and misinterpreted (Fenwick et al., 2003; Pedersen and Petersen, 2004).

In culturally close markets, we expect that the loss of legitimacy induced by the negative

liability of foreignness is attenuated (Kostova and Zaheer, 1999; Zaheer, 1995; Zaheer and Mosakowski, 1997) because new ventures have less complexity to manage and lower costs of doing business abroad (Beugelsdijk et al., 2018). However, we assume that it remains on average the dominant mechanism, as closeness increases audiences' familiarity, which causes them to recognize foreignness less and, as a consequence, diminishes the potential reliefs gained by using international differentiation to avoid competitive pressures (Aulakh et al., 2000; Porter, 1980). As an empirical consequence, the inverted U-shaped relationship between distinctiveness and performance is steepened. This changes in culturally distant markets, and we expect that the effect of avoiding competitive pressures induced by positive international differentiation is accentuated (Aulakh et al., 2000; Porter, 1980). We expect this because foreignness itself attracts attention, which increases the possibility that other important organizational attributes will be recognized. This is very useful for new ventures that operate in crowded markets such as online retail, as they are known to lack signals that attract attention (Reuber and Fischer, 2009; Rindova et al., 2007). Additionally, we assume that it attracts the attention of those audiences that seek variety in their products and display openness to foreign products (Riefler and Diamantopoulos, 2009; Riefler et al., 2012). This causes the inverted U-shaped relationship between distinctiveness and performance to flip towards a U-shaped form. Consequently, we hypothesize:

Hypothesis 4: *The inverted U-shaped effect of distinctiveness on international product performance steepens (flips) in culturally close (distant) markets.*

Institutional distance is defined as the differences between regulatory, cognitive, and normative institutional “pillars” of two countries (Kostova and Zaheer, 1999; Meyer and Rowan, 1977; Scott, 1995). Accounting for institutional differences has been found to be influential in the transfer of organizational practices (Kostova and Roth, 2002), the mode of entry strategies (Xu and Shenkar, 2002) and, most importantly, in building organizational legitimacy in foreign markets (Kostova and Zaheer, 1999). The normative “pillar” in particular goes beyond regulatory rules and laws (Scott, 1995), or the “taken for granted” cognitive

status in a market (Aldrich and Fiol, 1994; Kostova and Zaheer, 1999; Suchman, 1995), as norms capture structural aspects of the situational context in which cultural interaction occurs (Leung and Morris, 2015; Shin et al., 2017). Such structural aspects specify how things should be done, but in an informal, tacit manner (Eden and Miller, 2004). As a consequence, they are very difficult to make sense of, particularly for a foreign organization. A concept that aptly describes the normative pillar of a market is the norm-based tightness–looseness concept (Gelfand et al., 2011; Pelto, 1968). It is grounded in country-specific responses to threats, with nations that face major challenges to survival being likely to develop tighter cultures (Gelfand et al., 2011). Tight nations show strong norms and low levels of tolerance for deviant behaviors, whereas in loose nations norms are weaker and deviant behavior is more tolerated (Gelfand et al., 2011; Shin et al., 2017).

By exploring institutionally close markets, new ventures encounter similar institutions and audiences that possess the same tolerance for deviant behaviors (Gelfand et al., 2011; Kostova and Zaheer, 1999; Shin et al., 2017). As a result, substantive adjustments to organizational practices are not required in order to fit well into the foreign market (Kostova and Zaheer, 1999; Xu and Shenkar, 2002; Yang et al., 2012). This allows new ventures to transfer their advantages more easily (Xu and Shenkar, 2002) and to use their existing resources to attract attention to their internationally differentiated organizational image (Aulakh et al., 2000; Porter, 1980). However, institutionally close markets often exhibit the same resources and same standards, which evolved on the basis of the same norms (Leung and Morris, 2015), diminishing the likelihood of acquiring unique resources (Barney, 1991) that the domestic market does not exhibit. In contrast, by exploring audiences that possess different degrees of tolerance with regard to their evaluation of deviant behaviors (Gelfand et al., 2011; Shin et al., 2017), new ventures cannot draw on their experience in terms of whether one should interact in a formal or informal manner depending on the business situation (Leung and Morris, 2015). This complicates sense-making of the foreign market and its audiences' conformity requirements, making it harder to be perceived as legitimate (Kostova and Zaheer,

1999). Additionally, the process of understanding the legitimacy standard conveyed by audiences in the foreign market is more complex, causing new ventures to suffer more from the liability of foreignness (Kostova and Zaheer, 1999).

In institutionally close markets, we assume that the avoidance of competitive pressures induced by the positive international differentiation is accentuated (Aulakh et al., 2000; Porter, 1980) because new ventures can transfer their advantages more easily (Xu and Shenkar, 2002). Further, we expect it to be the dominant mechanism, on average, because new ventures do not require substantive adjustments to their organizational practices in order to be evaluated as legitimate (Kostova and Zaheer, 1999; Xu and Shenkar, 2002; Yang et al., 2012). As an empirical consequence, the inverted U-shaped relationship between distinctiveness and performance flips towards a U-shaped form. In institutionally distant markets, sense-making of the foreign market and audiences' conformity requirements becomes more complicated (Kostova and Zaheer, 1999), such that the effect of a loss of legitimacy, induced by the negative liability of foreignness (Kostova and Zaheer, 1999; Zaheer, 1995; Zaheer and Mosakowski, 1997), is on average the dominant mechanism. As a consequence, the effect of distinctiveness on performance follows an inverted U-shape. We hypothesize:

Hypothesis 5: *The inverted U-shaped effect of distinctiveness on international product performance steepens (flips) in institutionally distant (close) markets.*

5.3 Data and method

5.3.1 Data collection and sample

We tested our hypotheses using a secondary dataset collected from multiple online sources. We started by first collecting all products available on six Amazon Launchpads, which connects new ventures with consumer audiences in the Amazon webstore. Amazon Launchpad works with strategic partners, such as investors or crowdfunding platforms, to provide their invested new ventures with an established framework in which they can present themselves and sell their new products.⁷ All participating new ventures are integrated into both Launchpad and the regular Amazon webstore and its product markets. As members of Launchpad, new ventures are added to a special Launchpad summary that allows consumers to selectively search exclusively for products from new ventures. We used this summary from six markets (France, Germany, Italy, Spain, the United Kingdom, and the United States) in the spring of 2019 to identify all products and related new ventures for our dataset. In a second step, we searched the websites of all new ventures to ensure the reliability of our data. We double-checked each venture and cleaned the dataset of errors, such as fake or fraudulent entries, plain resellers that sell products not produced by themselves, and firms that do not qualify as new ventures due to their size or age. Additionally, we obtained the information about the new venture’s country of origin from the websites.

Each product on the Amazon webstore is assigned a unique Amazon Standard Identification Number (ASIN; similar to a book’s ISBN number), which we further used to access our data. We used the commercial data analysis service Keepa.com to obtain price and sales history data, as well as information on product markets. Keepa.com tracks hundreds of millions of products available on Amazon in multiple different countries and offers subscribers the analytics via API. We were able to request daily observation of price and sales rank changes. In the process, we discarded a few products for which this data was not available.

⁷More information on Amazon Launchpad can be found at <https://www.amazon.com/launchpad/startups/faqs>

To account for intraweek variability, we aggregated our data from a daily to a weekly basis (van Oest et al., 2010). As our 211-week time frame is quite large, we assume that a weekly analysis will keep sufficient detail over time. As products were added to and removed from the webstore during these 211 weeks, our panel is unbalanced. Consequently, we were able to identify 754 new ventures selling 6,650 products in 6 markets during the time period between early February 2015 and late February 2019 (211 weeks).

At this point, it is important to clarify that our sample consists only of new ventures and their products listed on Amazon Launchpad and does not entail all Amazon products tracked by Keepa.com. Consequently, our measures focus on new ventures as the respective reference group. This setting gives us a unique perspective in examining new ventures that explicitly compete with each other for consumers who are particularly interested in products by new ventures.

5.3.2 Measurements

5.3.2.1 Dependent variable

The dependent variable and a measure of international product performance is the sales rank on the respective international Amazon online store, which indicates a product's sales performance and its ability to generate sales (Chevalier and Mayzlin, 2006; Smith and Telang, 2009). Because a low sales rank denotes a better sales performance than a high sales rank (e.g., a smartphone with the sales rank 10 has lower sales than a smartphone with the sales rank 2), all negative coefficients on an explanatory variable would imply an increase in sales performance, as the sales rank decreases. To bypass this circumstance, we multiplied the sales rank by negative one. We also log-transformed the sales rank to smooth out its distribution (Smith and Telang, 2009). As we rely on a weekly level (van Oest et al., 2010), we dynamically compute the average sales rank of each product in each of the 211 weeks in our sample.

5.3.2.2 Independent variables

Our three key independent variable constructs are distinctiveness, cultural distance, and institutional distance. We built our distinctiveness measure based on the product market information provided for each product of the new venture. All products on Amazon Launchpad are assigned product market labels that we employed for our analysis (de Vaan et al., 2015; Venkatraman and Lee, 2004). We summarized all product market labels a new venture is affiliated with through its products in the given week; more specifically, we included all product market labels of all products that a new venture offered in a specific week.

For example, a smartphone case offered by a new venture would have the product market labels (1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories.⁸ Due to the results of our testing and data exploration, we limited our product market labels to three, as any labels beyond three typically just include color and size variants of the focal product. Yet we must clarify that some products have fewer than three product market labels.

If a new venture, for example, only offered the smartphone case above, it would be affiliated with the three unique product market labels of the smartphone case product ((1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories). If it additionally offered another product, e.g., a wireless charger, it would be affiliated with four unique product market labels in total, as the wireless charger’s three product market labels would be (1) Electronics and (2) Cell Phones and Accessories—both already included as labels of the smartphone case—and (3) Chargers, which would be added as a new product market label. If the same venture, for whatever reason, also offered coconut oil, it would have six unique product market labels ((1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories for the smartphone case and (1) Grocery & Gourmet Food, (2) Cooking & Baking, and (3) Cooking Oils, Vinegars & Sprays for the coconut oil product).

Based on all product market labels a new venture is affiliated with, we focus on its

⁸Although our product market data is nested, e.g., (2) Cell Phones and Accessories is a lower-level element of the higher-level element (1) Electronics, this has not been found influential in similar settings (de Vaan et al., 2015).

product market portfolio as a whole (Barlow et al., 2018; Fernhaber and Patel, 2012; Litov et al., 2012). We applied an approach employed by prior research to compute our measure of distinctiveness and used the inverse of the cosine similarity index calculated for the focal product market portfolio, as opposed to all product market portfolios available in our sample at that point in time (de Vaan et al., 2015). By doing so, we computed a variable that dynamically measures the extent to which a new venture’s combination of product market labels differs from those of all other new ventures’ product market label combinations in the specific week. Thus, we measured distinctiveness in all six of the markets in our sample individually and computed the distance between the focal product market portfolio i and every other product market portfolio j as follows:

$$Product\ market\ portfolio\ distance_{ij} = 1 - \left[\frac{\sum_{k=1}^K f_{ik} f_{jk}}{\sqrt{(\sum_{k=1}^K f_{ik}^2)} \cdot \sqrt{(\sum_{k=1}^K f_{jk}^2)}} \right] \quad (6)$$

where f_{ik} equals $1/K$ if product market label k is present for product market portfolio i and K equals the total number of product market labels of a product market portfolio, and 0 otherwise (de Vaan et al., 2015). This results in a distance vector for all product market portfolios that summarizes distances between the focal product market portfolio i and all other product market portfolios available at the focal point in time (de Vaan et al., 2015). Finally, we average the distances for each product market portfolio i and each week. Thus, we compose our measure of distinctiveness i in the focal week as:

$$Distinctiveness_i = \frac{\sum_{j=1, j \neq i}^N Product\ market\ portfolio\ distance_{ij}}{N} \quad (7)$$

where N stands for the total number of new ventures in the respective week.

We measured the cultural distance between the new venture’s country of origin and the explored international market by using the cultural values identified by Hofstede (1980), as

also used in similar studies (Kim and Jensen, 2014; Shin et al., 2017). We followed Kogut and Singh (1988) and used the variance-adjusted differences in individualism, indulgence, long-term orientation, power distance, uncertainty avoidance, and masculinity, which are the cultural dimensions identified by Hofstede (1980).⁹ We compose our measure of cultural distance as:

$$Cultural\ distance_j = \sum_{i=1}^n \{(I_{ij} - I_{iu})^2 / V_i\} / n \quad (8)$$

“where I_{ij} stands for the index for the i th cultural dimension and j th country, V_i is the variance of the index of the i th dimension” (Kogut and Singh, 1988 p.422). The symbol u indicates the focal country/market in which the new venture sells its products, and $Cultural\ Distance_j$ is the cultural difference of the j th country from the focal market (Kogut and Singh, 1988). The symbol n refers to the number of cultural dimensions, which in this case is six.

To capture the normative aspect of an institution, we used the tightness–looseness measure of Gelfand et al. (2011), also used in similar studies (Shin et al., 2017). It describes the tolerance of nations regarding deviant behavior (Gelfand et al., 2011; Shin et al., 2017). Unfortunately, Gelfand et al. (2011) does not include Canada in their tightness–looseness measurements. Because of this, we had to exclude the Canadian market and all Canadian ventures from our sample and rely our analysis of six rather than seven international markets. To compute our measure of institutional distance, we employed the same approach as we did with cultural distance to provide consistency in our measures. We again used the Euclidean distance calculation introduced by Kogut and Singh (1988) and computed institutional distance as follows:

$$Institutional\ distance_j = \sum_{i=1}^n \{(I_{ij} - I_{iu})^2 / V_i\} / n. \quad (9)$$

⁹Hofstede’s cultural distance scores for calculation were taken from Hofstede et al. (2010)

As each country merely has one score for tightness–looseness, n in this case is one. If there were several values of tightness–looseness available for different parts of a country (e.g., former East and West Germany), we averaged them before the composite score was calculated, as also executed in similar studies (Shin et al., 2017).

To further clarify, we provide some illustrative examples to give an intuition of what distinctiveness with low (high) values looks like, as well as what cultural distance with low (high) distance looks like. One new venture with a low distinctiveness score (many other new ventures with shared product market labels) is a new venture that only sells products in the dominant product market Electronics, and in that product market only under Smartphone Accessories. Hence, an exemplary product would be a smartphone case with the product market labels (1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories. While there are many new ventures that sell in the product market (1) Electronics, as well as many new ventures that sell in the product market (2) Cell Phones and Accessories, the focal new venture shares its product market labels with many other new ventures, giving the new venture low distinctiveness scores. An example of the opposite would be a new venture that is highly distinctive (few other new ventures with shared product market labels), as it only sells products for babies, such as travel cots or sun protectors for strollers, in the very uncommon product market (1) Baby, (2) Nursery, (3) Bedding and/or (1) Baby, (2) Strollers & Accessories, (3) Accessories. The first new venture is from the United States and sells its products in all other international markets. Since the United States and the UK share similar cultural values, their cultural distance is relatively low (approx. 0.38), whereas the United States shares fewer cultural values with Spain, leading to higher values in cultural distance (approx. 3.12). In terms of institutional distance, the distance between the United States and the UK is relatively high (approx. 4.86), whereas Spain is institutionally close, as the distance is relatively low (approx. 0.13).

5.3.2.3 Control variables

We used several control variables to increase the robustness of our results. First, we controlled for the product market portfolio size and built a variable that counts the number of distinct product markets (highest level) each new venture offers in each of the 211 weeks. Moreover, we controlled for the product-portfolio size and built a variable that counts the number of products by each new venture in each of the 211 weeks. We then controlled for the average price of the focal product (in euro cents, US cents, and British pence) to account for price-related inferences on the sales rank. We log-transformed this variable.

We additionally controlled for competition and built count variables that counted the number of competing new ventures and the number of competing products in a specific product market for each of the 211 weeks. To do so, we chose to measure competition based on a shared highest-level product market label. Returning to the abovementioned example, the number of competitors for the smartphone case would be calculated based on other products with the product market label (1) Electronics.

Additionally, we controlled for a market’s distinctiveness heterogeneity, i.e., the average distinctiveness values of actors in a product market, to control for the fact that distinctiveness may be more common in some product markets than in others (Haans, 2019). Distinctiveness heterogeneity of product market k in the focal week is measured as:

$$Distinctiveness\ heterogeneity_k = \sum_{P=1}^n \sqrt{\frac{\sum_{i=1}^N (\Theta_{Pi} - \bar{\Theta}_{P,k})^2}{N - 1}} \quad (10)$$

where N is the number of new ventures with a product in product market k in the focal week (Haans, 2019). $\Theta_{P,i}$ indicates a new venture’s i distinctiveness value P and $\bar{\Theta}_{P,k}$ indicates the focal product market k ’s average distinctiveness value P (Haans, 2019). Hence, distinctiveness heterogeneity is the standard deviation of values of distinctiveness in the focal product market (Haans, 2019). We calculated distinctiveness heterogeneity by using the highest product market label in our sample (e.g., (1) Electronics); n refers to the total number of product market labels. To turn these highly skewed frequencies into a

smoothly distributed measure, we take the log and scale it by -100.

Additionally, we built a control variable that dynamically measures the novelty appeal of a new venture's individual products. We compared the individual product's combination of product market labels with those of all other products in the market in the specific week. Thus, we employed a similar approach as we did for our distinctiveness measure to provide consistency in our measures, but focused exclusively on the individual product and not the entire portfolio of a new venture. We computed product novelty as a variable that dynamically measures the extent to which a product's combination of product market labels differs from those of all other products in the overall market in a given week. Hence, the more unique a product market's label combination, the higher its novelty score. Conversely, we refer to a product as imitative if its product market combination is shared by many of its competitors (Brouthers et al., 2005; Tan et al., 2013).

We further controlled for the degree of internationalization. This variable counts the total number of international markets explored by the new venture. Furthermore, we controlled for the overall average international performance and calculated the average sales rank of all products in all international markets for each new venture. We also log-transformed international performance, again using time-specific measures for each of the 211 weeks. Table 7 summarizes all variables and their measurements used in our models.

Variable	Variable description
Amazon sales rank	Average sales rank of product i in week t . Log-transformed and multiplied by -1.
Product market portfolio size	Count variable of all product markets (highest level) i offered by new venture j in week t .
Product portfolio size	Count variable of all products i offered by new venture j in week t .
Product price	Average price in euro cents, US cents and British pence of product i in week t . Log-transformed.
Product competition	Count of competing products i in product market (highest level) in week t .
New venture competition	Count of new ventures j in product market (highest level) in week t .
Distinctiveness heterogeneity	Standard deviation between values of distinctiveness in the focal product market. Log-transformed and multiplied by -100.
Product novelty	Inverse of the cosine similarity based on all product market labels k affiliated with each product i in week t . Averaged.
Degree of internationalization	Count variable that counts total number of international markets m explored by each new venture j in week t .
Avg. international performance	Average sales rank of all products i offered by each new venture j in week t in all international markets m . Log-transformed.
Distinctiveness	Inverse of the cosine similarity based on all product market labels k affiliated with each new venture j in week t . Averaged.
Cultural distance	Measures the distance of Hofstede's six cultural dimensions i between domestic market j and foreign market u , corrected by the variance V of each dimension i . Averaged.
Institutional distance	Measures the distance of Gelfand et al.'s tightness-looseness value i between domestic market j and foreign market u , corrected by the variance V all values i .

Table 7: Summary of variables used in analysis of study two.

5.3.2.4 Estimation approach

Due to the nature of our data, we used a panel regression approach. Our data contains four levels of observations, as we estimate the sales rank of (i) each of 6,650 specific products offered by (ii) each of 754 specific new ventures (iii) in 6 specific international markets (iv) during 211 specific weeks. Consequently, our data contains millions of observations with fixed effect factors that consist of as many as 6,650 levels. This data complexity made reliance on more regular software solutions difficult. In order to computationally facilitate the analysis, we used the software package “lfe” from R, which offers a means of efficiently estimating linear fixed effects models with a large number of fixed effect levels (Gaure, 2013). As our data is likely subject to heteroskedasticity and autocorrelation, we used robust and clustered standard errors (Arellano, 1987). All plots and regression results were modified to incorporate robust and clustered standard errors. We report the results of the fixed effect linear models, including robust and clustered standard errors, in Table 11.

However, lfe models do not support the estimation of marginal effects that are necessary for a graphical visualization of the interaction effects (Haans et al., 2016). In order to supplement those visualizations, we used the package “lme” and again estimated the models as linear mixed effect models that include a random effect instead of a fixed effect for all of our four factors. As can be seen, the results of the linear fixed effects (see Table 11) and linear mixed effects models (see appendix Table 14) are nearly identical.

Concerns may arise that only a certain type of new venture might choose to internationalize and that this selection may remain unobserved by our independent and control variables. In order to address such possible endogeneity from a sample selection bias, we replicated an approach by Kim and Jensen (2014) and specifically modeled the decision of a new venture to internationalize. Following Kim and Jensen (2014)’s approach, we ran a Cox proportional hazard model that models the time until the first appearance in a foreign market. This approach enabled us to predict an absolute likelihood of internationalizing and to account for differences in how long it took a specific new venture to internationalize into a specific market. From the resulting models, we extracted the inverse Mills’ ratio (the ratio of the probability density function to the cumulative distribution function based upon the estimated parameters) and included it as a control variable in our main models in order to approximate a more traditional Heckman selection (Heckman, 1979).

We introduced all our independent variables step by step, concluding with the models containing the interaction effects. To more thoroughly test the curvilinear interaction term of distinctiveness, we followed the procedure presented by Haans et al. (2016) and Lind and Mehlum (2010). Hence, we visualized the magnitude of the interaction, calculated a turning point for the curvilinear relationship, and tested the sign and significance of the slope at both low and high values.

5.4 Results

Table 8 and Table 9 provide an overview of the descriptive statistics and correlations of our variables. As can be seen, most of our variables show only low correlation, with some exceptions that show medium correlation.

Statistic	N	Mean	Median	St. Dev.	Min	Max
Sales rank	1,311,763	-10.201	-10.405	2.383	-17.113	0.000
Product market portfolio size	1,311,763	2.323	2	1.602	1	9
Product portfolio size	1,311,763	27.913	13	41.546	1	296
Product price	1,311,763	8.058	7.937	1.080	0.693	14.441
Product competition	1,311,763	356.677	293	296.308	1	1,351
New venture competition	1,311,763	70.033	56	54.385	1	227
Distinctiveness heterogeneity	1,311,763	2.993	2.793	1.450	0.000	12.069
Product novelty	1,311,763	0.939	0.953	0.051	0.741	1.000
Degree of internationalization	1,311,763	4.541	5	0.914	1	5
Avg. international performance	1,311,763	-11.589	-11.835	1.227	-15.623	-1.099
Distinctiveness	1,311,763	0.926	0.944	0.051	0.742	0.999
Distinctiveness sqrd.	1,311,763	0.860	0.891	0.091	0.550	0.997
Cultural distance	1,311,763	2.006	2.033	1.027	0.381	3.565
Institutional distance	1,311,763	2.545	2.159	2.118	0.015	5.412

Table 8: Descriptive statistics of study two.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Sales rank	1													
(2) Product market portfolio size	-0.011	1												
(3) Product portfolio size	0.026	0.411	1											
(4) Product price	-0.023	-0.014	-0.094	1										
(5) Product competition	-0.009	0.004	0.155	0.02	1									
(6) New venture competition	-0.036	-0.017	0.042	0.055	0.922	1								
(7) Distinctiveness heterogeneity	0.051	0.032	0.025	0.02	-0.115	-0.043	1							
(8) Product novelty	0.115	0.155	-0.008	0.006	-0.552	-0.588	-0.088	1						
(9) Degree of internationalization	0.056	0.285	0.149	-0.017	-0.02	-0.053	0	0.059	1					
(10) Avg. international performance	0.481	-0.15	-0.012	-0.035	-0.201	-0.248	0.009	0.233	-0.11	1				
(11) Distinctiveness	0.056	-0.088	-0.028	-0.028	-0.406	-0.501	-0.324	0.737	0.016	0.271	1			
(12) Distinctiveness sqrd.	0.055	-0.096	-0.032	-0.029	-0.411	-0.506	-0.323	0.734	0.012	0.274	1	1		
(13) Cultural distance	0	-0.122	-0.129	0.023	-0.079	-0.03	0.066	-0.038	0.108	0.009	-0.023	-0.021	1	
(14) Institutional distance	-0.049	0.045	-0.095	0.044	0.043	0.026	-0.149	0.037	0.061	-0.059	0.019	0.018	-0.261	1

Table 9: Correlations of study two.

Table 10 presents the results of the Cox proportional hazard analyses of export likelihood. We used the results of Model 1 in Table 10 to extract the inverse Mills' ratio (the ratio of the probability density function to the cumulative distribution function based on the estimated parameters) and included it as a control variable in our main models in our regression analysis (see Table 11).

Table 11 provides the output of our regression analysis. Model 1 in Table 11 shows that the main effect of distinctiveness is positive and significant, while the squared term is negative

and significant, as is mandatory for the inverted U-shaped relationship (Figure 5) (Haans et al., 2016). We conducted additional statistical testing proposed by Haans et al. (2016) and Lind and Mehlum (2010) to validate the presence of an inverted U-shaped relationship between distinctiveness and performance. The lower bound of the curve, at 0.742, is positive and highly significant (4.297, $p = 0.000$) and the upper bound of the curve, at 0.999, is negative and highly significant (-2.701, $p = 0.000$). The turning point located at 0.90 (95% Fieller's confidence interval: [0.894; 0.906]) is well within the data [min=0.742; max=0.999].

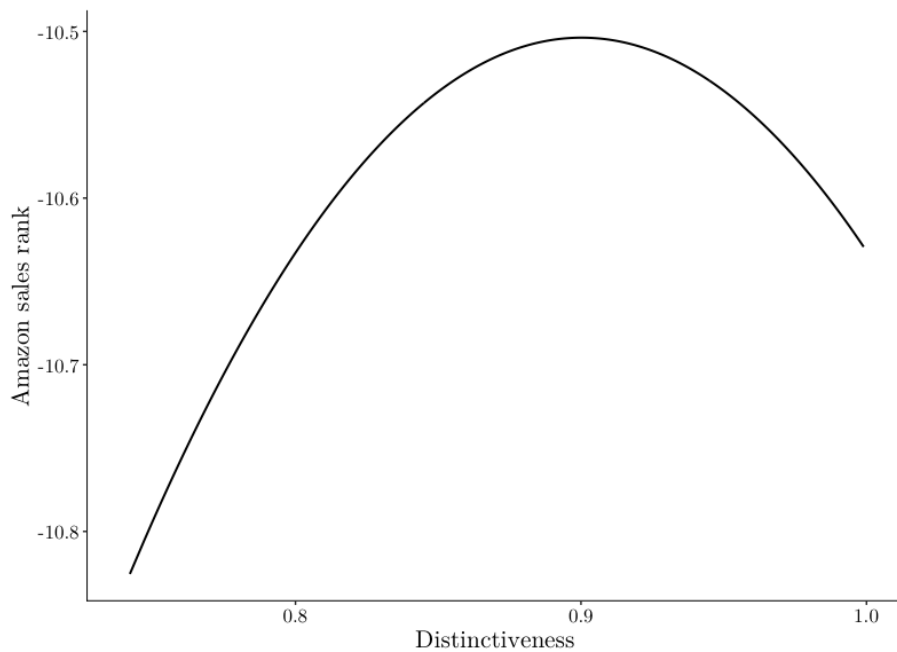


Figure 5: Effect of distinctiveness on international product performance. Based on Model 6 in Table 11.

We conducted an additional robustness check by following Qian et al. (2010) and built two sub-samples with distinctiveness values below and above the turning point, to test whether two linear regressions yield slopes that are consistent with the predicted shape of the curve (Haans et al., 2016). Both slopes of the two sub-samples show consistency with the predicted shape and support our hypothesis H3.

Interacting both the distinctiveness linear and multiplicative term (Model 2 in Table 11)

shows that distinctiveness is moderated by cultural distance, as suggested by our hypothesis H4. To visualize this moderation (see Figure 6), we set the values of the cultural distance moderator at mean (2.006) minus one standard deviation (close) and mean plus one standard deviation (distant). An analysis of the graphics shows that the interaction of our inverted U-shaped effect of distinctiveness with cultural distance flips the curve (Haans et al., 2016). As compared to its shape in Figure 5, exploring culturally close markets steepens the U-shaped relationship, while exploring culturally distant markets flips the effect of distinctiveness on international performance into a U-shaped form. This supports our hypothesis H4.

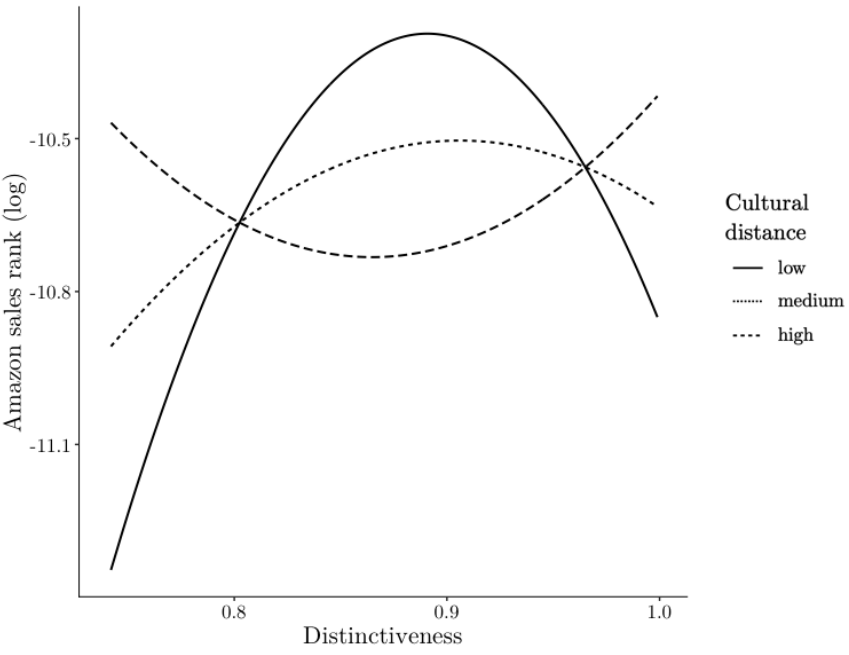


Figure 6: Effect of distinctiveness on international product performance by cultural distance. Based on Model 2 in Table 11.

Interacting both the distinctiveness linear and multiplicative term (Model 3 in Table 11) shows that distinctiveness is moderated by institutional distance, as suggested by our hypothesis H5. To visualize this moderation (see Figure 7), we set the values of the institutional distance moderator at mean (2.545) minus one standard deviation (close) and mean plus one standard deviation (distant). An analysis of the graphics shows that the interaction of our inverted U-shaped effect of distinctiveness with institutional distance flips the curve (Haans et al., 2016). As compared to its shape in Figure 7, exploring institutionally close markets flips the effect of distinctiveness on international performance into a U-shaped form, while exploring institutionally distant markets steepens the inverted U-shaped form. This supports our hypothesis H5.

Model 4 Table 11 includes the moderation of distinctiveness by both cultural and institutional distance.

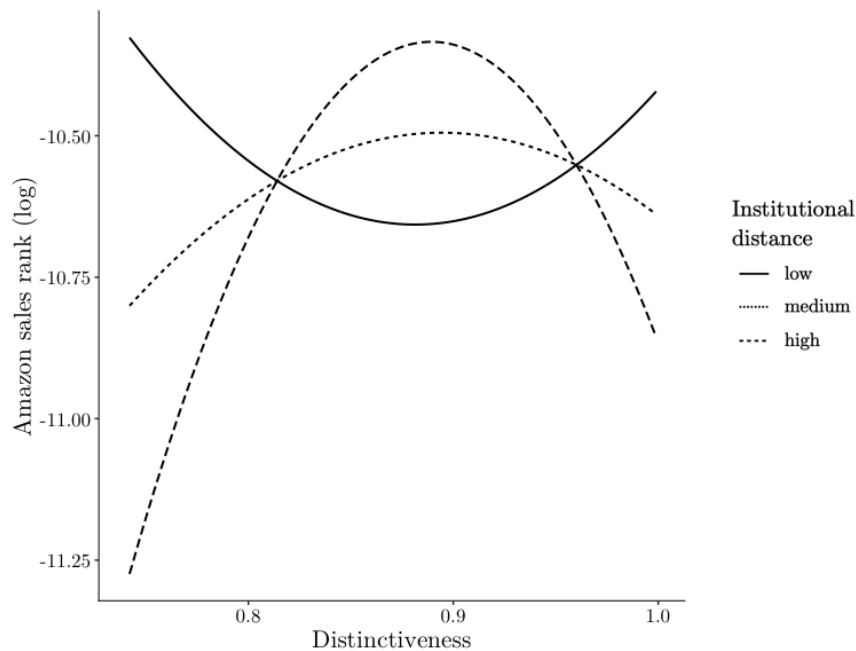


Figure 7: Effect of distinctiveness on international product performance by institutional distance. Based on Model 3 in Table 11.

<i>Dependent variable:</i>	
Weeks until first appearance in international market	
Product market portfolio size	-0.221*** (0.046)
Product portfolio size	-0.019*** (0.003)
Product price	0.070*** (0.018)
Product competition	-0.002*** (0.0003)
New venture competition	-0.009*** (0.001)
Distinctiveness heterogeneity	0.048*** (0.015)
Product novelty	-6.829*** (1.044)
Degree of internationalization	-0.103*** (0.015)
Avg. international performance	0.125*** (0.011)
Distinctiveness	94.805*** (11.168)
Distinctiveness sqrd.	-55.657*** (6.196)
Country fixed effect	Yes

Note: *p<0.1; **p<0.05; ***p<0.01

Table 10: Results of Cox proportional hazard model of study two.

	<i>Dependent variable:</i>			
	Amazon sales rank			
	(1)	(2)	(3)	(4)
Product market portfolio size	-0.034*** (0.003)	-0.041*** (0.003)	-0.040*** (0.003)	-0.044*** (0.003)
Product portfolio size	0.007*** (0.0002)	0.007*** (0.0002)	0.007*** (0.0002)	0.007*** (0.0002)
Product price	-0.511*** (0.005)	-0.500*** (0.005)	-0.499*** (0.005)	-0.494*** (0.005)
Product competition	0.001*** (0.00003)	0.0004*** (0.00003)	0.0004*** (0.00003)	0.0003*** (0.00003)
New venture competition	0.0003** (0.0002)	0.001*** (0.0002)	0.001*** (0.0002)	0.001*** (0.0002)
Distinctiveness heterogeneity	-0.057*** (0.002)	-0.046*** (0.002)	-0.050*** (0.002)	-0.044*** (0.002)
Product novelty	6.179*** (0.093)	6.241*** (0.093)	6.226*** (0.093)	6.268*** (0.093)
Degree of internationalization	0.221*** (0.003)	0.219*** (0.003)	0.221*** (0.003)	0.219*** (0.003)
Avg. international performance	0.805*** (0.003)	0.805*** (0.003)	0.804*** (0.003)	0.805*** (0.003)
Distinctiveness	24.503*** (1.595)	141.844*** (2.860)	-39.537*** (2.033)	74.112*** (3.497)
Cultural distance	-0.069*** (0.002)	24.692*** (0.481)	-0.063*** (0.002)	19.552*** (0.501)
Institutional distance	0.009*** (0.001)	0.002** (0.001)	-11.181*** (0.252)	-7.765*** (0.261)
Distinctiveness sqrd.	-13.616*** (0.895)	-79.838*** (1.580)	22.388*** (1.134)	-41.941*** (1.929)
Distinctiveness x cultural distance		-56.332*** (1.060)		-44.731*** (1.104)
Distinctiveness sqrd. x cultural distance		31.858*** (0.582)		25.347*** (0.606)
Distinctiveness x institutional distance			25.371*** (0.555)	17.497*** (0.576)
Distinctiveness sqrd. x institutional distance			-14.295*** (0.305)	-9.801*** (0.317)
Inverse Mills' ratio	-0.192*** (0.012)	-0.181*** (0.012)	-0.166*** (0.012)	-0.165*** (0.012)
New venture fixed effect	Yes	Yes	Yes	Yes
Product fixed effect	Yes	Yes	Yes	Yes
Week fixed effect	Yes	Yes	Yes	Yes
Country fixed effect	Yes	Yes	Yes	Yes

Note:

*p<0.1; **p<0.05; *** p<0.01

Table 11: Results of felm regressions of study two.

5.4.1 Post-hoc analysis and robustness check

As mentioned earlier, Gelfand et al. (2011) did not include values of tightness–looseness for Canada. Due to this missing data, we had to exclude the Canadian market and all Canadian ventures in our data set because we were unable to compute institutional distance. Eliminating this market from our sample could introduce an important bias, as it represents a meaningful number of observations. To include the Canadian market and all Canadian ventures, we used the values of the combination index of tightness–looseness of Uz (2015 p.327), who estimate their values based on the approach of the work of Gelfand et al. (2011). This increases the number of new ventures to 888, the number of products to 7,610, and the number of international markets to 7.

We replicated our prior procedure for the following robustness check by first calculating a Cox proportional hazard model to extract the inverse Mills’ ratio, in order to account for a selection bias (Heckman, 1979; Kim and Jensen, 2014). The results of the Cox proportional hazard model can be found in the appendix in Table 13. We again included the inverse Mills’ ratio as a control variable in our main models and ran a panel regression. Table 12 provides the output of our robustness check. The results demonstrate that our results presented in Table 11 are robust even though we excluded the Canadian market, as there is no significant change in either the sign or the significance of any independent variables. Additionally, almost all control variables remain unchanged, with the exception of product market portfolio size and new venture competition. Moreover, Table 12 shows that our measurement of institutional distance is robust under alternative values of tightness–looseness (Uz, 2015).

Figure 8 visualizes Models 1, 2, and 3 of the regression results of Table 12. By analyzing Model 1 of Table 12, we conclude that we can replicate the inverted U-shape of distinctiveness on international performance (Model 1 of Table 11). The lower bound of the curve is positive and highly significant at 0.742 (7.528, $p = 0.000$) and the upper bound of the curve is negative and highly significant at 0.99 (-4.578, $p = 0.000$). The turning point located at 0.902 (95% Fieller’s confidence interval: [0.898; 0.906]) is well within the data [min=0.742; max=0.999].

Additionally, Figure 8 and Table 12 demonstrate that we can replicate the moderation effects of cultural and institutional distance on distinctiveness.

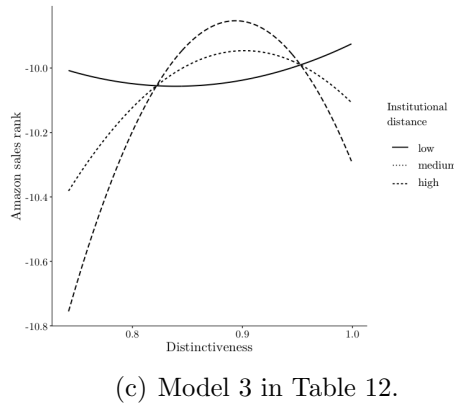
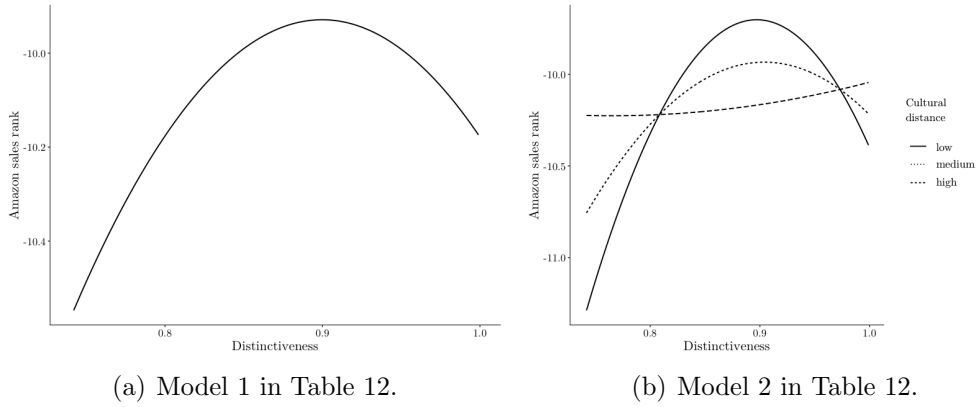


Figure 8: Effect of distinctiveness on international product performance. Based on Model 1, 2, and 3 in Table 12.

	<i>Dependent variable:</i>			
	Amazon sales rank			
	(1)	(2)	(3)	(4)
Product market portfolio size	0.015*** (0.003)	0.006** (0.003)	0.026*** (0.003)	0.015*** (0.003)
Product portfolio size	0.010*** (0.0001)	0.010*** (0.0001)	0.010*** (0.0001)	0.010*** (0.0001)
Product price	-0.786*** (0.005)	-0.779*** (0.005)	-0.785*** (0.005)	-0.779*** (0.005)
Product competition	0.001*** (0.00002)	0.001*** (0.00002)	0.001*** (0.00002)	0.001*** (0.00002)
New venture competition	-0.003*** (0.0001)	-0.002*** (0.0001)	-0.002*** (0.0001)	-0.002*** (0.0001)
Distinctiveness heterogeneity	-0.072*** (0.002)	-0.060*** (0.002)	-0.073*** (0.002)	-0.063*** (0.002)
Product novelty	6.620*** (0.085)	6.661*** (0.085)	6.890*** (0.085)	7.014*** (0.085)
Degree of internationalization	0.175*** (0.002)	0.173*** (0.002)	0.174*** (0.002)	0.172*** (0.002)
Avg. international performance	0.783*** (0.003)	0.783*** (0.003)	0.778*** (0.003)	0.778*** (0.003)
Distinctiveness	42.478*** (1.696)	145.942*** (2.602)	-18.846*** (2.283)	87.993*** (2.850)
Cultural distance	-0.085*** (0.002)	22.009*** (0.391)	-0.085*** (0.002)	23.870*** (0.399)
Institutional distance	0.010*** (0.001)	0.009*** (0.001)	-6.756*** (0.151)	-7.215*** (0.153)
Distinctiveness sqrd.	-23.552*** (0.961)	-81.414*** (1.446)	10.936*** (1.277)	-48.845*** (1.585)
Distinctiveness x cultural distance		-49.843*** (0.862)		-53.779*** (0.878)
Distinctiveness sqrd. x cultural distance		27.978*** (0.474)		30.053*** (0.483)
Distinctiveness x institutional distance			15.311*** (0.336)	16.222*** (0.340)
Distinctiveness sqrd. x institutional distance			-8.628*** (0.187)	-9.073*** (0.189)
Inverse Mills' ratio	-0.098*** (0.013)	-0.097*** (0.013)	-0.137*** (0.013)	-0.137*** (0.013)
New venture fixed effect	Yes	Yes	Yes	Yes
Product fixed effect	Yes	Yes	Yes	Yes
Week fixed effect	Yes	Yes	Yes	Yes
Country fixed effect	Yes	Yes	Yes	Yes

Note:

*p<0.1; **p<0.05; *** p<0.01

Table 12: Results of firm regressions including Canada of study two.

5.5 Discussion and implications

With this paper, we set out to investigate how consumers evaluate new ventures' optimal distinctiveness when they grow internationally. Further, we set out to answer the question of how cultural and institutional distance affect new ventures' claims to conformity and differentiation. We show that, in order to maximize the effect of distinctiveness in international markets, new ventures need to strike a balance between the liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997), which reduces their conformity, and international differentiation (Aulakh et al., 2000; Porter, 1980), which fosters their differentiation. This balance is contingent on the cultural and institutional distance (Hofstede, 1980; Kim and Jensen, 2014; Kogut and Singh, 1988; Kostova and Zaheer, 1999; Kostova et al., 2008; Shin et al., 2017; Xu and Shenkar, 2002) to the explored international market.

Our first contribution relates to the literature on optimal distinctiveness. We find that, in an international context, products sell better on average if the producing new venture focuses its business activities neither on fully conforming nor on distinct product markets. This supports our expectation that conformity claims are amplified by the negative liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997), while differentiation claims are fostered by positive international differentiation (Aulakh et al., 2000; Porter, 1980). Thus, with this study we expand the focus of optimal distinctiveness in domestic markets (Navis and Glynn, 2011; Zhao et al., 2017) towards international markets. As the two main effects of distinctiveness are usually unobserved by the researcher (Haans, 2019), we help to quantify them and make them observable. Our results suggest that new ventures with low to moderate distinctiveness are able to generate competitive advantages, as small deviations from conformity are valued by international consumers, yet only up to a certain level of distinctiveness, after which the liability of foreignness starts to unfold (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). This adds to our understanding that the advantages of differentiation in domestic markets are considerably lower in an international context.

Our second contribution also relates to the literature on optimal distinctiveness. We

demonstrate that, in an international context, optimal distinctiveness is further contingent on the cultural and institutional distance between a new venture's domestic and the explored international market (Hofstede, 1980; Kim and Jensen, 2014; Kogut and Singh, 1988; Kostova and Zaheer, 1999; Kostova et al., 2008; Shin et al., 2017; Xu and Shenkar, 2002). Our results show that new ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant and have strongly different perceptions of value, or into international markets that are institutionally close and have very similar perceptions of norms and rules. For new ventures with moderate distinctiveness, the results are exactly the opposite. An explanation of the opposite influence of cultural values and cultural norms on optimal distinctiveness might be that conformity claims are related more to cultural values than to cultural norms. Although cultural values are located within the individual self and cultural norms capture structural aspects of the situation in which cultural interactions occur (Leung and Morris, 2015; Shin et al., 2017), one could argue that norms are the driving force influencing conformity claims during optimal distinctiveness. However, our results speak against this. Another explanation could be related to our setting of new ventures, supported and evaluated by consumer audiences and not institutional stakeholders, as such audiences have a more subjectivist perspective on what is deemed as conforming and legitimate (Shin et al., 2017). This is the core insight of our study and our main contribution.

Our third contribution relates to the importance of accounting for contextual factors that shape optimal distinctiveness (Haans, 2019; Zhao et al., 2017). Recent research emphasizes that the shape and magnitude of the curvilinear effect of distinctiveness is contingent on context, such as the degree of acceptability of distinctiveness within a market (Haans, 2019). We introduce international growth as another influential context factor able to go beyond the simplistic perspective of the two countervailing forces of loss of legitimacy and avoidance of competitive pressures (Haans, 2019). Additionally, we provide a dynamic and comprehensive setting that entails multiple new ventures, weeks, products, product markets and, most

importantly, multiple international markets in which distinctiveness is evaluated (Zhao et al., 2017). Thus, we account for the fact that a new venture might be evaluated as highly distinct in one market, but that it does not necessarily keep that distinctiveness within another market, and show that this holds true across multiple markets and over time (Haans, 2019; Fisher et al., 2016, 2017; Zhao et al., 2017).

Our fourth contribution is related to internationalization and cross-cultural research. Our approach on cultural and institutional distance addresses concerns of cross-cultural researchers that the focus solely on cultural values misses other important and influential cultural dimensions (Leung and Morris, 2015; Shin et al., 2017; Tung and Verbeke, 2010). Our results indicate that, next to cultural values, cultural norms are equally important and show how they are related to strategic decisions of new ventures, i.e., their optimal distinctiveness efforts. We showcase that cultural values and norms have an opposite influence on optimal distinctiveness and highlight that conformity claims are more related to cultural values and less to cultural norms, as one might have expected.

With our fifth contribution, we add to the theory of institutional pluralism by showing that new ventures have to deal with heterogeneous audiences within the same life cycle stage and not only in different life cycle stages (Fisher et al., 2016; Kazanjian, 1988; Zhao et al., 2017). In line with Kim and Jensen (2014), we show that the same type of audience evaluates legitimacy in different ways, and extend this view by focusing on how the same type of audience perceives optimal distinctiveness differently. Thus, we shift the focus from products, e.g., movies (Kim and Jensen, 2014), towards a corporate perspective, i.e., a new venture's distinctiveness. Additionally, we shift the focus of institutional pluralism from the effect of distinctiveness on investor audiences during the conception and commercialization stage (Fisher et al., 2016; Tauscher et al., 2020; Wry et al., 2014) towards consumer audiences—the most important audience type during the growth stage, as they directly influence a new venture's performance by purchasing its products (Fisher et al., 2017; Zhao et al., 2018).

Our sixth contribution relates to the important literature on new venture legitimacy. We

contribute to this stream of research and show that appearing legitimate is not measured by one single threshold (Zimmerman and Zeitz, 2002). New ventures that have gained legitimacy within their domestic market cannot expect to keep that legitimacy in a new international market (Fisher et al., 2016; Zimmerman and Zeitz, 2002). In order to be evaluated as legitimate, new ventures have to continuously convince new types of audiences depending on their life cycle stage, and must cross multiple legitimacy thresholds (Fisher et al., 2016, 2017). By using a longitudinal setting, we show that legitimacy can increase and decrease quite often over time (Fisher et al., 2016).

In terms of managerial implications, we provide useful information for new ventures that operate as online vendors and aim to introduce novel, distinctive products that deviate from those of incumbents (Greve, 2000), and we provide clear guidelines that will help them to decide on the markets in which to internationalize. We show that new ventures should strongly consider their distinctiveness and the cultural and institutional distance of the target market for international growth. New ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant and have strongly different perceptions of value, or into international markets that are institutionally close and have very similar perceptions of norms and rules. Conversely, new ventures with moderate levels of distinctiveness are advised to expand into international markets that are either culturally close or institutionally distant. In terms of their optimal distinctiveness, we provide a deeper understanding of how the trade-off between losing legitimacy and avoiding competitive pressure is influenced by the international context. This will help future new ventures to identify the strategic balance point where the benefits of avoiding competition are overshadowed by the costs of losing legitimacy.

5.6 Limitations, future research, and conclusion

Our study is not without limitations. Several limitations arise from the selection of our variables and our empirical setting. Using a product’s sales rank as dependent variable may facilitate performance across very heterogeneous product markets, yet it still remains a well-established but also rather peculiar measurement (Chevalier and Mayzlin, 2006; Smith and Telang, 2009). However, given the fact that “rank” variables are quite common (Barlow et al., 2019; Pontikes, 2012) and the longitudinal character of our study, this bears the limitation that it may also be partially driven by market dynamics, as a product’s own rank can rise due to a decrease in the performance of competitors. Our measure of distinctiveness also follows a narrow focus on product markets (Barlow et al., 2019). There are a lot of situations in which such information is blurry and not easily recognizable to audiences. More research in such settings is needed to determine the extent to which this influences our results and their generalizability. More work is needed to address this issue and to test whether, based on the results, generalizations can be made to different dimensions of distinctiveness.

Another limitation is that we exclusively analyzed new ventures’ competition among themselves and not with established organizations in the corresponding product market. By doing so, our study sheds light on the special competition between new ventures and provides insights into how they can improve their performance in comparison to other competing new ventures. The data collection from Amazon Launchpad may also imply a sample selection bias, as only new ventures that fulfill Amazon’s requirements are included. To further bypass this selection bias, we advise future studies to investigate which products from investor platforms such as Kickstarter or Indiegogo made it onto Amazon Launchpad. Due to our focus on new ventures, we were also unable to account for changes in cultural values or norms, as such changes only occur over a huge time horizon, during which new ventures would no longer be described as such. Therefore, we encourage future studies to pay attention to incumbents and extend the time horizon to be able to account for changes in cultural values and norms.

Our results could also be driven by the size of our sample. As the focus of our investigation is on products sold on Amazon, our results are mostly relevant for consumer goods markets and may not necessarily be generalizable to business or service markets. We help to quantify the two main effects of optimal distinctiveness, i.e., loss of legitimacy and avoidance of competitive pressure, usually unobserved by the researcher (Haans, 2019) by accounting for an international context, and thereby provide knowledge on a better understanding of the curvilinear relationship between distinctiveness and performance (Zhao et al., 2017). It would be valuable to account for other market, audience, and organizational context factors that are able to shape the relative strength of optimal distinctiveness to further understand the relationship between distinctiveness and performance.

5.7 Appendix

	<i>Dependent variable:</i>
	Weeks until first appearance in international market
Product market portfolio size	-0.187*** (0.035)
Product portfolio size	-0.006*** (0.002)
Product price	0.060*** (0.016)
Product competition	-0.001*** (0.0002)
New venture competition	-0.012*** (0.001)
Distinctiveness heterogeneity	0.039*** (0.014)
Product novelty	-5.754*** (0.875)
Degree of internationalization	-0.143*** (0.011)
Avg. international performance	0.113*** (0.009)
Distinctiveness	119.134*** (10.343)
Distinctiveness sqrd.	-70.526*** (5.730)
Country fixed effect	Yes
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01

Table 13: Results of Cox proportional hazard model including Canada of study two.

	<i>Dependent variable:</i>			
	Amazon sales rank			
	(1)	(2)	(3)	(4)
Product market portfolio size	-0.030*** (0.003)	-0.037*** (0.003)	-0.037*** (0.003)	-0.040*** (0.003)
Product portfolio size	0.007*** (0.0002)	0.007*** (0.0002)	0.007*** (0.0002)	0.007*** (0.0002)
Product price	-0.494*** (0.004)	-0.483*** (0.004)	-0.482*** (0.004)	-0.478*** (0.004)
Product competition	0.001*** (0.00002)	0.0004*** (0.00002)	0.0004*** (0.00002)	0.0003*** (0.00002)
New venture competition	0.0005*** (0.0001)	0.001*** (0.0001)	0.001*** (0.0001)	0.001*** (0.0001)
Distinctiveness heterogeneity	-0.057*** (0.002)	-0.046*** (0.002)	-0.050*** (0.002)	-0.044*** (0.002)
Product novelty	6.356*** (0.083)	6.423*** (0.083)	6.402*** (0.083)	6.447*** (0.083)
Degree of internationalization	0.225*** (0.003)	0.223*** (0.003)	0.225*** (0.003)	0.223*** (0.003)
Avg. international performance	0.804*** (0.003)	0.805*** (0.003)	0.804*** (0.003)	0.804*** (0.003)
Distinctiveness	23.148*** (1.424)	139.426*** (2.737)	-40.771*** (1.875)	71.779*** (3.539)
Cultural distance	-0.068*** (0.002)	24.516*** (0.459)	-0.062*** (0.002)	19.387*** (0.495)
Institutional distance	0.009*** (0.001)	0.002** (0.001)	-11.136*** (0.246)	-7.754*** (0.265)
Distinctiveness sqrd.	-12.857*** (0.801)	-78.503*** (1.514)	23.090*** (1.047)	-40.642*** (1.951)
Distinctiveness x cultural distance		-55.954*** (1.012)		-44.372*** (1.092)
Distinctiveness sqrd. x cultural distance		31.657*** (0.557)		25.153*** (0.600)
Distinctiveness x institutional distance			25.280*** (0.542)	17.479*** (0.585)
Distinctiveness sqrd. x institutional distance			-14.249*** (0.298)	-9.794*** (0.321)
Inverse Mills' ratio	-0.208*** (0.012)	-0.198*** (0.012)	-0.182*** (0.012)	-0.182*** (0.012)
Constant	-14.536*** (0.745)	-65.886*** (1.292)	13.548*** (0.923)	-35.897*** (1.645)
New venture random effect	Yes	Yes	Yes	Yes
Product random effect	Yes	Yes	Yes	Yes
Week random effect	Yes	Yes	Yes	Yes
Country random effect	Yes	Yes	Yes	Yes

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 14: Results of mixed effect regressions of study two.

6 Known for being different? How status and reputation shape the effect of optimal distinctiveness on new venture performance

Authorship	Janisch, Jonas; Vossen, Alexander.
Main theoretical concepts	Optimal distinctiveness; organizational status; organizational reputation.
Methodology and sample	Quantitative; large panel dataset including 853 new ventures, 4,279 products, 211 weeks (2015-2019).
History of the study	Planned submission for presentation at the Academy of Management Annual Meeting (AOM) 2021 and European Academy of Management (EURAM) 2021.
Publication status	Work in progress.
Contribution	In this study I was in charge of collecting all data, reviewing the literature, analyzing the data and writing the study.

Table 15: Information about study 3.

Abstract

In line with the literature on strategic differentiation, we investigate whether accumulating status and reputation interacts with new ventures' optimal distinctiveness during entrepreneurial growth. Building on the notion of optimal distinctiveness as straddling conformity and differentiation, we argue that both status and reputation aid new ventures' claims to differentiation and conformity. Using panel data on 4,279 products offered by 853 new ventures over 211 weeks on Amazon Launchpad, we show that the typical curvilinear effect of distinctiveness on performance is significantly altered by both status and reputation. We find that a U-shaped effect emerges for average status and average reputation. While the effect of distinctiveness on performance is rather linear and positive for new ventures with low status, new ventures with high status suffer from a significant drop in performance for intermediate levels of distinctiveness. Thus, as their status grows, new ventures initially experience significantly larger penalties for non-conformance than they do benefits from differentiation. Reputation, in contrast, strongly fosters the effect of distinctiveness on new ventures' performance. This study contributes to the understanding of how the effect of optimal distinctiveness on performance is contextualized, especially during entrepreneurial growth. Both status and reputation serve as amplifiers of distinctiveness, exacerbating the "stuck in the middle" problem of moderate levels of distinctiveness. From a managerial perspective, our results provide guidance on how to address the straddle between conformity and differentiation when new ventures grow into more mature market actors. As they grow in status and reputation, they are advised to strengthen either their conformity or their differentiation claims to avoid being "stuck in the middle."

Keywords: Optimal distinctiveness, status, reputation

JEL Codes: M13, L26, L22

6.1 Introduction

One of the most intriguing aspects of new ventures is how they achieve optimal distinctiveness, i.e., how they become as differentiated as possible while still being perceived as legitimate (Zhao et al., 2017). The literature emphasizes optimal distinctiveness as a trade-off between conformity claims pursued by aligning with categorical norms in order to be perceived as legitimate, and differentiation claims to avoid competitive pressure (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017). Based on this trade-off, previous research has established a curvilinear effect of distinctiveness on performance (Zhao et al., 2017) that is thoroughly contingent on context (Haans, 2019). While this context is often described as market context—for example, the degree of acceptability of distinctiveness within a market (Haans, 2019)—optimal distinctiveness claims are also contextualized by organizations themselves (Zhao et al., 2017).

One of these is the organization’s life cycle stage (Fisher et al., 2016; Zhao et al., 2017). Not only do new ventures face multiple, heterogeneous audiences in each stage with varying evaluation standards and expectations (Fisher et al., 2016; Kazanjian, 1988), the new ventures themselves also change dramatically in the first years after their initial funding bid. This is particularly relevant for the life cycle stage of entrepreneurial growth, where new ventures typically expand their business by exploring additional, possibly international markets, or by adding products to their portfolio (Fernhaber and Patel, 2012; Fisher et al., 2016; Zhao et al., 2017). In addition, audiences’ perception of organizations themselves change as they grow into more mature market actors over time and accumulate both status and reputation (George et al., 2016). Therefore, new ventures and audiences alike differ during the entrepreneurial growth stage, compared to what we know from existing research on the initial funding stage (Fisher et al., 2016; Zhao et al., 2017).

In this present work, we ask whether accumulating status and reputation interacts with new ventures’ optimal distinctiveness. More specifically, we examine whether and how the effectiveness of new ventures’ conformity and differentiation claims differ for new ventures

as their status and reputation increase during growth. We answer this question using an unbalanced panel data set from 853 new ventures that are in the commercialization and subsequent growth stage of their life cycle, selling 4,279 products over a time window of 211 weeks (from February 2015 to February 2019) on Amazon Launchpad, an Amazon initiative to foster inclusion of new ventures in their online marketplace in order to remove barriers for new ventures and ease the process of getting in contact with its huge consumer base.

We find that accumulating both status and reputation strongly fosters the effect of distinctiveness on new ventures' performance. In line with prior research (Cennamo and Santalo, 2013; Haans, 2019), our results show that a U-shaped effect of distinctiveness on performance emerges for new ventures with average status or reputation. However, this changes for ventures with both high and low status and reputation. The effect of distinctiveness on performance is rather linear and positive for those new ventures that have not yet accumulated status but turns into a steepening U-shaped effect as status increases. Thus, as their status grows, new ventures initially experience significantly larger penalties for non-conformance than they do benefits from differentiation (Taeuscher et al., 2020). Only for high levels of distinctiveness are those benefits able to reverse the curve and create a positive effect on performance. Intriguingly, the effect of reputation is slightly different. While the pattern of a U-shaped effect prevails for moderate and high levels of reputation, it flips into an inverted U-shaped form for new ventures with low reputation. Similar to new ventures with low status, those with low reputation do not seem to suffer from perceived illegitimacy arising from non-conformance for low to moderate levels of distinctiveness and are able to generate competitive advantages to some extent. For both status and reputation, the effect of distinctiveness on a new venture's performance is considerably stronger for those with strong differentiation claims—those that are “known for being different.”

Our work contributes to the understanding of how the effect of optimal distinctiveness on performance is contextualized (Haans, 2019), especially during entrepreneurial growth (Zhao et al., 2017). We show that audiences' evaluation of conformity and differentiation

claims is dependent on other observable organizational traits such as status and reputation (George et al., 2016). Both status and reputation serve as amplifiers of distinctiveness, exacerbating the “stuck in the middle” problem (Cennamo and Santalo, 2013) of moderate levels of distinctiveness. This adds to our understanding of the two countervailing forces of optimal distinctiveness, i.e., loss of legitimacy and avoidance of competitive pressure (Haans, 2019; Zhao et al., 2017). It demonstrates that, when other organizational traits have not yet fully evolved, distinctiveness can indeed act as the sole relevant source of legitimacy that results in a positive linear relationship between distinctiveness and performance (Taeuscher et al., 2020). However, this changes when new ventures grow into more mature market players and develop other organizational traits (George et al., 2016; Zhao et al., 2017). As a consequence, the trade-off between conformity and differentiation starts to unfold and the curvilinear relationship between distinctiveness and performance emerges (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017). This is our core contribution.

Additionally, we contribute to the literature on social evaluation. We show that moderately distinct new ventures with high reputation still suffer from a significant drop in legitimacy. Although high reputation has been found to be a symbolic source of legitimacy (Cattani et al., 2014; Shymko and Roulet, 2017), it is not able to prevent the loss of legitimacy that new ventures with low to moderate distinctiveness experience. While recent research has shown that the relationship between distinctiveness and performance can be positive during the conception stage (Taeuscher et al., 2020), we show that even high reputation is not able to continue this positive relationship during the stage of entrepreneurial growth. Moreover, our results emphasize that when audiences shift the symbolic mechanism they use to evaluate a new venture’s legitimacy from the sole product to multiple organizational traits, this complicated their sense- and decision-making to such an extent that they devalue the venture. As we show that small accumulations of status do not interfere with distinctiveness but small accumulations of reputation do, this emphasizes that consumer audience sense- and decision-making is more related to conformity than to differentiation claims (Durand

and Paolella, 2013; Navis and Glynn, 2011). Another contribution to social valuation is that we show how and to what extent an organizational strategy, i.e., a new venture's optimal distinctiveness, influences organizational traits such as status and reputation. This adds to our understanding of how consumer audiences evaluate new ventures, considering both their organizational strategy and their traits.

From a managerial perspective, our results provide guidance on how to address the straddle between conformity and differentiation during growth. We propose that entrepreneurs and managers should strongly consider their optimal distinctiveness approach, including other important organizational traits that evolve over time. The accumulation of both status and reputation has a strong effect. While new ventures with low to moderate distinctiveness that have not yet accumulated status outperform those with high status, this changes for high levels of distinctiveness. Thus, high status is a double-edged sword for new ventures, as they are first penalized and experience a decrease in performance, until they reach high levels of distinctiveness, after which their performance increases. Regarding reputation, our results show that, in all cases, new ventures that have managed to accumulate high reputation outperform those with low reputation, regardless of their distinctiveness.

New ventures that are able to make only some of their limited resources (Eisenhardt and Schoonhoven, 1990; King et al., 2008) available to invest in improving their status or reputation are advised to work on their reputation. If new ventures have resources available to work on improving both, they are advised to strengthen either their conformity or their differentiation claims to avoid being stuck in the middle (Cennamo and Santalo, 2013). This seems particularly promising for strong differentiation claims and a resulting high level of distinctiveness. Thus, as soon as you are known for something, e.g., status and/or reputation, you should be known to be different.

6.2 Theoretical background

6.2.1 Optimal distinctiveness: The role of organizational context and traits

The literature emphasizes a new venture's optimal distinctiveness as a trade-off between conformity claims in order to be evaluated as legitimate, and differentiation claims to avoid competitive pressure (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017). When new ventures claim conformity, they aim for a position close to established organizations (Navis and Glynn, 2010), as such organizations represent the industry average (Vergne and Wry, 2014) and audiences judge them as legitimate or appropriate (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Suchman, 1995). While this reduces the risk of being avoided, it also confronts new ventures with increased competition due to the growing number of similarly perceived market actors (Cennamo and Santalo, 2013; Haans, 2019). Differentiation claims are needed to set organizations apart from other market players by minimizing similarity (Navis and Glynn, 2010). Based on this trade-off, past research firmly establishes a curvilinear effect of distinctiveness on performance (Zhao et al., 2017) that is thoroughly contingent on context (Haans, 2019).

From a conceptual perspective, context refers to the environment or condition a new venture is embedded in and to which it has to adjust (Bamberger, 2008; Johns, 2006; Welter, 2011). The research on optimal distinctiveness refers to such an environment as the external market context, i.e., the competitive environment a new venture is embedded in, and compares a new venture's products with existing products (Vossen and Ihl, 2020), categorical exemplars (Durand and Paoletta, 2013), or prototypes (Glynn and Navis, 2013). Recent developments in this stream of research, too, show that the effect of distinctiveness on performance depends on the degree of acceptability of distinctiveness within a product market and makes the case to account for this "distinctiveness heterogeneity" (Haans, 2019).

Optimal distinctiveness claims are also contextualized by organizations themselves and not only due to the external market context (Zhao et al., 2017). One of these is the orga-

nization's life cycle stage (Fisher et al., 2016; Zhao et al., 2017). Not only do new ventures face multiple, heterogeneous audiences in each stage with varying evaluation standards and expectations (Fisher et al., 2016; Kazanjian, 1988), the new ventures themselves also change dramatically in the first years after their initial funding bid. Such changes shift the symbolic mechanism used to evaluate a new venture's legitimacy from the sole product to performance metrics and organizational traits that evolve over time (Choi and Shepherd, 2005; Fisher et al., 2016; Hallen, 2008; Khaire, 2010). Organizational traits in particular are valued by consumer audiences, as they see them as important intangible touchpoints they can use for their evaluation (Choi and Shepherd, 2005; Khaire, 2010). Two prominent organizational traits that evolve during growth and significantly influence consumer audience evaluation are status and reputation (George et al., 2016), and both are able to influence a new venture's optimal distinctiveness (Zhao et al., 2017).

6.2.1.1 Organizational status

Status can be described as an organization's social standing or its prominence within a society or market (Bothner et al., 2012; George et al., 2016; Graffin et al., 2013; Kovács and Sharkey, 2014; Young et al., 2010). Status is an observable organizational trait, as it can be tied to an organization's age or its membership within a product market, and consequently cannot be directly manipulated (Khaire, 2010; Young et al., 2010). Accounting for status has been found to be influential in many instances, prominently organizational performance, as it is able to increase visibility (Benjamin and Podolny, 1999; Kovács and Sharkey, 2014; Zhao and Zhou, 2011), thereby helping new ventures to attract larger audiences (Hsu, 2006; Simcoe and Waguespack, 2011), which leads to an increase in sales volume (Khaire, 2010). Status helps new ventures to evolve into an exemplar of a product market, which enables them to stand out in crowded markets (Barlow et al., 2019). Hence, it is another dimension new ventures can use to differentiate themselves from competitors (Barlow et al., 2019).

In general, new ventures that claim differentiation deviate from a categorical imperative

(Zuckerman, 1999), with the consequence that audiences face high uncertainty when evaluating those new ventures (Navis and Glynn, 2010). In such uncertain situations, audiences look for additional organizational traits they can use to draw conclusions about a new venture's quality (Podolny, 1994). As status is seen as something rare that only a few manage to have (George et al., 2016), it acts a quality signal in such uncertain situations (Khaire, 2010; Podolny, 1994), giving a distinct venture a competitive advantage over its competitors. As a consequence, status enables such venture types to further set themselves apart and better avoid competitive pressure. Additionally, new ventures of high status are known to be perceived as prominent members of a product market (Khaire, 2010; Young et al., 2010). As distinct ventures are known to serve niche markets with only little demand and less visibility (Greve, 2000), being a prominent member of such markets enables them to increase their visibility (Benjamin and Podolny, 1999; Kovács and Sharkey, 2014; Zhao and Zhou, 2011), which secures their position within that market and adds to their differentiation.

However, status may hinder a new venture's efforts to claim differentiation. When status is accumulated, new ventures develop an additional organizational trait that audiences can use for their evaluation of distinctiveness (Khaire, 2010; Zhao et al., 2017). Particularly in the case of new ventures with almost no operating history (Stinchcombe, 1965), audiences expect a new venture to automatically be one of low status (Bitektine, 2011). New ventures of high status do not match their expectations, and new ventures risk being avoided and perceived as untrustworthy (Bitektine, 2011). Particularly in the case of conforming new ventures, status is something rare (George et al., 2016) that does not match audiences' expectation of conformity (Navis and Glynn, 2010). As a consequence, status complicates their sense- and decision-making (Navis and Glynn, 2011) and amplifies the effect of loss of legitimacy for new ventures with low distinctiveness.

While previous research firmly establishes a curvilinear effect of distinctiveness on performance (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017), recent developments denote that its shape and magnitude are contingent on context (Haans, 2019). In the con-

text of investor audiences evaluating new ventures in the conception stage, it has been shown that the curvilinear effect can be erased due to audiences' expectation of distinctiveness (Taeuscher et al., 2020). We believe that this changes when new ventures move to the commercialization and subsequent growth phase of their life cycle (Fisher et al., 2016; Zhao et al., 2017), grow into more mature market actors, and develop status as an additional organizational trait available for evaluation (George et al., 2016).

When new ventures have not yet accumulated high status, we argue in line with Taeuscher et al. (2020) and believe that, for those new ventures, the relationship between distinctiveness and performance is a positive one, as this matches audiences' expectations of new ventures being of low status (Bitektine, 2011). However, this changes when new ventures accumulate status. Then, audiences take status into account in their evaluation of a new venture's legitimacy, and distinctiveness no longer acts as the sole relevant source of legitimacy (Taeuscher et al., 2020). As their status grows, we believe that ventures with low to moderate distinctiveness initially experience significantly larger penalties for non-conformance than they do benefits from differentiation (Taeuscher et al., 2020) because status, as something rare, speaks against audiences' expectation of conformity (Navis and Glynn, 2010), complicating their sense- and decision-making (Navis and Glynn, 2011).

However, this changes for rising levels of distinctiveness. Here, new ventures explore markets with high uncertainty (Navis and Glynn, 2010). Status is able to act as a quality signal in uncertain situations (Khaire, 2010; Podolny, 1994), giving distinct ventures a competitive advantage over their competitors and thereby helping them to further differentiate themselves in such product markets. As an empirical consequence, the effect of avoiding competitive pressure weighs more strongly (Haans et al., 2016) and the relationship between distinctiveness and performance follows a U-shaped form for new ventures of average status. Because status enables new ventures to come in mind when audiences consider the ideal type of a product market (Abbott, 1981; Kovács and Sharkey, 2014), it adds to new ventures' differentiation. Consequently, high status steepens the U-shaped relationship between

distinctiveness and performance and we hypothesize:

Hypothesis 6: *The U-shaped effect of distinctiveness on product performance steepens (flattens) for high (low) status.*

6.2.1.2 Organizational reputation

The preceding chapter made the case of status as an important organizational trait that is able to influence a new venture's claims to optimal distinctiveness (Zhao et al., 2017). We propose that reputation is another organizational trait that evolves during the commercialization and subsequent growth stage (George et al., 2016) and is also able to influence a new venture's optimal distinctiveness. From a conceptual perspective, reputation refers to the beliefs audiences hold based on the prior performance of the product or the organization (Cattani et al., 2014; George et al., 2016; Shymko and Roulet, 2017). Although status and reputation are often conceptualized as the same construct, they remain different (George et al., 2016). As prior performance can be influenced directly by a new venture (George et al., 2016), status often refers to the age or membership in a product market, which cannot be directly manipulated (Khairi, 2010; Young et al., 2010). Reputation has been found to significantly influence performance, because organizations of high reputation are able to charge higher prices (Benjamin and Podolny, 1999; Deephouse, 2000; Lange et al., 2011; Rindova et al., 2005; Roberts and Dowling, 2002; Zavyalova et al., 2016).

Reputation is also able to positively influence a new venture's conformity claims. As reputation is related to a new venture's prior performance, it also signals that a large number of consumers have already purchased their product (George et al., 2016). This lowers the associated hesitation to buy a product from a new, unknown, and highly distinct venture and acts as a source of legitimacy (Cattani et al., 2014; Shymko and Roulet, 2017), enabling new ventures to better claim conformity when pursuing optimal distinctiveness. Additionally, organizations that have high reputation are known in general to be given the "benefit of the doubt" (Pfarrer et al., 2010; Zavyalova et al., 2016). This can be particularly relevant for

highly distinct new ventures, operating in product markets characterized as such that lack clear behaviors to follow (Navis and Glynn, 2010), as this allows even cautious consumers to try out the product of such a venture type, and consumer audiences additionally tend to be more lenient (Love and Kraatz, 2009; Pfarrer et al., 2010; Zavyalova et al., 2016).

However, high reputation may also hinder a new venture during their optimal distinctiveness efforts. By definition, distinctiveness sets a new venture apart from other market players by minimizing similarity, also highlighting its distinctiveness appeal (Navis and Glynn, 2010). If a new venture has a high reputation—a signal of good prior performance and many products already sold (George et al., 2016)—this is an indication that it does not operate in a field of rare resources (Barney, 1991). As a consequence, the distinctiveness appeal of highly distinct new ventures is attenuated. Similarly, audiences hardly perceive new ventures as novel anymore. However, audiences that support distinctive new ventures are known for their expectation of novelty and distinctiveness, and new ventures that fail to fulfill these expectations risk being avoided (Taeuscher et al., 2020; Vossen and Ihl, 2020). Additionally, high reputation also raises consumer expectations, such as perceptions of high quality that the new venture must fulfill (Gomulya and Mishina, 2017; Rhee and Haunschild, 2006; Wade et al., 2006; Zavyalova et al., 2016). Consumers buying products from organizations they consider to be of high quality and high reputation are known to be more cautious; they are more inclined to detect product defects in high-reputation organizations and to punish them more than they would one of low reputation (Rhee and Haunschild, 2006). This can have significant performance implications for new ventures when they commercialize their products or operate in new, distinct product markets, as new ventures often experience product defects (Rhee and Haunschild, 2006).

When new ventures have not yet accumulated high reputation, we believe that the relationship between distinctiveness and performance follows an inverted U-shape (Deephouse, 1999). Although one could argue that a high reputation minimizes the advantages of distinctiveness, as it does not signal that the new venture operates in a field of rare resources

(Barney, 1991), purchasing a product from a new venture in its commercialization phase is still considered uncertain (Fisher et al., 2016; Kazanjian, 1988). Anything that adds to this uncertainty, such as a lack of reputation accumulated by the venture, hinders the venture’s efforts to appear as conforming and amplifies the effect of loss of legitimacy. Yet ventures with low to moderate distinctiveness are able to generate competitive advantages to some extent with rising levels of distinctiveness.

However, when new ventures accumulate reputation, they can accentuate their conformity, helping them to appear as legitimate (Cattani et al., 2014; Shymko and Roulet, 2017). Moreover, reputation signals that a large number of consumers have already purchased their product and evaluated it positively (George et al., 2016). This lowers the uncertainty associated with buying a product from an unknown new venture, because when an opinion about a product is expressed by a greater audience, this conveys the correctness of it and increases trust (Floyd et al., 2014; Khare et al., 2011; Salganik et al., 2006; Salganik and Watts, 2008). Trust also helps to lower uncertainty, with the consequence that new ventures of reputation can more easily claim conformity during their pursuit of optimal distinctiveness (Zhao et al., 2017). As an empirical consequence, the effect of avoiding competitive pressure weighs more strongly (Haans et al., 2016) and the relationship between distinctiveness and performance follows a U-shaped form for new ventures of average reputation. Although one could argue that the advantages of high reputation are able to form a possible positive relationship between distinctiveness and performance (Taeuscher et al., 2020), high reputation signals that a large number of consumers have already purchased a venture’s product. As a consequence, audiences hardly perceive new ventures as novel and perceive their differentiation claims less strongly. Consequently, the U-shaped relationship between distinctiveness and performance steepens, but not flattens towards a strict positive one for new ventures who hold high reputation. Consequently, we hypothesize:

Hypothesis 7: *The U-shaped effect of distinctiveness on product performance steepens (flips) for high (low) reputation.*

6.3 Data and method

6.3.1 Data collection and sample

We collected our dataset from Amazon Launchpad, which connects new ventures with consumer audiences in the Amazon webstore. Amazon Launchpad works with strategic partners, such as investors or crowdfunding platforms, to provide their invested new ventures with an established framework in which they can present themselves and sell their new products.¹⁰ All participating new ventures are integrated into both Launchpad and the regular Amazon webstore and its product markets. As members of Launchpad, new ventures are added to a special Launchpad summary that allows consumers to selectively search exclusively for products of new ventures. We used this special summary information to identify the products and related new ventures for our sample. We collected information on all products and new ventures available on the US version of Amazon Launchpad at the time of data collection, which was the spring of 2019. To ensure that we did not miss any new ventures, we also checked the Amazon Launchpad versions in Canada, France, Germany, Italy, Spain, and the United Kingdom, collected information on all products and new ventures there, and checked whether they were available at the US Amazon webstore. By doing so, we were able to capture a significantly higher number of new ventures and increase our data quality.

To ensure reliability, we assessed our data in multiple steps. We first checked every product available on the Amazon Launchpad webpage to get product information, such as the unique Amazon Standard Identification Number (ASIN, similar to a book’s ISBN number) that we used for matching, and gathered all company-specific information. In a second step, we double-checked each venture and cleaned the dataset of errors, such as fake or fraudulent entries, plain resellers that sell products not produced by themselves, and firms that do not qualify as new ventures due to their size or age. To do so, we visited

¹⁰More information on Amazon Launchpad can be found at <https://www.amazon.com/launchpad/startups/faqs>

the websites obtained from the terms and conditions on all identified Amazon profiles and thoroughly double-checked the information provided there.

Consequently, we were able to identify 853 new ventures selling 4,279 products during the time period between February 2015 and February 2019 (211 weeks). Each product on the Amazon webstore is assigned a unique ASIN, which we further used to access our data. For all identified products, we used the commercial data analysis service Keepa.com to obtain price and sales history data, as well as information on product markets. Keepa.com tracks hundreds of millions of products available on Amazon in multiple different countries and offers subscribers the analytics via API. We were able to request daily observation of price and sales rank changes. In the process, we discarded a few products for which this data was not available. To account for intraweek variability, we aggregated our data from a daily to a weekly basis (van Oest et al., 2010). As our 211-week time frame is quite large, we assume that a weekly analysis will keep sufficient detail over time. As products were added to and removed from the webstore during these 211 weeks, our panel is unbalanced.

At this point, it is important to clarify that our sample consists only of new ventures and their products listed on Amazon Launchpad and does not entail all Amazon products tracked by Keepa.com. Consequently, our measures focus on new ventures as the respective reference group. This setting gives us a unique perspective in examining new ventures that explicitly compete with each other for consumers who are particularly interested in products by new ventures.

6.3.2 Measurements

6.3.2.1 Dependent variable

The dependent variable and a measure of product performance is the sales rank on Amazon, which indicates a product's sales performance (Chevalier and Mayzlin, 2006; Smith and Telang, 2009). This sales rank is product market-specific and does not represent sales performance in absolute terms. A product in a smaller product market could reach a high

ranking even with relatively low sales compared to a product in a broader product market. To account for this, we use consumer review data as a sign of product market size and include a variable that cumulatively counts the total number of consumer reviews in our sample for each product market in each week.

For example, if the specific product sales rank originates from a product in the product market “Electronics,” we sum up all reviews that all products in that product market received in that specific week in our sample and add that number as a control variable. To smooth out distribution, we log-transformed both the sales rank and the review count variable (Smith and Telang, 2009). Because a low sales rank denotes a better sales performance than a high sales rank (e.g., a smartwatch with the sales rank 10 has lower sales than a smartwatch with the sales rank 2), all negative coefficients on an explanatory variable would imply an increase in sales performance as the sales rank decreases. To bypass this circumstance, we multiplied the sales rank by negative one.

6.3.2.2 Independent variables

Our three key independent variable constructs are distinctiveness, status, and reputation. We built our distinctiveness measure based on the product market information provided for each product of the new venture. All products on Amazon Launchpad are assigned product market labels that we employed for our analysis (de Vaan et al., 2015; Venkatraman and Lee, 2004). We summarized all product market labels a new venture is affiliated with through its products in the given week; more specifically, we included all product market labels of all products that a new venture offered in a specific week.

For example, a smartphone case offered by a new venture would have the product market labels (1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories.¹¹ Due to the results of our testing and data exploration, we limited our product market labels to three, as any labels beyond that typically just include color and size variants of the focal product.

¹¹Although our product market data is nested, e.g., (2) Cell Phones and Accessories is a lower-level element of the higher-level element (1) Electronics, this has not been found influential in similar settings (de Vaan et al., 2015).

Yet we must clarify that some products have fewer than three product market labels.

If a new venture, for example, only offered the smartphone case above, it would be affiliated with the three unique product market labels of the smartphone case product ((1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories). If it additionally offered another product, e.g., a wireless charger, it would be affiliated with a total of four unique product market labels, as the wireless charger’s three product market labels would be (1) Electronics and (2) Cell Phones and Accessories—both already included as labels of the smartphone case—and (3) Chargers, which would be added as a new product market label. If the same venture, for whatever reason, also offered coconut oil, it would have six unique product market labels ((1) Electronics, (2) Cell Phones and Accessories, and (3) Accessories for the smartphone case and (1) Grocery & Gourmet Food, (2) Cooking & Baking, and (3) Cooking Oils, Vinegars & Sprays for the coconut oil product).

Based on all product market labels a new venture is affiliated with, we focus on its product market portfolio as a whole (Barlow et al., 2018; Fernhaber and Patel, 2012; Litov et al., 2012). We applied an approach employed by prior research to compute our measure of distinctiveness and used the inverse of the cosine similarity index calculated for the focal product market portfolio, as opposed to all product market portfolios available in our sample at that point in time (de Vaan et al., 2015). By doing so, we computed a variable that dynamically measures the extent to which a new venture’s combination of product market labels differs from those of all other new ventures’ product market label combinations in the specific week. Thus, we measured distinctiveness in all six of the markets in our sample individually and computed the distance between the focal product market portfolio i and every other product market portfolio j as follows:

$$Product\ market\ portfolio\ distance_{ij} = 1 - \left[\frac{\sum_{k=1}^K f_{ik} f_{jk}}{\sqrt{(\sum_{k=1}^K f_{ik}^2)} \cdot \sqrt{(\sum_{k=1}^K f_{jk}^2)}} \right] \quad (11)$$

where f_{ik} equals $1/K$ if product market label k is present for product market portfolio i and K equals the total number of product market labels of a product market portfolio, and 0 otherwise (de Vaan et al., 2015). This results in a distance vector for all product market portfolios that summarizes distances between the focal product market portfolio i and all other product market portfolios available at the focal point in time (de Vaan et al., 2015). Finally, we average the distances for each product market portfolio i and each week. Thus, we compose our measure of distinctiveness i in the focal week as:

$$Distinctiveness_i = \frac{\sum_{j=1, j \neq i}^N \text{Product market portfolio distance}_{ij}}{N} \quad (12)$$

where N stands for the total number of new ventures in the respective week.

Status and reputation are often conceptualized as the same construct, yet they remain different (George et al., 2016). Status refers to the social standing or the prominence and tenure within an organization's society or market (Bothner et al., 2012; Graffin et al., 2013; Kovács and Sharkey, 2014; Young et al., 2010); reputation, in contrast, can be seen as the beliefs audiences hold based on the prior performance of the product or organization (Cattani et al., 2014; George et al., 2016; Shymko and Roulet, 2017). In order to be efficient and successful, organizational traits have to be accessible and visible to the receiving audience (Kim and Jensen, 2014; Pollock and Gulati, 2007). For consumer audiences, organizational traits related to product characteristics are particularly accessible and visible (Reuber and Fischer, 2009). As such, prominence and long membership in prestigious product markets has been found to be an influential status signal (Khaire, 2010; Young et al., 2010). Consequently, we measured accumulated status by looking at a product's prominence in the respective product market and built a variable that cumulatively counted the number of weeks a product managed to stay in the respective product markets. As this variable is skewed, we log-transformed it.

We measured accumulated reputation by including the number of reviews provided by consumers who purchased the product (Cattani et al., 2014; Shymko and Roulet, 2017), i.e.,

we conceptualize reputation as a case of prior performance (George et al., 2016; Jensen and Roy, 2008). We chose to measure reputation based on consumer evaluations because, in the case of new ventures, reputation associated with evaluating audiences has been found to be particularly influential, as they are perceived as credible and trustworthy (Banerjee, 1992; Liu, 2006; Sanders and Boivie, 2004; Shymko and Roulet, 2017). In an online consumer setting (Reuber and Fischer, 2009), such reputation signals are provided by them through online reviews, e.g., the volume of online reviews, their rating, or their valence (Dellarocas, 2006; Floyd et al., 2014). We measured the accumulated reputation by cumulatively counting the total number of reviews a product has per week (Godes and Mayzlin, 2004; Tauscher, 2019). The total number of reviews is displayed on each product page above the price, as well as on the Amazon page of a specific product market, where competing products are also listed. Such information is particularly favored by consumer audiences, as they find numbers easy to process (Hasher and Zacks, 1984) and can therefore make faster decisions (Tversky and Kahneman, 1974). As this variable is skewed, we log-transformed it after adding the value one to prevent logarithmic transformation of zero values.

6.3.2.3 Control variables

We used several control variables to increase the robustness of our results. First, we controlled for the product market size and built a variable that cumulatively counted the total number of consumer reviews in each product market each week. We log-transformed this variable due to skewness. We controlled for the product portfolio size and built a variable that counted the number of products of a new venture in each of the 211 weeks.

Then, we controlled for the average price of the focal product (in US cents) to account for price-related inferences on the sales rank. We log-transformed this variable. Additionally, we controlled for competition and built count variables that counted the number of competing new ventures and the number of competing products in a specific product market for each of the 211 weeks. To do so, we chose to measure competition based on a shared highest-level

product market label. Returning to the abovementioned example, the number of competitors for the smartphone case would be calculated based on other products with the product market label (1) Electronics.

To control for other reputation-related signals, we included a product’s average rating in each week, ranging from one to five stars. Moreover, we controlled for the valance of consumer reviews by calculating the standard deviation between all of a product’s ratings per week. To be able to calculate these influential reputation signals (Dellarocas, 2006; Floyd et al., 2014) and include them as control variables, we had to remove the first data points for those products that had not yet received a review in the first weeks of their existence.

Additionally, we controlled for a market’s distinctiveness heterogeneity, i.e., the average distinctiveness values of actors in a product market, to control for the fact that distinctiveness may be more common in some product markets than in others (Haans, 2019). Distinctiveness heterogeneity of product market k in the focal week is measured as:

$$Distinctiveness\ heterogeneity_k = \sum_{P=1}^n \sqrt{\frac{\sum_{i=1}^N (\Theta_{Pi} - \bar{\Theta}_{P,k})^2}{N - 1}} \quad (13)$$

where N is the number of new ventures with a product in product market k in the focal week (Haans, 2019). $\Theta_{P,i}$ indicates a new venture’s i distinctiveness value P and $\bar{\Theta}_{P,k}$ indicates the focal product market k ’s average distinctiveness value P (Haans, 2019). Hence, distinctiveness heterogeneity is the standard deviation of values of distinctiveness in the focal product market (Haans, 2019). We calculated distinctiveness heterogeneity by using the highest product market label in our sample (e.g., (1) Electronics); n refers to the total number of product market labels. To turn these highly skewed frequencies into a smoothly distributed measure, we take the log and scale it by -100.

We further controlled for the number of international markets explored by each new venture. To be able to calculate in how many markets the new ventures sells its products, we looked at six additional international markets in addition to the American Amazon market. Those six additional markets were Canada, France, Germany, Italy, Spain, and the

United Kingdom. We again used time-specific measures for each of the 211 weeks. Table 16 summarizes all variables and their measurements used in our models.

Variable	Variable description
Amazon sales rank	Average sales rank of product i in week t . Log-transformed and multiplied by -1.
Product market size	Cumulative count of reviews per product market (highest level) per week t . Log-transformed.
Product portfolio size	Count variable of all products i offered by new venture j in week t .
Product price	Average price in US cents of product i in week t . Log-transformed.
Product competition	Count of competing products i in product market (highest level) in week t .
New venture competition	Count of new ventures j in product market (highest level) in week t .
Consumer review rating	Average consumer review rating of product i per week t .
Consumer review valence	Standard deviation of consumer reviews of product i per week t .
Distinctiveness heterogeneity	Standard deviation between values of corporate distinctiveness in the focal product market. Log-transformed and multiplied by -100.
No. of international markets explored	Count variable that counts total number of international markets m explored by each new venture j in week t .
Distinctiveness	Inverse of the cosine similarity based on all product market labels k affiliated with each new venture j in week t . Averaged.
Status	Cumulative count of weeks product i is in the sample. Log-transformed.
Reputation	Cumulative count of consumer reviews of product i per week t . Log-transformed.

Table 16: Summary of variables used in analysis of study three.

6.3.2.4 Estimation approach

Due to the nature of our data, we used a panel model to estimate the effect of all independent and control variables on a new venture’s product performance. For our specific data set, we deem random effects to be suited, as we have selected a subsample of new ventures with uneven sampling and want to allow for heterogeneity across product and week entities. Our panel structure is nested, as the specific product is a lower-level factor that appears only within the upper-level factor of the new venture. A new venture can be affiliated with multiple products, but a product can only be affiliated with exactly one new venture. Consequently, we estimated nested random effects models with individual (“product”) and time (“week”) random effects. We used the free statistical software *R* and the package *plm* (Croissant and Millo, 2008) to estimate the nested panel models. As a robustness check, we also ran all models as nested fixed effects models. The results are comparable and included in table Table 4 as Models 4, 5, and 6.

Heteroskedasticity and autocorrelation are common sources of bias in panel models. To

test and account for both, we conducted tests introduced by Croissant and Millo (2008), which confirm the existence of both in our data. Following the procedure proposed by Arellano (1987), we consequently used robust and clustered standard errors. All plots and regression results are modified to incorporate robust and clustered standard errors, and the significance of coefficients was tested with the adjusted variance-covariance matrix.

6.4 Results

Table 17 and Table 18 provide an overview of the descriptive statistics and correlations of our variables. As can be seen, most of our variables show only low correlation, with some exceptions that show medium correlation. Table 19 provides the output of our regression analysis. Model 1 in Table 19 shows the interaction of the distinctiveness linear and multiplicative term with status. It shows that distinctiveness is moderated by status, as suggested by our hypothesis H6. To visualize the moderation (see Figure 9), we set the values of the moderator status at mean (4.042) minus one standard deviation (low) and mean plus one standard deviation (high). Analyzing the graphics shows that, for new ventures that have not yet accumulated status, the relationship between distinctiveness and performance is linear and positive. For those new ventures that accumulate average status, the relationship between distinctiveness and performance evolves into a U-shaped form, meaning that the effect of differentiation, i.e., avoiding competitive pressure, weighs more heavily (Haans et al., 2016), as suggested by our hypothesis H6. As can be seen in Figure 9, high status steepens the U-shaped relationship.

Statistic	N	Mean	Median	St. Dev.	Min	Max
Sales rank	459,937	-9.672	-9.373	2.242	-16.688	0.000
Product market size	459,937	10.056	10.482	1.523	0.693	11.967
Product portfolio size	459,937	55.942	16	78.117	1	315
Product price	459,937	7.981	7.824	1.110	0.693	16.523
Product competition	459,937	384.824	333	275.399	1	892
New venture competition	459,937	72.509	65	52.841	1	214
Consumer review rating	459,937	4.101	4.226	0.703	1.000	5.000
Consumer review valence	459,937	1.086	1.188	0.559	0.000	2.828
Distinctiveness heterogeneity	459,937	1.614	1.537	0.574	0.000	5.830
No. of international markets explored	459,937	5.439	7	2.161	1	7
Distinctiveness	459,937	0.950	0.948	0.024	0.882	0.999
Distinctiveness sqrd.	459,937	0.904	0.899	0.046	0.779	0.998
Status	459,937	4.042	4.2	0.980	0	5
Reputation	459,937	3.524	3.434	1.790	0.693	8.516

Table 17: Descriptive statistics of study three.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Sales rank	1													
(2) Product market size	0.104	1												
(3) Product portfolio size	-0.088	0.24	1											
(4) Product price	0.05	0.027	-0.243	1										
(5) Product competition	0.095	0.748	0.252	0.028	1									
(6) New venture competition	0.136	0.694	0.085	0.175	0.829	1								
(7) Consumer review rating	0.079	-0.046	0.032	-0.077	0.021	-0.044	1							
(8) Consumer review valence	0.131	0.082	-0.062	0.093	-0.011	0.052	-0.49	1						
(9) Distinctiveness heterogeneity	-0.034	-0.143	-0.004	0.014	-0.15	-0.2	-0.003	0.008	1					
(10) No. of international markets explored	-0.101	0.17	0.433	-0.15	0.175	0.059	-0.019	0.027	-0.044	1				
(11) Distinctiveness	-0.052	-0.537	-0.132	-0.087	-0.459	-0.564	0.023	-0.042	-0.006	-0.131	1			
(12) Distinctiveness sqrd.	-0.052	-0.541	-0.137	-0.086	-0.463	-0.566	0.022	-0.041	-0.006	-0.134	1	1		
(13) Status	0.036	0.2	0.174	-0.08	0.23	0.123	-0.042	0.151	0.085	0.21	0.047	0.046	1	
(14) Reputation	0.473	0.148	-0.02	-0.001	0.024	0.048	0.05	0.344	-0.034	0.103	-0.088	-0.088	0.262	1

Table 18: Correlations of study three.

Model 2 in Table 19 shows the interaction of the distinctiveness linear and multiplicative term with reputation. It shows that distinctiveness is moderated by reputation. To visualize the moderation (see Figure 10), we set the values of the reputation moderator at mean (3.524) minus one standard deviation (low) and mean plus one standard deviation (high). Analyzing the graphics shows that, for new ventures that have not yet accumulated reputation, the relationship between distinctiveness and performance flips into an inverted U-shaped effect. For new ventures with a high reputation, the U-shaped effect steepens, as expected by our hypothesis H7.

Model 3 in Table 19 includes both moderators (status and reputation) together. Models 4, 5, and 6 in Table 19 show the regression results of the nested fixed effects model. As can be seen, the results are comparable.

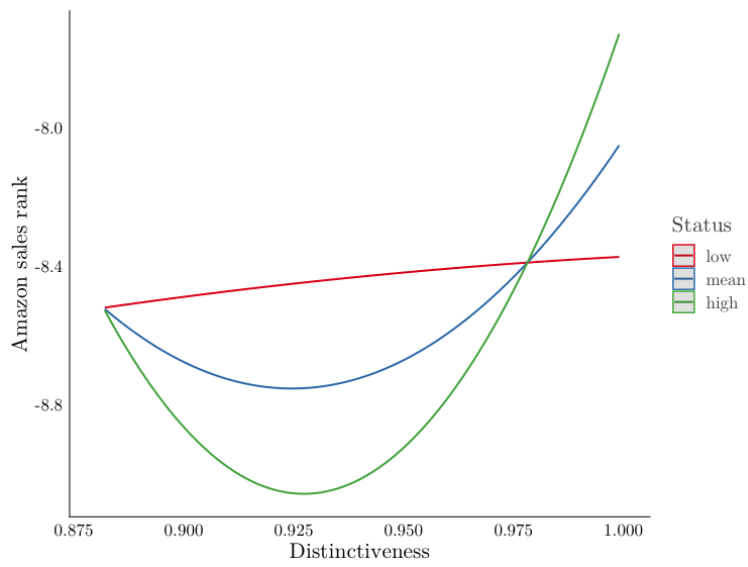


Figure 9: Effect of distinctiveness on product performance by status. Based on Model 1 in Table 19.

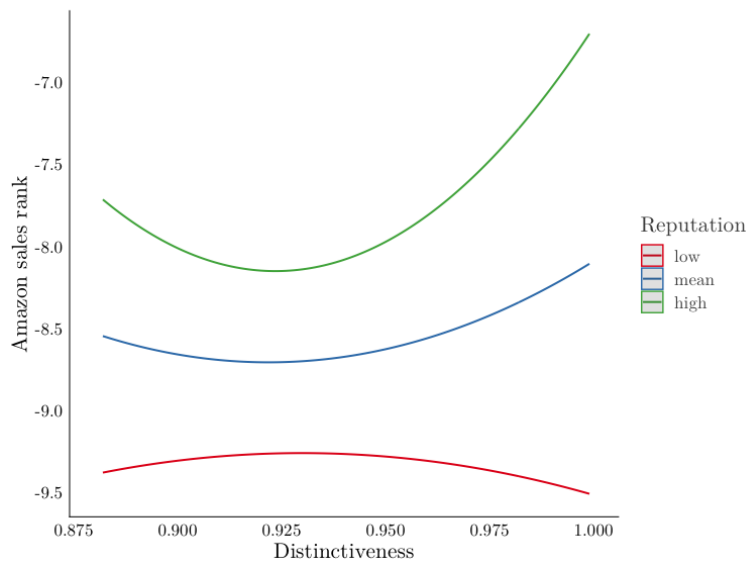


Figure 10: Effect of distinctiveness on product performance by reputation. Based on Model 2 in Table 19.

	<i>Dependent variable:</i>					
	Amazon sales rank					
	(1)	(2)	(3)	(4)	(5)	(6)
Product market size	0.016 (0.043)	0.091** (0.041)	0.010 (0.043)	0.017 (0.043)	0.091** (0.041)	0.011 (0.043)
Product portfolio size	0.016*** (0.001)	0.015*** (0.001)	0.016*** (0.001)	0.016*** (0.001)	0.015*** (0.001)	0.016*** (0.001)
Product price	-0.227*** (0.030)	-0.221*** (0.030)	-0.227*** (0.030)	-0.229*** (0.030)	-0.222*** (0.030)	-0.229*** (0.030)
Product competition	0.001*** (0.0003)	0.001*** (0.0003)	0.001*** (0.0003)	0.001*** (0.0003)	0.001*** (0.0003)	0.001*** (0.0003)
New venture competition	-0.002 (0.002)	-0.004** (0.002)	-0.002 (0.002)	-0.002 (0.002)	-0.004** (0.002)	-0.002 (0.002)
Consumer review rating	0.241*** (0.037)	0.242*** (0.038)	0.241*** (0.037)	0.242*** (0.038)	0.242*** (0.038)	0.242*** (0.038)
Consumer review valence	0.087** (0.037)	0.094** (0.037)	0.086** (0.037)	0.087** (0.037)	0.094** (0.037)	0.087** (0.037)
Distinctiveness heterogeneity	-0.171*** (0.040)	-0.165*** (0.040)	-0.174*** (0.040)	-0.172*** (0.040)	-0.165*** (0.040)	-0.175*** (0.040)
No. of international markets explored	-0.085*** (0.016)	-0.078*** (0.016)	-0.085*** (0.016)	-0.085*** (0.016)	-0.078*** (0.016)	-0.085*** (0.016)
Distinctiveness	774.937*** (189.011)	369.499** (182.974)	822.005*** (209.641)	777.556*** (189.247)	368.955** (182.978)	826.565*** (210.077)
Status	115.856*** (21.932)	-0.177*** (0.020)	110.187*** (25.056)	116.144*** (21.952)	-0.177*** (0.020)	110.200*** (25.086)
Reputation	0.411*** (0.027)	73.250*** (20.760)	12.502 (23.909)	0.408*** (0.027)	73.197*** (20.756)	13.024 (24.009)
Distinctiveness sqrd.	-415.946*** (99.466)	-199.527** (96.345)	-441.810*** (110.361)	-417.326*** (99.592)	-199.227** (96.348)	-444.234*** (110.594)
Distinctiveness x status	-249.850*** (46.152)		-237.208*** (52.698)	-250.458*** (46.194)		-237.221*** (52.763)
Distinctiveness sqrd. x status	134.341*** (24.271)		127.321*** (27.699)	134.663*** (24.293)		127.322*** (27.735)
Distinctiveness x reputation		-157.784*** (43.826)	-26.825 (50.473)		-157.666*** (43.818)	-27.958 (50.688)
Distinctiveness sqrd. x reputation		85.329*** (23.122)	14.830 (26.630)		85.265*** (23.117)	15.441 (26.745)
Constant	-369.728*** (89.749)	-180.635** (86.831)	-391.023*** (99.510)	-370.964*** (89.860)	-180.385** (86.833)	-393.157*** (99.714)
Product random effect	Yes	Yes	Yes	No	No	No
Sales week random effect	Yes	Yes	Yes	No	No	No
Product fixed effect	No	No	No	Yes	Yes	Yes
Sales week fixed effect	No	No	No	Yes	Yes	Yes

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 19: Results of nested (new venture) random (Model 1, 2, 3) and nested (new venture) fixed (Model 4, 5, 6) effects regressions of study three.

6.5 Discussion and implications

The overarching goal of this study was to ask whether accumulating status and accumulating reputation interact with new ventures' optimal distinctiveness. More specifically, we examined whether and how the effectiveness of new ventures' conformity and differentiation claims differ for new ventures as their status and reputation increases during entrepreneurial growth. These insights are of the utmost interest to new ventures that intend to grow, particularly by strengthening their market position to increase their market share.

Our first contribution relates to the literature on optimal distinctiveness. We contribute to the understanding of how the effect of optimal distinctiveness on performance is contextualized (Haans, 2019), especially during entrepreneurial growth (Zhao et al., 2017). We show that audiences' evaluation of conformity and differentiation claims are dependent on other observable organizational traits that evolve over time, such as status and reputation (George et al., 2016). Both organizational status and reputation serve as amplifiers of distinctiveness, exacerbating the "stuck in the middle" problem (Cennamo and Santalo, 2013) of moderate levels of distinctiveness. This adds to our understanding of the two countervailing forces of optimal distinctiveness, i.e., loss of legitimacy and avoidance of competitive pressure (Haans, 2019; Zhao et al., 2017). It demonstrates that, when other organizational traits have not yet fully evolved, distinctiveness can indeed act as the sole relevant source of legitimacy that results in a positive linear relationship between distinctiveness and performance (Taeuscher et al., 2020). However, this changes when new ventures grow into more mature market players and evolve other organizational traits (George et al., 2016; Zhao et al., 2017). Then, the trade-off between conformity and differentiation starts to unfold and the curvilinear relationship between distinctiveness and performance emerges (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017). This is our core contribution.

Our second contribution also relates to the literature on optimal distinctiveness. We extend this stream of research from evaluations of distinctiveness by investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014) to consumer audiences

during the commercialization and subsequent growth stage (Fisher et al., 2016; Zhao et al., 2017). We focus on two influential organizational traits that are observable and valued by consumer audiences, i.e., status and reputation (George et al., 2016). While the majority of research compares new ventures with a simulated industry-average position (Haans, 2019; Tauscher et al., 2020; Zuckerman, 1999), we add an alternative and more feasible way to determine which types of organizations (ones of high/low status/reputation) new ventures can compare themselves to during their optimal distinctiveness efforts. By doing so, this study introduces entrepreneurial growth as an internal context that is able to go beyond the simplistic perspective of the two countervailing forces—loss of legitimacy and avoidance of competitive pressure (Haans, 2019)—that are able to shape optimal distinctiveness (Zhao et al., 2017). This extends existing research that investigates the influence of different external market contexts on optimal distinctiveness (Durand and Paoletta, 2013; Glynn and Navis, 2013; Tauscher et al., 2020; Vossen and Ihl, 2020) to include organization-internal contexts.

Our third contribution is made to the literature on social evaluation. Although the majority of research across multiple disciplines demonstrates the positive influence of high or good reputation on actors and organizations alike (Ertug et al., 2016; George et al., 2016), cases where reputation can be a burden have also been identified (Rhee and Haunschild, 2006; Wade et al., 2006; Zavyalova et al., 2016). Although high reputation does not act as a burden in our setting, it is not sufficient to prevent the loss of legitimacy that new ventures with low to moderate distinctiveness experience. While recent research shows that, during the conception stage, the relationship between distinctiveness and performance can be positive (Tauscher et al., 2020), we show that even high reputation is not able to continue this positive relationship during the stage of entrepreneurial growth.

A possible explanation for why even high reputation is not able to prevent a loss of legitimacy during optimal distinctiveness efforts would be related to audience complications in sense- and decision-making (Navis and Glynn, 2011). Our results emphasize that, when

audiences shift the symbolic mechanism used to evaluate a new venture's legitimacy from the sole product to multiple organizational traits, this complicates their sense- and decision-making to such an extent that it results in devaluation (Navis and Glynn, 2011). As we show that small accumulations in status do not interfere with distinctiveness but small accumulations in reputation do, this emphasizes that consumer audience sense- and decision-making is related more to conformity than to differentiation claims (Durand and Paoella, 2013; Navis and Glynn, 2011). Additionally, we add to this stream of research a situation in which low status is more beneficial than high status (George et al., 2016). Consumer audiences evaluating new ventures with low to moderate distinctiveness prefer new ventures of low status. A possible explanation could be that audiences expect new ventures with almost no operating history (Stinchcombe, 1965) to automatically be of low status (Bitektine, 2011). Everything that matches audiences' expectations eases their sense- and decision-making (Navis and Glynn, 2011).

Our fourth contribution, too, relates to the literature on social valuation. Research on social valuation has firmly established the significant influence of organizational traits on audiences' evaluation and perceptions (George et al., 2016). Yet audiences also perceive and evaluate a new venture's organizational strategy, e.g., its optimal distinctiveness (Zhao et al., 2017). With this study, we show how and to what extent such an organizational strategy influences organizational traits, i.e., status and reputation. This adds to our understanding of how consumer audiences evaluate new ventures, taking their organizational strategy and their organizational traits into account.

From a managerial perspective, we provide useful information for new ventures and entrepreneurs who operate as online vendors and intend to grow, particularly by strengthening their market position and increasing their market share. We propose that entrepreneurs and managers should strongly consider their optimal distinctiveness approach and include other important organizational traits that evolve over time. The accumulation of both status and reputation has a strong effect. While new ventures with low to moderate distinctiveness that

have not yet accumulated status outperform those of high status, this changes for high levels of distinctiveness. Thus, high status is a double-edged sword for new ventures, as they are initially penalized and experience a decrease in performance, until they reach high levels of distinctiveness, after which their performance increases. Regarding reputation, our results show that, in all cases, new ventures that have managed to accumulate high reputation outperform those with low reputation, regardless of their distinctiveness.

Consequently, new ventures that can make some of their limited resources (Eisenhardt and Schoonhoven, 1990; King et al., 2008) available for the improvement of only one of the two organizational traits are advised to work on their reputation rather than on their status. New ventures that have resources available to work on improving both are advised to strengthen either their conformity or their differentiation claims to avoid being “stuck in the middle” (Cennamo and Santalo, 2013). This seems particularly promising for strong differentiation claims and a resulting high level of distinctiveness. Thus, as soon as you are known for something, e.g., status and/or reputation, you should be known to be different.

6.6 Limitations, future research, and conclusion

Our study is not without limitations. Several arise from the selection of our variables and our empirical setting. Using a product’s sales rank as dependent variable may facilitate performance across very heterogeneous product markets, yet it still remains a well-established but also rather peculiar measurement (Chevalier and Mayzlin, 2006; Smith and Telang, 2009). However, given the fact that “rank” variables are quite common and the longitudinal character of our study, this bears the limitation that it may also be partially driven by market dynamics, as a product’s own rank can rise due to a decrease in the performance of competitors. Future studies could investigate a similar online consumer goods context and use other performance measurements, e.g., revenue information obtained through surveys or annual reports.

Our measure of status also follows a focus on the prominence or tenure of a product

(Khaire, 2010; Young et al., 2010), more precisely its ability to survive in its product markets for an extended period of time. There are other established measurements of status, e.g., focusing on the prominence of a new venture in the media or the times it was awarded a prestigious prize (George et al., 2016). However, we believe that some measurements of status such as media coverage of a new venture would not be suitable in our setting due to the panel structure of our data. A new venture may have five news articles in one year for five different points in time, which we consider to be a high number for new ventures selling products online in the Amazon webstore. The resulting variable that would account for media coverage would be “one” only five times and “zero” during the rest of the 211 weeks in our sample. Hence, it would be in most cases be “zero,” and no insights could be drawn from data with such little variance. However, we advise future studies to investigate the influence of status on optimal distinctiveness by measuring status in a different way.

Our measure of distinctiveness also follows a narrow focus on product markets (Barlow et al., 2019). There are many situations in which such information is blurry and not easily recognizable by audiences. More research in such settings is needed to determine the extent to which this influences our results and their generalizability. More work is needed to address this issue and to test whether, based on the results, generalizations can be made to different dimensions of distinctiveness.

The data collection from Amazon Launchpad may also imply a sample selection bias, as only new ventures that fulfill Amazon’s requirements are included. Future research is needed that is capable of controlling for such an effect. Another limitation is that we exclusively analyzed new ventures’ competition among themselves and not against established organizations in the corresponding product market. By doing so, our study sheds light on the special competition between new ventures and provides insights on how they can improve their performance compared to competing new ventures. Yet we emphasize the need for a detailed comparison of new ventures against incumbents, e.g., new ventures from Amazon Launchpad against the bestsellers on Amazon.

Moreover, we focus on consumer goods sold online and not on digital products or services. Further research is needed to check whether our results also hold true in a business-to-business context to test whether differences exist between ordinary and business customers in the way they perceive new ventures' conformity and differentiation claims during growth and beyond.

With this study, we account for two important organizational traits, i.e., status and reputation, that are able to shape a new venture's optimal distinctiveness efforts. By doing so, we aim to quantify the two effects of optimal distinctiveness, i.e., loss of legitimacy and avoidance of competitive pressure, usually unobserved by the researcher (Haans, 2019), to make them observable. It would be valuable to account for other context factors that influence the relative strength of loss of legitimacy and avoidance of competitive pressure to help quantify the effect of the two. This study extends the literature from the evaluation of distinctiveness by investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014) to consumer audiences during the commercialization and growth stage (Fisher et al., 2016; Zhao et al., 2017). While consumers are a very important audience group during growth, new ventures encounter several types of audiences at the same time, not just one in isolation (Fisher et al., 2016; Zhao et al., 2017). Therefore, we recommend that future studies account for within- and between-audience heterogeneity and focus on heterogeneous audiences across international markets, or that they focus on consumer and investor audiences simultaneously (Ertug et al., 2016; George et al., 2016; Kim and Jensen, 2014).

7 Discussion and implications

7.1 General discussion of the results

The goal of this thesis was to investigate how optimal distinctiveness is influenced by different types of growth. Three studies were used, with the results showing that the effect between distinctiveness and performance is shaped by a new venture's strategic product market scope when it decides to grow into additional product markets, the cultural and institutional context of international target markets when it decides to grow internationally, and the accumulation of organizational traits, i.e., status and reputation.

The first research question asked how the effect of optimal distinctiveness is influenced by decisions on product market scope—more precisely, how optimal distinctiveness affects new ventures' success through decisions on product market scope and how a new venture's orchestration efforts influence optimal distinctiveness. In general, there is a U-shaped relationship between product market portfolio distinctiveness and performance (Cennamo and Santalo, 2013; Haans, 2019). An explanation for the strong influence of highly distinct product market portfolios is that they often operate in small, distinct product markets that are hard to reach and too small for larger organizations to enter, making them profitable for new ventures (Chandy and Tellis, 1998; Christensen and Bower, 1996; Debruyne and Reibstein, 2005).

However, it was shown that the effect of distinctiveness as a corporate strategy, i.e., the distinctiveness of the portfolio of product markets bundled by the new venture, is contextualized by the individual product markets' own distinctiveness appeal (Haans, 2019; Zhao et al., 2017). The results show that distinctiveness as a corporate strategy only improves the performance of products that are also offered in distinct and niche product markets. Contrary to expectations (Zhao et al., 2017), high product market portfolio distinctiveness does not allow for differentiation in non-distinct and more legitimate product markets. Products in such product markets do not benefit from the corporate strategy's differentiation and even

suffer a tremendous legitimacy loss, resulting in poor performance. The differentiation potential unfolds and product performance receives a strong boost only when product market portfolio distinctiveness is used in distinct product markets. An explanation for this might lie in the fact that the thesis sample focuses on new ventures and their appeal to consumer audiences that may have different expectations (Taeuscher et al., 2020) or preferences than, for example, investor audiences (Fisher et al., 2017; Pontikes, 2012).

To investigate another aspect of growth, the second research question asked how the effect of optimal distinctiveness is influenced by internationalization decisions. It was shown that, in order to maximize the effect of distinctiveness in international markets, new ventures need to balance the liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997), which reduces their conformity, with international differentiation (Aulakh et al., 2000; Porter, 1980), which fosters their differentiation. In international markets, new ventures with low to moderate distinctiveness are able to generate competitive advantages, as small deviations from conformity are valued by international consumers—however, only up to a certain level of distinctiveness, above which the liability of foreignness starts to unfold (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). This adds to the understanding that the advantages of differentiation in domestic markets are considerably lower in an international context.

However, this balance is contingent on the cultural and institutional distance to the explored international market. New ventures with either very low or very high distinctiveness are advised to expand into international markets that are either culturally distant and have strongly different perceptions of value, or into international markets that are institutionally close and have very similar perceptions of norms and rules. For new ventures with a moderate distinctiveness, the results are exactly the opposite. An explanation for the opposite influence of cultural values and cultural norms on optimal distinctiveness might be that conformity claims are related more to cultural values than to cultural norms. Although cultural values are located within the individual self, while cultural norms capture structural aspects of the

situation in which cultural interactions occur (Leung and Morris, 2015; Shin et al., 2017), one could argue that norms are the driving force influencing conformity claims during optimal distinctiveness; however, the results speak against this.

While the first two questions included growth through the exploration of new product markets or new international markets, new ventures also grow into more mature market actors over time and develop organizational traits that they can work on to strengthen their market position. Therefore, the third research question investigated how optimal distinctiveness is influenced when new ventures grow and accumulate additional organizational traits over time, i.e., status and reputation. For new ventures with average status and average reputation, a U-shaped effect of distinctiveness on performance emerges (Cennamo and Santalo, 2013; Haans, 2019), yet it changes significantly for high and low status and for high and low reputation. Both organizational status and reputation serve as amplifiers of distinctiveness, rendering the “stuck in the middle” problem (Cennamo and Santalo, 2013; Haans, 2019) of moderate levels of distinctiveness stronger. This adds to theory as it shows that, when other organizational traits have not yet fully evolved, distinctiveness can indeed act as the sole relevant source of legitimacy that results in a positive linear relationship between distinctiveness and performance (Taeuscher et al., 2020). However, this changes when new ventures grow into more mature market players and evolve other organizational traits (George et al., 2016; Zhao et al., 2017). Then, the trade-off between conformity and differentiation starts to unfold and the curvilinear relationship between distinctiveness and performance emerges (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017).

Taking a global perspective of this thesis, the results provide interesting insights. The findings relating to growth through decisions on product market scope in particular have important implications for growth through internationalization. It was shown that consumer audiences across diverse product markets exhibit different, even contradictory preferences (Pontikes, 2012), and that some audiences across product markets have conformity expectations, while others have distinctiveness expectations (Taeuscher et al., 2020). Growth

through internationalization erases a new venture's conformity due to the liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997), instead of providing advantages related to differentiation claims (Aulakh et al., 2000; Porter, 1980). It could be that the challenges new ventures meet during internationalization might also be influenced by their decisions on product market scope. By only targeting those product markets that possess clear norms to follow (Navis and Glynn, 2010), new ventures might be better perceived as conforming and mitigate the liability of foreignness they face during internationalization. However, targeting only conforming product markets might go against consumer audiences' expectations about new ventures, and it was recently shown that only fulfilling audience expectations improves performance (Taeuscher et al., 2020). Additionally, targeting conforming product markets would interfere with highly distinct new ventures. This would be a mix in corporate- and business-level strategy, and it was demonstrated that such a mix bears certain risks.

However, it remains unclear whether audiences only dislike such a mix in corporate- and business-level distinctiveness when they evaluate product markets of new ventures, or if they do so equally when evaluating a new venture that is exploring international markets. Consumers might deem some markets as highly conforming and legitimate and others as highly distinct, and may therefore require new ventures to only target either one or the other. It may also be that the explored international markets have to match the new venture's corporate- and business-level strategy. Maybe cultural values and cultural norms are useful in helping new ventures decide which markets are perceived as conforming or distinct.

The findings relating to growth through accumulation of additional organizational traits have important implications for growth through both product market scope decisions and internationalization. The results highlight the important role of status and reputation on the curvilinear effect of optimal distinctiveness. It might be that, when making decisions on product market scope and during internationalization, other organizational traits evolve that also significantly influence the shape and magnitude of the curvilinear effect of distinc-

tiveness. Due to the strong influence of reputation on optimal distinctiveness, it could also be that it significantly influences growth by way of decisions on product market scope. Although it was shown that not much can be achieved by mixing corporate- and business-level distinctiveness, reputation may be an organizational trait that enables even such a mix of strategies to be beneficial, as it can act as a source of legitimacy (Cattani et al., 2014; Shymko and Roulet, 2017). Additionally, it was demonstrated that status is particularly helpful for highly distinct ventures. Growth through decisions on product market scope emphasizes the burdens of compensatory orchestration, i.e., describing new ventures that try to differentiate a conforming corporate strategy with the help of distinct product markets on the business level (Zhao et al., 2017). Similar to distinctiveness, status is seen as something rare that only a few manage to have (George et al., 2016) and might enable new ventures to be successful with such a mix of strategies.

While the results of growth through internationalization show that optimal distinctiveness can be valued differently across diverse international markets, it could be that accumulated status and accumulated reputation are valued differently in an international context. It was shown that international audiences have very different tolerance for deviant behavior (Gelfand et al., 2011; Shin et al., 2017), and it is possible that they also evaluate status and reputation differently. Similarly, it could be that the evaluation of distinctiveness in itself differs across international audiences when other categorization tools are considered than merely a new venture's product markets (de Vaan et al., 2015; Venkatraman and Lee, 2004). In particular, international audiences that were not part of this thesis might use narratives (Vossen and Ihl, 2020) instead of product markets as a categorization tool, as they are known to ease their sense- and decision-making (Lounsbury and Glynn, 2001; Navis and Glynn, 2011; van Werven et al., 2015; Zhao et al., 2013). It would be valuable to know the dimensions on which international audiences evaluate a new venture's distinctiveness, as there are many situations in which information on product markets is blurry and not easily recognizable for audiences.

7.2 Theoretical implications

This thesis introduces entrepreneurial growth, which is able to account for contextual factors (Haans, 2019) that shape the relationship between distinctiveness and performance (Zhao et al., 2017), and makes important contributions to the literature on optimal distinctiveness, entrepreneurial growth, and consumer audiences.

This thesis contributes to the research on optimal distinctiveness by generating insights into a new venture's orchestration efforts during optimal distinctiveness (Zhao et al., 2017). It shows that not much can be achieved by mixing corporate- and business-level distinctiveness, as differentiating a conforming corporate strategy through integrative orchestration yields only marginally better results than a mainstream product market scope, while trying to legitimize a distinct corporate strategy by means of compensatory orchestration actually harms product performance. Even when new ventures have obtained "optimal" distinctiveness on a corporate level, it may not help them equally in all product markets and may even be harmful. Thus, a multi-level perspective on optimal distinctiveness was introduced (Zhao et al., 2017), showing how corporate- and business-level strategy jointly shape and contextualize new ventures' efforts to conform and differentiate. It was shown that it is not sufficient to evaluate the distinctiveness of a new venture's product market portfolio in isolation, while neglecting other contextual factors such as volatile product markets with a changing competitive context (Zhao et al., 2017). Consumer audiences do not base their conformity and differentiation evaluation solely on either the corporate or the business strategy level; they take the two into account simultaneously. This extends research from the isolated view of distinctiveness as a case of either corporate strategy (Haans, 2019) or business strategy (Zhao et al., 2018), towards a perspective that orchestrates both (Zhao et al., 2017).

Considering the international context during optimal distinctiveness, this thesis contributes the finding that conformity claims are amplified by the negative liability of foreignness (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997), and that differentiation claims are fostered by positive international differentiation (Aulakh et al., 2000; Porter,

1980). By doing so, this thesis expands the focus of optimal distinctiveness in domestic markets (Navis and Glynn, 2011; Zhao et al., 2017) towards international markets. As the two main effects of distinctiveness are usually unobserved by the researcher (Haans, 2019), the consideration of the international context helps to quantify them and make them observable. The results suggest that, in international markets, new ventures with low to moderate levels of distinctiveness are able to generate competitive advantages, as small deviations from conformity are valued by international consumers, yet only up to a certain level of distinctiveness, after which the liability of foreignness starts to unfold (Hymer, 1976; Zaheer, 1995; Zaheer and Mosakowski, 1997). This adds to the understanding that the advantages of differentiation in domestic markets are considerably lower in an international context.

An important contribution related to the international context is that the relationship between distinctiveness and performance is further contingent on the cultural and institutional distance between an organization's domestic market and the international market it explores (Hofstede, 1980; Kim and Jensen, 2014; Kogut and Singh, 1988; Kostova and Zaheer, 1999; Kostova et al., 2008; Shin et al., 2017; Xu and Shenkar, 2002). It was shown that new ventures with low or high distinctiveness are advised to expand into international markets that are either culturally distant or institutionally close. For new ventures with moderate levels of distinctiveness, the results are exactly the opposite. This adds to the understanding that conformity claims are related more to cultural values than to cultural norms. Although norms capture structural aspects of an international market (Leung and Morris, 2015; Shin et al., 2017), consumer audiences have a more subjectivist perspective on what is deemed conforming and legitimate (Shin et al., 2017).

By paying attention to growth from the perspective of organizational traits that evolve over time, this thesis contributes to the understanding of how the effect of optimal distinctiveness on performance is contextualized (Haans, 2019). It shows that audiences' evaluation of conformity and differentiation claims is dependent on other organizational traits such as status and reputation (George et al., 2016). Both organizational status and reputation serve

as amplifiers of distinctiveness, intensifying the “stuck in the middle” problem (Cennamo and Santalo, 2013; Haans, 2019) of moderate levels of distinctiveness. This extends this stream of research from the evaluation of distinctiveness by investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014) to consumer audiences during the commercialization and growth stage (Fisher et al., 2016; Zhao et al., 2017). During this stage, distinctiveness no longer acts as the sole relevant source of legitimacy (Taeuscher et al., 2020); instead, audiences’ evaluation of conformity and differentiation claims are dependent on other organizational traits that evolve over time (Zhao et al., 2017). When such organizational traits evolve, the curvilinear effect of distinctiveness starts to unfold (Deephouse, 1999; Navis and Glynn, 2011; Zhao et al., 2017).

This thesis also makes important contributions to the theory of entrepreneurial growth. It contributes to the theory of institutional pluralism by showing that new ventures have to deal with heterogeneous audiences within the same life cycle stage and not only between different life cycle stages (Fisher et al., 2016; Kazanjian, 1988; Zhao et al., 2017). In line with Kim and Jensen (2014), it shows that the same type of audience evaluates legitimacy in different ways, and extends this view by focusing on how the same type of audience perceives optimal distinctiveness differently. This shifts the focus from single products, e.g., movies (Kim and Jensen, 2014), towards a broader corporate perspective, i.e., the product market portfolio of a new venture (Fernhaber and Patel, 2012). Additionally, this thesis shifts the focus of institutional pluralism from the effect of distinctiveness on investor audiences during the conception and commercialization stage (Fisher et al., 2016; Taeuscher et al., 2020; Wry et al., 2014) towards consumer audiences (Fisher et al., 2017; Zhao et al., 2018). With the focus on different consumer audiences across diverse product markets and diverse international markets, this thesis adds knowledge to the understanding of how a very heterogeneous audience group evaluates a new venture’s optimal distinctiveness efforts (Zhao et al., 2017).

Regarding new venture legitimacy during entrepreneurial growth, this thesis shows that

appearing legitimate is not measured by one single threshold (Fisher et al., 2016; Zimmerman and Zeitz, 2002). Rather, new ventures have to convince audiences by crossing multiple legitimacy thresholds, depending on their life cycle and the targeted audience (Fisher et al., 2016, 2017). If new ventures are evaluated as legitimate by investor audiences during the conception stage (Taeuscher et al., 2020; Wry et al., 2014), this does not mean that they will retain this legitimacy when they address other audiences in later life cycle stages (Fisher et al., 2016, 2017; Kazanjian, 1988). This signifies that the appearance of legitimacy in particular is a resource a new venture needs to hold throughout its whole life cycle.

This thesis also makes important contributions to the research on consumer audiences. Although the majority of research across multiple disciplines demonstrates the positive influence of high reputation on actors and organizations alike (Ertug et al., 2016; George et al., 2016), high reputation is not sufficient to prevent the loss of legitimacy that new ventures with low to moderate distinctiveness experience. While recent research shows that, during the conception stage, the relationship between distinctiveness and performance can be positive (Taeuscher et al., 2020), this thesis demonstrate that even high reputation is not able to continue this positive relationship during the stage of entrepreneurial growth. A possible explanation for why even high reputation is not able to prevent a loss of legitimacy during optimal distinctiveness efforts would be related to audience complications in sense- and decision-making (Navis and Glynn, 2011). The results emphasize that, when audiences shift the symbolic mechanism used to evaluate a new venture's legitimacy from the sole product to multiple organizational traits, this complicates their sense- and decision-making to such an extent that it results in devaluation (Navis and Glynn, 2011). As it is shown that small accumulations in status do not interfere with distinctiveness but small accumulations in reputation do, this emphasizes that consumer audience sense- and decision-making is related more to conformity than to differentiation claims (Durand and Paoletta, 2013; Navis and Glynn, 2011).

7.3 Managerial implications

In terms of managerial implications, this thesis provides useful information for new ventures that operate as online vendors and aim at introducing novel distinctive products that deviate from those of incumbents (Greve, 2000). In terms of their optimal distinctiveness, this thesis provides a deeper understanding of how the trade-off between losing legitimacy and avoiding competitive pressure is influenced by many contextual factors that new ventures face when addressing consumer audiences during entrepreneurial growth (Zhao et al., 2017).

Growth is an important life cycle stage, and one that almost half of all new ventures fail at (European Statistical Office, 2020; U.S. Statistics Bureau of Labor, 2019). While it may be tempting to move from a niche product market into a more mainstream one, the results suggest that this strategy is not advisable for new ventures in online consumer good markets (Zhao et al., 2017). Not much can be achieved by mixing corporate- and business-level distinctiveness. Differentiating a conforming corporate strategy through integrative orchestration yields only marginally better results than a mainstream product market scope, while trying to legitimize a distinct corporate strategy through compensatory orchestration actually harms product performance. If new ventures intend to maintain their distinctiveness appeal during growth, they are advised to grow into distinct product markets and to sharpen their profile as a successful niche actor rather than to attempt to enter mainstream product markets. Managers and entrepreneurs need to consider that their strategy of attaining optimal distinctiveness that was developed to acquire funding or to enter into their first product market may be significantly changed by the growth decision on which further product markets to include in their portfolio.

For entrepreneurs that aim to grow into international markets, this thesis provides clear guidelines that will help them decide on the markets in which to internationalize. It demonstrates that new ventures should strongly consider their distinctiveness and the cultural and institutional distance of the target market for international growth. New ventures with either very low or very high distinctiveness are advised to expand into international markets

that are either culturally distant and have strongly different perceptions of value, or into international markets that are institutionally close and have very similar perceptions of norms and rules. New ventures with moderate levels of distinctiveness, in contrast, are advised to expand into international markets that are either culturally close or institutionally distant. In those markets, their strategy of finding an average balance of conformity and differentiation yield the best results. In terms of their optimal distinctiveness, this thesis provides a deeper understanding of how the trade-off between losing legitimacy and avoiding competitive pressure is influenced by the international context. This will help future new ventures to identify the strategic balance point where the benefits of avoiding competition are offset by the costs of losing legitimacy.

This thesis also advises entrepreneurs and managers to consider their optimal distinctiveness approach including other important organizational traits that evolve over time, e.g., status and reputation. The accumulation of both status and reputation has a strong effect. While new ventures with low to moderate distinctiveness that have not yet accumulated status outperform those of high status, this changes for high levels of distinctiveness. Thus, high status is a double-edged sword for new ventures, as they are initially penalized and experience a decrease in performance, until they reach high levels of distinctiveness, after which their performance increases. Regarding reputation, the results show that, in all cases, new ventures that have managed to accumulate high reputation outperform those with low reputation, regardless of their distinctiveness. Consequently, new ventures that can make some of their limited resources (Eisenhardt and Schoonhoven, 1990; King et al., 2008) available for the improvement of only one of the two organizational traits are advised to work on their reputation rather than on their status. New ventures that have resources available to work on improving both are advised to strengthen either their conformity or their differentiation claims to avoid being “stuck in the middle” (Cennamo and Santalo, 2013). This seems particularly promising for strong differentiation claims and a resulting high level of distinctiveness.

7.4 Limitations, future research, and conclusion

Limitations arise due to the thesis sample and the conceptual assumptions made for evaluation. Those limitations offer many opportunities for future research.

Regarding the sample, a very important limitation is that all three studies used Amazon's sales rank as a measure of new venture performance. It shows a product's sales rank within its category and as such does not represent the sales performance of a new venture in absolute terms. Moreover, it may be partially driven by market dynamics, as an organization's own rank can rise due to a decrease in competitors' performance. However, sales rank or rank is a well-established variable for measuring performance (Chevalier and Mayzlin, 2006; Smith and Telang, 2009), particularly when investigating consumer audiences (Pontikes, 2012). Studies one and three (see chapters four and six) use the review data within a market category as a sign of its consumer size, to be able to better compare sales ranks across categories. However, future studies should investigate optimal distinctiveness during entrepreneurial growth by using other measures of performance.

With all three studies, this thesis focuses exclusively on new ventures among themselves and could be biased in that way. Although it includes the bestselling products in the measurement of product market distinctiveness in some of the studies (see chapter four of study one) to account for this selection bias, future studies should do that to a greater extent and include products from investor platforms such as Kickstarter or Indiegogo or other bestselling products from the Amazon marketplace. This would also help to account for a possible sample selection bias due to the fact that only data from Amazon Launchpad was used. Similarly, only the audience type of consumers is investigated. Consumers remain a very important type of audience during growth; however, future studies are encouraged to investigate different types of audiences. This would help to test whether the results focused on consumer goods markets are generalizable to business or service markets. More work is needed to test whether, based on the results, generalizations can be made to different types of audiences, new ventures, and different types of products and/or services.

A final limitation related to the sample is that the data used was not self-collected but provided by the commercial tracking page [keepa.com](https://www.keeapa.com). It could be that the data was collected incorrectly or that [keepa.com](https://www.keeapa.com) could miss a significant number of products sold on Amazon Launchpad. While [keepa.com](https://www.keeapa.com) does not track all products on the entire Amazon marketplace, as of 2020 [keepa.com](https://www.keeapa.com) tracks around one billion products in multiple markets and is one of the leading Amazon price tracking pages. However, future studies are encouraged to use additional price tracking pages to further increase the reliability of the data.

With regard to the conceptual assumptions, a limitation is that all studies measure distinctiveness by looking at the targeted product markets (Barlow et al., 2019). However, there are situations where such information is blurry and not easily recognizable to audiences. More research is needed in such settings to determine the extent to which this influences the results and their generalizability. Future research could also examine other dimensions of distinctiveness, such as conforming or differentiating to categorical exemplars or prototypes (Barlow et al., 2019), or could analyze strategic decisions new ventures need to make when entering existing category schemes. Similarly, this thesis ties status to the perspective of a product's age and prominence (Khaire, 2010; Young et al., 2010), or more precisely, its ability to survive in its product markets for a long time. Future studies should investigate optimal distinctiveness and status using a different empirical setting, to be able to include other established measures of status that fit the empirical setting (George et al., 2016).

In conclusion, this thesis hopes to have added knowledge that will help to better understand the key question of strategic management and theory on optimal distinctiveness, i.e., “what is the value of being different, or what is the value of being the same” (Deephouse, 1999 p.147). It can be said that, considering the life cycle stage of growth, this depends on a new venture's strategic product market scope when deciding to grow into additional product markets, the cultural and institutional context of international target markets when deciding to grow internationally, and the role of additional organizational traits that evolve and are accumulated over time, i.e., status and reputation.

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