

# Entrepreneurial Market Leadership Claims, Cultural Resonance, and Investor Evaluations in Nascent Markets: The Goldilocks Effect

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**ABSTRACT** Cultural entrepreneurship research emphasizes entrepreneurs' use of cultural resources to influence audience evaluations through resonance. However, the process by which such cultural resonance is achieved remains underexplored, particularly as an intermediary outcome. We investigate how cultural resonance may be attained by focusing on entrepreneurs' use of a prevalent cultural resource in nascent markets: market leadership claims. Incorporating insights from social psychological research, we propose that the frequency of these claims becomes an important prompt in triggering investors' cognitive processing and affects the attainment of cultural resonance. Specifically, we theorize a 'Goldilocks effect': a venture's increased claiming frequency initially enhances resonance with investors, resulting in more favourable evaluations, but excessive claims reduce it, resulting in less favourable evaluations. Using a multimethod approach comprising an archival study and an experiment, we find support for our theory. These findings offer new insights into research on cultural entrepreneurship, discursive strategy, and nascent market strategies.

**Keywords:** cultural entrepreneurship, cultural resonance, market leadership claims, multimethod, nascent markets

## INTRODUCTION

Cultural entrepreneurship has gained traction in the field of entrepreneurship studies (Lounsbury and Glynn, 2001, 2019). This body of work emphasizes the importance for

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entrepreneurs to navigate their cultural environments and achieve cultural resonance in order to obtain favourable audience evaluations and mobilize support under conditions of ambiguity and uncertainty (Glynn and Lounsbury, 2022; Lounsbury et al., 2019a). Scholars have explored how entrepreneurs can use cultural resources – such as analogies and metaphors (Cornelissen and Clarke, 2010), labels (Granqvist et al., 2013), storytelling (Garud et al., 2014), and claims about themselves (Zott and Huy, 2007), the venture (Navis and Glynn, 2010) or their market (Wry et al., 2011) – to cultivate distinctive identities, establish legitimacy, and secure resources essential for survival and growth.

Although prior work has largely viewed resonance with target audience as a mechanism leading to favourable audience evaluation (e.g., Benford and Snow, 2000; Giorgi and Weber, 2015), it is arguable that cultural resonance – defined as the degree to which symbolic communications appeal to and align with key audiences (Lounsbury and Glynn, 2019, pp. 14, 23) – stands as an outcome in itself, albeit an intermediary one (Giorgi, 2017). Thus, the attainment of cultural resonance should not be assumed a priori but rather needs to be explicitly theorized (Lounsbury and Glynn, 2019). Moreover, while studies have mostly focused on how certain cultural resources may effectively achieve cultural resonance (e.g., Giorgi, 2017), recent scholarship on cultural entrepreneurship has begun to examine its dark side, cautioning the overuse of cultural resources (e.g., Garud et al., 2025; Lo and Rhee, 2022; Lockwood and Soublière, 2022). These emerging insights highlight the complexities involved in achieving cultural resonance, suggesting it should not be taken for granted but rather warrants further exploration.

In this paper, we theorize how entrepreneurs may achieve cultural resonance in nascent markets by focusing on one type of cultural resource: market leadership claims. New ventures in nascent markets often suffer from a dual ‘liability of newness’ (Stinchcombe, 1965) – not only are the ventures themselves new, but so too is the market in which they are trying to operate (Aldrich and Fiol, 1994). For both ventures and investors alike, many meanings are uncertain (Lo and Rhee, 2022), the structure of the market space is fluid (Santos and Eisenhardt, 2009), and the future potential of new ventures is in question (Navis and Glynn, 2010). In such an ambiguous context, market leadership claims serve as a salient and prevalent cultural resource that new ventures can utilize (Martens et al., 2007; Snihur et al., 2018). They do so by indicating a venture’s position in a competitive space and are a powerful way a venture can highlight its distinctiveness (Lounsbury and Glynn, 2001; Navis and Glynn, 2011), thus aligning with the interests of investors seeking bold and promising targets. As a result, prior research suggests a general positive effect of market leadership claims on resource acquisition outcomes (Martens et al., 2007; Snihur et al., 2018).

However, the use of market leadership claims in nascent markets creates a conundrum. Given the unstructured and ambiguous nature of the context (Navis and Glynn, 2011), market leaders are usually not obvious and may not even exist yet. This makes it possible for just about any venture to claim market leadership (e.g., Santos and Eisenhardt, 2009). Indeed, cultural norms such as ‘fake it until you make it’ popular among investors (Garud et al., 2025; McMullen, 2025) may endorse such behaviour. Because multiple ventures can make nearly identical claims, and because these claims are difficult to validate in these nascent settings, it is puzzling how such claims can achieve cultural resonance. Such a context thus makes our inquiry particularly interesting and relevant.

Echoing the emerging literature on the dark side of cultural entrepreneurship, which moves beyond merely highlighting desirable cultural resources to cautioning against their overuse (e.g., Garud et al., 2025; Lo and Rhee, 2022; Lockwood and Soublière, 2022), this study shifts the focus from the content to the frequency of claims and theorizes the micro-foundations underlying the achievement of cultural resonance, or lack thereof. In particular, while past work has focused on the *content* of entrepreneurial claims (Lounsbury and Glynn, 2001; Martens et al., 2007; Navis and Glynn, 2010), we argue that the *frequency* of such claims, conceptualized as the recurring emphasis on market leadership claims in a venture's communications, may play an important role in how cultural resonance is achieved in nascent settings. Incorporating research in social psychology demonstrating that message frequency affects evaluations, over and above the content of the message itself (Cacioppo and Petty, 1979; Crano and Prislin, 2006), we propose that in settings where the content of market leadership claims is hard to validate, investors may rely on the frequency of such claims to extract information and make inferences about ventures. Specifically, we argue for a 'Goldilocks effect', where ventures claiming market leadership at a moderate frequency will receive more favourable investor evaluations than those claiming too little or too much. The reason for this inverted U-shaped effect, we theorize, is that frequency can at first enhance cultural resonance through increased familiarity and perceived legitimacy, whereas excessive frequency undermines it by triggering scepticism and reactance. By integrating the literatures on cultural entrepreneurship and social psychology, we can better examine how discursive strategies – such as market leadership claims – are processed, linking the micro-level mechanisms of cognitive processing to the macro-level implications for entrepreneurial success in nascent markets.

To test this idea, we use a multimethod approach that not only demonstrates the real-world applicability of this effect but also verifies the mechanism underlying it (e.g., Audia et al., 2000; Carton et al., 2014). First, we conduct an archival study that analyses the market leadership claim-making of new ventures in the nascent US information technology (IT) markets and their effect on venture capital (VC) funding. We show an inverted U-shaped relationship between the frequency of ventures' market leadership claims and the VC funding amount. Second, we then conduct an experiment to strengthen our ability to make causal inferences and examine the role of cultural resonance as an intermediary outcome, which mediates the relationship between market leadership claiming frequency and investor evaluations. Our experiment replicates the inverted U-shaped result from the archival study and demonstrates that cultural resonance, as manifested in evaluators' favourable and unfavourable thoughts, mediates this effect. In addition, Study 2 explores market nascency as an important boundary condition of our theory by demonstrating that our theorized inverted U-shaped relationship disappears when market leadership claims are being evaluated in an established (rather than nascent) market.

Our study has several implications for existing research. First, it contributes to the cultural entrepreneurship literature by theorizing how cultural resonance may be achieved in nascent markets (Glynn and Lounsbury, 2022). Incorporating insights from social psychology, we demonstrate an inverted U-shaped effect of claiming frequency and advance a more integrated account of cultural resonance by providing a theoretical linkage between audiences' cognitive processes and entrepreneurial outcomes. Second, by theorizing the role of claim frequency and demonstrating that

claim frequency can influence investor evaluations, our study also adds to the research on discursive strategies and audience resonance that has primarily focused on the content of claims (Giorgi, 2017). Third, this study also sheds light on firm strategies in nascent markets (Granqvist et al., 2013; Harmon et al., 2023; Rindova et al., 2010), where the uncertainty and ambiguity open space for firms to claim distinctiveness (e.g., market leadership) and pose challenges for audience evaluations. By showing that the frequency of claim-making is an important cue that audiences use to interpret and evaluate firms, our study suggests that crafting a broader claim-making strategy is an important component of firm success.

## THEORY AND HYPOTHESES

### Claim-Making in Nascent Markets

Nascent markets are an uncertain and ambiguous setting where probabilities for specific outcomes are difficult to predict (Davis et al., 2009) and problems of interpreting and understanding firm behaviours are widely present (Aldrich and Fiol, 1994; Rindova et al., 2007). In these settings, scholars have shown that ventures often make all sorts of claims to distinguish themselves from each other and acquire the resources they need to grow (Lounsbury and Glynn, 2019). Indeed, this research portrays entrepreneurs in these settings as ‘skilled cultural operators’ (Lounsbury and Glynn, 2001, p. 549) who use discourse and other symbolic strategies to make claims about who they are and what they do (Überbacher et al., 2015). While these distinctiveness claims can be about numerous things – such as their own credibility, their practices, the growth of the market, and even what the future might look like (Garud et al., 2014; Lounsbury and Glynn, 2001; Navis and Glynn, 2011; Wry et al., 2011; Zott and Huy, 2007) – there is one of particular importance in nascent markets: the claim of market leadership.

Market leadership is a coveted position (Lounsbury and Glynn, 2001; Santos and Eisenhardt, 2009), but the uncertainty and ambiguity in a nascent setting often render a venture’s actual leadership status difficult to assess (Petkova et al., 2014). As Petkova et al. (2014) put it, ‘when considering investments in an emerging sector, VC firms not only face uncertainty about the quality and potential of a particular startup (i.e., the likelihood that the startup turns out to be a “high performer”), but also lack the fundamental understanding of how to think about quality and potential in the sector (i.e., what constitutes “high performance” in this context)’ (p. 424). Interestingly, these conditions open up space for new ventures to claim market leadership relatively inexpensively (Santos and Eisenhardt, 2009), as they vie for an edge against competitors in this emerging space. As such, we tend to see a high amount of market leadership claiming in nascent markets. For example, Martens et al. (2007) found that 69 per cent of new ventures in high-tech industries in the late 1990s made some kind of market leadership claim by describing themselves as established or aspiring leaders (see also Santos and Eisenhardt, 2009). Similarly, studying the emergence of the US satellite radio market, Navis and Glynn (2010) showed that Sirius and XM regularly tried to claim market leadership over each other as the market developed. Furthermore, Snihur et al. (2018) provided evidence of business model disruptors strategically employing

leadership frames to validate the emerging ecosystem and establish themselves as pivotal architects within the ecosystem.

Yet, despite the prevalence of market leadership claims in nascent settings, their effectiveness remains unclear. On the one hand, as investors seek only the highest potential opportunities (Lounsbury and Glynn, 2001), one could argue that market leadership claims offer a strong sign of the best investment opportunities (Petkova et al., 2013). On the other hand, since nascent markets are fluid and power relations between ventures take time to establish (David et al., 2013), investors may struggle to identify the true market leader. Moreover, in such settings, there are typically no agreed-upon evaluation criteria for objectively assessing a new venture's market position in an unambiguous fashion (Harmon et al., 2023; Petkova et al., 2014). For example, in the early stages of the Internet boom, ventures used 'engagement metrics' such as web traffic, visitors, and users to show their market potential, but investors largely disregarded these new metrics (Harmon et al., 2023, p. 2598). Under such conditions and given that many ventures can make similar market leadership claims (e.g., Martens et al., 2007), it is unclear what investors might make of such claims. Will these market leadership claims affect investors' evaluations and, if so, why and to what effect?<sup>[1]</sup> We suggest that one way to bring clarity here is to shift the focus from the *content* to the *frequency* of claims and examine the micro-foundations of cultural resonance.

### Claim Frequency as an Important Indicator in Nascent Markets

We begin with an insight from existing work that investors are more likely to accept claims that resonate with their interests. Indeed, prior research shows that if the content of a venture's claim resonates with investors' interests or preferences, they are more likely to buy into it (e.g., Martens et al., 2007; Navis and Glynn, 2011; Petkova et al., 2013). Lounsbury and Glynn (2019) describe this process as skilled cultural operators selecting the right cultural resources to engage audiences. While this insight is valuable, we believe that it may not fully account for how market leadership claims are received in nascent markets. As most investors seek the highest potential opportunities, a venture claiming market leadership presumably aligns with just about everyone's interests. Under such circumstances, we argue that investors may pay less attention to the content of market leadership claims and focus instead on other aspects of the claim-making process that might be more diagnostic in nascent settings.

This perspective builds on and extends the idea that it is important for entrepreneurs to not only select the right cultural resources but also skillfully employ them (Lounsbury and Glynn, 2019; Überbacher et al., 2015). In particular, we examine how market leadership claims are delivered, rather than merely what is being claimed. Recent developments in cultural entrepreneurship suggest the likelihood of entrepreneurs overstating or overusing cultural resources, leading to negative outcomes (Garud et al., 2025; Lo and Rhee, 2022). Therefore, employing market leadership claims too frequently may trigger a 'too much of a good thing' effect, highlighting frequency as a critical dimension for entrepreneurs to manage and for investors to evaluate.

Building on the importance in cultural entrepreneurship of crafting appealing and convincing claims to influence audience perceptions and achieve cultural resonance (Lounsbury and Glynn, 2019, p. 59), the principles of persuasion provide valuable insights into how frequency shapes audience responses. In particular, social psychological

research on persuasion has demonstrated that mere exposure to a claim – or how frequently one is exposed to the same message – can affect its persuasiveness (Cacioppo and Petty, 1979). Specifically, this work has shown that repeated exposure to a message can initially increase its persuasiveness, but may eventually decrease it, thus producing an inverted U-shaped effect (Berlyne, 1970; Stang, 1975).

This social psychological research shares cognitive underpinnings with the cultural entrepreneurship literature given their common focus on persuasion (Crano and Prislin, 2006; Lounsbury and Glynn, 2019). While cultural entrepreneurship emphasizes how entrepreneurs leverage cultural resources to craft resonant messages, social psychology sheds light on the cognitive mechanisms underlying audience evaluations. Together, these two streams of research complement each other, bridging macro-level entrepreneurial strategies with micro-level audience processing in shaping cultural resonance.

### **Market Leadership Claims, Cultural Resonance, and Investor Evaluations in Nascent Markets**

The central argument of this study is that the frequency of ventures' market leadership claims may thus be an important consideration that investors use to evaluate ventures in nascent market settings. Frequency shapes cultural resonance by aligning with investors' expectations of how competitive ventures ought to communicate in these contexts (Lounsbury and Glynn, 2019). Specifically, moderate claiming frequency fosters resonance by increasing familiarity and perceived legitimacy, whereas excessive claiming frequency undermines it by triggering scepticism and even reactance. Below, we draw on insights from both social psychological and cultural entrepreneurship literatures to explain these effects and theorize why they are particularly relevant in settings where investors evaluate ventures in nascent markets.

*Gaining cultural resonance among investors.* Work in social psychology suggests that when exposure to a stimulus, such as a claim, is minimal or absent, individuals often experience a sense of uncertainty, which can lead to cautious reactions (Berlyne, 1970; Zajonc, 1968). However, as exposure increases, it initiates two related cognitive processes that enhance acceptance of the claim. First, repeated exposure prompts a process of positive habituation, reducing perceived uncertainty and increasing favorability towards the claim (Berlyne, 1970; Lee, 2001; Zajonc, 1968). Second, with increased exposure, the claim becomes more likely to be perceived as true, a phenomenon known as the 'truth effect' (Dechêne et al., 2010; Hasher et al., 1977). This effect is particularly strong under conditions of uncertainty, where the statement's truthfulness is difficult to judge on the basis of the individual's knowledge (Dechêne et al., 2010, p. 239).

While social psychological research offers a theoretical foundation to explain how audiences cognitively process repeated claims under uncertainty, cultural entrepreneurship situates these mechanisms within market dynamics, showing why they are particularly relevant for achieving cultural resonance among investors, which in turn shapes evaluation outcomes in nascent markets. When market leadership claims are absent or rarely made, investors

may struggle to evaluate a venture's market position or potential, leaving them uncertain about its competitive standing (Martens et al., 2007). In nascent markets, where most other ventures actively claim market leadership (Martens et al., 2007) and doing so involves little cost (Santos and Eisenhardt, 2009), a venture that refrains from making such claims may appear less competent or lacking ambition for growth (Lounsbury and Glynn, 2001; Navis and Glynn, 2010). This can limit its ability to establish legitimacy—the perception that a venture aligns with prevailing market narratives and investor expectations (Lounsbury and Glynn, 2019).

When leadership claims are present, they help reduce uncertainty by being aligned with investors' expectations about how a competitive venture should behave, making it easier for them to assess the venture's market position and potential (Lounsbury and Glynn, 2001; Martens et al., 2007). As McMullen (2025) documents, entrepreneurs often adopt a 'fake it 'til you make it' approach. While investors may not necessarily accept these assertions at face value, they may nonetheless expect true leaders to assert their leadership and recognize such claims' signalling value. These prevalent norms support a social-proof heuristic (Cialdini, 2021) that amplifies the perceived validity of leadership claims and facilitates the perceived legitimacy of entrepreneurs, especially under ambiguity.

Such cultural expectations can reinforce the aforementioned mere exposure effects. When the claims fit with prevalent expectations among investors – highlighting leadership potential or positioning – an increase in these claims prompts a process of positive habituation, where familiarity and acceptance grow (Berlyne, 1970; Lee, 2001; Zajonc, 1968). Repeated exposure to leadership claims also strengthens the perceived credibility of the entrepreneur's positioning (Hasher et al., 1977), making the venture appear more plausible and reinforcing its legitimacy in the eyes of investors (Lounsbury and Glynn, 2001; Navis and Glynn, 2011). The alignment between a venture's claims and investor expectations unfolds as a process of 'striking a chord', or resonating, with investors (Giorgi, 2017). Therefore, the initial increase in the frequency of market leadership claims drives the achievement of cultural resonance with investors, leading to more favourable investor evaluations.

*Losing cultural resonance among investors.* While increased claim frequency initially increases resonance and improves investor evaluations, work in social psychology suggests that continued increases in claim frequency can ultimately make it less persuasive by triggering another set of cognitive mechanisms. When a claim is excessively repeated, it may be perceived as a persuasive attempt rather than a genuine statement, making it feel forced or manipulative (Miller, 1976). When individuals sense that their attitudes or decisions are being intentionally influenced, they may perceive a threat to their freedom to decide for themselves. This perceived threat triggers psychological reactance, motivating individuals to resist and counteract the perceived influence (Wicklund, 1974). Such resistance can manifest in several ways, including counterarguing the claim or questioning its validity (Cacioppo and Petty, 1979; Miller, 1976; Zajonc et al., 1972). Rather than persuading, excessive repetition can therefore backfire, reducing the claim's reception.

These cognitive processes become particularly salient in entrepreneurial contexts, where investors are already weary about the credibility of ventures' claims due to the inherently risky nature of venture investment. When a venture continues to repeat its market leadership claims, investors may respond in ways that ultimately undermine the

venture's credibility and legitimacy. First, when claims are made too frequently without clear evidence to support them, which is often the case for ventures in nascent markets (Harmon et al., 2023; Santos and Eisenhardt, 2009), the psychological reactance triggered by excessive claims may translate into investor scepticism, causing investors to see them as mere rhetoric rather than indicators of actual market leadership. This scepticism can weaken investor confidence in the venture's credibility and trustworthiness (Colombo, 2021; Garud et al., 2025; Lo and Rhee, 2022). McMullen (2025) further suggests that escalating claims can evolve into outright deception, and investors may indeed be wary that entrepreneurs who 'fake it 'til they make it' might progressively intensify their assertions until the claims diverge so far from reality that their reputations collapse. This escalation dynamic underscores how excessive, unchecked repetition not only fails to persuade but can trigger a backlash.

Second, excessive claims can also make a venture appear out of touch with industry norms, further weakening its legitimacy (Garud et al., 2025; Lo and Rhee, 2022; Lounsbury and Glynn, 2001). When entrepreneurs repeatedly assert leadership at an excessive amount – especially in a context where such claims are difficult to validate, investors may interpret this as a violation of unspoken conduct standards and perceive the entrepreneur as overconfident or even narcissistic rather than competent. As a result, rather than persuading investors, excessive leadership claims may prompt investors to discount these assertions or even search for contradicting information (Cacioppo and Petty, 1979; Miller, 1976). Overclaiming thus undermines the venture's 'fit' with the expected cultural scripts of nascent markets, eroding trust. Therefore, beyond a certain threshold, as a new venture continues to increase its market leadership claims, it becomes less likely to resonate with investors, resulting in less favourable investor evaluations.

Taken together, we argue that in nascent markets, where market orders are unclear and objective metrics scarce, the frequency of market leadership claims drives investor evaluations by shaping cultural resonance – the degree to which symbolic communications appeal to and align with key audiences, or 'strike a chord' with investors. Drawing on insights from both social psychology and cultural entrepreneurship, we propose a Goldilocks effect on resonance: resonance increases as claim frequency moves from low to moderate levels (through familiarity and legitimacy) but decreases once again at high levels (through scepticism and reactance). Because resonance in turn shapes evaluations, we expect these resonance dynamics to translate into an inverted U-shaped pattern in evaluations: ventures that claim market leadership at a moderate frequency will garner the strongest investor support. We thus expect the following:

*Hypothesis 1:* In nascent markets, there is an inverted U-shaped relationship between a new venture's market leadership claiming frequency and investor evaluations, such that moderate market leadership claiming frequency leads to more favourable investor evaluations than low or high market leadership claiming frequencies.

*Hypothesis 2:* Cultural resonance mediates the inverted U-shaped relationship between a new venture's market leadership claiming frequency and investor evaluations in nascent markets.

## OVERVIEW OF THE STUDIES

We test these ideas using a multimethod approach, which has been used to demonstrate both the real-world applicability and mechanisms of an effect (e.g., Baker et al., 2019). Study 1 is an archival study that examines new ventures' claim-making in the nascent US IT market to test Hypothesis 1. Study 2 is an experiment that replicates Hypothesis 1 in a controlled setting to better establish causal inference and test our proposed mechanism in Hypothesis 2. Study 2 also explores an important boundary condition of our theory by examining whether our predicted effects disappear as the market matures. Our two studies thus seek to complement each other, with our experiment addressing the limitations of causal inference in our archival setting, and our archival study increasing the generalizability and practical validity of our findings. Investor evaluations refer to the assessments made by investors regarding a venture's potential, including both the amount they are willing to invest (as measured in Study 1) and the likelihood of their decision to invest (as measured in Study 2).

## STUDY 1: ARCHIVAL STUDY

### Sample and Data

Our sample consists of new ventures in the nascent US IT market, founded between 2003 and 2012, with at least one investment round from VC firms. Data were collected primarily from SDC VentureXpert, a database with information on new ventures' founding date, geographic location, SIC code, and round-level investment details. As not all IT sectors are nascent markets and some IT ventures may be competing in established marketplaces, we leveraged the *Encyclopedia of Emerging Industries (EEI)* to determine whether a venture competes in the nascent IT space (Mars-Proietti, 2007). *EEI* is a reference collection published by Gale that covers emerging industries or business segments and links each to an SIC or NAICS code. Given the time span of our sample, we used the fifth edition published in 2007. Specifically, we matched the IT SIC codes (at the 4-digit level) in the VentureXpert database to the SIC codes in *EEI*, and only included ventures whose primary SIC appears in both VentureXpert's IT sector and *EEI*. In the initial VentureXpert IT sample, 219 SIC codes were identified. After matching with *EEI*, 96 SIC codes were retained, and 123 were excluded. This produced a sample of 5288 ventures. Table AI in the Appendix summarizes the top 10 industries by total VC investments, showing the number of ventures, total investments, and exemplary ventures for each industry.

### Measures

*Dependent variable.* To capture investor evaluations, we used *investment amount*, which is measured as the total amount of funding that a venture received in the first round. We collected data on disclosed investment amount from SDC VentureXpert. Among 5288 ventures, 846 had missing values for this variable in the first round. Following prior research (e.g., Pan et al., 2020), we excluded these ventures, resulting in a reduced sample of 4442 ventures. We applied a natural logarithm transformation to correct for skewness (Ko and McKelvie, 2018; Pan et al., 2020). Our primary dependent variable focuses on the investment amount in the first round to minimize

confounding factors that can arise as ventures continue claiming market leadership through multiple investment rounds. However, we conducted additional analyses by considering the investment amount in the second round or including all investment rounds that the ventures in our sample have had, and obtained consistent results.

*Independent variable.* We capture *market leadership claiming frequency* by analysing the press releases that a venture issued during the window of time between its founding and first investment round. The press release is an important claim-making device (Glynn, 2000) and is regularly used by new ventures to make self-announcements (Kennedy, 2008; Petkova et al., 2013; Snihur et al., 2018) and by investors to learn about new ventures (Pontikes, 2012; Teten and Farmer, 2010). We used LexisNexis to collect press releases from *Business Wire*, *Canadian NewsWire*, *Gannett News Service*, *M2 Presswire*, *Marketwired*, *PR Newswire* and *the Associated Press* (Pollock et al., 2008). The variable is measured using a dictionary approach, whereby the percentage of word phrases related to claiming market leadership (see below) used by a venture during the aforementioned window of time is reported in relation to all words in their press releases within that window.

As no established word dictionary exists for market leadership claim-making, we developed one using a two-step process. First, we compiled a preliminary list of word phrases ('industry-leading', 'market leadership', 'a leading') that existing research suggests reflect claims to being a market leader (e.g., Martens et al., 2007; Navis and Glynn, 2010; Santos and Eisenhardt, 2009; Snihur et al., 2018). It is important to use two-word phrases instead of single words, since the singular word 'leader' can be used in different semantic contexts (e.g., 'board leadership') that would have little to do with market leadership. Second, the first author read a random sample of 400 ventures' press releases to validate the list. This validation process involved (1) adding new word phrases that were used consistently by ventures to specifically claim market leadership (e.g., 'world's leading') and (2) dropping word phrases that were consistently used in contexts outside of market leadership claiming (e.g., 'leads in').

Once we had compiled our final word dictionary (the full dictionary, along with examples, is provided in Table AII in the Appendix), we used the Linguistic Inquiry Word Count (LIWC) (Pennebaker et al., 2015) that has been extensively used in management research for text analysis (e.g., Harmon, 2019; Rhee and Fiss, 2014) to calculate the percentage of word phrases a venture uses to claim market leadership in relation to all words in its press releases.

We then took steps to validate our measure. To begin, we wanted to see if our word dictionary was associated with people's assessment of market leadership claiming when reading ventures' press releases. We randomly selected 50 press releases from our sample, and two coders independently read each press release and were asked to evaluate the level of market leadership they believed was being claimed. Each coder was asked to report their answer on the 5-point Likert scale, with 1 indicating 'very low level of market leadership' and 5 indicating 'very high level of market leadership'. Across the 50 random press releases, the two coders had inter-rater reliability of 0.87. We then took the average of the two coders' ratings and correlated it with our quantitative *market leadership claiming frequency* measure derived above. The two measures

correlated at 0.75. These results offer convergent validity that our *market leadership claiming frequency* measure captures what people comprehend when reading such press releases.

*Control variables.* We controlled for factors that may influence investment decisions and outcomes pertaining to venture, VC and market characteristics. For venture characteristics, we included controls for *founding team structure*, *venture age*, *stage*, *location*, *patent count*, *press release volume*, and *media market leadership coverage*. Team composition may influence venture outcomes (Gompers et al., 2020). Following Ko and McKelvie (2018), we included a binary variable, *founding team structure*, coded as 1 if the venture was founded by a solo entrepreneur and 0 if it was founded by a team. To construct this measure, we first relied on the VentureXpert field ‘Company Executive: Job Title’ to identify whether a ‘founder’ or ‘co-founder’ was listed. For ventures lacking this information, we manually searched Google, consulting sources such as CB Insights, Crunchbase, and LinkedIn. Despite these efforts, we were unable to determine founding team structure for a subset of ventures (137 out of 4442).

As younger ventures are associated with a higher risk of failure (Freeman et al., 1983; Stinchcombe, 1965), VC investors are often more reluctant to commit resources to younger ventures (Zimmerman and Zeitz, 2002). Thus, we controlled for *age*, measured as the number of years elapsed from the venture’s founding year to the year it received the first round of investment. VC investors also have preferences over investment stages (Gompers et al., 2020), so we controlled for *stage* with venture investment stage dummies (e.g., seed, early) at the time of the first-round investment as reported by VentureXpert (Guler, 2007). Prior research suggests that significantly more VC investments occur in certain places than others (Gompers and Lerner, 2001; Lerner and Nanda, 2020). Our data show that California, New York, and Massachusetts ranked tier one in terms of the total VC investments received by IT new ventures during the period 2003–2014, so we controlled for *location*, measured with a binary variable coded as 1 if the venture was located in California, New York, or Massachusetts, and 0 otherwise. Controlling for venture state dummies instead produces consistent results. Technological innovativeness plays an important role for ventures in securing funding (Petkova et al., 2013). To account for this, we included *patent count*, measured as the number of patents from the venture’s founding to its first investment date. Patent data were obtained from the USPTO PatentsView database. We applied a fuzzy matching algorithm to associate venture names with patent assignees and manually verified the matches to ensure accuracy.

We also controlled for *press release volume*, measured by the number of press release articles that the venture released prior to receiving the first round of investment (Petkova et al., 2013). Controlling for press release word count, which correlates highly with volume ( $r=0.95$ ), does not change our findings. Lastly, we captured a venture’s actual market leadership position through media coverage. We measured *media market leadership coverage* by calculating the ratio of the number of market leadership words (identical to those in measuring the independent variable) that the Wall Street Journal, New York Times, and Washington Post (Fiss and Hirsch, 2005) reported about a focal venture, divided by the total number of words in their news coverage that reported the venture, during the first investment round.

Following prior research, we controlled for VC characteristics, including *syndication*, *CVC*, *number of VCs*, *prominent VC affiliation*, *VC age*, *VC size*, *VC general experience*, and *VC industry experience*. Syndication, where ventures receive funding from multiple VC firms, even in the same round, has performance implications (Lerner, 2022; Sorenson and Stuart, 2001). We used a binary measure for *syndication*, coded as 1 if there was more than one VC firm in the focal round, and 0 otherwise. There are different types of VCs. In our dataset, traditional VCs and corporate VCs (CVCs) are the major types. CVCs may influence venture performance through complementary resources in addition to financial capital (Alvarez-Garrido and Dushnitsky, 2016; Park and Steensma, 2012). We controlled for *CVC* using a binary variable, coded as 1 if at least one VC firm was a subsidiary of a corporation, and 0 otherwise. The *number of VCs* was measured as the total number of VC firms in the focal investment round. *Prominent VC affiliation* was measured as a binary, taking the value of 1 if a top 10 central VC firm invested in the venture during the focal funding round, and 0 otherwise (Katila et al., 2008). We identified the top 10 central VC firms based on their eigenvector centrality within the VC syndication network (Bonacich, 1972; Katila et al., 2008). *VC age* was measured as the average age (in years) of VC firms involved in the investment round. *VC size* was measured as the natural logarithm of the total capital under management (in dollars) for all VC firms participating in the round (Cumming and Dai, 2010). *VC general experience* was measured as the natural logarithm of the total number of portfolio companies that all VC firms in the focal round had invested in prior to the investment event year (Sorenson and Stuart, 2001). *VC industry experience* was measured as the natural logarithm of the total number of portfolio companies in the focal venture's industry (4-digit SIC) that all VC firms in the focal round had invested in before the investment event year (Sorenson and Stuart, 2001).

To account for market-level variations (Gompers et al., 2020; Janeway et al., 2021), we included two variables. *IPO market hotness* was measured as the natural logarithm of the number of IPOs in the previous year (Cumming and Dai, 2011; Que and Zhang, 2021). *VC market fund* was measured as the natural logarithm of total VC fund size (in dollars) in the previous year (Cumming and Dai, 2011). We also included SIC *dummies* at the 2-digit level to control for industry effects (Gaba and Meyer, 2008) and *round year dummies* to rule out time-specific effects (Katila et al., 2008).

## Results

We used OLS to estimate our models. To reduce the possibility that outliers may be driving the results, we excluded those observations whose *market leadership claiming frequency* is 3 standard deviations (*SD*) above the mean ( $N=47$ ). Our results still replicate if we do not exclude these extreme observations. Our final sample consisted of 4258 ventures. We standardized all the continuous independent variables in analysing and reporting regression results.

Table I presents the descriptive statistics and correlations for all the variables in our sample. Following Haans et al.'s (2016) suggestion, we also report the descriptives for the squared term *market leadership claiming frequency squared*. The variance inflation factor (VIF) test (mean VIF = 2.54) suggests that multicollinearity is not a serious concern (Graham, 2003). The mean value of our dependent variable *investment amount* is 14.59 (natural logarithm transformed), which is equal to \$2.17 million, meaning that a venture

Table I. Descriptive statistics and correlations (Study 1)

Variable	Mean	SD	1	2	3	4	5	6	7	8
<i>Dependent variable</i>										
1. Investment amount <sup>a</sup>	14.59	1.41								
<i>Independent variable</i>										
2. Market leadership claiming frequency <sup>b</sup>	0.03	0.08	0.18							
3. Market leadership claiming frequency squared <sup>b</sup>	0.01	0.03	0.14	0.94						
<i>Control variables</i>										
4. Founding team structure	0.36	0.48	-0.04	0.00	0.01					
5. Age	1.72	1.81	0.16	0.27	0.21	0.07				
6. Location	0.66	0.47	0.18	-0.02	-0.02	-0.08	-0.12			
7. Patent count	0.33	2.28	0.07	0.06	0.04	0.03	0.11	0.00		
8. Press release volume	1.25	4.49	0.17	0.39	0.29	0.00	0.29	-0.03	0.08	
9. Media market leadership coverage <sup>b</sup>	0.00	0.00	0.02	-0.01	0.00	-0.01	-0.01	0.01	0.00	0.00
10. Syndication	0.69	0.46	0.27	-0.01	-0.01	-0.06	-0.08	0.11	0.00	-0.02
11. CVC	0.11	0.32	0.10	0.03	0.02	0.02	0.03	0.05	0.04	0.03
12. Number of VCs	2.38	1.51	0.20	-0.01	-0.01	-0.04	-0.08	0.12	0.00	-0.03
13. Prominent VC affiliation	0.10	0.30	0.14	-0.03	-0.03	-0.03	-0.09	0.12	-0.01	-0.02
14. VC age	21.03	12.48	0.16	0.02	0.01	-0.02	0.03	0.06	0.02	0.03
15. VC size <sup>a</sup>	18.02	6.45	0.26	-0.03	-0.02	-0.01	-0.10	0.12	0.00	-0.04
16. VC general experience <sup>a</sup>	3.58	2.26	0.25	-0.03	-0.03	-0.03	-0.07	0.16	0.00	-0.02
17. VC industry experience <sup>a</sup>	1.74	1.68	0.18	-0.03	-0.03	-0.06	-0.04	0.17	-0.01	-0.03
18. IPO market hotness <sup>a</sup>	5.18	0.49	0.05	-0.01	0.00	0.02	-0.04	0.03	0.01	-0.03
19. VC market fund <sup>a</sup>	24.06	0.50	0.03	0.01	0.01	0.02	-0.03	0.02	0.01	-0.01

(Continues)

Table I. (Continued)

Variable	9	10	11	12	13	14	15	16	17	18
10. Syndication	-0.02									
11. CVC	-0.01	0.19								
12. Number of VCs	-0.01	0.62	0.29							
13. Prominent VC affiliation	-0.01	0.13	0.04	0.20						
14. VC age	0.00	0.26	0.07	0.15	0.10					
15. VC size <sup>a</sup>	0.01	0.17	0.00	0.18	0.21	-0.09				
16. VC general experience <sup>a</sup>	0.01	0.22	0.03	0.28	0.31	0.08	0.48			
17. VC industry experience <sup>a</sup>	0.03	0.18	0.04	0.25	0.28	0.08	0.37	0.75		
18. IPO market hotness <sup>a</sup>	0.00	0.06	0.06	0.02	-0.01	-0.03	0.04	0.01	-0.01	
19. VC market fund <sup>a</sup>	0.00	-0.02	0.04	-0.06	-0.04	-0.02	0.03	-0.04	-0.07	0.37

<sup>a</sup>%. N = 4258. Correlations with absolute values larger than 0.03 are significant at p < 0.05.

<sup>b</sup>The variables are transformed using the natural logarithm.

<sup>c</sup>The measures represent percentages.

received an average amount of funding of \$2.17 million in the first investment round. The mean of our independent variable *market leadership claiming frequency* is 0.03 per cent, which is equivalent to a venture making 1.2–1.3 market leadership claims in the first investment round. Table II summarizes the test results. Model 1 includes the control variables only. In Model 2, we included the independent variable, *market leadership claiming frequency*. In Model 3, we further included its squared term.

Hypothesis 1 predicts that a venture's market leadership claiming frequency has an inverted U-shaped relationship with investor evaluations, measured as investment amount. To test this relationship, we followed Haans et al.'s (2016) suggestion and used a three-step procedure. First, the coefficient for the squared term needs to be significant and negative. In Model 3, the coefficient for *market leadership claiming frequency squared* is negative ( $\beta = -0.14$ ,  $SE = 0.04$ ,  $CI [-0.21, -0.07]$ ,  $p < 0.001$ ), which indicates an inverted U-shaped relationship. Second, the slope needs to be sufficiently steep at both the lower bound and upper bound of the data range. Using the *utest* command in Stata (Lind and Mehlum, 2010), we performed a formal test for an inverted U-shaped relationship. The results indicate that the slope at the lower bound is positive (0.54) with a p-value smaller than 0.001, and that the slope at the upper bound is negative (-0.44) with a p-value of 0.007. The results suggest the presence of an inverted U-shaped relationship. Third, the inflection point needs to be located well within the data range. The inflection point is 1.39, calculated using the formula  $-\beta_1/2\beta_2$ , where  $\beta_1$  is the coefficient for the independent variable and  $\beta_2$  is the coefficient for its squared term. This point is within the data range of the standardized independent variable *market leadership claiming frequency* [-0.54, 2.94]. To account for finite sample bias, we used the Fieller method (Fieller, 1954) as suggested by Haans et al. (2016) and obtained the 95% confidence interval for the inflection point [1.29, 1.50]. This confidence interval is within the data range, indicating that it is reasonably safe to conclude that there exists an inverted U-shape. Table III reports the results of testing the inverted U-shaped relationship. We also plotted this relationship in Figure 1 over the relevant range of the standardized *market leadership claiming frequency*. These results together offered support for Hypothesis 1.

To interpret the economic significance of the effect, we consider the log transformation of our dependent variable. With a logged dependent variable, regression coefficients represent the percentage change in the dependent variable for a one-unit change in the independent variable. Our independent variable, *market leadership claiming frequency*, was standardized. At the mean, a one *SD* increase in *market leadership claiming frequency* is associated with a 28.4 per cent increase in *investment amount*, which translates to approximately \$0.62 million in additional funding. This upward trend continues, reaching a peak at the inflection point (1.39 *SD*), where the marginal effect is close to zero and investment reaches approximately \$2.85 million, or about \$0.68 million more than the mean. Beyond this point, returns begin to decline. For example, increasing from 1.39 to 2.39 *SD* is associated with a 13.0 per cent decrease, or about \$0.37 million less in funding relative to the peak.

*Sample selection bias and correction.* Our sample only included ventures that had received VC funding. To address potential sample selection bias, we employed a Heckman selection

Table II. Regression of market leadership claiming frequency on investment amount (Study 1)

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>
Constant	16.12*** (0.77)	16.12*** (0.69)	16.17*** (0.63)
<i>Control variables</i>			
Founding team structure	-0.13*** (0.04)	-0.12** (0.04)	-0.12** (0.04)
Age	0.34*** (0.04)	0.31*** (0.04)	0.31*** (0.04)
Location	0.44*** (0.04)	0.43*** (0.04)	0.43*** (0.04)
Patent count	0.07 (0.06)	0.07 (0.06)	0.07 (0.06)
Press release volume	0.20*** (0.04)	0.14*** (0.03)	0.11** (0.03)
Media market leadership coverage	1.57*** (0.06)	1.58*** (0.06)	1.59*** (0.06)
Syndication	0.50*** (0.05)	0.50*** (0.05)	0.50*** (0.05)
CVC	0.13* (0.06)	0.13* (0.06)	0.13* (0.06)
Number of VCs	0.03 (0.02)	0.02 (0.02)	0.02 (0.02)
Prominent VC affiliation	0.24*** (0.06)	0.24*** (0.06)	0.24*** (0.06)
VC age	0.17*** (0.02)	0.17*** (0.02)	0.17*** (0.02)
VC size	0.24*** (0.02)	0.24*** (0.02)	0.24*** (0.02)
VC general experience	0.11*** (0.03)	0.11*** (0.03)	0.11*** (0.03)
VC industry experience	0.05 (0.03)	0.05 (0.03)	0.05 (0.03)
IPO market hotness	0.11 (0.15)	0.13 (0.15)	0.13 (0.15)
VC market fund	-0.35*** (0.08)	-0.35*** (0.08)	-0.35*** (0.08)
Stage dummies	Yes	Yes	Yes
SIC dummies	Yes	Yes	Yes
Round year dummies	Yes	Yes	Yes
<i>Study variables</i>			
Market leadership claiming frequency		0.22*** (0.03)	0.39*** (0.05)

(Continues)

Table II. (Continued)

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>
Market leadership claiming frequency squared			-0.14*** (0.04)
N	4258	4258	4258
R-squared	0.331	0.338	0.340
Adjusted R-squared	0.321	0.328	0.330

*Note:* Standard errors are shown in parentheses.

\*\*\* $p < 0.001$ ;

\*\* $p < 0.01$ ;

\* $p < 0.05$ ;

<sup>+</sup> $p < 0.10$ .

Table III. Inverted U-shape test results (Study 1)

Market leadership claiming frequency	$\beta_1 = 0.39^{***}$ (0.05)
Market leadership claiming frequency squared	$\beta_2 = -0.14^{***}$ (0.04)
Slope at lower bound	0.54***
Slope at upper bound	-0.44**
Inflection point	$-\beta_1/2\beta_2 = 1.39$
Overall test of presence of an inverted U-shape	$p = 0.007$
95% CI of the inflection point using Feller method	[1.29, 1.50]
Market leadership claiming frequency data range	[-0.54, 2.94]

*Note:* Standard errors are shown in parentheses.

\*\*\* $p < 0.001$ ;

\*\* $p < 0.01$ ;

\* $p < 0.05$ ;

<sup>+</sup> $p < 0.10$ .

model. We obtained a sample of non-VC-backed ventures from the PrivCo database, which provides information about US private companies (Pan et al., 2020). We specified that these ventures should: (1) be US-based, (2) be founded within the same time frame (2003–2012) as those in our main sample, and (3) belong to the same industries (SIC codes) as those in the main sample. We used *VC state count*, measured as the number of VC firms in a state in the prior year, as the exclusion restriction variable (Certo et al., 2016). Theoretically, the number of VC firms in a state may influence the likelihood of receiving VC funding but should not directly determine the investment amount a venture can receive, which is driven by venture-level factors. Empirically, this variable significantly predicted the *likelihood of investment* ( $p = 0.002$ ) but did not significantly predict *investment amount* ( $p = 0.210$ ), supporting its validity.

In unreported analyses, we estimated the Heckman model. In the first stage, we regressed the *likelihood of investment* on a set of control variables (e.g., founding team structure, age, location, patent count, press release volume, SIC dummies) and the exclusion

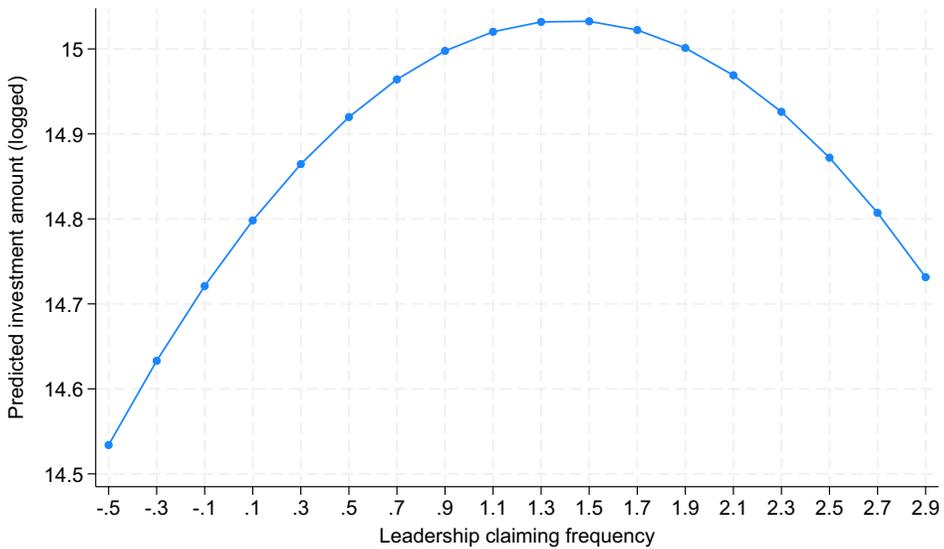


Figure 1. Predicted effect of market leadership claiming frequency on investment amount (Study 1)

restriction variable. In the second stage, we regressed the *investment amount* on the control and study variables, including the inverse Mills ratio generated from the first stage. The Heckman model yielded a significant lambda coefficient ( $p = 0.005$ ), indicating the presence of sample selection bias. However, the results for our key explanatory variables remained consistent with the OLS estimates ( $\beta = -0.14$ ,  $SE = 0.04$ ,  $CI [-0.22, -0.07]$ ,  $p < 0.001$  for *market leadership claiming frequency squared*), suggesting that sample selection bias does not materially affect our findings.

*Robustness tests.* One concern given the nature of our data is that omitted variables may be driving the results. Although we have attempted to control for variables that may be associated with a venture's actual market position or underlying quality, to estimate the effect of the potential omitted variable bias, we followed the method by Frank and colleagues (e.g., Frank, 2000; Xu et al., 2019). This method calculates the impact of an omitted confounding variable (ITCV) and the percent bias necessary to invalidate or sustain an inference for a regression coefficient. Using the *konfound* command in Stata, we obtained that to invalidate the inference for the effect of *market leadership claiming frequency* on *investment amount*, 72.85 per cent (3102 cases) of the estimate would have to be replaced with cases for which there is an effect of 0, which is quite large and seems unreasonable. A graphical illustration is provided in Figure A1 in the Appendix. The result suggests that omitted variable bias may not be a serious concern.

We also performed several analyses to test the robustness of our results. First, Haans et al. (2016) suggested ruling out alternative specifications by inserting a cubic term into the regression. The results show that the coefficient of the cubic term has a p-value of 0.859. Haans et al. (2016) also suggested conducting split-sample tests based on the empirically determined inflection point and checking whether two linear regressions produce slopes that are consistent with the predicted shape of the curve. We split our sample based on 1.39, the inflection point as calculated above. The subsample below

the inflection point contains 4081 observations, while the subsample above the inflection point (inclusive) consists of only 177 observations. Given the small size of the above-point subsample, the statistical power to detect a significant relationship is limited, and the results should be interpreted with caution. Our results show that the regression on the subsample below 1.39 indicates a positive relationship between *market leadership claiming frequency* and *investment amount* ( $p < 0.001$ ), while the regression on the subsample above 1.39 (inclusive) indicates a negative relationship ( $p = 0.280$ ). Despite the limitations in the above-point subsample, the overall pattern aligns with the hypothesized inverted U relationship.

Second, we tested an alternative measure for *market leadership claiming frequency*: we used the absolute number of market leadership claiming words instead of the relative number. The results support an inverted U-shaped.

Third, we employed an alternative sample by focusing on ventures that received first-round funding and examined their likelihood of securing second-round funding. The findings consistently demonstrate an inverted U-shaped pattern. The consistent results across these models increase our confidence that Hypothesis 1 is supported.

*Identity statements.* Identity statements in press releases, such as the firm's self-descriptions in the introductory section and the boilerplate information at the end, may play a particularly significant role in shaping investor perceptions. These focal sections are often regarded as formal and standardized; however, they also serve as key points where firms communicate their strategic identity. To investigate the distinct impact of market leadership claims made within identity statements, we separated each press release into three sections: Section 1 (Introduction), Section 2 (Main Body), and Section 3 (Boilerplate or About the Firm). Sections 1 and 3 were analysed as focal identity statement sections.

Using our market leadership dictionary in LIWC, we calculated the frequency of market leadership claims within Sections 1 and 3. The *market leadership claiming frequency* for each venture was determined by aggregating the claims in these sections and dividing by the total number of words in the entire press release. In unreported analyses, we observed an inverted U-shaped relationship between *market leadership claiming frequency* in identity statements and *investment amount*, consistent with our primary findings. Notably, the results showed steeper slopes at both ends of the curve when focusing solely on identity statements. Specifically, the coefficient of *market leadership claiming frequency* is 0.45 ( $p < 0.001$ ), while that of its squared term is  $-0.15$  ( $p < 0.001$ ), compared to 0.39 ( $p < 0.001$ ) and  $-0.14$  ( $p < 0.001$ ) when considering the entire press release. These findings suggest that the inverted U relationship is more pronounced when focusing exclusively on identity statements, suggesting that these statements may have a greater impact on investor evaluations.

To ensure robustness, we performed an alternative calculation by dividing the aggregated market leadership claims from Sections 1 and 3 by the total number of words in these sections alone. The results remained consistent, demonstrating similar significance levels and reaffirming the presence of the inverted U-shaped relationship. These findings suggest that identity statements, despite often being perceived as formal or routine, can meaningfully influence investor evaluations.

*Timing effect.* While press releases serve as a key medium for communicating market leadership, their influence on investor perceptions may vary depending on their timing relative to investment events. Prior research suggests that the timing of information release can significantly affect its impact, with more recent information often being more salient to decision-makers (e.g., Baddeley and Hitch, 1993; Pan et al., 2020). Therefore, press releases issued closer to an investment event may have a stronger influence on investor evaluations compared to those released earlier.

To account for this potential recency effect, we constructed a time-weighted measure of *market leadership claiming frequency*. This measure assigns a weight to each claim based on the number of days between the press release and the investment event, with claims made closer to the event receiving higher weights. The weighting formula is as follows:

$$\text{Weight} = 1 - \frac{\text{Days Between Press Release and Investment Event}}{\text{Round Duration}},$$

where *Days Between Press Release and Investment Event* is the number of days from the press release to the first investment event, and *Round Duration* is the number of days from the venture's founding to the first investment event.

In unreported analyses, we incorporated this time-weighted measure into our analysis and found that the results were consistent with our baseline tests, suggesting that although timing may play a role, the overall pattern holds.

*Boundary condition.* A potential boundary condition of our theory is that the curvilinear relationship predicted in Hypothesis 1 may disappear as the uncertainty or ambiguity present in a nascent market context diminishes. One way to examine this boundary condition is to examine the maturity of the ventures themselves. Indeed, as a venture matures, the uncertainty and ambiguity around its claim-making, along with investors' difficulties in verifying such claims, might diminish and change how investors evaluate such claims. We sought to explore this possibility by expanding the observation window to include all investment rounds a venture had, from its founding until 2014. In unreported analyses, we tested interaction effects with round number, a proxy for *venture nascency*. We found that the interaction between market leadership claiming frequency and round number was negative ( $p < 0.001$ ), while the interaction between the squared term and round number was positive ( $p < 0.001$ ), suggesting that our predicted effects were stronger in the earlier rounds of a venture's funding efforts than in later rounds, when a venture's track record becomes more readily available. In fact, when considering only the later rounds (e.g., after the fifth round, which corresponds to one *SD* above the mean round number in our data), the inverted U-shaped relationship disappears, and instead we observe a positive linear relationship. In particular, the coefficient for *market leadership claiming frequency* is positive ( $p = 0.006$ ), while the coefficient for its squared term is negative but not significant ( $p = 0.352$ ), suggesting a linear relationship. These findings are consistent with the idea that as the uncertainty and ambiguity regarding a venture's actual market leadership decrease, the effect of claim frequency may change.

## Study 1 Discussion

Study 1 demonstrates an inverted U-shaped relationship between a new venture's market leadership claiming frequency and VC investment in a nascent market setting. Specifically, ventures in a nascent market engaging in market leadership claiming at a moderate frequency were more successful at obtaining first-round funding than ventures engaging in market leadership claiming at a low or high frequency, thus providing support for Hypothesis 1. This study, however, faces several limitations given the nature of the archival data. First, we do not have access to how investors in this context actually reacted to ventures' market leadership claims, thereby limiting our ability to validate the underlying process associated with the curvilinear effect. Second, we were unable to control for the private information that investors might have about particular ventures, such as the entrepreneurial team's ability (Gompers et al., 2020), thereby allowing the possibility of alternative explanations. Third, because all industries in our archival study are nascent in nature, it is difficult to validate market nascency as an important boundary condition of our theory. For these reasons, we conducted Study 2 to address these limitations.

## STUDY 2: EXPERIMENT

The main purpose of Study 2 is to bolster the internal validity of findings in Study 1 and to examine our hypothesized mediating process. To do so, we employ an experiment that tests both Hypotheses 1 and 2, examining the effect of entrepreneurial market leadership claiming frequency on cultural resonance and the likelihood of investment that captures investor evaluations. We also explored market nascency as an important boundary condition of our theory by analysing the effects of market leadership claiming frequency in both nascent and established market conditions. In line with best practices in experimental research (Nosek and Lindsay, 2018), we pre-registered our hypotheses, measures, and analyses before conducting the study on the website 'As Predicted', established by Wharton's Credibility Lab. One deviation from our pre-registration was the inclusion of a boundary condition (nascent vs. established market) in our design. To access our pre-registration, please follow this link: <http://aspredicted.org/blind.php?x=j7ik4b>. This study also has received IRB approval.

## Participants and Experimental Design

Online subject pools are used regularly in psychology and organizational research (e.g., Baker et al., 2019; Harmon et al., 2015). We recruited 684 participants from Prolific, an online platform that allows users to outsource tasks to a large and diverse participant pool (Peer et al., 2017). All of our participants were located in the US and had investment experience. While these investors differ from the VC investors in Study 1 in terms of expertise, resources, and access to information, research suggests that many cognitive effects reflect generalized cognitive processes across populations. Montoya et al. (2017) conducted a meta-analysis on the mere exposure effect and found robust support for the two-factor theory (i.e., repeated exposure has positive effects initially, followed by negative ones) across individuals with different levels of expertise and in varied contexts. Importantly, heuristics-based judgments tend to play a greater role under uncertainty, such as when the task is novel or when

the outcome is unpredictable (e.g., Tversky and Kahneman, 1974). As entrepreneurship in nascent markets features heightened uncertainty, investors, including VCs, may become more reliant on heuristic cues. In these contexts, VCs may ‘simplify their valuation analysis’ (Gompers et al., 2020, p. 181). For example, they may use media coverage as a heuristic cue to inform their assessments (Petkova et al., 2013). This suggests that both individual and VC investors are likely to respond similarly to repeated exposure to entrepreneurial claims in nascent market conditions, as these responses stem from generalized cognitive processes under heightened uncertainty.

Consistent with best practices in handling careless responses in survey data (Meade and Craig, 2012), we pre-registered that we would exclude participants who completed our experiment in less than five minutes, prompting us to drop 37 participants. Thus, our final sample was 647 participants. Their average age was 40.48 ( $SD = 13.23$ ); 39 per cent were female, 81 per cent were Caucasian, 65 per cent had a bachelor’s degree or above, 79 per cent were working full-time, and their average full-time work experience was 17.64 years ( $SD = 12.14$ ).

Our research design was based on the experiment conducted by Chen et al. (2009), which examined how entrepreneurial passion affects investment decisions, and Cacioppo and Petty (1979), which examined the persuasive effects of receiving repeated messages. In our study, participants were randomly assigned to one of the six conditions (*market leadership claiming frequency*: low, moderate, high; *market condition*: nascent, established). After launching the survey and signing a consent form, participants were told that they were investors and would have to evaluate a new venture seeking funding. We first gave them background information on a focal venture *DataMine*, in which we also described the market condition as either nascent or established. Participants then read a summary of the venture’s two closest competitors, followed by press release(s) that the new venture had released. After reading the press release(s), participants were asked to take three minutes and list all the thoughts that occurred to them as they read the press release(s). Finally, participants were asked to respond to several evaluative questions about the venture and demographic questions. After they finished the survey, participants were debriefed, and the study concluded.

*Market leadership claiming frequency manipulation.* Consistent with Cacioppo and Petty (1979), we manipulated *market leadership claiming frequency* by exposing participants to the same press release 1 (low frequency), 3 (moderate frequency), or 5 times (high frequency). In the analysis, we coded this variable as low (1), moderate (2), and high (3), representing rank-order levels of frequency. We developed a simplified version of a press release based on real press releases from our archival study. To ensure that participants recognized that the leadership claims were coming from the organization and not a third party, we had the claims appear in a quotation by the venture’s CEO. The first press release that all participants saw, regardless of condition, is below:

----- Press Release @ 9:23 AM -----

### ***DataMine* announces partnership**

Mike Peralta, the CEO of *DataMine*, announced plans today to partner with the Germany-based company wunderloop.

Peralta said: '*DataMine* is a leader in the online advertising industry, and this partnership will only further strengthen our leadership position in this space. Along with our proprietary technologies, *DataMine* clearly leads the industry in product offerings and service.'

----- Press Release @ 9:23 AM -----

Then, participants in the moderate- and high-frequency conditions were exposed to this exact same press release either two or four more times, respectively. With each repetition, the content of the subsequent press releases remained identical, which is common when press releases are sent via multiple media outlets. However, we employed two cosmetic differences for each repetition to encourage participants to read and think about the subsequent press releases, even though they looked similar. First, the time stamp on each subsequent press release reflected later times in the day. Second, the subject line varied slightly, changing, for example, from 'DataMine announces partnership' to 'Partnership announced by DataMine'.

We acknowledge that by not varying the actual content of the press release, this manipulation could seem less realistic. However, there are two reasons we kept the content, and especially the leadership claims, identical throughout. First, even though press release content can change, quotations by executives typically do not. In fact, the same quotation is often cited in multiple press releases. As such, ensuring that the leadership claims were made in the quotation allowed us to maintain content consistency in a realistic manner. Second, changing the actual content of the press release would introduce alternative explanations into our research design, thereby limiting our ability to make inferences about the cause of any observed effect. For example, if we manipulated both the frequency and the content of the claim, any observed effect might be caused by either of these changes, inhibiting our ability to isolate the effect.

*Market condition manipulation.* We manipulated the market condition when we provided participants with background information on our focal venture. In the nascent market condition, we told participants that '*DataMine* is one of many ventures competing in the nascent market, a setting where despite many ventures claiming market leadership, it is often unclear who the industry leader is yet.' In the established market condition, we told participants that '*DataMine* is one of many ventures competing in the established market' and did not mention anything about the ambiguity surrounding market leadership status.

## Measures

*Dependent variable.* To capture investor evaluations, we used *likelihood of investment*. We developed and used three items to assess it: (1) The company seems like a good investment opportunity, using a 7-point Likert scale (1 = strongly disagree, 7 = strongly agree); (2) I think investing in the company would be a good idea, using a 7-point Likert scale (1 = strongly disagree, 7 = strongly agree); and (3) The average investment amount in new companies in the data-mining industry is \$1.5 million. If you were asked to make a

decision, in your opinion, how much should one invest in the company? (1 = \$0.0 million, 7 = \$3.0 million, with \$0.5 million increments) ( $\alpha = 0.87$ ).

*Cultural resonance.* Cultural resonance can be defined as the degree to which symbolic communications appeal to and align with key audiences (Lounsbury and Glynn, 2019), which occurs in the minds of the audiences (Glynn and Lounsbury, 2022; Griswold, 1994) and is manifested through their thoughts. Therefore, we asked participants to list all the thoughts that occurred to them as they read the press release(s) after the market leadership claiming manipulation. Then, on a following screen, participants were asked to categorize each of these thoughts into one of three categories: favourable, unfavourable, or neutral thoughts (see Table AIII in the Appendix for illustrative examples). Using this categorization, we counted the number of favourable, unfavourable, and neutral thoughts that each participant made. We measured *cultural resonance* by subtracting the number of unfavourable thoughts made by each participant from the number of favourable thoughts made by them.

## Results

Table IV provides Study 2 variable summaries and correlations.

*Manipulation check.* At the end of the experiment, we asked participants: “Can you recall how many press releases you read from *DataMine*?” Participants in the low ( $M = 1.11$ ,  $SD = 0.36$ ), moderate ( $M = 3.15$ ,  $SD = 0.60$ ), and high frequency conditions ( $M = 4.65$ ,  $SD = 0.72$ ) responded in a manner consistent with our manipulation. Pairwise comparisons show that the moderate condition differed significantly from both the low condition ( $p < 0.001$ ) and the high condition ( $p < 0.001$ ). We also asked participants the following: ‘DataMine was competing in what type of industry?’ Participants responded with 95 per cent accuracy.

*Primary analysis.* We conducted split-sample tests to examine the nascent and established market conditions separately. Table V Models 4–6 test our predictions in the nascent market condition. Model 4 includes only the *market leadership claiming frequency* variable, and shows no linear main effect. Model 5 then adds the squared term. Consistent with Hypothesis 1, we found an inverted U-shaped relationship between claiming frequency and the likelihood of investment in the nascent market context. These results are robust

Table IV. Descriptive statistics and correlations (Study 2)

Variable	Mean	SD	1	2	3
1. Market leadership claiming frequency	2.01	0.82			
2. Market leadership claiming frequency squared	4.70	3.30	0.99		
3. Cultural resonance	-1.09	3.19	0.09	0.08	
4. Likelihood of investment	3.41	1.14	0.09	0.08	0.59

Note: N = 647. Market leadership claiming frequency conditions were coded low (1), moderate (2), and high (3).

Table V. Regression of market leadership claiming frequency on likelihood of investment and cultural resonance (by market condition) (Study 2)

Variable	<i>Nascent market</i>			<i>Established market</i>		
	<i>Likelihood of investment</i>		<i>Cultural resonance</i>	<i>Likelihood of investment</i>		<i>Cultural resonance</i>
	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>	<i>Model 7</i>	<i>Model 8</i>	<i>Model 9</i>
Constant	3.22*** (0.16)	2.22*** (0.47)	-4.50*** (1.25)	3.10*** (0.17)	3.13*** (0.49)	-1.99*** (0.50)
Market leadership claiming frequency	0.06 (0.08)	1.27* (0.54)	3.63* (1.44)	0.20* (0.08)	0.15 (0.54)	0.57* (0.23)
Market leadership claiming frequency squared		-0.30*** (0.13)	-0.88*** (0.36)		0.01 (0.13)	
N	324	324	324	323	323	323
R-squared	0.002	0.018	0.020	0.019	0.019	0.019
Adjusted R-squared	-0.001	0.011	0.014	0.016	0.013	0.016

Note: Standard errors are shown in parentheses.

\*\*\*p < 0.001;

\*\*p < 0.01;

\*p < 0.05;

+p < 0.10.

when controlling for the participants' age, gender, education, and work experience. We did not find any significant interactions between leadership claiming frequency and these variables. Planned post hoc pairwise comparisons show that the likelihood of investment in the moderate claiming frequency condition ( $M = 3.53$ ,  $SD = 0.11$ ) was significantly higher than in the low-frequency condition ( $M = 3.18$ ,  $SD = 0.11$ ;  $p = 0.024$ ) and marginally significantly higher than in the high-frequency condition ( $M = 3.28$ ,  $SD = 0.10$ ;  $p = 0.090$ ), and the low and high conditions did not significantly differ ( $p = 0.492$ ). Moreover, providing initial evidence for Hypothesis 2, Model 6 reports an inverted U-shaped relationship between claiming frequency and cultural resonance.

In contrast, Table V Models 7–9 test our predictions in the established market condition. Model 7 includes only the *market leadership claiming frequency* variable and shows a significant main effect, suggesting that market leadership claiming frequency increases the likelihood of investment in a positive and linear fashion. Model 9 shows a similar linear pattern with cultural resonance. However, when adding the squared term in Model 8, we can see that the significant curvilinear relationship disappears.

Figure 2 graphs these relationships. In the nascent market condition, claiming market leadership too little or too much leads to lower cultural resonance and lower likelihood of investment, compared to claiming market leadership a moderate amount. In the established market condition, however, we instead see a linear pattern, where more market leadership claims lead to higher cultural resonance and higher likelihood of investment.

To test Hypothesis 2, we used structural equation modelling to examine the indirect effect of the squared term for claiming frequency on the likelihood of investment through cultural resonance. We first conducted these analyses on nascent market condition participants only to directly test Hypothesis 2. When doing so, we showed that the indirect effect through resonance was significant ( $\beta = -0.14$ ,  $SE = 0.05$ ,  $CI [-0.25, -0.03]$ ,  $p = 0.014$ ). Figure A2 in the Appendix presents a graphical representation of the pathways. We also examined the indirect effect of the interaction term between *market leadership claiming frequency squared* and the *market condition* on the *likelihood of investment* through *cultural resonance* and, again, found that the indirect effect was significant ( $\beta = -0.02$ ,  $SE = 0.01$ ,  $CI [-0.04, -0.01]$ ,  $p = 0.010$ ). These results suggest that the inverted U-shaped relationship between leadership claiming frequency and the likelihood of investment in nascent market settings was partially mediated by cultural resonance, thus providing strong support for Hypothesis 2.

## Study 2 Discussion

Study 2 offers corroborating evidence, consistent with Study 1, for an inverted U-shaped relationship between a new venture's market leadership claiming frequency and investor evaluations in nascent markets. Moreover, Study 2 provides evidence for our hypothesized process mediated by cultural resonance. Specifically, we found that too little and too much leadership claiming produce lower resonance, which, in turn, leads to less favourable investor evaluations. Interestingly, we also found that this curvilinear relationship held only when ventures were operating in a nascent market. Indeed, in an established market, when the uncertainty and ambiguity of the true market leader are likely diminished, the effect of market leadership claiming frequency on cultural resonance and investor evaluations changed from a curvilinear

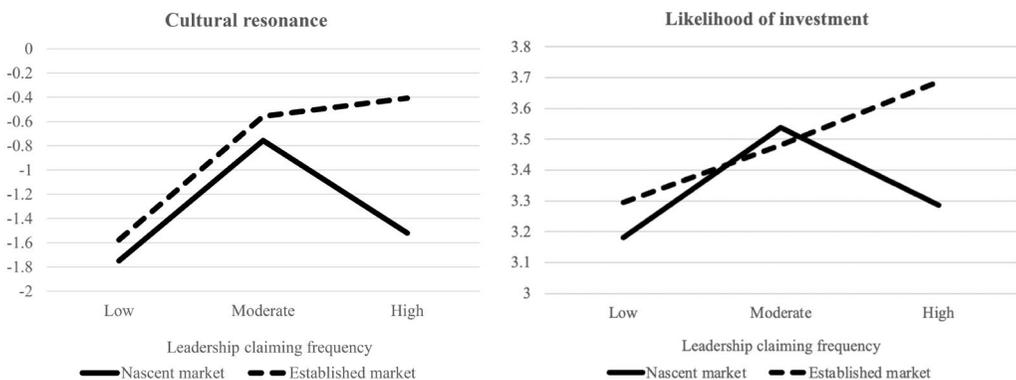


Figure 2. Effect of market leadership claiming frequency on cultural resonance and likelihood of investment (Study 2)

relationship to a linear one. These findings are largely consistent with our supplementary analyses in Study 1, which also offered evidence that nascency is an important boundary condition of our theory.

## GENERAL DISCUSSION AND CONCLUSION

Using a multimethod approach, we demonstrate that there is an inverted U-shaped relationship between a new venture's market leadership claiming frequency and investor evaluations in the context of nascent markets. Specifically, we show that new ventures that claim market leadership either a little or a lot receive less favourable investor evaluations than those that claim a moderate amount. This is because these ventures generate lower cultural resonance with investors, as manifested in their reduced favourable thoughts and increased unfavourable thoughts.

Our findings refine and extend prior research. While past entrepreneurship research has noted the prevalence of market leadership claims and suggested their role in helping entrepreneurs project distinctiveness and gain legitimacy in nascent contexts (Martens et al., 2007; Snihur et al., 2018), our results refine this view by showing that such claims are not always beneficial, especially when made too frequently. This contradicts the implicit assumption in earlier work that more emphasis is uniformly beneficial and instead supports emerging scholarship that cautions against the overuse of cultural resources (e.g., Garud et al., 2025; Lo and Rhee, 2022; Lockwood and Soublière, 2022). In the literature on framing and discursive strategy, our findings extend prior work that has largely focused on the content of claims or frames (e.g., Giorgi, 2017; Navis and Glynn, 2010) by demonstrating that frequency itself is a consequential dimension, especially in ambiguous settings where the content becomes less diagnostic. From a cognitive perspective, we extend social psychological research on repetition (e.g., Cacioppo and Petty, 1979), which has focused on how audiences passively evaluate advocacy messages like advertisements or position statements, to settings where evaluators evaluate claims in light of their expectations for what the claim-maker should be doing or what the message might communicate about them (Lounsbury and Glynn, 2001; Petkova et al., 2014; Santos and Eisenhardt, 2009). In doing so, we bring together insights from social psychology and cultural entrepreneurship to explain how repetitive claims are evaluated by resource-controlling audiences under ambiguity. These considerations inform the broader theoretical contributions we develop in the sections that follow.

### Theoretical Contributions and Practical Implications

Our study makes several theoretical contributions. First, it contributes to the cultural entrepreneurship literature by theorizing how cultural resonance is achieved in nascent markets. Acknowledging that cultural resonance serves not only as a mechanism influencing audience evaluation but also as an intermediary outcome, we contend that the achievement of cultural resonance should not be assumed or taken for granted but rather needs to be theorized. Echoing the central thesis of cultural entrepreneurship that emphasizes the importance of context (Glynn and Lounsbury, 2022; Lounsbury et al., 2019a, 2019b), we address these considerations by focusing on market leadership claims, a prevalent cultural resource new ventures utilize in nascent settings (Martens et al., 2007; Snihur et al., 2018). While various

ventures may draw upon the same cultural resource, they are not equally skilled cultural operators (Überbacher et al., 2015), and how they utilize it can lead to different outcomes. Indeed, the same cultural resource may either motivate or deter entrepreneurs and their audiences and turn out to be either useful or harmful (Lockwood and Soublière, 2022).

Although recent research on the dark side of cultural entrepreneurship has cautioned against the overuse of cultural resources, for example, ‘too much of a good thing’ (Garud et al., 2025; Lo and Rhee, 2022; Lockwood and Soublière, 2022), it has not yet explicitly theorized what overuse looks like in practice, and specifically in nascent contexts. We fill this gap by drawing on psychological studies, which have long highlighted the importance of frequency and repetition. In particular, social psychology highlights how repeated exposure to a claim can initially increase attention and persuasion before reaching a tipping point where further repetition backfires. Incorporating and extending such insights, our study situates these cognitive processes within a cultural-entrepreneurship framework of collective meaning-making and legitimacy. By theorizing how such psychological reactions are manifested and magnified in the context of venture evaluation in nascent markets, we bridge micro-level processing with macro-level market outcomes. Our study thus not only sheds new light on the micro-foundations of cultural resonance (Glynn and Lounsbury, 2022), but also responds to the call put out by Lounsbury et al. (2019b), who emphasized that a richer interdisciplinary approach allows for a deeper understanding of how various contexts shape entrepreneurial processes and outcomes.

Future research could further advance this agenda by integrating perspectives from sociology, cultural studies, and communication to better understand how cultural resources – including but not limited to claims – may have different effects across different socio-cultural contexts (Lounsbury et al., 2019b). Audiences’ expectations are shaped by cultural norms or other broader contextual factors. For example, in cultures where modesty is a virtue, investors may not expect ventures to make market leadership claims. In those settings, market leadership claiming might be perceived as vanity or arrogance rather than competence. Similarly, in ‘low-trust’ cultures, where only substance is considered reliable, entrepreneurial claim making may be considered merely cheap talk and backfire sooner. These contextual variations highlight the importance of interdisciplinary integration, as they call for theories and methods that can capture how symbolic strategies operate within diverse cultural norms and interpretive frameworks. Incorporating such variation can enrich cultural entrepreneurship research by showing how the same symbolic strategies may resonate differently across institutional and socio-cultural settings.

Second, this study contributes to research on framing and discursive strategy by theorizing claim frequency as an important factor for explaining the achievement of resonance (Giorgi, 2017). Extant research on discursive strategy has primarily focused on the content of firms’ or individuals’ claims or frames, looking at how specific types of messages may resonate with the target audience. Examples include balancing frames (Fiss and Zajac, 2006), collective or distinctive organizational identity claims (Navis and Glynn, 2010), and gains-versus-nonlosses frames (Rhee and Fiss, 2014). While useful for us to understand how firms may craft the right message to better resonate with the audience, this line of research has overlooked the possibility that frequency alone also carries information and may resonate with the audiences’ expectations in subtle ways. By demonstrating how the frequency of one specific claim – the market leadership claim

– can influence investor evaluations, our findings complement existing work by showing how claim effectiveness involves not only the content but also the frequency of a claim.

This insight has broader implications for managerial communication, where actors seek to influence stakeholders under conditions of uncertainty or ambiguity, such as during organizational and technological change (Fiss and Zajac, 2006; Kahl and Grodal, 2016), in the face of controversial actions (Rhee and Fiss, 2014), or under conditions of ‘downside firm risk’ (Pan et al., 2018, p. 2206). By treating claim frequency as a meaningful dimension of discursive strategy, we expand the repertoire of tools available to actors engaged in impression management and strategic communication. Future research could explore how claim frequency and content interact in shaping stakeholder evaluations, particularly examining when frequency amplifies, dilutes, or overrides the intended meaning of message content.

Third, our study contributes to the literature on nascent market strategies. Nascent markets are marked by high levels of uncertainty and ambiguity, and such distinct features suggest that specific firm strategies may be required. These considerations are relevant not only to entrepreneurial ventures in emerging fields but also to incumbent firms entering nascent product markets (Benner and Tripsas, 2012) or navigating technological transitions (Raffaelli et al., 2019). Prior research has examined firm strategies in such contexts through a competitive dynamics perspective (Rindova et al., 2010), symbolic management lenses (Granqvist et al., 2013), and institutional inquiries (Harmon et al., 2023). Adopting a cultural entrepreneurship approach, we focus on entrepreneurial claim-making and demonstrate how claim frequency shapes cultural resonance and investors’ evaluations under high ambiguity. By theorizing and showing that moderate claim frequency resonates the most with investors and elicits the most favourable evaluations in nascent markets, our study has important implications for firms operating in emergent or highly ambiguous markets.

While we only focus on early-stage ventures, it would be meaningful for future research to examine how entrepreneurs and incumbents differ in their strategic use of cultural resources. Entrepreneurs, lacking established reputations, must build resonance from scratch, relying heavily on claim-making to gain legitimacy, and frequency becomes an important aspect of claim-making strategy. In contrast, incumbents may face legacy constraints that influence how often and in what form they can make certain claims without contradicting prior identities or triggering audience skepticism. Exploring these differences would shed light on how organizational identity or reputation may shape the strategic deployment of claim-making and repetition in meaning-making.

Moreover, we also offer evidence for an important boundary condition of our theory. Specifically, we find that the Goldilocks effect disappears when the high uncertainty and ambiguity about the venture’s true market leadership position are diminished. Indeed, we find that the curvilinear effect disappears when investors have more information about ventures (i.e., when ventures are in later funding rounds) and when ventures are operating in more established markets. As a venture matures, track record information will become more available or reliable. Similarly, as the market matures, evaluation metrics will develop and market order and rankings will become established. In both cases, because the claims made by ventures will become more verifiable, it will become less likely that ventures will make market leadership claims

when they are *clearly* not the market leader. Thus, it is the nature of the nascent settings that makes market leadership claiming an empirically relevant and theoretically interesting phenomenon to study.

Finally, given that market leadership claiming is a common practice among new ventures, our study also has implications for practitioners and entrepreneurs. We show that, for ventures participating in a nascent market, market leadership claiming can be an effective strategy to mobilize investor support, but overdoing it can backfire. Interestingly though, the empirical results indicate that the consequences seem asymmetric. Before the inflection point, a one *SD* increase in claiming frequency from the mean (0 to 1 *SD*) is associated with a 28.4 per cent increase in funding. In contrast, a one *SD* increase beyond the inflection point (from 1.39 to 2.39 *SD*) is associated with a 13.0 per cent decrease in funding. Therefore, when the optimal claiming frequency is hard to determine, new ventures may strategically risk making more rather than fewer claims. However, they should note that it is not ‘the more the better’, and there is a price associated with making too many claims.

### Limitations and Conclusion

Our research also has limitations that open up opportunities for future research. For instance, our study focused on market leadership claiming. Although such a focus is theoretically and practically meaningful given the prevalence of such claims in the entrepreneurial context, examining other types of claims (e.g., claiming to be innovators and socially responsible organizations) or more nuanced types of leadership claims (e.g., established leaders and aspiring leaders) (Harmon et al., 2023; Martens et al., 2007) might provide additional insights. Similarly, our theory is bounded by the nascent market setting, in which the uncertainty and ambiguity make market leadership claiming a possible strategy for new ventures to influence investor evaluations. However, as a market matures, its uncertainty and ambiguity will decrease (e.g., metrics of evaluating firms’ market leadership status will be developed and agreed upon), and the effect of claiming may change. Our Study 2 confirms the presence of this boundary condition: we found a linear rather than a curvilinear relationship between market leadership claiming frequency and investor evaluations in established markets. Although we offered evidence that market nascency is an important and theoretically meaningful boundary condition of our theory, there could be other factors contributing to the perceived uncertainty and ambiguity in evaluating a venture’s claims. For example, market dynamism may be another important contextual factor that can affect the effectiveness of leadership claims, and future research may explore whether market leadership claims play a different role in a relatively stable versus a more dynamic setting.

While our study provides valuable insights into how claim frequency influences investor evaluations, we acknowledge differences between VC investors and individual investors in our two studies. Although VC investors have greater industry expertise, resources, and access to private information, research suggests that core cognitive processes – such as heuristics-based decision-making – are broadly generalizable across decision-makers under uncertainty (Tversky and Kahneman, 1974). Given the

high ambiguity of nascent markets, both VC investors and individual investors are likely to rely on repeated exposure as a heuristic when evaluating claims (Montoya et al., 2017). However, decision-makers do not always rely on heuristics, particularly in more structured environments with greater certainty. Therefore, while our findings capture fundamental cognitive mechanisms, we acknowledge the limitations of assuming universal equivalency in the decision-making processes of VC investors and individual investors and highlight the importance of considering boundary conditions for such cognitive effects.

Moreover, there is ample space to better operationalize nascent markets as well as explore the potential effects of market/industry contexts. We empirically identified nascent markets based on SIC codes, which some have argued is too static a categorization system (Hoberg and Phillips, 2010). In order to determine nascent markets and their scope and boundary in a more refined way, future research could analyse market/industry reports and entrepreneurial firms' self-reports to identify such information as which businesses are included or excluded in each market/industry and which companies are referenced as key rivals by each entrepreneurial firm over time (Kennedy, 2008). Based on the more nuanced categorization of nascent markets and their participants, scholars can test if our hypothesized effect may be moderated by the number of firms making competing market leadership claims within the same market category as the focal firm. Scholars might also explore how market leadership or other sorts of claims lead to different resource acquisition outcomes when made within small market niches versus broader industry domains.

Our findings might also be extended by examining entrepreneurial claiming and investor evaluations in other evaluative settings (e.g., business presentations, pitches, face-to-face versus virtual interactions). Although we expect our theory to apply more generally, the subtler cues (e.g., characteristics of the entrepreneur, chemistry between the entrepreneur and the investor) present in such settings may add more nuance to the theory. A related interesting direction would be to consider the role of the claim-maker (e.g., gender, cultural background, personality, and gesture of the entrepreneur) that can either lend or undermine the credibility of the claim (Chen et al., 2009; Clarke et al., 2019; Kanze et al., 2018; Maxwell and Lévesque, 2014; Zott and Huy, 2007).

Despite these limitations, which themselves suggest fruitful opportunities for future research, we hope our study sheds light on how claim frequency shapes cultural resonance in nascent markets and underscores the risks of overusing symbolic strategies. By integrating insights from social psychology into the cultural entrepreneurship framework, we bridge micro-level mechanisms with macro-level market outcomes, demonstrating how psychological processes, cultural resources, and audience expectations – each embedded within broader institutional and cultural contexts – jointly drive resonance and shape evaluative outcomes.

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## NOTE

- [1] While some investors, such as VC investors, conduct due diligence (Gompers et al., 2020), our theory explains how market leadership claims may operate as an important resource that gains salience because of the interpretive ambiguity surrounding traditionally objective indicators in nascent markets.

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## APPENDIX A

Table AI. A summary of top 10 industries in sample (Study 1)

Rank	SIC	Description	Number of ventures	Total investments (in \$billion)	Exemplary ventures <sup>a</sup>
1	7372	Prepackaged software	2185	48.12	
2	7375	Information retrieval services	1136	33.06	Facebook Inc. Twitter Inc. YP Holdings LLC Pinterest Inc. Airbnb Inc.
3	3674	Semiconductors and related devices	198	8.03	
4	7374	Data processing and preparation	207	7.71	Palantir Technologies Inc.
5	4899	Communication services, not elsewhere classified	116	7.63	Uber Technologies Inc. Zayo Group LLC
6	7371	Custom computer programming services	252	7.09	Zynga Inc.
7	4841	Cable and other pay television services	12	5.04	Suddenlink Communications
8	7373	Computer integrated systems design	130	4.39	
9	5961	Catalogue and mail-order houses	111	3.94	
10	7379	Computer related services, not elsewhere classified	143	2.90	

<sup>a</sup>The listed ventures are ranked among the top in the IT sector based on total investments received from their founding until 2014.

Table AII. Market leadership keywords and quote examples (Study 1)

Keyword	Quotes from press releases
a leading	<ul style="list-style-type: none"> <li>PeakStream, Inc., <b>a leading</b> software application platform provider for ... <i>PeakStream, Inc., Business Wire, September 18, 2006</i></li> <li>PeerApp, Ltd. is <b>a leading</b> supplier of ... <i>PeerApp, Ltd., Business Wire, April 17, 2009</i></li> </ul>
the leading	<ul style="list-style-type: none"> <li>Peer39 (<a href="http://www.Peer39.com">www.Peer39.com</a>), <b>the leading</b> online semantic advertising company ... <i>Peer39, Business Wire, June 2, 2009</i></li> <li>Peerflix has already grown to become <b>the leading</b> online destination for ... <i>Peerflix, Business Wire, June 2, 2005</i></li> </ul>

(Continues)

Table AII. (Continued)

Keyword	Quotes from press releases
market-leading	<ul style="list-style-type: none"> <li>• "... and makes Pentaho's <b>market-leading</b> open source BI platform ..." <i>Pentaho Corp., Business Wire, August 16, 2006</i></li> <li>• Phreesia continues to enhance its <b>market-leading</b> eligibility ... <i>Phreesia, PR.Newswire, October 24, 2011</i></li> </ul>
industry-leading	<ul style="list-style-type: none"> <li>• PMC has ... for its <b>industry-leading</b> web properties ... <i>Penske Media Corp., PR.Newswire, June 11, 2012</i></li> <li>• Procore Technologies, Inc., provider of <b>industry-leading</b>, cloud-based construction project management software ... <i>Procore Technologies, Inc., Business Wire, June 20, 2013</i></li> </ul>
world's leading	<ul style="list-style-type: none"> <li>• PeerMe, Inc. (<a href="http://www.peerme.com">www.peerme.com</a>), the <b>world's leading</b> Mobile VoIP innovator ... <i>PeerMe, Inc., Business Wire, July 25, 2006</i></li> <li>• Today, Pentaho Corp., the <b>world's leading</b> provider of ... <i>Pentaho Corp., Business Wire, November 17, 2005</i></li> </ul>
market leading	<ul style="list-style-type: none"> <li>• Peer39 ... to further cement its <b>market leading</b> position <i>Peer39, PR.Newswire, July 8, 2010</i></li> <li>• "... through our <b>market leading</b> destination at <a href="http://PlayPhone.com">PlayPhone.com</a>" <i>PlayPhone, Business Wire, May 4, 2006</i></li> </ul>
industry leading	<ul style="list-style-type: none"> <li>• Pentaho in delivering the <b>industry leading</b> analytics platform for ... <i>Pentaho Corp., PR.Newswire, July 17, 2012</i></li> <li>• Pluck Corporation, the <b>industry leading</b> provider of ... <i>Pluck Corp., Business Wire, June 26, 2008</i></li> </ul>
market leader	<ul style="list-style-type: none"> <li>• Perfecto Mobile is widely recognized as the <b>market leader</b>, enabling ... <i>Perfecto Mobile, Business Wire, December 12, 2012</i></li> <li>• "... of our momentum as a <b>market leader</b> and ..." <i>ProspX, Inc., Business Wire, September 26, 2012</i></li> </ul>
industry leader	<ul style="list-style-type: none"> <li>• As the <b>industry leader</b> providing ... <i>Peer39, PR.Newswire, November 8, 2011</i></li> <li>• Photography <b>industry leader</b> PhotoShelter has ... <i>PhotoShelter Inc., Business Wire, August 16, 2007</i></li> </ul>
the leader	<ul style="list-style-type: none"> <li>• Mu Dynamics is <b>the leader</b> and pioneer in ... <i>Mu Dynamics, Inc., PR.Newswire, June 21, 2011</i></li> <li>• Peer39, <b>the leader</b> and innovator in ... <i>Peer39, PR.Newswire, June 9, 2010</i></li> </ul>
a leader	<ul style="list-style-type: none"> <li>• Hara has emerged as <b>a leader</b> through ... <i>Hara, Business Wire, October 5, 2010</i></li> <li>• Pocket Gems, <b>a leader</b> and pioneer in ... <i>Pocket Gems, Business Wire, June 28, 2012</i></li> </ul>
leader in	<ul style="list-style-type: none"> <li>• Perceptive Pixel Inc. (PPI) is a recognized <b>leader in</b> interaction design ... <i>Perceptive Pixel Inc., PR.Newswire, July 9, 2012</i></li> <li>• A <b>leader in</b> the big data ecosystem since May 2010, Pentaho continues to ... <i>Pentaho Corp., PR.Newswire, April 25, 2012</i></li> </ul>
market leadership	<ul style="list-style-type: none"> <li>• "... the company has achieved <b>market leadership</b> by ..." <i>Peer39, Business Wire, June 2, 2009</i></li> <li>• "... that will extend our <b>market leadership</b> even further" <i>Photobucket Corp., Business Wire, October 16, 2012</i></li> </ul>

(Continues)

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Table AII. (Continued)

Keyword	Quotes from press releases
industry leadership	<ul style="list-style-type: none"> <li>Dataupia brings a strong record of <b>industry leadership</b> to ... <i>Dataupia Corporation, M2 Presswire, July 23, 2007</i></li> <li>... to continue driving the company's substantial growth and <b>industry leadership</b> <i>Healthcare Quality Catalyst, PR Newswire, November 16, 2011</i></li> </ul>
technology leadership	<ul style="list-style-type: none"> <li>Pentaho's results reflect ..., and the company's market and <b>technology leadership</b> <i>Pentaho Corp., Business Wire, January 23, 2007</i></li> <li>Sentriago has won wide acclaim for its industry and <b>technology leadership</b> by ... <i>Sentriago, Inc., Business Wire, September 2, 2009</i></li> </ul>
leadership in	<ul style="list-style-type: none"> <li>... allows Pentaho to ..., and to expand our <b>leadership in</b> big data analytics <i>Pentaho Corp., PR Newswire, October 30, 2012</i></li> <li>"This sales <b>leadership in</b> the segment is ...," said Martin Heine, marketing and strategy of terminals director, Personal. <i>Personal, M2 Presswire, December 7, 2011</i></li> </ul>
leadership position	<ul style="list-style-type: none"> <li>PeerApp is ... and can establish a key market <b>leadership position</b> in ... <i>PeerApp, Ltd., Business Wire, April 17, 2009</i></li> <li>Peerflix ..., signifying its <b>leadership position</b> in ... <i>Peerflix, Business Wire, December 18, 2006</i></li> </ul>
leading the	<ul style="list-style-type: none"> <li>"We're excited to see others share that vision and recognize that Peerflix is <b>leading the</b> change in social software" <i>Peerflix, Business Wire, June 2, 2005</i></li> <li>"... and Pentaho is <b>leading the</b> way," said Richard Da-ley, CEO of Pentaho Corp <i>Pentaho Corp., Business Wire, May 25, 2006</i></li> </ul>

Table AIII. Illustrative examples of favourable, neutral, and unfavourable thoughts (Study 2)

Categories	Examples
Favourable	<ul style="list-style-type: none"> <li>The CEO is intelligent</li> <li>I do believe the press release as one of the industry leaders.</li> <li>If another company is willing to partner, it increases the likelihood this company is successful in its work</li> <li>DataMine is an industry leader that is innovative</li> </ul>
Neutral	<ul style="list-style-type: none"> <li>What does wunderloop do?</li> <li>I am wondering what the relationship between the two companies will look like.</li> <li>I have not heard of the company they are partnering with.</li> <li>Sounded like typical press release</li> </ul>
Unfavourable	<ul style="list-style-type: none"> <li>I do not think that they are qualified to call themselves leaders</li> <li>I doubted the press release was truthful. It sounded vague and not precise in its claims</li> <li>The claim in the press release that they are 'leading the industry' cannot be correct</li> <li>I am not sure if DataMine is an industry leader as I have not heard of them before</li> </ul>

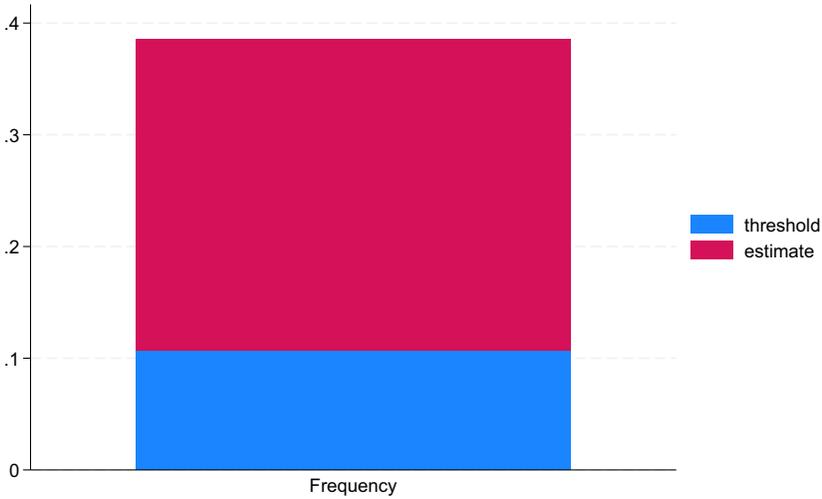


Figure A1. Percent bias necessary to invalidate the inference for the effect of market leadership claiming frequency on investment amount (Study 1)

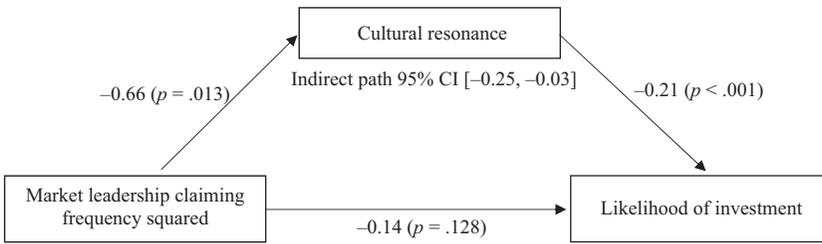


Figure A2. Mediational pathway in nascent market condition (Study 2)