EXECUTIVES' LABELING STRATEGIES IN EMERGING DOMAINS OF ACTIVITY: CONSTRUCTING AND USING NASCENT MARKET LABELS

NINA GRANQVIST
Helsinki School of Economics, Helsinki, Finland

STINE GRODAL
Boston University, Boston, MA

JENNIFER L. WOOLLEY
Santa Clara University, Santa Clara, CA

ABSTRACT

Symbolic management literature explores how executives signal both substantive and symbolic properties of a firm. In contrast, market categorization literature suggests that firms are often at the mercy of stakeholders who categorize the firm based on its substantive features. Such tensions present in these literatures indicate that our knowledge on where agency lies in market categorization, and whether the process of categorization is based on substantive or symbolic features, is still inconclusive. Focusing on established markets, these literatures have cast little light on how nascent market labels and market categories are constructed and used. Our research addresses these gaps in the literature by providing insight into the dimensions that shape executives’ propensity to use a nascent market label. Based on an in-depth grounded analysis of executives’ use of the nanotechnology label, we identify the key dimensions for constructing the meaning of a nascent market label. The data show that depending on this construction, executives employ three labeling techniques: claiming, hedging and disassociating. The findings show that how executives simultaneously construct the market label and decide upon the strategies for its use impacts the embedding of the nascent label in the market place.

SYMBOLS, LABELS AND CATEGORIES

All executives face the decision of how to position their firms within the market (Ashforth and Gibbs 1990). Given the ubiquity of this challenge, research on symbolic management and market categorization has begun to address how firms come to be perceived as participating in a particular market. Symbolic management research has shown that executives manipulate symbols to manage stakeholders’ perceptions of their firms to convey a favorable image of the organization to external stakeholders (Dutton and Dukerich 1991, Elsbach 1994, Westphal and Zajac 1994, Westphal and Zajac 1998, Elsbach et al. 1998, Fiss and Zajac 2006, Zott and Huy 2007). Simultaneously, research on market categorization has examined how stakeholders categorize organizations according to their affiliations and capabilities, and how such categorical membership influences firms’ performance (Zuckerman 1999, 2000, Pólos et al. 2002, Hsu 2006). However, tensions exist between these two literatures. Firstly, the symbolic management literature assumes the symbolic use of various assets, such as market labels, whereas the market categorization literature takes a substantive stance. Secondly, symbolic management places the locus of action within the firm, whereas the market categorization literature stresses the role of
external stakeholders in the categorization processes. Thirdly, the market categorization literature emphasizes the detrimental effect of multiple category membership, whereas symbolic management is open to the benefit of signaling multiple market labels simultaneously. Both literatures further assume that symbols, and their associated resources, exist prior to their use and, hence, suggest that various participants draw on an existing ‘tool kit’ of symbols and aligned resources (Swidler 1986).

In this research, we bring together these two literatures that have scarcely informed each other to examine executives’ construction of market labels and the strategies for their use. The study of labels is important because they are significant cultural symbols as they associate an object with a system of meaning consisting of its denotation (or explicit meaning) and connotation (or implicit meaning) (Pierce 1931). The denotations of a label are its categorical reference, that is, a set of objects to which it refers (Vygotsky 1987). The difference between labels and categories is, thus, that a label is a sign, whereas a category is the set of objects to which the label references. The connotations of the label are the underlying aspects of meaning systems to which the label refers (Becker 1963, Barley 1983, Petrilli and Ponzio 2005, Weber et al. 2008).

Market labels are a particular type of label which signify a firm’s core products, technology, competitors and business model; and influence the firm’s evaluation (Zuckerman 1999) and governance form (Zuckerman 2000). Examples of market labels include “semiconductors” or “automobiles”. Market labels provide an important conceptual tool to address the issues of symbolic management and market categorization. By using market labels executives associate their firms with symbolic resources while simultaneously creating a signal to guide external stakeholders’ categorization of the firm (Ashforth and Humphrey 1997). Therefore, the examination of executives’ construction of nascent market labels provides insight into the issues that shape label use, as well as its consequent embedding in the market place. Such examination also provides tools to address the tensions between the symbolic management and market categorization literatures.

While symbolic management and market categorization literatures cast light on the processes through which executives tap into cultural resources, and stakeholders associate firms with market categories, little empirical research has been conducted on how market labels are constructed in the presence of ambiguity. Further, there has been limited research on how the construction of a market label influences executives’ strategies for their use. Our research question is thus twofold: How do executives construct nascent market labels in emerging domains of activity? And, how does the executives’ construction of a nascent market label shape its use?

**CONTEXT AND METHODS**

For the empirical examination, we identified an extreme case (see Eisenhardt 1989, Yin 2003). Emerging domains of activity provide a useful context in which to study the above described processes for several reasons. First, market labels are under construction and executives must rely on weak cues when they form their perceptions and make decisions on label use. Second, executives also have more leeway to shape stakeholders’ perceptions due to the lack of widely shared symbolic structures (Alvesson 1990). We study executives’ construction of, and strategies for, the use of market labels in the context of nanotechnology. The market label, “nanotechnology”, though applied to commercial activity as early as 1986, is fraught with
ambiguity and its symbolic value remains highly contested with both its categorical reference and meaning under construction (Berube 2006). Furthermore, multiple and diverse communities are involved in the nanotechnology field. Hence, executives must weigh how stakeholders from multiple communities will interpret their use of the market label. For these reasons, nanotechnology is a powerful emerging context for studying the use of market labels.

Drawing on an inductive analysis of 59 interviews with executives of firms involved in nanotechnology, we examine the dimension that shaped executives construction of nanotechnology as a market label and their strategies for how and when to use it. From the extensive data, a grounded model of executives’ market labeling activities emerged.

FINDINGS

Labeling Strategies
Executives’ use of a nascent market label in an emerging domain is not as straightforward or dichotomous as would be expected from the theoretical work in either symbolic management or market categorization literatures. Executives’ use of the nano-label converged into three labeling strategies: claiming, hedging, or disassociating. Claiming the label was indicated when an executive explicitly associated the label with the firm such as using the label in the name, rhetoric practices, or non-verbal practices. Disassociating the label was evident when an executive denounced any connection between the label and the firm across those same activities. The hedging strategy appeared when executives did not explicitly claim nor disassociate the nanotechnology label, but either implied a connection with it or associated with it differently across activities or stakeholders. These findings manifest the abundant symbolic use of market labels in ambiguous contexts such as emerging domains of activity. Table 1 provides an overview of the three labeling strategies.

Propositions Regarding Executives’ Construction of a Nascent Market Label
The analyses of the interview data disclosed four dimensions shaping executives’ market label strategies in emerging domains of activity. First, the executives’ construction of the label’s technological reference was a central element in constructing the label’s denotations. Second, the executives’ construction of the label’s association with symbolic and material resources; and third, the executives’ perception of stakeholders’ labeling activities contributed to executives’ construction of the label’s connotations. Together the label’s denotation and connotation constituted the label’s symbolic meaning. Fourth, the executives’ consideration of ambiguity situated the label’s meaning within time and space. Our grounded analysis of executives’ strategies for using labels yield a set of propositions about the relationship between executives’ construction of the label and their strategies for label use. Table 2 provides an overview of the propositions.
A Model of Executives’ Construction and Use of Nascent Market Labels

The propositions suggest that whereas the executives’ construction of the label’s denotations and connotations are generally associated with a claiming or a disassociation strategy; in situations where executives perceive abundant ambiguity around the label, they are more likely to hedge. Furthermore, we show that the construction of the label’s denotation, that is its categorical reference, includes assessing the label’s technological reference, comparing it to the technological capabilities of the firm, and assessing the label use (and thereby the categorical construction) by competitors and stakeholders. The construction of the label’s connotations, or its associated meanings, relies on establishing a meaning of nanotechnology, assessing how the label was placed within a larger symbolic structure, thus assessing whether it functions as a differentiator. Executives attend to the symbolic resources associated with the label in constructing the label’s connotations. Finally, executives consider how the label’s meaning might vary across time and space, and thus whether stakeholders might perceive the label differently and whether the label’s meaning might change over time. Therefore, the findings suggest a more nuanced picture of how executives engage in cultural construction of novel symbols than what the propositions alone are able to convey. Also, the construction processes that executives engage in do not take place in isolation. Instead, each dimension is shaped simultaneously and influences each other, as depicted in Figure 1.

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Despite nanotechnology representing an emerging domain of activity that has attracted a great deal of excitement, we find that executives from firms associated with nanotechnology do not automatically adopt the nano-label, nor is their use of the label purely a function of the substantive operations of their business. Instead, executives’ market label use depends on their construction of its meaning. This construction is local in the sense that it is specific to each executive and relevant only in the context they currently experience. We suggest that shaping the meaning of the label consists of two parallel processes. In the first process, executives construct the label’s denotations and connotations and place this construction of meaning within time and space. Through this assessment executives build a layered understanding of the nanotechnology label’s symbolic value which shapes the executives’ choice of an appropriate market label strategy in an emerging domain of activity. In the second process, by partially or fully adopting or rejecting the label, executives participate in the construction of the market label by embedding it in the market place.

DISCUSSION

Our grounded empirical research shows that studying how market labels are constructed and used is fruitful in generating insights into the locus of agency in market categorization and on the nature and outcomes of the use of market labels. As a result, our research on the executives’ construction of, and strategies for, using market labels in emerging domains of activity provides an important link between symbolic management and market categorization, and generates novel insights into the roles that market labels play in both literatures.

Our study has implications for the tension between substantive and symbolic use of labels. Firstly, our findings on executives’ construction and use of market labels validate the views
expressed in the theoretical study by Alvesson (1990) that ambiguous contexts provide leeway for actors within firms to signal merely symbolic properties. Our data show that symbolic use of market labels is ample in the presence of ambiguity. The hedging strategy emerged as a particularly potent means for executives to manage the risks associated with symbolic claiming of a nascent market label, because hedging provided executives with access to some of the label’s short term benefits, while leaving open the possibility of a future disassociation with the label should it lose its symbolic value.

Secondly, our study generates insights into the issue of agency in market categorization. Instead of merely viewing executives as passive targets of stakeholders’ categorization efforts or as opportunistic actors who seek benefits through their label use, our research shows that executives both actively participate in and are influenced by others’ labeling of their firm. Our study suggests that executives’ agency in adopting and shaping market labels is crucial for the emergence of symbolic structures in nascent markets.

Thirdly, the findings provide insight into firms’ affiliation with multiple market categories. In the presence of ambiguity, executives employ multiple market labels to manage the volatility associated with a nascent market label. Executives create an association with established, mature markets, in which most of their customers reside, by using stable and sedimented market labels. In contrast, by employing nascent market labels executives establish an affiliation with an emergent category and the associated symbolic and material resources. Hence, affiliation with multiple categories further stresses the strategic role of the hedging strategy in ambiguous contexts.

Conclusively, we argue that the executives’ local construction of the meaning of a market label, and its consequent use, are important underlying processes for market categorization. Executives’ local construction of the market label, and the labeling strategies they decide to use, embeds the nascent label in the market place. In this sense, our study generates insights into the micro-level origins of market categorization processes in the context of emerging domains of activity.

REFERENCES AVAILABLE FROM THE AUTHORS

Table 1: Labeling Strategies (truncated version, see paper for full table)

<table>
<thead>
<tr>
<th></th>
<th>Claiming</th>
<th>Hedging</th>
<th>Disassociating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name of firm</strong></td>
<td>Use the label as part of the name</td>
<td>Sometimes using the label as part of the name and at other times hiding this fact</td>
<td>State that they chose explicitly not to have the label as part of their name</td>
</tr>
<tr>
<td><strong>Rhetoric practices</strong></td>
<td>Explicitly associating the firm and the label</td>
<td>Not explicitly claiming nor disassociating the label</td>
<td>Denouncing a connection between the label and the firm</td>
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<td></td>
<td>Active promotion of the label</td>
<td>May imply a connection to the label</td>
<td></td>
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<tr>
<td><strong>Non-verbal practices</strong></td>
<td>Company employees and executives represent the firm in activities that carry the label like conferences, networking events, directories, and magazines.</td>
<td>Selective about the kind of activities associated with the label that the firm should be represented in.</td>
<td>Not participating in conferences, networking events, directories and lists that carry the label as a heading.</td>
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<tr>
<td></td>
<td></td>
<td>Rhetorically disassociating the firm and the label, but still participating in events that carry the label.</td>
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Table 2: Overview of the Propositions

<table>
<thead>
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<th>Process</th>
<th>Claiming</th>
<th>Hedging</th>
<th>Disassociating</th>
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<tbody>
<tr>
<td>P1: Constructing the technological reference</td>
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<tr>
<td>Construction of label’s association with symbolic and material resources</td>
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<td>P2: Label as a differentiator</td>
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<td>P3: Access to symbolic and material resources</td>
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<tr>
<td>P4: Executives’ perception of stakeholders’ labeling activities</td>
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<td>+</td>
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<tr>
<td>Executives’ consideration of ambiguity</td>
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<tr>
<td>P5: Affiliation in multiple categories</td>
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<td>P6: Instability over time</td>
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<tr>
<td>P7: Unrealistic expectations</td>
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<td>+</td>
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Figure 1: Executives’ Construction and Use of Market Labels

Constructing the market label’s meaning

- Executives’ consideration of ambiguity
- Contextualizing the meaning within time and space
- Executives’ construction of the label’s connotations
- Executives’ construction of the label’s denotations
- Iterative construction of the label’s meanings

Constructing a relationship between the market label and the firm

- Executives’ Market Label Strategies
  - Claiming
  - Disassociating
  - Hedging
- Constructing a relationship between the symbol and the firm
- Disembedding the symbol and the firm
- Creating ambivalence between the symbol and the firm