

Don't ruin a good thing; how employees may tarnish the new venture's legitimacy

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Abstract

Purpose – Building a new venture's legitimacy can be considered an arduous task and maintaining that legitimacy is significantly important given the influence legitimacy has on access to scarce resources. There are many factors that may contribute to a new venture's legitimacy and need to be investigated. The purpose of this paper is to explore how an entrepreneurial founder affects the legitimacy of a new venture and how employees may harm that legitimacy.

Design/methodology/approach – A review of the founder imprint, legitimacy and counterproductive work behavior literature was performed.

Findings – Based on a review of the literature, four testable propositions are developed. The first suggests that an entrepreneurial founder's imprint will influence a firm's legitimacy. The remaining propositions focus on how dysfunctional behaviors, which are often visible to the public given that they are reported in the media, may harm the development of the new venture's legitimacy when employees engage in those behaviors.

Originality/value – The new venture literature has examined many drivers of new venture legitimacy; however, the literature lacks an examination of the impact an entrepreneurial founder's imprint makes on the new venture's legitimacy. Another important contribution to the entrepreneurship literature is the assertion that counterproductive work behavior may impact the founder imprint on the legitimacy relationship. The study of the issues presented in this paper aims to provide a framework that may spur new research on these topics which leads to a better understanding of these relationships.

Keywords Counterproductive work behavior, Legitimacy, Employee fraud, Employee sabotage, Employee theft, Founder imprint

Paper type Research paper

Introduction

A new firm's legitimacy is critically important to an entrepreneurial venture as its legitimacy directly impacts a firm's access to resources to grow (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002) and to survive (Knight, 1921). Thus, a firm's ability to access resources through this legitimacy may be considered a significant strategic advantage (Mickiewicz and Rebmam, 2020). Hence, it is important for new ventures to build, maintain and improve their legitimacy through trust, since trust can be connected to the firm's economic prosperity (Mickiewicz and Rebmam, 2020). However, relationships within firms are continuously developing (Knight, 1921). As such, new venture legitimacy can be difficult to develop and maintain (Fisher, 2020).

Developing a new venture's legitimacy can be classified as either cognitive, moral or pragmatic (Suchman, 1995). Cognitive legitimacy can be identified when stakeholders perceive that the new venture is acting as expected, and it may be taken-for-granted. Moral legitimacy can be exhibited when a new venture is perceived as doing what is right and correct, and its leaders display a positive character. Pragmatic legitimacy is viewed by the primary stakeholders' self-interest, that is, when that stakeholder receives something of value from the firm. Thus, firm legitimacy may be perceived and experienced differently by various



stakeholder groups. As such, it is important to proactively guard against threats that hinder the development of firm legitimacy.

Given that legitimacy is derived from social perceptions originating outside of a new venture (DiMaggio and Powell, 1983), constant monitoring of those factors is necessary. Many factors are visible via traditional media outlets and social media. If those factors regarding actions and or strategies of a new venture are viewed as inappropriate or negative, a firm's legitimacy may be harmed. That negative impact on a firm's legitimacy may impact a firm's ability to transact with stakeholders (Alvarez *et al.*, 2023).

A factor that may harm a new venture's legitimacy is the publication of stories associated with the employees' deviant behaviors (Klotz and Buckley, 2013; Robinson and Bennett, 1995). Deviant behaviors are considered to be counterproductive to an organization and may impact the stakeholder's perception of legitimacy. Considering that videos, images or reports of deviant employee behavior may go viral when posted on social media, many individuals post shocking content on their social media platforms to gain attention through likes and views. Employees have made social media posts that show them engaging in deviant activities that may be perceived as harmful to a new venture or posts that position the new venture in an unflattering light. As these incidents gain popularity, traditional media may report these incidents (Cook and Kuhn, 2021). With increased reporting on these incidents of employee deviance, the fear is that these deviant behaviors may increase (i.e. spawn copycat behaviors) and harm a new venture's legitimacy through eroding customer confidence and reducing firm trust. Thus, research focusing on deviant behaviors to better understand how interactions between employees and founders impact an entrepreneurial firm's legitimation from various stakeholders' perspectives is needed.

The purpose of this paper is to investigate the relationship of a founder imprint on establishing a new venture's legitimacy and the moderating impact counterproductive work behaviors may have upon this relationship. While there may be other variables that moderate the founder's imprint to a new venture legitimacy relationship, this paper limits this discussion to employee behaviors that may harm a firm.

Literature review

The continuation and success of new ventures are built upon a collective effort by various stakeholders (Yan and Sorenson, 2003). Based on their interests in a firm, stakeholder theory establishes a framework for classifying various stakeholders into categories (Donaldson and Preston, 1995): customers, investors, competitors, suppliers and employees (Mitchell *et al.*, 1997). Through interactions with firms, stakeholders may develop and modify their perceptions of that firm's image and legitimacy (Alvarez *et al.*, 2023). Hence, new ventures need to be cognizant of what influences the stakeholders' perceptions of their legitimacy. For example, the creator(s) of a new venture, also known as "founders", imprint the founder(s) values and beliefs into that organizational culture (Nelson, 2003).

Founder imprinting suggests that founders are significantly responsible for the development of a firm's identity (Eddleston, 2008). A founder's leadership has a crucial impact on a new venture. As previous founders describe below, their actions mold and define a new venture while impacting their engagement with stakeholders:

The journey ahead is brutal. If you don't pursue something you're truly passionate about, you'll probably be tempted to give up sooner than later. Reflect on the 'why,' so you connect the dots of what your business is about with what you are about. After all, who the founder is has everything to do with where your business will be. Only if you're true to yourself, [will] your vision for your business be clear, and people will follow you anywhere. (Lizia Santos, as cited by TRUiC Team, 2024).

and

Your ability to attract, evaluate, and forge strong working relationships with co-founders, early employees, and investors often mean the difference between failure and success. (Clara Shih, as cited by Michail, 2020)

These examples illustrate that the actions and strategies implemented by founders to imprint their beliefs and values on a new venture require working relationships that may be influenced by multiple stakeholders (e.g. customers, employees and/or suppliers) and under scrutiny from other stakeholders (e.g. investors, influencers).

Founders must nurture these stakeholder business relationships ensuring that they are fluid and not stagnant to direct and sustain a firm's operations (Freeman, 1984). The founders' nurturing creates the most value for stakeholders. Value is created when firms manage these stakeholder relationships for equity, that is, value may not be created at the expense of one stakeholder over another (Cornell and Shapiro, 1987). Hence, to understand legitimacy in a new venture and its evolution, organizational stakeholders' contributions and benefits should be examined.

New venture legitimacy

When establishing a new venture, founders face challenges above and beyond those of established firms due to the newness and uncertainty of their market(s) offering(s) (Aldrich and Fiol, 1994). As this newness is often considered a liability, it is difficult for new ventures to overcome and sustain their operations (Stinchcombe, 1965). Hence, it is important that new ventures establish legitimacy to access the needed resources for survival (Zimmerman and Zeitz, 2002). Establishing new venture legitimacy is a process that develops over time differently for each firm (Fisher, 2020). Research (cf. Tornikoski and Newbert, 2007) notes that new ventures that proactively engage in legitimacy-seeking behaviors increase their ongoing success as these activities are valued by the resource gatekeepers.

Legitimacy is "... a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Additionally, this generalized perception of legitimacy stems from a social judgement about whether the new venture is performing expediently (Zimmerman and Zeitz, 2002). Building on Suchman's three strategy model, Zimmerman and Zeitz (2002) suggest that there are four strategies to garner legitimacy: conformance, selection, manipulation and creation.

The conformance strategy focuses on imitating and mirroring existing social structures in the market (Suchman, 1995). For the selection strategy, a new venture chooses to locate near similar ventures via an industry domain or geographic area. The manipulation strategy is a new venture departing from established values and norms to create new distinct practices. Lastly, a creation strategy to establish legitimacy is considered to be the most strategic and most visible in the initial stages of a new venture's development (Zimmerman and Zeitz, 2002). The creation strategy creates new practices, norms and rules. While each strategy has its own individual merit, the founder plays a significant role in influencing a strategy and the operational decisions related to that strategy.

Some research (cf. Shepherd *et al.*, 2000; Vonortas and Kim, 2015) focuses on identifying and managing various risks that may impact the legitimacy of new ventures. For example, new ventures face many risks such as valuation risk, agency risk, management risk, growth risk and timing risk among others (Mason and Harrison, 2004). Whilst prior research considers variables impacting a new venture's legitimacy, a gap exists within the legitimacy literature that addresses the role that a founder's imprint plays in developing a new venture's legitimacy.

Founder imprint

The imprint placed on a firm by its founder is established in family business literature (cf. Eddleston, 2008; Pieper *et al.*, 2015; Schein, 1983) and imprinting theory literature (cf. Lounsbury and Ventresca, 2002; Marquis and Tilcsik, 2013; Miles *et al.*, 1974; Stinchcombe, 1965). Early decisions by a founder shape and mold a firm and its operations (Eddleston, 2008). These early decisions by the founder occur during what is referred to as the "sensitive period" (Marquis and Tilcsik, 2013). In a sensitive period, an organization and its employees

are considered to be more moldable, but only for a period of time which is similar to the early stages of child development (Kimberly, 1979; Marquis and Tilcsik, 2013; Stinchcombe, 1965). In addition, founders focus on a firm's image as they usually have a substantial investment in that firm (Bingham *et al.*, 2011). Hence, founders may consider their firm as an extension of their personal image, and founders do not want to see it marred (Dyer and Whetten, 2006). Therefore, a founder may establish a common image among stakeholders (Bingham *et al.*, 2011).

Founder imprinting research suggests that a founder's imprint can have a lasting and significant impact on a firm: "Once formulated and articulated, a founder's organizational blueprint likely 'locks in' the adoption of particular structures, as well as certain premises that guide decision making" (Baron *et al.*, 1999, p. 531). Furthermore, an imprint can continue for generations after the succession of a founder (Pieper *et al.*, 2015) through governance measures and the selection of inside directors (Nelson, 2003). As an example, top management teams may progress with a firm from start-up to IPO, which translates to firm outcomes having a direct relationship with founding team members (Beckman and Burton, 2008). By comparing biotechnology companies, as to whether they licensed (initial knowledge broker) or did not license (non-brokers) their DNA technology at start-up, Hsu and Lim (2014) found that firms with founders who were knowledge brokers outperformed those without knowledge brokers. This supports innovation in a firm and is affected by the founder's orientation.

Founder imprinting research (cf. Eddleston, 2008; Schein, 1983) suggests that a founder imprint can make a positive impression on employees. This impression on an employee may begin with the establishment of a psychological contract between the founder and the employee. A psychological contract consists of "... the individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and the organization" (Rousseau, 1995, p. 9). During the formation of a new venture, the founder and employees often have close contact and strong relationships that allow the imprinting of a distinct psychological contract concerning the potential for growth, benefits, opportunities and rewards on those employees (Blackman and Hindle, 2008).

Additionally, transformational leaders can create a family firm culture that is more responsive to changes in the environment (Eddleston, 2008). By making a personal commitment to their family business that employees appreciate, leaders create systems that are strategically flexible. Essentially, a founder can imprint a firm's heritage, vision and identity (Eddleston, 2008) that employees accept (Schein, 1983). Even when founders relinquish control of a firm, the founders' imprint persists (Lussier and Sonfield, 2009). For example, Truett Cathy founded the Chick-fil-A in 1967 with homage to his Christian values as his mission is "... to glorify God by being a faithful steward of all that is entrusted to us and to have a positive influence on other people ..." (Davis and Lucas, 2007, p. 27). His belief in treating others as you would like to be treated was imprinted throughout the Chick-fil-A's organizational culture. This belief is evidenced through the use of "my pleasure" by Chick-fil-A's employees to guests.

This strategic flexibility is positively related to a strong firm identity through a committed culture established by the founder (Zahra *et al.*, 2008). Therefore, employee interests are more apt to be aligned with the strategy of a firm if that firm has a strong organizational culture. Similarly, stakeholders compare these previous actions to the actions of their leading competitors in developing their perception of their firm (Fonbrun, 1996). Therefore, if founders imprint a strong organizational culture on their firm before their succession, it will be seen as positive and improve stakeholder perceptions of that new venture's legitimacy (Ahn, 2018).

Founders driven by hard work and fear of failure may attempt to imprint their ambition into the firm culture. However, these types of imprints may be perceived as a negative or toxic imprint to employees, while also establishing an image of legitimacy. For example: To sell his video games, Tim Sweeney founded Potomac Computer Systems (the predecessor of Epic Games) with an ambitious drive to succeed (Liao, 2021). Funding from Sweeney's lawn care

ventures was used to fund his gaming venture (Needleman, 2019). With continued success, he was able to scale up operations. Sweeney's long-term vision, driven by ambition that was imprinted within the organizational culture, is for his firm to create and sell games as well as supply the technological tools for creation of other digital content (e.g. video games, films) (Liao, 2021). Accordingly, this long-term vision implies that employees will quickly resolve issues regardless of the time expended. As a result, many employees have expressed concerns over the lack of time off and 100-hour work weeks (Campbell, 2019). This represents a conflict between a founder imprinted ambition and perceived employee commitment.

Similar to Sweeney's example, but more of a toxic example, Theranos founded by Elizabeth Holmes created a new venture that represented a revolutionary "... *finger-prick rapid blood test technology* ..." to attract investors (Mackenzie, 2025). Investors contributed more than \$700m (USD) to grow Theranos to \$10b (Tourish and Willmott, 2023). However, this technology was a deception that could not be sustained due to employees reporting this ruse. Holmes was able to control the employees through non-disclosure agreements and quickly terminating disruptive employees and threats of legal action. Her management style demanded extreme commitment from the employees. Thus, Holmes used this control to imprint an organizational culture with the perception of legitimacy through hegemonic totalism. That is, she was able to dominate her employees through the perceived greatness of the work, with punishment being the imprinted central reinforcing driver to sustain the organizational culture that supported the fraud. Both of these examples provide evidence of a different type of imprint on the new venture as the founders were trying to establish legitimacy.

In considering this literature, the relationship between the founder's imprint and a new venture's legitimacy has not been reviewed in depth. However, based on a review of the literature, the goal of entrepreneurial founders should be to create a lasting imprint on the new venture. This imprint can then be used to help establish legitimacy if marketed or shared with stakeholders (Becherer *et al.*, 2012). Thus:

Proposition 1. A founder's imprint will have a positive relationship with establishing the new venture's legitimacy, such that firms with a more distinguished founder's imprint will have more legitimacy.

Counterproductive work behaviors

New ventures face many challenges in establishing legitimacy, such as the hiring and development of early-stage employees (Rocha and Grilli, 2024). Hiring and developing early-stage employees may be considered a challenge due to resource constraints and goal alignment among employees (Chung and Parker, 2023). While research has argued that founders will hire early-stage employees with identities or philosophies similar to theirs (Stewart and Hoell, 2016), research suggests that many new ventures struggle with needs-and-fits issues along with person-organization fit as the organization transitions into the growth stage (Leung, 2003). Thus, employees have the potential to become a strategic asset for a new venture (Stanko *et al.*, 2014) while potentially hindering its development of legitimacy. The latter will be examined as the remainder of this paper discusses how employees might hinder the new venture's path to legitimacy by engaging in counterproductive work behavior.

Counterproductive work behavior consists of different acts of workplace deviance where an employee's voluntary behavior goes against organizational norms, and these deviant behaviors may harm an organization and other employees (Robinson and Bennett, 1995). In a new venture, these norms are established by the founder as part of their imprint on that new venture, as the founder has been instrumental in developing the culture and rules for the new venture (Leung *et al.*, 2013). In addition, adherence to the development of these norms helps to establish legitimacy as part of the conformance strategy. Engagement in counterproductive work behaviors can be motivated by either a lack of motivation to conform to those established norms or that an employee is somehow motivated to transgress those established norms (Kaplan, 1975). In a new venture, an employee may perceive harm or unjust treatment from the

rules, policies and organizational culture developed and imprinted by the founder. Thus, an employee may respond in a counterproductive manner to these causes in a manner that the employee perceives to eliminate or mitigate this perceived harm or unjust treatment. Further, research (Greenberg, 2002) shows that employees will engage in those counterproductive work behaviors when the opportunity arises. Given that the new venture is evolving, the founder may be acting in place of a human resources department, or the new venture may be in the process of formalizing its human resources policies and practices (Martin *et al.*, 2008). Thus, these opportunities may be more abundant in a new venture given that the new venture may be growing and has not yet installed the systems and control measures to safeguard against these types of counterproductive work behaviors.

In addition to being contrary to organizational norms, counterproductive activities should be considered opposing firm interests (Sackett, 2002) and a barrier to influencing performance (Dunlop and Lee, 2004). Specifically, counterproductive work behavior activities committed by an employee can be detrimental to a firm's operations, assets or employee relations (Fox *et al.*, 2001). Since these behaviors harm firm interests (i.e. legitimacy), they should be considered an ongoing concern for that firm (Marcus *et al.*, 2016). Some research (Greenberg, 1990; Hollinger and Clark, 1983) considers how behaviors (i.e. theft and property destruction) affect a firm's tangible losses. However, research on counterproductive work behaviors influencing intangible assets (i.e. firm legitimacy) is sparse and mostly focuses on deviant behaviors on the job (Spector, 2011). Research on counterproductive work behavior covers a broad spectrum of individual activities such as absenteeism (Johns, 2008), aggression (cf. Baron and Neuman, 1998; Fox and Spector, 1999), deviance (cf. Hollinger, 1986; Robinson and Bennett, 1995), fraud (Wells, 2013), retaliation (cf. Skarlicki and Folger, 1997), revenge (cf. Bies *et al.*, 1997), sabotage (cf. Ambrose *et al.*, 2002; Crino, 1994; Skarlicki *et al.*, 2008) and theft (cf. Hollinger and Clark, 1983; Niehoff and Paul, 2000).

This paper suggests that three of those counterproductive work behavior activities (i.e. fraud, sabotage and theft) be investigated as potential moderators of the founder imprint to new venture legitimacy relationship. Although there are many activities that fall under counterproductive work behavior, these three (i.e. fraud, sabotage and theft) have the greatest potential to negatively counter the impact of the founder imprint on the legitimacy relationship. Additionally, the negative influence can be amplified if these behaviors (i.e. fraud, sabotage and theft) are portrayed in the media to stakeholders outside the confines of a new venture. As previously discussed, individuals have been posting shocking content on their social media platforms to gain attention. These activities could be harmful or position a firm in an unflattering light that could harm its image of legitimacy. Firms should fear that these deviant behaviors may increase (i.e. spawn copycat behaviors) in the future with increased social media popularity and traditional reporting focusing on employee deviance.

Employee fraud. In the Association of Certified Fraud Examiners' (ACFE) 2024 report, occupational fraud (also known as employee fraud) resulted in US firm losses exceeding 3.1 billion dollars. This indicates that employee fraud from counterproductive work behaviors is a threat to all firms, including new ventures. Employee fraud is ". . . the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of a firm's resources or assets . . ." (ACFE, 2024, p. 1). Employees are more likely to engage in fraudulent actions when they have an unshareable financial need, and they have an opportunity to commit fraud with the rationalization to commit the act (ACFE, 2024). The need, opportunity and rationalization are considered points on the Fraud Triangle (see ACFE, 2024 for more information).

While research on fraudulent activities has primarily focused on corporate fraud (Lin *et al.*, 2022), a gap exists in entrepreneurial fraud research as research is primarily focused on discipline specific variables (Scheaf and Wood, 2022). Although research has started to examine the potential of an entrepreneurial founder to commit fraud (Theoharakis *et al.*, 2021; Wood *et al.*, 2022), more research focusing on employee fraud is needed as this area has a greater potential to negatively impact a firm. Generally, individuals engaging in fraudulent

activities may be classified into two categories: misappropriation of assets and fraudulent financial reporting (Bunn *et al.*, 2019). Misappropriation of assets occurs when an individual (i.e. “fraudster”) intentionally converts or diverts firm assets for personal use or for non-aligned firm objectives (ACFE, 2024). Fraudulent financial reporting encompasses falsifying company records that manipulate a firm’s financial position as normally reported in financial statements. According to ACFE (2024), the most common form of fraud is the misappropriation of assets, which represented 89% of the cases they reviewed for the 2024 report.

An example of fraudulent financial reporting is Boxabl, Inc., where an employee was charged by the Securities and Exchange Commission with fraudulently deceiving investors (Alois, 2024). The employee was hired into an investor relations position where the employee allegedly presented investors with the opportunity to buy Boxabl, Inc. securities. However, the employee did not have permission to trade these securities (Alois, 2024). Simultaneously, Boxabl, Inc. was in the process of acquiring additional rounds of financing through crowdfunding while also engaging in a testing-the-waters (TTW) campaign (Alois, 2024). Reports of events similar to this case that link employees to fraudulent activity could easily impact the legitimacy of a firm and the presumed direction of its leadership. Fraud research suggests that incidences of fraud are greater when the quality of the internal control procedures is poor or underdeveloped (Rae and Subramaniam, 2008). In addition, Rae and Subramaniam (2008) note that new ventures that invest in risk management training for employees increase their internal auditing activities and promote more ethical environments that are more likely to have stronger internal control procedures and are critical for fraud detection and prevention. Thus, at an early stage in a firm’s development, investors may question the safeguards against issues like this that are imprinted into a new venture, and investors may be leery of investing. Thus, engagement in employee fraud could potentially weaken the founder imprint to a new venture legitimacy relationship. The following is proposed:

Proposition 2. Employee fraud will moderate the relationship between the founder imprint and new venture legitimacy, where the relationship will be weaker for those firms with a higher level of employee fraud.

Employee theft. Employee theft is “. . . intentional acts by insiders (i.e. employees) that are targeted at the organization rather than at individuals” (Niehoff and Paul, 2000 p. 52), and these acts may be costly to a firm. The estimated loss from employee theft may range between 1% and 3% of a firm’s annual sales (Gross-Schaefer *et al.*, 2000). Given that employees engage in these activities when the opportunity arises, these losses should be guarded against given that many new ventures struggle with profitability and maintaining adequate resources in their initial stages of development (Reynolds, 2016).

Employees may be motivated to engage in theft for several reasons. For example, an employee may perceive underpayment or experience inequity, such as when a firm temporarily reduced employee wages by 15% (Greenberg, 1990). Often employees in new ventures are paid less as a strategic decision implemented by a founder to develop company profitability and legitimacy (Wasserman, 2006), which may be contrary to the employees’ expectations under the established psychological contract with the founder. Thus, any perceived inequity may be exasperated by such conditions. Using equity theory, the perception of fairness associated with resource distribution may explain some employee rationalizations of theft, but other reasons such as external financial pressures, opportunities, and generational differences of morals and ethical standards may exist (Hollinger and Clark, 1983). Unshareable problems can be another motivating factor triggering deviant behaviors. An unshareable problem is a dilemma that is perceived by an individual to be shameful, unique or unsupported by social networks (Wells, 2013). To alleviate suffering, an individual seeks opportunities whilst applying his/her knowledge of the situation in these deviant actions. These deviant actions can be extremely costly to firms if they fail to take appropriate mitigating actions. For example, there are many instances where employees with an external job

opportunity have easily stolen data or proprietary information, usually by electronic transmitting data or downloading content onto a portable device. When instances of employee theft are reported or discovered, it portrays the firm in an unfavorable light to various stakeholders. Hence, firms need to understand the relationship between theft and the negative perceptions of a new venture's legitimacy. From a stakeholder perspective, an employee is not just hurting one stakeholder when they commit theft, but multiple stakeholders.

Hence, founders should realize that their actions related to one stakeholder (employees) may influence other stakeholders (e.g. customers, suppliers or investors). If employee thefts are reported to stakeholders, it may harm a new venture's legitimacy. For example, stakeholders (i.e. investors) may negatively perceive a firm based on their belief that a new venture founder's failure to mitigate theft is related to his/her underdeveloped internal procedures. In turn, this overall negative perception may translate to a lower view of the firm's legitimacy. Ultimately, the founders' imprint on the legitimacy of new ventures may be weakened. Thus:

Proposition 3. Employee theft will moderate the relationship between the founder imprint and new venture legitimacy, where the relationship will be weaker for those firms with a higher level of employee theft.

Employee sabotage. Employee sabotage consists of employee actions that "... damage or disrupt the organization's operations by creating delays in production, damaging property, the destruction of relationships, or the harming of employees or customers" (Crino, 1994, p. 312). Employees are believed to engage in sabotage activities for a multitude of reasons, including frustration, injustice or feelings of powerlessness (Ambrose et al., 2002). Employee sabotage has been argued to exist due to inappropriate organization design and an underdeveloped management team (Analoui, 1995). Further, workplace sabotage has been explained as a rational employee decision made by an employee to cause harm to the organization in response to environmental factors such as protecting job interests or management-subordinate conflict (Giacalone and Rosenfeld, 1987). In a new venture, the organizational design may still be in a state of uncertainty and the management team in a period of learning, which provides an opportunity for an employee to engage in sabotaging activities. However, it may take time for the employees to engage in workplace sabotage because sabotage activities are not random acts, but rather planned activities with a target in mind as a response to an environmental trigger (Ambrose et al., 2002).

Employee sabotage could have a negative impact on a new venture's image of legitimacy if external stakeholders are aware of the sabotage. For example, if employee sabotage results in lower levels of customer loyalty and satisfaction, firm value may decrease (Wang et al., 2011). Employees may conduct sabotage for various reasons, including revenge, self-defense, self-preservation, and protecting friends or family from a firm (Giacalone and Rosenfeld, 1987; Skarlicki et al., 2008). In a new venture, employee actions for protection (i.e. self or others) may target the founder as that founder may be viewed as the face of the firm. Thus, the spreading of these employee sabotage acts through word-of-mouth communication could damage a new venture legitimacy (Harris and Ogbonna, 2012). Negative word-of-mouth communication refers to *surreptitious communication* that results in severe repercussions.

Analoui (1995) presents an example of employee sabotage: a Kenyan brewery revoked a policy allowing employees to receive free beer during weekends. As a result of this policy change, a covering hatch protecting the beer from contamination during brewing was "accidentally" removed, and employees failed to take corrective action on purpose. These employees were in essence sabotaging that batch of beer as it was brewing to get back at the firm for taking away their free beer. This inaction resulted in hundreds of gallons of beer being spoiled and subsequently destroyed. Examples of employee sabotage such as this do not appear favorably for the firm, and when external stakeholders (i.e. investors and customers) become aware of a situation such as this, they may question the firm's policies and motives.

Subsequently, word-of-mouth discussions may cause other stakeholders to reduce their opinion of a firm. Thus, the following is proposed:

Proposition 4. Employee sabotage will moderate the relationship between the founder imprint and the new venture legitimacy, where the relationship will be weaker for those firms with a higher level of employee sabotage.

Conclusion

As the purpose of this paper is to explore how an entrepreneurial founder affects the legitimacy of a new venture and how employees may harm that legitimacy, we have presented four propositions to be investigated. The first proposition focuses on the relationship a positive founder imprint will potentially have on the new venture's legitimacy. A new firm's legitimacy is essential for sustained operations, and this legitimacy appears to be significantly dependent on the founder imprint. Understanding this relationship and its application can facilitate greater firm legitimacy.

The remaining three propositions focus on the potential moderating effect of prominent counterproductive work behaviors (i.e. employee fraud, employee theft and employee sabotage) on the founder imprint to new venture legitimacy relationship. While many new ventures invest resources in developing legitimacy, some firms neglect investigating variables associated with employees that may harm their legitimacy. New venture legitimacy is a valuable asset that a firm needs to understand to ensure appropriate actions are undertaken to develop, monitor and protect this legitimacy to truly sustain operations.

For example, some employees may not support founder imprinted philosophies on a new venture; they may work contrary to those ideals; and actions can harm their perceived legitimacy. Moreover, new ventures have not had appropriately deployed mitigation tactics against counterproductive work behaviors to protect their perceived legitimacy. Thus, this paper identifies that new ventures need to potentially be aware of the impact that various deviant behaviors committed by employees may have on the founder imprint and new venture legitimacy relationship.

Deviant acts committed by employees are nothing new to firms, and these deviant acts will continue to plague firms (Klotz and Buckley, 2013). The counterproductive work behaviors proposed illustrate that employees engaged in deviant behavior may negatively impact new venture legitimacy. When deviant behaviors are posted on social media and reported by media outlets, this negative impact can escalate from public perceptions (Cook and Kuhn, 2021). Thus, firms need founders to develop policies that govern and guide employee actions. Given that founders' help establish firm culture, those founders can implement a positive and ethical culture that guides a new venture to legitimacy by "walking the walk" as to how employees should behave.

While research on new venture legitimacy considers how to improve and maintain legitimacy (Karlsson and Williams-Middleton, 2015), there are other areas for future research. Future research should consider best practices to improve legitimacy when that legitimacy has been tarnished by media events related to employee behavior. Likewise, future research can examine mitigating incidents involving counterproductive work behavior regarding new ventures. Considering that events may negatively affect legitimacy, each type of counterproductive work behavior incident may require different mitigation strategies. For example, firms may react differently when trying to restore their legitimacy after an incident of employee theft becomes public as opposed to employee sabotage.

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