Legitimizing Innovation Strategies to Internal and External Stakeholders

In high-tech business ecosystems, managers must strike a key balance between exploring new innovation opportunities that will allow their firms to access strategic ecosystem positions and simultaneously adhering to the expectations set upon them by their stakeholders. Especially due to a high degree of interaction between ecosystem participants (Jacobides et al., 2018), this can be a tricky process for firms such as large MNEs with a variety of stakeholders - complementary partners, clients, regulators, investors, and so on. Scholars studying how incumbent firms respond to threatening innovations elsewhere in their ecosystems (Ansari et al., 2016; Bitektine et al., 2020; Khanagha et al., 2020) have pointed out that while technological advancements within firms are important for ensuring their survival in the face of disruptive innovations, the perceived *legitimacy* of those innovations as well as the firms and individuals pushing them forward are necessary for their adoption.

External judgments are consequential for how innovating teams within firms can feasibly implement responsive strategies going forward. Recent empirical work further helps us understand how legitimacy correlates with the nature of the new offering in question (Zhao et al., 2017) and the importance of narratives and rhetoric in legitimacy-building to outside parties (Garud, Gehman, et al., 2014; Patala et al., 2019). Yet, what is missing is a close look at how managers balance legitimacy campaigns to external *as well as internal* stakeholders, especially when exploring ventures with no precedent and past performance from which these stakeholders can make quick judgments of institutional alignment. Thus, the question we pose is *how do managers legitimize their innovation strategies to internal and external stakeholders?*

Data Collection & Findings

To investigate this query, we examine the endeavors of the multinational IT service provider Atos since it began to engage with the nascent ecosystem of small financial service companies, typically startups and scaleups, whose value offerings orbit around innovative uses of technology - otherwise known as “fintechs.” The core team we focus on, Team Alpha, is Atos’ organization responsible for orchestrating offerings for the financial services and insurance domain. Atos’ largest clients in this domain are well-known banks, insurers, payment service providers, and the like. Fintechs, for their innovative and agile uses of technology and freedom from many of the institutional burdens by which incumbents are restricted, have simultaneously presented an existential challenge to these incumbents (Navaretti et al., 2017) as well as an attractive nascent ecosystem of potential partners for the incumbents. As their core business model in this area is responding to the interests of these incumbents, this makes fintechs attractive potential partners for Atos’ innovation goals as well.

Our data collection involved capturing 20 semi-formal interviews that we coded sequentially (Poole et al., 2016), as well as countless informal chats as part of the first author’s ethnographic data collection (Hammersley & Atkinson, 1994) that began in 2019. Additionally, we employed content analysis primarily focused on documents concerning Atos’ activity in the fintech ecosystem going back to 2016, when key informants told us their efforts materially began. In our analysis, we follow the process by which Team Alpha built the capability to orchestrate innovative client solutions using a combination of the firm’s own offerings as well as those of partnered fintechs. As shown in our model (see Appendix), Team Alpha began in Phase 1 with an assessment that organic innovation to meet client demands was not feasible for the firm. This was partially due to its expensive acquisition history (thus precluding it from embarking on expensive, home-grown R&D efforts) and partially due to its older workorce (interviewees related this to a comparatively low amount of young talent entering the firm straight from research institutions such as universities of applied sciences).

However and largely due to that acquiring firms was the *cognitively legitimate* (Aldrich & Ruef, 2006) method by which firm management and other personnel assumed the company would absorb innovative capability, the relatively inexpensive, “trust-based” partnership method was unprecedented in the firm according to our contacts. This meant that, bridging into Phase 2, actors on Team Alpha had to find and assert a position for their firm - that of an orchestrator - in the broader ecosystem of fintechs and signal Atos’ legitimacy to those fintechs in order to convince them to collaborate to meet Atos’ client demands. At the same time, these actors needed to enlist support from within the firm for an innovation strategy with no apparent Atos precedent. Materially, this meant gathering capital and personnel support from several other units within the firm in order to build a working platform that Team Alpha members could internally use to organize modular solutions for their clients, then reorganize and recycle those parts for low-cost follow-on solutions of similar builds.

The transition into Phase 3 saw these efforts decrease in intensity - meaning that Team Alpha actors could divert their attention, energy, and time away from building up and powering this platform and towards expanding its potential uses. The ongoing result of this phase is an inflow of resources from internal stakeholders and external stakeholders that Team Alpha has since used to start building cross-ecosystem solutions and approach existing as well as potential clients with these culminations and outputs of collaborative innovation activity. This final phase works somewhat like a perpetual motion machine, and our ongoing investigation seeks to explore the limits, strengths, and weaknesses of this strategy until we achieve sufficient theoretical saturation.

Discussion & Contributions

We discovered that actors on the core team initiating the intent to catch their firm up with its outpacing competitors had to woo internal stakeholders with the idea that its innovative orchestration was already underway and vetted by knowledgeable, outside agents, while simultaneously convincing the external stakeholders whose buy-in it needed to power the system that it would be a lucrative endeavor in which to participate. We thus add to literature streams concerning value creation in ecosystems (Adner & Kapoor, 2010; Ceccagnoli et al., 2012; Cennamo & Santaló, 2019) by shedding light on internal stakeholders as important actors to consider and removing the *de facto* assumption from these streams that firm managers who engage in novel ecosystem ventures can rely on *ex ante* internal stakeholder support.

Where these discourses happened in a temporal sense relative to each other also places focus in a story of narratives (adding to Garud, Gehman, et al., 2014; Garud, Schildt, et al., 2014; Kuratko et al., 2017) to actual and symbolic discourses. At times, symbolic discourses were meant to relay future states, which would conditionally become actual pending the stakeholder's support. This makes the orchestrating manager's role especially difficult, in that he or she must keep track of to whom what was promised and whether those expectations will be met on time and with any necessary, dependent support from others in place.

Time is a recurring theme in this work, and as a process work, we add to the broadening and respectable field of scholarship seeking temporal understandings of firm innovation (Kouamé & Langley, 2018; Paquin & Howard-Grenville, 2013). Researching the actions of managers in a firm who are dealing with a rapidly shifting landscape allowed us to observe a fascinating diversity of environmental factors that these actors were made to deal with. We believe that insights from these are useful for process literature as well as for practitioners who find themselves in settings of accelerating change.

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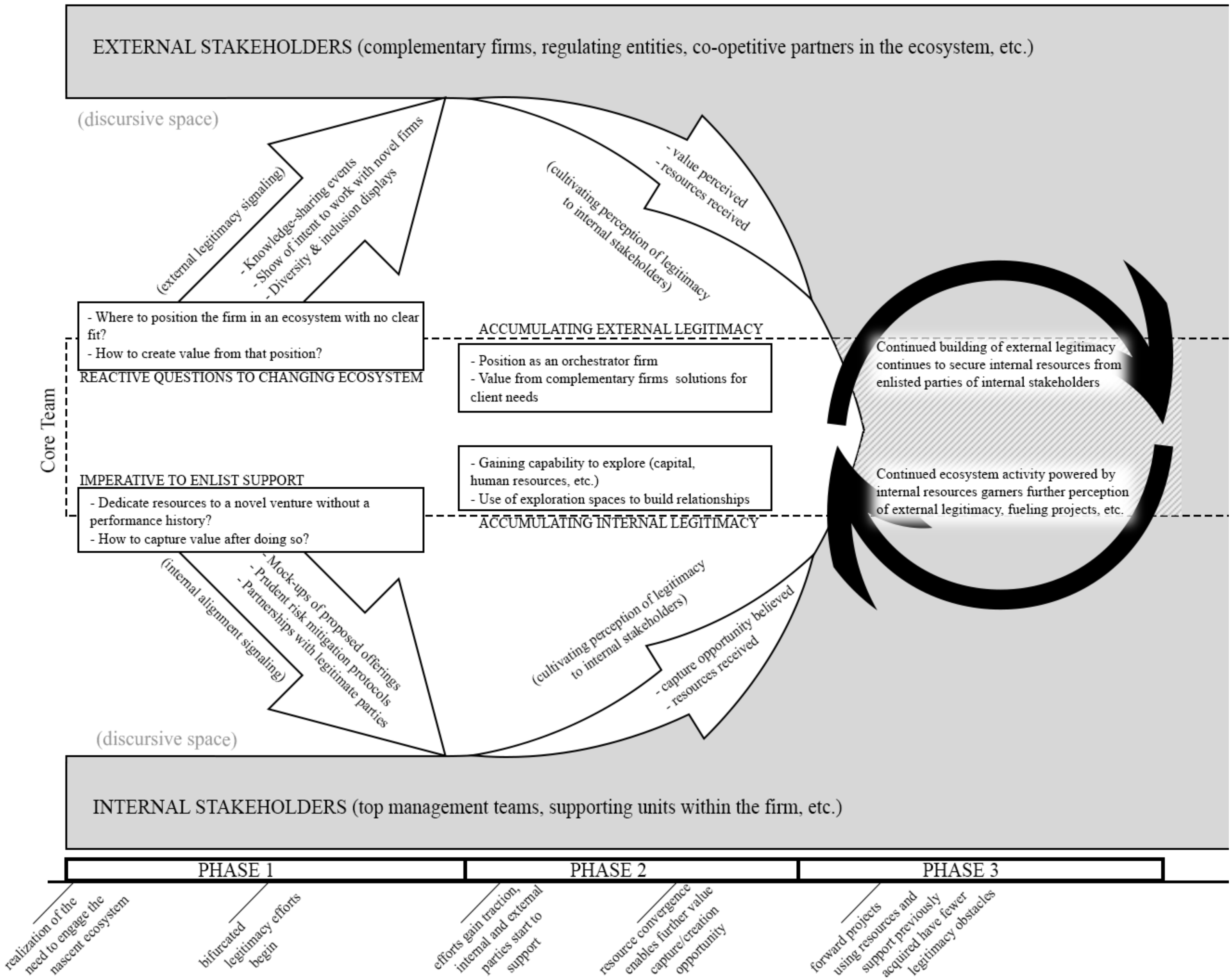

EXTERNAL STAKEHOLDERS (complementary firms, regulating entities, co-opetitive partners in the ecosystem, etc.)
(discursive space)
(external legitimacy signaling)
- Knowledge-sharing events
- Show of intent to work with novel firms
- Diversity & inclusion displays
- value perceived
- resources received
(cultivating perception of legitimacy to internal stakeholders)
- Where to position the firm in an ecosystem with no clear fit?
- How to create value from that position?
REACTIVE QUESTIONS TO CHANGING ECOSYSTEM
Core Team
IMPERATIVE TO ENLIST SUPPORT
- Dedicate resources to a novel venture without a performance history?
- How to capture value after doing so?
ACCUMULATING EXTERNAL LEGITIMACY
- Position as an orchestrator firm
- Value from complementary firms solutions for client needs
- Gaining capability to explore (capital, human resources, etc.)
- Use of exploration spaces to build relationships
ACCUMULATING INTERNAL LEGITIMACY
Continued building of external legitimacy continues to secure internal resources from enlisted parties of internal stakeholders
Continued ecosystem activity powered by internal resources garners further perception of external legitimacy, fueling projects, etc.
(internal alignment signaling)
- Mock-ups of proposed offerings
- Prudent risk mitigation protocols
- Partnerships with legitimate parties
(cultivating perception of legitimacy to internal stakeholders)
- capture opportunity believed
- resources received
(discursive space)
INTERNAL STAKEHOLDERS (top management teams, supporting units within the firm, etc.)
PHASE 1
PHASE 2
PHASE 3
realization of the need to engage the nascent ecosystem
bifurcated legitimacy efforts begin
efforts gain traction, internal and external parties start to support
resource convergence enables further value capture/creation opportunity
forward projects using resources and support previously acquired have fewer legitimacy obstacles