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Working Paper 16-095

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Becoming a Cognitive Referent: Market Creation and Cultural Strategy[1]

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February 22, 2016

ABSTRACT

Research has examined firms' use of rhetoric and symbolic activities in the process of creating new markets. This study analyzes how entrepreneurial firms use these cultural strategies to position themselves in a nascent market category they are creating. Using an inductive multiple case study of five entrepreneurial firms in an emergent online investing market, we construct a theory to explain how a firm becomes a cognitive referent in a nascent market and other firms' failure to do so. Successful firms conceptualize market creation as problem solving; they pursue a sequence that begins with targeted rhetorical attacks on existing solutions, proceeds to dissemination of founding stories that can shift with a change in logics, and culminates in rejection of the labels that audiences try to apply to their activities and products. By contrast, unsuccessful firms conceptualize market creation as evangelizing for a new cultural model, and undermine their own positions with inappropriate use of symbolic market-creation actions.

[1] We would like to thank the following individuals: Woody Powell, Riitta Katila, Steve Barley, Nelson Phillips, Davide Ravasi, and Paul Tracey as well as seminar participants at Stanford University and Harvard Business School.

Early on May 22, 2012, the Falcon 9, built by the spacecraft manufacturer SpaceX, took off from Cape Canaveral Air Force Station bound for the International Space Station. The rocket's launch was the culmination of a flurry of activity by a handful of pioneering startups to create a new market for commercial spaceflight. With its successful rocket launch, SpaceX pulled ahead of its competitors to establish itself as the company that epitomizes private spaceflight in the shared public consciousness. This scenario is far from idiosyncratic; market pioneers often confront the dual challenges that SpaceX faced: to create a new market that will generate customers for their products *and* to effectively position themselves as the cognitive referent within that market.

Scholars have produced a substantial body of research on both challenges. One perspective focuses on how new markets emerge, treating the process as form of purposeful and directed sector-level change, or institutional entrepreneurship (Battilana, Leca, and Boxenbaum, 2009). This research tracks the activities of pioneering organizations present at the advent of a market category and the strategies they use to try to legitimate it. According to these scholars, the market-formation process resembles a social movement in which "socially skilled" managers collectively mobilize followers, challenge incumbent firms in related markets, and try to free up space and resources for their new products and services (Fligstein 2001; Sine and Lee 2009). Researchers have shown that skilled actors employ *rhetoric* strategically and persuasively to gain influential endorsements (Suddaby and Greenwood 2005), to accumulate resources (DiMaggio 1991; Zott and Huy 2007), and to disseminate the message that existing markets are inadequate and new ones are warranted (Hiatt, Sine, and Tolbert 2009). Such rhetorical strategies are effective because they resonate with and even manipulate broader belief systems to induce others to 'see things their way' (Swidler 1986).

Another perspective on market creation also focuses on the actions of pioneering new firms, but with an emphasis on their efforts to forge an identity and gain attention for their unique product and service offerings (Navis and Glynn, 2011). Building on Lounsbury and Glynn's (2001) concept of cultural entrepreneurship, this work examines symbolic activities that call attention to and legitimate new firms, attract resources, and open up access to new market opportunities (Navis and Glynn, 2011. A key insight is that the emergence of a new market depends on such firms' ability to forge a collective identity, one that defines and distinguishes a new market category from related product and service offerings (Wry, Glynn, and Lounsbury,

2011). Researchers examine outcomes relevant to individual firms (e.g., resource accumulation) and those pertinent to collectives (e.g., indicators that a coherent market identity has been achieved). In the aggregate, this research demonstrates that culturally savvy executives engage in *symbolic actions*, relying on persuasive stories, resonant labels, and helpful analogies to acquire resources for their firms (George and Bock, 2012; Gurses and Ozcan, 2015; Lounsbury and Glynn 2001; Martens, Jennings, and Jennings 2007), to forge a collective identity meaningful to outsiders (Hargadon and Douglas 2001; Navis and Glynn 2010; Howard-Grenville, Metzger, and Meyer, 2013), and to generate interest from customers, investors, and the media (Aldrich and Fiol 1994; Granqvist, Grodal, and Woolley, 2013; Weber, Heinze, and DeSoucey, 2008; Santos and Eisenhardt 2009). These symbolic actions are useful because they enable resource-poor firms to harness prevailing societal themes to gain attention for the new category.

Although such insights on the part of strategy and entrepreneurship scholars are provocative and fruitful, existing theoretical perspectives provide an incomplete portrayal of entrepreneurial firms' goals. Specifically, they emphasize one objective of firms in nascent markets—successful category creation—at the expense of other aims. Though theory and evidence clearly show that entrepreneurial executives pursue market creation, anecdotal accounts like the SpaceX example suggest that most startups also aim to become the *cognitive referent* in a new market that actually reaches fruition.[2] A cognitive referent is a firm (or firms) that customers, partners, analysts, and employees "automatically recognize as epitomizing the nascent market" (Santos and Eisenhardt 2009, p. 649). Well-known examples of cognitive referents are Google in Internet search and Starbucks in gourmet coffee. Should a new market category emerge, all of its constituent firms benefit from increased access to customers, resources, and analyst coverage, but cognitive referents stand to reap the most benefits (Rindova and Fombrun 2001). They enjoy a privileged position that conflates the firm with the market in the minds of relevant audiences. Becoming a cognitive referent is thus likely to be a major strategic objective for entrepreneurial firms in nascent markets.

[2] In managerial applications, *new market* or *new market category creation* can mean that an enterprise is developing new products for new customers. We take an alternate approach and define a new market category conceptually as a novel (i.e., new-to-the world) economic exchange structure among producers and consumers—with a label attached. Our definition is consistent with prior work on the emergence of new markets or categories in modern Indian art (Khaire and Wadhwani, 2010) and satellite radio (Navis and Glynn, 2010); it also provides theoretical leverage for our focus on becoming the cognitive referent in emergent contexts.

Both perspectives on market creation have implications for entrepreneurial firms seeking to become cognitive referents. The institutional-entrepreneurship perspective suggests that executives can use rhetoric strategically to persuade key audiences that a new market is legitimate and that theirs is the defining firm in that market. It is unlikely, however, that the same strategy will be equally effective for achieving both objectives, and success at one may even undermine the other. Meanwhile, rivals with access to the same rhetorical devices are also striving to become the firm that defines the nascent market. As Rao, Morrill, and Zald (2000) have pointed out, the emergence of a new market can be contentious: "rival institutional entrepreneurs" compete with one another and vie for a privileged position (p. 270). By contrast, a cultural-entrepreneurship perspective is apt to urge entrepreneurial executives to engage in symbolic meaning-creating activities rather than competitive rhetoric. For instance, they should be able to use stories, labels, or analogies to help their firms establish an identity (Ashforth, Harrison, and Corley, 2008), attract attention to the new market, and become its cognitive referent. Again, such strategies may be better suited to one goal than another, and entrepreneurs can still falter if they fail to convince customers to buy from them rather than rivals. As Lounsbury and Glynn (2001) have argued, new-market entrepreneurs should aim to be skilled cultural operatives without losing sight of their own distinctive qualities; they must "balance the need for legitimacy by abiding by societal norms about what is appropriate with efforts to create unique identities that may differentiate and lend competitive advantage" (p. 559).

It is noteworthy that the common methodological approach of studies that invoke both perspectives is a retrospective case on a single company. In such cases, researchers typically analyze cases of successful market creation after the outcomes are known. Although useful for pinpointing novelty and adding richness, this approach is subject to retrospective bias, unlikely to generate generalizable theory, and ill-suited to comparing the strategies of competing market pioneers (Battilina, Leca, and Boxenbaum 2009). Explicitly studying the process of becoming a cognitive referent is therefore critical, since studies that focus exclusively on market creation are unlikely to shed light on that process. This study seeks to understand how startups establish a privileged position in a market they are creating, and asks: *How does an entrepreneurial firm become the cognitive referent in a nascent market category?*

Because prior theory in this area is limited, we have relied on an inductive multiple-case research design to study the activities of five entrepreneurial rivals. Using multiple waves of in-

depth interviews and longitudinal archival data, we tracked these firms beginning at their founding and traced the various cultural strategies that entrepreneurial executives used to create a new U.S. online investing market category between 2007 and 2010. Serendipitously, the five firms took very dissimilar approaches to creating the market, and two eventually came to epitomize the new market category. A theoretical framework gradually emerged from the data, and we generated three propositions that identify the sequence of cultural strategies that best positions a firm to become a cognitive referent in a nascent market.

This study contributes to the literature on market creation and to the study of strategy within entrepreneurial firms. To the former literature, we add a theoretical account that examines the complete set of strategies utilized by pioneering firms from the time of market inception. A central insight of the study is not merely that "culture matters" (Weber and Dacin 2011) but also that when and how culture matters depends on the ways in which entrepreneurial executives tap into prevailing societal themes, thus utilizing shared culture as a strategic resource. Indeed, though all market pioneers have access to the same cultural repertoires—that is, though culture is a relatively inexpensive and readily available tool kit for action—the most adept entrepreneurial executives draw on culture not just to create a market category but also to purposefully position their own firms within it.

To the study of strategy within entrepreneurial firms, we introduce a theoretical process framework for understanding how firms engage in effective cultural strategies over time. Some of the startups we studied adhered to strategies that resembled the market-creation activities documented in prior accounts of institutional and cultural entrepreneurship but failed to develop a privileged position in the nascent market, ceding it to others who would become cognitive referents. A related insight is that cultural strategies, if used adroitly, can elevate a firm's position in the new market; but the same strategies, if applied without careful thought have the potential to undermine that position. Overall, this research advances greater rapprochement between research on market creation in organizations and research on the performance of entrepreneurial firms.

THEORETICAL BACKGROUND

Scholars of market creation have generated two explanations on how firms successfully create new markets, and both have implications for how a firm becomes the cognitive referent in a

nascent market. One line of research on institutional entrepreneurship examines the emergence of particular markets and organizational fields and traces the activities of interested actors in creating and shaping those markets (Hardy and Maguire 2008). Conceptually, market creation resembles any other instance of institutional change: it is an inherently collective process in which such actors as professional groups, social-movement organizations, and commercial firms band together to mobilize supporters and seek legitimacy for their novel activities from relevant audiences. For example, DiMaggio's classic historical case study of late-nineteenth-century American art museums traces the rhetoric of professional groups (e.g., curators, museum operators, and historians) and social elites, which effectively emphasized collection and conservation of high art and "reinforced the status claims of elite patrons" (DiMaggio 1991, p. 269). Similarly, Suddaby and Greenwood (2005) examined the contested creation of a new market for multidisciplinary law-and-accounting partnerships; they studied the rhetorical devices used by proponents, such as Big Five accounting firms, their professional association, and a variety of consumer groups, to legitimate the new market, and those adopted by the opposing parties, government regulators and state bar associations. Both studies found that skilled cultural operators were able to manipulate the beliefs of market participants and establish an institutional arrangement that served their own interests. Jointly, the two studies emphasize the importance of rhetoric, particularly rhetoric that attacks related incumbents with adjacent product and service offerings, in successful market creation (Khaire and Wadhwani 2010). Advocates employ rhetorical critiques strategically to resonate with peoples' beliefs and to persuade them that the nascent category is both legitimate and deserving of their support. Similarly, an institutional-entrepreneurship perspective suggests that becoming a cognitive referent is a function of skillful rhetoric to persuade relevant audiences that a particular firm defines the market.

A second line of research on cultural entrepreneurship focuses more narrowly on the symbolic activities of entrepreneurs seeking resources for themselves and attention for the market they are creating. Some pioneering executives tell stories, especially accounts of their founding, to acquire resources (Lounsbury and Glynn 2001; Martens, Jennings, and Jennings 2007; Zott and Huy 2007) and to create an identity that transcends the individual firm (Powell and Baker, 2014) and characterizes the market as a whole (Wry et al. 2011). For example, Navis and Glynn (2010) study the emergence of satellite radio as a new market category between 1990 and 2005. They identify a set of narratives promulgated by Sirius and XM executives that

enabled customers and advertisers to make sense of the new product category and grant it legitimacy. Other pioneering firms adopt clever labels—short words or phrases that describe a market category—to accomplish similar objectives and to attract the attention of customers, investors, and the media (Aldrich and Fiol 1994; Granqvist, Grodal, and Woolley 2013). For example, Santos and Eisenhardt's (2009) study of emergent technology markets identified a set of strategies, including stories and templates (similar to labels) with which executives endeavored to shape the boundaries of their nascent market. Similarly, Weber, Heinze, and DeSoucey (2008) showed that shared labels used by entrepreneurs in the grass-fed-meat-and-dairy industry played an integral role in raising awareness, conveying the sector's importance, and ultimately facilitating market emergence. Collectively, these studies of cultural entrepreneurship underscore the importance of symbolic activities, including stories, labels, and analogies in successful market creation. Resource-constrained entrepreneurs pursue these activities as a way to connect with broader societal themes and to gain attention for their novel activities. According to a cultural-entrepreneurship perspective, becoming a cognitive referent may simply be a matter of skillful enactment of symbolic activities to establish a privileged position in the market.

Although they differ conceptually, both perspectives specify a straightforward path whereby an entrepreneurial firm can become the cognitive referent in a nascent market. But both theories overlook two important factors. First is the presence of competitors—rival startups simultaneously jockeying for ascendency in the nascent category. These competitors have access to the same cultural repertoires and are comparably highly motivated. But with few exceptions (see Rao 1998), empirical research has attended to institutional entrepreneurs themselves but failed to take into account those who oppose them (Battilana, Leca, and Boxenbaum 2009). The second oversight is that the cultural strategies employed by entrepreneurs cut both ways—that is, they can be both beneficial and undermining (Holt and Cameron 2010). For example, Rindova and colleagues (2011) document the evolution of Alessi, an Italian manufacturer of kitchenware and housewares that incorporated novel cultural resources and employed them strategically to change how artistic and commercial audiences perceived the firm's products. Alessi's cultural strategy ultimately led to strategic versatility and commercial success, but early on it was a "dramatic failure that jeopardized the survival of the organization" (Rindova et al. 2011, p. 418).

Both theoretical perspectives also rely heavily on historical case studies of successful market creation written "after the dust has settled" (Powell, Packalen, and Whittington 2010), when market outcomes are readily apparent and the cognitive referent is clearly identifiable. Such explanations of how firms accomplished the task may thus be marred by retrospective bias and may fail to report the contestation that typically characterizes market creation (Suddaby and Greenwood 2005). This study picks up where existing perspectives leave off by proposing an empirically grounded theory of how a firm becomes the cognitive referent in a nascent market category.

METHODS

Because prior theory about becoming a cognitive referent is scant, we conducted a multiple-case inductive study (Eisenhardt and Graebner 2007). Inductive studies are particularly well-suited to process questions, which prior research has not addressed. Multiple-case studies share certain features of single-case designs, including the opportunity for rich description (e.g., Siggelkow 2007), but the potential to compare and confirm insights across cases means that multiple-case studies tend to produce well-developed and generalizable theory (Eisenhardt 1989; Yin 2009). We also collected field data, an activity ideally suited to identifying new theoretical mechanisms, tracing longitudinal processes, and infusing new insights into existing theory (Small 2009; Lamont and White 2009).

The research setting we selected is the U.S. online investing sector, an emergent market at the intersection of the investment and Internet sectors. Inspired by social networks (e.g., Facebook, MySpace) and Web 2.0 technologies, several entrepreneurial teams recognized the opportunity to combine social networking with financial investing to create an online platform for investors. Reflecting on observations that made the timing of the opportunity seem attractive, one founder stated, *"The worlds were converging . . . people were much more willing and open to share stuff publicly online and the individual investor increasingly had access to much the same tools and research as the pros."* The teams intended to create a website that would serve as an online community for investors to come together and share their ideas (e.g., to talk about undervalued stocks or share research on companies). As one analyst put it, *"perhaps there might be an active community of investors willing to share their [investing] approach—and an equally active community willing to follow their advice."* Though the firms began without a fully

formulated plan, each sought to attract many users to their website (a mix of individual investors and those willing to follow their advice), to identify the talented or skilled subset of those investors, and to "monetize" those investors' ideas and investment strategies.

For several reasons, this setting provides a context that is well suited to an inductive study of market creation and cognitive referents. First, this market was consistent with our conceptual definition of a new market category as a recently created economic exchange structure (online platform) connecting producers (individual investors) and consumers (people seeking investment advice)—though the label took time to coalesce. Second, at the time of data collection, the market was just beginning to emerge and could thus be observed from the outset. Multiple firms entered at about the same time, making it possible to study competition. And though all firms would benefit if a new market was created, executives at each company wanted their own firm to define the market.

My investigation encompassed all five early entrants in a new category within the online investing market. Besides having entered the market at roughly the same time (early to mid-2007), the firms in the sample fortuitously shared other characteristics, including similar resource profiles and founding teams with similar professional and academic backgrounds. Pilot interviews with analysts and journalists confirmed that the five firms were similar in many respects and engaged in creating the same market.

The study tracked the actions of these firms, focusing specifically on rhetoric, defined as any language or directed discourse meant to persuade (Suddaby and Greenwood 2005), and on symbolic actions, images, and analogies whose meaning transcends their explicit content (Zott and Huy 2007). Two symbolic strategems were particularly prominent: stories (narratives that entrepreneurs recounted about the founding of their firms) and labels (words or short phrases used to describe the firms); we traced these rhetorical and symbolic devices from the advent of the market until July 2010. Because we selected the market when it was just beginning to emerge, it was impossible to know whether the market would take root or, if so, which firm or firms would become the cognitive referent. This uncertainty became an important component of the research design: past research on market creation has focused almost exclusively on successful cases, which introduces a bias (Battilana et al. 2009). By examining events as they occur, before outcomes are known, we collect data that is not subject to survivor and

retrospective biases. Table 1 is an overview of the firms in our sample. We use pseudonyms for the firms, having promised our informants anonymity.

[INSERT TABLE 1 HERE]

Data Sources

The study draws on several sources of data: (1) multiple waves of semi-structured interviews with firm executives; (2) interviews with industry experts, analysts, and technology and finance journalists; (3) archival materials, such as business and technical publications, Internet resources, company press releases, and internal corporate documents, emails, and company blogs; and (4) research reports by analysts covering the sector. These data sources were useful for constructing a comprehensive account of the firms' activities over time; triangulation among data sources improves accuracy and elicits better inferences.

The interviews were the primary source of data. Between 2009 and 2010, we conducted 78 semi-structured interviews in multiple waves. We interviewed two types of informants who enacted the firms' cultural strategies. The first type, insider informants, consisted of the firms' managers and top executives, who were likely to possess in-depth understanding of their firm's approach to creating a market and to positioning itself within that market. We interviewed the founder/CEO of each of the five firms, their co-founders, and senior managers in marketing, engineering, product development, and sales. The second type, external informants, consisted primarily of advisors (e.g., venture capitalists, angel investors, board members, and company advisors) and market observers (e.g., industry analysts, finance journalists for the *New York Times* and the *Wall Street Journal*, and technology journalists affiliated with specialty Internet news outlets). The latter group represented a relevant audience for firms' rhetorical and symbolic activities.

The interviews focused on firms' cultural strategies. Following Swidler (1986), culture is conceptualized here as a "tool kit" or repertoire of rhetorical and symbolic strategems (stories and labels) (see also Harrison and Corley, 2011). Thus, cultural strategies draw from this repertoire, utilizing culture as a "pragmatic resource" to strategically manipulate others' beliefs and to shape the meanings that external audiences attach to firms' actions (Weber and Dacin 2011, p. 288). The interviews concentrated on firms' cultural activities from founding until July

2010, especially those related to becoming a cognitive referent; they lasted between 45 minutes and two hours, and were recorded and transcribed. Table 2 lists the number of interviews conducted at each firm and the informants' affiliations. The interview guide had three sections. The first section's questions focused on the informant's background and job title and on general information about the firm's strategy, competitors, and position in the market. The second section asked informants to recount key events in the firm's history from founding until the present. The third section consisted of questions about the firm's market-creation activities. This section explored the activities that firms engaged in and the outcomes associated with them. We traced counterfactuals (actions considered but not carried out) and probed executives' intentions. The interview guide for outsider informants was structured similarly, but focused on the entire set of firms and on key events in the market since its inception.

[INSERT TABLE 2 HERE]

I took several steps to ensure that the data was valid and to reduce the potential for informant bias. First, we used both real-time and retrospective data collection; retrospective data allowed for efficient gathering of observations, and real-time data protected against the fundamental attribution error and hindsight bias. We initiated data collection before outcomes were known, and continued to collect data after the final wave of interviews. This approach mitigated retrospective sense-making, or the attribution of known outcomes to prior phenomena (Huber 1985). Second, we structured the interview guide to elicit accurate information. Specifically, we employed nondirective questioning focused on facts and events rather than opinions and speculations (Huber and Powell 1985). The interview questions asked informants to mentally place themselves at a point in the past and to systematically recount their paths forward in time. Informants began by recounting their companies' founding stories; they then described their firms' efforts to create a new market and position themselves within it. The questions elicited both facts (e.g., timeframes, whether and when specific events occurred) and intentions (e.g., the rationales for certain actions and the alternatives considered). Leading questions were avoided (e.g., Do you use rhetoric strategically?), as were questions inviting speculation and likely to generate inaccurate answers (Why were you so successful?). Third, a wide range of insiders and external observers were interviewed. Research has shown that obtaining a variety of

perspectives from multiple informants produces a more comprehensive account of events than does a single type of informant (Kumar et al. 1993). We interviewed informants from multiple functional areas (e.g., marketing, product development, and engineering) and levels (CEO, VP, Director); we also interviewed investors (e.g., angels, venture capitalists), advisors (e.g., board members and strategic advisors), and industry experts, including analysts and journalists. Interviewees were promised anonymity to encourage frankness.

I also collected archival data, drawing on such secondary materials as articles in the popular and financial press, technology blogs, company press releases, blog posts, emails, and conference presentations, analyst reports, and third-party websites. The company blogs were an unusually rich source of data; they represented both a real-time record of a firm's communications with its external audiences and a forum for its managers to engage in directed discourse and symbolic action. Using the archival data, we constructed an analytical timeline for each firm. These timelines complemented informants' narrative histories. In some cases, the archival documents verified informants' recollections in interviews; in other cases they provided an external perspective on the nascent online investing market. Jointly, the interview and archival materials constituted a rich longitudinal record of the firms' activities.

Data Analysis

For purposes of analysis, we synthesized the interview and archival data into case histories of the five firms, focusing on activities and themes that emerged from both types of data and from interviews with multiple informants (Jick 1979). The cases ranged in length from 50 to 90 pages and included full quotations, data tables, and timelines. A third independent researcher contributed an additional perspective; together, we analyzed each case through the lens of the research question to identify emergent relationships and patterns.

I then performed a cross-case analysis, in which themes and constructs that emerged from one case were compared to other cases (Eisenhardt and Graebner 2007). We thus developed tentative theoretical constructs, using analytical tables, and compared their validity across several cases (Miles and Huberman 1994). We then identified associations between these constructs and elaborated them via comparison, in keeping with a replication logic (Eisenhardt and Graebner 2007). Moving back and forth between emergent theoretical constructs and data helped strengthen the logical associations between constructs and outcomes. As the theoretical insights

became clearer, we revisited prior research to compare our insights and clarify our contributions. Once saturation was reached (once there was a strong correspondence between the data, the literature, and theory), we concluded the analysis and turned to the middle-range theory presented below.

Measures

My research question asks, *How does an entrepreneurial firm become the cognitive referent in a nascent market category?* To answer this question, it was first necessary to develop indicators with which to assess this outcome.

Following Santos and Eisenhardt (2009), we defined a cognitive referent as the firm(s) that customers, partners, analysts, and employees "automatically recognized as epitomizing" the nascent online investing market (p. 649). Entrepreneurs and investors with whom we spoke colloquially referred to firms seeking to become the *"category king."* The definition implies that, though other firms may be active in a given market, only one or two firm come to embody that market to external observers (Rindova and Fombrun 2001). In extreme cases, a firm like Levi Strauss becomes synonymous with a market category; such a privileged market position is likely to take time to achieve (Carpenter and Nakamoto 1988). The definition of a cognitive referent also implies the existence of multiple relevant audiences, both internal and external.

To assess whether a firm had become the online investing market's cognitive referent, we focused on three audiences: customers, analysts, and the media. Both quantitative and qualitative measures were used. First, we collected quantitative indicators of customer interest that executives deemed important. We recorded the number of paying customers (or users, if the firm was pursuing a purely advertising-driven business model) and calculated customers' engagement with the firms' online platforms (that is, the intensity of customer interaction with the firm's product or service). To assess engagement, we combined two values—the number of comments posted on the online site and Compete.com's "attention metric" for each firm's site— to develop a customer-engagement score (high, medium, or low). In an ambiguous nascent market, customers are more likely to gravitate toward and interact with the firms they believe to define the market category. We then asked analysts to list in order of importance the online investing firms that defined the market; these analysts were market researchers and experts from across the financial-technology and internet sectors. Using the resulting lists, we calculated firms' average

perceived importance. We also collected analysts' qualitative evaluations of the firms' relationships to the nascent market. Finally, we collected indicators of the media's perception of the firms, as expressed in press attention. For each firm we recorded the number and sources of media mentions (e.g., whether a firm was mentioned in prominent outlets like the *Wall Street Journal* and the *New York Times*) and the number of feature articles written about the firm over time. As a firm approached the cognitive-referent threshold, it was more likely to be mentioned in the media, to be written about in prominent news outlets, and to attract feature stories.

Despite having started at approximately the same time and with comparable resources, the five firms took very different approaches to positioning themselves in the nascent market and elicited very different external responses. Zeus and Hercules attracted the most customer accounts and the greatest engagement; they also received high importance rankings and positive evaluative statements from the panel of analysts. The media took a sustained interest in the two firms; both were often featured in prominent news outlets. These two firms came to epitomize the nascent online investing market, while the other three firms, Icarus, Narcissus, and Phaethon, lost ground over time. Initial customer engagement and media attention quickly waned, and none of the three came to define market.

Table 3 summarizes indicators of cognitive-referent status, including representative evaluative statements about the firms' positions in the market. The next section presents the theoretical framework that emerged from the cases. By outlining the firms' efforts to become cognitive referents and comparing their cultural strategies, the framework offers an explanation for the vastly different trajectories of the five firms.

[INSERT TABLE 3 HERE]

RHETORIC AND SYMBOLIC ACTION IN NASCENT MARKETS

Activating Latent Markets and Disparaging Existing Solutions

All five firms considered what they were doing to be novel by comparison to the existing investment industry but some executives viewed themselves as pioneers and cultural change agents engaged in creating a new market. These executives used rhetoric to evangelize what one CEO called "investing as a social activity" and publicly criticized the entire conventional financial sector for being insufficiently social (and, by extension, trustworthy). Their strategy entailed rhetoric that was aimed at a wide spectrum of targets, voluminous in quantity, and

aggressive in tone. Surprisingly, these were the firms that failed to become cognitive referents. By contrast, the more successful firms' executives conceptualized market creation as activation of a latent problem already troubling potential customers. Accordingly, they attacked existing solutions to that problem—namely, finance-related incumbents that offered less satisfactory products in adjacent markets. Their rhetoric was more precisely aimed, moderate in quantity, and measured in tone. This more selective rhetorical strategy won attention for their solution in respected mainstream media outlets and among customers while conserving managerial resources and time.

To assess the firms' rhetorical activities, we drew on a combination of primary interviews, secondary published interviews, and company press releases and blog posts. This data revealed the targets, volume, and tone of the public discourse, and enabled me to trace both executives' use of rhetoric and indicators of a firms' status as cognitive referents for customers, analysts, and the media over time. An overview of the firms' rhetorical activities appears in Table 4.

[INSERT TABLE 4 HERE]

Phaethon and Icarus—firms that both failed to become cognitive referents—conceptualized their role as that of industry pioneers and cultural change agents. By means of broadly directed, voluminous, and aggressive rhetoric, these firms' executives actively sought to create a market and to evangelize for a new cultural model of "investing as a social activity." Icarus will serve as an illustrative example. *"Certainly when you create a new market, a new model, you try to disrupt the existing models of this market,"* Icarus's CEO stated. "*We tried to actively create the market."* Beginning in the first quarter of 2007, Icarus adopted a set of rhetorical strategies designed to create the new market and expose observers to the idea of investing as an activity that can be shared with others. Icarus's executives began actively blogging about investing as a social practice, and produced a series of online educational videos aimed at *"getting people comfortable with the idea."* They pursued every opportunity to speak at industry events and to get Icarus's name in the press. *"[The management team] were quite active in blogging about it,"* observed the Director of Engineering. "*They did the conference thing and spoke at several conferences."* An Icarus executive asserted publicly that *"Investing is a proven*

social activity, as evidenced by the more than 1 million people around the world who belong to investment clubs, and the common cocktail party conversation." Like Icarus's, Phaethon's executives saw themselves as industry pioneers advocating a new cultural model of investing, and their rhetoric promoted that viewpoint. As one of the founders put it, *"We don't think that people are destined to adopt a lone wolf approach to investing. . . If you put sharp people together, they can pool together a broader set of resources and ideas. We want to build a community that helps individual investors discover, analyze, and evaluate new investment opportunities together."*

Both firms aggressively disparaged industry incumbents. Their rhetoric attacked a wide spectrum of firms and individuals across the financial-services sector. To Icarus, these actors represented "the old guard," an established financial elite that had not embraced investing as a social practice. Beginning in the second quarter of 2007, they used several communication media, including company blogs, press releases, and interviews, to publicly deride the financial press, mutual funds, financial advisors, and investment gurus like Suze Orman (personal finance) and Jim Cramer (investing). Later, executives took aim at brokerage firms (Q2 2007) and similar startups (Q1 2008). Icarus's message was that because traditional sources of financial advice were not social in nature (that is, did not originate with friends, family, and trusted others), their motivations were suspect and could not be trusted. In the CEO's words, *"We can't trust investing magazines because the mutual funds they recommend do poorly, business magazines because the company features are not good indicators of future performance, and investment chat rooms because [the advice] is not credible."* Similarly, Phaethon, which used bloggers to spread its message, aggressively attacked the financial media and existing investing websites. *"We were after CNBC and Jim Cramer's "Mad Money"—there hasn't been a good place for stock investors to share information and learn from each other."* The aims of these attacks were to disrupt the entire financial sector's status quo and to change prevailing beliefs about investing.

This approach attracted attention to the new market, but created unexpected challenges for both Icarus and Phaethon. Icarus's executives expended their limited resources of time and managerial attention on rhetorical attacks, networking at industry conferences, and evangelizing for a new cultural model of investing. Icarus *"got a little spike"* from those activities, but at a high cost in time and financial resources. Early on, Icarus executives' focus on these activities caused conflict with the firm's equity investors, many of whom voiced alarm about Icarus's self-

defined role as market creator and its *"celebrity"* CEO. One angel investor argued that Icarus ought to be concerned *"not so much about creating a new market, per se. . . [Rather] it [should be] convincing people that this was a good [product] that was useful in that context."* Other investors argued for redirecting executives' persuasive efforts at the smaller but important audience of customers. Without redefining their role, Icarus's executives considered the possibility that, without *"a long timeframe and/or a lot of capital,"* it might simply be too difficult to create a new market. They also struggled to evaluate whether evangelizing for a new cultural model mattered—that is, whether people were in fact *"getting comfortable with the idea [of investing as a social activity]."* Phaethon's experience was similar. Its executives too were diverted by their celebrity and spent substantial time responding to media inquiries, attending conferences and industry events, and wooing financial bloggers while neglecting products and customers. As Phaethon's CTO recalled, *"The bottom line is, by about [late 2007] or so we still were sitting on the exact same product that we had two months prior."* Executives reluctantly concluded that they were probably being overly *"ambitious to actually foster a full-on change in the investing mindset."* In sum, rhetorical activities shaped by self-defined roles as market creators undermined Icarus and Phaethon's positions as cognitive referents.

By contrast, Zeus and Hercules—the firms that ultimately became the cognitive referents in the market—conceptualized market creation as solving a latent customer problem and attracting customers to their solutions. Both used precisely targeted and measured rhetoric to attack industry incumbents' existing solutions. The case of Zeus will serve as an illustrative example. One Zeus executive articulated the management team's view of market creation: *"We think about creating markets as: can you solve a problem that gets a few people to use the service and stick with the service? . . We are really concerned about: Can we get people to use this?"* In other words, the firm concentrated more closely on winning and retaining customers' attention than on any other activity. This view of market creation led Zeus executives to avoid certain activities. As one executive put it, "*We tend not to be very concerned about things like: Oh, let's try to go to industry events, or let's try to influence this, that, and the other."* From the executives' perspective, such activities were not the most productive use of limited managerial attention and time and were inconsistent with their self-defined role as problem solvers.

The problem-solving view of market creation also shaped executives' choices of activities they considered valuable and worthwhile. Zeus's executives used rhetoric to point out

the shortcomings of existing solutions to customers' problems. Beginning in the first quarter of 2007, Zeus targeted two incumbent industry segments: actively managed mutual funds and private wealth managers. In a series of interviews with reporters at carefully selected press outlets, Zeus executives criticized both segments for underperformance (failure to generate attractive financial returns) and unnecessary secrecy (lack of transparency in their financial-reporting practices). In one such attack, Zeus's CEO asserted: *"There's more money in mutual funds than in bank accounts in this country, and after fees 70 percent of them underperform the indices. How the hell does that survive?"* Adopting a populist tone, he added, *"We think that the days of the secretive mutual fund are numbered. . . . We want to de-institutionalize money management and funds management, and we're taking on the guys in the big corner offices with wood paneling who rely on people's laziness."* Zeus executives also explained why their product was better than existing solutions, which lent a more democratic, accessible public-spirited tone to the attacks. One founding executive's words illustrate this type of rhetoric:

> *[Zeus] lets you invest your money directly alongside any brilliant, self-directed, or professional investor, rather than put your money in expensive managed funds. So, today, you kind of have two choices. Either you manage your own money or, if you want managed money, you buy a mutual fund. (Everyone knows they're very expensive to set up and manage, they have high fees, and they're complex, and they underperform.) Or you go to a broker, who's often the guy that you happen to know, or that lives around the corner where your dad plays golf. . . . So what [our product] allows you to do is, rather that put your money in one of the professionally managed funds where the guy just sits in a big office and drives a fast car, . . . we allow you to invest alongside anybody doing that hard work. And that's what we're trying to do.*

This approach proved fruitful for Zeus. Treating market creation as problem solving meant that its executives were not burdened by the difficult and expensive "*herculean task*" in the words of one Zeus executive, of constructing an entirely new market infrastructure and changing prevailing beliefs about investing. Zeus's chairman described their approach: *"[We] don't want to be evangelizing the market. That would be expensive. The most frightening thing about what we're doing is the idea that maybe we're a little ahead. . . . It's too expensive to re-educate everyone."* Instead Zeus prioritized customers as its primary audience and focused

concretely on building a product that would solve a problem for that audience. By disparaging only those incumbents that offered substitute products, Zeus executives drew attention to the inadequacies of existing solutions in adjacent product categories and the superiority of their own. Zeus pinpointed firms whose products it could outperform, creating an underdog-vs.-incumbent scenario in which it took on elitist financial incumbents. In a representative statement, Zeus's COO asserted: *"The smartest investors aren't all professional money managers. Every day, adept unsalaried players around the world are matching, or beating, results of the pros. We think it's high time for these unsung investment talents to get more recognition, more resources, more of the rewards."*

Like Zeus, Hercules too wanted to draw attention to the solution it was creating. According to its CEO, *"The question became: how do we get attention to it? And the biggest way to create attention is for there to be tension in the story. Reporters don't like to write about things that don't have any tension. So we had to create a David-versus-Goliath story."* He added: *"That's why we've tried to pick a fight with the mutual funds."* Thus Zeus and Hercules both—though not collectively—aimed their rhetoric with precision. One analyst noted the effectiveness of this strategy: *"Who, in the story, is the enemy? In this case both Zeus and Hercules have chosen the same dragon to slay: actively managed mutual funds. Mutual funds are expensive. Not only that, they [also] have poor performance."* Zeus and Hercules largely achieved the objectives of their rhetorical activities—namely, to point out the flaws of existing substitutes, to articulate an alternative solution for customers, and to attract attention to that solution via mainstream media outlets. These activities primed customers and activated a market of pent-up consumer demand. As one analyst observed about Zeus's role in market creation, *"The new market was latent, and they activated it. . . . They unleashed a new market that was there."* Not only did Zeus attract attention to the market; it also attracted the right kind of attention—attention that was focused on Zeus's solution thanks to coverage in prominent news outlets.

There are several reasons why the problem-solving approach to market creation and a measured, targeted rhetorical strategy proved effective. First, this approach focuses executives and employees on a tangible, achievable goal: solving a problem and drawing customers' attention to the solution. Thus customers are prioritized as the relevant audience, over the media, analysts, conference promoters, and fellow entrepreneurs. This approach also conserves managerial time and attention—both in short supply at entrepreneurial firms—which can thus be

directed toward other symbolic activities. Executives know that, as one put it, *"as a startup we have to keep our [activities] really tight."* Furthermore, by aiming their rhetorical attacks at incumbents they can beat, firms ensure that their proposed solution aligns with the problem they are addressing. By refraining from attacking the entire financial establishment (including the financial press), they attract coverage in the mainstream press and establish a privileged position for themselves in the new market.

In contrast, firms that conceptualize market creation as necessitating a full-scale rhetorical onslaught on the entire industry establishment undermine their own position in the market they are creating. For these would-be pioneers, the sheer volume and variety of discourse proves onerously time-consuming; as entrepreneurial firms with limited managerial resources, they are not in the best position to accomplish such an ambitious task. These firms lack *"the resources to actively create and grow [the new market],"* as one board member observed. Moreover, indiscriminate, unfocused, and aggressive attacks appear to produce results that are relatively paltry (in terms of gaining attention), not measurable (in the case of changing prevailing beliefs about investing), and even self-defeating (in the case of denouncing the financial media, which is then disinclined to report on them). Perhaps most decisively, such actions demonstrate a preoccupation with the audience that consists of the media, industry analysts, and other entrepreneurs at the expense of the audience of customers.

Proposition 1. Entrepreneurial firms that conceptualize market creation as problem solving and that direct their rhetorical attacks at existing solutions will establish themselves as cognitive referents in a new market.

Modifying Stories to Match Shifting Logics

During the firms' second year of existence, outsiders began paying more attention to the online investing market and the entrepreneurial firms within it. Analysts and the media began to contact firm executives; more articles began to appear about the new market. These articles provided a forum for executives to describe their firms' histories and their own motivations for founding them. Each firm recounted a *founding story*, which in each case dramatized the *logic* that the

firms were advocating (collectively, but not cooperatively).[3] The founding stories of the firms that failed to become cognitive referents were only loosely linked to that logic and did little to reinforce it. As new logics emerged, these firms' executives radically changed their stories, creating discontinuity. Despite significant "concept press" early on, these firms neither sustained media attention nor enjoyed much customer engagement. By contrast, the successful firms' founding stories were tightly coupled to the logic they were advocating: as the market emerged and new logics evolved, the executives subtly shifted their stories accordingly. These firms enjoyed sustained press attention and experienced increasing customer engagement.

The logic that firms were advocating was evident in executives' statements to the press and on their company blogs; the founding stories emerged from interviews and archival documents. Interviews with analysts and journalists and media coverage revealed whether and when the original narratives gave way to "revisionist" versions. Table 5 is an overview of the logics that the firms advocated and the content of their founding stories.

[INSERT TABLE 5 HERE]

Late in the first year, all five firms began advocating the logic that one executive called *"democratizing investing."* This logic, a hybrid of idealized renditions of democracy and the capitalist market institutions identified by Friedland and Alford (1991), called for opening up the investing profession so that anyone—not just trained, certified finance professionals—could manage money and become investment managers. As the market evolved, it became clear that this initial logic was not tenable: nonprofessionals proved to be poor investment managers. In turn, a new logic emerged. In place of democratizing investment management as a profession, the new logic advocated democratizing *access* to investment management. The firms that successfully positioned themselves as cognitive referents shifted their founding stories to align with this new logic and were rewarded with continued media coverage and increased customer engagement.

[3] *Founding stories* are narratives that executives recounted publicly about the origins of their firms (Lounsbury and Glynn 2001); these stories often had both a material component (to explain why the firm had come into existence) and a symbolic component (to connect the firm to broader societal currents). Following Lounsbury (2007), we defined *logics* as the prevailing ideas and analyses that shape the cognition and behavior of actors in a given sector (p. 289).

Executives at all five firms initially advocated the same logic, but Narcissus, Phaethon, and Icarus—the firms that failed to become cognitive referents—recounted stories that were only loosely connected with that logic. Icarus is a good example. An Icarus investor articulated the logic: *"We democratize investing by enabling individuals to share successful [investing] strategies with each other. . . . We allow them to bypass the so-called experts, who really don't know any more than you and me."* Yet the CEO's founding story was not tightly coupled to this logic: *"Social networking was taking off, or at least it was very clear just from paying attention to the Internet space that the Facebook, MySpace applications were going to be a very, very big trend. And so [our] idea was to take different verticals [like finance/investing], which is literally how we came up with the idea for Icarus. How would those social applications be effective, how would they work, and then how would they change certain industries?"* In other words, Icarus executives seemed to be motivated not by a desire to democratize investing but by observation of macro-level trends; this story did not reinforce the logic that executives and their investors were advocating. Then, as its executives discovered that amateurs did not in fact possess better investing strategies than experts, the initial logic was supplanted and Icarus had to change its story. But rather than altering the story slightly to match the new logic, Icarus altered it radically to focus on retirement. In the first quarter of 2009, the CEO articulated this radical shift publicly: *"Our mission is to help [people] make the best decisions with their investments so that they will have more to enjoy later in life."* An Icarus R&D engineer later commented: *"We completely shifted gears and said, 'We're going to focus on long-term planning and retirement planning.'"* He added: *"A little bit of that is at odds with what we started to do. . . . [Initially] we wanted to help the little guys."*

This approach created several problems for Icarus. Because its founding story did not reinforce the logic it initially advocated, the firm garnered scant attention from external audiences and little engagement. The technology press recounted Icarus's founding story but neither bloggers nor technology journalists picked it up, and the story was never featured in mainstream media outlets. Moreover, by dramatically altering their founding story to align with the emerging logic of democratizing access to investment management, Icarus's executives confused existing customers; ultimately very few switched over to the firm's new retirement product. *"We were just sort of leaving our existing customers in this sort of stale product at this point,"* said an Icarus engineering director. *"If you were an old [customer] and I was new, we*

have a totally different website. So I started calling [our product] Franken-site." Icarus did attract some analyst interest in its retirement product, but media attention largely subsided because journalists were confused by the firm's new direction. The firm's shifting story also created problems for Icarus's employees; the core group of technologists and engineers, in particular, were disillusioned by the firm's identity shift. *"We didn't feel like [our retirement product] was quite realizing what we wanted. . . . Our sort of entire [company] philosophy had changed," said the director.* An engineering manager called the reconceptualization *"a huge, huge shift. . . . I don't think all of us realized right away what it was."* In the eyes of these employees, the idea of democratizing investing and *"all the social stuff"* that went along with it were simply being *"thrown away."* As the engineering manager reported, *"It was a point of contention for months."*

Zeus and Hercules—the firms that ultimately became cognitive referents—advocated the same initial logic as the low performers: democratizing investing. But their executives told founding stories that reinforced that logic. Hercules, for example, after disparaging existing solutions (proposition 1), argued that the investment-management profession should be opened up, allowing anyone to manage money. As the founder and VP of product put it, *"We want to open the floodgates to everybody. We don't think money should be a prerequisite to investing. We want to find the Michael Jordan of investing."* Eliminating constraints like certification and initial capital requirements, they argued, would uncover talent among amateur investors and other non-finance professionals. The logic of open and transparent investment management was consistent with Hercules's founding story, as articulated by one of its founders:

> *I wanted to create a kind of arena where I could prove to my parents (who had a lot of their money with the local financial advisor) . . . that they were getting ripped off. So I said to my friend, "You know, let's create an investing talent marketplace [online]." . . . So then I realized: what had ultimately started as a hobby I could turn into a business. On an entrepreneur blog, I came across Bill, who founded [a major VC firm], and he seemed like a great guy. So, I contacted him and the rest is history.*

An article in a prominent finance outlet summarized the founder's reasoning: *"[Hercules's founder] thought that there were thousands of talented investors like himself out there that were better than 90 percent of these mutual funds. They just needed a competitive arena to prove it."*

As they recounted their story to the press, Hercules's executives consistently reinforced the logic of democratizing investment management, and in particular of discovering the unexploited potential of amateur and other non-professional investors.

Similarly, Zeus's executives reinforced the firm's logic with their own founding story, recounted by the firm's COO:

> *Cedric [one of Zeus's founders] has a cousin who lives in South America and works for an oil company. And he's a great individual investor, and he invests his own money, and he happens to know oil-and-gas stocks well. And . . . Cedric wanted to say, "Listen, here's $10,000. Whatever you're doing with your money, do it with mine."*

The story of Cedric's cousin reinforced the idea that there were talented non-professional investors out there. Zeus was simply creating a platform for discovering "*the next Warren Buffett [of Berkshire Hathaway] or Peter Lynch [of Fidelity's Magellan fund],"* and allowing others to tap into their investing talent.

Zeus and Hercules also subtly modified their stories to match shifts in the logic of the online investing market. Hercules executives initially advocated democratizing investment management; shortly after releasing their alpha products, it became clear that that logic was no longer tenable. According to a Hercules advisor, *"out of 450,000 [amateur investors], only seven qualified"* as skilled investors; the executives were surprised that *"there were so few amateurs that really fit the criteria and rose above the herd."* When reality contradicted the logic they had been advocating, executives at Hercules had to change their strategy. In place of opening up investment management to the masses, they decided to become an online marketplace for professional investment managers and to allow anyone to invest alongside them. Meanwhile Hercules's executives subtly adopted a revisionist version of their motivations for founding. *"We said we were democratizing . . . access to great investing talent. . . . That's always been our story,"* said the CEO. "*It just so happens the great talent were amateurs in the beginning and now they're outstanding professionals."* In other words, Hercules was now democratizing *access* to investment management. A journalist for a prominent finance outlet remarked: *"People start with an interesting idea; then they test it out in the marketplace, and when it doesn't actually work (which almost always happens) they kind of amend it and morph it a little bit, and they*

morph their story as they go along too." She added: *"The story right now reflects the current reality, and they kind of reshape the history of it a little bit, or telling you the history of it."*

Hercules (and Zeus) reaped several benefits. First, founding stories that supported the market's initial logic elicited interest and engagement from external audiences. In the case of Hercules, these audiences included the technology press and financial bloggers, both of whom published the story, which was then picked up by other journalists. As the story gained momentum, it attracted initial customers and the attention of the mainstream press, including the *New York Times* and the *Wall Street Journal*. As the story subtly shifted, Hercules was able to keep existing customers, transitioning them to its new product as it changed strategy. The firm also attracted new customers and retained mainstream media attention. Finally, Hercules won over skeptics, including several key market analysts who had initially questioned the firm's approach. One analyst who had previously announced to the readers of his popular investment newsletter, *"I don't want some 15-year old in, whatever, Seattle, in his underwear, trading stocks based on message boards. . . . It is incredibly difficult to beat a market in any industry,"* became a strong proponent of Hercules's new approach, noting that both Hercules and Zeus *"are making inroads . . . [while] the other ones [Narcissus, Phaethon, and Icarus] have all fallen by the wayside."*

Coupling a founding story to the logic the firm is advocating, and modifying the story to match a shift in logic, is effective for several reasons. A story that reinforces logic has the potential to elevate an entrepreneurial firm's position in the market it is creating. Stories are a mechanism for co-opting external audiences into helping the firm market itself by connecting its activities to prevailing cultural themes. In the case of online investing, these audiences consisted of technology journalists and financial bloggers who not only publicized the founding stories but also disseminated them in other forums. One founder described the process as a thrifty form of marketing. Because conventional marketing is *"really expensive, . . we've got to somehow figure out how can we catch onto a wave."* Executives who in turn shift their stories to align with evolving logics subtly construct a cognitive bridge to enable existing customers and the media to follow them in a new direction. If they are also consistent linked to a product that works, these revisionist stories also have the potential to engage new customers and solicit attention from previously skeptical external audiences.

By contrast, loosely linking a founding story to the firm's initial governing logic and then dramatically altering it when the logic changes is not an effective strategy. Such uncoupled stories do not serve as a cultural resource, since external audiences find them insufficiently compelling to pass along. Entrepreneurs thus miss out on inexpensive marketing. And radical shifts in stories are likely to confuse existing customers and discourage the media from providing continuing press coverage. Radically altered narratives also frustrate and disillusion employees, who feel a lack of connection to "the old firm."

Proposition 2. Entrepreneurial firms that tightly link their founding stories to the logic they advocate, and then subtly modify those stories as necessary to match new logic, will establish themselves as cognitive referents in the new market.

Launch: Controlling the Context to Avoid Labeling and Lock-in

In the subsequent year of the online investing market's existence, executives readied their firms to launch their products publicly. Each viewed its launch as a watershed event: for startups, especially those in the software and internet sectors, launching is equivalent to introducing the firm to a broader audience. All five firms foresaw that the media, analysts, and customers would be likely to apply labels to their novel activities to make sense of them, and labeling factored into decisions about the context particulars of their launches. Firms that relied on external platforms for their initial product launch also embraced the labels and cultural associations that were applied to their products. Though these firms enjoyed an initial spike in customers and in media attention, their position in the market diminished over time. By contrast, the firms that retained control of their own product launches actively resisted the labels that others tried to attach to their activities. By acting to shape audience perceptions, they avoided premature cultural lock-in and completed the process of becoming a cognitive referent in the market they were creating.

Using archival and interview data, we assessed each firm's primary product launch. Executives had to decide whether to launch on an external platform (e.g., at a technology conference or news network) or on their own platform. Firms that chose the former path abdicated control of the launch; those that chose the latter option maintained control. To identify labels, we searched archival data for words and phrases that the media and other observers used to describe firms' activities and to compare them to familiar phenomena. Some firms accepted

and even embraced such labels; other firms actively resisted them. Table 6 provides an overview of the launch context and subsequent labeling.

[INSERT TABLE 6 HERE]

At launch, the labels initially used to describe the firms included *"social investing," "the Facebook of investing," "Fantasy Football meets the trading floor,"* and *"the American Idol of investing."* All five firms were labeled, but their responses differed. In particular, they made different decisions about their product launches.

Narcissus, Phaethon, and Icarus—the firms that failed to become cognitive referents— all launched on external platforms, and their executives essentially embraced the labels and cultural associations that ensued. In the fourth quarter of 2007, for example, Narcissus executives launched at a time and place largely determined by others. Driven by pressures from investors to show results and by ready-made opportunity for media coverage, Narcissus launched on a live TV newscast. According to the CEO, company executives felt *"pressure to really launch and grow the community."* Nonetheless, they deemed the launch successful. *"It was a huge success overall. A lot of people signed up, traffic was immense, and we got a lot of positive feedback. . . . Our investors loved it too; they were very happy, especially with the growth that we then saw."* Subsequent articles in technology outlets and the popular press used labels like *"MySpace meets Wall Street," "Fantasy Football meets the trading floor,"* and *"Facebook running a hedge fund"* to describe Narcissus's business. Narcissus's executives embraced these labels and cultural associations—*"Those labels probably describe [our product] very well,"* the VP of product stated—and even began using them in press releases, blog posts, and media interviews. As the CEO put it in a press release, *"Many of you are familiar with fantasy sports, and especially Fantasy Football. . . . [With our product] you can conduct your own investing contest . . . to see who is the best investor."* He added, *"Now [a major news outlet] has even more reason to call us 'where fantasy football meets the trading floor'!"* Like Narcissus, Icarus also launched on an external platform—at a prestigious technology conference—and its executives also accepted, though more reluctantly, the labels applied to its product. *"When you are creating a new space, other people are going to label you. And because it's new, there's no framework for it,"* Icarus's

CEO said. *"We got labeled as 'social investing.' I didn't like that term, . . but I did not spend a lot of time in the press or with PR correcting people."*

Opting for an external platform and embracing external labels subjected Narcissus to several negative outcomes. First, its executives were captives of a timeline that did not coincide with their own; time pressure in turn led them to rush product development. When they did launch, the CEO reported, *"Bugs surfaced that we hadn't seen before. . . . Things became visible that wouldn't work anymore with too much traffic. There were a lot of things that suddenly shot up. So we were busy fighting fires rather than being able to strategically work on the product."* Moreover, the timing and setting of the launch prevented Narcissus from shaping the meaning of the event and the message it conveyed to external audiences. The event thus generated little symbolic value for the firm. Narcissus received substantial media coverage, but was typically mentioned in conjunction with competitors pursuing similar ideas. The coverage lacked both depth—there were no feature articles—and acknowledgement of Narcissus's novel technologies. *"Ultimately, [the press] never moved around. It never got beyond the basic concept,"* the CTO lamented. *"It was just concept press. It wasn't really technology."*

Phaethon too launched on an external platform, that of a major technology conference. Because Phaethon's product-development timeline did not coincide with the timing of the conference, executives were unprepared for the resulting customer attention. *"[Customers] just came in like a swarm of locusts and disappeared into the ether again,"* lamented the VP of product. Nevertheless, Phaethon accepted and even embraced the cultural associations and labels that the launch elicited. Initially they attracted a stream of customers, but the media coverage and labels also became ends in themselves; executives aggressively courted the press and spent liberally on PR firms. *"We wasted money on a PR firm that was something like $10K a month, when I think a pretty simple cold email probably would've done the same thing,"* a VP of Marketing recalled. *"We probably bought PR help when we didn't need it."* Meanwhile labeling locked the firm into an external image that proved difficult to shake when it later tried to change direction. *"So we got labeled as something, and then it stuck and it was really hard to change,"* the CEO lamented.

By contrast, Zeus and Hercules chose the timing and location of their own launches. They also actively resisted the labels and cultural associations that others applied to them. Hercules executives, for example, chose a context for their launch that would resonate symbolically for

potential customers: they launched their product on the anniversary of a major stock-market crash ("Black Monday" in 1987), a date meaningful to customers and to the incumbent firms that Hercules was challenging. The deliberate irony was not lost on finance journalists, one of whom wrote that Hercules's entrepreneurs clearly *"lack long-time Wall Street traders' superstitions (why else plan a launch for a day that still makes old-timers remember the plummet of the Dow Jones average?),"* and observed that the firm *"already has the kind of Web 2.0 swagger that attracts attention."*

Hercules's launch also attracted unwanted attention. Analysts and journalists labeled the firm in ways that failed to capture Hercules's novel activities, trivialized their technological complexity, and equated the firm with less credible competitors. Such labels could deter serious customers, and Hercules actively resisted them. *"Everyone called it 'social investing,' and we . . . spent a lot of time trying to NOT be positioned as social investing,"* recalled Hercules's CEO. *"That was hot, so they [the press] wanted to call it a category. They wanted to lump us with [competitors]."* Zeus's executives too actively resisted labels, for similar reasons and because they foresaw harmful effects if employees came to believe and act on such labels. A director explained: *"We try to avoid . . . 'the Facebook of' something . . . because it can be very misleading for how you yourself think about your business."*

By masterminding their own launches and resisting others' attempts to label them, the two firms brought about several positive outcomes. First, by launching on its own platform and in keeping with its own timetable, Hercules could make the launch an evocative event for external audiences and for its own employees. The choice of a date that was a pointed reminder of the shortcomings of existing product substitutes signified that Hercules was offering an alternative to existing ways to invest. The launch generated considerable stand-alone media attention—Hercules was featured in prominent news outlets without having to share the spotlight with competitors—and attracted substantial new-customer engagement. And by actively resisting labels, Hercules developed a distinctive identity that set it apart from competitors. Comparing the launch to previous attention from the media, Hercules's CEO pointed out that *"This time around, only one of the 16 articles mentioned [entrepreneurial competitors], because that's not our [real] competition."*

Like Hercules, Zeus also resisted labels and forged a distinctive identity that distinguished it from its competitors. "Social investing *is a valuable generic term for people*

sharing investment decisions online, but the definition is a catch-all of different types of businesses," Zeus's CEO asserted. *"The category Zeus operates in is of proven self-investors. . . . Our objective is to enable others to invest alongside the proven investors on the site rather than in their existing, expensively managed mutual funds."* Perhaps the most important benefit of resisting labels and cultural associations was preservation of flexibility. Later, when both firms shifted from a platform for discovering talented amateur investors to one that offers access to professional investors, not being saddled with an identity as *"the Facebook of investing"* enabled them to be taken seriously by potential corporate partners and by sophisticated and wealthy customers.

A public launch is a unique opportunity for executives to introduce their firm and its products to customers, the media, and market analysts. By launching at a time and place of their own choosing, firm executives ensure that their product is in fact ready to debut (that it functions properly and will not disappoint customers). They can also make the launch an evocative and resonant event that conveys meaning. Such meaning construction enables a firm to form a bond with customers, and to establish a distinct identity that precludes being lumped together with competitors or having to share the spotlight. And when executives resist unwanted cultural associations and labels, they retain the flexibility to move in new directions (e.g., to form partnerships and court new categories of customers).

Executives who let others dictate the timing and setting of a launch forgo a golden opportunity to create symbolic meaning. Instead they enter into a Faustian bargain: in exchange for short-lived celebrity and "concept press," they relinquish the ability to control their own message and to develop an identity distinct from their competitors'. The media coverage they solicit tends to generate attention that is superficial, shared with competitors, and quick to dissipate. If executives continue to court such attention, they risk goal displacement: the pursuit of media attention becomes an (expensive) end in itself. By embracing the labels that external audiences use to make sense of novel activities, furthermore, executives undermine their position in the market they are creating. Such firms experience a form of cultural lock-in in which the external image of the firm becomes calcified and audiences cannot imagine it doing something new. *"Don't court the press,"* one founder warned. *"If you're doing something innovative, maybe the thing to do is to stay under the radar while you're doing those revisions until you find the right thing. And then go out hard."*

Proposition 3. Entrepreneurial firms that retain control of their own product launches and actively resist external labels will establish themselves as cognitive referents in a new market.

DISCUSSION

This paper presents a theoretical framework for understanding how entrepreneurial firms use a sequence of rhetorical and symbolic activities to establish themselves as cognitive referents in a nascent market. The paper makes several contributions to the literatures on strategy and organization, especially in entrepreneurial firms. Existing studies have demonstrated the importance of symbolic activities, including disparaging rhetoric, stories, and labels, in attracting resources and legitimizing a new market, but their analyses of the process of becoming a cognitive referent are incomplete. In particular, these studies ignore the presence of competitors with access to the same cultural repertoires who are also vying to become the cognitive referent (Rao et al. 2000; Battilana et al. 2009); nor do they acknowledge that symbolic activities can be harmful as well as beneficial (Holt and Cameron 2010; Rindova et al. 2011).

Picking up where existing research leaves off, we trace the cultural strategies of a group of entrepreneurial competitors seeking to create a new category in the U.S. online investing market. A core insight is that founders who consider their primary role to be that of *evangelists*—change agents seeking to draw attention to a new market category and proselytize audiences to a new cultural model—undermine their own positions in the nascent market. Becoming a cognitive referent calls for more than the activities identified in the institutional and cultural entrepreneurship literatures (rhetoric, stories, and labels); it requires a coherent strategy with the proper content and the proper sequencing of activities. Founders at high-performing firms prioritize *problem-solving* over *missionary work* in market creation; they also pursue a specific sequence, from using moderate rhetoric to attack carefully targeted existing solutions to modifying their founding stories as necessary to accord with changing logics, and finally to controlling the timing and setting of product launch and rejecting external labels.

Institutional Entrepreneurship vs. Entrepreneurship

This study contributes to the literature on institutional entrepreneurship in strategy and organizations. Consistent with Santos and Eisenhardt's (2009) assertion, our data suggests that

entrepreneurs aspire to an objective distinct from market creation: they want to become the cognitive referent in a nascent market that reaches fruition. Our study recognizes the role of timing and competition by acknowledging the presence of multiple entrepreneurs with different cultural strategies at different junctures, and it identifies a new strategic path for market pioneers. Existing work portrays institutional entrepreneurs as missionaries and cultural change agents who set out to create new institutional arrangements (including new markets) that serve their interests (DiMaggio 1988; Rao 1998; Hardy and Maguire 2008). But the successful entrepreneurs in our sample took a less grandiose view of their role in market creation; they saw themselves as pragmatic problem solvers intent on activating (i.e., drawing attention to) a latent market and persuading customers to use their new service. Similarly, existing work on institutional entrepreneurship implies that, to become a cognitive referent, a firm must use skillful rhetoric to manipulate beliefs, dislodge incumbents, and persuade audiences that it is the defining firm in the market (Santos and Eisenhardt 2009; Khaire and Wadwani 2010). Our data suggests that it is not just the use of rhetoric but *how* rhetoric is targeted and crafted that distinguishes cognitive referents from other firms. Unsuccessful firms' rhetorical attacks are scattershot and aggressive in tone; successful firms' are more precisely aimed and more measured.

Recent work comparing institutional entrepreneurship to conventional entrepreneurship has argued for major conceptual differences between the two perspectives (Philips and Tracey 2007; Pacheco et al. 2010). Santos and Eisenhardt (2009) distinguish between creating a market and competing to "claim" that market. We build on the work of these scholars by contributing an analysis of the conceptual differences between *successful* institutional entrepreneurship and *successful* entrepreneurship. Echoing other researchers, our study confirms that institutional entrepreneurship is an inherently difficult endeavor with a high potential for failure and unintended outcomes (Hwang and Powell 2005). Our data suggests that firms will be better served by pursuing entrepreneurship rather than institutional entrepreneurship, and by prioritizing the audience of customers over that of the media.

Toward a Cultural-Strategy Theory of Cognitive Referents

Recent work at the intersection of culture and strategy, building on Swidler's (1986) influential conceptualization of culture as a toolkit for action, has suggested that executives can use culture

as a “pragmatic resource” to manipulate beliefs about a market and to shape the meanings that external audiences attach to a firm’s products and actions (Zott and Huy 2007; Weber and Dacin 2011). Strategy scholars have argued that some firms are particularly skilled at using cultural resources and at tapping into prevailing culture themes that possess meaning for relevant audiences (Santos and Eisenhardt 2009; Dalpiaz et al. 2010; Rindova et al. 2011). These skill differentials in turn have significant performance consequences. Our study sought to investigate these assertions, and to examine the strategic use of culture at entrepreneurial firms.

Resource-constrained entrepreneurial firms are especially likely to benefit from drawing on culture appropriately to become cognitive referents in a nascent market. A primary difference between successful firms and their less successful rivals hinges on their ability to use culture appropriately in a sequence that is effective. This study demonstrates not just that "culture matters" but also that when and how it matters depends on how entrepreneurial executives utilize it as a strategic resource. Prior work suggests that entrepreneurs must promulgate consistent stories (Aldrich and Fiol 1994); our data suggests that some entrepreneurs are skilled *revisionist historians*, subtly altering their founding stories and their professed motivations. Recent work also shows that many executives strategically avoid committing to an affiliation with a nascent market that may or may not gain traction (Granqvist, Grodal, and Woolley 2013). Our data demonstrates, however, that labels can be readily imposed by external observers. Executives can, however, mount a strategic response to being labeled, and the most successful executives actively eschew inappropriate labels. Overall, culture emerges as a thrifty but fragile toolkit for activity in new markets.

Scope Conditions

The theoretical framework presented here assumes the presence of a set of relevant observers of firms’ cultural strategies. In the case of online investing, the primary audiences are customers, the media, and analysts—all of whom determine whether a firm becomes a cognitive referent. The framework should generalize to other new markets, particularly consumer-oriented markets, characterized by diverse audiences. It may be less likely to generalize to markets with a single audience or a particularly sophisticated audience not easily swayed by cultural strategies (e.g., enterprise software).

Another condition affecting the scope of the framework's relevance has to do with the goals of the firms competing in a given market. The entrepreneurs in our sample all wanted their firms to become the cognitive referent in the online investing market, and such a shared goal is an underlying assumption of the theoretical framework. But some entrepreneurs may be more preoccupied with, say, fame, celebrity, or wealth. Moreover, some types of firms, particularly nonprofits, are founded by individuals whose goals are market creation per se or social change.

Conclusion

Prior research has examined how entrepreneurial firms and other actors use rhetoric and symbolic activities to create new markets. This paper analyzes how entrepreneurial firms use elements of those cultural strategies to position themselves in a market they are engaged in creating. By means of an in-depth multiple case study of five entrepreneurial firms in the emergent online investing market, we develop a theoretical framework to explain how some firms manage to become cognitive referents in a nascent market while others fail to do so. The theory contributes new insights to the literatures on market creation in organization theory and highlights the usefulness of cultural strategies for entrepreneurial firms seeking to position themselves in a new market.

Table 1. The Set of Firms at Founding

Firm	Location	Year Founded	Funding[a]	Amount Raised	Number of Founders	Avg. Age	Startup Experience	Prior Industry Experience
Zeus	East Coast	2007	Top 50 VC, Angels	10.5 million	3	38	Yes	Internet, Financial services
Hercules	West Coast	2007	Top 50 VC, Angels	11 million	3	34	Yes	Internet, Financial services
Narcissus	East Coast	2007	Angels	3 million	3	30	Yes	Internet
Phaethon	West Coast	2007	Top 50 VC, Angels	1.5 million	3	28	Yes	Internet
Icarus	West Coast	2007	Top 50 VC, Angels	11 million	2	34	Yes	Internet, Financial services

[a]VC (venture capitalist) rankings are eigenvector centrality in network of early-stage investors at time of the study (Crunchbase).

Table 2. Overview of Interviews and Archival Materials

Firm	Number of Interviews	Insider Informants	Number of Interviews	External Informants	Number of Articles/ Pages	Sample Sources	Blogs and Press Releases
Zeus	12	CEO/ Founder VP Operations Chairman/ Founder	7	VC investor Angel investors Board member Industry analyst Finance journalist	43 articles 112 pages	Wall Street Journal New York Times Financial Times Techcrunch	150
Hercules	8	CEO/ Founder VP Bus. Devel. Director Sales	10	Company advisor Industry analyst Technology journalist Finance journalist	102 articles 185 pages	Wall Street Journal New York Times Investment News Techcrunch	42
Narcissus	8	CEO/ Founder VP Product VP Marketing CTO/ Founder	4	Company advisor Technology journalist Consultant	30 articles 63 pages	Barron's Investment News VentureBeat	84
Phaethon	7	CEO/ Founder VP Marketing	5	Angel investor Board member Partner Technology journalist	23 articles 65 pages	Techcrunch Wall Street Journal Washington Post	19
Icarus	10	CEO/ Founder VP Engineering VP Product Chief Scientist Director Engineering	7	Angel investors Industry analyst Technology journalist Finance journalist	50 articles 92 pages	Wall Street Journal New York Times Financial Times Barron's Techcrunch	121

Table 3. Becoming a Cognitive Referent

Firm	Customers[a]	Customer Engagement	Analyst Importance[b]	Analysts Evaluative Statements	Media Articles	Appearance in Prominent Media Outlets	Feature Articles
Zeus	300 paying customer accounts	High	1.7	"It's one of the leading online investing sites." Along with Hercules, Zeus is among "The new pied pipers of Wall Street." "Zeus and its competitor, Hercules, are changing the way we shop [for investment advisors]."	78	NY Times, WSJ, Fin. Times, Businessweek, Forbes, USA Today, Techcrunch	12
Hercules	500 paying customer accounts	High	1.4	"With over $100M on the platform, Hercules hasn't (yet) revolutionalized the investing profession, but it's on its way." "If we had a crystal ball, in ten years, Hercules and Zeus could be the dominant financial service providers." "The others have fallen by the wayside."	74	NY Times, WSJ, Fin. Times, Businessweek, Forbes, USA Today, Techcrunch	15
Narcissus	50K users	Low	Top 10	"Nowadays, there are dozens of online places to talk about trading and investments, ranging from old-fashioned to newer sites like Narcissus." "As with most new entrants in a crowding market, Narcissus pushes its differentiating factor."	35	WSJ, Barron's, CNN	4
Phaethon	16K users	Low	Not top 10	"Phaethon is among a variety of other sites trafficking in this space."	23	WSJ, Washington Post, Forbes, Techcrunch	1
Icarus	25K users	Low	Top 10	"Icarus may be a helpful tool in confusing times. But its limitations make it an incomplete solution." "Companies like Icarus...there's a whole bunch of other companies that are swimming around the general space."	52	NY Times, WSJ, Forbes, Techcrunch	3

[a]Measured at end of study. [b]Sector ranking derived from averaging analysts' opinions.

Table 4. Activating Latent Markets and Disparaging Existing Solutions

Firm	Creation Approach	Representative Quotes	Rhetorical Targets	Period	Disparaging Solutions	Representative Quotes	Outcomes
Zeus	Solving a latent problem and getting customers to use the service	We think about creating markets as can you solve a problem that gets a few people to use the service and stick with the service...We are really concerned about: Can we get people to use this? (Board member)	Adjacent substitutes Actively managed mutual funds and private wealth managers	Q1 2007 Q4 2007	Criticizes mutual funds for underperformance; suggests own service as an alternative (press) Criticizes mutual funds for being secretive	There's more money in mutual funds than in bank accounts in this country and after fees, 70% of them underperform the indices. How the hell does that survive? We're taking on the guys in the big corner offices with wood paneling who rely on people's laziness (CEO).	Drew attention to the firm in major press outlets, attracting a stream of new customers
Hercules	Solving a latent problem and getting attention for the solution	We didn't start out saying, "I want to create a new market," the idea found us…So then the question became: How do we get attention to it? And the biggest way to create attention is for there to be tension in the story (CEO).	Adjacent substitutes Actively managed mutual funds and private wealth managers	Q3 2007 Q3 2008	Criticizes mutual funds for underperformance; suggests own service as an alternative (press) Critcizes mutual funds for poor transparency	The old times of retail investors only having access to underperforming mutual funds with no transparency and archaic reporting practices is about to end. Mutual funds are broken; hedge funds are for rich people (VP Product).	Gains in-depth exposure in popular press, and attracts a stream of users to the site
Narcissus	Changing existing cultural practices by making investing more social	Our invention was bringing these things together in an easy to use, online format…and trying to make investing a social activity (CEO).	None		None		Continued to attract customers slowly
Phaethon	Changing existing cultural practices by making investing more social	We want to combine stock picking with social networking and build an investment community that helps individual investors discover, analyze, and evaluate new investment opportunities together (CEO).	Financial establishment	Q2 2007	Criticizes the financial media, investment gurus, and existing internet finance companies	We are after CNBC and Jim Cramer's 'Mad Money' - there hasn't been a good place for stock investors to share information and learn from each other (CEO).	Expended time and resources without making investing more social; got behind on product
Icarus	Changing existing cultural practices by making investing more social	Certainly when you create a new market, a new model, you try to disrupt the existing models of this market...We tried to actively create the market by basically doing a bunch of PR stuff (blogging, going to conferences, creating buzz) (CEO).	Financial establishment and startup competitors Entire financial establishment (e.g., investing gurus, financial press, mutual funds)	Q2 2007 Q3 2007 Q1 2008	Criticizes financial press, mutual funds, financial advisors/ investment gurus (blog) Critiques startup competitor Criticizes brokerage firms (press)	We can't trust investing magazines because the mutual funds they recommend do poorly, business magazines because the company features are not good indicators of performance and investment chat rooms because [advice] is not credible	Expended time and resources without making investing more social; generated spike in customer interest that subsided

Table 5. Modifying Stories to Match Shifting Logics

Firm	Period	Initial Logic Advocated	Founding Story	Period	Emergent Logic	Match	Evolved Story
Zeus	Q1 2007	Democratizing investment management We're out to democratize fund management. If manage your own money, why not let other people leverage off that? Get a real track record, and build a following, and ultimately pit yourself against professionals (COO).	Cedric [one of Zeus's founders] has a cousin who lives in South America and works for an oil company. And he's a great individual investor, and he invests his own money, and he happens to know oil-and-gas stocks well. And . . . Cedric wanted to say, "Listen, here's $10,000. Whatever you're doing with your money, do it with mine" (CEO).	Q1 2010	Democratizing investment management access	Yes	Subtly shifted story to match emergent logic Zeus puts the expertise of top money managers in the hands of everyday investors with several professional investment firms that have signed on to let Zeus mirror the moves of these powerhouses (External communication).
Hercules	Q3 2007	Democratizing investment management We wanted to open the floodgates to everybody. We don't think money should be a prerequisite to investing. We want to find the Michael Jordan of investing (VP).	I wanted to create kind of an arena where I could prove to my parents...that they were getting ripped off. So I said to my friend, "You know, let's create an investing talent marketplace," [online]..So then, I realized what had ultimately started as a hobby, I could turn into a business. On an entrepreneur blog, I came across Bill, who founded [a VC firm]. So, I contacted him, and the rest is history (VP).	Q2 2010	Democratizing investment management access	Yes	Subtly shifted story to match emergent logic We said we were democratizing access to great investing talent. How has that changed?...That's always been our story. It just so happens the great talent were amateurs in the beginning and now they're outstanding professionals (CEO).
Narcissus	Q1 2007	Democratizing investment management We allow everyone to invest in the stocks that they think are going up…we believe there's the next Warren Buffet among them (CEO).	I wanted to create a social network where people could invest virtually, and where other people could look at their performance. If we could have 100,000 investors, we were sure to have people at the top with fantastic returns. Other people would think, 'This is someone I would like to invest my money with,' and we'd be able to charge a fee or commission for hooking them up" (CEO).	Q2 2009	Democratizing investment management access	No	Story shifted radically to focus on learning The stock market can be very intimidating for people who are just starting out with investing...Narcissus is the ideal place for people to learn how to analyze stocks and make sound investment decisions (CEO).
Phaethon	Q1 2007	Democratizing investment management Phaethon tracks imaginary portfolios, ranking people; anyone with stellar performance can be a star (Press).	We don't think that people are destined to adopt a lone wolf approach to investing. We've learnt through experience that if you put sharp people together, they feed on each others' strengths and can pool together a broader set of resources and ideas (VP Marketing).	Q1 2009	Democratizing investment management access	No	Story shifted radically to focus on bloggers [We] shifted the focus of the company to performance tracking of financial bloggers (CEO).
Icarus	Q1 2007	Democratizing investment management We democratize investing by enabling individuals to share successful strategies with each other...to bypass the so-called experts, who really don't know any more than you and me (investor).	Social networking was taking off...From paying attention to the internet space that the Facebook, MySpace applications were going to be a big trend. And so the idea was to take different verticals, which is literally how I came up with the idea, how would those social applications be effective, how would they work and then how would they change certain industries (CEO).	Q1 2009	Democratizing investment management access	No	Story shifted radically to focus on retirement Our mission is to help you make the best decisions with your investments so that you will have more to enjoy later in life…[So], we have created an elegant retirement planning service (CEO).

Table 6. Launch: Controlling the Context to Avoid Labeling and Lock-in

Firm	Period	Launch Context	Rationale	Attached Labels	Reaction to Labels	Representative Quotes	Outcome
Zeus	Q2 2007	Set time and place of launch		Social investing, Facebook of investing, American idol of investing	Actively resisted labels	We try to avoid these kind of, "the facebook of" something or the something of something because it can be very misleading for how you yourself think about your business (Board member).	Public launch led to increased attention from both the media and customers; Firm was able to maintain flexibility
Hercules	Q1 2008	Set time and place of launch	They lack long-time Wall Street traders' superstitions (why else plan a launch for a day that still makes old-timers remember the plummet of the Dow Jones average?...[they] already have the kind of Web 2.0 swagger that attracts attention (Finance journalist).	Social investing, Facebook of investing, American idol of investing	Actively resisted labels	Everyone called it "social investing," and we tried like crazy to not be positioned as that…that was hot, so they wanted to call it a category and to lump us in with [similar startup competitors] (CEO).	Public launch led to increased attention from both the media and customers; Firm was able to maintain flexibility
Narcissus	Q3 2007	Launched on another platform (live news program)	We raised money very early in March [2007] and that led to pressure to launch and grow the community where it was probably too early. We should have probably learned a little more from our test users and just worked on the product for a little bit longer (CEO).	Social investing, Facebook of investing, Fantasy football meets the trading floor	Embraced labels and used them in their own external communciations	Fantasy sports for investing' and 'Facebook for investing.': these labels probably describe it very well. That was also kind of our inspiration (CEO).	Public launch was a short-term media success, but it led to product problems, wasted money on PR, and 'concept' press
Phaethon	Q1 2007	Launched on another platform (major technology conference)		Social investing, Facebook/ MySpace for investors, Digg for investors	Embraced labels and used them in their own external communciations	We juggled a few labels because we knew that we had to present it in a way that made sense to users. One that we toyed with was 'Digg for investors' and also 'MySpace for investors' (VP Marketing).	Public launch led to short-term media attention, but also to product problems and an inability to retain customers
Icarus	Q3 2007	Launched on another platform (major technology conference)	It was free publicity, getting our name out there, getting recognized. If we had won [best in show] it would have led to more PR. Nobody remembers the second place person (Engineering manager).	Social investing, Facebook of investing	Accepted labels and reluctantly used them in their own external communciations	We got labeled as social investing. I didn't like that term...but I did not spend a lot of time in the press or with PR correcting people. So we got labeled as something and then it stuck and it was really hard to change (CEO).	Public launch was a short-term media success, but it led to product problems, wasted money on PR, and 'concept' press

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