



Business School
Department of Marketing, Operations and General Management Department

**Three Essays on
Managers' Strategic Decisions to Legitimacy Constraints in a
Marginalized Market Category**

A Dissertation presented in partial fulfillment of the Requirements for the Degree in
Marketing

by

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May, 2016

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We can't solve problems by using the same kind of thinking we used when we created them

(attributed to Albert Einstein)

Abstract

This thesis comprises 3 essays as outputs of an overall research project that focused on the following research problem: *how enterprises in a marginalized category tackle legitimacy obstacles?*.

This thesis addresses the strategic decisions of managers' to gain legitimacy in a marginalized market category. The study is conducted in the complementary and alternative medicine (CAM) context, as an example of a marginalized market category. A qualitative study and a multiple criteria decision analysis was employed, in order to understand the response of the managers' of CAM enterprises to the legitimacy constraints.

In essay 1, findings show that as a response to legitimacy obstacles, enterprises engage in positioning vis-à-vis an established category and tackle legitimacy challenges by developing a positioning strategy. Enterprises search for a strategic balance by conforming to existing norms (points of parity) of an overarching legitimate category (frame of reference) and simultaneously differentiating their own category (points of difference), which is suggested in this study as *supra-positioning*.

In essay 2, our findings suggest that enterprises develop a number of initiatives to gain legitimacy, namely to reach pragmatic and moral legitimacy, and as a result a feedback mechanism between pragmatic and moral legitimacy is proposed as a pathway to achieve the ultimate level of cognitive legitimacy.

In essay 3, an evaluation framework was built to evaluate the success of micro social enterprises with a legitimacy deficit - indicators related to the human capital are the ones that best explain their success.

This thesis contributes to understand marginalized market categories and advances knowledge of both marketing and entrepreneurship.

Keywords: Strategic Decisions, Legitimacy, Marginalized Market Category, Entrepreneurship, Social Enterprises.

JEL Classification system: M31 Marketing, L26 Entrepreneurship

Resumo

Esta tese compreende 3 ensaios como resultado de um projeto de investigação com foco no seguinte problema de investigação: *Como é que as empresas numa categoria marginalizada enfrentam obstáculos de legitimidade?*. Esta tese aborda as decisões estratégicas dos gestores para ganhar legitimidade numa categoria de mercado marginalizada. O estudo realiza-se no contexto da medicina complementar e alternativa (MCA), como exemplo de uma categoria de mercado marginalizada. Foi utilizado um estudo qualitativo e uma análise de decisão de critérios múltiplos, a fim de compreender a resposta dos gestores das empresas de MCA às restrições de legitimidade.

No ensaio 1, os resultados mostram que, em resposta aos obstáculos de legitimidade, as empresas posicionam-se em relação a uma categoria de mercado estabelecida e enfrentam os desafios de legitimidade através do desenvolvimento de uma estratégia de posicionamento.

As empresas procuram um equilíbrio estratégico entre a conformidade com as normas existentes (pontos de paridade) de uma categoria legítima e, simultaneamente diferenciam e constroem a sua própria categoria (pontos de diferença), que é sugerido neste estudo como *supra-posicionamento*.

No ensaio 2, os dados qualitativos levam também a concluir que as empresas desenvolvem inúmeras iniciativas para ganhar legitimidade, ou seja, para alcançar legitimidade pragmática e moral. Como resultado é proposto um mecanismo de feedback entre legitimidade pragmática e moral, como forma de alcançar o nível máximo de legitimidade cognitiva.

No ensaio 3, foi construído um quadro de avaliação para avaliar o sucesso destas empresas, cujos resultados apontam para indicadores relacionados com o capital humano, como fatores que melhor explicam o sucesso empresarial, enquanto fatores externos são tidos como os menos importantes.

Esta tese contribui para a compreensão de categorias de mercado marginalizadas e para o conhecimento de marketing e empreendedorismo.

Palavras-chave: Decisões estratégicas, Legitimidade, Categoria de Mercado Marginalizada, Empreendedorismo, Empresas Sociais.

Classificação JEL: M31, L26

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Contents

Abstract	vii
Resumo	ix
Acknowledgements	xi
List of Figures	xviii
List of Tables	xx
Abbreviations	xxii
1. Introduction	1
1.1. Research Scope, Research Context and Objectives	2
1.1.1. Research Scope.....	2
1.1.2. Research Context.....	6
1.1.3. Research Objectives	11
1.2. Essays	12
1.2.1. Essay 1 (Chapter 2).....	12
1.2.2. Essay 2 (Chapter 3).....	13
1.2.3. Essay 3 (Chapter 4).....	14
1.4. Methodology	15
1.5. Theoretical contributions.....	18
1.6. Research outputs during the development of the thesis	19
1.7. Structure of the thesis	21
2. Inter-category Positioning as Strategic Balance in a Marginalized Market Category	23
2.1. Abstract	23
2.2. Introduction	24
2.3. Theoretical Framework	27
2.3.1. Legitimacy	27
2.3.1. Theory of strategic balance and positioning as an implementation tool	28
2.5. Research Setting.....	30
2.6. Method	31
2.6.1. Data collection.....	32
2.6.2. Data analysis.....	35

2.7. Findings	36
2.7.1. Frame of reference	36
2.7.2. Points of parity with conventional medicine	37
2.7.2.1. Similar medical protocols	37
2.7.2.2. Similar importance given to formal academic training of practitioners	38
2.7.2.3. Similarities in physical space	39
2.7.2.4. Similar professional ethics in peer relations	39
2.7.3. Points of difference with conventional medicine	40
2.7.3.1. CAM has a holistic understanding of health	40
2.7.3.2. Holistic symbols added to the physical space	41
2.7.3.3. CAM provides natural remedies instead of pharmaceuticals	41
2.7.3.4. CAM practitioners develop closer relationships with the patients	42
2.7.4. Positioning communication	44
2.7.4.1. Communication outputs	44
2.7.4.2. Brand elements – name, logo and slogan	45
2.8. Conclusion and Discussion	46
3. Social Enterprise Legitimacy Spiral in a Hostile Context.....	52
3.1. Abstract	52
3.1. Introduction	53
3.2. Theoretical Background	55
3.2.1. Social enterprises	55
3.2.2. Legitimacy	56
3.2.3. Social enterprises and legitimacy	57
3.3. Research context	59
3.3.1. CAM organizations as social enterprises.....	59
3.3.2. CAM’s hostile context.....	63
3.3.3. CAM in Portugal	64
3.4. Method	65
3.4.1. Research design and data.....	65
3.4.2. Data analysis.....	68
3.5. Findings	70
3.5.1. Relationship Building	71
3.5.2. Consumer Education.....	72

3.5.3. CAM as a hybrid organization form.....	73
3.5.4. Professionalization Attempts and Human Capital.....	74
3.5.5. Partnerships and Strategic Alliances	76
3.5.6. Formal Procedures	77
3.6. Pragmatic and Moral Legitimacy Feedback.....	78
3.7. Discussion and Conclusion	81
4. Exploring the Success Factors of Micro-Enterprises in a Marginalized Category using Multiple Criteria Decision Analysis (MCDA)	85
Abstract	85
4.1. Introduction	86
4.2. Theoretical Framework	89
4.2.1. Micro-enterprises.....	89
4.2.2. Entrepreneurial Success.....	90
4.3. Method	93
4.3.1. Multiple Criteria Decision Analysis (MCDA)	94
4.3.1.1. Cognitive mapping.....	95
4.3.1.2. Measuring Attractiveness by a Category-Based Evaluation Technique (MACBETH)	96
4.3.1.3. Participants (panel of decision-makers).....	97
4.3.2. First phase: Structuring.....	99
4.3.2.1. 1 st session: Problem definition	99
4.3.2.1.1. Building the cognitive map.....	99
4.3.2.2. 2 nd session: Criteria, descriptors and impact levels	103
4.3.3. Second phase: Evaluation.....	109
4.3.3.1. 3 rd session: Value judgments and local preferences	110
4.3.3.2. 3 rd session: Trade-off procedure	112
4.3.3.3. Measuring success	115
4.3.3.4. Analyzing the results of the success system	118
4.3.4. Third phase: Recommendation	120
4. 4. Discussion and Conclusion	121
4. 4.1. Implications for theory, practice and future research	125
5. Conclusion	127
5.1. Summary of main findings.....	127
5.2. Main contributions	137

5.2.1. Theoretical contributions	137
5.2.2. Managerial contributions	139
5.3. Limitations and further research	139
Bibliography	141
Appendices.....	157
A - Chapter 2 and Chapter 3.....	158
A1. Interview protocol.....	158
B - Chapter 4	159
B1. Final congregated cognitive map	159
B2. Tables	160
B3. Figures.....	164
B4. Photographs of the sessions	170
B5. Technical details of the MACBETH technique	171

List of Figures

Figure 1.1 - Timeline of the regulation of CAM in Portugal.....	10
Figure 1.2 - Overview of the essays of the thesis	16
Figure 1.3 - Structure of the thesis.....	22
Figure 3.1 –Data Structure After Gioia’s Systematic Approach (Gioia <i>et al.</i> , 2013).....	70
Figure 4.1 – Part of the final congregated cognitive map.....	102
Figure 4.2 – Tree of FPV’s for a successful CAM enterprise	104
Figure 4.3 - Branch of the cognitive map - FPV7 - Organizational Aspects.....	106
Figure 4.4 – Value judgments and value scale proposed for FPV2 - Professional Development	111
Figure 4.5 – Criteria weights	113
Figure 4.6 - Example of confidence intervals for the criteria weights and for the FPV2 - Professional Development	114
Figure 4.7 – Final ranking of entrepreneurial success profiles for the best and worst Alphas	117
Figure 4.8 – Sensitive analysis of FPV2 and FPV7	118
Figure 4.9 – Robustness analysis	119
Figure 4.10 - Robustness analysis with variations on FPV’s.....	120
Figure B3.1 - Value judgments and value scale proposed for FPV1.....	164
Figure B3.2 - Value judgments and value scale proposed for FPV3.....	164
Figure B3.3 - Value judgments and value scale proposed for FPV4.....	165
Figure B3.4 - Value judgments and value scale proposed for FPV5.....	165
Figure B3.5 - Value judgments and value scale proposed for FPV6.....	166
Figure B3.6 - Value judgments and value scale proposed for FPV7.....	166
Figure B3.7 - Performance profiles for Alphas 1, 4 and 5.....	167
Figure B3.8 - Sensitive analysis of FPV1	167
Figure B3.9 - Sensitive analysis of FPV3	168
Figure B3.10 - Sensitive analysis of FPV4.....	168
Figure B3.11 - Sensitive analysis of FPV5	168
Figure B3.12 - Sensitive analysis of FPV6.....	169

List of Tables

Table 1.1 - Differences between Complementary and Alternative Medicine and Biomedicine	7
Table 2.1 - Strategic balance theory vis-à-vis positioning actions	30
Table 2.2 - Organization characteristics	33
Table 2.3 - Respondent and interview characteristics	34
Table 2.4 - Positioning of CAM enterprises	43
Table 3.1 - CAM as social entrepreneurship	62
Table 3.2 – CAM enterprises characteristics	66
Table 3.3- Respondents and interview characteristics	67
Table 4.1 - Structure of the multidimensional framework.....	93
Table 4.2 – Profile of the respondents	97
Table 4.3 – Profile of the enterprises	98
Table 4. 4 - Description of Fundamental Points of View (FPV)	104
Table 4. 5 - FPV7 - Organizational Aspects	106
Table 4.6 - Example of the impact levels, reference levels and scores (description) for FPV7 - Organizational Aspects and FPV2 - Professional Development	108
Table 4.7 – Criteria, descriptor and impact level for FPV2 (Professional Development).....	109
Table 4.8- Semantic categories of the difference of attractiveness	110
Table 4.9 – Ranking of FPVs by overall attractiveness.....	112
Table 4.10 – Levels of partial performance revealed by the alphas	115
Table 4.11 – Partial values and overall entrepreneurial success revealed by the Alphas	116
Table 4.12 – Tables of rankings revealed by the Alphas for each descriptor	116
Table 5.1 - Summary of the main findings of the thesis.....	132
Table B2.1– Criteria, descriptor and impact level for FPV1	160
Table B2.2 - Criteria, descriptor and impact level for FPV3.....	160
Table B2.3 - Criteria, descriptor and impact level for FPV4.....	161
Table B2.4 - Criteria, descriptor and impact level for FPV5.....	162
Table B2.5 - Criteria, descriptor and impact level for FPV6.....	162
Table B2.6 - Criteria, descriptor and impact level for FPV7.....	163

Abbreviations

CAM - Complementary and Alternative Medicine

EU - European Union

FPV - Fundamental Points of View

L_i - Impact Levels

LPC - Least Preferred Co- worker

MACBETH - Measurement Attractiveness by a Categorical-Based Evaluation Technique

MCDA - Multiple Criteria Decision Analysis

NCCAM - National Center for Complementary and Alternative Medicine

SODA - Strategic Options Development and Analysis approach

UK - United Kingdom

NHS - National Health System

WHO - World Health Organization

Chapter 1

Introduction

This thesis addresses the entrepreneurial strategic actions in a market category that lacks legitimacy. Our main research question is *how enterprises in a marginalized category tackle legitimacy obstacles?*

The subject of the thesis is explored by employing a qualitative research, which is applied when there is the need to collect richness of data of a particular area of concern, and a multiple-criteria decision analysis (MCDA), which consists of an approach that facilitates the decision making process of individuals or groups in exploring decisions. The empirical study is developed into three essays, which together constitute the core of the thesis.

The first part of this introductory chapter discusses the scope, research context and the objectives of this research. Then, each of the essays comprising this thesis is briefly presented. Next, we present the methodology, the main research contributions and a summary of the main findings. We finish the introduction of the chapter with the followed structure of the thesis (Figure 1.3)

1.1. Research Scope, Research Context and Objectives

1.1.1. Research Scope

This research focuses on the legitimacy of market categories.

Market category has been defined as "*an economic exchange structure among producers and consumers that is labeled with a meaning agreed upon by the actors and audiences who use it*" (Navis and Glynn, 2010: 441). This thesis researches social enterprises, which are micro hybrid organizations, operating in a hostile environment. The thesis is concerned with the managerial responses of those responsible for these organizations efforts to gain legitimacy.

Research on market categories has received much attention in recent years. Categories were found to be critical in generating common understandings and meaning that represent how reality is interpreted by any society (Durand and Paolella, 2013; Jones *et al.*, 2012; Kaplan, 2011; Kennedy and Fiss, 2013; Khaire and Wadhvani, 2010; Negro *et al.*, 2011). Researchers agree on the fact that categories play a significant role in the flux of social and economic life, since they are guided by rules such as rewards for conformity and sanctions for nonconformity (Durand and Paolella, 2013; Kennedy and Fiss, 2013; Khaire and Wadhvani, 2010).

Market categories provide a "*vocabulary for describing a demand environment that is always changing*" (Kennedy *et al.*, 2010: 2). They are characterized by two aspects: a) symbols and features that represent the similar attributes and rules to express a category (Durand and Paolella, 2013; Jones *et al.*, 2012) and; b) boundaries that distinguish what can be integrated or excluded from a category (Jones *et al.*, 2012; Navis and Glynn, 2010).

When market categories emerge they often struggle with category definition and content (e.g. symbols and features) (Jones *et al.*, 2012), until they become established. An established category is surrounded with taken-for-granted assumptions, i.e. legitimacy (Alexy and George, 2013; Navis and Glynn, 2010). Legitimation occurs through a collective construction and meaning of social reality (Johnson *et al.*, 2006). As such, a legitimized category is characterized by the existence of clear features and boundaries. Thus, a legitimate category is

collectively perceived as coherent and meaningful (Khair and Wadhvani, 2010; Rosa *et al.*, 1999).

Prior research has explored three types of market categories: a) new categories (Khair and Wadhvani, 2010; Navis and Glynn, 2010; Rosa *et al.*, 1999); b) *de novo* categories (Jones *et al.*, 2012); and c) established categories (Jones *et al.*, 2012).

A "new category" is a category that did not previously exist, and emerged from hybrids of previously unconnected categories, but with established features or from modification of extant and established categories (Alexy and George, 2013; Jones *et al.*, 2012; Navis and Glynn, 2010; Rosa *et al.*, 1999). A new category exists "*when two or more products or services are perceived to be of the same type or close substitutes for each other in satisfying market demand*" (Navis and Glynn, 2010: 440). Some examples of new categories are: minivan, which is a combination of a car and a van (Rosa *et al.*, 1999); modern Indian art, that combines the categories of modern Western art and traditional Indian art (Khair and Wadhvani, 2010) and; satellite radio, that emerged from the technological developments of satellites for broadcasting radio signals and the receivers to decode them (Navis and Glynn, 2010). New categories are characterized as unstable (Navis and Glynn, 2010; Rosa *et al.*, 1999; Santos and Eisenhardt, 2005), without a coherent meaning for its identity (Khair and Wadhvani, 2010; Rosa *et al.*, 1999).

A "*de novo* category" is, in turn, a category that did not previously exist, and that does not build on features of legitimized categories (Jones *et al.*, 2012). In these categories, the "*rules that determine which features define category membership and boundaries have not yet been constructed*" (Jones *et al.*, 2012: 1526). A *de novo* category is characterized by the creation of new vocabulary, new features and new artifact code (Jones *et al.*, 2012).

An "established category" is a mature category with stable features (Jones *et al.*, 2012; Kennedy and Fiss, 2013). Research on established categories has focused mainly on how categories are assimilated and shaped by the social actors (Jones *et al.*, 2012). Contrarily to the previous categories, an established category is cognitively legitimate, that is characterized by taken-for-granted favorable assumptions of worth (Alexy and George, 2013; Navis and Glynn, 2010).

A stream of research in market categories that has been neglected is fuzzy/marginalized categories (Kennedy and Fiss, 2013). Marginalized categories are fuzzy, because boundaries are not sharply demarcated (Durand and Paoella, 2013; Negro *et al.*, 2011). A marginalized category is often a category that is controversial or contested, and that lacks legitimacy (Alexy and George, 2013; Kennedy *et al.*, 2010). This is because they are characterized by ambiguous and unclear structures and features (Durand and Paoella, 2013; Kennedy and Fiss, 2013; Pache and Santos, 2010). Unlike *de novo* categories, where features and boundaries have not yet been constructed (Jones *et al.*, 2012), and new categories that are in an early stage of formation and that emerge from the combination or modification of established categories (Navis and Glynn, 2010), marginalized categories are often already swamped with meanings and pre-conceived understanding.

A category with fuzzy boundaries results in "*inappropriate correspondences between categories membership*" (Durand and Paoella, 2013: 1114) and turn more difficult the task of determining "*categories boundaries and permanence*" (Durand and Paoella, 2013: 1114). Thus, belonging to a marginalized/fuzzy category brings negative consequences to enterprises that constitute it (Kennedy and Fiss, 2013). As stated by Durand and Paoella (2013: 1110) "*producers have little interest in belonging to fuzzy categories, where confusion and ambiguity make comparisons between offerings harder*".

For example, hybrid organizations which are associated to more than one category membership (as for example enterprises that have simultaneous characteristics of not for profit (mission driven) and profit organizations (pursue financial sustainability)) (Alexy and George, 2013; Durand and Paoella, 2013; Kennedy and Fiss, 2013; Pache and Santos, 2010) are often considered fuzzy categories, because it is not clear to which category they belong, and they thus lack a clear and meaningful identity (Durand and Paoella, 2013). Moreover, organizations belonging to more than one category membership are often exposed to multiple and sometimes conflicting institutional demands, because they operate in different institutional logics (Pache and Santos, 2010). This is the case of social enterprises, since they pursue a dual mission of accomplishing both social and financial goals, and thus they have to respond to the demands of the market logic and social welfare (Doherty *et al.*, 2014; Pache and Santos, 2010).

Enterprises in categories exposed to a hostile environment are under conditions of

“legitimacy vacuum”, which limit the enterprises survival chances (Dobrev and Gotsopoulos, 2010). The lack of legitimacy is exacerbated for categories with conflicting logics and ambiguous or unclear structures (Alexy and George, 2013; Kennedy and Fiss, 2013; Kennedy *et al.*, 2010). Therefore, because enterprises must conform to society legitimacy criteria in order to survive (Alexy and George, 2013; Dobrev and Gotsopoulos, 2010; Kennedy and Fiss, 2013; Überbacher, 2014), this thesis aims to explore how enterprises in a marginalized category respond to legitimacy obstacles.

Researchers have pointed out the relationship between a legitimate category and legitimacy of an enterprise (Alexy and George, 2013; Navis and Glynn, 2010; van Werven *et al.*, 2015). The reason is that internal and external audiences (e.g. customers, employees, investors) who judge firms credibility and appropriateness, compare enterprises to existing categories of organizations and relate them to a relevant category (Khair and Wadhvani, 2010; Navis and Glynn, 2011, 2010; van Werven *et al.*, 2015). When an enterprise is cognitively assigned to a certain category, it sets up perceptions of reality and guidelines to how things should be done. Thus, since *"categories allow producers and audiences to develop a common understanding of how firms or products within a category should look or act, allowing for their comparison and relative evaluation"* (Alexy and George, 2013: 175), when a category lacks legitimacy, so does the enterprise which is assigned to this category.

One interesting entrepreneurial challenge is to achieve the legitimacy of an enterprise in a category that lacks legitimacy (Navis and Glynn, 2011; van Werven *et al.*, 2015). Previous research has shown the importance of entrepreneurs initiatives in enhancing the legitimacy of an enterprise (Kaplan, 2011; Khair and Wadhvani, 2010; Navis and Glynn, 2011, 2010; van Werven *et al.*, 2015). In order to accomplish a favorable legitimacy judgment, entrepreneurs can employ strategic actions with the purpose of shaping the perceptions of their stakeholders (Khair and Wadhvani, 2010; van Werven *et al.*, 2015). Strategic actions *"refer to the actions of individual actors (such as entrepreneurs, venture managers, and reference persons) that attempt to control the legitimacy judgments of audiences by means of purposeful compliance with, or manipulation of, audiences' expectations and values"* (Überbacher, 2014: 681). Thus, with this study, we aim to address the entrepreneurial strategic actions in a category that lacks legitimacy. For the purpose we examine the context of a marginalized/fuzzy category, where research is scarce (Kennedy and Fiss, 2013). Our study intends to answer recent calls for research on *"how do organizational strategies shape*

categories" and "*how do categories shape organizations and their strategies?*" (Kaplan, 2011: 689). Hence, our main research question is *how enterprises in a marginalized category tackle legitimacy obstacles?*

1.1.2. Research Context

We then provide an introduction to the context of our research - Complementary and Alternative Medicine (CAM) and justify why it is a pertinent setting for our study.

Complementary and alternative medicine (CAM) is considered unconventional, alternative, or unorthodox therapies that encompass a broad spectrum of practices and beliefs and therefore are difficult to define (Eisenberg *et al.*, 1993). Nevertheless, for the purposes of this study we embrace the following definition: Complementary and Alternative Medicine (CAM) encompass a "*heterogeneous set of practices that are offered as an alternative to conventional medicine for the preservation of health and the diagnosis and treatment of health-related problems*" (Murray and Rubel, 1992: 61).

CAM practices are characterized by:

- a) health therapies based in a holistic understanding of the human being (Barrett *et al.*, 2003; Dodds *et al.*, 2014);
- b) patient-centered medicine - personalized and customized health service (Barrett, 2001; Barrett *et al.*, 2003);
- c) empowerment of the patients (co-creation) (Barrett, 2001; Dodds *et al.*, 2014);
- d) preventive health service (Barrett, 2001; Barrett *et al.*, 2003; Dodds *et al.*, 2014; Hirschhorn, 2006);
- e) based on natural remedies or practices nature-based products (Kelner *et al.*, 2006a; Rajamma and Pelton, 2010a; Truant and Bottorff, 1999).

CAM practices include:

- a) alternative medical systems (e.g. acupuncture, naturopathy, homeopathy, etc);
- b) mind body interventions (e.g. biofeedback, hypnosis, etc);
- c) biologically-based treatments (e.g. aromatherapy, iridology, etc);
- d) manipulative and body-based methods (reflexology, massage, osteopathy, etc) and;
- e) energy therapies (reiki, healing, etc) (Frass *et al.*, 2012).

CAM is a good example of a category with legitimacy obstacles.

They have been largely excluded from the conventional health sector (Wardle and Adams, 2014), and despite the rise of CAM practices, “to speak of ‘‘alternative medicine is like talking about foreigners – both terms are vaguely pejorative and refer to large, heterogeneous categories defined by what they are not rather than by what they are’’ (WHO, 2002: 8) (Table 1.1 shows some differences between Complementary and Alternative Medicine and Conventional Medicine).

Table 1.1 - Differences between Complementary and Alternative Medicine and Biomedicine

	Complementary and Alternative Medicine	Conventional Medicine
Definition	A group of diverse medical and health care systems, practices, and products that are not presently considered to be part of conventional medicine. Also called non-conventional medicine (NCCAM, 2000; WHO, 2002).	A system in which medical doctors and other healthcare professionals (such as nurses, pharmacists, and therapists) treat symptoms and diseases using drugs, radiation, or surgery. Biomedicine relies in evidence-based medicine (EBM), which is based in scientifically proven evidence-based medicine supported by solid data. Also called allopathic medicine, conventional medicine, orthodox medicine, and Western medicine (Tonelli and Callahan, 2001).
Assumptions	Assumes that each individual has his or her own constitution and social circumstances which result in different reactions to “the causes of disease” and to “treatment” (Stratton and McGivern-Snofsky, 2008).	Assumes disease to be fully accounted by deviations from the norm of measurable biological (somatic) variables (Engel, 1977; Tonelli and Callahan, 2001).
Domains	Alternative medical systems; mind body interventions; biologically-based treatments; manipulative and body-based methods; and energy therapies (WHO, 2002).	Chemical drugs. Embraces the reductionism, the philosophic view that complex phenomena are ultimately derived from a single primary principle is Physicalistic (Tonelli and Callahan, 2001).
Some examples	Homeopathy, Phytotherapy, Acupuncture, Naturopathy,	Cardiology, Orthopedics, etc

Traditional Herbal Chinese
Medicine, Osteopathy, Chiropractic,
Shiatsu, etc.

The Western world witnessed a ‘boom’ in demand for the services of CAM (Coulter and Willis, 2007) and consumers are resorting to CAM, even without its official professionalization and socio-cultural validation (Wardle and Adams, 2014). For example, only in the United States, the alternative medicine industry revenue is expected to amount approximately 14.3 billion dollars by 2016 (STATISTA, 2015). Moreover, the global market for all herbal supplements and remedies could reach US\$115 billion by 2020 (Rinaldi and Priya, 2015).

Some authors argue that the rise in popularity of alternatives therapies, compared to biomedical therapies, may be interpreted as a logical outcome of a set of wider socio-political transformations. Cockerham’s (1992: 575) states that the developments in Western medicine have led to increasing calls to deal with problems of the “whole person”, to more consumer orientation toward health, growing distrust of physicians (such as short doctor-patient interactions), and “*issues of health, medicine, and illness have become a medium through which fundamental issues and concerns about society have been expressed*”.

Nevertheless, CAM is not a homogeneous field and problems of definition arise and remain significant in the literature (Coulter and Willis, 2007). Often, CAM has been defined in terms of ‘otherness’ and ‘what is not’, which is characteristic of a market category that is not (yet) established (Hirschhorn, 2006). This is due to the scarcity of scientific evidence about the benefits of the alternative therapies and to the insufficiently standards and regulations of the CAM system (Bishop *et al.*, 2007). One reason is that science and medicine exert a powerful authority that holds dominant political and socioeconomic systems (Brown and Zavestoski, 2004). Further, CAM has been grossly under-investigated from a social and organizational point of view (Brown and Zavestoski, 2004).

The efficacy and safety of CAM practices are yet scientifically and publicly to be determined (Mainardi *et al.*, 2009). For instance, even though alternative medicine is a \$34 billion industry, only one-third of the treatments have been tested (Nuwer, 2013). There is an inherent reluctance to develop policies that promotes safety in the use of CAM (Wardle and Adams, 2014). One major reason might be that CAM is still considered an inappropriate

option for healthcare, since it challenges some basic assumptions of orthodox medicine (Mizrachi *et al.*, 2005). As stated by Wardle and Adams (2014: 418) "*institutional failure to acknowledge CAM as a significant part of the healthcare sector could in fact lead to new and increased risks for consumers*". The authors consider that the lack of legitimacy, which in turn is reflected on the lack of policy and regulatory infrastructure, brings major risks for CAM users, such as: false consultations, poor training of CAM practitioners, financial exploitation of patients and lack or inadequate information about the CAM practices.

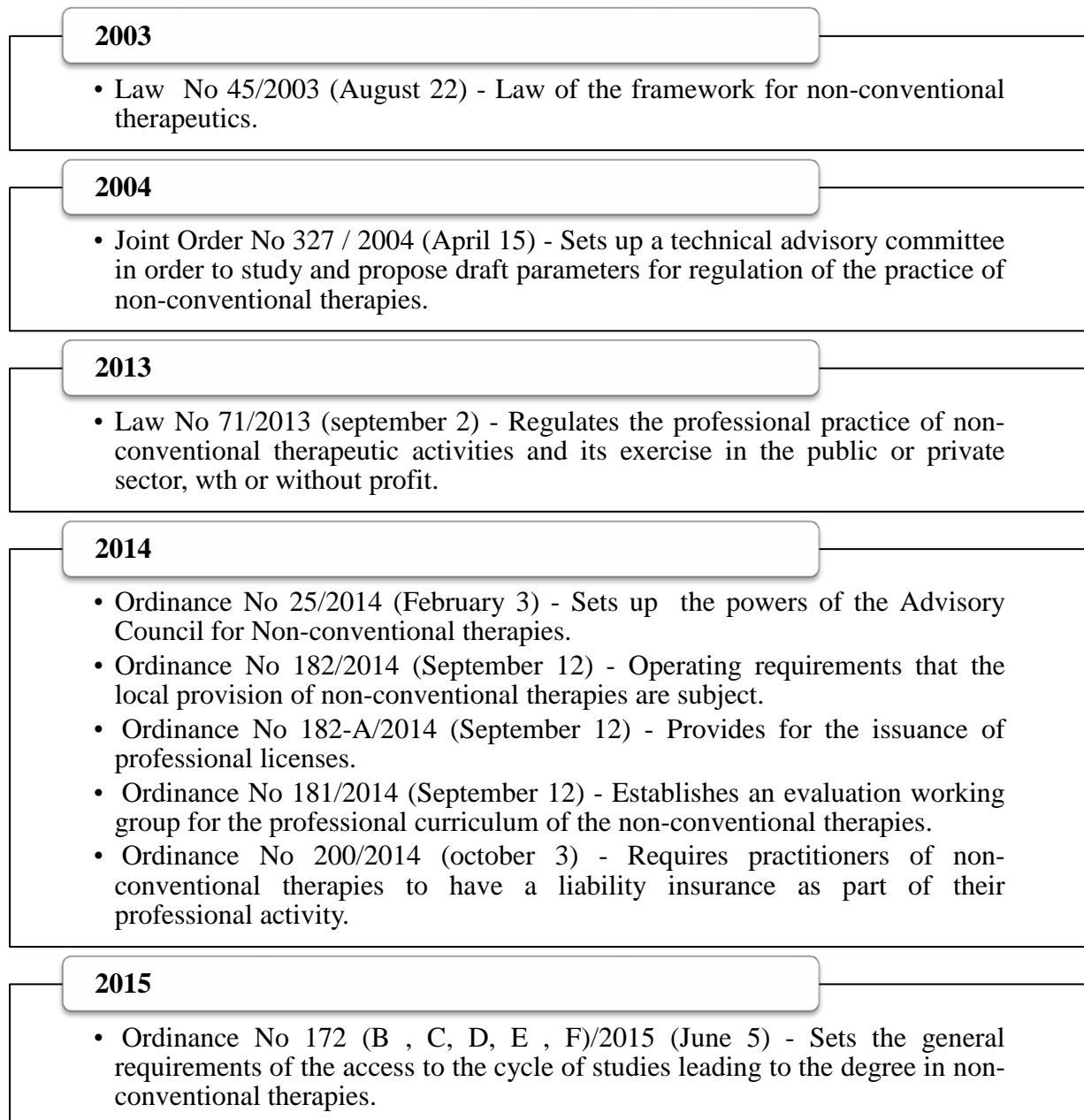
As CAM practices are contested, institutionalization plays an important role in the acceptance and taken for grantedness of the CAM category. In conclusion, CAM can be considered a marginalized/fuzzy category because a) its boundaries are not clear (e.g. practices and beliefs are difficult to define) and b) it has unverified structures and features (e.g. lack of scientific evidence, unclear efficacy and safety). As many of the CAM practices (such as ayurveda, acupuncture, herbalism, etc.) existed long before in other geographies like China and India, only recently they started being classified under the CAM category in the Western "developed" world, so they are already swamped with meanings and pre-conceived understanding. Furthermore, due to the weak institutional support, CAM category is under conditions of "legitimacy vacuum".

We conduct our research in Portugal. The study considers only CAM therapies that are or have been approved by the Portuguese government, therapies that are included in medical schools or in CAM schools and therapies that in some way have been recognized by a governmental institution. Those 11 therapies are: acupuncture, naturopathy, osteopathy, homeopathy, chiropractic, phytotherapy, hypnosis, herbal medicine, ayurveda, reflexology and aromatherapy.

The first attempt to regulate CAM therapies was in 2003. It regulated six therapies – acupuncture, chiropractic, homeopathy, naturopathy, osteopathy and phytotherapy. However, the official law only came into effect in 2013. This law (n° 71/2013) legalizes the exercise and access to the profession within the framework of unconventional therapies. The characterization and functional content of the profession of the six practices, and the clarification of professional's ballots was known in 2014. Finally, in June 2015, the Ministries of Health and Education and Science regulate the general requirements that must be satisfied by the course of study leading to the bachelor degree, in the six therapies

previously approved. It is important to note that we started our study in the field in 2012; therefore our findings span the period before and after the regulation of CAM therapies. A timeline of the regulation of CAM in Portugal is in Figure 1.1.

Figure 1.1 - Timeline of the regulation of CAM in Portugal



The institutionalization and legitimacy process of CAM therapies in Portugal took more than ten years. Thus, the circumstances of the CAM category - lack of legitimacy and marginalized category - and the case of CAM therapies in Portugal - is a good case to assist our research purpose - the entrepreneurial strategic actions in a category that lacks legitimacy.

1.1.3. Research Objectives

This thesis addresses the entrepreneurial strategic actions in a market category that lacks legitimacy. Our main research question is *how enterprises in a marginalized category tackle legitimacy obstacles?*

Specifically, the main objectives of this research are to:

- Understand how managers of enterprises aim strategic decisions at category legitimation and at the same time at creating differential advantage for the category;
- Understand the attempts of the social enterprises to gain legitimacy in a hostile context;
- Map and categorize micro-entrepreneurs' perceptions of success.

This research purpose is important, because:

- Categories generate common understandings and meaning about how reality is interpreted by any society (Durand and Paoletta, 2013; Kaplan, 2011; Kennedy and Fiss, 2013);
- Categories in the context of markets and enterprises facilitate the interpretation of enterprises' attributes and offers (Durand and Paoletta, 2013; Kennedy and Fiss, 2013; Khaire and Wadhvani, 2010; Navis and Glynn, 2010);
- Legitimate categories are vital for continuity in markets (Navis and Glynn, 2010).

Thus, the legitimacy of enterprises in a marginalized category is important to study, since categories act as institutions that facilitate exchange and shape economic outcomes (Khaire and Wadhvani, 2010). The more legitimized is an enterprise, the more comprehensible and plausible it will be in the eyes of society (Durand and Paoletta, 2013; Kennedy and Fiss, 2013; van Werven *et al.*, 2015). For this reason, in order to maintain and have a sustainable business, enterprises in marginalized/hostile contexts must actively search for legitimacy. Therefore the entrepreneurial strategic actions of managers may greatly influence the degree and acceptance of the business, and consequently their survival and success.

1.2. Essays

This thesis comprises 3 essays.

Our main research question - *how enterprises in a marginalized category tackle legitimacy obstacles?* - is explored from different angles in each of the essays that compose the thesis. The unit of analysis is the CAM enterprises. A brief description of each essay can be found next.

1.2.1. Essay 1 (Chapter 2)

Chapter 2 presents the first essay of the thesis: *Inter-category Positioning as Strategic Balance in a Marginalized Market Category*.

This essay addresses managers' strategic decisions to conflicting institutional demands – on the one hand consumer demand for CAM services and on the other hand legitimacy pressures from society - in a growing, yet marginalized market category – complementary and alternative medicine (CAM).

The CAM ventures strategic response was observed in their positioning strategy at the category level (as opposed to comparing with other alternatives at the organizational level). We have followed Keller *et al.* (2002) elements of positioning - frame of reference, points of parity and points of difference. Thus, we are interested in how managers perceive and address the need of stimulating category demand (emphasizing competitive advantage or differences in relation to alternatives) while simultaneously coping with legitimacy challenges (which pressure for emphasizing similarities with what is legitimate). To this aim, we employ a phenomenology approach, which is a qualitative research technique (Goulding, 2005; Miles and Huberman, 1994; Patton, 2002; Sanders, 1982) that seeks to understand a phenomena as perceived by the study population.

The main proposition of this essay is that organizations in category legitimacy vacuum engage in inter-category (and not firm-category) or *supra-positioning* in efforts to conform to existing norms of an overarching legitimate category and simultaneously differentiate and build their own category value proposition. This study extends the brand positioning concept to organizations and market categories and builds its rationale over the theory of strategic balance (Deephouse, 1999). Strategic balance theory suggests that organizations should

strike a strategic balance between differentiation and conformity, when operating in markets with both strong competitive and institutional forces. This study imparts the notion that *supra-positioning* can be a mechanism through which managers engage in active construction of category meaning.

The research question that guided Essay 1 is *What managerial strategic responses allow growth in a market category that lacks legitimacy?* The findings indicate that CAM managers frame their market category in the medical field (frame of reference) and search for a strategic balance between conformity and differentiation in relation to orthodox medicine. It appears that CAM providers offer their "unique" service (differentiation), but through the established rules defined by biomedicine (similarity).

1.2.2. Essay 2 (Chapter 3)

Essay 2 is titled *Social Enterprise Legitimacy Spiral in a Hostile Context*. It can be found in chapter 3.

The aim of Essay 2 is to explore the paradoxical case of legitimacy evolution of social enterprises in a hostile context, taking as an example complementary and alternative medicine (CAM) social enterprises. We examine possible legitimacy building mechanisms for social enterprises with difficult measure outcomes and in a hostile environment. This research responds to recent calls for research to empirically understand the legitimacy of social enterprises (Austin *et al.*, 2006; Dart, 2004; Ruebottom, 2013).

Qualitative interviews to the managers' of CAM enterprises were undertaken and analyzed according to the methodology suggested by Gioia *et al.* (2013), a grounded theory technique, which is a systematic approach based on first-order and second-order analysis for qualitative rigor.

Our findings indicate that CAM enterprises rely on relationship building and consumer education to establish pragmatic legitimacy, while the search for moral legitimacy is expressed through the hybrid organizational form, professionalization attempts and importance given to human capital, strategic alliances, and formalization of procedures.

Building on Suchman's (1995) three levels of legitimacy, this study suggests a feedback mechanism through which enterprises can use pragmatic legitimacy to enhance moral legitimacy and to create a feedback effect between moral and pragmatic legitimacy. We conjecture that social enterprises acquire pragmatic legitimacy through value creation and acquire moral legitimacy through business decisions. A five step feedback mechanism is presented for social enterprises embarking on a legitimacy gain spiral.

This essay was guided by the research question *How do social enterprises attempt to gain legitimacy in a hostile context?*

1.2.3. Essay 3 (Chapter 4)

The last essay of the thesis appears in chapter 4.

This essay, titled *Exploring the Success Factors of Micro-Enterprises in a Marginalized Category Using Multiple Criteria Decision Analysis (MCDA)*, examines entrepreneurs' perception of a successful enterprise in a marginalized category.

The main proposition is that enterprises in a marginalized category, and specifically micro-enterprises, are subject to pressures by a group of diverse stakeholders that they need to attend to, and therefore defining a set of key success indicators leading to survival can be a daunting task for micro-enterprises in a marginalized category. The study intends to contribute to the identification of those indicators for both theory and practice.

For the purpose, we employ a multiple-criteria decision analysis (MCDA), which is an approach of decision science that facilitates decision-making in complex decision, because supports individuals or groups to think and discuss the problem in hands, and ultimately in identifying the best course of action (Ferreira *et al.*, 2015; Belton and Stewart, 2002).

With the help of MCDA, the researchers were able to assist the entrepreneurs of CAM enterprises in developing a framework to assess organizational success. The resulting evaluation framework of success, from the entrepreneurs point of view, comprises seven criteria, which are: training (academic, scientific and technical qualifications of the human capital), professional development (professional experience, professional skills and know-how), marketing (strategic and tactical actions to promote the organization), management

(skills of the managers and the financial conditions of the organization), external factors (social, political, economic, legal and competitive factors), infra-structures (facilities and its physical surroundings) and organizational aspects (adequacy of the human capital to the organizational needs and structure).

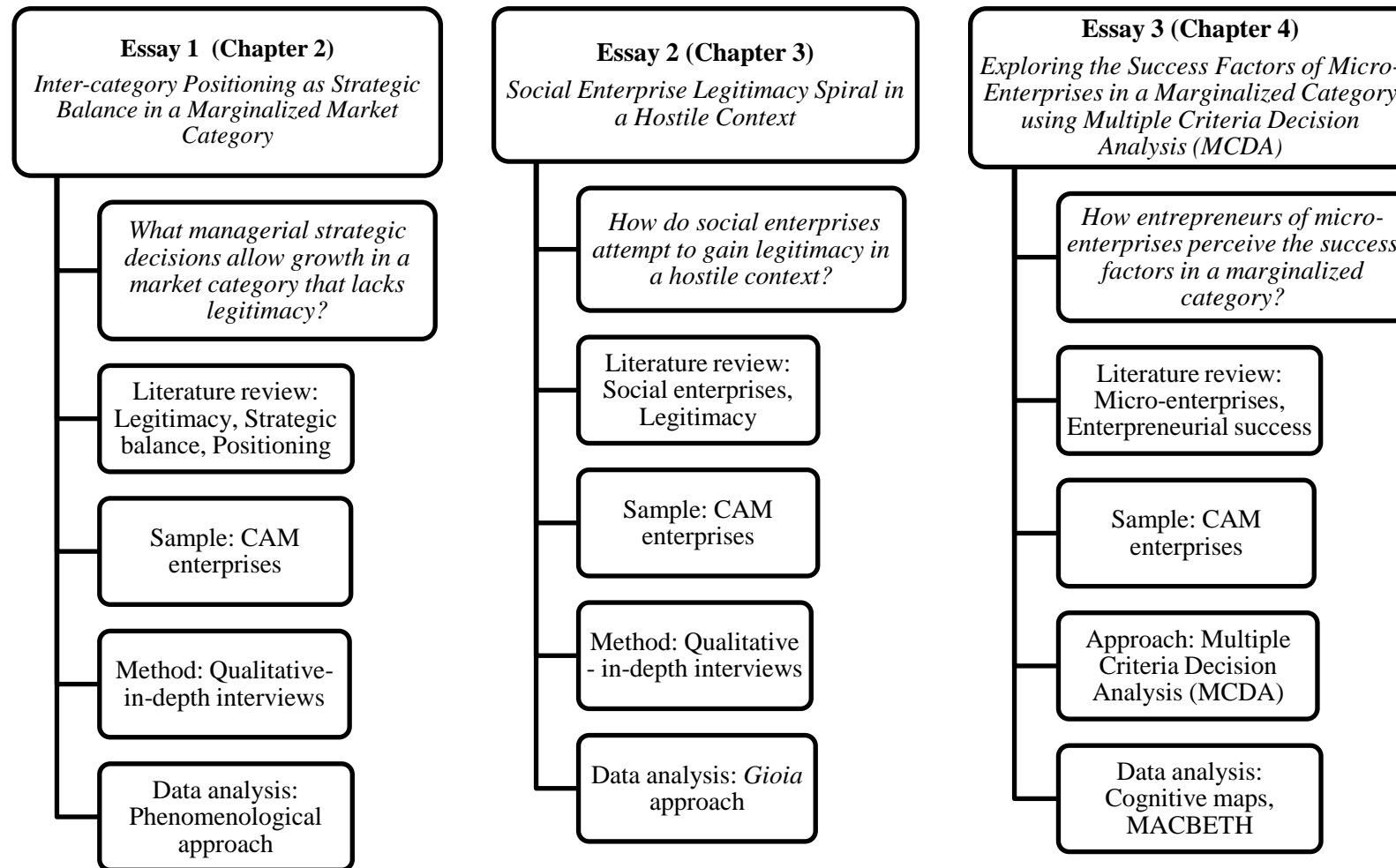
This particular essay focused on the research question: *How entrepreneurs of micro-enterprises perceive the success factors in a marginalized category?* Our findings confirm that the human capital of the enterprise is a valuable predictor of success, which we found to be in accordance with indicators that increase legitimacy (Aldrich and Fiol, 2008; Tornikoski and Newbert, 2007). On the other hand, our findings suggest that the external factors are not significant to explain the micro-enterprises success in the entrepreneurs view.

1.4. Methodology

We now present the methodological choices.

In order to answer to the overall research questions of the thesis - *how enterprises in a marginalized category tackle legitimacy obstacles?* - we employ a qualitative method, specifically a phenomenological and *Gioia* approach and a multiple criteria decision analysis (MCDA) approach. We show below an overview of the essays of the thesis (Figure 1.2).

Figure 1.2 - Overview of the essays of the thesis



In essay 1 and 2 we opted for a qualitative approach.

Our aim in the first two essays was to explore the legitimation attempts of CAM enterprises, in the first essay from a phenomenological angle and in the second essay from a Gioia methodology angle. The qualitative method has been pointed out as the adequate approach in management studies, when there is a desire to explore an area of concern and when there is little knowledge available on the subject (Miles and Huberman, 1994, Eisenhardt, 1989). Some of the main advantages of a qualitative approach are the collection of a detailed and rich amount of data that provide insights, ideas or understanding about specific problem (Pratt, 2009; Miles and Huberman, 1994). Thus, because our aim was to gain a deeper understanding of the legitimation attempts of CAM enterprises (Miles and Huberman, 1994), a qualitative approach offer a set of techniques (such as phenomenology and grounded theory) to support our research goal. As stated by Van Maanen (1983: 9) qualitative methods are “*an array of interpretive techniques which seek to describe, translate and otherwise come to terms with the meaning [for the] phenomena in the social world*”.

In the last essay, where we study entrepreneurs’ perception of a successful enterprise in a marginalized category, we opted for a multiple criteria decision analysis (MCDA) approach. As Belton and Stewart (2002: 2) argue multiple criteria decision analysis (MCDA) is “*a collection of formal approaches which seek to take explicit account of multiple criteria in helping individuals or groups explore decisions that matter*”. This is a suitable approach, because our aim was to develop a success framework from the founders/managers point of view. Unlike interviews or questionnaires, which are undertaken alone by each of the respondents, the main advantage of the MCDA approach is that the respondents (e.g. the entrepreneurs which are the panel of decision makers) collectively develop the framework meant to evaluate the success of their enterprises. Additionally, in contrast with most empirical research that has mainly resorted to measures selected by the authors of the articles, this approach supports the group of decision makers to discuss in an open environment the identification of factors that in their vision best assess organizational success, and consequently better justify and explain their decisions (Belton and Stewart, 2002). The MCDA approach has been used in studies with similar goals, such as in the development of a bank branch performance evaluation (Ferreira *et al.*, 2010), in a model for faculty evaluation (Bana e Costa and Oliveira, 2012) and in a entrepreneurial orientation measurement (Ferreira *et al.*, 2015).

1.5. Theoretical contributions

We attempt to contribute to the literature in several ways.

First, we seek to contribute to research on categories. In particular, we aim at examining the context of a marginalized/fuzzy category, which few studies have addressed (Kennedy and Fiss, 2013). We enrich this area of research by exploring the legitimacy of enterprises in a marginalized context by addressing enterprises in a "legitimacy vacuum" (Dobrev and Gotsopoulos, 2010). We specifically explore how managers of enterprises in a marginalized category respond to legitimacy constraints. Hence, in the field of categories, we provide new perspective on marginalized market categories.

Our second contribution is to the positioning literature. This research offers a theoretical perspective of the positioning strategies that enterprises might put in action to increase its legitimacy. Additionally, our findings demonstrate that the concept of brand positioning can be applied at the market category level. We introduce the concept of *supra-positioning* as a mechanism through which enterprises can engage in active construction of category meaning to achieve legitimacy. The second study also proposes a feedback mechanism, between two levels of legitimacy (pragmatic legitimacy and moral legitimacy), and our findings lead us to conclude that pragmatic legitimacy can be acquired through value creation, while moral legitimacy can be attained through business decisions.

To the field of entrepreneurship, we contribute to research on social enterprises and micro-enterprises, since our research is conducted in enterprises in these circumstances.

With respect to social enterprises, it is important to study their legitimacy attempts, because social enterprises are hybrid, that is, they draw on two different categorical and institutional paradigms (i.e. market logics and social welfare) that they have to respond to. We thus seek to extend the literature on social enterprises by analyzing the impact of the competing demands (due to their hybridity) on the legitimacy strategies. This constitutes our third contribution.

Our fourth contribution is to the field of micro-enterprises. In particular, we explore entrepreneurs' perception of a successful enterprise. To the purpose, we analyze the success

factors of micro-enterprises in a marginalized category, from the founders/managers point of view.

The last theoretical contribution is a methodological - we employed an approach of decision science, multiple criteria decision analysis (MCDA), that we found to be scarce in studies of marketing/entrepreneurship where the managers' perceptions is analyzed. The main advantage of using this approach is the learning mechanism allowed by the interactive process between the participants in the study. The participants can discuss and share ideas/suggestions about the problem in hands, which can be seen as a similar business environment where decisions are usually made. The characteristics of this approach offers additional adjustments and improving possibilities, which in turn enhance the potentialities of the solution reached by the decision-makers (Ferreira *et al.*, 2010).

1.6. Research outputs during the development of the thesis

During the development of this thesis several papers were prepared and were presented at doctoral colloquiums, international conferences and submitted to academic journals. We made major improvements in this research due to the valuable feedback received. In addition, two essays of this thesis received international acknowledgments. Bellow we show the list of the papers prepared.

Submissions to international peer reviewed Journals:

"Inter-category Positioning as Strategic Balance in a Marginalized Market Category", reject-resubmit at the *Journal of Business Venturing*.

Presentations in International Conferences:

Bicho, Marta; Ralitzia Nikolaeva and Carmen Lages (2015). "Inter-category Positioning as Strategic Balance in a Marginalized Market Category", *European Academy of Management Conference (EURAM)*, Warsaw, Poland, June 17-20. Winner: 2015 Best Paper Award at the Strategy Process and Practice Track of the Strategic Management SIG.

Bicho, Marta; Ralitzia Nikolaeva and Carmen Lages (2014). "Social Entrepreneurs' Motivations and Value Creation Dimensions", *Proceedings 44th European Marketing Academy (EMAC) Conference*, Leuven, Belgium, May, 26-29.

Bicho, Marta; Ralitzia Nikolaeva and Carmen Lages (2014). "Positioning as a Strategic Balance: The case of Complementary and Alternative Medicine", *2014 AMS World Marketing Congress*, Lima, Peru, August, 5-8.

Bicho, Marta, Ralitzia Nikolaeva and Carmen Lages (2013). "Market legitimacy of a Marginalized Category: The Case of Complementary and Alternative Medicine (CAM)", *European Group for Organizational Studies (EGOS) Conference*, Montreal, Canada, July, 4-6.

Doctoral Colloquiums:

Bicho, Marta, Ralitzia Nikolaeva and Carmen Lages (2015). "Value Creation Challenges of a Marginalized Category in Social Entrepreneurship", *European Academy of Management Conference (EURAM) Doctoral Colloquium*, Warsaw, Poland, June 15-16. Finalist: 2015 Doctoral Colloquium Best Paper Award

Bicho, Marta; Ralitzia Nikolaeva, and Fernando Alberto Ferreira (2015). "Managing Strategic Paradoxes in Social Enterprises Decision Making", *Audencia Nantes Doctoral Summer School 2015*, Nantes, France, June, 1-4.

Bicho, Marta; Ralitzia Nikolaeva and Carmen Lages (2014). "Positioning as Strategic Balance when Lacking Legitimacy: The Case of Complementary and Alternative Medicine (CAM)", *ESG Next Generation Workshop for PhD Students*, Boston, USA, May, 19-21.

Bicho, Marta, Ralitzia Nikolaeva and Carmen Lages (2012). "Market Legitimacy in the Diffusion of a Construed Category: The Case of Complementary and Alternative Medicine", *21st EDAMBA Summer Academy*, Soreze, France, July, 24-30.

Bicho, Marta, Ralitzia Nikolaeva and Carmen Lages (2012). "Market Legitimacy in the Diffusion of a Newly Construed Category: The Case of Complementary and Alternative Medicine (CAM)", *EMAC 25th Doctoral Colloquium*, Lisbon, Portugal, May 20-22.

1.7. Structure of the thesis

This thesis is organized in five chapters, as outlined in Figure 1.3.

In this first chapter, the subject of this dissertation was introduced, and its scope, context and main objectives were discussed. After, we provided an overview of the three essays that comprise this thesis. Then, we summarize our methodological choices, and presented an overview of the main research contributions. To finalize this chapter, we showed the outputs of this research and outlined the structure of this thesis.

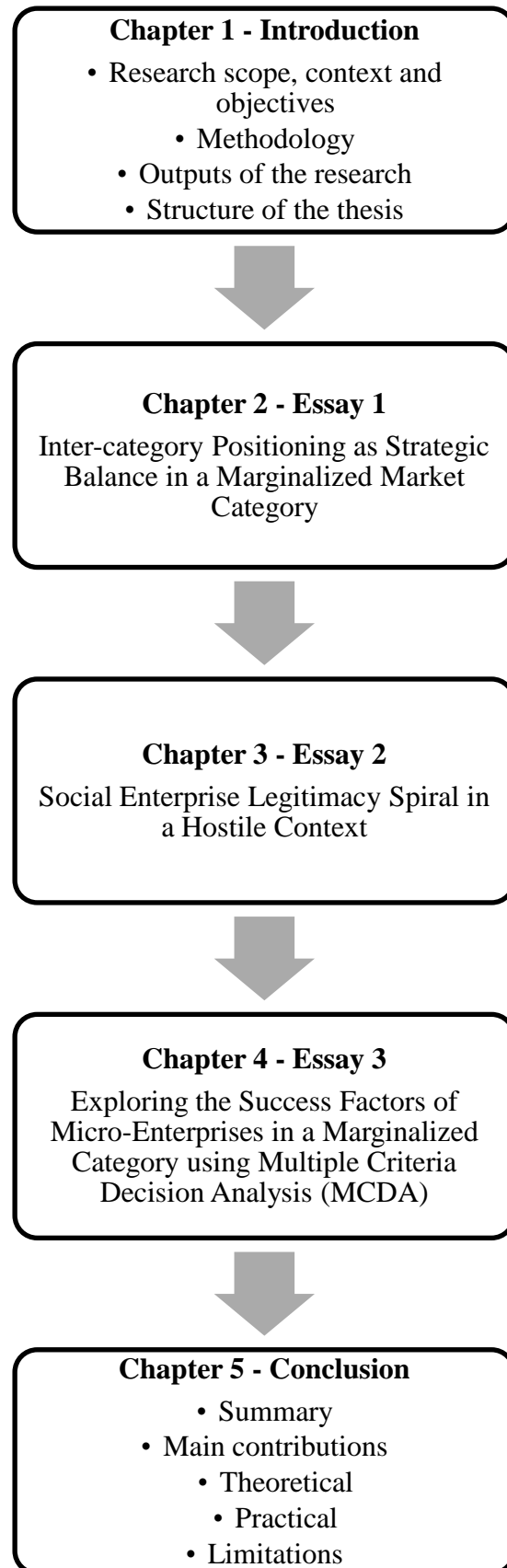
Chapter 2 presents essay 1, which examine managers' positioning strategy of a category under conflicting institutional demands.

Chapter 3 is comprised by the essay 2 that explores possible legitimacy building mechanisms for social enterprises in a hostile environment with hard-to-measure and unpredictable outcomes.

Chapter 4 presents essay 3, and examines entrepreneurs' perception of a successful enterprise in a marginalized category.

Finally, in chapter 5, we present the summary of the main findings and show how the research objectives were achieved. We end this chapter with a discussion of the research contributions, limitations and implications for future research.

Figure 1.3 - Structure of the thesis



Chapter 2

Inter-category Positioning as Strategic Balance in a Marginalized Market Category ¹

2.1. Abstract

The study extends the brand positioning concept to organizations and market categories by analyzing qualitative data on managers' strategic response to conflicting institutional demands in a growing, yet marginalized market category – complementary and alternative medicine (CAM). Applying the lens of the theory of strategic balance, we argue that organizations in category legitimacy vacuum engage in inter-category or *supra-positioning*, i.e. *Supra-positioning* can be a mechanism through which managers engage in active construction of category delineation. The result is an effort to obtain strategic balance by conforming to existing norms (points of parity) of an overarching legitimate category (frame of reference) and simultaneously differentiating their own category (points of difference). The study imparts the notion that *supra-positioning* can be a mechanism through which managers engage in active construction of category delineation. Using a phenomenological approach, the findings indicate that CAM managers use the medical field as the frame of reference and search for strategic balance between conformity and differentiation in relation to it.

Keywords: *Strategic Balance, Positioning, Legitimacy, Complementary and Alternative Medicine*

¹ Essay submitted as a paper to the Journal of Business Venturing

2.2. Introduction

“Minister of Magic” – this is how the freshly appointed British health chief, Jeremy Hunt, was dubbed by the UK mainstream media in 2012. The reason – five years earlier he signed a Parliamentary motion in support of homeopathy. Prominent scientists declared that this is a bad omen as belief in science and homeopathy is incompatible (Cheng, 2012). This media characterization illustrates widespread societal attitudes in the Western world towards homeopathy and, in general, Complementary and Alternative Medicine (CAM). Nevertheless, the CAM services market continues to grow with estimates that it will reach US \$ 114 billion worldwide by 2015 (GIA, 2012). Increasing numbers of people in the Western world are visiting CAM practitioners, either as an alternative to conventional medicine, or as a supplement to it. What we observe is an expanding CAM market category despite legitimacy challenges. However, theory argues that organizations need legitimacy in order to survive and grow (Zimmerman and Zeitz, 2002). These apparently contradictory developments underline the incompleteness of our understanding of the phenomenon, bringing us to the following research question: What managerial strategic decisions allow growth in a market category that lacks legitimacy?

Ruebottom (2013) notes that many social enterprises face questioning and resistance from the community at large. Often, this is the case because they challenge the status quo and various stakeholders are subject to inertial forces. In this way, many services with potentially transformative features remain outside of the mainstream or marginalized by society. CAM enterprises share many characteristics with such social enterprises, first and foremost being the possibility of transformative outcomes of the services (Smithson *et al.*, 2012). Our theoretical development rests on the notion that when a market category lacks legitimacy, so do organizations comprising it. Dobrev and Gotsopoulos (2010) introduce the term ‘population-level legitimacy vacuum’ to describe the effect. It suggests that individual organizations cannot obtain legitimacy on their own in a vacuum. Consequently, we ask the research question at the market category level, namely how managers of individual enterprises aim strategic decisions at category legitimation and at the same time at creating differential advantage for the category. We use the term market category to refer to socially constructed partitions that divide the social space into groups of organizations that are perceived to be similar (Bowker and Star, 2000; Negro *et al.*, 2011).

We propose that organizations in a marginalized market search for legitimacy *across* market categories in contrast to an established and legitimate market where this search occurs within categories. Specifically, we suggest that such organizations make an effort to develop their positioning, a distinctive place for themselves in the market, at category level (between-category or *supra-positioning*) rather than just at organizational or product brand level. Because entities within the same market category lack legitimacy too, firms compare themselves with a reference category which has legitimacy and try to build a strategic balance between being similar enough to gain legitimacy and different enough to gain competitive advantage. Thus, in *supra-positioning*, both similarity and distinctiveness comparisons occur between categories rather than the combinations of two levels of comparisons identified in prior research (van Werven *et al.*, 2015) – between-categories (similarity) and within-categories (distinctiveness).

Our research builds on the idea that in a difficult to define environment, such as an unclear market category, managers' perceptions are a good starting point in demarcating organizational forms and categories (Porac and Thomas, 1990). According to Clark and Montgomery (1999), managerial competitor identification – a major component of a marketing strategy – is a cognitive process at its core. Thus, we are interested in how managers perceive and address the need of stimulating category demand (when the category is fuzzy or marginalized) while simultaneously coping with legitimacy challenges. The question echoes van Werven *et al.* (2015) who ask how entrepreneurs acquire legitimate distinctiveness (Navis and Glynn, 2011), however, we add the crimp of 'population-level legitimacy vacuum' (Dobrev and Gotsopoulos, 2010).

We suggest that managers in marginalized categories, such as complementary and alternative medicine, face conflicting institutional demands (Pache and Santos, 2010). On the one hand, consumers demand CAM enterprises to provide for more natural and "whole person" health solutions. On the other hand, biomedicine, as an established competitor of CAM in the health care market, portrays it as non-scientific quackery (Winnick, 2005), challenging its legitimacy as a viable health option. This depiction of CAM as non-scientific quackery has been quite successful as illustrated in the opening paragraph, because Western health care systems are dominated by orthodox medicine (Ruef and Scott, 1998), which is part of a paradigm where "science and medicine have become increasingly powerful sources of authority that play a central role in supporting dominant political and socioeconomic

systems” (Brown and Zavestoski, 2004: 682). Deephouse’s (1999) strategic balance theory offers a pertinent framework to investigate strategic responses to conflicting demands. The strategic balance theory argues that organizations try to maintain a balance between *differentiation* and *legitimation* pressures (Deephouse, 1999). We propose that an important tool for striking a strategic balance is organizations’ positioning, which seeks to “*find a match between market requirements and company abilities to serve them*” (Hooley *et al.*, 1998: 97). Positioning informs environmental actors about what is the distinctive place of the organization in the market. Thus, strategic balance theory offers a justification for the three positioning steps: a) establishing a frame of reference; b) leveraging points of parity; c) providing compelling points of difference (Keller *et al.*, 2002).

The main contribution of the study is the proposition that organizations in a marginalized category engage in *supra-positioning* as a strategic response to conflicting institutional demands. As they are in category level legitimacy vacuum, firms focus on developing actions and communication intended to trigger mental associations implying simultaneously legitimation and differentiation *across* categories. The findings confirm the idea that organizations lacking legitimacy develop strategic responses to conflicting institutional demands according to their salience (Pache and Santos, 2010). That is, when institutional pressures are strong at the category level, organizations respond correspondingly. Thus, the notion of *supra-positioning* is in line with Navis and Glynn's (2010) model of legitimation shifts in category emergence, which illustrates how the emphasis on shared category meanings is prominent when a category is in a low-legitimacy regime.

Our study further develops the question posed by Ruebottom (2013: 99) about the means through which “social entrepreneurship gain the necessary legitimacy for social change, when legitimacy is granted based on alignment with norms which the enterprise wants to change”. While she looks for answers in the rhetoric utilized by marginalized social entrepreneurs, we examine ventures’ positioning strategy at the category level. Contrary to Ruebottom’s (2013) findings that organizations portray their challengers as antagonists, in the case of positioning strategies, we find that entrepreneurs prefer to borrow from the legitimacy of their challengers in search for procedural legitimacy. Whereas Deephouse (1999) and other ensuing studies look at balancing strategies post factum and how they affect performance, we look at managers’ actions constructing the positioning strategy. We do not treat an organization’s position as an objective measurement or a mental model, rather we observe

and systematize managerial actions aiming at particular positioning outcomes. Focusing on managers' positioning efforts is distinct from prior strategic management studies exploring how a firm's position in relation to its peers affects its performance (McNamara *et al.*, 2003; Dornier *et al.*, 2012). Examining these efforts adds to the discussion on processes leading to legitimate distinctiveness (Navis and Glynn, 2011; van Werven *et al.*, 2014).

Further, existing studies on positioning and strategic groups (Dornier *et al.*, 2012) are conducted in established industries. We conduct our study in a fuzzy, marginalized category. This is a type of environment, which due to the unclear structures increases the cognitive load for all constituencies (Day and Nedungadi, 1994; Kovács and Hannan, 2010). In fact, market categories are said to emerge only after various audiences agree upon clear boundaries (Rosa *et al.*, 1999). By placing the investigation in such an undefined, lacking legitimacy category, we identify organizations' employment of hierarchical positioning actions, which we call *supra-positioning*. To the best of our knowledge, this is the first study documenting inter-category organizational positioning.

2.3. Theoretical Framework

2.3.1. Legitimacy

Legitimacy has been extensively studied within the context of institutional theory, resource dependence theory, and organizational ecology (Bitektine, 2011). By conforming, organizations gain acceptance by stakeholders and access to resources (Deepphouse and Suchman, 2008). Suchman (1995) refers to two schools of legitimacy – institutional and strategic. From the institutional point of view, legitimacy is the way by which organizations conform to institutional rules or expectations (Oliver, 1991). Most often institutional rules' origin is cultural and beyond the control of any single organization (Suchman, 1995). From the strategic point of view, legitimacy is a resource that managers have to extract and control. To that extent, it is “*purposive, calculated, and frequently oppositional*” (Suchman, 1995: 576).

Suchman (1995) defines three levels of legitimacy in terms of difficulty of achieving them – pragmatic, moral, and cognitive. *Pragmatic* legitimacy is the easiest to gain as it involves the self-interest of the direct audiences and consequently can be easily “bought”. As long as

there is a group that benefits from an organization's existence, it would render it pragmatic legitimacy. Moral and cognitive legitimacy, on the other hand, are derived from broader cultural rules. *Moral* legitimacy relies on judgments whether organizational actions are right in terms of societal welfare. *Cognitive* legitimacy derives from the extent to which what the organization does is effortlessly perceived as obviously beneficial; it is the state when an organization or practice is taken for granted.

In the case of CAM, we explore a particular type of moral legitimacy – procedural legitimacy – which organizations obtain by following “*socially accepted techniques and procedures*” (Suchman, 1995: 580). *Procedural* legitimacy is especially important if uncertain outcomes are socially acceptable, as in the field of health care. For example, while hospitals as an organizational form have achieved a taken-for-granted status or cognitive legitimacy, there are numerous entities that make sure that each particular hospital adheres to strict professional standards and follows clearly specified procedures (Ruef and Scott, 1998). Therefore, in the words of Suchman (1995: 580) “*A hospital is unlikely to lose legitimacy simply because some patients die; however, it is quite likely to lose legitimacy if it performs involuntary exorcisms – even if all patients get well*”. In contrast, while biomedicine is identified with the “scientific method” (Brown and Zavestoski, 2004), CAM is identified with “alternative methods” and has been designated as “quackery” (Winnick, 2005). This implies that CAM lacks procedural legitimacy, which makes attaining cognitive legitimacy even more difficult. In fact, managers might often find themselves in the situation described by Suchman (1995) where pragmatic and cognitive legitimacies may pull in opposite directions, e.g. when new constituencies, or consumers, are not satisfied with existing practices but might not completely trust the alternative ones.

2.3.1. Theory of strategic balance and positioning as an implementation tool

The literature presents arguments from institutional theory's emphasis on legitimacy and from strategic management's call for differentiation (Deephouse, 1999). To reconcile these tensions, Deephouse (1999) proposes the theory of strategic balance. It states that in markets with both strong competitive and institutional forces, companies should strike a strategic balance between differentiation and conformity. Specifically, a firm should be similar enough to other members of the organizational field so that its legitimacy is not

challenged and different enough so that it can find its own segment of customers without being driven down to zero economic profits by competitors (Deephouse, 1999).

We can find parallels between the strategic balance idea and the marketing concept of positioning. Successful positioning happens “*when a firm or provider establishes and maintains a distinctive place for itself and its offerings in the market*” (Shostack, 1987: 34) by establishing “*key associations in customers’ minds*” (Sirianni *et al.*, 2013: 108) as consumers compare alternatives against valued benefits. Key associations are suggested mainly through the use of marketing communication (Keller and Lehmann, 2006). As a marketing strategic tool, competitive positioning decisions follow the identification of a target market (targeting) – *where* the organization will compete in the market – and comprises the identification of a competitive advantage that will be pursued in serving that target – *how* the organization will compete (Hooley *et al.*, 2001, 1998). From a cognitive point of view, positioning involves labeling the category to which the organization belongs, which would consequently determine whom they are competing against (Porac and Thomas, 1990). New categories “*can borrow from virtually any element in the cognitive space to stress simultaneously the novelty and the familiarity*” (Suarez *et al.*, 2015: 444). Similarly, positioning in categories with unclear boundaries involves anchoring to cognitively legitimate spaces.

A three step process of strategic positioning has been suggested by Keller *et al.* (2002). It starts with identifying a frame of reference, a clue consumers can use to comprehend what the central benefit of the offer is. Establishing a frame of reference, which tells the consumers what outcomes they should expect, corresponds to some of the strategies for gaining pragmatic and moral legitimacy described by Suchman (1995). By selecting the right target audience, an organization can gain pragmatic legitimacy. Moral legitimacy is more difficult to manipulate directly, but organizations can choose their domain, which guides audiences to certain moral standards associated with this domain, i.e. it is up to the organization to indicate a frame of reference. Two other steps follow – leveraging points of parity and identifying points of difference. The points of parity are set in the context of the chosen frame of reference and further the offer as recognizable and legitimate against existing cognitive categories (Keller *et al.*, 2002). Together with the need to obtain legitimacy, identifying points of difference in relation to the frame of reference allows to clearly communicate how the offer is distinct (and, ideally, superior) to alternatives in order to be chosen by consumers (Keller *et al.*, 2002). The parallels between strategic balance theory, legitimacy, and competitive positioning are illustrated in Table 2.1.

Table 2.1 - Strategic balance theory vis-à-vis positioning actions

Strategic Balance (Deephouse 1999) and Legitimacy (Suchman 1995)	Positioning (Keller <i>et al.</i> , 2002)
Choose a market in which to compete; Gain legitimacy: pragmatic, moral	Choose a frame of reference
Conform; Gain legitimacy: moral – procedural	Show points of parity
Differentiate; Build competitive advantage	Show points of difference

2.5. Research Setting

According to Eisenberg *et al.* (1993), CAM consists of unconventional, alternative, or unorthodox therapies encompassing a broad spectrum of practices and beliefs that make it difficult to define. The scarcity of scientific evidence, standards or regulations and boundaries in support of CAM has encouraged the definition of CAM in terms of “otherness” and “what is not” (Bishop *et al.*, 2008). For the purposes of this study, we adhere to the following definition of CAM – “diagnosis, treatment and/or prevention which complements mainstream medicine by contributing to a common whole, by satisfying a demand not met by orthodoxy or by diversifying the conceptual frameworks of medicine” (Ernst *et al.*, 1995: 506).

CAM encompasses a large number of therapies, methods and theories. CAM therapies approach treatment from a preventative philosophy the objective of which is to stimulate the body’s own natural healing mechanisms. Most CAM therapies seek to strengthen the body or spirit or change patterns of living and diet so that the client’s health problem disappears or is ameliorated. In Europe, as in other Western countries, CAM therapies are broadly kept outside the institutional framework of biomedicine and health care systems. Consequently, there are no EU regulations governing CAM other than for herbal and homeopathic medicines. Variations in definitions and categorizations of CAM therapies render regulation a challenge as does insufficient knowledge among policy makers of the potential contribution of CAM to healthcare.

We conduct the study in Portugal and thus adhere to 11 therapies that have achieved some recognition: acupuncture, chiropractic, homeopathy, naturopathy, osteopathy and phytotherapy (regulated by the Portuguese government), hypnosis (taught in medical or CAM schools) and aromatherapy, ayurveda, herbal medicine and reflexology (recognized by an official institution as licensed by professional training programs).

The Portuguese health care system is characterized by three types of organizations: the National Health Service (NHS), the social insurance plans for certain health specialties (health subsystems) and private health insurance that can be taken voluntarily. The NHS provides universal coverage and ensures free medical care to low income families. The recent economic crisis in the country has prompted more budget cuts in the public system (Barros, 2012). Thus, private spending has increased in the last decade and patients are paying more for the health care they receive (Rosa, 2002). At the same time, inefficiencies of the public health system (Baganha *et al.*, 2002) have led to the growth of private health care and therefore to the increase of private health insurance. Further, according to some estimates, the percentage of population using CAM services in Portugal has increased from 15% in 2007 to 27% in 2012 (TSF 2012, 2007).

The official law regulating CAM in Portugal came into effect in 2013 – ten years after it was first presented to Parliamentary debate. It regulates six therapies – acupuncture, chiropractic, homeopathy, naturopathy, osteopathy and phytotherapy. The law encompasses guiding principles and ethics for the exercise of CAM therapies regarding public health and individual rights, such as liability insurance for CAM professionals, and defines professional standards of service providers. Even before the law came into effect, the six therapies have been increasingly included in the health insurance plans (allowing 10% to 15% of discount to CAM users). As far as professional CAM training is concerned, there are several schools providing vocational courses, usually within a three year period, the equivalent period for a Bachelor's degree in Portugal.

2.6. Method

A qualitative study was developed to examine how CAM service providers address legitimacy challenges while responding to increasing consumer demand for alternative health care offerings. We use phenomenology, a qualitative research technique that describes phenomena as perceived by the study population (Miles, 1979). This is an adequate approach

to our study because just as outsiders might fail to understand CAM itself, they are unlikely to understand what a CAM manager must do to simultaneously respond to consumer requests for being different and respond to other actors' legitimacy pressure. Our study relies on managers' perceptions, which apart from being just a good source of exploration, offer important dimensions to constructing competitive positioning (Reger *et al.*, 1993).

2.6.1. Data collection

We gathered data from various sources that allows deeper understanding of the field and context, including: a) semi-structured interviews with founders/managers of CAM organizations (generic protocol in Appendices A - A1); b) observational details of the physical space (facilities and space decoration); c) communication outputs (website and promotional material); and d) organizational brand identity elements (name, logo and slogan).

We selected a convenience sample of 10 CAM ventures in Lisbon and Porto interviewing 11 managers. The size of the sample exceeds that suggested by McCracken (1988) who recommends a sample size of eight interviews as typically sufficient. Our sampling strategy was guided by McCracken's precept of adding additional interviews to a dataset until no incremental insights are generated with each new informant. Table 2.2 exhibits the profile of the CAM ventures in the sample. It provides information about the founding year, the legal designation (company or sole proprietorship), denomination (clinic or center) and services offered. Portuguese CAM enterprises are usually very small companies (up to 5 employees) and are typically managed by their founder. *CAM clinics* are organizations that offer CAM therapies recognized by the government regulations. *CAM centers* are organizations that provide holistic therapies, such as reiki and meditation, in addition to the regulated CAM therapies. In some cases the centers also offer beauty services such as face and body treatments.

Table 2.2 - Organization characteristics

Organization	Founding year	Legal designation	Offer	Number of Employees
Clinic A	2007	Company	CAM	4
Clinic B	2011	Company	CAM	2
Clinic C	2007	Company	CAM and Beauty	3
Clinic D	2007	Company	CAM	3
Center 1	2003	Sole proprietorship	CAM and Beauty	1
Center 2	2011	Company	CAM	1
Center 3	2010	Company	CAM	2
Center 4	2007	Sole proprietorship	CAM	2
Center 5	2006	Sole proprietorship	CAM	2
Center 6	2007	Company	CAM and Beauty	1

We chose to interview managers, because we are interested in the cognitive process of positioning the organization based on subjective interpretations of the people who go through the decision making process. Prior research suggests that managers often act based on their interpretations of the environment as if such interpretations were true (Day and Nedungadi, 1994; Porac and Thomas, 1990; Nikolaeva, 2014). Managers' cognitive construction of category boundaries and competitive space is the reality they face and, consequently, a guiding principle of their actions (Reger *et al.*, 1993). In fact, some researchers claim that competitor identification is essentially a categorization process (Clark and Montgomery, 1999). Therefore, it is important to study the creation of managers' psychological reality if we are to understand their conducts (Porac and Thomas, 1990).

We built an interview protocol with 12 questions addressing managers' responses to conformity and differentiation opposite pressures (Protocol in Appendices A - A1). Managers can make considerable difference in the extent to which organizations legitimacy is perceived, and legitimacy management relies deeply on communication and trust building efforts, thus in our interview protocol we have questions related to marketing activities and trust development (Shuman, 1995). Another important feature is the effort of category building, such as attempts to conform to procedures or structures and organization's purpose (e.g. actions that managers might develop to promote legitimacy and an organization's

mission). The staff may also serve as a sign of the organization's efforts (Shuman, 1995), particularly when selecting the service provider. Hence we include a question related to what skills managers look for when they hire CAM practitioners. Further, previous experience, such as leadership positions or experience in a similar market is also important for legitimation (Shuman, 1995).

Details of the interviews are described in Table 2.3. All interviews were conducted in Portuguese, which is the native language of the interviewer and all interviewees (Wilhelm and Bort, 2013). Most of the interviews were conducted in the facilities of the CAM enterprise, with the exception of two interviews, which were conducted via videoconference. All the interviews were tape recorded and transcribed after a short period of time to ensure reliability. The interviews resulted approximately in nine hours and thirty minutes of audio and of 129 pages of single-spaced text with 78,577 words.

All respondents received the same set of questions. However, in order to keep with depth interview protocols (McCracken, 1988), we allowed for respondents to guide the flow and content of the interview, which minimizes the risk of interviewer-induced biases (Thompson *et al.*, 2006; Wilhelm and Bort, 2013). In the course of the interviews, the respondents were asked further questions in order to clarify some of their answers. However, the interviewer interjected predetermined questions only when breaks in the dialogue arose (Thompson *et al.*, 2006).

Table 2.3 - Respondent and interview characteristics

Organization	Role	CAM practitioner	Background	Day	Duration (in minutes)
Clinic A	Manager	No	Human Resources	27/11/2012	90
Clinic B	Manager	No	Marketing Finances /	3/12/2012	60
Clinic C	Founder	No	Computer science	6/12/2012	105
Clinic D	Founder	Yes	CAM	27/3/2013	50
Center 1	Founder	Yes	CAM	1/12/2012	45
Center 2	Founder	No	Engineering	7/12/2012	40

Center 3	Founder	Yes	Psychology	11/12/2012	58
Center 4	Founder	Yes	Human Resources	14/12/2012	40
Center 5	Founder	Yes	Journalism	5/4/2013	40
Center 6	Founder	Yes	Marketing	2/4/2013	40

2.6.2. *Data analysis*

For the purpose of our data analysis we use a phenomenological approach. The aim of a phenomenological approach is to get at the heart of the experience of some phenomenon (Patton, 2002; Sanders, 1982). Accordingly, the purpose is to examine the individual conscious views, perceptions, meanings and experiences of the participants regarding the phenomena (Goulding, 2005; Miles and Huberman, 1994; Patton, 2002; Sanders, 1982). It is important for the phenomenology researchers to know what participants experience and how they interpret the subject or phenomenon, both objectively and subjectively (Patton, 2002; Sanders, 1982). Hence, we interviewed managers of CAM enterprises and discussed their experiences and perceptions regarding the phenomenon of consumer demand, legitimacy obstacles and the process of the organizational positioning.

To ensure the quality of the data analysis two of the authors examined the transcripts independently. The analysis process followed the steps suggested by Colaizzi's (1978). First, we read the interviews' transcripts to gain a feeling of the respondent's ideas and meanings, in order to understand them (Goulding, 2005). During this process, we also took transcription notes. Then, we re-read all the respondents' answers, and we extracted significant statements, based on Keller *et al.* (2002) three-step framework for developing positioning strategies. This step required identifying keywords and sentences related to the positioning framework. The next step was to formulate meanings and attach labels for each of the selected segments of text. We then discussed and reviewed our written interpretations between data and our conceptual framework, which resulted into a description of the phenomenon. This process allowed us to merge and cluster the labels into broader themes that enabled an explanation of our main research purpose (Goulding, 2005). Finally, we conferred our analysis and re-wrote the findings. During the process we moved back and forth between our findings and those in the literature in an interactive way (Belk *et al.*, 1989).

Our analysis led us to recognize the relevance of the work of Keller *et al.* (2002) to the understanding how CAM service providers address conflicting institutional demands through their positioning strategies. The exemplary quotes that appear in the Findings section were translated from Portuguese into English by the authors.

2.7. Findings

2.7.1. Frame of reference

The interviewees allude to “health” as their frame of reference. They see themselves as providing health services to consumers and want to be seen as such by various stakeholders. Similarly to biomedicine, CAM services purport their ultimate objective to be the healing and well-being of patients. The name of the market category – complementary and alternative medicine –very firmly establishes the medical, healing frame of reference.

“First, we have the common goal [with biomedicine], to provide a health benefit”
(Center 1, Founder and Practitioner)

“the main mission is to treat people, and help people to feel well, to find balance”
(Clinic C, Founder)

Our findings supports the suggestion that establishing a frame of reference, which signals to consumers the goal they can expect to achieve by using a brand/service in a particular category (Kelle *et al.*, 2002), is part of the positioning strategy. Using biomedicine and health care as proxies demonstrates CAM organizations’ attempts to influence the audiences’ *“cognitive legitimacy judgment by supplying favorable reference categories and highlighting the relatedness of their new organizational form to well-established legitimate forms”* (Bitektine, 2011: 165).

CAM providers think of CAM services in the health care market, dominated by biomedicine, as complementary rather than alternative to it. The two paradigms together are seen to have the ability to provide the best health solution to a patient. Purporting complementarity allows CAM enterprises to be both similar and distinct to the reference category as they avoid direct

competitive juxtaposition and consequently the tradeoff between being “the same” and “different” (Tan *et al.*, 2013).

“We have a vision of complementary. Conventional medicine will, one day, have to marry or give its best to the patient, together with non-conventional.” (Clinic B, Manager)

“I say complementary medicine because for me [...] there is something very important: medicines complement each other [...].” (Center 4, Founder and Practitioner)

Choosing the proper frame of reference is important because it dictates the types of mental associations that will function as points of parity and as points of difference with existing categories (Keller *et al.*, 2002).

2.7.2. Points of parity with conventional medicine

After establishing a frame of reference, Keller *et al.* (2002) suggest leveraging points of parity. Points of parity with the chosen frame of reference are important, because they reinforce familiarity with already existing cognitive categories. As discussed earlier, health care is a field with uncertain outcomes and therefore, it is of utmost importance to establish at least procedural legitimacy (Suchman, 1995). Adopting the practices of organizations in a legitimate category helps stakeholders comprehend better the focal venture (van Werven *et al.*, 2014).

2.7.2.1. Similar medical protocols

CAM enterprises promote procedures that provide a similar image to a medical clinic. They use protocols on two critical service dimensions: how to diagnose and treat patients, and how service providers should interact with patients. These protocols seem to be motivated by both quality control and quality display.

“We are trying to do the maximum possible to replicate what happens in any hospital, in any Western clinic” (Clinic C, Founder)

The medical protocol seems to replicate some well-established medical procedures which clients are familiar with.

“Here we do blood tests, a set of diagnostic tests that are used in conventional medicine, [and we maintain] files with patients’ information and history” (Clinic B, Manager)

2.7.2.2. Similar importance given to formal academic training of practitioners

The CAM enterprises prefer to hire/collaborate with well-trained CAM practitioners coming from credible schools. They like to think of themselves as health care professionals, which implies adequate training and subscribing to certain procedural and ethical standards. Therefore, when recruiting people, providers look for formal academic training in complementary health programs. CAM employers recognize the importance of degrees provided by CAM schools, albeit not formally accredited. They argue that the quality of theoretical and practical formal training (e.g. internship) is present in some of the schools from which they hire.

“They have to have a course in the area, recognized by an entity that we are aware of and that we know exists, and they have to show all documentation such as diplomas, certificates...” (Clinic C, Founder)

Some CAM managers equate training in some CAM areas that are more established as equivalent to a formal higher education degree.

“Whether that person has a higher education and when I talk about higher education, I talk within these areas, and so I assume that naturopathy and osteopathy are higher education” (Clinic D, Founder and Practitioner)

Further, additional professional experience is valued, namely internships and affiliation to both CAM and medical associations.

“Here we want that the trainee reveals to be the best therapist through theoretical and practical competences and it is through these two variables that we make that analysis” (Clinic B, Manager)

2.7.2.3. Similarities in physical space

CAM enterprises seem to set as a reference the physical ambiance of a typical biomedicine clinic. They appear to replicate elements of the physical space that offer simplicity, comfort and cleanliness to the consumer. The facilities of the sample CAM providers are similar to that of a conventional medicine clinic – the decoration is simple, predominantly white, with a sterile look. Some therapy rooms have a couch, a desk, chairs and a washbasin. The following quote illustrates the caution taken by managers regarding the physical characteristics of facilities as they acknowledge the importance of gaining credibility through aligning with established symbols typical of biomedicine.

“we guide ourselves by what is requested to conventional medicine in terms of clinic conditions, treatment rooms, ease of mobility for people with physical disabilities... we follow all these rules... in a space with physical elements that also help a little to project more credibility” (Center 1, Founder and Practitioner)

2.7.2.4. Similar professional ethics in peer relations

Similarly to biomedicine, CAM providers exchange information with their peers. Respondents state that when they receive a client they make a diagnosis and recommend the best treatment(s). However, they also claim that if they realize that they are not the best person to treat the particular health problem, they will advise the patient to look for another CAM practitioner or a physician.

“If I see that the case is beyond my competencies I send it to other colleagues more advanced than I or I say “you really have to go to the doctor” (Center 4, Founder and Practitioner)

2.7.3. *Points of difference with conventional medicine*

Effective points of difference should suggest strong, favorable and unique mental associations to consumers in order to distinguish the organization from alternatives (Keller *et al.*, 2002). CAM enterprises develop a discourse about the points of difference with conventional medicine in order to convey how they can offer better services. CAM practitioners seek to differentiate themselves in areas which often leave consumers dissatisfied with biomedicine.

2.7.3.1. *CAM has a holistic understanding of health*

CAM understands health as the holistic physical, emotional, mental and spiritual well-being of a person as opposed to the symptomatic approach and isolated treatments of biomedicine (Winnick, 2005). In the holistic view, the overall balance of the patient is very important. Thus, information about patients' life, from its emotional to its mental state, is all taken in consideration for diagnostic and treatment purposes. This is seen as different from biomedicine, which is focused on "specificity" and often disregards the interpersonal facet of medical care (Eisenberg, 2002). The interviewed CAM providers seem to share these beliefs.

"It's about treating people, not the diseases" (Clinic D, Founder and Practitioner)

"Complementary medicine [...] tries to integrate all the information from the emotional part to the mental part to then finally understand what is going on with the physical part" (Center 6, Founder and Practitioner)

As part of the holistic understanding of health, CAM is interested in addressing the root problem, rather than treating the symptoms of a disease. This is a point of difference with conventional medicine frequently mentioned by CAM practitioners (Andrews, 2004).

"[if there is] a headache it will not be treated by traditional medicine with a headache pill, we will try to understand the origin of the headache - what is it? Is it the bowel, is it ovaries, is it the spine... And it is this different way of analyzing the problems that make people say: OK, maybe it's worth going that way" (Clinic B, Manager)

The emphasis on prevention is often accepted as part of the holistic approach of CAM (Barrett *et al.*, 2003). CAM practitioners argue that CAM is mostly about health prevention. Thus, they promote self-healing and rebalancing of the patient.

“what natural medicine does is prevention” (Clinic B, Manager)

“after detecting a certain disease, avoiding that it evolves to an acute or chronic state [...] and there is where we think that prevention has an advantage that you are unable to find in other medicine... we only go to [conventional] medicine when something goes wrong” (Clinic C, Founder)

2.7.3.2. *Holistic symbols added to the physical space*

While CAM providers model the spaces after conventional medical clinics, they also add visual clues associated with Eastern cultural and spiritual symbols such as crystals and Buddha figures or pictures, candles, incense, waterfalls, just to mention some examples. The sound of relaxation background music is also frequently played. Such symbols are associated with holistic understanding of the patient well-being and thus help positioning the organizations accordingly.

“Our space opened based on a feng shui diagram. We have some things here that are not just for decoration, but also to [...] balance the energy of the space, that is, [...] we don't have TV nor newspapers in the reception room; what we have are colors that calm, music that is soothing...” (Clinic B, Manager)

2.7.3.3. *CAM provides natural remedies instead of pharmaceuticals*

Unlike biomedicine, CAM relies on the use of natural substances such as plants or crystals to heal and not on chemical drugs. This is another area of biomedicine, which more consumers seek to avoid, because of the side effects of drugs (Siahpush, 1998).

“[CAM uses] medication that is not chemical, [CAM uses] natural medication [...] There is now much information about chemical medication [...] also, many times causes problems in the organs that are not affected by the disease” (Clinic B, Manager)

2.7.3.4. *CAM practitioners develop closer relationships with the patients*

A closer relationship with the client has been one of the most frequently mentioned differences between biomedicine and CAM (Andrews, 2004). CAM practitioners report that many consumers turn to their services as a reaction to the harried and impersonal interactions with physicians (Winnick, 2005). The willingness to hear the client and provide emotional and psychological relief is seen as an evidence of the commitment to a close relationship with the patient. Another reason emerging from the interviews is the fact that most CAM treatments require the active participation of the patients in their healing processes.

“We receive people as [we receive] friends in our house. Then they calm down and speak out [...] they get there, sit in the chair, relax and talk, talk, talk, throw out things that are inside and that needed to be thrown out” (Center 4, Founder and Practitioner)

CAM therapists report after service customer care. For example, they call their customers in order to know if the treatment is working and/or to make adjustments and to give them further information. Such extra efforts to demonstrate the care for the client not only differentiate the CAM ventures from biomedical organizations, but also boost their legitimacy through the demonstration of behavior that can be interpreted as altruistic. Moreover, altruistic behavior can be especially helping legitimization efforts in a field with uncertain and intangible outcomes (David *et al.*, 2012).

“Sometimes after the patient was here, we call them to know if all is well, if they want to talk with their therapist, if they need information about the products they are using...” (Clinic B, Manager)

CAM therapists argue that a major point of difference with biomedicine is the longer duration of patient sessions. Respondents mention investment in time in order to discover the clinical history of the patient, in line with their holistic view. A visit with a CAM practitioner takes on average an hour, which is generally perceived to be much longer than a visit to a physician.

“For you to have an idea, a homeopathy session never lasts less than two hours. This demonstrates that therapists in these areas - at least ours - invest time [...] to discover the clinic history of the patient and evaluate what the person is transmitting verbally as well as through physical posture. This is not a job that can be done in 5 or 10 minutes, as happens in Hospitals and in the NHS and leaves some people frustrated: the doctor did not listen to me or he did not even measure my pulse.” (Clinic B, Manager)

Another aspect of establishing a closer relationship with the client is being open to their opinion and giving them all the relevant information. Interviewees believe that providing information to the patient about the problem and possible treatments is very important, because it helps create service consistency and credibility. One of the interviewees addressed the point of difference, by stating:

“Patients instead of going to the conventional system... the frustration of the NHS, the way they are dealt with, where there is no physical contact with the patients, there is not much availability to understand the clinic history of the patient and the fact that the treatments [are not] natural. That makes all the difference to a lot of people.” (Clinic B, Manager)

A summary of main findings can be found in Table 2.4.

Table 2.4 - Positioning of CAM enterprises

Frame of Reference	Points of Parity	Points of Difference
Health Biomedicine	Similar medical protocols	CAM has a holistic understanding of the patient
	Similar importance given to formal academic training of practitioners	Holistic symbols added to the physical space
	Similarity in physical space	CAM provides natural medicine instead of pharmaceuticals

Similar professional ethics in peer relations	CAM practitioners develop closer relationships with the patient
	CAM as preventive health (as opposed to reactive treatment)

2.7.4. *Positioning communication*

2.7.4.1. *Communication outputs*

We also analyzed communication outputs of the CAM enterprises, such as website and communication materials that promote the organizations services and activities, as deliberate outputs of desired positioning (Cornelissen *et al.*, 2007; Keller and Lehmann, 2006). The symbolic use of text, images and other visual clues from the communication outputs is in line with the findings obtained from the semi-structured interviews. CAM enterprises position themselves in relation to mainstream medical science (frame of reference), conforming to the health market standards (highlighting similarities) while suggesting an alternative with specific competitive advantages (highlighting differences).

There is a prevalence of images traditionally associated with biomedicine like images that evoke medical clinics, the physician, health and well-being (e.g. human body maps). Often, technical language is added to these images, for example, treatment description. The use of technical terminology is considered a rhetoric that reinforces the claim of being scientific (Thompson, 2004) and thus legitimate. Further, images associated with well-being, such as people exercising or relaxing and symbols of nature (e.g. fruit, flower, ocean, sky) are often found. These images strengthen the perceived benefits of natural balance of body and mind in tune with nature for a calm and fulfilling life (Thompson, 2004). The titles associated with the images are also allusive of well-being – Increase Longevity, Boost your Life, Live with Joy, etc.

The websites usually display information about the purpose of the clinic/center, pictures of the physical space, and explanations about the therapies and their benefits. In addition, the websites also feature prominently the option "agreements/partnerships" in the menu bar,

describing health insurance coverage and partnerships with well-known companies. When categories are not firmly established, such partnerships are viewed as important proxies of quality (Navis and Glynn, 2010) and can confer legitimacy to the focal organizations (Tan *et al.*, 2013). Such details support the legitimacy endeavors that CAM providers seem to pursue by emphasizing commonalities with the biomedicine category.

2.7.4.2. Brand elements – name, logo and slogan

In order to analyze the organizational brand as a positioning clue, three of its elements (Thompson, 2004) were considered: the organization name, logo and slogan. Cornelissen *et al.* (2007) state that concern with visual design and logos reveal the organization's intended position, serves as a mean of differentiating the organization from others and as a form of legitimizing the organization.

In the case of organizations that chose to be named clinics, brand names are composed by the word “clinic” followed by words associated with health, science and/or nature. The brand logos present symbols of nature, such as flowers. Slogans frequently suggest associations with both nature and medicine: “Natural Health”, “Natural Medicine” or “Health in Balance.” In addition, we also found allusions to science such as references to a well-known science personality. According to Thompson (2004), these references serve as a symbolic compensation for the lack of government regulations. Further, the denomination name “clinic” is linked with science and conventional medicine. Such branding is consistent with the proposition that until the category reaches the pivot point of establishing legitimacy, individual organizations place more emphasis on the category as a whole (Navis and Glynn, 2010). In comparison, hospitals in Portugal have names associated either with the place where they are located (e.g. CUF [brand of the business group] Porto [location] Hospital) or with some religious patron (since many hospitals were originally founded by the Catholic church), which demonstrates the emphasis on branding of the individual organizations in the taken-for-granted category of biomedicine as suggested by Navis and Glynn's (2010) model.

In the case of organizations that chose to be named “centers”, the brand names are associated with a holistic approach to health, through words such as “Zen”, “Egos”, “Shanti” or “Be”. Logos are often spiritual symbols (the infinite line or angels), physical and spiritual well-being (people in balance) and nature (flowers like lotus). And slogans like “Your Space to

Be” and “Therapies in Balance” reinforce the mental associations to non-traditional health. These communication contents and forms associated with brand intended positioning suggests an alternative path to healing via holistic health practices and a more natural lifestyle (Eisenberg, 2002; Thompson, 2004).

2.8. Conclusion and Discussion

Our research addresses positioning as a strategic balance response to conflicting institutional demands characteristic of a marginalized market category. Complementary and alternative medicine (CAM) is an example of a market category facing conflicting institutional demands – both legitimacy obstacles and a growing market demand. Our goal is to understand how individual organizations address the need to grow in light of an expanding market despite demarcating efforts by orthodox medicine.

Our findings revealed that CAM enterprises engage in a *supra-positioning* process to define their market space at an inter-category level, i.e. they position themselves not in relation to fellow CAM enterprises (within-category competitors) but in relation to biomedicine organizations (between-category competitors). As such, they come in direct response to Navis and Glynn's (2010: 465) call for the investigation of mechanisms of construction of category legitimacy and identity in the case of markets that are less “*institutionalized, complex, or broad in the range of actors or scope of activities*”.

We focus on positioning, because it is the manifestation of the strategic balance between pressures to conform to existing norms of the reference category (biomedicine) and pressures to differentiate in order to gain competitive advantage (Deephouse, 1999). The proposition is that the way organizations position themselves in the market helps them address conflicting institutional demands. Positioning is a comparative and competitive process that provides meaning and helps organizations to create a strategic locus and leverage its offerings in the marketplace (Chew and Osborne, 2009). We extrapolate Deephouse's (1999) theory of strategic balance to the inter-category level and we find evidence that CAM enterprises make efforts to both differentiate from and conform to orthodox medicine in search of a clear positioning. As the CAM category is fuzzy and marginalized, i.e. it is in “a legitimacy

vacuum” (Dobrev and Gotsopoulos, 2010), organizations have to resort to inter-category positioning, which increases the pool of available resources.

We interviewed CAM organization managers and we followed a positioning framework (Keller *et al.*, 2002) to analyze the data by focusing on the ways organizations strive to achieve strategic balance – frames of reference, points of parity, and points of difference in relation to a category boasting strong cognitive legitimacy – biomedicine. Further, we analyzed the symbols present in language and creative execution of communication outputs.

Our findings demonstrate that CAM managers embed themselves in the overarching category of healthcare as the overall frame of reference. They follow a hierarchical categorization process where the healthcare market encompasses conventional Western style medicine and CAM categories. Further, CAM enterprises try to balance on one hand demands to conform to the biomedical establishment, i.e. signaling credibility, with on the other hand, demands to be different, i.e. signaling an alternative to orthodox health care. This balancing act is even more paradoxical compared to the usual tensions in creating legitimate distinctiveness (Navis and Glynn, 2011), because biomedicine is the main challenger of the legitimacy of the CAM category. As suggested by theory (Suchman, 1995), we observe efforts mostly aimed at gaining legitimacy by underlining procedural similarities with biomedicine. These are combined with emphasis on aspects that differentiate CAM from conventional medicine such as a holistic understanding of the patient (Eisenberg, 2002).

Findings reveal that CAM enterprises tackle legitimacy challenges by developing a positioning strategy that recognizes health care as their frame of reference, implying comparisons with orthodox medicine as a way of gaining legitimacy. By identifying with a particular category, an organization indirectly elects to adhere to certain standards so that it is granted legitimacy by relevant stakeholders (Suchman, 1995). Thus, they emerge on a *supra-positioning* quest operating across categories. Establishing a frame of reference signals to consumers the goal they can expect to achieve and also dictates the types of mental category associations. This is compatible with CAM services’ objective of healing customers.

The data show a search for balance between conforming and differentiation efforts. As opposed to prior claims that legitimacy comparisons are invoked on between-category level, but distinctiveness comparisons occur at within-category level (Navis and Glynn, 2010; van

Werven *et al.*, 2014), in the case of *supra-positioning* we observe both type of comparisons between categories. It appears that the actions of CAM managers adhere to the norms and values of what is seen as right in terms of socially accepted procedures in the medical field (Suchman, 1995). We observe that parity points are mostly related to "how" the services are delivered, which is in accordance with procedural legitimacy. Hence, the question of context dependence arises and in particular, the role of the type of legitimacy sought. Outcomes are uncertain in the medical field, which drives the importance of procedural legitimacy (Suchman, 1995).

The differentiation points are related to the characteristics of CAM therapies. Providers offer their "unique" service (differentiation) through the established rules (similarity) defined and accepted by their frame of reference – biomedicine. CAM enterprises distinguish themselves from the status quo by emphasizing the search for sustainable solutions to health problems from a holistic point of view, as well as, patient empowerment and well-being. Ultimately, this search for balance can be found in CAM providers' suggestion of integration between biomedicine and CAM in order to provide the best health care to the patient.

Our research contributes to the extant literature in several ways. We undertake the study in a market category, which is fuzzy and ostracized by mainstream institutional structures yet, nevertheless, experiences growth. We explore how CAM managers address conflicting institutional pressures – growing demand vs. legitimacy demand – through their positioning actions. CAM is an example of a marginalized category encroaching on the stronghold of one of the most legitimized fields in Western societies – biomedicine. The lack of within category legitimacy moves managers on a quest of *supra-positioning* across categories. Thus, we propose an extension of the brand positioning concept by applying it to organizations and across market categories – something that has not been shown in the literature so far.

We propose a theoretical justification for the positioning process, namely that it is an expression of a search for strategic balance (Deephouse, 1999). As organizations confront conflicting institutional demands, they need to find a middle way between pressures to conform to existing category exigencies to gain legitimacy and pressures to differentiate to attract market. With the establishment of a strategic position, organizations may respond to the institutional demands and maintain a distinctive place in the mind of key stakeholders

(Chew and Osborne, 2009; Shostack, 1987). While existing research has concentrated on the outcomes of balanced or unbalanced positions (Deephouse, 1999; Dornier *et al.*, 2012), we emphasize the agency role of managers in the construction of positioning strategies. Since the cognitive aspects of this agency are quite important as shown by prior research (Day and Nedungadi, 1994; Porac and Thomas, 1990), we identify the positioning building actions as mechanism through which managers engage in active construction of category delineation. Thus, we follow in the footsteps of van Werven *et al.*, (2014: 14) and add even more detail to the “*discourse through which entrepreneurs may shape and influence stakeholder assessments*”.

We undertake our study in a marginalized category with unclear, fuzzy boundaries. Vos and Brennan (2010) point out that there is still no clear definition of CAM. While market categories may be inherently dynamic (Kennedy and Fiss, 2013), the observation of category building processes is easier in amorphous categories, which justifies the selection of CAM as a setting of our research. Several studies have demonstrated that fuzzy market categories suffer from reduced legitimacy (Hsu *et al.*, 2009; Kovács and Hannan, 2010). Understanding inter-category positioning is relevant to today’s global business and social environment characterized by growing trends of category blends, mash-ups, multi-functionality, and interdisciplinary cross-overs. Such developments imply less and less crisp categories. Consequently, there is an increasing interest in emerging and fuzzy categories (Kennedy and Fiss, 2013). Our research contributes to this wave by illustrating the inter-category positioning efforts of managers in the building of category meaning and legitimacy.

In sum, our study adds to the growing body of knowledge on categories by introducing the concept of *supra-positioning* or the strategic response of individual organizations to category-level institutional pressures. It does so by emphasizing the managerial or agency role in constructing the positioning, which extends the brand positioning concept. Abstracting our findings from the CAM category to a more general setting of ventures in marginalized or fuzzy market categories allows us to come up with the following theoretical conjectures:

1. Organizations in a marginalized/fuzzy market category engage in positioning vis-à-vis an established category – *supra-positioning*.

2. *Supra-positioning* starts with creating a frame of reference with a category with strong cognitive legitimacy. Even if such a category is a “competitor” or an antagonist, establishing it as a frame of reference can mitigate certain demarcation efforts.
3. *Supra-positioning* invokes between-category points of parity focusing on procedural legitimacy. Gaining procedural legitimacy is important, because it works with various stakeholders.
4. *Supra-positioning* invokes between-category points of difference focusing on the perceived weaknesses of the established category. While cognitive legitimacy implies taken for grantedness, it does not imply universal approval by stakeholders. Thus, even highly legitimate categories have weak sides that can be explored by challengers.

Naturally, our study has limitations and boundary conditions that we hope would be addressed in future research. We investigate the response to institutional demands only through the managers’ view. When a market category is illegitimate and experiences an increasing demand, several market forces contribute to its definition and understanding. Therefore, it would be useful to consider the role of other stakeholders such as customers, biomedical doctors, policy makers and government, schools and professional associations. Future research should consider the boundary work of related categories and how they may defend their turf. For example, some biomedical hospitals have started offering certain CAM services and there are physicians who talk about integrative medicine in the sense of combining conventional and alternative medicine (Hollenberg and Muzzin, 2010). Such analysis would help inferring what actions organizations in marginalized categories could develop to gain support from reference categories and move towards co-opetition models.

Due to the qualitative nature of the data, the findings are not generalizable. Based on our interviews and other informal talks we have had with CAM practitioners, we can speculate that the expressed views of CAM enterprises vis-à-vis the biomedical establishment are pretty standard. Nevertheless, we do not have sufficient evidence to claim that the *supra-positioning* attempts are the norm in the CAM category. Naturally, we cannot extrapolate the findings to other market categories either. It is interesting to note, though, that healthcare as a broad category is subject to strong institutional pressures, which would tend to converge managers’ mental models (Daniels *et al.*, 2002). This is to say that organizations in other categories may have more divergent inter-category positioning strategies.

Though we cannot claim generalizability, we expect that similar attempts at *supra-positioning* would be observable in not only marginalized, but also in emerging and other fuzzy categories. *Supra-positioning* could be one of the mechanisms that facilitate the creation of new market categories despite strong institutional pressures to conform to existing categories. Kennedy and Fiss (2013) suggest that new category emergence would be a promising area for research as it is often neglected especially in the context of institutional theory. The inter-category legitimacy “borrowing” may occur at vertical and/or horizontal level. In our study, CAM enterprises create a frame of reference through the means of vertical associations to the overarching category of health. This category encompasses both CAM and biomedicine, which they choose to establish points of parity with – at the horizontal level.

We focus only on inter-category positioning actions and we do not compare them with within-category positioning. A good avenue for future research would be to analyze which one is prevalent in a marginalized category. While most of the existing research on positioning and competitive boundaries is done within a category or even within what strategy researchers call “a strategic group”, we do not know how this type of positioning and *supra-positioning* interact.

Chapter 3

Social Enterprise Legitimacy Spiral in a Hostile Context

3.1. Abstract

This article explore possible legitimacy building mechanisms for social enterprises with difficult to measure outcomes and hostile contexts. Interviews were developed with managers of enterprises offering complementary and alternative medicine (CAM) services, taken as an example of social enterprises in a hostile context. Our findings indicate that CAM enterprises rely on relationship building and consumer education to establish pragmatic legitimacy; the quest for moral legitimacy is expressed through the hybrid organizational form, human capital and professionalization attempts, formalization of procedures, and strategic alliances. Building on Suchman (1995) three levels of legitimacy, we propose a mechanism through which enterprises use pragmatic legitimacy to enhance moral legitimacy and to create a feedback effect between moral and pragmatic legitimacy so that ultimately cognitive legitimacy can be achieved.

Keywords: Hybrid organization, Complementary and Alternative Medicine, Hostile context, Legitimacy, Social enterprises, Value creation.

3.1. Introduction

“A hospital is unlikely to lose legitimacy simply because some patients die; however, it is quite likely to lose legitimacy if it performs involuntary exorcisms – even if all patients get well.”

Suchman (1995: 580)

The quote above expresses the paradoxical case of legitimacy as the ultimate outcome variable in a context of marginalized category with hard-to-measure and unpredictable outcomes. Invariably, many social enterprises function in a similar context. Due to their hybrid nature of combined social and business purpose, social enterprises encounter obstacles in defining clearly what successful outcomes are (Dacin *et al.*, 2011). As a result, they also face greater legitimacy hurdles compared to pure for-profit or non-profit organizations. What Suchman (1995) and Ruef and Scott (1998) have observed is that in situations of non-easily accountable outcomes, procedural legitimacy takes precedence in the evaluation of organizations. In the absence of a clear outcome measure, “sound practices” are presented as a demonstration of the effort to achieve an end, even when that end is not visible, and at least gain procedural legitimacy. There are various reasons why this happens, but one of them is linked to perceptions of procedural justice (Tyler, 2006). Organizations are less likely to lose legitimacy after a bad outcome if they have followed procedures that are perceived to be legitimate by audiences. But why are not good outcomes sufficient to grant legitimacy?

The goal of the current study is to explore and extrapolate possible legitimacy building mechanisms for social enterprises in hostile contexts. We extract the definition of a hostile context from the introductory quote – a context where outcomes vary and are hard to measure or predict and practices are widely questioned by various audiences. While Dacin *et al.* (2010) suggest that social enterprises derive legitimacy from their social mission, there are many cases, which do not fall in this nice legitimacy spot and they have to actively pursue legitimization strategies (Ruebottom, 2013). For the purpose, we chose a context that comes as close as possible to hospitals performing “involuntary exorcism” – enterprises offering complementary and alternative medicine (CAM) services. CAM enterprises are questioned at every level – regarding their mission (health vs. profit), regarding their professionalism, and above all regarding their practices (for example, homeopathy). CAM practitioners and their

supporters are often ridiculed in Western societies², because of perceptions that CAM is not embedded in the “scientific method”. Undoubtedly, readers would question whether CAM enterprises are, in fact, social enterprises – those concerns we address in the body of the paper. The bottom line is that CAM organizations function in a generally hostile context in the Western world, yet paradoxically, the market for these services is growing with estimates that it will reach US \$ 114 billion worldwide by 2015 (GIA, 2012). While global demand for the services is growing, individual organizations still have to face the hostile environment and to embark on a legitimacy building path.

Thus, taking the CAM category as an example of social enterprises in a hostile context, we delve into organizations’ legitimacy efforts via a qualitative study and categorize these efforts according to Suchman’s (1995) typology of legitimacy levels. Our findings indicate that CAM enterprises rely on relationship building and consumer education to establish pragmatic legitimacy; the quest for moral legitimacy is expressed through the hybrid organizational form, professionalization attempts and human capital, strategic alliances, and formalization of procedures. Building on the categorization, we propose a mechanism through which enterprises use pragmatic legitimacy to enhance moral legitimacy and to create a feedback effect between moral and pragmatic legitimacy.

Our study contributes to the social entrepreneurship literature by highlighting two characteristics of the realities faced by social enterprises that are not frequently discussed in the literature – the difficulties of measuring outcomes and hostile environments. Social enterprises often tackle complex social problems while attempting to achieve financial sustainability. Due to the complexity of the problems, outcomes may be hard to evaluate or may take a long time to manifest. The absence of immediately visible results can raise legitimacy questions. Further, due to their hybrid nature, social enterprises break categories and morph into new or cross-over categories, which also create legitimacy hurdles (Kennedy and Fiss, 2013). The feedback mechanism that we propose between pragmatic and moral legitimacy contributes to the legitimacy literature in the context of social enterprises and can

² The British Health Chief, Jeremy Hunt was called “Minister of Magic” in the UK media (Cheng, 2012). Another exemplary quote attacks the UK Science Minister Greg Clark: “Clark has not made obvious or public endorsements of homeopathy since 2007. But his appointment has drawn criticism online from those who maintain -- along with the overwhelming peer-reviewed consensus -- that homeopathy, or the practice of diluting medicine to the point of absurdity in order to inspire the body to heal itself, has zero grounding in medical science.” (Huffington Post UK, 2014)

be used in legitimizing strategies by enterprises in other categories characterized by difficult to measure results and hostile contexts.

3.2. Theoretical Background

3.2.1. Social enterprises

The concept of social enterprise is recent to the social sector. Although some scholars discussed nonprofit commercial ventures in the early 1980s (Crimmins and Keil, 1983; Skloot, 1987), social enterprise and social entrepreneurship emerged only in the late 1990s (Emerson and Twersky, 1996; Leadbeater, 1997). Social entrepreneurship is "entrepreneurship with an embedded social purpose" (Stevens *et al.*, 2015). The literature suggests two views on "social entrepreneurship" – social entrepreneurs in the role of change agents in the social sector (Stevens *et al.*, 2014) and social entrepreneurs as change agents who create revenue-generating enterprises (Dart, 2004). This research follows the second view in the sense that a *social enterprise* embraces a market driven and self-sufficient business-like approach. Among the business models developed by social enterprises are revenue-source diversification, fee-for-service program development (Weisbrod, 2000), private sector partnerships and social-purpose businesses. Social purpose businesses are mission-focused with business practice, business revenues, or both (Stevens *et al.*, 2014).

From the above it follows that although social enterprises focus on a social purpose, they *are not* nonprofit organizations. Nonprofit organizations do not pursue profit whereas social enterprises do, despite the range of different forms of doing it (Dart, 2004). It also follows that although social enterprises embrace profit, they *are not* a pure "for profit" as their central mission is social change (Dacin *et al.*, 2010; Dart, 2004; Dorado, 2006). Social enterprises are not a prosocial mission bottom line but a double bottom line of prosocial mission and profit (Dorado, 2006; Emerson and Twersky, 1996); they are not dependent on good-will donations, member fees, or government financing but focus on bottom-line earned revenue. We can therefore conclude that social enterprises are a prime example of a hybrid organizational form (Pache and Santos, 2012), as social enterprises present hybrid characteristics of nonprofit (social change goal) and for-profit (financially sustainable activities) organizations.

3.2.2. *Legitimacy*

Legitimacy can be understood as a judgment that evaluates social appropriateness with widely shared norms, values, rules and beliefs of the organizational community (Bitektine, 2011; Dimaggio and Powell, 1983; Johnson *et al.*, 2006; Sonpar *et al.*, 2009; Suchman, 1995). The literature presents two broad views of legitimacy – institutional and strategic. The *strategic* view of legitimacy is concerned with what can be manipulated by the organization in order to seek approval and requires a high level of managerial control over the legitimating process (Suchman, 1995). It considers legitimacy to be a strategic resource and based on resource dependence theory assumes that organizations exercise some degree of influence over the resource environment or over the organization's exchange partners for purposes of achieving stability (Oliver, 1991). Nicholls (2010) asserts that organizations can build and instigate new rationales of social reality. Thus, organizations can gain legitimacy by manipulating external expectations or demands, rather than conforming to environments (Meyer and Rowan, 1977; Oliver, 1991; Suchman, 1995). Legitimacy does not need to be conferred by a large segment of society for the organization to prosper (Deepphouse and Suchman, 1995; Fiss *et al.*, 2012).

One of the most important strategic-level decisions concerns the positioning of an organization in the mind of key stakeholder groups, such as governments, suppliers and consumers (Brown *et al.*, 2006). The intended associations and images are related with organizational attributes and characteristics which are important for organizations to signal (Brown *et al.*, 2006). Consequently, organizations can choose which attributes, symbols or values to communicate in order to gain societal support. For the purposes this study, we are following the *strategic* view of legitimacy in the sense that, we are particularly interested in how social enterprises search for legitimacy, particularly what set of activities and routines they deploy in order to obtain social acceptance (Dart, 2004; Pärenson, 2011; Ruebottom, 2013; Shumate *et al.*, 2014).

Suchman (1995) suggests three different kinds of legitimacy organizations can obtain, from less to more significant: pragmatic, moral and cognitive. Pragmatic legitimacy is the most basic form of legitimacy, in which an organization is recognized by a stakeholder group as providing some sort of benefit by at least one stakeholder group. In other words, if there is something of value from the organization's activity, then it is legitimate. Moral legitimacy

refers to legitimacy that is normative and based on an evaluation of whether the organizations activity is proper relative to external norms (beyond whether anyone benefits from it). The final kind of legitimacy, cognitive legitimacy, is the most complex form of legitimacy. Cognitive legitimacy refers to legitimacy at the level of taken-for-grantedness an organization so obviously valuable that it is accepted without a deliberate evaluation exercise.

3.2.3. *Social enterprises and legitimacy*

As any organization, social enterprises must seek legitimacy to successfully accomplish their mission (Ruebottom, 2013; van Werven *et al.*, 2015). But achieving legitimacy is harder for social enterprises than for corporations or non-profit organizations. Social enterprises encourage social change and act as social transformers (Dart, 2004; Mair *et al.*, 2012). Social entrepreneurs think and act outside of the conventional way of doing things, which sometimes leads to breaking market categories, as for example alternative medicine practices in the health market category, in order to (re)interpret and (re)define them (Mair *et al.*, 2012). As a consequence, social enterprises might face resistance from the broader community and institutions, that is, by the social actors of the context they are trying to change (Ruebottom, 2013).

The ability of social enterprises to solve social problems can successfully be achieved by ignoring industry boundaries and categorizations and looking for alternative innovative solutions, but as this has legitimacy consequences, the ability to solve social problems also depends on social enterprises' ability to actively search, attract and maintain cultural and institutional resources as sources of legitimacy (Pärenson 2011). On their quest to benefit society, social enterprises need to have external support, without which their transformative social ambition might be compromised, since they often lack the necessary resources to put their mission in action.

Dart (2004) uses Suchman's (1995) typology of legitimacy to explain the emergence of the social enterprise and for its emphasis on a revenue-focused activity. He suggests that social enterprises obtain *pragmatic* legitimacy, for example from governments or foundations, which benefit from social enterprises activities that offer innovative solutions to social problems, and from the consequent reduction of funding needed for social causes (Dart, 2004: 7). As such, pragmatic legitimacy of social enterprises could come from those who

directly benefit from its activities (such as clients) and those who indirectly benefit from its activities (such as foundation owners or governments). Dart (2004) concludes that social enterprises who avoid the nonprofit sector dependence on external goodwill for resources (Salamon, 1995) obtain pragmatic legitimacy from entities who benefit from it. Pragmatic legitimacy suggests that over time these benefits would influence institutional beliefs regarding the value of social enterprises.

Moral legitimacy refers to the normative motivation by which activities are developed according to broader societal norms present in the environment (rather than self-interest). It reflects the isomorphic pressures from the social environment and from key stakeholders (DiMaggio and Powell, 1983), to which managers and stakeholders often conform. Dart (2004) argues that the emergence of social enterprises might be due to moral legitimacy obtained in accordance with social-political values that arose during the 1980s and 1990s. The OECD (Organization for Economic Cooperation and Development) nations, and particularly the United Kingdom and the United States, have seen the decline of the welfare-state ideology (Salamon, 1995) and the emergence of a renewed faith in business-based approaches, namely calls to run social areas such as education or social welfare through market mechanisms. According to Dart (2004), social-sector organizations might obtain legitimacy by adopting the language, goals, and structures of pro-business ideology as business values have become the sociocultural environment's preferred modes of problem solving and preferred ways of organizing. Moral legitimacy is a more potent form of organizational legitimacy than pragmatic legitimacy. If, as a response to corporate and business scandals, society changes its assumptions about the value of business, then moral legitimacy of entities that follow them would decrease. This means that moral legitimacy is not controlled by the social enterprise as it rises and falls according to society's beliefs.

The final type of legitimacy that Suchman (1995) proposed, *cognitive* legitimacy, is more fundamental "more profound and more self-sustaining once established." Cognitive legitimacy refers to the preconscious, "taken for granted" status, meaning that the organizations activities and actions are totally congruent with established rules and norms (Aldrich and Fiol, 2008; Bitektine, 2011; Suchman, 1995; Thomas and Lamm, 2012). In addition, Bitektine (2011) asserts that cognitive legitimacy implies the recognition of the organizational characteristics. In relation to social enterprises, their hybrid nature might not be completely clear to and understood by society and as such they have yet to fully gain

cognitive legitimacy. Dart (2004) concludes that the social-enterprise phenomenon is better explained by *moral* legitimacy as it drives organizational changes as conformist responses to wider changes in ideologies and values. The businesslike hybrid face of social enterprise is legitimate as it is a response to the times.

3.3. Research context

In order to study how social enterprises attempt to gain legitimacy, we focus on the Complementary and Alternative Medicine (CAM) context. We then explain why CAM is a good example by arguing why CAM enterprises can be viewed as social enterprises in a hostile context, with unpredictable outcomes.

CAM has been defined as “*diagnosis, treatment and/or prevention which complements mainstream medicine by contributing to a common whole, by satisfying a demand not met by orthodoxy or by diversifying the conceptual frameworks of medicine*” (Ernst *et al.*, 1995: 506). In the view of World Health Organization (2002), CAM is used to refer to a broad set of health care practices that are not part of the country’s own tradition and are not integrated into the dominant health care system. The National Center for Complementary and Alternative Medicine in the United States (Tabish, 2008: 5) identifies CAM as “a group of diverse medical and health care systems, practices, and products that are not presently considered to be part of conventional medicine”. There is not a single broad and universally accepted definition of CAM. CAM has been often defined in terms of 'otherness' and 'what is not', suggesting an undefined and marginalized status (Bishop *et al.*, 2007; Hirschhorn, 2006).

3.3.1. CAM organizations as social enterprises

CAM enterprises follow four premises of social entrepreneurship: to identify a social problem, to provide a solution to the problem, to have a transformative social ambition and to target the constituents who are important in achieving change (Dacin *et al.*, 2010; Mair *et al.*, 2012). These premises are outlined in Table 3.1.

First, social enterprises start by identifying social needs/problem (Mair *et al.*, 2012). The prevalent Western conventional medicine has had difficulties address growing social and health problems, such as increasing healthcare costs, adequate care for aging populations, cancer epidemic, growth of mental illness, etc. As these issues and other inherent inefficiencies put enormous pressure on health care systems, the results lead to undesirable social outcomes like lack of response to the needs of health patients. Long waiting time to be consulted by a physician, short doctor-patient interactions, or lack of transparency in doctors' decisions are causes of increasing dissatisfaction with conventional health-care systems (Baer, 2002; Siahpush, 1998; Eardley *et al.*, 2012; Rajamma and Pelton, 2010). Patients are also disadvantaged in terms of necessary knowledge to make decisions regarding illnesses, diagnoses and prognoses (Siahpush, 1998). Moreover, some consumers feel disempowered with biomedicine's stance that treatment should concentrate on symptoms and that should be mostly treated by pharmaceutical drugs (Siahpush, 1998). The negative social consequences of such a paradigm are expressed in the rise of diseases and deaths due to antibiotic-resistant bacterial infections or debilitating effects on consumers from over-prescription of antidepressants (Hirsch, 2008; Siahpush, 1998). Another problem is the increasing cost of health care (Dodds *et al.*, 2014; Kelner, *et al.*, 2006), namely the high costs of surgery and hospital internment, that could be avoided with more emphasis on preventive medicine (Siahpush, 1998).

Second, social enterprises suggest a solution or approach to address the social problem (Dacin *et al.*, 2010; Mair *et al.*, 2012). CAM social enterprises respond to the problems mentioned above by providing personalized (Dodds *et al.*, 2014) and preventive health services (Barrett, 2001); by empowering patients (co-creation) (Dodds *et al.*, 2014) and by exploring the cause (as opposed to the symptoms) of health problems as a sustainable solution (Halberstein *et al.*, 2010; Hirschhorn, 2006). CAM services embrace a holistic understanding of the human being, that includes body, mind and soul, and thus explore health problems seeking the comprehension of their causes (Barrett *et al.*, 2003; Hirschhorn, 2006; Winnick, 2005). Therefore, CAM services offer more personalized solutions to patients (Barrett, 2001; Dodds *et al.*, 2014), which is in contrast to the doctor-centered relationship practiced by the biomedicine physicians (Siahpush, 1998). Many CAM treatments empower the patients, as opposed to the prescribed solution characteristic of biomedicine (Foucault, 2003), because the patient is an active participant in the therapeutic process (in a service co-creation logic), as it consists of regimens that have to be followed at home – e.g. nutritional

plans, daily meditation/exercise practices, etc., and which in turn might result in positive outcomes and customer satisfaction (Gallan *et al.*, 2013; Winnick, 2005). Due to patients' proactive participation in the health solution, they also have an active role in the prevention of diseases and taking responsibility for their own health (Barrett, 2001; Rajamma and Pelton, 2010).

Third, the social enterprises embrace a transformative social ambition, meaning that the proposed solution should potentially change the field and trigger nationwide impact by extending the benefits to large segments of society (Dacin *et al.*, 2010; Martin and Osberg, 2007). With the gradual acceptance (e.g. by official regulation) and integration of CAM services in the mainstream medicine (as for example in an increasing number of public hospitals and private clinics), the benefits of CAM services are becoming a) available to any society member; and b) source for transforming the existent structures and change the field (Ruggie, 2005; Wardle and Adams, 2014), because they complement the prevalent health system (Coulter and Willis, 2004; Siahpush, 1998). In return, the cautious acceptance of CAM services is causing changes in the health care field dominated by biomedicine as CAM is embedded in a different value system based on nature as a healing agent and reflected in the holistic view of the patients and their active participation in the healing process (Coulter and Willis, 2004; Siahpush, 1998).

Fourth, in order for social enterprises to achieve their social purpose, there are a number of constituents involved in the process (Mair *et al.*, 2012). In the case of CAM, public health authorities/government have to be involved in order to regulate CAM health therapies and services (Barrett *et al.*, 2003; Kelner *et al.*, 2006; Wardle and Adams, 2014; Welsh *et al.*, 2004); practitioners as service providers (Barrett, 2001; Hirschhorn, 2006); patients as clients (Barrett, 2001; Dodds *et al.*, 2014); auxiliary service providers such as health insurers (Bodeker and Kronenberg, 2002; Goldner, 2004).

Table 3.1 - CAM as social entrepreneurship

	Characteristics of social entrepreneurship	CAM as social entrepreneurship
Problem	-Address social needs and complex problems (Mair <i>et al.</i> , 2012)	<ul style="list-style-type: none"> - Inefficiency of conventional medicine, such as long waiting time for consultation with health care practitioners and inability to address problems as aging population, cancer epidemic, growth of mental illness, because these factors put tremendous pressure on the health care systems (Eardley <i>et al.</i>, 2012; Rajamma and Pelton, 2010). - Dissatisfaction with mainstream medicine philosophy of healing (e.g. treatment concentrate on symptoms (Dodds <i>et al.</i>, 2014) and amount of chemical drugs (Siahpush, 1998), and with a medical doctor therapeutic relationships (e.g. long waiting time to be consulted by a physicians or short doctor-patient interactions (Dodds <i>et al.</i>, 2014; Siahpush, 1998). - Increasing costs of health care with surgery and hospital internment (Dodds <i>et al.</i>, 2014; Kelner <i>et al.</i>, 2006).
Solution	<ul style="list-style-type: none"> - Solve the problem by redefining the problem and find a solution or approach to it that has the ability to change the system (Mair <i>et al.</i>, 2012) - Social change/well-being (Dacin <i>et al.</i>, 2010) 	<ul style="list-style-type: none"> - Preventive and holistic health service (Barrett, 2001; Barrett <i>et al.</i>, 2003; Hirschhorn, 2006). - Empowerment of the patients (co-creation) (Dodds <i>et al.</i>, 2014). - Personalized and customized health service (Dodds <i>et al.</i>, 2014). - Sustainable solution to health problems (by exploring the cause of the problem)

(Halberstein *et al.*, 2010; Hirschhorn, 2006).

Transformative Social Ambition	- Large scale transformational benefits for a segment of society at large (Martin and Osberg, 2007)	- Transformation of the existent structures that increases the benefit of society, with acceptance and integration by the mainstream medicine of CAM therapies (Ruggie, 2005; Wardle and Adams, 2014).
Targeted Constituents / Beneficiaries	The individuals or groups that are important in achieving change (Mair <i>et al.</i> , 2012)	<ul style="list-style-type: none"> - Public authorities/government (Barrett <i>et al.</i>, 2003; Kelner <i>et al.</i>, 2006; Wardle and Adams, 2014; Welsh <i>et al.</i>, 2004). - Practitioners (Barrett, 2001; Hirschhorn, 2006) - Patients/Clients (Barrett, 2001; Dodds <i>et al.</i>, 2014). - Service providers such as health insurers (Bodeker and Kronenberg, 2002; Goldner, 2004).

3.3.2. CAM's hostile context

CAM is often related with controversy and scrutiny, caused in large by the inappropriate safeguards that would minimize the potential harm for CAM user's (Wardle and Adams, 2014). Several risks associated with the use of CAM include financial exploitation of patients, false consultations arising from consumer assumptions, sketchy training among practitioners, and patient harm among others (Bodeker and Kronenberg, 2002; Wardle and Adams, 2014). Moreover, many of the CAM treatments have not been tested following the standard procedures of biomedicine (Nuwer, 2013). Consequently, one of the main reasons for the marginalization of CAM is related to the rigid boundaries between conventional and unconventional medicine. CAM is largely defined by exclusion from conventional medicine, which impedes the legitimization of enterprises within the category (Wardle and Adams, 2014). Due to the lack of scientific evidence about CAM therapies, the lack of standards and

regulatory and legal mechanisms, CAM enterprises are ostracized by biomedicine and societal institutions. Thus, CAM enterprises are in a legitimacy vacuum (i.e. marginal status as they lack categorical clarity) (Dobrev and Gotsopoulos, 2010).

3.3.3. CAM in Portugal

The Portuguese context is a good example for our study as the establishment of legal support of CAM services went through a legislation process of more than ten years, because powerful institutional forces delayed the regulation of CAM services. The process of legalization and regulation was associated with disagreements and scrutiny of the benefits and of the scientific evidence of CAM services, and often the debate of the regulation of CAM services was centered in the 'power' of biomedical physicians. The discussion between what authority should be given to CAM practitioners, which legal procedures should be applied to CAM practitioners and services, which regulatory system should be in charge, and what should be the balance between CAM and biomedicine were the main reasons for the slow process of regulation. During the ten years of discussions about the regulation of CAM, the percentage of the Portuguese population using CAM services increased from 15% in 2007 to 27% in 2012 (TSF 2012, 2007) with unofficial estimates of 43% in 2013 (SÁBADO, 2013).

The first attempt to regulate CAM in Portugal was in 2003, and focused on six therapies – acupuncture, homeopathy, osteopathy, naturopathy, phytotherapy, and chiropractic. This law defined basic guidelines for the professional exercise of CAM, such as general guiding principles and ethics for the exercise of CAM therapies regarding public health and individual rights. It also posited that CAM therapies should be governed by the same law as conventional medicine. It took ten years for the law to come into force. In January 2013 the Portuguese parliament voted on the law regulating the protection of users of CAM therapies, the procedures for the exercise of the activity and the adequate training of the providers. However, only in June 2015 the full process of regulation was finalized, after the regulation of the general requirements to achieve the course of study leading to the bachelor degree in a CAM therapy.

3.4. Method

3.4.1. Research design and data

We chose to interview founders/managers, because we are interested in legitimacy-gaining actions of the enterprises based on subjective interpretations of the decision makers who are in charge of those actions (Preuss and Perschke, 2010). Prior research also suggests that managers often act based on their interpretations of the environment as if such interpretations were true (Day and Nedungadi 1994; Nikolaeva, 2014; Porac and Thomas, 1990).

Qualitative techniques are particularly common in inductive research and present a good starting point for exploration when there is little knowledge on the subject (Hine and Preuss, 2009). The richness of qualitative methods offer a more detailed insight on complex issues that require depth when compared to quantitative methods, as it allows for categories to emerge out from the data (Miles and Huberman, 1994, Eisenhardt, 1989). We gathered data from in-depth interviews, which is the most common method in grounded theory. Grounded theory rests on the notion that from an open-ended exploration of the data collection, new understandings from extant theories and literature emerge (Goulding, 2005; Nambiar and Chitty, 2013).

Our sample has 10 Portuguese CAM enterprises and we applied semi-structured interviews to 11 founders/managers of the social enterprises. Interviews were held with a single respondent, except for one case where two managers were interviewed. Our sampling strategy was guided by McCracken's (1988) precept of adding interviews to a dataset until no incremental insights are generated with each new informant. As common in exploratory studies such as ours, our sample is purposive and defined before data collection begins (Goulding, 2005; Pratt, 2009). Our sample selection focused only on regulated CAM therapies (e.g. acupuncture, naturopathy, osteopathy, homeopathy, chiropractic, phytotherapy, hypnosis, herbal medicine, ayurveda, reflexology and aromatherapy), communication outputs (e.g. website visibility), and media visibility (e.g. CAM advertising).

Our unit of analysis is the CAM enterprise. Table 3.2 exhibits the profile of the CAM enterprises in the sample. It provides information about the founding year, the legal designation (company or sole proprietorship), and services offered. CAM enterprises are usually micro companies (up to 5 employees) and are typically managed by their founder.

We built an interview protocol with 12 questions addressing enterprise's responses to legitimacy demands (Interview protocol in Appendices A - A1). According to Shuman (1995), managers can make considerable difference in the extent to which enterprises legitimacy is perceived. He argues that legitimacy management relies deeply on communication and trust building efforts, thus in our interview protocol we have questions related to marketing activities and trust development. Another important feature is the effort of category building, such as attempts to conform to procedures or structures and organization's purpose (the organization's mission and actions that managers might develop to promote legitimacy). The organization's staff may also serve as a sign of the organization's legitimacy efforts (Shuman 1995), hence we include a question related to what skills managers look for when they hire CAM practitioners. Further, previous professional experience, such as leadership positions or experience in a similar market are also important for gaining legitimacy (He and Baruch, 2010; Shuman, 1995) and questions about it were added.

Table 3.2 – CAM enterprises characteristics

Organization	Founding year	Legal designation	Offer	Number of Employees
Clinic A	2007	Company	CAM	4
Clinic B	2011	Company	CAM	2
Clinic C	2007	Company	CAM and Beauty	3
Clinic D	2007	Company	CAM	3
Center 1	2003	Sole proprietorship	CAM and Beauty	1

Center 2	2011	Company	CAM	1
Center 3	2010	Company	CAM	2
Center 4	2007	Sole proprietorship	CAM	2
Center 5	2006	Sole proprietorship	CAM	2
Center 6	2007	Company	CAM and Beauty	1

We developed the fieldwork from November 2012 to April 2013. We undertook semi-structured interviews lasting between 40 and 105 minutes with each participant. See Table 3.3 for a characterization of respondents and interviews. The profile of the respondents includes a broad range of professional training qualifications (Wilhelm and Bort, 2013). In addition, 6 of the 10 interviewees had CAM training. Only two interviewees have CAM training as a primary background and four took a course of CAM in addition to their basic training in another area (management areas, engineering and journalism).

Table 3.3- Respondents and interview characteristics

Organization	Role	CAM practitioner	Background	Interview Date	Interview Duration (min)
Clinic A	Manager	No	Human Resources	28/Nov/2012	90
Clinic B	Manager	No	Marketing	3/Dec/2012	60
Clinic C	Manager/Founder	No	Finances / Computer science	6/Dec/2012	105
Clinic D	Founder	Yes	CAM	27/March/2013	50
Center 1	Founder	Yes	CAM	1/Dec/2012	45
Center 2	Manager/Founder	No	Engineering	7/Dec/2012	40

Center 3	Founder	Yes	Psychology	11/Dec/2012	58
Center 4	Founder	Yes	Human Resources	14/Dec/2012	40
Center 5	Founder	Yes	Journalism	5/April/2013	40
Center 6	Founder	Yes	Marketing	2/April/2013	40

A personal contact and e-mail requesting the interview preceded the data collection. Anonymity was assured to the interviewees (Gioia *et al.*, 2013). All interviews were conducted in Portuguese, which is the native language of the interviewer and the respondents (Wilhelm and Bort, 2013). Interviews started with a set of questions related to the respondents' backgrounds and interests. Then, we focused on their experiences in addressing the legitimacy challenges (McCracken, 1988).

All respondents were exposed to the same interview protocol. However, we allowed for respondents to guide the flow and content of the interview (Hine and Preuss, 2009; McCracken, 1988), which minimizes the risk of interviewer-induced biases (Parmentier *et al.*, 2012; Thompson *et al.*, 2006; Wilhelm and Bort, 2013). In the course of the interviews, the respondents were asked further questions in order to clarify some of their answers (Hine and Preuss, 2009). Most of the interviews were conducted in the facilities of the CAM enterprise. Two interviews were conducted via Skype videoconference. All the interviews were tape recorded and transcribed after a short period of time to ensure reliability (Eisenhardt, 1989). The interviews resulted approximately in nine hours and thirty minutes of audio and the transcription of the interviews in a document of 78,577 words.

3.4.2. *Data analysis*

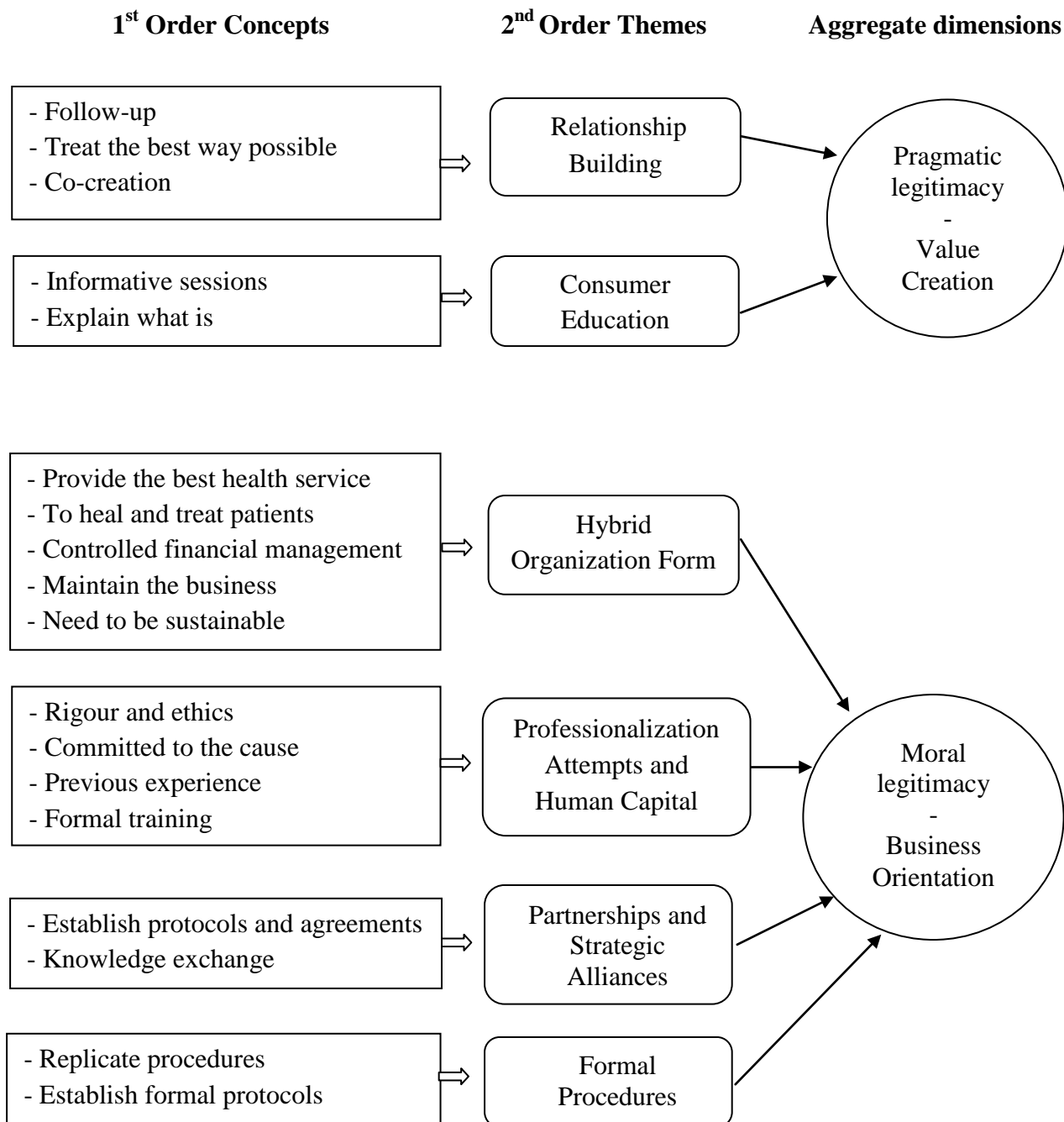
Our data analysis proceeded according to the Gioia methodology, which is a systematic approach based on first-order and second-order analysis for qualitative rigor (Gioia *et al.*, 2013). The data structure is represented in Figure 3.1.

The interviews' content was coded with the help of the qualitative computer software NVivo 10. Following an inductive approach, the analysis proceeded with the application of open

coding techniques, which consisted of looking at segments of the text (words and sentences) with meaningful content for the purpose of the study. At this stage, we were able to identify first-order concepts. In first-order concepts there is little attempt to distinguish concepts, instead terms and codes emerge from data (Gioia *et al.*, 2013). Open coding technique allowed to identify provisional explanatory concepts, which directed us to progressively code into more abstract constructs (Gioia *et al.*, 2013; Goulding, 2005; Strauss and Corbin, 1998). At a next stage, we identified patterns and similarities in the data, that permitted to merge the first-order concepts into broader themes, and abstract them into “second-order” themes (Gioia *et al.*, 2013; Goulding, 2005).

According to Gioia *et al.* (2013) the focus should be on nascent concepts, the ones that can bring new understanding of the phenomena and that don't fit into the existing literature; or existing concepts, the ones that are relevant to explain the phenomena. During the coding procedure we kept memos of the emerging themes and their relationships. We undertook an iterative approach to the analysis, moving back and forth between data, emergent theory and prior theories (Preuss and Perschke, 2010; Gioia *et al.*, 2013; Goulding, 2005; Belk *et al.*, 1989). Finally, we were able to progressively develop relevant higher-order constructs - aggregate dimensions - that enabled an explanation of our main research purpose and which had potential for building or extending theory (Gioia *et al.*, 2013; Goulding, 2005).

Figure 3.1 –Data Structure After Gioia’s Systematic Approach (Gioia *et al.*, 2013)



3.5. Findings

Managers of CAM enterprises develop a number of initiatives to gain legitimacy. These social enterprises try to acquire pragmatic legitimacy through value creation and to obtain moral legitimacy through business decisions. Value creation is directed primarily at

consumers through health and well-being solutions, by promoting consumer education about CAM, and by building trustworthy relationships with the customer. Attempts at gaining moral legitimacy can be identified in business decisions – choosing a hybrid organizational form, embracing profit, demanding professional certifications, seeking partnerships and strategic alliances with third-party organizations, and establishing formal procedures following biomedical practices.

3.5.1. Relationship Building

Service is a process of “*doing things in interaction with the customer*” (Vargo and Lusch, 2004: 7). An important part of the service provider is the quality of the service and the role of the provide-customer relationship (Gittell, 2002), because it has been associated with consumer trust and confidence and is essential to achieve customer satisfaction (Gittell, 2002; Johnson and Grayson, 2005). Efforts in developing a relationship with the customer and in delivering good service enhances firms credibility (e.g. legitimacy) (Johnson and Grayson, 2005; Tornikoski and Newbert, 2007).

One important characteristic of service is the perspective on value creation rather than on market offerings (Grönroos, 2006). This is due to the customers’ involvement in the process, where both firms and customers are co-producers of the service and co-creators of value (Grönroos, 2006). This is particularly relevant in CAM’s case, because many of the health solution offered by CAM therapies involve the active participation of the patient – co-creation (Dodds *et al.*, 2014). For example, patients have to follow particular diets, engage in certain exercises, meditation practices, change lifestyles, etc. Therefore, the success of the therapies hinges on the active participation of the client. The created consumer value is the result, to a great extent, of empowering partnerships (Dodds *et al.*, 2014).

For social enterprises, the relationship built between the social enterprise and its beneficiaries is often based on solid ties of trust (Ormiston and Seymour, 2011; Ulhøi, 2005). Similarly, our findings reveal CAM enterprises’ sincere commitment to providing good service and building strong relationships with the customers. One example of such commitment is the ease of contact with the health specialist after an appointment (even after hours). In this way CAM organizations increase consumers’ trust, which provide a source of market validation (e.g. legitimacy). Overall, our respondents state that establishing a good relationship with the customer will increase customer satisfaction and attract more customers.

"The relationship marketing that we do here when we are speaking to people [...] is very important for them to come back and bring other people [...] the main goal is to attract more people and treat them the best way possible [...] I would say this is the most important". (Clinic A, Manager)

"The follow-up, even after an appointment, when people call here after an appointment and have a doubt, we always answer and facilitate the contact with the specialist [the therapist], [...] trust begins with the type of treatment that is done, and how [the patient] is followed by the therapist afterwards, and we have great trust in the people who work here". (Clinic C, Founder)

3.5.2. *Consumer Education*

Consumer education is "*providing consumers with the skills to utilize information*" (Burton, 2002: 127). In this sense, consumer education is more than merely giving information about a product/service, instead it is related with the quality of knowledge given to the consumers (Burton, 2002).

There has been much debate about the importance of the quality of information available to consumers in unregulated contexts, specifically in contexts of healthcare (Newholm *et al.*, 2006). Providing information, in particular about a treatment and its benefits, increases the confidence of the patient (Burton, 2002; Dodds *et al.*, 2014; Newholm *et al.*, 2006), and as a consequence enhances credibility and consequently legitimacy (Lamberti and Lettieri, 2011). In addition, gaining the trust and support from a wide range of constituents is fundamental for social enterprises, because it helps them to achieve their social purpose (Mair *et al.*, 2012; Ruebottom, 2013).

The 'educational' aspect in CAM services is present in the empowerment of the patient, since the patient is an active participant on the health solution (Dodds *et al.*, 2014; Winnick, 2005). Thus, consumer literacy about CAM therapies is an important part of the service delivery of CAM services. Furthermore, previous research in CAM has pointed out many risks in the use of CAM services associated with misinformed consumers, such as, false consultations arising from consumer assumptions and financial exploitation of patients (Wardle and Adams, 2014). Because CAM social enterprises still face legitimacy constraints, which often

result in lack or faulty information about the CAM services, consumer education is an important part of the legitimacy attempts of the CAM enterprises under study. Our findings show that the respondents believe that giving informative sessions (e.g. public talks or lectures) about CAM services and its benefits is an important aspect of their activities.

"I think it would be important [...] to do many lectures, many talks about what we do here, and essentially we have to reach our audience and explain what this is, in what consists, in which areas we can intervene, [...] through [...] social media, I think, going to TV shows would be very important". (Clinic C, Founder)

"For me, the informative sessions are the most important things, because I think this is an area that has much to do with information and credibility. Thus, if these centers' managers want to attract a customer they must gain their confidence and that means having to explain them what consists in what and providing them with the most credible professionals to do so". (Center 6, Founder and Practitioner)

3.5.3. *CAM as a hybrid organization form*

Social enterprises are an example of a hybrid organizational form, because they simultaneously present characteristics of not-for-profit (social purpose) and for-profit organizations (financial purpose). Social enterprises differ from for-profit organizations in that profit is not the ultimate aim of social enterprises, instead, "profit" is a mean to achieve the social purpose (Pärenson, 2011; Santos, 2012). All CAM enterprises in our sample provided evidence that they deliberately chose a hybrid organizational form. Reinvesting the profit in support of the social mission allows continuity of the social enterprise (Costanzo *et al.*, 2014; Moses and Olokundun, 2014; Moss *et al.*, 2011), which can be observed in the following illustrative quotes:

"Health is the mission. It is to make people healthier, to live better and consequently longer or longer and better ... (the goal) is not doing business". (Clinic A, Manager)

"There is no business whose purpose is not profit and be profitable [...] but here it has a secondary status [...]". (Clinic C, Founder)

"The revenue must always be reinvested". (Clinic D, Founder and Practitioner)

"It is not only a business. I do not sell just to make money; I sell because it is necessary for the person. Clearly, I do not make any profit. I mean, it is a business but it's not a business. It is a health treatment, which is completely different. My objective is to treat, to heal and not to profit". (Center 1, Founder and Practitioner).

Findings suggest that financial sustainability is important for the social enterprises, in order to focus on their social mission without being dependent on external entities. Based on this, we suggest that by achieving financial sustainability, social enterprises signal to the market that they are viable, not dependent on society's goodwill and thus respondents expect to gain more societal and institutional support.

"So it is better to be well prepared financially and to know a bit about how the accounts of a company work [...] in order to be sustainable". (Center 2, Founder)

"Management here is the main thing [...] it is important having the financial management under control". (Clinic C, Founder)

3.5.4. Professionalization Attempts and Human Capital

Professionalization attempts can be understood as *"the process by which occupational groups reach professional status"* (Winnick, 2005: 41). Adequate human capital is particularly relevant in the path of professionalization as it is through professionalization that occupational groups have been able to regulate market conditions, namely by selecting a restricted eligible group of human capital (Welsh *et al.*, 2004). One way of doing this is to choose the most qualified and skilled practitioners as a mean to become more professional (Welsh *et al.*, 2004).

Professionalization includes several components of the human capital, such as standard education, professional experience and skills (Davidsson and Honig, 2003; Hitt and Bierman, 2001; Welsh *et al.*, 2004). Standard education can be understood as a formal degree that an individual can have, for example, a college education. To extend standard education, an individual can also opt for a non-formal education, such as specific training courses, that are not a part of the traditional education system (Davidsson and Honig, 2003; Welsh *et al.*,

2004). Along with education, real-world experience increases the knowledge of the individual (Hitt and Bierman, 2001).

In the case of CAM enterprises, professionalization attempts have been related to the desire to gain more legitimacy (Welsh *et al.*, 2004). Because CAM enterprises provide a service based on human capabilities and knowledge, the service provider is particularly important. In a service context, professionals must have a wide formal education as well as vocational training prior to entering their field (Hitt and Bierman, 2001). This is particularly relevant in the health sector. Physicians usually undertake a long and demanding formal education (knowledge) for about 5-6 years, plus on-job training (field of specialty) (4-5 years). Since in the context under study there is no regulated education of CAM practitioners, the interviewees' effort to cover the inefficiencies of the system is to find a proxy in other types of training. In general, the respondents state that their first requirement is some sort of formal training, and they discard those candidates who don't have it.

"They (job candidates) must have taken a course in the area, recognized by an entity that we know and they must show all the documentation, such as diplomas, certificates".
(Clinic C, Founder)

"Above all, invest in the therapeutic team; it is worth having a good therapist, not worth having an ill-trained therapist or one that will raise doubt in the therapeutic quality".
(Clinic B, Manager)

The value of human capital in social enterprises is defined by a second aspect: their alignment with the social mission. So CAM enterprises look for some other skills, which add to the professional competencies, such as interpersonal skills, ethics and values.

"It is mainly the level of values [...] we try to identify that the [CAM practitioner] have values and is serious, and that it is a competent person and committed to the cause".
(Center 2, Founder)

"But what we most look for [...] is a set of academic and professional characteristics and at the same time personal, of personality and way of being". (Center 6, Founder and Practitioner)

3.5.5. *Partnerships and Strategic Alliances*

Partnerships "*enable firms to more efficiently acquire and manage resources, while at the same time enhancing firm legitimacy and augmenting dynamic capabilities*" (Meyskens *et al.*, 2010: 673). In addition, strategic alliances allow firms to "*procure assets, competencies, or capabilities that are not readily available in competitive markets*" (Oliver, 1997: 707).

The resource constraints of a non-legitimized category can seriously inhibit the success of a social enterprise. Therefore, social enterprises might be motivated to establish partnerships and strategic alliances if they want to overcome legitimacy obstacles and be perceived as worth. Strategic alliances serve primarily to gain external legitimacy—namely, through the association with successful and established external entities. A partnership or alliance with a legitimate organization can ensure the endorsement and receptiveness of key stakeholders, such as government, suppliers, or customers and provide conformity to conduct business in a particular market industry (Dacin *et al.*, 2007; Rao *et al.*, 2008). In particular, partnerships and strategic alliances work as a source of institutional and social influence that enable social enterprises to achieve their mission (Nicholls, 2010; Sud *et al.*, 2009).

Our findings confirm that the sampled CAM social enterprises establish alliances in order to improve their market acceptance and enhance legitimacy. An example of strategic alliance is the agreement with insurance companies. Another example is partnering with well-known companies who receive special conditions for their employees in the use of CAM services.

"There was something lacking, which has just started to be introduced, which is related to insurers [health insurers for CAM services][...] I tried [...] to integrate an insurance plan". (Clinic A, Manager)

"We have protocols with entities and companies, in which employees benefit from [...] being treated or consulted here, protocols with insurers". (Clinic C, Founder)

CAM enterprises also use partnerships as a way to communicate CAM services.

"As for the agreements, there are two cases, one of them refers to large companies [...] Because we know they employ a large number of people we made a partnership

[...] we first did a presentation that consisted of going there and giving a lecture or doing a free check-up examination aimed at the staff" (Clinic D, Founder and Practitioner)

"We are interest in disclosing [...] and presenting our services in companies [such as doing an open day, where the therapists offer their services] and do business protocols". (Clinic B, Manager)

In addition, we noted partnerships with professional associations and with specialized CAM schools (e.g. Institute of Traditional Medicine).

"We have agreements with universities in England, in France, in Germany, we invite therapists from these countries to come here teach our therapists [...] then we try to improve, we have a perception of what is done here, what is done outside and we all stood to gain from it".(Clinic B, Manager)

3.5.6. Formal Procedures

Procedures "*are desirable and appropriate patterns of action*" (Johnson *et al.*, 2006: 55). Formal procedures facilitate the understanding of the 'way things are' (Johnson *et al.*, 2006), because they comprehend established norms and values and build boundaries for what is considered proper and legitimate (Dimaggio and Powell, 1983; Johnson *et al.*, 2006). Therefore, the existence of formal procedures enhances organizational legitimacy (Dimaggio and Powell, 1983). In the case of CAM enterprises following established procedures are especially relevant to gain legitimacy. Unlike conventional medicine, which is based on the scientific method recognized as proper, CAM therapies have been associated with quackery and non-scientific methods (Wardle and Adams, 2014; Welsh *et al.*, 2004). Thus, implementing accepted practices is important if uncertain outcomes are to be socially acceptable, as in the field of health care.

Our findings show that CAM enterprises promote formal procedures following biomedical practices, which provides a similar image to a western medical establishment. These procedures include some medical protocols, which in the sampled CAM enterprises have been developed in two critical service dimensions: how to diagnose and treat patients, as well

as how service providers should interact with the client. These protocols seem to be motivated by both quality control and quality demonstration.

“We are trying to do the maximum possible to replicate what happens in any hospital, in any western clinic” (Clinic C, Founder)

“Here [we have] established protocols about how to receive clients, how to direct them to the room, therapies and how one should interact with the patient” (Clinic B, Manager)

The medical protocol seems to replicate some well-established medical procedures which clients are familiar with.

“We tell people to bring [medical] exams, we register [exam results] in databases” (Clinic C, Founder)

3.6. Pragmatic and Moral Legitimacy Feedback

We propose the following model for social enterprises embarking on a legitimacy building evolution. We first extrapolate on our findings in the CAM category. CAM enterprises function in a strongly contested environment and they address problems whose outcomes are difficult to evaluate immediately. In that sense, they do not have many legitimacy building resources at their disposal, which can be different from other social enterprises whose social mission gives them a moral stamp of approval from society. To overcome the legitimacy vacuum (Dobrev and Gotsopoulos, 2010), CAM enterprises leverage their pragmatic legitimacy gains to create a feedback cycle with moral legitimacy.

We propose the following mechanism. As with other social enterprises, the first step is the identification of the social problem. Social problems can be of different character. While many social enterprises seek to help disadvantaged societal groups, the problem that CAM addresses is not confined to a particular societal group, but is rather systemic and institutional, affecting society as a whole. The endemic problems of health care systems throughout the world, together with failures of biomedicine to tackle serious health problems and 'big pharma', have created a gap in consumer trust in conventional medicine. As

indicated in Table 3.1, CAM addresses these problems by providing holistic solutions to health problems and preventive care for enhanced well-being, personalized services empowering the clients with the ultimate goal of achieving sustainable long term health solutions. Because the problem and the solution are not confined to a disadvantaged societal group, CAM enterprises are in a good position to build pragmatic legitimacy, which they can leverage into moral legitimacy feeding back into higher levels of pragmatic legitimacy and so forth, thus embarking on an evolutionary legitimacy building spiral.

First, responding to consumer dissatisfaction with biomedicine and its inherent power disbalance between doctors and patients, CAM enterprises accentuate the relationship building aspect and consumer education. By educating consumers on the importance of their responsibility in the healing and well-being processes, CAM organizations engage their clients in co-creation, which enhances the attainment of economic value for the clients (Chan, *et al.*, 2010). In circumstances where customers face uncertain outcomes, participation and co-creation lead to higher perceived service quality through resource integration on behalf of consumers. Moreover, “by helping patients optimize their affective states, health care providers can increase patient assessment of their expertise in addition to patient satisfaction” (Gallan *et al.*, 2013: 351). This is an important component of the consumer empowerment process leading to less perceived power imbalance. Thus, empowering consumers by education and more meaningful engagement in co-creation of the services, CAM enterprises provide higher customer value that leads to higher pragmatic legitimacy (Suchman, 1995).

Second, the attainment of gains in pragmatic legitimacy leads to more conditions of realizing the dual purpose of CAM enterprises – improving consumers’ health and achieving profitability leading to the long term sustainability of the enterprises. Since CAM serves broad sectors of society, CAM enterprises can develop a business model capitalizing on increased consumer value perceptions by extracting higher economic profit and relying on customer referrals to grow their business. Having customer segments that are able to pay higher prices for services differentiates CAM enterprises from other social enterprises that target socially weak segments. Educating and engaging the customers in the service production increases the chances of positive outcomes, which also contribute to the hybrid mission of the enterprises. Higher profits and broader customer base lead to category growth. Such developments increase the business case argument for a market category and as Dart (2004) observes, business arguments are morally legitimate in the state of the world today.

Third, progressing towards better fulfillment of the hybrid purpose of the enterprise by achieving stronger financial and health results in society allows CAM enterprises to invest in human capital and take bigger strides towards professionalization. Financially solvent enterprises can attract better trained employees who are more versed in the importance of standards and procedures. Thus, such investments also help in the establishment of formal procedures and third-party partnerships. As indicated by Suchman (1995), procedural legitimacy goes a long way in situations of uncertain outcomes. The power of procedural legitimacy lies in our cognitive needs for causality. While procedures *per se* do not give answers to why certain outcomes occur, adhering to procedures and tracing back the actions leading to an outcome can give us a chance to understand the cause of the outcome. Procedures are often linked to rationality and subsequently its legitimacy approval stamps (Tyler, 2006). When outcomes cannot be rationally explained, their legitimacy is always questioned.

Taken altogether, the different aspects of the moral legitimacy dimension – hybrid organizational form, professionalization attempts, formal procedures, and third party alliances – work in synergy in advancing to a new level the pragmatic legitimacy dimension by delivering better customer value. Reinvesting the financial profits in the enterprise and attracting better professionals and third party alliances increases the value to consumers, which gains more pragmatic legitimacy for the enterprise moving it to a higher level in the spiral. The result is a feedback mechanism between pragmatic and moral legitimacy that can potentially lead to cognitive legitimacy.

Generalizing to other social enterprises categorized by uncertain outcomes and hostile environment, we propose the following steps for legitimacy gains:

1. Identify the social problem and establish pragmatic legitimacy through the direct beneficiaries of the solution to the problem. The group that benefits directly from the solution is the most likely promoter and evangelist of the enterprise and the model.
2. Leverage the pragmatic legitimacy gains into the hybrid nature of the organization for moral legitimacy gains. The market validation of an enterprise sends strong signals in contemporary society (Dart, 2004; Tyler, 2006). Higher order legitimizing bodies are also more likely to pay attention to categories that register serious economic activity.

3. Use market validation and economic rents to strengthen other aspects of the moral legitimacy dimensions such as improvements in human capital, procedures, and supportive networks.
4. Create an explicit mechanism of “re-investing” moral legitimacy gains into pragmatic legitimacy gains and vice versa. Share the understanding throughout the organization that legitimacy building is not a linear process. While there might be a gradation in the difficulties of obtaining pragmatic, moral, and cognitive legitimacy (Suchman, 1995), they are not discontinuous endeavors and they need to feed on each other. This is so even in the cases when pragmatic legitimacy gains might go against moral or cognitive legitimacy.
5. Build and cultivate a network of diverse partners and supporters that would be eventually instrumental in the legitimacy spiral towards the ultimate level of cognitive legitimacy.

3.7. Discussion and Conclusion

Our study focuses on a rarely addressed topic – social enterprises in a legitimacy vacuum. It is a response to calls for research to empirically understand the legitimacy of social enterprises (Austin *et al.*, 2006; Dart, 2004; Ruebottom, 2013). Social enterprises in a hostile context do not benefit from the legitimacy of their social mission as do other social enterprises (Dacin *et al.*, 2010). When social enterprises identify systemic problems within the social and institutional systems, they may promote profound reforms (Mair *et al.*, 2012; Zahra *et al.*, 2009). By doing so, social enterprises drive change and face resistance from systems and structures directly involved with their transformative ambition (Ruebottom, 2013). For this reason, social enterprises in a hostile environment often lack the necessary legitimacy to achieve their social mission. Then, social enterprises must capture and balance support from social and institutional structures, and at the same time promote change in these systems.

The legitimacy framework is pertinent to social enterprises – a hybrid organizational form – as legitimacy is conferred to organizations when they are fully embedded in the social and institutional systems and norms (Ashforth and Gibbs, 1990; Dart, 2004; Dimaggio and Powell, 1983; Johnson *et al.*, 2006; Suchman, 1995). Since the concepts and practices of

social enterprises are still in an emergence state, legitimacy theory provides relevant understandings into the development of social enterprises (Dart, 2004). Thus, identifying and selecting ways of gaining support from constituents and access to resources facilitates the legitimacy quest of social enterprises (Deephouse and Suchman, 1995; Johnson and Holub, 2003; Suchman, 1995).

This study follows the strategic view of legitimacy as a strategic resource to be extracted by the organization from its environment. We are interested in how social enterprises search for legitimacy, particularly what set of activities and routines they deploy in order to obtain social acceptance. For that purpose we take the case of complementary and alternative medicine (CAM) category as an example of social enterprises that function in a generally hostile context in the Western world, where paradoxically, demand for these services is growing. CAM services use diverse health care practices and products that are not presently considered to be part of conventional medicine. Due to the lack of scientific evidence about CAM therapies, standards, and regulatory mechanisms, CAM enterprises are ostracized by biomedicine and societal institutions.

CAM enterprises comply with four premises of being a social enterprise: they identify a social problem (healthcare not meeting patients' needs), provide a solution to the problem (a natural, holistic and preventive approach to healing), have a transformative social ambition and target the constituents who are important in achieving the change. Gaining legitimacy is harder for social enterprises because they often do not follow conventional ways, but rather try to (re)interpret and (re)define them as CAM, for example, which looks for holistic rather than symptomatic solutions to health problems.

For the purpose of exploring possible legitimacy building mechanisms for social enterprises, we interview founders/managers of CAM enterprises because we are interested in legitimacy-gaining actions of the enterprises based on subjective interpretations of the decision makers. We categorize these efforts according to Suchman's (1995) typology of legitimacy levels. Our study confirms previous research suggestion that pragmatic legitimacy is the most achievable form of legitimacy, one reason being that moral and cognitive legitimacy are not controlled by the social enterprise but by society's beliefs, whereas pragmatic legitimacy is more easily influenced by the organization.

Our findings indicate that CAM enterprises develop a number of initiatives to gain legitimacy. On the pragmatic legitimacy dimension, they emphasize value creation through consumer empowerment and co-creation. Specifically, CAM managers work on building meaningful customer relationships in the offering of health and well-being solutions on one side, and on the other side on promoting education about the philosophy and practice of CAM. Choosing a hybrid organizational form puts the highest stake in the moral legitimacy dimension. Working for profit, making sure that employees meet certain professional standards, following procedures borrowed from conventional medicine, and establishing strategic alliances with external partners are all examples of business-type decision aiming at asserting market-based approval for the enterprise, which consequently makes it morally legitimized.

Based on these findings, we propose a feedback mechanism between pragmatic and moral legitimacy that can likely result in achieving cognitive legitimacy. Specifically, we conjecture that enterprises can leverage pragmatic legitimacy to enhance moral legitimacy and create a feedback cycle between moral and pragmatic legitimacy.

The identified aspects of the moral legitimacy dimension – hybrid organizational form, professionalization attempts, establishing third party alliances and following formal procedures, potentially lead to delivering superior customer value, which in turn evolve into advancing to a new level of the pragmatic legitimacy. Attaining financial sustainability and reinvesting the financial returns in the enterprise, looking for professionals that meet the standards and establishing strategic alliances create additional value for the customer, leading to more pragmatic legitimacy for the enterprises and thus taking upwards the spiral of the feedback cycle.

The feedback mechanism that we propose follows five steps for social enterprises embarking on a legitimacy gain spiral: first, find a solution to the social need and establish pragmatic legitimacy with the group of users directly benefiting from the solution; second, take advantage of the pragmatic legitimacy gains to consolidate the dual purpose of the enterprise and thus establish a foothold on the moral legitimacy dimension since society approves of profitable enterprises; third, use market validation to enhance moral legitimacy and develop some of the other aspects, such as human capital, formal procedures, and supportive third party networks; fourth, initiate a reciprocal feedback mechanism between moral legitimacy

gains and pragmatic legitimacy gains; and fifth, invest in a network of supportive alliances and partnerships as a pathway to achieve the ultimate level of cognitive legitimacy.

In sum, our study contributes to the social entrepreneurial literature in the following ways. We explore social enterprises in a legitimacy vacuum. We identify CAM enterprises as an exemplary case of organizations with social ambitions whose results are not easily/immediately observable/measurable and that are ostracized by society due to their unconventional practices – the closest we can get to Suchman’s (1995) illustration of hospitals performing “involuntary exorcisms”. We further map their activities aimed at gaining pragmatic and moral legitimacy according to Suchman’s (1995) typology. Based on this map, we propose a feedback mechanism for social enterprises through which they can leverage pragmatic legitimacy into an evolving spiral of augmenting back and forth pragmatic and moral legitimacy gains in the quest for cognitive legitimacy.

Chapter 4

Exploring the Success Factors of Micro-Enterprises in a Marginalized Category using Multiple Criteria Decision Analysis (MCDA)

Abstract

This study explores how micro-enterprises in a marginalized category assess entrepreneurial success. For the purpose we build an evaluation framework based on the perceptions of success from the managers' point of view. The final entrepreneurial success framework is comprised of seven indicators: training, professional development, marketing, management, external factors, infra-structures and organizational aspects. To help building the evaluation framework we applied a multiple-criteria decision analysis (MCDA), which is an approach of decision science that facilitates the process of decision-making.

Enterprises in a marginalized context experience legitimacy obstacles that influence firm's potential for success, thus indicators that help gaining legitimacy is expected to be a priority. Our findings suggest that the factors related with the human capital of the enterprise best explain the success and are in accordance with factors that increase legitimacy. On the opposite, the external factors that are crucial to attain legitimacy are the least important factors. In this research, we discuss our findings in light of the entrepreneurship and legitimacy literature. We add insights to how micro-enterprises sustain their business in a marginalized context by discussing the success factors directly with the managers of the enterprises, which has been found to be scarce in the literature.

Keywords: *Micro-Enterprise, Success factors, Marginalized Category, Multiple Criteria Decision Analysis*

4.1. Introduction

The success rates of micro-enterprises, partially due to their size, are very low and are subject to a variety of barriers, such as resource constraints, vulnerability, uncertainty, risk, market inexperience and lack of legitimacy (Courrent and Gundolf, 2008; Markman and Waldron, 2014; Reijonen and Komppula, 2007; Short *et al.*, 2009). Thus, previous research has emphasized the study of the entry and survival of micro-enterprises, and in particular micro-enterprises ability to sustain the business. This research intends to augment this topic by investigating micro-entrepreneurs' perceived path to success in a marginalized market category.

The constraints of micro-enterprises are intensified in a marginalized category due the legitimacy obstacles. Enterprises in a marginalized context experience a legitimacy vacuum, due to the lack of a "*socially familiar categorical type*" (Dobrev and Gotsopoulos, 2010: 1153). The effect of the legitimacy vacuum on enterprises results in insufficient resources, as well as in environmental deficiency, because of the exposure to a non-supportive environmental context (Dobrev and Gotsopoulos, 2010). Because the environmental context of the enterprise has been widely acknowledged as an important determinant of firm's success (Hansen and Wernerfelt, 1989; Covin and Slevin, 1989; Lumpkin and Dess, 2001; Zahra and Covin, 1995), and in particular the legitimate context of an enterprise increases the survival chances (Dobrev and Gotsopoulos, 2010; Kostova and Zaheer, 1999; Meyer and Rowan, 1977), our research poses the following research question: How do managers of micro-enterprises perceive the success factors in a marginalized category?

There is no consensus about the selection of the appropriate set of indicators to adequately assess the success and failure of enterprises (Combs *et al.*, 2005; Murphy *et al.*, 1996). The indicators entrepreneurs select to best assess their micro-enterprise success in a marginalized category could provide further insights into the micro-entrepreneurial research that presents some findings. First, micro-enterprises often encounter unfavorable conditions to successfully conduct their enterprises, such as complexity and uncertainty (Kelliher and Reinl, 2009; Markman and Waldron, 2014; Navis and Glynn, 2011; van Werven *et al.*, 2015). Second, in such conditions enterprises typically rely on the resources from many stakeholders to conduct their business (Bull and Willard, 1993; Dobrev and Gotsopoulos, 2010; Covin and Slevin, 1989; van Werven *et al.*, 2015). Thus, since our study investigates micro-enterprises

operating in a marginalized category, enterprises face higher skepticism from various stakeholders. When enterprises are under conditions of legitimacy vacuum, stakeholders are more reluctant to support enterprises, because of the lack of institutional consent and difficulty in assessing the firm's potential for success due to the marginalized conditions of the enterprise (Dobrev and Gotsopoulos, 2010; Short *et al.*, 2009; van Werven *et al.*, 2015).

Given that the success of an enterprise is a fit between internal entrepreneurial capabilities and external market conditions (Ganco and Agarwal, 2009; Reijonen and Komppula, 2007; Simpson *et al.*, 2012) and since micro-enterprises are subject to diverse stakeholder groups that they need to attend to, coming up with a set of key success indicators leading to survival and continuity can be a daunting task for micro-enterprises in a marginalized category.

The context of our study is the complementary and alternative medicine (CAM) micro-enterprise. CAM enterprises are micro-enterprises because: they are very small enterprises, with self-employed entrepreneurs or up to five employees, and target a very small niche, which complements and is unattractive to the incumbents (conventional medical clinics) (Markman and Waldron, 2014) – CAM services include therapies based in holistic and whole person philosophy, empowerment of the patient and use of natural remedies. In addition, to being constituted by micro-enterprises, CAM is an example of a marginalized category, because even though some CAM therapies such as acupuncture and ayurveda pre-existed before conventional medicine, they are still contested and considered a taboo. Moreover, although CAM has been growing steadily and is projected to reach a global market of US\$ 115 billion by 2020 (Rinaldi and Shetty, 2015), CAM's legitimacy is publicly questioned and described as non-scientific quackery (Winnick, 2005).

We apply a multiple-criteria decision making analysis (MCDA) to assist the entrepreneurs in creating an evaluation framework of key success indicators of micro-enterprises in a marginalized category. MCDA is an approach of decision science that supports individuals or groups in a formal analysis that aims to facilitate decision-making in complex decision situations (Ferreira *et al.*, 2015; Belton and Stewart, 2002). This approach intends to help the decision-makers to think and discuss the problem in hands, and guide them in identifying the best course of action (Ferreira *et al.*, 2015; Ferreira *et al.*, 2010; Belton and Stewart, 2002). For example, MCDA has been applied in developing: a bank branch performance evaluation (Ferreira *et al.*, 2010), a model for faculty evaluation (Bana e Costa and Oliveira, 2012), a

entrepreneurial orientation measurement (Ferreira *et al.*, 2015). The main stages of this approach are: the identification of the problem, through problem structuring; model building that helps to structure the problem as involving a collection of alternatives that can be tested against several criteria and that guide the evaluation; and finally the development of an action plan (Belton and Stewart, 2002).

This paper intends to combine the use of cognitive maps and multiple criteria decision analysis (MCDA) (Ferreira *et al.*, 2010, 2015; Filipe *et al.*, 2015). We propose a multidimensional framework that integrates cognitive mapping and measurement attractiveness by a categorical-based evaluation technique (MACBETH) (Bana e Costa *et al.*, 2012). Cognitive maps are an instrument that help decision-makers to structure the problem, because it aims to identify the key criteria to assess success of micro-enterprises (Ferreira *et al.*, 2010). Then, MACBETH enables the estimation of trade-offs among the criteria previously defined, which in turn supports the development of the final evaluation framework (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2010; Filipe *et al.*, 2015). MCDA presents several advantages. One is its interactivity, which allows entrepreneurs discuss and structure in an open environment the conception of the evaluation framework. Another advantage is that the use of cognitive maps supports and facilitates the entrepreneurs' decision in a complex context, such as the context of a marginalized market category (Eden and Ackermann, 2004; Marques *et al.*, 2012). The resulting evaluation framework of success of micro-enterprises comprises seven criteria that the respondents identified: Training, Professional Development, Marketing, Management, External Factors, Infra-Structures and Organizational Aspects.

Our study offers theoretical and managerial contributions. First, it responds to recent calls for research in understanding how micro-enterprises sustain their business (Kelliher and Reinl, 2009; Markman and Waldron, 2014; Rauch *et al.*, 2009; Short *et al.*, 2009; Simpson *et al.*, 2012). We build a first of its kind evaluation framework to assess' micro-enterprises success in a marginalized context. The success factors of micro-enterprises in a marginalized context may differ compared to regular enterprises, because of the legitimacy vacuum context in which they operate. This is due to the non-supportive environment that constraints firm's success and chances of survival (Markman and Waldron, 2014). Therefore because of these challenges, micro-enterprises in a marginalized category need to build their own business logic, which in turn might influence the way they assess the factors affecting success. Second, we apply a multidimensional framework, which integrates cognitive mapping and

measurement attractiveness by a categorical-based evaluation technique (MACBETH) that aims helping entrepreneurs in a marginalized category to develop a tool for assessing the key success factors of their enterprises. Third, the evaluation framework which resulted from our study can be applied by the entrepreneurs of the micro-enterprises in the sector under study in order to assess success and as a learning process, because it shows where the enterprise is performing better or worse. Then, based on the results of the evaluation framework, the entrepreneurs might put in practice strategies to increase their firm's success and survival.

4.2. Theoretical Framework

In this section we briefly describe the concept of micro-enterprises, followed by a review of entrepreneurial success.

4.2.1. Micro-enterprises

There are a number of ways by which micro-enterprises have been defined, such as small structure (e.g. less than 10 employees), the volume of sales, management centralization, structural lack of resources, among other (Courrent and Gundolf, 2008; Devins *et al.*, 2005; Lahiri, 2014; Sharma *et al.*, 1990). Previous research has also emphasized that micro-enterprises focus on a particular market niche, especially in markets dominated by large incumbents, where micro-enterprises can either complement their offers or target small niches unattractive to their counterparts (Markman and Waldron, 2014). For the purpose of our study micro-enterprises are "*very small enterprises in scale, scope or capability*" (Markman and Waldron, 2014: 180).

Micro-enterprises have grown significantly and represent a major part of the European business (Courrent and Gundolf, 2008). Nevertheless, research in micro-enterprises has been found to be scarce (Courrent and Gundolf, 2008; Devins *et al.*, 2005). For instance, in what concerns the success factors of micro-enterprises, Simpson *et al.* (2012) concerning the success factors of micro-enterprises.

The success of micro-enterprises will be more difficult to achieve in a marginalized category, due to the lack of clear and structured boundaries, which result in legitimacy obstacles (Day

and Nedungadi, 1994; Rosa *et al.*, 1999). A marginalized category is often under a state of uncertainty, characterized by conflicting institutional demands (Santos and Eisenhardt, 2009), which limit a firm's potential for success. Even though new and marginalized categories are both under conditions of high uncertainty and ambiguity (Navis and Glynn, 2010), the former is usually in an early stage of formation (Navis and Glynn, 2010; Santos and Eisenhardt, 2009), while the latter is typically already flooded with meanings and pre-conceived knowledge. In contrast, established categories are highly institutionalized and legitimized, with clear shared understandings from societal actors (Aldrich and Fiol, 2008; Bitektine, 2011b; Navis and Glynn, 2010).

Thus, a marginalized market category adds an extra layer of obstacles to micro-enterprises that already experience high business failure rates (Jones *et al.*, 2014), partially due to the specific characteristics of these enterprises (e.g. small size and lack of resources). Given such unfavorable odds, the aim of the study is to dissect the terms in which managers of micro-enterprises define success.

4.2.2. Entrepreneurial Success

Success can be defined as "*generating an effective firm in the long term*" (Bouchikhi, 1993: 561). In others words, entrepreneurial success is the equivalent to continue operating in the market (e.g. survival) (Simpson *et al.*, 2004) and representing the extent to which an enterprise addresses the demands of its various stakeholders (e.g. investors, customers, government, society at large) (Brockner *et al.*, 2004). The terms "success" and "performance" are concepts which are related and have been largely used in research of entrepreneurship as synonyms (Reijonen and Komppula, 2007; Simpson *et al.*, 2004). For this reason, since both terms are blurred and intertwined (Reijonen and Komppula, 2007), to the purpose of this research we will use the terms interchangeably.

The literature presents a variety of indicators to assess success, that can be chosen upon the circumstances of the enterprise in question (Caron and Hofer, 2006; Reijonen and Komppula, 2007; Simpson *et al.*, 2012). Overall, entrepreneurial success is composed by operational and financial measures. The financial measures are at the core of the organizational effectiveness and reflect the fulfillment of the economic goals of the enterprise (Murphy *et al.*, 1996; Reijonen and Komppula, 2007; Simpson *et al.*, 2012; Venkatraman and Ramanujam, 1986).

Operational measures are non-financial indicators that might lead to financial performance (Murphy *et al.*, 1996; Reijonen and Komppula, 2007; Simpson *et al.*, 2012; Venkatraman and Ramanujam, 1986). Non-financial indicators are often operational success factors and comprise qualitative assessment by managers (Reijonen and Komppula, 2007; Simpson *et al.*, 2012; Venkatraman and Ramanujam, 1986).

It has been argued that success is a subjective concept (Reijonen and Komppula, 2007), specifically, from the managers point of view, because entrepreneurs have their own perceptions of what success means (Reijonen and Komppula, 2007; Simpson *et al.*, 2012). For example, an entrepreneur can see its enterprise has successful, while from a traditional view of successful measures (e.g. financial measures), the firm might show a different level of success (Simpson *et al.*, 2004). The difficulty in adequately assessing how to evaluate entrepreneurial success has been discussed in previous research on entrepreneurship (Caron and Hofer, 2006; Reijonen and Komppula, 2007; Simpson *et al.*, 2012). The choice of the indicators to evaluate success is complex as they may be based on the enterprise goals and objectives, context, and characteristics of the enterprise and managers (Bouchikhi, 1993; Caron and Hofer, 2006; Murphy *et al.*, 1996; Simpson *et al.*, 2012). Therefore, the best way to assess one enterprise's success, may not be necessarily the same as the measures of another enterprise's success. Since, there are no ideal indicators to assess entrepreneurial success, some authors state that that the indicators used to determine success in management and entrepreneurship research have not been subject to a proper discussion of why they were selected in the first place (Caron and Hofer, 2006). Further, we note that the decision of which indicators to use in evaluation entrepreneurial success in empirical research are mostly from the researchers' point of view.

Thus, our study adds further insights to the literature as it focuses on managerial selection of success indicators of micro-enterprises. For the purpose, we use multiple criteria decision analysis (MCDA) because it is an approach that facilitates the discussion and structure the conception of an evaluation framework by a panel of decision-makers (i.e. entrepreneurs). The methodological tools of MCDA allow us to map a vast number of factors identified by managers and simultaneously incorporate a learning process and discussion among them until a consensus is reached (Ferreira *et al.*, 2015).

Moreover, we conduct our study in micro-enterprises operating in a marginalized category. Enterprises in marginalized contexts face legitimacy obstacles resulting in higher reluctance from various stakeholders. Thus, because the legitimacy of the enterprise increases the survival chances (Dobrev and Gotsopoulos, 2010; Kostova and Zaheer, 1999; Meyer and Rowan, 1977b), gaining legitimacy is expected to be a priority in a marginalized context and external factors are expected to play an important role (Covin and Slevin, 1989 ; Short *et al.*, 2009; Simpson *et al.*, 2012). However, one of the surprise findings is that the external factors have very low priority. Political, economic and legal factors, which greatly influence legitimacy (Bruton *et al.*, 2010; Dobrev and Gotsopoulos, 2010), are considered the least important indicators by the managers in the study, which is in contrast to previous research on entrepreneurship (Covin and Slevin, 1989 ; Short *et al.*, 2009; Simpson *et al.*, 2012). According to our findings, decision-makers put a particular emphasis on professional development and training, which might indicate attempts at professionalization. Other indicators identified by the decision-makers include management and infrastructure – factors that can be found in the literature of entrepreneurship success (Caron and Hofer, 2006; Reijonen and Komppula, 2007; Simpson *et al.*,2012). It is important to note that the managers (e.g. decision-makers) did not have access to the success indicators identified in the literature, and the indicators that appear in the evaluation framework result from the discussion between the decision-makers and represent their view of success of a micro-enterprise in a marginalized context.

In the next section of this paper, we explain the multidimensional framework which integrates cognitive maps with the approach measurement attractiveness by a categorical-based evaluation technique (MACBETH). We describe how the evaluation framework was built and each step in detail.

4.3. Method

The multidimensional framework which integrates cognitive maps with the approach measurement attractiveness by a categorical-based evaluation technique (MACBETH) usually builds on three main phases: (1) the structuring phase; (2) the evaluation phase and; (3) the recommendations phase. Phases (1) and (2) are conducted with the decision-makers (e.g. entrepreneurs), with the help of the researcher, whereas phase (3) is undertaken only by the researcher. The structure of the application of the multidimensional framework is explained below and can be found in Table 4.1.

Table 4.1 - Structure of the multidimensional framework

Phase	Session	Description	People involved
Structuring	1st	Development of the collective cognitive map	
Structuring	2nd	Development of the tree criteria, descriptors and performance impact levels	Decision-makers and researcher
Evaluation	3rd	Application of the MACBETH technique - value judgments and local preferences, the trade-offs among criteria, and weights of the evaluation criteria identified are calculated.	
Recommendations		Analysis of the main results, exploration of methodological approach, and main advantages and limitations of the integrated use of cognitive maps and MACBETH	Researcher

Following the methodological guidelines, the multidimensional framework was conducted in three intensive group sessions of about 4 hours each (total of 12 hours) (Ferreira *et al.*, 2015;

Filipe *et al.*, 2015). In each session, a part of the methodological process was undertaken. The first two sessions (session 1 and 2) were concerned with the structuring phase. Session 1 aimed at building the cognitive map, where the decision makers identify relevant criteria for the decision problem. Cognitive maps precede the application of MCDA.

The following session (session 2) was devoted to the development of the tree criteria, and its descriptors and performance impact levels. The last session, which consisted in the evaluation phase aimed at developing the value judgments and local preferences, the trade-offs among criteria, as well as, the weights of the evaluation criteria identified. The last two sessions were facilitated with the application of the MACBETH approach. The recommendations phase consists of the analysis of the results and explores the methodological approach and the main advantages and limitations of the integrated use of cognitive maps and MACBETH.

We then explain the MCDA, and the integrated approach of cognitive mapping and Measuring Attractiveness by a Category-Based Evaluation Technique (MACBETH).

4.3.1. Multiple Criteria Decision Analysis (MCDA)

Multiple criteria decision analysis (MCDA) is described as “a collection of formal approaches which seek to take explicit account of multiple criteria in helping individuals or groups explore decisions that matter” (Belton and Stewart, 2002: 2). It is applied when there is a desire for a formal procedure to assist with decision making (Montbelier and Belton, 2006). MCDA is an established and well-supported approach in decision science (Ferreira *et al.*, 2015).

For the purpose of the study, MCDA is an approach that allows the decision-makers – micro-entrepreneurs in our study – to discuss and structure the conception of an evaluation framework meant to evaluate the success of their enterprises. MCDA provides a means for problem structuring, where decision-makers discuss and learn about the situation and take explicit account of multiple and conflicting criteria, regarding the factors affecting the success of micro-enterprises in a marginalized category. Such an approach is valuable when researching fuzzy problems, because MCDA leads to better considered justifiable and explainable decisions (Belton and Stewart, 2002).

We apply a multidimensional framework that integrates cognitive mapping and the measuring attractiveness by a categorical-based evaluation technique (MACBETH). Although the combination of cognitive mapping with MACBETH is not new, its application to entrepreneurship is scarce (Ferreira *et al.*, 2010, 2015). The advantages of using MCDA applied to entrepreneurship is because based on the characteristic of our study (the development of an evaluation framework of key success indicators from the entrepreneurs point of view), this approach helps the group of decision makers (i.e. the entrepreneurs) discuss in an open environment the factors that in their vision best assess entrepreneurial success.

4.3.1.1. Cognitive mapping

A cognitive map is “*the representation of thinking about a problem that follows from the process of mapping*” (Eden, 2003: 1). It is a tool which helps decision makers to understand and structure the representation of complex problems (Eden and Ackermann, 2001; Eden, 2003; Filipe *et al.*, 2015). Cognitive maps are often used to support the problem structuring and precede the application of MCDA (Ferreira *et al.*, 2010, 2015; Filipe *et al.*, 2015).

Some of the characteristics of cognitive maps are simplicity, interactiveness and versatility. The nature of the cognitive maps facilitate and promote discussion among the decision-makers, which in turn reduces omitted criteria and increases transparency and understanding of the decision problem (Ferreira *et al.*, 2010, 2015).

Cognitive maps are a graphic representation of nodes and links. At the top of the hierarchy we can find the goal of the decision problem. Then, the maps follow a network of nodes and arrows as links, where the direction and type of causality of the arrow implies a cause-and-effect relationship (existence of negative and positive cause-and-effect relationships) (Eden and Ackermann, 2004; Tegarden and Sheetz, 2003).

4.3.1.2. *Measuring Attractiveness by a Category-Based Evaluation Technique (MACBETH)*

MACBETH is a decision-aid approach to multicriteria value measurement (Bana e Costa *et al.*, 2012). The goal of MACBETH is the “*measurement of the attractiveness or value of options through a non-numerical pairwise comparison questioning mode, which is based on seven qualitative categories of difference in attractiveness*” (Bana e Costa *et al.*, 2012: 1). Further, a software called M-MACBETH was developed by the authors.

MACBETH is founded on difference measurement and based on pairwise comparisons (Belton and Stewart, 2002). According to the developers of the method, MACBETH follows a constructivist approach and socio-technical process. The first is related with co-constructing through interaction with the decision maker. This means that the decision-makers together consider the actions, and its consequences, until a consensus is reached (Figueira *et al.*, 2010). Thus the decision-makers decide the best options in a constructive process. The latter combines the technical elements of the method with the social aspects of the interaction between the decision-makers. In addition, MACBETH is based on a qualitative question-answer procedure. During the application of MACBETH method, the decision-makers are asked to make qualitative judgments of difference in attractiveness between the set of alternatives to one of the semantic categories (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2015). Based on these qualitative judgments, the output is an evaluation model that numerically measures the relative attractiveness of the alternatives (also known as options) (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2010, 2015). Because of the high level of interaction between the decision-makers, the identification of a panel of relevant and experienced decision makers is a crucial procedure in this type of method. One reason is that the continuous discussion among participants of the issues involved in the decision facilitates improvements and adjustments of the model, and takes into account the know-how and professional experience of the decision-makers. Therefore, MACBETH seems an appropriate method to apply into our decision problem – micro-enterprise success in a marginalized category -given its subjective nature (Ferreira *et al.*, 2010, 2015).

The study was conducted by two facilitators responsible for guiding the negotiation process and recording the results. Recording the results of the working group, through video or photographs, is a common procedure, because it enables a review of the content of the

sessions (a selection of photographs can be found Appendices B - B4) (Eden, 1995; Ferreira *et al.*, 2010). We then explain the participants, and each of the sessions in detail.

4.3.1.3. *Participants (panel of decision-makers)*

The complex nature of the problem requires a panel of relevant and experienced decision makers, since the decision makers are the ones responsible for the conception and development of the evaluation framework (Belton and Stewart, 2002). Thus, the selection of the decision makers is a fundamental part of the process, and the following guidelines were followed: a) the participants must be founders or managers of CAM enterprises; b) CAM enterprises must be legally registered and; c) they must conduct their business in the Lisbon area (because the decision-makers had to be physically present in three sessions that were conducted at the University facilities in Lisbon). The role of the researchers is only to facilitate the process and should be as neutral as possible (Ackermann and Eden, 2001).

Due to inexistence of an official database with CAM’s providers in Portugal, we used the AMADEUS database, which besides regular enterprises in conventional medicine, contains registered CAM companies under the economic activity code 86906 – other human health activities. After applying the guidelines above we had a sample comprised by 48 enterprises. We then confirmed if the enterprises were still operating and if their contacts were available. After this step, our sample was composed by 30 CAM enterprises. The final selection of the decision makers faced one major limitation, which is the limited time availability to participate, since they usually have a double role - managers and practitioners. After several contacts, the final group was composed by seven decision-makers (three women and four men). The profile of the respondents can be found in Table 4.2 (the respondent from organization Alpha 4 did not provide the information requested).

Table 4.2 – Profile of the respondents

	Educational background (non-related with CAM)	Educational background (related with CAM)	Years of professional experience (in CAM therapies)	Age	Role
Alpha 1	Physiotherapy	Osteopathy	12	36-40	Founder/Manager/ Therapist

Alpha 2	Sociology	Reiki; Coaching	11	>55	Founder/Manager/Therapist
Alpha 3	Public Relation and Advertising	Ayurvedic Medicine; Yoga	11	36-40	Founder/Manager/Therapist
Alpha 4					
Alpha 5	Nuclear Medicine	Chinese Medicine	10	36-40	Founder/Manager/Therapist

According to Ackermann and Eden (2001) and Bana e Costa *et al.* (2005), the number of panel members should be somewhere between 5 and 12. However, two of the decision-makers were unable to participate on the last two sessions, due to professional constraints. Because of the methodological guidelines these participants cannot be replaced (Belton and Stewart, 2002). Nevertheless, their inputs were taken into account on the collective cognitive map during the structuring phase (first phase). We promised the participants anonymity, thus we named the enterprises Alpha ($i=1\dots 5$), in order to facilitate the process of analysis. The profile of the enterprises can be found in Table 4.3 (the respondent from organization Alpha 4 did not provide the information requested).

Table 4.3 – Profile of the enterprises

	Founding year	Legal form	Type of organization	Number of employees (full-time)	Number of clients in 2014 (average)	Number of sales in 2014 (average) (in thousands)
Alpha 1	1995	Limited Company	Clinic	3	100-250	≥ 100 €
Alpha 2	2004	Sole Proprietors	Center	1	50-100	10-35 €

		Public				
Alpha		Limited				
3	2008	Company	Center	3	750-1000	75 - 100 €
Alpha						
4						
Alpha		Limited				
5	2014	Company	Center	1	50-100	10-35 €

4.3.2. First phase: Structuring

The structuring phase involves the conception of the cognitive map as well as the development of the tree of criteria, descriptors and performance impact levels (Ferreira *et al.*, 2015; Filipe *et al.*, 2015). For the purpose, two workshops sessions of about 4 hours each were conducted.

4.3.2.1. 1st session: Problem definition

This phase consists in identifying the criteria and building the collective cognitive map (Ferreira *et al.*, 2015). Prior to start building the cognitive map, an introductory statement was made by the facilitators - researchers (Eden and Ackermann, 2001). The main purpose was to introduce the research objectives, and explain how the sessions would run and how the process takes place (Ferreira *et al.*, 2015). After this introduction, the participants started building the cognitive map.

4.3.2.1.1. Building the cognitive map

The main goal of cognitive mapping is to “*elicit the beliefs, values and expertise of decision makers relevant to the issue in hand*” (Eden and Ackermann, 2004: 616). For the purpose, cognitive mapping usually begins by asking participants a question to elicit their perceptions, which is commonly known as the “trigger question” (or problem definition). The trigger question of our study is “Based on your own values and professional experience, what should be the goals and characteristics of a CAM enterprise to be successful?”.

According to Belton and Stewart (2002), this first step is very important, because it identifies the issue under consideration. Therefore, the facilitators must ensure that all participants share a common understanding of the decision-problem.

Our methodological approach followed the Strategic Options Development and Analysis approach (SODA II) approach (Eden and Ackermann, 2001). SODA is “*designed to offer support to a group of decision makers by providing them with an efficient and structured way of identifying and evaluating options*” (Eden and Ackermann, 2004: 626). SODA II is a variant of the SODA I approach. SODA I focus on the individual work sessions, such as, interviews, while in SODAI the decision-makers are jointly involved in the workshop (Eden and Ackermann, 2004; Eden, 1995; Ferreira *et al.*, 2015; Belton and Stewart, 2010).

After asking the participants the “trigger question”, the sessions proceeded with the application of the “post-its technique” from the decision-makers point of view (Ferreira *et al.*, 2015, Ackermann and Eden, 2001). Each of the decision-makers received a package of post-its so that they could write their own ideas rather than have other people write them. The facilitators instructed the participants to write only one main idea per post-it. Thus, based on the trigger question, the participants were encouraged to do a brainstorming on the subject and then write on post-its relevant criteria to the problem under consideration and sticking them on a board (Ferreira *et al.*, 2015; Belton and Stewart, 2002). The use of post-its facilitates the process of criteria generation, and occurs with an active discussion between the decision-makers, until a saturation point is reached and the decision-makers are satisfied with the criteria obtained (Ferreira *et al.*, 2015). Hence, during this process, the role of the facilitator is to moderate the brainstorming, with the aim of getting everyone engaged at once and focused on topic.

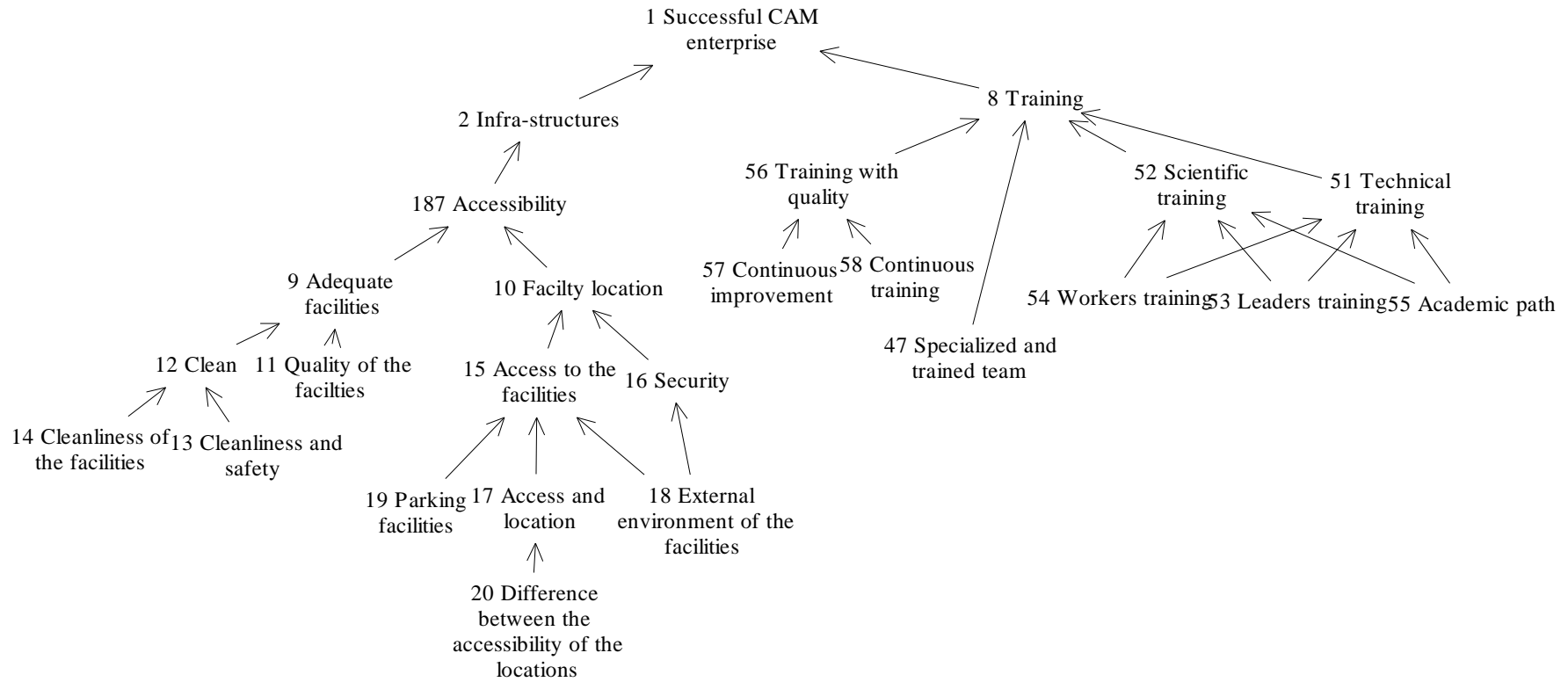
The next step is to identify key areas of concern and build clusters from the post-its (Belton and Stewart, 2001). All the process of creating the clusters is done by the decision-makers. The goal of the clusters is to structure the criteria identified in the previous step (post-its) into similar concepts. Then, the clusters should be given a name, which should capture the unifying concept of the cluster (Tegarden and Sheetz, 2003; Belton and Stewart, 2002). For the purpose, post-its should be moved to a position close to others to which they relate (i.e. areas of concern - clusters) (Belton and Stewart, 2001). During this step, decision-makers are

encouraged to debate and clarify ideas and continue contributing, until consent is reached (Ferreira *et al.*, 2015).

The last step is the to analyze the internal content of each cluster (Ferreira *et al.*, 2015; Tegarden and Sheetz, 2003). According to Ferreira *et al.* (2015), this stage rests on a means-end-based logic. The relevance and impact of each criterion is taken into account and the criteria are then positioned as a hierarchy, where the most general concepts are at the top of the cluster, and the more specific at the bottom (Ferreira *et al.*, 2015; Belton and Stewart, 2002). To finalize the map, all the decision-makers were asked to agree on its form and content. Only after consensus was reached, we could conclude the first-stage of the structuring phase. Previous research states that a good cognitive map, which properly represents the point of view of the decision-makers regarding a problem situation, would require a map of over 100 nodes (Eden and Ackermann, 2004; Eden, 2003). A part of the final version of the cognitive map, also designated as “congregated” or “strategic” map, contains 187 nodes and can be found in Figure 4.1. (The full cognitive map is Appendices B - B1). The final map contains 7 clusters - Infrastructures, Management, Marketing, Professional Development, Training, External Factors and Organizational Aspects.

We used the Decision Explorer software (www.banxia.com) to support the construction of the map. Decision Explorer is well-known and advanced computer software for cognitive mapping (Eden, 2003; Belton and Stewart, 2002). It has been developed for the purposes of problem structuring, and the use of the software is very flexible and dynamic, since it allows visual interactive modelling where concepts are entered, edited, and moved around a computer screen (Eden and Ackermann, 2004; Eden, 2003; Tegarden and Sheetz, 2003; Belton and Stewart, 2002). Finally, it is important to highlight that the conception of a cognitive map is context-dependent (Ferreira *et al.*, 2010, 2015). In other words, the final cognitive map is dependent upon several conditions, such as, the facilitators’ skills, decision-makers, duration of the group meetings, etc. However, although the cognitive map should be understood as consolidated information on the problem, based on the ideas and perceptions of the group of decision-makers, Ferreira *et al.* (2015: 5) argue that “*the context-dependence is compensated by the iterative nature of the process, the amount of information discussed and the direct involvement of the decision makers*”. Indeed, it is the constructivist approach that provides richness to a map for further development and problem solving (Ackermann and Eden, 2001).

Figure 4.1 – Part of the final congregated cognitive map



4.3.2.2. 2nd session: *Criteria, descriptors and impact levels*

The session started with a review of the cognitive map. The decision-makers were again asked to agree on the content and form of the cognitive map (they suggested one minor change, which is on the presented final map). After, they all agreed that the map contained the most relevant aspects of the goals and characteristics of a successful CAM enterprise, we were able to proceed to the next stage, which is the creation of a tree of Fundamental Points of View (FPV) (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2010, 2015). The tree of FPVs was built with the aim of developing the descriptors and respective impact levels. Descriptors are a set of ordered performance levels, which resulted from the interaction between the decision-makers (e.g. interval scale, such as [16-24]) (Ferreira *et al.*, 2010). The impact levels aim to operationalize the descriptor. Impact levels are the limits and reference levels of the descriptor (e.g. L_i with $i: 1, \dots, 7$) (Ferreira *et al.*, 2010).

The creation of the tree of FPVs is a very dynamic process and requires interaction between the decision-makers throughout the process (Ferreira *et al.*, 2015; Belton and Stewart, 2002). We followed Keeney's (1994) methodological guidelines to support the process to pass from the cognitive map to the tree of FPV's. In addition, the construction of the tree was assisted by the M-MACBETH software (www.m-macbeth.com). The value tree is built from the key evaluation criteria or fundamental points of view (FPVs) from the cognitive branches map, and is a choice made by the decision-makers after discussion (Ferreira *et al.*, 2015; Montbelier and Belton, 2006). To ensure the properties of the value tree - mutual preferential independence among criteria - we verified all the criteria that was repeated until we reached a non redundant set of criteria (Bana e Costa and Oliveira, 2012; Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2010, 2015).

The final version of the tree was validated by the decision-makers (not hierarchically ordered), appears in Figure 4.2.

Figure 4.2 – Tree of FPV’s for a successful CAM enterprise



As it can be observed, the tree is composed by seven FPV’s (the FPVs are marked in blue). We then describe each of the FPVs (Table 4.4):

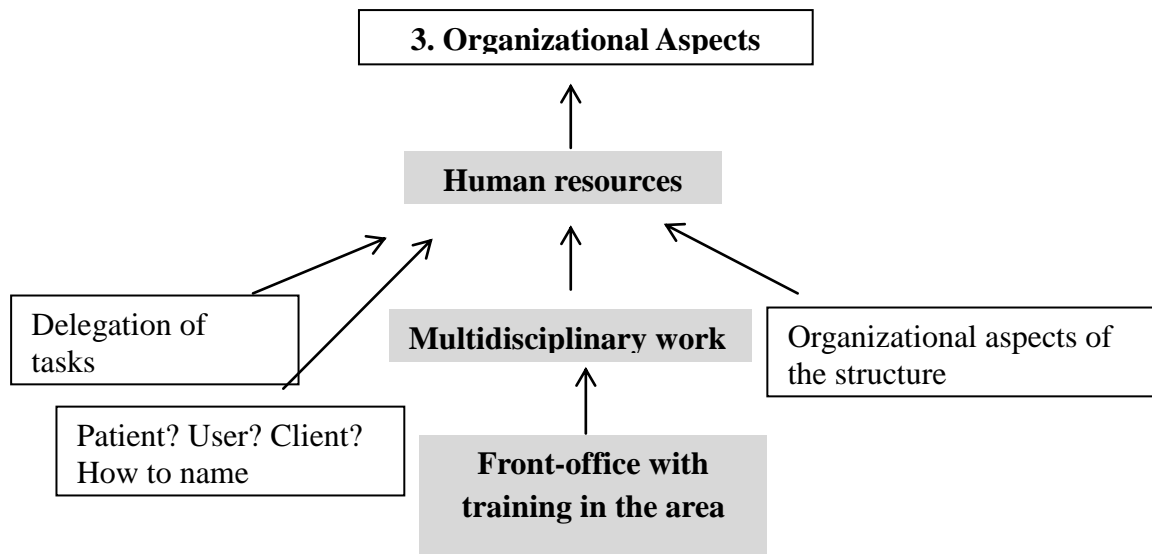
Table 4. 4 - Description of Fundamental Points of View (FPV)

Indicator	Description	Criteria extracted from the cognitive map
FPV 1 Training	addresses issues related to academic, scientific and technical qualifications of the human capital	technical training, scientific training
FPV 2 Professional Development	represents the adequate professional experience, professional skills and know-how required for the human capital, as well as, their continuous professional development and training	professional experience, clinical monitoring, technical competence
FPV 3 Marketing	underlines the use of strategic (market research, and positioning) and tactical (product/service, communication, distribution and price) actions to promote the organization	market research, communication tools, such as digital marketing, word of mouth and participation in events

FPV 4 Management	comprises the skills of the managers the financial conditions of the organization and the ethical and moral conduct of the leaders and their leadership capacity	marketing and management skills, leadership, ethical values
FPV 5 External Factors	external context related with social, political, economic, legal and competitive factors	economic factors, legal aspects, beliefs
FPV 6 Infra-Structures	addresses facilities and its physical surroundings	quality of the facilities, cleanliness and safety, facility access and parking facilities
FPV 7 Organizational Aspects	concerns the adequacy of the human capital to the organizational needs and structure	front-office (people) with adequate training in the area, (staff's) multidisciplinary work

Each FPV is composed by relevant criteria chosen by the decision-makers. As an example, we explain the process of the creation of FPV7. This indicator concerns the adequacy of the human capital to the organizational needs and structure. First, the decision-makers extracted the most relevant criteria from the cognitive map that in their view best represented that FPV. In the case of FPV7, the participant's extracted three criteria from the cognitive map (see Figure 4.3), which were front-office with training in the area, multidisciplinary work and human resources.

Figure 4.3 - Branch of the cognitive map - FPV7 - Organizational Aspects



Then, the participants described each of the criteria in terms of the worst possible situation and the ideal situation. To each of these extreme situations, it was assigned a rating from 1 to 8, respectively (i.e. 1 for the least favorable attribute and 8 for the most favorable one) (Fiedler, 1965). For instance, the criteria *front-office with training in the area* was defined as "front-office without any qualifications", which represents the worst situation and "front-office with communication skills and knowledge in technical areas", that represents the best situation. In Table 4.5 we show all the criteria for the FPV7.

Table 4.5 - FPV7 - Organizational Aspects

Organizational Aspects (FPV7)									
	1	2	3	4	5	6	7	8	
Front-office without any qualifications									Front-office with communication skills and knowledge in technical areas
Total lack of multidisciplinary teams									Multidisciplinary work totally integrated between the professionals
Insufficient and inadequability of the human resources									Human resources perfectly adequate to the organizational needs

This process was repeated for all the FPVs.

Once the FPV's have been created, we proceed to the next step, which consisted in identifying the descriptors and the impact levels for each FPV, by the decision-makers.

The descriptors and impact levels defined for each FPV will serve as the basis for the evaluation of the FPVs. The impact levels can be qualitative, quantitative or mixed (Ferreira *et al.*, 2015), and in our case are quantitative (e.g. L_i with i : 1, ..., 5).

The creation process of the impact levels in this study resulted from the adaptation of the Fiedler (1965, 1967)'s Least Preferred Co- worker (LPC) scale, which is common in studies of MCDA (Ferreira *et al.*, 2015; Filipe *et al.*, 2015). LPC is a scale that identifies whether an individual's leadership style is relationship-oriented or task-oriented (Fiedler, 1965). LPC is measured as follows: the individual rates his LPC along a scale (of bipolar adjectives), with ratings from 1 to 8. The total score of the person's LPC is the sum of these ratings. A high LPC score indicates that the individual is a relationship-oriented leader, while a low LPC score suggests a task-oriented leader (Fiedler, 1965, 1967). When applied to our study, it means that the greater the sum of the total scores of each FPV in the evaluation framework, greater the success of the enterprise. The decision-makers established the impact limits for each FPV's, and then created ordered sub-criteria (e.g. L_i with i : 1, ..., 7). For example, as we can see in Table 4.6, FPV7 becomes operational in three ordered impact levels ($L_i=1, 2, 3$), whereas FPV2 becomes operational in six ordered impact levels ($L_i=1, 2, \dots, 6$). The impact Level 1 (L1) represent in both of the FPV's the best performance, while in FPV7 the worst performance is represent by the impact Level 3 (L3), while in FPV2 is the impact Level 6 (L6). After this step, the decision-makers identified the descriptor, that we named scores, which allows to measure each FPV. The decision-makers decided to define the descriptor as numerical intervals for each of the impact levels previously defined (e.g. L1: [16-24]; L2: [10-15]). They made their decision, collectively, based on what they think is the most important for each FPV.

The establishment of impact levels together with the numerical intervals resulted from the interaction and discussion between the decision-makers. One should bear in mind that the decision of the sub-criteria should not be too extensive or redundant, in order to prevent cognitive fatigue. Previous research suggests that in order to prevent cognitive fatigue, it is important to set reference levels in order to facilitate further comparisons between the impact levels. These reference levels are *Good* and *Neutral* (Bana e Costa *et al.*, 2012; Ferreira *et*

al., 2010, 2015). In practice this means that the decision-makers allocated one impact level to a *Good* reference level, and other impact level to *Neutral* reference level (e.g. Level 3 was identified as a *Good* impact level, and Level 4 as *Neutral*). In Table 4.6 are the examples of the impact levels, reference levels and respective scores (description) for FPV7 and FPV2. This process of creating the descriptor and impact levels was repeated for all the FPVs and can be found in Appendices B.

Table 4.6 - Example of the impact levels, reference levels and scores (description) for FPV7 - Organizational Aspects and FPV2 - Professional Development

Organizational Aspects (FPV7)		
Impact Level	Reference Level	Total score (Description)
Level 1	Good	[16-24]
Level 2	Neutral	[10-15]
Level 3		[3-9]

Professional Development (FPV2)		
Impact Level	Reference Level	Total score (Description)
Level 1		[43-48]
Level 2		[37-42]
Level 3	Good	[30-36]
Level 4	Neutral	[30-36]
Level 5		[13-18]
Level 6		[6-12]

After finalizing the definition of the descriptor and impact levels, one can measure the total score of the FPV. As an example, we now show how the total score of FPV2 can be measured. The criteria, descriptor and impact level for FPV2 - Professional Development - can be found in Table 4.7. First, one must rate (from 1 to 8) each criteria (e.g. criteria "professional experience" is rated 7; criteria "clinical monitoring" is rated 2, etc.). Then, the total score of FPV2 is the sum of all the ratings for each criteria. In FPV2 - the impact Level 1 (L1) represents the best performance, while impact Level 6 (L6) is the worst performance.

Thus in the case of FPV2, if the total score is between [43-48] (L1), then professional development of the staff will lead to greater entrepreneurial success. In Appendices B appear the criteria, descriptors and impact levels for each of the FPV's.

Table 4.7 – Criteria, descriptor and impact level for FPV2 (Professional Development)

Professional Development (FPV2)										
Total score		1	2	3	4	5	6	7	8	Level
[43-48]	Total absence of professional experience									Between 10 and 20 years of active experience Level 1
[37-42]	Nonexistent continuing training									Continuous training perfectly suited to professional skills Level 2
[30-36]	Technical incompetence inherent in the profession									Technical mastery inherent to the profession Good
[30-36]	Utter in the clinical monitoring									Total availability in the clinical monitoring Neutral
[13-18]	Absence of monitoring results of users									Effective and regular monitoring of the results of users Level 5
[6-12]	Bad perception of users and colleagues of the interpersonal qualities of professionals									Excellent perception of users and colleagues of interpersonal qualities of professionals Level 6

According to the literature, the identification of descriptors and impact levels constitutes the final stage of the structuring phase (Ferreira *et al.*, 2015; Montbelier and Belton, 2006). After sorting the descriptors and impact levels for each FPV, we were able to obtain the value function for each FPV, which "reflects the decision-makers preferences for different levels of achievement on the measurable scale" (Belton and Stewart, 2002: 123).

4.3.3. Second phase: Evaluation

The last session consisted in the application of MACBETH. The evaluation phase aims to obtain the: a) value judgments and local preferences and; b) trade-offs among criteria; and c) overall scores for the alternatives of choice.

4.3.3.1. 3rd session: *Value judgments and local preferences*

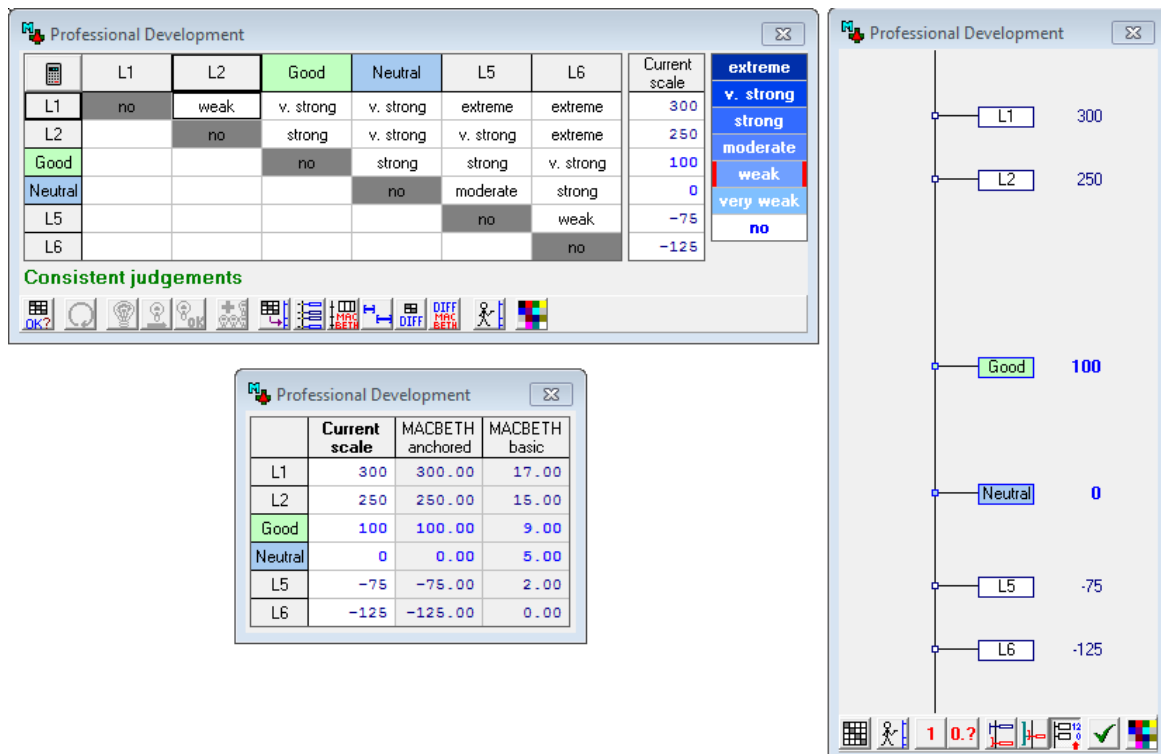
The session started with the creation of local preference scales. This step consists of filling matrices of value judgment for each of the descriptors (Ferreira *et al.*, 2015; Filipe *et al.*, 2015). For the purpose, we used the qualitative judgments about the difference of attractiveness based on the MACBETH technique (Bana e Costa *et al.*, 2012). The semantic categories are: C₀ – null, C₁ – very weak, C₂ – weak, C₃ – moderate, C₄ – strong, C₅ – very strong, C₆ – extreme (see Table 4.8) (Bana e Costa *et al.*, 2012).

Table 4.8- Semantic categories of the difference of attractiveness

Categories	Difference of attractiveness
C0	Difference of attractiveness null
C1	Difference of attractiveness very weak
C2	Difference of attractiveness weak
C3	Difference of attractiveness moderate
C4	Difference of attractiveness strong
C5	Difference of attractiveness very strong
C6	Difference of attractiveness extreme

The value judgment is facilitated by non-numerical pairwise comparisons of difference of attractiveness between the impact levels (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2015). This means that the decision-makers are asked to make comparisons between the impact levels of each FPV and then attribute a semantic category to this comparison. For example, Figure 4.4 shows the value judgments for FPV2. As one can see in this figure, the decision-makers attributed a semantic category of *weak* (C2) to the difference of attractiveness between L2 and L1. By applying semantic categories we were able to obtain the partial value functions (or cardinal value function) for each of the FPVs (Bana e Costa *et al.*, 2005). The construction of a cardinal value function for each of the descriptors "allows the measurement of the partial attractiveness of the branches in accordance with each FPV" (Ferreira *et al.*, 2010: 1236) (the technical details appear in Appendices B - B5).

Figure 4.4 – Value judgments and value scale proposed for FPV2 - Professional Development



The value judgments expressed by the decision-makers for each descriptor were then entered in the M-MACBETH software, and incompatibility between semantic judgments was automatically verified by the software. In addition, where inconsistencies between semantic judgments were observed, the software suggested alternatives, which were analyzed and validated (Bana e Costa *et al.*, 2012; Filipe *et al.*, 2015). Afterwards, with the help of the M-MACBETH software we were able to extract the value scales for each criterion (technical details can be found in Appendices B - B5). As an example, Figure 4.4 illustrates the value scale obtained for FPV2, which was presented to the decision makers for discussion and subsequent validation (the value judgments and value scales for all FPVs can be found in Appendices B). FPV2 was operated through a descriptor with six impact levels, wherein, after application of MACBETH technique was attributed a partial score L1 of 300 points (highest level), whereas the lowest level L6 was assigned a negative score of 125 points (for technical details see Appendices B - B5). It should be noted that the allocation of 100 points to the level *Good* and 0 to a *Neutral* level (the starting point of the scale) is a standard procedure carried out in all the descriptors, which facilitated cognitive comparisons made by

the decision-makers (Filipe *et al.*, 2015). This means that performance levels above *Good* are associated with a score over 100, while negative scores are below the *Neutral* level.

4.3.3.2. 3rd session: Trade-off procedure

The next step consisted in obtaining the trade-offs (i.e. weights for the criteria) between the FPVs. However, first, it was necessary to rank by decreasing order of preference the seven criteria, in order to determine the overall attractiveness (Ferreira *et al.*, 2010; Filipe *et al.*, 2015). The decision-makers were asked to fill in a matrix of pairwise comparisons. Whenever a FPV was considered more attractive than another, it was assigned with a value of “1”, and it was assigned a value of “0” otherwise (Ferreira *et al.*, 2010, 2015). The matrix of overall attractiveness is in Table 4.9. Based in this table, we can conclude that the most important FPV for the decision makers is FPV2 - Professional Development, while the least significant is FPV5 - External Factors.

Table 4.9 – Ranking of FPVs by overall attractiveness

		FPV	FPV	FPV	FPV	FPV	FPV	FPV	Total	Ranking
		1	2	3	4	5	6	7		
Training	FPV1		0	1	1	1	1	1	5	2
Professional Development	FPV2	1		1	1	1	1	1	6	1
Marketing	FPV3	0	0		0	1	1	1	3	4
Management	FPV4	0	0	1		1	1	1	4	3
External Factors	FPV5	0	0	0	0		0	0	0	7
Infrastructures	FPV6	0	0	0	0	1		0	1	6
Organizational Aspects	FPV7	0	0	0	0	1	1		2	5

The following procedure consisted in filling in a matrix of differences of attractiveness between FPV’s, based on the semantic categories previously defined. This process was interactive between the decision-makers, such as the earlier procedure of filling the value judgments for local preferences. This allowed trade-offs to be calculated, discussed and approved by the decision-makers. For the purpose, it is applied the additive value model (formulation 4.1).

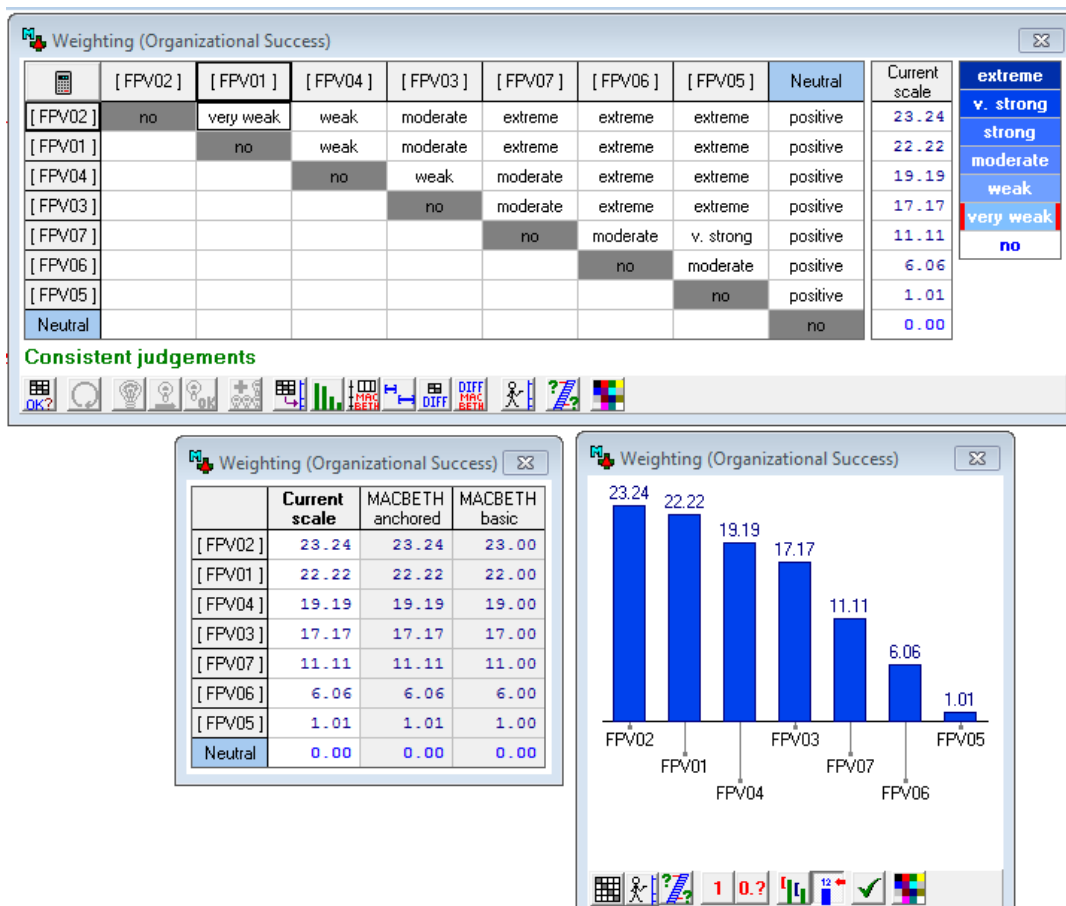
$$V(\alpha) = \sum_{i=1}^n x_i v_i(\alpha) \text{ with } \sum_{i=1}^n x_i = 1 \text{ and } x_i > 0 \text{ and } \begin{cases} v_i(\text{good}_i) = 100 \\ v_i(\text{neutral}_i) = 0 \end{cases} \quad (4.1)$$

This additive value model aggregates the partial scores, where $V(\alpha)$ is the overall value of alternative α , thus represents a holistic measure of enterprise success; x_i holds for the weight of criterion i and v_i represents the performance level of α in criterion i . $V_i(\text{good}_i)$ and $v_i(\text{neutral}_i)$ stand for partial scores of two specific impact levels (i.e. good and neutral), included in the system to facilitate cognitive comparisons.

In short, the overall value of the alternative is accomplished by multiplying the value score on each criterion by the weight of that criterion, and next add all those weighted scores together (Bana e Costa *et al.*, 2012).

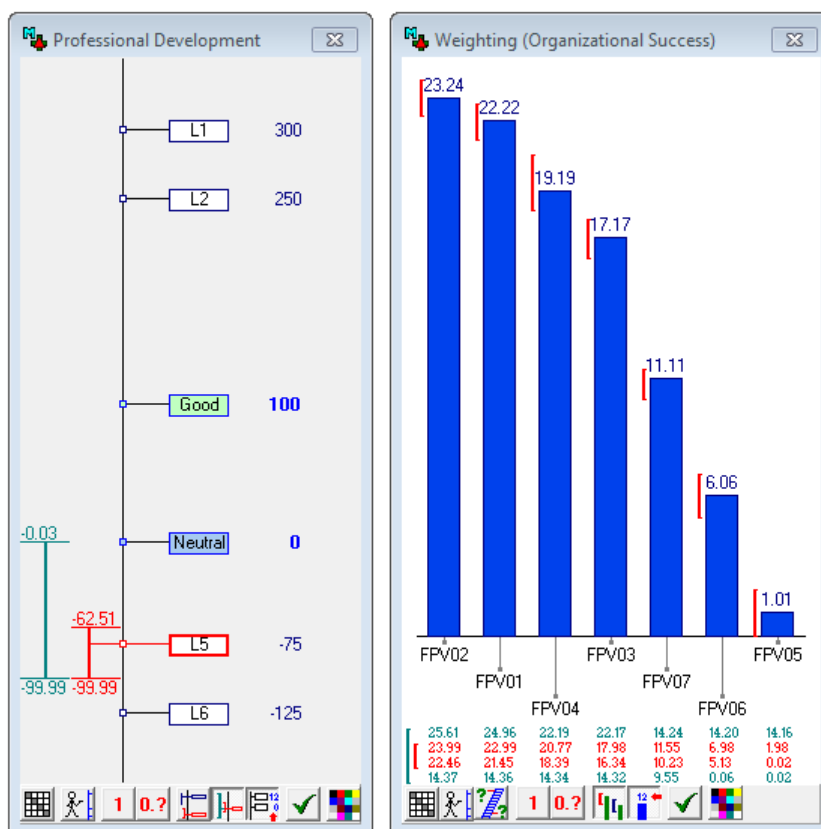
Based on this formulation the criteria weights for each FPV were calculated, as show in Figure 4.5.

Figure 4.5 – Criteria weights



The results indicate that FPV2 - Professional Development has the highest weight, with 23.24%, and as such we can conclude that FPV2 is the most important for the overall measuring system. The lowest weight of 1.01% is represented by FPV5 - External Factors. Because the information collected is based on value judgments made by the decision-makers, we should be careful in the projection of those judgments, and the results should be interpreted with precaution. Due to the subjectivity inherent in the process (because we are dealing with semantic judgments), it should be noted that the defined weights are endowed with sufficient flexibility (confidence intervals) so that in case of variation within certain parameters, the weights do not miss the consistency of judgments made by the decision-makers. For instance, as an example we demonstrate in Figure 4.6 the confidence intervals regarding the criteria weights and FPV2. The confidence interval of the impact Level 5 (L5) of the FPV2, to which was attributed a partial score of -75 points, can vary is between - 99.99 and - 62.5 points. Concerning the criteria weights, e.g. FPV5 represents 1.01% of the overall score and the confidence interval shows that FPV5 can vary between 1.98% and 0.02%.

Figure 4.6 - Example of confidence intervals for the criteria weights and for the FPV2 - Professional Development



With the trade-offs, we proceed with testing the evaluation framework of enterprise success. For the purpose, we used the information provided by the five decision-makers, regarding the evaluation of their own enterprise, which consisted in filling the numerical scale defined previously for each descriptor (Ferreira *et al.*, 2015). This was the last stage of the session. From this moment on, we could validate the evaluation framework and perform the necessary tests (i.e. sensitivity and robustness analysis), which will enhance our discussion and provide a deeper understanding of the decision problem (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2010, 2015). This analysis is now of the responsibility of the researcher.

4.3.3.3. Measuring success

With the information given by the decision-makers, we were able to estimate the partial performance and overall score for each Alpha with the help of M-MACBETH software. Table 4.10 presents the partial performance of the alphas.

Table 4.10 – Levels of partial performance revealed by the alphas

Options	FPV01	FPV02	FPV03	FPV04	FPV05	FPV06	FPV07
Alpha 01	Good	L2	Good	Neutral	Good	Good	Good
Alpha 02	L1	L1	L2	Neutral	L4	L1	Good
Alpha 03	Good	Neutral	Neutral	L4	Neutral	Good	Good
Alpha 04	Good	L2	Good	Good	Neutral	L1	Good
Alpha 05	L1	L1	Good	Neutral	L4	Good	Good

By observing this table, one can conclude that e.g. Alpha 1 performs at a Good level for all FPVs, with the exception of FPV2 and FPV4. Moreover, all the Alphas perform at a Good level in FPV7. In turn, FPV3 performs at a Good level in FPV1, FPV6 and FPV7, at a Neutral level in FPV2, FPV3 and FPV5, and at L4 in FPV4.

In addition, Table 4.11 shows the partial values and overall scores of the enterprise success revealed by the Alphas, where *Good* and *Neutral* are two fictitious enterprises defined by the decision-makers as anchors to facilitate cognitive comparisons. *Good* represents an enterprise that performs at a good level for all FPVs and *Neutral* for an enterprise which performs at a neutral level for all FPVs. For instance, we can observe that Alpha 3 is the worst performer on FPV4, and that Alpha 2 is the best performer on FPV3. Also, Alpha 2 performs well on

FPV1, FPV2, FPV3, FPV6 and FPV7. However, on FPV4 and FPV5 obtains a low score. The results obtained recalls the constructivist approach, since it allows the decision-maker understand the evaluation framework, and it also provides a direction (because it shows in which FPVs the Alpha is not performing well) for improving the overall score (Ferreira *et al.*, 2015). The same analysis and suggestions for improvements can be made for all the Alphas.

Table 4.11 – Partial values and overall entrepreneurial success revealed by the Alphas

Options	Overall	FPV01	FPV02	FPV03	FPV04	FPV05	FPV06	FPV07
Alpha 02	155.57	166.67	300.00	166.67	0.00	-150.00	175.00	100.00
Alpha 05	139.58	166.67	300.00	100.00	0.00	-150.00	100.00	100.00
Alpha 04	138.40	100.00	250.00	100.00	100.00	0.00	175.00	100.00
Alpha 01	115.67	100.00	250.00	100.00	0.00	100.00	100.00	100.00
Good	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Alpha 03	1.01	100.00	0.00	0.00	-200.00	0.00	100.00	100.00
Neutral	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weights :		0.2222	0.2324	0.1717	0.1919	0.0101	0.0606	0.1111

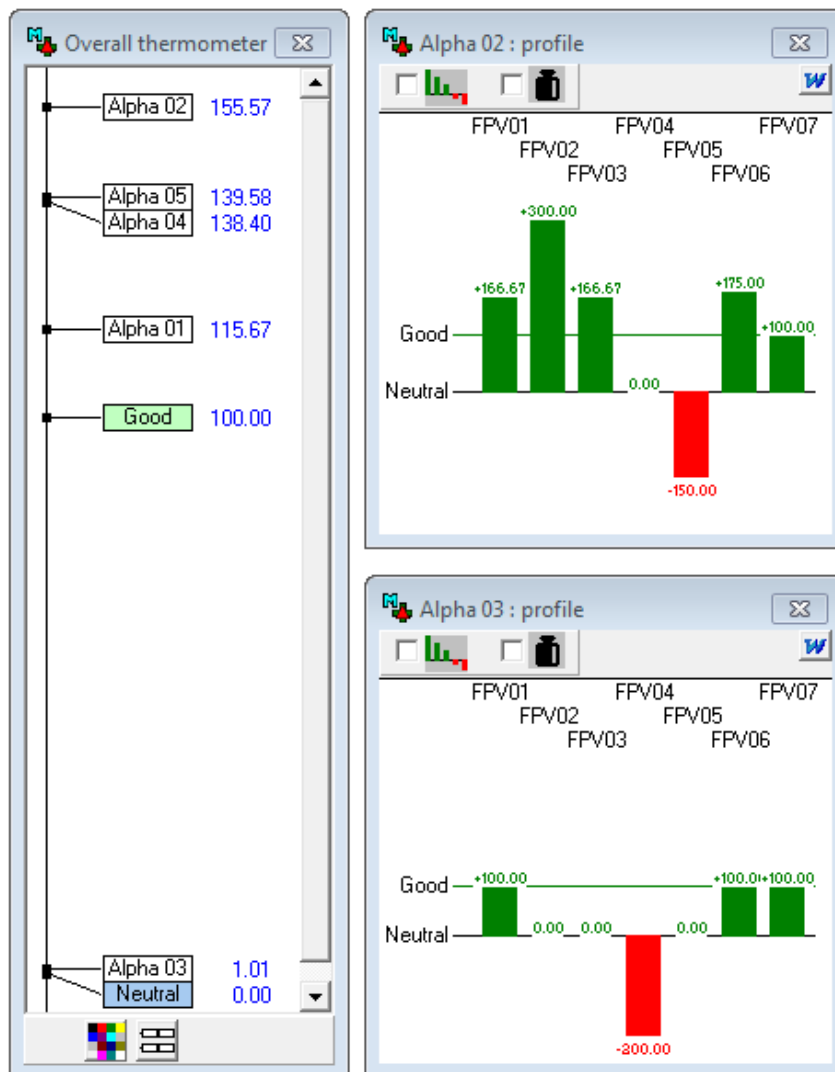
Moreover, Table 4.12 represents the rankings revealed by the Alphas for each descriptor. For example, regarding FPV2 all the Alphas score above the reference level of *Good*, but Alpha 3. Also, in FPV1 none of the Alphas are below the reference level of *Neutral*.

Table 4.12 – Tables of rankings revealed by the Alphas for each descriptor

	FPV01	FPV02	FPV03	FPV04	FPV05	FPV06	FPV07
Alpha 02	Alpha 02	Alpha 02	Alpha 02	Good	Good	Alpha 02	Good
Alpha 05	Alpha 05	Alpha 05	Good	Alpha 04	Alpha 01	Alpha 04	Alpha 01
Good	Alpha 01	Alpha 01	Alpha 01	Neutral	Neutral	Good	Alpha 02
Alpha 01	Alpha 04	Alpha 04	Alpha 04	Alpha 01	Alpha 03	Alpha 01	Alpha 03
Alpha 03	Good	Alpha 05	Alpha 05	Alpha 02	Alpha 04	Alpha 03	Alpha 04
Alpha 04	Neutral	Neutral	Neutral	Alpha 05	Alpha 02	Alpha 05	Alpha 05
Neutral	Alpha 03	Alpha 03	Alpha 03	Alpha 03	Alpha 05	Neutral	Neutral

The final ranking for all the Alphas is in Figure 4.7.

Figure 4.7 – Final ranking of entrepreneurial success profiles for the best and worst Alphas

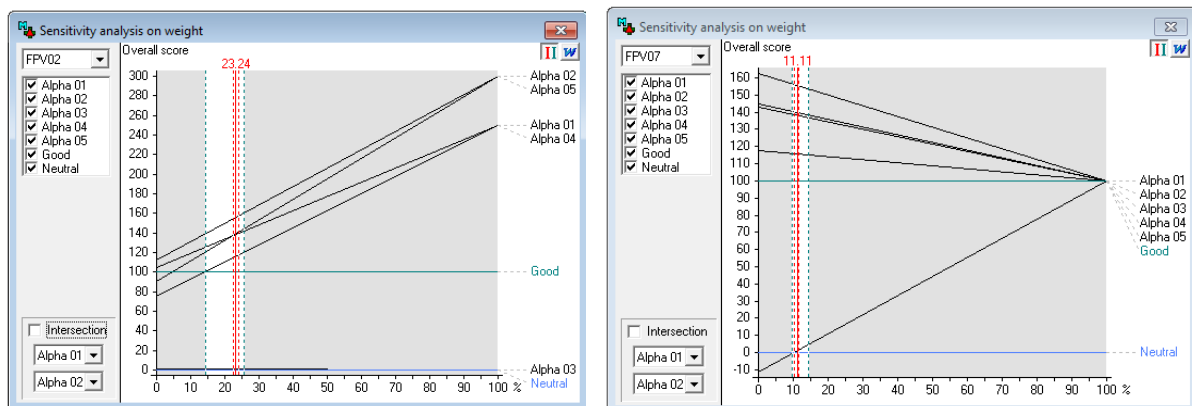


As one can observe, Alpha 2 presents the highest overall score (155.57). Despite the low score on FPV5, because the relative performance of this criteria is low (1.01%), Alpha 2 still obtained the best performance. On the contrary, the overall performance of Alpha 3 is the worst result (1.01). In addition, Alphas 4 and 5 indicate a very similar overall performance (i.e. 139.58 and 138.40, respectively). Even though, their overall performance is close; they don't perform well on the same FPVs. As already stated, the analysis emphasizes which FPV's need to be improved, in order to increase the overall entrepreneurial success.

4.3.3.4. Analyzing the results of the success system

After analyzing the outputs, exploring the analysis of the sensitivity and robustness of the model provides deeper understanding of the decision problem (Bana e Costa *et al.*, 2012). Both analysis intend to investigate the model's results in light of some type of data uncertainty (Bana e Costa *et al.*, 2012; Belton and Stewart, 2002). Sensitivity analysis aim to explore the effect on the output of a model, after changes on the weight of a criterion, that is, “where a small change in criterion weigh or an alternative's score can affect the overall preference order” (Belton and 2002: 148). In Figure 4.8 one can find the sensitive analysis of FPV2 (the most important FPV of the evaluation framework) and FPV7.

Figure 4.8 – Sensitive analysis of FPV2 and FPV7

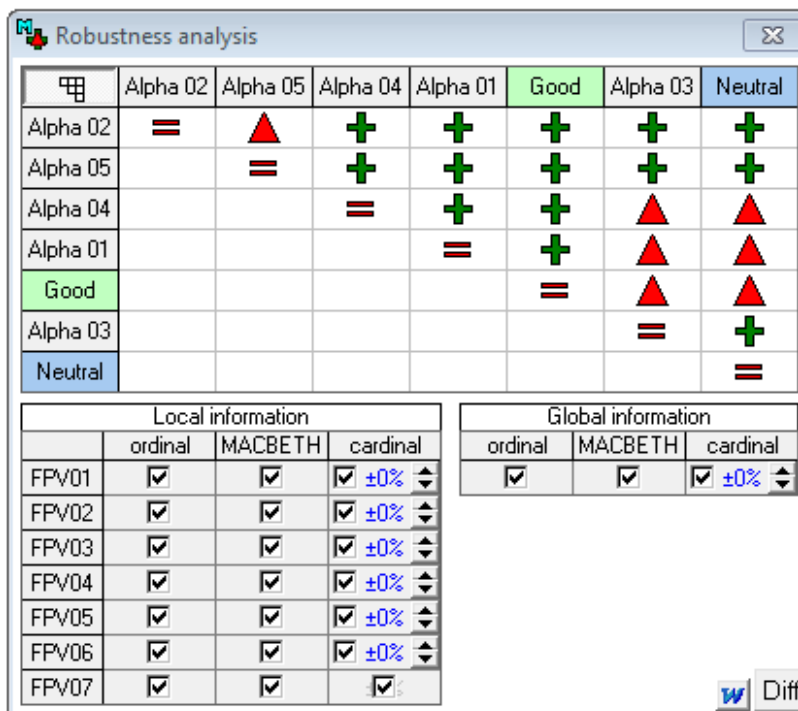


The sensitive analysis of FPV2 (the weight attributed is 23.24) reveals that the weight of FPV2 can vary significantly (approximately to the boundary level of 14 and 25) without violating the decision-makers value preferences, and also the position on the ranking of each Alpha. Regarding FPV7 (the weight attributed is 11.11), we can conclude that the variation window is lower (when compared to FPV1). In order to keep the groups' preferences and the position of each Alpha, FPV7 can only vary between the boundary level of 10 and 14 (approximately). The same analysis was done for all the FPV's and can be found in Appendices B.

Robustness analysis, in turn, works with effects in the model outputs caused by simultaneous changes in different criteria (Ferreira *et al.*, 2015). The robustness analysis of the model is in Figure 4.9. The “triangles” represent “classic dominance”, that is an “option dominates another if it is at least as attractive as the other in all criteria and it is more attractive than the other in at least one criterion” (Bana e Costa *et al.*, 2005: 52). The “cross” symbolize

“additive dominance”, meaning that “an option additively dominates another if it is always found to be more attractive than the other through the use of an additive model under a set of information constraints” (Bana e Costa *et al.*, 2005: 52). By interpreting the results, we can conclude that Alpha 2 dominates Alpha 5 in terms of partial and overall scores. However, Alpha 2 shows a better overall score when compared to Alpha 4, 1 and 3, but doesn't have the best local performance in all criteria.

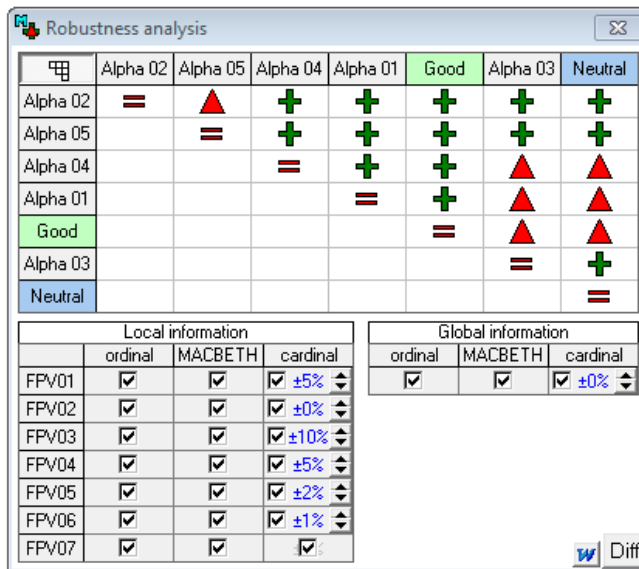
Figure 4.9 – Robustness analysis ³



To test the robustness of the model, we introduced variations on the different weights, e.g. ±5% on FPV1, ±10% on FPV3, ±5% on FPV4. Figure 4.10 shows that despite the introduction of the variations in three FPV's, the dominance relationship between the Alphas did not change. According to Ferreira *et al.* (2015) this result reveals a high degree of consistency in the results.

³ M-MACBETH organizes the information entered into the model into three types (“ordinal”, “MACBETH” and “cardinal”) and two sections (“Local information” and “Global information”). Ordinal information refers only to rank, thereby excluding any information pertaining to differences of attractiveness (strength of preference). Cardinal information denotes the specific scale validated by the decision maker. Local information is all information specific to a particular criterion, whereas global information pertains to the model's weights (Bana e Costa *et al.*, 2005: 52-53).

Figure 4.10 - Robustness analysis with variations on FPV's



4.3.4. Third phase: Recommendation

The recommendation phase discusses the methodological issues underlying the use of cognitive maps and MACBETH, such as the main advantages and limitations. One of the advantages of the use of this integrative methodology is the interactive space for participants openly discuss and share ideas/suggestions on the decision problem. In management, decisions are not usually undertaken by one person alone; instead, they are taken by a group of people responsible for making such decision. Thus, the interactive characteristic of the methodology can function as a proxy of the business environment in which decisions usually take place. Another important advantage is the learning mechanism allowed by the interactive process. The nature of the technique offers additional adjustments and improving possibilities, which in turn enhance the potentialities of the framework (Ferreira *et al.*, 2010). Indeed, the constructivist approach of the methodology builds on a flexible framework, that can be improved by including different criteria weights, that in turn will impact the overall success previously reached (Filipe *et al.*, 2015). For this reason, the framework presented in this study should not be seen as an optimal and final solution. The evaluation framework is context-dependent and reflects the experiences and values of the participants involved. Thus, previous research suggest that "*generalization to other decision contexts should be considered with caution*" (Ferreira *et al.*, 2015: 11). Even though this is a limitation of the

methodology, one must keep in mind that the evaluation framework is process-oriented and reflects the consent of the decision makers throughout the process (Ferreira *et al.*, 2015).

The results of the analysis (e.g. sensitive and robustness analysis) indicate that the evaluation framework for measuring the success of micro-enterprises in a marginalized context is adequate.

4. 4. Discussion and Conclusion

This research aims at studying how entrepreneurs of micro-enterprises in a marginalized category set key entrepreneurial success indicators. Our focus is on the complementary and alternative medicine (CAM) context, which is an example of micro-enterprises in a marginalized category.

Beyond the regular hurdles of micro-enterprises (e.g. resource constraints, vulnerability, uncertainty, risk, etc. (Markman and Waldron, 2014), the marginalized context of this study brings additional complexity, because micro-enterprises in a marginalized context experience a non-supportive environment that limit the chances of firm's success and survival due to the legitimacy vacuum in which they operate (Bull and Willard, 1993; Dobrev and Gotsopoulos, 2010).

For the purpose, we applied a multiple criteria decision analysis (MCDA) to identify and quantify factors leading to the success and sustainability of the micro-enterprise as perceived by their managers. Multiple criteria decision analysis (MCDA) is often used to help with decision making, but it has been rarely applied in entrepreneurship research (Ferreira *et al.*, 2015). Nevertheless, MCDA is a well established approach of decision science, and thus has the potential to be applied to other fields of science, where decision-making is essential.

We invited managers of CAM micro-enterprises to develop an evaluation framework to assess factors affecting enterprise success. We obtained an evaluation framework comprised of seven indicators - training, professional development, marketing, management, external factors, infra-structures and organizational aspects. The indicators professional development and training and are the most important and represent 45.46% of the overall success framework. Marketing, management and organizational aspects factors correspond to

48.27%. Representing only 7.07% of the overall success are the indicators infra-structures (6.06%) and external factors (1.01%).

The importance of the professional development indicators to the overall entrepreneurial success are in line with previous research on legitimacy and entrepreneurship. According to prior research on legitimacy, education and professional experience of the human capital significantly contribute to increase legitimacy, because it provides credibility (Aldrich and Fiol, 2008; Tornikoski and Newbert, 2007). In turn, the entrepreneurial perspective advocates that the adequate human capital is linked with the survival and success of the enterprise (Clark and Douglas, 2014; Combs *et al.*, 2005; Kelliher and Reinl, 2009). Moreover, enterprises focus on providing an adequate product/service is also related with increase of the legitimacy (Aldrich and Fiol, 2008). Considering that CAM enterprises aim at responding to some of the consumer demands for more personalized services and “whole person” understanding (Winnick and State, 2013), it seems that CAM micro-enterprises are mostly concerned with providing a good service. For instance, enterprises under conditions of legitimacy vacuum must establish a set of recognizable practices that are understood by the stakeholders and that will increase the enterprise ability to deal with its environmental deficiency (Dobrev and Gotsopoulos, 2010). Therefore, as CAM category is a contested category related with non-scientific boundaries, because of the lack of a unified, formalized and standardized body of knowledge (Mizrachi *et al.*, 2005), the human capital and carving a professional image is crucial.

The subsequent more important success indicators are: management, marketing (e.g. market research, communication tools, promotion initiatives and participation in events); and organizational aspects (e.g. organizational structure, multidisciplinary teams). The indicators of management chosen by the entrepreneurs are composed by financial (e.g. growth) and non-financial measures (e.g. management and marketing skills, ethics and leadership). Our findings show that the majority of the measures are operational (non-financial). The only financial measures appearing in the management indicator are profitability and annual turnover. These findings agree with Simpson *et al.* (2012) who argue that many enterprises run their business for other reasons (such as lifestyle, own satisfaction, customer orientation, service/product), rather than maximising financial performance. However, financial measures (e.g. sales growth, ROE) are commonly used as the most important measure of success in entrepreneurship (e.g. a large amount of quantitative studies use financial measures

as dependent variables) (Combs *et al.*, 2005; Murphy *et al.*, 1996; Rauch *et al.*, 2009). Furthermore, the financial measures, through which entrepreneurial success can be measured increases legitimacy, because stakeholders are susceptible to the enterprises ability to sustain their business (Ashforth and Gibbs, 1990).

Other important factors to increase legitimacy are the skills and abilities of the managers (e.g. management and marketing skills, ethics and leadership) to run the business (Tornikoski and Newbert, 2007; Überbacher, 2014). This is particular relevant in a marginalized context, because the managers competences may be crucial in promoting and creating a favourable image of the enterprise, and thus in mobilizing resources (Überbacher, 2014). In addition most studies in entrepreneurship, and specifically in micro-enterprises, advocates the role of the managers abilities in the enterprise success (Chandler and Jansen, 1992; Clark and Douglas, 2014; Cooper *et al.*, 1994; Reijonen and Komppula, 2007). For example, the leadership skills of the founder/manager have been reported a main criterion in funding decisions of the investors (Chandler and Jansen, 1992).

Previous research in entrepreneurship suggests that the marketing activities are fundamental for the business to function, because it includes activities that aim to understand the market of the enterprise and promote the business (Clark and Douglas, 2014). Likewise, marketing activities, such as participation in events, may help promoting the legitimacy of the enterprise, because they may serve as a mean to convince the stakeholders that the enterprise activities are legitimate (Tornikoski and Newbert, 2007). Also, since marketing activities intend to persuade others to purchase their products/services, they are particularly relevant to the entrepreneurial success (Clark and Douglas, 2014). The organizational aspects are concerned with the human capital adequacy to the organizational needs and structure. As stated before, these factors are positively associated with obtaining legitimacy and success of the enterprise (Birley, 1990; Kelliher and Reinl, 2009; Tornikoski and Newbert, 2007).

The least important indicators to the overall success of micro-enterprises are the infrastructures and external factors. It seems that the infrastructures, such as the conditions of the facilities and its surrounding, are secondary to the business success in micro-enterprises in a marginalized category - again, we reinforce that in order to be successful the main focus of this managers is in the human capital. This is in contrast with the entrepreneurship literature,

which reports that infrastructures significantly impact success and the relative performance of the enterprise (Birley, 1990; Reijonen and Komppula, 2007).

Finally, external factors are associated with the environmental context of the enterprise, such as political and economic factors, and regulation. One would think that the external factors would be of foremost importance to measure CAM's success, due to the marginalized context in which they are embedded, that would restrain their overall success and legitimacy to operate. Our findings suggest the opposite. Dobrev and Gotsopoulos (2010) state that enterprises in a legitimacy vacuum continue to be at a disadvantage relative to their peers, because they are exposed to a non-supportive environment. Literature in legitimacy argues that the external environment helps gaining legitimacy, and is thus critical to increase firms' survival chances (Bruton *et al.*, 2010; Deephouse and Suchman, 2008; Dobrev and Gotsopoulos, 2010; Tornikoski and Newbert, 2007). Thus, the external environment of the enterprise may as a matter of fact facilitate or hinder the development of the enterprise (Dobrev and Gotsopoulos, 2010; Short *et al.*, 2009; Tornikoski and Newbert, 2007). Therefore, because enterprises in a marginalized category are in a legitimacy vacuum, characterized by an uncooperative environment that restrains firm's resources, the external factors would be crucial to the success and continuity of micro-enterprises in a marginalized category.

Further, previous research in entrepreneurship also suggests that the external factors of the enterprise strongly influences the success of the enterprise (Jeffrey and Dennis, 1998; Short *et al.*, 2009; Simpson *et al.*, 2012) Specifically, the success of micro-enterprises is dependent on external factors, because enterprises encounter many barriers (e.g. resource constraints, market inexperience, etc.) that limit their success and survival, and which can be overcome with a supportive environment to conduct the business (Courrent and Gundolf, 2008; Markman and Waldron, 2014; Xaba and Rankhumise, 2014). Our findings push us to acknowledge that these entrepreneurs rely on what they are able to manage and in what is in their direct control. One reason for this would be that legitimacy can be cultivated by the managers of the enterprises (Short *et al.*, 2009), for example, through managerial actions, as we have concluded in our findings.

4. 4.1. *Implications for theory, practice and future research*

Our study responds to recent calls for research of how micro-enterprises sustain their business (Markman and Waldron, 2014) and on building knowledge about sustainable success, specifically of micro and small enterprises (Short *et al.*, 2009; Wiklund and Shepherd, 2005). Our approach allowed us to develop a success framework directly with the managers of the enterprises. This is in contrast to prior empirical research that has resorted mainly to measures selected by researchers. Since our aim is to understand the entrepreneurs' point of view, we believe our approach adds further insights to the literature.

Micro-enterprises play a significant role in economic growth, however, because of their size and scale disadvantages, they are not able to sustain the same growth rates as bigger firms (Markman and Waldron, 2014). The success rates of micro-enterprises are subject to a set of factors (e.g. resource constraints, uncertainty, etc.) that influence the ability to sustain the business (Markman and Waldron, 2014).

Due to these constraints, micro-enterprises build their own competitive dynamic and logic, which influences the way they measure the enterprise success. Our study addresses this particular subject. Micro-enterprises in such market conditions focus on non-financial measures to assess success, unlike larger companies, where growth is particularly relevant to measure success. According to Short *et al.* (2009) studying how firm size may influence the success of the enterprise is conceptually valuable and provides helpful insights to managers of micro-enterprises. As such, our findings demonstrate how enterprises of small size (i.e. micro-enterprises) think of a set of key success indicators. In addition, our study supports research on micro-enterprise continuity (Cardon *et al.*, 2013; Kelliher and Reinl, 2009; Markman and Waldron, 2014). Further, the marginalized context of the micro-enterprises under study adds a layer of interest as enterprises in a legitimacy vacuum may evaluate success differently when compared to regular enterprises. For example, we find that external factors are of little concern to the managers, which is in contrast to other entrepreneurial studies (Covin and Slevin, 1989 ; Short *et al.*, 2009; Simpson *et al.*, 2012).

We invite future research to uncover micro-enterprises success in further contexts, namely established or emerging categories. In practice, we reveal the entrepreneur's point of view of success factors in a marginalized context. Moreover, the evaluation framework we developed represent the values of the participants involved and is built within the context of the CAM

category. Thus, our findings are context-dependent, and even though the generalization to other decision contexts should be considered with caution, the results of the analysis indicate an applicable evaluation framework for measuring the success of enterprises in a marginalized context. We believe that multiple criteria decision making (MCDA) was a proper approach to support our study, since it is a formal analysis that aims to facilitate decision-making in complex situations (Belton and Stewart, 2002). However, we advise further investigation with a different set of panel of decision-makers (e.g. across countries) and in other contexts that would allow for building a more stylized and generalizable framework. Additionally, the MCDA approach guides the decision-makers (i.e. entrepreneurs) to discuss and learn about the situation in an open environment. This is important, because it leads to a justifiable and explainable course of action of the evaluation framework from the managers point of view (Belton and Stewart, 2002; Ferreira *et al.*, 2015). Finally, since research concerning the success factors of micro-enterprises is rare and it is still under development, we encourage additional theoretical and empirical discussion on the topic. In particular, we note that developing a generalizable evaluation framework of success is dependent upon a set of indicators and it is a challenge, thus future research could focus on identifying other indicators of success in micro-enterprises, based on previous theoretical framework.

Chapter 5

Conclusion

In this chapter we present the summary of the main findings of the thesis, identify the main research contributions, the limitations of the study and directions for future research.

The current thesis was comprised by three essays. The subject of this thesis - the entrepreneurial strategic actions in a category that lacks legitimacy - was analysed from different angles on each of the essays. On the first essay we observe legitimacy from the point of view of the theory of strategic balance and positioning concept. On the second essay we study legitimacy from the pragmatic and moral levels of legitimacy. The third essay explores the entrepreneurs' perceived path to success.

5.1. Summary of main findings

The aim of essay 1 was to understand how CAM service providers address legitimacy challenges while responding to increasing consumer demand for alternative health care offerings. We address this research objective at the market category level.

For the purpose, we investigate CAM enterprises positioning strategy in light of Deephouse's (1999) balancing strategies - between *differentiation* and *legitimation* pressures, namely through organizations' positioning steps: a) establishing a frame of reference; b) leveraging points of parity; c) providing compelling points of difference (Keller *et al.*, 2002).

We employed a qualitative study based on semi-structured interviews. Our sample was comprised by 10 CAM enterprises and we interviewed 11 founders/managers. Data was analyzed using a phenomenological approach, which aims to describe phenomena as perceived by the study population (Miles, 1979, Patton, 2002; Sanders, 1982). The phenomenological approach consisted of examining the perceptions, meanings and experiences of the participants regarding the phenomena (Goulding, 2005; Miles and Huberman, 1994; Patton, 2002; Sanders, 1982). In addition to the in-depth interviews, we gathered data from a diverse sources: observational details of the physical space (facilities and space decoration); communication outputs (website and promotional material); and organizational brand identity elements (name, logo and slogan).

Our findings support the proposition that CAM managers try to balance demands to conform to the biomedical establishment, i.e, signaling credibility, with demands to be different, i.e. to offer an alternative to orthodox health care. By conforming, CAM managers adhere to the norms and values of what is seen as right in terms of socially accepted procedures in the medical field (Suchman, 1995). On the other hand, the differentiation points are linked with the search for a sustainable and natural solution to health problems from a holistic point of view. In sum, parity points are mostly related to "how" the services are delivered, which is in accordance with procedural legitimacy, whereas the differentiation points are related to "what" are the characteristics of CAM therapies. As such, CAM enterprises conform to the cultural beliefs, for example, through similar medical protocols, similar importance given to formal academic training of practitioners, similarity in physical space and similar professional ethics in peer relations. And simultaneously distinguish themselves from the status quo of conventional medicine, namely through a holistic understanding of the patient, providing natural medicine instead of pharmaceuticals, developing closer relationships with the patient and practicing a as preventive health. Moreover, we contend that organizations develop a supra-positioning strategy – at market category level instead of firm level - aimed at establishing a category meaning when the category is not well-established. The supra-positioning is the result of an organization's strategic choice on how to present itself by communicating how similar or different it is in comparison with alternatives *across* categories.

Essay 2 explores the case of legitimacy evolution of social enterprises in a hostile context - taking as an example complementary and alternative medicine (CAM) social enterprises. The goal of this essay was to explore and extrapolate possible legitimacy building mechanisms for social enterprises in hostile contexts, where outcomes vary and are hard to measure and practices are widely questioned by various audiences.

We argue that CAM enterprises are social enterprises, meaning that they present hybrid characteristics of nonprofit (social goal) and for-profit (financially goal) organizations, and thus encounter obstacles in defining clearly what successful outcomes are.

We discuss the legitimacy of social enterprises, using Suchman's (1995) typology of legitimacy levels and build on Dart's (2004) interpretation of Suchman's typology of legitimacy to explain the emergence of the social enterprise.

Suchman (1995) suggests three different levels of legitimacy which organizations can obtain: pragmatic, moral and cognitive. Pragmatic legitimacy is characterized by the support of an organization's activities from a specific target audience (Bitektine, 2011; Thomas and Lamm, 2012). On the other hand, moral legitimacy results on the assessment of "rightness" in terms of accepted cultural and social values (Bitektine, 2011; Suchman, 1995). Lastly, cognitive legitimacy means that the organizations activities and actions are totally congruent with the established rules and norms (Aldrich and Fiol, 2008; Bitektine, 2011; Suchman, 1995).

We conducted a qualitative study to managers of CAM enterprises. We applied a grounded theory technique to analyze data, according to the Gioia methodology, since our aim was to gather new understandings from an open-ended exploration of the data. The Gioia methodology is a suitable approach because consists of a systematic approach based on first-order and second-order analysis known for increasing qualitative rigor.

The findings show a number of initiatives of CAM enterprises to gain legitimacy. On one hand attempts to gain pragmatic legitimacy through consumer education, relationship building, consumer empowerment and co-creation. All attempts to create value. On the other hand, attempts to gain moral legitimacy by choosing a hybrid organizational form, making professionalization attempts and enhancing human capital, promoting partnerships, strategic alliances and formal procedures. All business like initiatives.

Thus, building on Suchman's (1995) three levels of legitimacy, pragmatic, moral and cognitive, we conclude that social enterprises acquire pragmatic legitimacy through value creation and obtain moral legitimacy through business decisions and we propose a feedback mechanism between moral legitimacy gains and pragmatic legitimacy gains. Furthermore, we suggest a five step feedback mechanism for legitimacy gains for social enterprises: 1) identify the social problem and establish pragmatic legitimacy; 2) take advantage of the pragmatic legitimacy gains to consolidate the dual purpose of the enterprise and leverage the moral legitimacy dimension; 3) use market validation to enhance moral legitimacy; 4) set up a feedback cycle between pragmatic and moral legitimacy; and 5) invest in a network of supportive alliances and partnerships to obtain cognitive legitimacy.

The last essay of the thesis - essay 3 - used an established approach in decision science - multiple-criteria decision making analysis (MCDA) - to build an evaluation framework from

the founders/managers point of view, which is pioneer in studies of marketing/entrepreneurship. The aim was to explore what entrepreneurs of micro-enterprises perceive as important to succeed in a context of legitimacy vacuum, such as the case of the marginalized category under study - complementary and alternative medicine (CAM).

Multiple-criteria decision making analysis (MCDA) is a collection of formal approaches where decision-makers discuss and learn about a situation, until a decision is made (Belton and Stewart, 2002). We used MCDA to assist the entrepreneurs of CAM enterprises in assessing success in a marginalized category. Our sample was composed by 5 founders/managers of CAM enterprises, and the study was conducted in three sessions of four hours each. With this approach the panel of decision-makers was able to discuss and structure in an interactive space the conception of an evaluation framework of micro-enterprise success, based on their views and experience (and not from indicators suggested by the literature).

Based on the multiple-criteria decision analysis, the factors affecting the success of CAM enterprises in a marginalized category are, according to the participants: Training, Professional Development, Marketing, Management, External Factors, Infra-Structures and Organizational Aspects.

The most important perceived indicator of success is people: professional development and training of the human capital, which is in line with previous research on legitimacy and entrepreneurship, as in services the human resource is a key provider of credibility. The next more important indicators, from the practitioners point of view, are related with the management of the enterprise and are represented by the management, marketing and organizational aspects.

Decision makers considered that the financial measures included in the management indicator are important factors to increase legitimacy, because stakeholders value enterprises ability to financially sustain their business (Ashforth and Gibbs, 1990). Moreover, the founders/managers capabilities to run the business, as well as, their marketing activities are fundamental. Managers may use their professional competence to promote a credible image of the enterprise and their marketing activities to help clarify and promote the benefits of the enterprise offer.

Although important, the two findings that represent the least important factors for CAM enterprises managers are the infrastructures and external factors, which is in contrast with previous literature. According to previous studies in entrepreneurship, the infrastructures of the enterprise can significantly impact their success (Birley, 1990; Reijonen and Komppula, 2007). One possible explanation for this might be that the managers of CAM enterprises put their efforts in the human capital, since their main business activity is to provide a health service. Finally, our findings suggest that even though CAM enterprises run their business in a non-supportive environment, the external factors are not perceived to be the most critical aspect to measure their success. Previous studies in legitimacy show that the external environment helps to increase legitimacy and the survival chances (Courrent and Gundolf, 2008; Markman and Waldron, 2014; Xaba and Rankhumise, 2014), thus we believe that these entrepreneurs rely on what they are able to manage to overcome the legitimacy barriers.

A summary of the overall thesis and each of the essays can be found in Table 5.1

Table 5.1 - Summary of the main findings of the thesis

	Overall thesis Managers' Strategic Decisions to Legitimacy Constraints in a Marginalized Market Category	Chapter 2 Inter-category Positioning as Strategic Balance in a Marginalized Market Category	Chapter 3 Social Enterprise Legitimacy Spiral in a Hostile Context	Chapter 4 Exploring the success factors of micro-enterprises in a marginalized category using multiple criteria decision analysis (MCDA)
Research question	<i>How do enterprises in a marginalized category tackle legitimacy obstacles?</i>	<i>What managerial strategic decisions allow growth in a market category that lacks legitimacy?</i>	<i>How do social enterprises attempt to gain legitimacy in a hostile environment?</i>	<i>How do managers of micro-enterprises perceive the success factors in a marginalized category?</i>
Research objective	Understand the entrepreneurial strategic actions of managers in a market category that lacks legitimacy.	Understand how managers of individual enterprises aim strategic decisions at category legitimation and at the same time at creating differential advantage for the category.	Understand the attempts of the social enterprises to gain legitimacy in a hostile context.	Map and categorize micro-entrepreneurs' perceptions of success.
Sample	15 CAM enterprises/ 16 founders/managers	10 CAM enterprises (11 founders/managers)	10 CAM enterprises (11 founders/managers)	5 CAM entrepreneurs

Data collection	November of 2012 to April 2013/ March and April 2015	Between November of 2012 and April 2013	Between November of 2012 and April 2013	Between March and April 2015
Method/ Data analysis	Qualitative interviews to CAM enterprises managers Data analysis: Phenomenology approach and Gioia systematic approach Multiple Criteria Decision Analysis / Cognitive maps + MACBETH	Qualitative method / Phenomenology	Qualitative method / Grounded theory	Multiple Criteria Decision Analysis (MCDA) / Cognitive maps + MACBETH
Main findings	CAM enterprises attempt to meet the standards of the market. The managers engage in positioning vis-à-vis an established category – supra-positioning, and by searching for a strategic balance by conforming to existing norms (points of parity) of an overarching legitimate category (frame of reference) and simultaneously differentiating their own category (points of difference). In addition,	CAM enterprises engage in positioning vis-à-vis an established category instead of vis-à-vis competitors at the firm level – we named it <i>supra-positioning</i> . CAM enterprises tackle legitimacy challenges by developing a positioning strategy that proposes health care as their frame of reference and search for balance between conforming (points of parity) and differentiation (points of difference) in relation to	CAM enterprises develop a number of initiatives to gain legitimacy, such as consumer education and relationship building related to pragmatic legitimacy, which emphasizes value creation. And to gain moral legitimacy they choose a hybrid organizational form, look for professionalization and value human capital, partnerships and strategic alliances and formal procedures which emphasize business orientation.	The result is an evaluation framework with seven indicators - training, professional development, marketing, management, external factors, infra-structures and organizational aspects. The most important indicators are professional development and training. The least important is represented by the external factors.

	<p>CAM enterprises emphasize gaining pragmatic and moral legitimacy, by developing initiatives that emphasize value creation (such as consumer education and relationship building), and business orientation (such as hybrid organizational form, professional attempts and human capital, partnerships and strategic alliances and formal procedures). The evaluation framework built shows that the external factors (e.g. regulations) are not a critical factor for these enterprises. The main efforts are towards the human capital.</p>	<p>biomedicine.</p>		
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Overall, the findings of the three essays of this thesis provide an answer to our main research question *how enterprises in a marginalized category tackle legitimacy obstacles?* And the answer is that enterprises in a marginalized category tackle legitimacy obstacles by:

- Attempting to meet the standards of the market, namely through:
 - Positioning vis-à-vis an established category instead of vis-à-vis competitors at the firm level - *supra-positioning*;
 - Searching for a strategic balance by conforming to existing norms (points of parity) of an overarching legitimate category (frame of reference) and simultaneously differentiating their own category (points of difference).
- Gaining pragmatic and moral legitimacy by developing initiatives that emphasize:
 - Value creation, such as consumer education and relationship building;
 - Business orientation, such as hybrid organizational form, professional attempts and human capital, partnerships and strategic alliances and formal procedures.
- Putting efforts towards the human capital, as one way to sublimate the lack of legitimacy, which is emphasized in the evaluation framework.

Taking as a whole, data show that enterprises in a marginalized category attempt to gain legitimacy through value creation and managerial initiatives.

Enterprises in a marginalized category can have legitimacy gains by selecting a "frame of reference", a market category with solid legitimacy, so that when considered in relation to that frame of reference, the marginalized category can borrow some legitimacy to itself.

CAM enterprises chose the health category as their "frame of reference" and engage in positioning vis-à-vis an established category instead of vis-à-vis competitors at the firm level – *supra-positioning*. After doing this, enterprises can search for a strategic balance. The strategic balance is attained by conforming to existing norms of an overarching legitimate category (frame of reference), that is points of parity, and simultaneously differentiating their own category (points of difference) and being perceived as a valuable alternative by the market.

Thus, since in the case under study, the "frame of reference" is the conventional medicine category, it means that the framework of conventional medicine will work as means of comparability and signals the legitimate practices that enterprises can follow. Then, even though the enterprises might follow some guidelines of their "frame of reference", we found evidence that the enterprises also build their own identity, based on their activity/entrepreneurial mission.

In addition, CAM enterprises gain pragmatic and moral legitimacy, by developing initiatives towards value creation (such as consumer education and relationship building), and business orientation (such as hybrid organizational form, professional attempts and human capital, partnerships and strategic alliances and formal procedures).

We have also found that enterprises increase legitimacy by maintaining a feedback mechanism between pragmatic and moral legitimacy. This feedback cycle is established among reciprocal gains of pragmatic and moral legitimacy. Our findings emphasize value creation through consumer empowerment and co-creation as pragmatic legitimacy efforts, and point out business orientation decisions intended to gain market-based approval as moral legitimacy attempts.

CAM enterprises make a visible effort to follow the best practices of the (health) market in the exercise of their activity. One way of doing this is by putting efforts towards the "quality" of human capital, as one way to sublimate the lack of legitimacy. For instance, the resulting evaluation framework shows that the human capital - training and professional development - are the critical factors to measure success of CAM enterprises, followed by the managerial and marketing activities, and at last the infrastructures and external factors.

These findings provide an avenue of the legitimacy strategies that enterprises in a marginalized category can put in practice to increase market acceptance (i.e. legitimacy).

5.2. Main contributions

We then identify the main research contributions, namely the theoretical and managerial contributions.

5.2.1. Theoretical contributions

Overall, the thesis advances knowledge of both marketing and entrepreneurship theory. Specifically, we contribute to an emerging interdisciplinary branch in the marketing literature incorporating legitimacy theory to explain market phenomena (Humphreys, 2010; Rao *et al.*, 2008). Moreover, we address the complexity of social enterprises management processes and further investigate the legitimacy in enterprises under conflicting institutional demands, namely hybrid organizations (Doherty *et al.*, 2014; Mair and Martí, 2006).

Another important contribution of this thesis is to the study of marginalized/fuzzy categories, because in marginalized categories the boundaries are not sharply demarcated and the category is often controversial or contested, which makes legitimacy more difficult to gain (Durand and Paoella, 2013; Kennedy and Fiss, 2013; Negro *et al.*, 2011). We explore the legitimacy strategies of enterprises in a marginalized context. In this matter, in essay 1, our findings demonstrate that the concept of brand positioning strategies is applicable at the market category level, which has not been shown in the literature so far. Specifically, we suggest that enterprises in a marginalized/fuzzy market category engage in positioning vis-à-vis an established category – *supra-positioning*, which can be a mechanism through which managers engage in active construction of category delineation. We show that *supra-positioning* starts with establishing a frame of reference with a category with strong cognitive legitimacy, then leveraging between-category points of parity and lastly providing between-category points of difference. Furthermore, this study confirms existing theoretical propositions that organization's positioning strategy is a strategic response to conflicting institutional demands (Pache and Santos, 2010).

Essay 2 focuses on social enterprises in a hostile context (e.g. legitimacy vacuum) and advances knowledge on how social enterprises manage competing objectives of the market logic and social welfare. We revisit the concept of legitimacy applied to social enterprises in

a legitimacy vacuum and we suggest a legitimacy tool of five steps for social enterprises as a pathway to achieve the ultimate level of legitimacy - cognitive dimension.

Also, our findings indicate that CAM enterprises develop a number of legitimacy building mechanisms, such as consumer education and relationship building, hybrid organizational form, professional attempts and human capital, partnerships and strategic alliances and formal procedures. These initiatives are efforts to gain pragmatic and moral legitimacy, and comprise value creation and business orientation tools, which enterprises in similar contexts can employ to increase legitimacy (Dart, 2004; Shuman, 1995).

Simultaneously, our research highlights that the majority of the strategic actions of CAM enterprises are in accordance to moral legitimacy. We can then argue the importance of moral legitimacy to increase the legitimacy of enterprises under conflicting demands, as proposed by Dart (2004).

To the best to our knowledge this research is among the first to analyze the factors affecting success of a micro-enterprises in a marginalized category. In essay 3, we provide an evaluation framework from the founders/managers point of view, which adds further insights to the literature of entrepreneurship. As such, theoretically we capture the complexity of the micro-enterprises management processes, and we demonstrate the factors that might explain their success. Furthermore, we apply a well-known approach of decision science to assist the development of a success evaluation framework, which is an innovative approach.

Finally the case of CAM enterprises that we only used for convenience purposes was a totally pertinent context for the study aims. Thus, since this thesis particularly focus on enterprises in marginalized contexts and explores its legitimacy problem under different angles, we add further understanding to the literature about the market and enterprises of organizations in these contexts, and therefore our findings are universally applicable to micro enterprises in a marginalized category.

5.2.2. Managerial contributions

First, we built an evaluation framework of micro-enterprises in a marginalized context that can be applied by the managers of CAM organizations to evaluate the success of their enterprises. Accordingly, the resulting success framework can also be used as a learning process, because it shows the success flaws of the enterprise. Based on these results, entrepreneurs might develop strategies to increase their firm's success and survival.

Second, we have built a comprehensive list of CAM organizations to assist further research.

Third, our study offers significant management strategies, such as positioning vis-à-vis an established category (*supra-positioning*), searching for a strategic balance (frame of reference, points parity and points of difference), gaining pragmatic and moral legitimacy by developing initiatives that emphasize value creation (consumer education and relationship building) and business orientation (hybrid organizational form, professional attempts and human capital, partnerships and strategic alliances and formal procedures) and putting efforts towards the adequate human capital to increase the legitimacy of CAM categories, and therefore, CAM organizations. Thus, the managers of CAM enterprises might use our findings to expand legitimacy and respond to competing demands of the market.

5.3. Limitations and further research

As any other empirical research, our study has several limitations that must be taken in consideration when considering its findings and conclusions.

First, the focus of our thesis, how enterprises in a marginalized category can address legitimacy obstacles is a complex problem with multiple influences. One of this study's limitations is the fact that the research problem is only explored from the manager's point of view, and many other significant stakeholders could have been taken in consideration (e.g. customers, suppliers, policy makers and government, peers, etc). As such, we suggest that future research takes into account the role of other stakeholders on the acquisition of legitimacy.

Second, our study focuses on a single case as an example of a marginalized category, the CAM enterprises. To increase the understanding of enterprises in a marginalized context, further investigation in other similar contexts is needed. This would allow comparability

between the findings, and thus could provide a more generalizable framework of possible strategies to overcome the lack of legitimacy of enterprises in a marginalized category.

Third, to understand deeper and in more detail the legitimacy process of a marginalized category, we encourage future research to employ a longitudinal study, which would allow tracking the category formation process, since its contestation, as a marginalized category to a cognitive status (i.e. legitimized).

Fourth, regarding essay 1 and 2, where we employ a qualitative research, we believe that a larger sample would bring superior support to the findings, even though some authors suggest that a sample size of eight interviews would be sufficient. For example, we do not have sufficient evidence that our findings are the norm in enterprises on the CAM category.

Moreover, regarding essay 3, the evaluation framework cannot be viewed as a final solution, because it represents the values of the CAM managers involved and is context-dependent (i.e. to the CAM context). Thus, future research should expand to other contexts.

Finally, even though the current thesis found some interesting results about the legitimacy strategies of organizations in a marginalized category, namely through the lens of the enterprises positioning strategy and three levels of legitimacy, the strategies of the enterprises can be further explored in future research. Additionally, we encourage empirical investigation, namely by employing a quantitative study to enterprises in a marginalized market context.

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Appendices

This appendix presents additional material from those reported in the three essays of the thesis. All the tables and figures in this appendix are mentioned in the text.

A - Chapter 2 and Chapter 3

A1. Interview protocol

1. Please tell me about your previous professional experience.
2. How did the organization start?
3. What is the ultimate mission of the organization?
4. Can you describe what are the CAM services offered? What are the reasons for these options?
5. When you hire CAM practitioners, what are the skills you are looking for?
6. What are the marketing initiatives used by your organization?
7. In your view, of the initiatives mentioned above which are the two with major importance on the organization success?
8. How do you explain to your customers the importance of CAM?
9. In your view, what promotes trust on your customers in the service provided?
10. According to INE (the Portuguese National Institute of Statistics), in 2005 - 2006 1.4% of the population made use of CAM. In 2007, 15.4% of the population resorted to CAM (according to a study by DN / TSF / Marktest). In 2012, 27% of Portuguese used CAM (according to a study by TSF, 2012). What do you think is the main reason for CAM's demand increase?
11. In your view, what actions can be developed by the managers of CAM organizations to promote the acceptance of CAM?
12. What recommendations would you give to a manager who is starting his own CAM organization?

B2. Tables

Table B2.1– Criteria, descriptor and impact level for FPV1

		Training (FPV1)									
Total score		1	2	3	4	5	6	7	8	Level	
[27-32]	Training of the employees non-existent									Totally appropriate training for skills of employees	Level 1
[21-26]	Total absence of specialized technical training									Perfectly adequate and updated technical training	Good
[16-20]	Totally lacking of scientific training									Perfectly adequate and updated scientific training	Neutral
[4-15]	Total lack of training in the leadership roles									Training of leaders perfectly suited to the role	Level 4

The descriptor associated with FPV1- Training- addresses issues related to academic, scientific and technical qualifications of the human capital. The impact level 1 is the best performance, while level four reflects a negative performance. This descriptor is comprised by the existence of trained employees, technical training, scientific training and trained leaders.

Table B2.2 - Criteria, descriptor and impact level for FPV3

		Marketing (FPV3)									
Total score		1	2	3	4	5	6	7	8	Level	
[50-56]	Total lack of participation in events									Annual participation in at least four events	Level 1
[43-49]	Lack of using digital marketing tools									Optimization and integration of at least 6 digital marketing tools	Level 2
[35-42]	Total lack of referral by users and other									Constant and continuous endorsement from users	Good

	professionals									and other professionals	
[28-34]	Total absence of disclosure of professional skills									Visible, steady and continued dissemination of professional skills	Neutral
[22-27]	Statistical analysis of the market and totally lacking activity									Statistical analysis of the market activity and paid monthly	Level 5
[15-21]	Total absence of integrated offer of various services									Intercom and excellent integrated offer among the various services	Level 6
[7-14]	Total absence of communication									Regular, frequent and differentiating	Level 7

The Marketing (FPV3) descriptor underlines the use of market tools to promote the organization, and includes the participation in events, digital marketing, word of mouth, disclosure of the skills of the professionals, statistic analysis of the market, integrated offer and communication. For this descriptor, the decision-makers defined seven impact levels.

Table B2.3 - Criteria, descriptor and impact level for FPV4

		Management (FPV4)									
Total score		1	2	3	4	5	6	7	8		Level
[36-40]	Insolvency									Extreme profitability	Level 1
[31-35]	Total lack of management and marketing skills									Excellent management and marketing skills	Good
[21-30]	Total absence of annual turnover									More than 500,000 euros of annual turnover	Neutral
[11-20]	Total absence of leadership exercise									Excellence in the leadership exercise	Level 4
[5-10]	Total absence of ethical and moral values									Extreme zeal in the use of ethical and moral values	Level 5

In what concerns FPV4- Management - the decision-makers defined five impact levels. This descriptor is about the administrative conditions of the organization, such as profitability, management and marketing skills, annual turnover, leadership and ethical and moral values.

Table B2.4 - Criteria, descriptor and impact level for FPV5

External Factors (FPV5)											
Total score		1	2	3	4	5	6	7	8	Level	
[27-32]	Total unfavorable economic environment									Excellent economic environment for the development of business	Level 1
[21-26]	Total saturation of competitive market									Total absence of competition	Good
[13-20]	Total prevalence of negative beliefs that discredit the activity									Total acceptance and activity of social credibility	Neutral
[4-12]	Lack of regulation and legislation									Law and regulation that fully supports the activity	Level 4

The descriptor External Factors (FPV5) concern the external conditions of the organization, like as the economic factors, competitiveness, beliefs, legal aspects. This descriptor is contains 4 impact levels.

Table B2.5 - Criteria, descriptor and impact level for FPV6

Infrastructures (FPV6)											
Total score		1	2	3	4	5	6	7	8	Level	
[36-40]	Lack of parking facilities									Parking with full and free availability	Level 1
[26-35]	Extremely dirty and unsafe									Impeccable looks and safe	Good
[20-25]	Lousy hits with architectural barriers									Maximum accessibility to all types of users	Neutral
[11-19]	Inhospitable place with lack of economic agents									Central with excellent visibility	Level 4
[5-10]	Lousy facilities and equipments									Ultra-modern facilities with the latest technology	Level 5

Regarding FPV6- Infra-Structure, the decision-makers defined five impact levels, in order to addresses the conditions of the facilities and its surroundings. Infra-Structures concerns the parking facilities, hygiene and safety, accessibility to the facilities, accessibility of the location and adequate facilities.

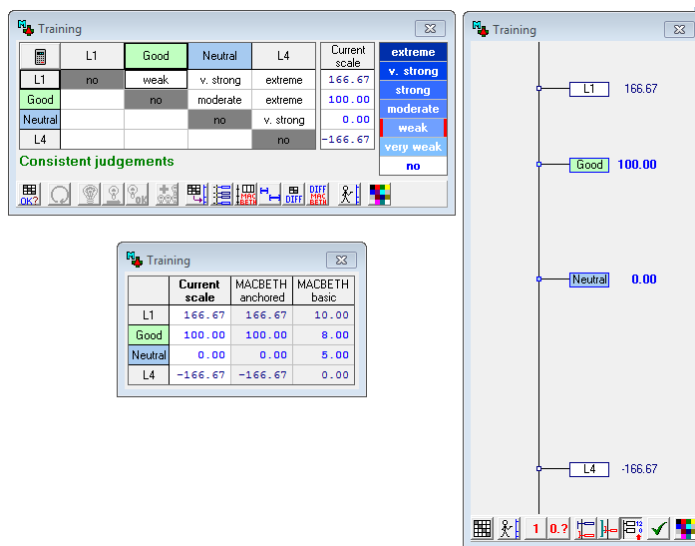
Table B2.6 - Criteria, descriptor and impact level for FPV7

Organizational Aspects (FPV7)											
Total score		1	2	3	4	5	6	7	8	Level	
[16-24]	Front-office without any qualifications									Front-office with communication skills and knowledge in technical areas	Good
[10-15]	Total lack of multidisciplinary teams									Multidisciplinary work totally integrated between the professionals	Neutral
[3-9]	Insufficient and inadequability of the human resources									Human resources perfectly adequated to the organizational needs	Level 3

The last descriptor Organizational Aspects (FPV7) represents the adequacy of the human capital to the organizational needs and structure. It comprises the front-office with adequate training in the area, multidisciplinary work and human resources. The decision-makers defined 3 impact levels.

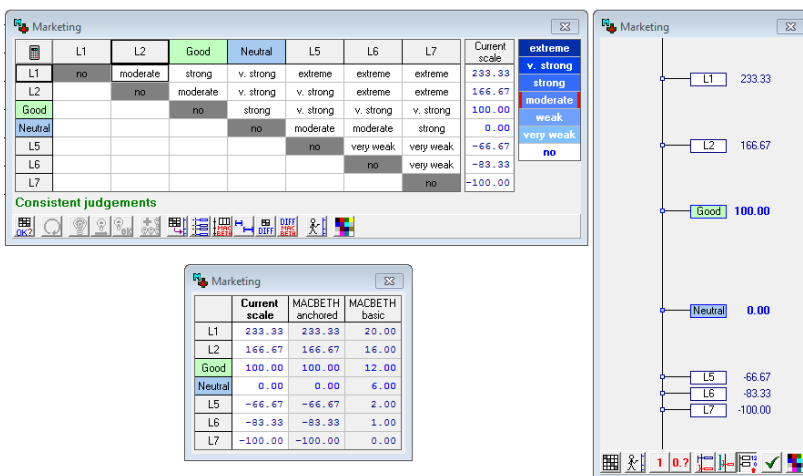
B3. Figures

Figure B3.1 - Value judgments and value scale proposed for FPV1



FPV1 (Training) is composed by 4 impact levels. The analysis of the obtained scale shows that the best level received a score of 166.67 points while the lowest level (L4) reached -166.67 points. During the filling process of this matrix, the decision makers noted that the difference in attractiveness among L1 and L4 is extreme, and the difference in attractiveness between L1 and Good is weak.

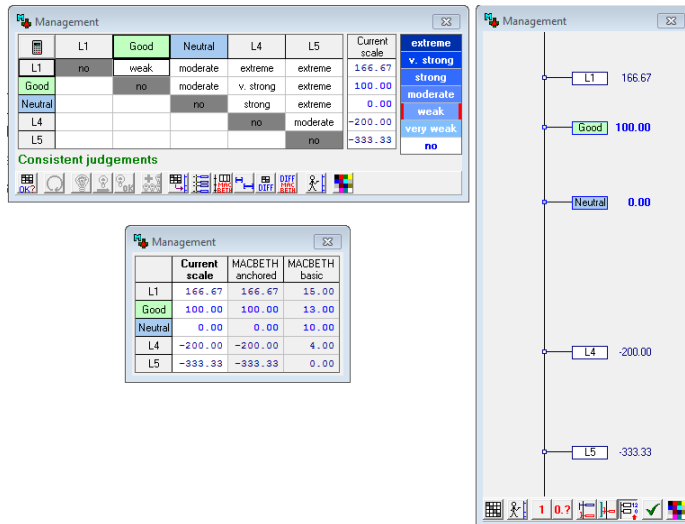
Figure B3.2 - Value judgments and value scale proposed for FPV3



The fact that the descriptor associated with the FPV3 - Marketing - is composed of seven levels of impact requires a greater cognitive effort by the decision makers. We can see in figure B3.2 that there is a big difference in attractiveness between the impact levels above good, while the difference in attractiveness between the impact levels below neutral are weak. The best level (L1) obtained a score of 233.33 points and the lowest level (L7) has a

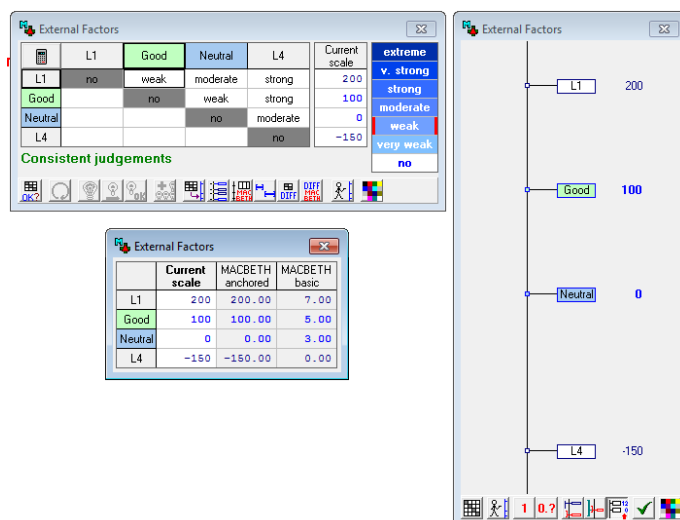
score of -100 points. It should be noted that the decision makers were not unanimous in attributing the difference in attractiveness between some of the impact levels. Thus, it was necessary to reach a consensus, through a negotiation process.

Figure B3.3 - Value judgments and value scale proposed for FPV4



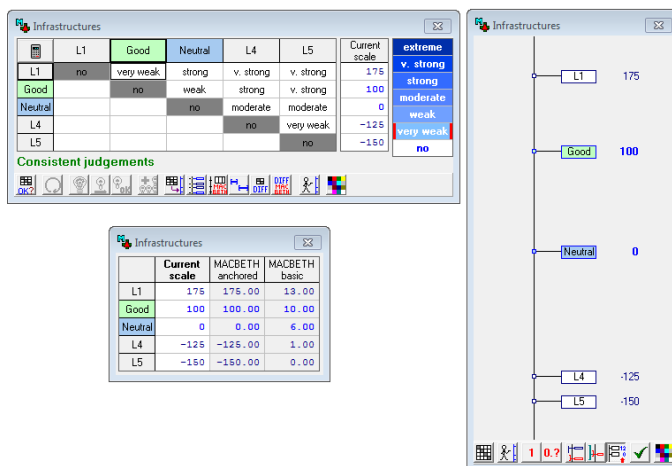
The descriptor FPV4 - Management - is composed of five levels of impact. The best performance level is L1 with 166.67 points, whereas the lowest performance level is L5 with a score of -3333.33 points. The difference of attractiveness between L1 and L5 is extreme, however the difference of attractiveness between *Good* and L1 is weak. There are two impact levels below *Neutral* and the difference of attractiveness between *Neutral* and L4 and L5 is strong and extreme, respectively.

Figure B3.4 - Value judgments and value scale proposed for FPV5



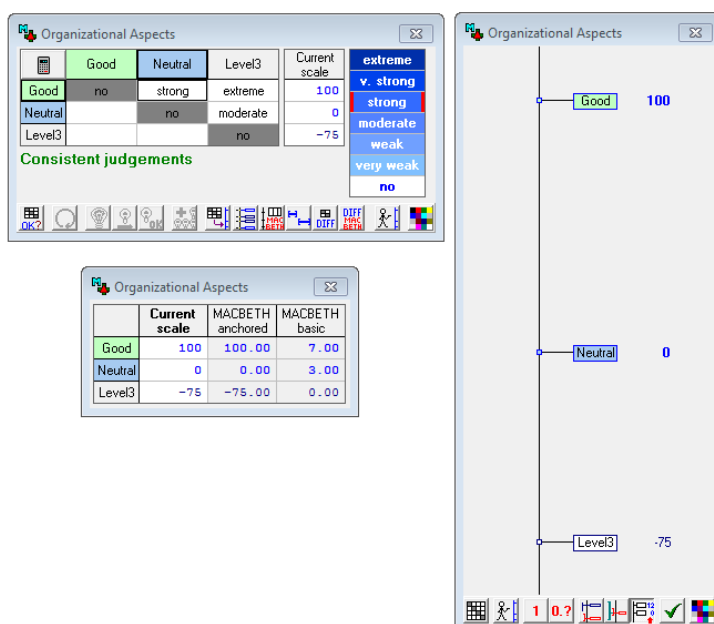
The analysis of the obtained scale of FPV5 (External Factors) shows that there is a big one level above *Good* and one level below *Neutral*, thus the descriptor is composed of four levels of impact. The best level of performance (L1) obtained a score of 200 points, and the lowest score reached -150 points. The difference of attractiveness between L1 and *Good* was defined by the decision-makers as weak, while the difference of attractiveness between L4 and *Neutral* is moderate.

Figure B3.5 - Value judgments and value scale proposed for FPV6



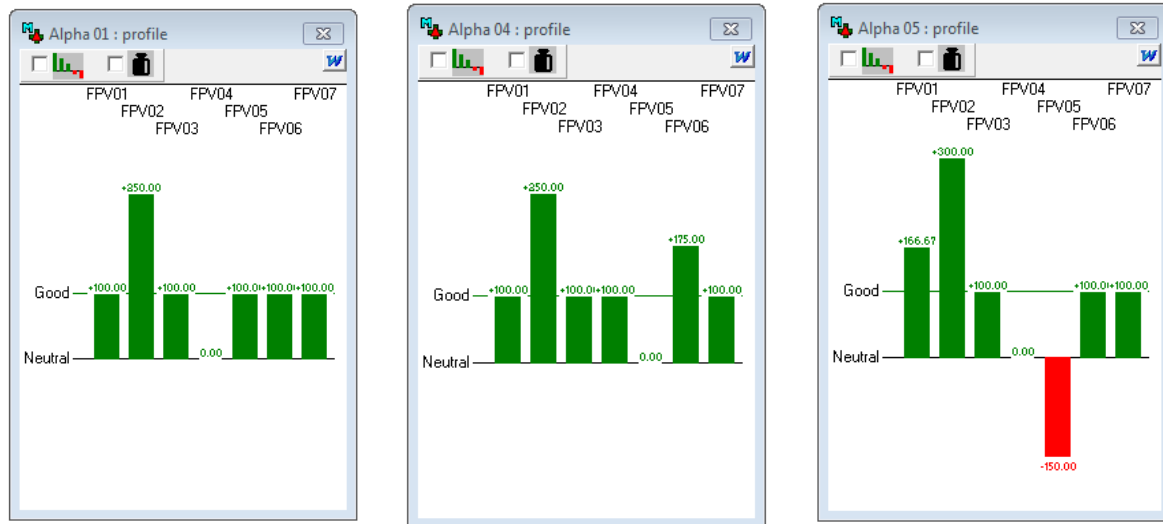
Infrastructures (FPV6) has five impact levels. There is only one level above *Good*, which represents the best performance level with 175 points (L1). Thus, the difference of attractiveness between L1 and *Good* is very weak. In addition, below *Neutral* there are two impact levels (L4 and L5). L5 is the lowest performance level with -150 points. The difference of attractiveness between *Neutral* and L4 and L5 is moderate.

Figure B3.6 - Value judgments and value scale proposed for FPV7



The impact levels of FPV7 . Organizational Aspects - is composed only by three levels, requiring the least cognitive effort by the decision makers. There are no impact levels above *Good* and there is only one impact level (L3) bellow *Neutral*. As such, 100 points is the best performance level and - 75 (L3) points represents the lowest level. The difference of attractiveness between *Good* and L3 is extreme.

Figure B3.7 - Performance profiles for Alphas 1, 4 and 5



As we can see in figure B3.7, Alpha 05 performs worst in the FPV5 - External Factors. In addition, the three Alphas represented (Alpha 1, 4 and 5) perform well in FPV2 - Professional Development, which corresponds to the most important FPV to the overall organizational success.

Figure B3.8 - Sensitive analysis of FPV1

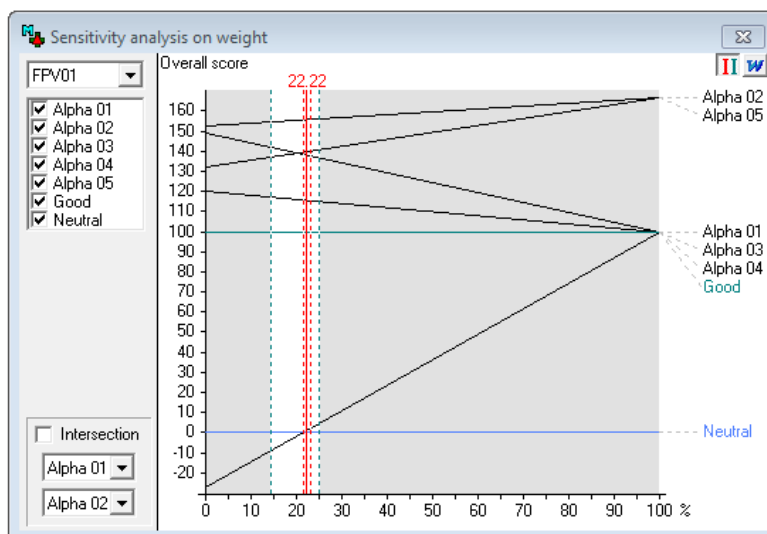


Figure B3.9 - Sensitive analysis of FPV3

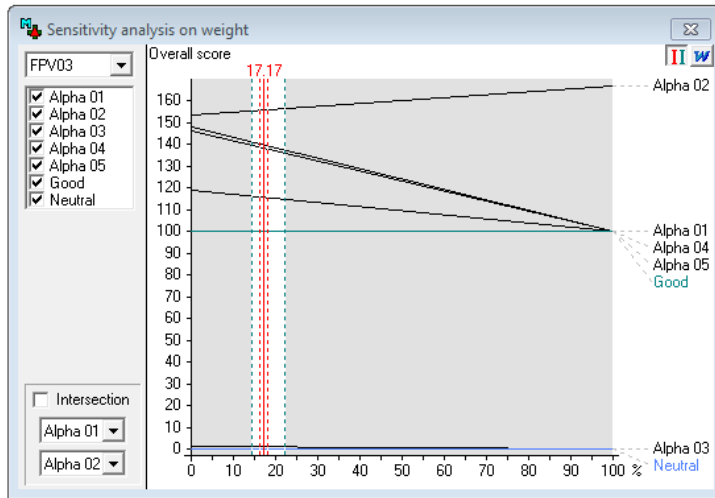


Figure B3.10 - Sensitive analysis of FPV4

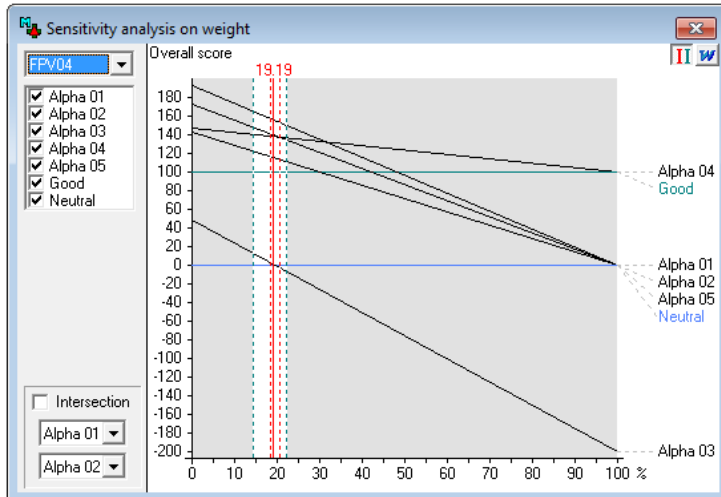


Figure B3.11 - Sensitive analysis of FPV5

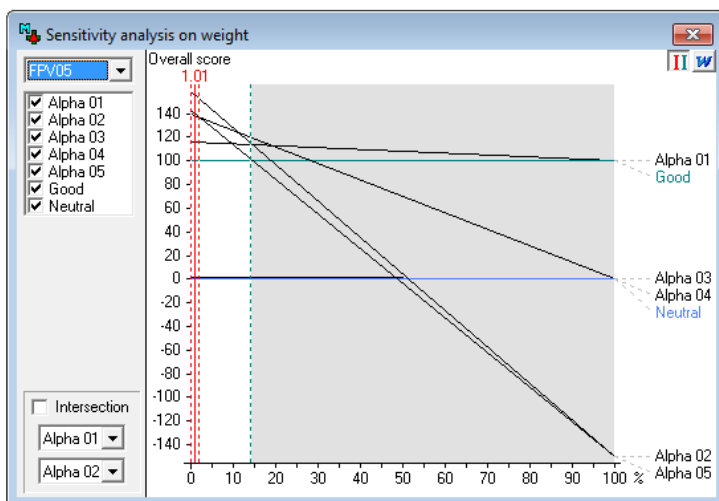
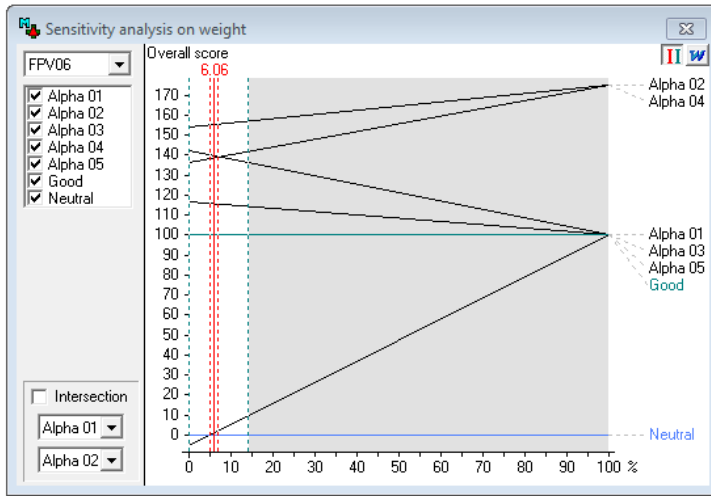


Figure B3.12 - Sensitive analysis of FPV6



B4. Photographs of the sessions





B5. Technical details of the MACBETH technique

The MACBETH technique is supported on non-numerical pairwise comparison questioning mode, that enables to generate value judgments (Bana e Costa *et al.*, 2012; Filipe *et al.*, 2015). These are based on seven semantic categories difference in attractiveness: C_0 – null, C_1 – very weak, C_2 – weak, C_3 – moderate, C_4 – strong, C_5 – very strong, C_6 – extreme (Bana e Costa *et al.*, 2012). The aim of the MACBETH technique is to convert the value judgments into numbers (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2015). To do so, the technique is supported on the principle that in an ordered structure of p binary relations [$P^{(1)}$, $P^{(2)}$, $P^{(k)}$, ..., $P^{(p)}$](where $P^{(k)}$ corresponds to a preference that is stronger the greater the k), this conversion can take place (Bana e Costa *et al.*, 2012; Ferreira *et al.*, 2015). For example, if $X = \{a, b, \dots, n\}$ is a finite set of n choice alternatives (also named as actions), then each alternative can be related to a value X . This results from the value function $v(\cdot): X \rightarrow \mathbb{R}$ such that differences $v(a) - v(b)$ are as compatible as possible with the decision maker's (or group of decision makers') value preferences (Ferreira *et al.*, 2015). For example, if a is considered more attractive than b and the difference between both alternatives is moderate, then $(a, b) \in C_3$. Thus, for all pairs (a, b) allocated to category C_k (of semantic differences of attractiveness), the differences $v(a) - v(b)$ will be associated to the same interval, without overlying (Ferreira *et al.*, 2015; Filipe *et al.*, 2015). Further, whenever two contiguous ranges are linked to two consecutive categories of semantic differences of attractiveness, the technical procedure is to relate asymmetric partitions of the ray of positive real numbers to partition classes of ordered pairs (a, b) (with $a P b$) (Bana e Costa *et al.*, 2012). Thus, as shown in formulation (2), the intervals between consecutive categories are obtained based on

a value function v and function thresholds s_k , where $P(k)$ represents a value preference that is stronger the greater the k .

$$a P^{(k)} b: s_k < v(a) - v(b) < S_k + 1 \quad (2)$$

After, because MACBETH is based on value judgments, which consist in allocating the difference of attractiveness between each pair of actions $(a, b) \in X$ to one of the semantic categories C_k (e.g. $C_1 \dots C_6$), the value judgments' consistency must be analyzed (Ferreira *et al.*, 2015; Filipe *et al.*, 2015), in order to prevent any incompatibility between semantic judgments. This procedure is based in formulations (3) and (4).

$$\forall a, b \in X: v(a) > v(b) \leftrightarrow a P b \quad (3)$$

$$\forall k, k^* \in \{1, 2, 3, 4, 5, 6\}, \forall a, b, c, d \in X \text{ with } (a, b) \in C_k$$

Formulation (3) demonstrates that if $a P b$, then the value of a should be greater than the value of b and whenever a is as attractive as b (i.e. $a I b$), then $v(a)=v(b)$, and $(a, b) \in C_0$.

$$(c, d) \in C_{k^*}: k \geq k^* + 1 \rightarrow v(a) - v(b) \geq v(c) - v(d) \quad (4)$$

Formulation (4) is concerned with the categories C_k . This formulation establishes “that all of the differences allocated to one semantic preference difference category are strictly larger than those allocated to a lower category” (Bana e Costa *et al.*, 2008: 28).

This last two steps are essential to continue with the application of the technique. Therefore, then, it is possible to obtain the initial scale, that will be discussed and validated by the group of decision makers. To the purpose it is applied a linear programming, as show in formulation (5).

$$\text{Min } v(n) \tag{5}$$

$$S.T.: \forall a, b \in X : aPb \rightarrow v(a) \geq v(b) + 1$$

$$\forall a, b \in X : aIb \rightarrow v(a) = v(b)$$

$$\forall (a, b), (c, d)$$

$\in X$, if the difference of attractiveness between a and b is bigger than c and d , then:

$$v(a) - v(b) \geq v(c) - v(d) + 1 + \delta (a, b, c, d)$$

$$v(a^-) = 0$$

where:

n is an element of X so that $\forall a, b, c, \dots \in X : n (P \cup I) a, b, c, \dots$

a^- is an element of X so that $\forall a, b, c, \dots \in X : a, b, c, \dots (P \cup I) a^-$

$\delta (a, b, c, d)$ is the minimal number of categories of difference of attractiveness between the difference of attractiveness between a and b and the difference of attractiveness between c and d .

To clarify the formulation (5), it is important to note that n represents the most attractive (or at least as attractive as the others) element of X (i.e. $n (P \cup I) a, b, c, \dots$), and the minimization of its value is what guarantees the minimal length of the scale (Bana e Costa *et al.*, 2008). In addition, according to Bana e Costa *et al.* (2008), a^- corresponds to the least attractive element of X (or at least as attractive as the others), and therefore its value is assigned to the "zero" of the scale. This procedure was applied to each of the descriptors, until a value function for all FPVs was obtained, which in our case, it is concerned with the local scales that allowed entrepreneurial success to be partially assessed (e.g. see Figure 4.4 for the value judgments and value scale proposed for FPV2).