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The Impact of Cognition on New Value Creation within the Institutional Theory Perspective

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Abstract

This study aims to assess the effects of optimism and self-efficacy on entrepreneurs who intend to reform their market. Drawing on cognitive and institutional theory, the factors of optimism and self-efficacy were selected to better understand the association between entrepreneurial cognition and opportunity creation. This is a qualitative, multicase study where six Turkish entrepreneurial firms in the process of reforming and redefining their markets through new value creation, were selected on the basis of purpose sampling. While both optimism and self-efficacy significantly motivated entrepreneurs to create new value propositions, the effects of these factors varied across cases. In the sampling, all firms associated value creation with innovation. Moreover, firms tended to use informal/formal networks to create new value propositions and change current legitimacy. Only limited studies have reported on the effects of institutional environments and cognitive structure of entrepreneurs on value creation, particularly within emerging markets. Moreover, the concept of value creation, which involves redefining and reshaping the present market, is not recognized within either cognitive or institutional theory. Optimism and self-efficacy have previously been considered as independent concepts in the literature. However, in the current study, the two concepts are interrelated, thus contributing to the literature of entrepreneurship.

Keywords: optimism, self-efficacy, institution theory, multiple case study

1. Introduction

Opportunity and innovation are products of the entrepreneurial-institutional environment, as well as the cognitive and creative processes of entrepreneurs [1]. In this sense, cognitive theory can explain how entrepreneurial cognition affects the way complex information is managed toward the end of identifying and exploiting new opportunities [2]. This is true because

cognitive theory views entrepreneurship as “a way of thinking” [3], while cognition itself “advances our understanding of how entrepreneurs evaluate business opportunities” [4]. At the same time, it is known that some entrepreneurs will exert cognitive effort toward creating opportunity, and some will not [5]. As such, entrepreneurial cognition is related to “understanding how entrepreneurs use simplifying mental models” essential for identifying and realizing entrepreneurial opportunities [6]. Many such mental shortcuts or models for entrepreneurial thinking have been noted, including, for example, self-efficacy, optimism, planning fallacy, overconfidence, self-justification, or locus of control. Since self-efficacy and optimism have been associated with opportunity creation [7], they were selected in the present study to better understand the association between entrepreneurial cognition and opportunity creation. Both self-efficacy and optimism have previously been examined in the entrepreneurial literature, but as independent concepts, empirically and theoretically [8]. These factors have been, however, combined in the present study, thus extending previous studies.

Institutional theory, which involves the institutional environment, also affects opportunity creation and entrepreneurial cognition [9]. Institutional theory and cognitive theory together suggest that both external (i.e., institutional framework) and internal (i.e., self-efficacy and optimism) factors can affect value creation [6] and that a continuous relationship exists between the two [10]. In other words, these two theoretical frameworks stand for the two different aspects of entrepreneurship phenomena and bringing together it is aimed to do the jigsaw. In order to do this, the key term is legitimacy. Insofar as legitimacy is related to institutional theory, it is also related to new value creation.

While previous studies have examined entrepreneurial cognition, its effects on new value creation in the context of self-efficacy and optimism have not been well studied [9]. Also, while opportunity has been widely researched, its application within the institutional context is mostly absent in the literature with only a few exceptions [11]. Since, as defined above, legitimacy is closely associated with social approval, it has been used as a framework within the present study to examine the effects of cognition based on self-efficacy and optimism combined with neoinstitutional theory on new value creation. To accomplish this, the authors follow the thinking of Kim and Mauborgne [12], who argue that new value is created through factors to be eliminated, reduced, raised and created. It is traditionally argued that high levels of self-efficacy and optimism are more significant in institutional environments where these activities are legitimate [10]. In general, however, this is not true for entrepreneurial firms because while creating new value/markets, entrepreneurs generally shed present legitimacy in the process of creating new legitimacy upon becoming successful. This is consistent with neoinstitutionalism.

Moreover, entrepreneurship is considered to be a multidimensional phenomenon and there are so many theories that try to explain its different dimensions. Accordingly, studies that based on supplementary theories that are bringing these dimensions together may be fruitful. For this reason, the authors have taken the position that cognitive theory and neoinstitutional theory both possess many conceptual tools with which to explain entrepreneurship phenomena. It has been argued that reformation of an entrepreneurial institution in the context of opportunity creation, especially within an emerging market, is an important and interesting case to study [13].

Therefore, based on a foundation of cognitive theory and new value creation, the present study seeks to explore the effects of optimism and self-efficacy on entrepreneurs who intend to reform their market. To accomplish this, neoinstitutional theory that presumes change within the institutional framework and legitimacy with the help of entrepreneurial push is a key framework. Accordingly, six cases have been selected, as representing active creation or recreation of value propositions within their respective markets in accordance with the value creation formulation of Kim and Mauborgne [12]. It is proposed that such entrepreneurs are recreating legitimacy within their environment/institutions and cognition is a key enabling them to successfully navigate this process [14]. There are limited researches in entrepreneurship literature on the effects of institutional environments and cognitive structure of entrepreneurs on value creation, especially within an emerging market. Moreover, the value creation concept, covering redefining and reshaping the present market, is not recognized within both cognitive and institutional theories. Therefore, these two aspects are important contributions of this study to the literature.

2. Theoretical and conceptual framework

2.1. Institutional theory

Institutions define the incentives for entrepreneurial activities within a given market. According to institutional theory, the dynamics of such concepts as legitimacy force firms to become alike in time, thereby increasing their chances to attain the resources and capability required to survive [15]. Institutional changes may occur for both internal and external reasons. According to Scott [16], traditional institutionalism generally focuses on external factors that result in the creation and reformation of legitimacy through technological or legal dynamics. Indeed, although early theory highlighted the uniqueness of legitimacy and its formation [16], later works use institutional theory to explain changes at both firm and market levels. More recently, neoinstitutionalism has shifted to a focus on culture, cognition and social processes [17].

Here it is argued that certain types of cognition are affected by the institutional environment [9]. Besides, institutions are no longer constrained by the environment in which they are found, but rather, they can be actively shaped, reshaped and recreated by individual entrepreneurial firms [11]. In institutional theory, many attempts have been made to categorize legitimacy. For example, in neo-institutionalism, Scott [18] stated that legitimacy derives from regulatory, normative and cognitive sources, not “values or moral” frameworks, emphasizing that “cognition ... is important” [19]. Accordingly, an institution may be considered as a cognitive framework shaped by social reality [20]. Although institutional theory comprises a galaxy of different approaches with different assumptions, this study is primarily informed by the concepts of neoinstitutionalism.

In neoinstitutional theory, change mostly depends on a proactive actor in the environment [21]. Since environment is defined by “what is appropriate and meaningful behavior” [18], firms operating within a certain market reflect a socially constructed reality [22] within which

the environment shapes entrepreneurial preferences. Scott [16] stated that the actions within an environment are socially formed by the actors within the environment in order to gain competitive advantage. Therefore, entrepreneurial activities can cocreate institutional norms, opportunities and value frameworks [11]. In this sense, the entrepreneur, as cognitive actor, is thrust into a constantly changing environment to which he/she must also constantly adapt [20]. In other words, a constantly changing environment forces cognitive adaptation on the part of entrepreneurs, and, conversely, as entrepreneurs exert cognition over their environment, the actions they take will change the environment [23]. Accordingly, even though different firms may be in the same sector, their response to the same environmental stimulus, based on the actions of entrepreneurs, may not be the same by the differences of internal dynamics affecting their cognitive structure, again, based on the actions of entrepreneurs [19]. A traditional institutionalist views his environment as one that can be guided by norms, rules and other frameworks. However, while the character of change is less frequent in neoinstitutionalism literature, it is also more radical and revolutionary [21].

By the addition of a cognitive factor, neoinstitutionalists no longer act on the basis of rules or obligations, but rather, they can actively recreate their market in order to exploit an opportunity. Institutions, cognitive framework and values may be drivers of this change [24]. Conceptual adaptations in response to change and resultant new value creation afford legitimacy. Thus, proactive change of value proposition in the market by the actions of entrepreneurs may be the result of some internal institutional dynamics. This change process starts with discarding previous structure, i.e., a deinstitutionalization of the previous market value and the creation of a new one [24]. Such institutional reformation by a value-creating entrepreneurial firm forces others to change their value propositions as a pure matter of survival and competition [18]. Accordingly, Davidsson et al. [25] argue that firms, in the process of restructuring their market presence, may abandon present legitimacy and replace it with a new one.

Alternatively, since some institutional environments encourage/discourage entrepreneurship, the socioeconomic and cultural environment may shape the cognitive framework within a given environment, as mediated by entrepreneurs [9]. The proactive creation of new value and the initiation of change required to produce it may have a disruptive effect on the institutional framework itself, resulting in overall uncertainty [11], which, in turn, affects the cognitive framework and corresponding response to the environment [9]. For instance, entrepreneurs with high self-efficacy tend to reduce risk and uncertainty, resulting in an improved opportunity to identify and create new value [26]. This is also true for optimism [27]. As a result, in dynamic, risky and changing environments, high levels of optimism and self-efficacy correspond to high levels of new value creation. In other words, dynamism positively moderates the relationship between both optimism and self-efficacy and new value creation [8].

In terms of institutional theory, an entrepreneur seeks opportunities for change within the existing institutional environment and, thereby, acts as a change agent to obsolesce the status of the current institution [28]. Entrepreneurs will use a variety of tools to accomplish this goal, including both formal and informal networks. However, the discourse underlying the building of these networks must include different players, including government officials, competitors, suppliers, buyers and consumers who must all agree to the terms and conditions of the

changes required to realize new opportunities [11, 13, 29, 30]. In general, only one principal in an organization can lead the effort to reform the present cognitive legitimacy to take advantage of a new opportunity [29]. As explained by McBride et al. [30], opportunities are perceived to be created in the mind of the entrepreneur through the interaction of the entrepreneur and the environment, and as a result, they are under the control of the cognitive framework of the entrepreneur [14]. Moreover, creating new value through seizing opportunities changes the environment; therefore, entrepreneurial control over the cognitive framework is the key to a successful outcome [14]. As a result, the bonding between the cognitive and institutional framework is essential to the successful creation of new value.

2.2. Self-efficacy

Self-efficacy involves the belief in one's own ability to overcome specific tasks and produce high levels of performance [31]. The belief in one's abilities, rather than one's actual abilities, is more relevant to human activities [26]. For entrepreneurial activity, self-efficacy is essential for innovation, opportunity identification and realization [32]. Self-efficacy plays a key role in new value creation. While low levels of self-efficacy may be positively related to opportunity identification, this is generally not true for the realization phase, since if a person perceives an opportunity beyond his/her personal ability, he/she won't be able to meet the demands of the challenge [33]. Besides, self-efficacy supports the innovation capability of the firm [34]. Moreover, entrepreneurs believe that they can reduce risk by self-efficacy [26] and, hence, be able to recover easily from failure [8]. As a result, people with high self-efficacy tend to take more risks by focusing only on the opportunity, not the risk associated with it [26].

As a result, it could be argued that self-efficacy is positively related to new value creation, since self-efficacy increases the expectation of success through decreasing risk and uncertainty [26], a relevant factor for institutionally unstable environments. Because new value creation is associated with changing the institutions or legitimacy [18], self-efficacy is an important positive element for new value creation.

2.3. Optimism

Entrepreneurial optimism can be understood as an "inside view," whereby the entrepreneur anticipates his/her potential high performance in a new venture based on self-evaluation of skills, creativeness and knowledge [35]. The literature also equates good economic prospects, in general, with optimism [36].

Entrepreneurs generally express higher optimism than nonentrepreneurs [37]. However, it is proposed that optimism in relation to entrepreneurial performance is curvilinear in that both high and low levels of optimism correspond to negative entrepreneurial outcomes, but a moderate level of optimism corresponds to a more balanced view and is the more welcomed attribute [38]. New value creation is a dynamic process, and, as such, it produces high levels of both self-efficacy and optimism, even in the face of potentially low performance, suggesting that the relationship between risk perception and optimism is a complicated one. Indeed, Trevelyan [39] argues that risk-taking intensity and optimism are positively related. Optimists tend to be more alert to new opportunities [38]. Entrepreneurs

who exploit opportunities generally have a positive perception regarding their chance of success, which may, however, not be justified by the facts on the ground [40]. Conversely, if entrepreneurs can view themselves and the market situation from a more objective perspective, they may be more apt to judge outcomes more realistically [35]. As argued by Monsen and Urbig [27], it is because of optimism that entrepreneurs may overestimate the possibility of success and, as a result, overlook the real risks associated with a specific opportunity. This tends to suggest that entrepreneurs with high levels of optimism may perceive any opportunity as less risky [35]. Nonetheless, it is also true that optimistic entrepreneurs tend to be more growth oriented [39].

Moreover, Hmieleski and Baron [8] also argue that the relationship between optimism and new value creation is a systematic one and it is moderated by the tendency toward dynamism and change within the environment. High levels of optimism are associated with heuristic thinking instead of rational thinking, and this may have positive outcomes within a dynamic environment [8]. In other words, high levels of optimism are positively related to new value creation if the institutional environment is a dynamic one [8], for example, when entrepreneurs are actively changing the environmental scripts, which is true in our case.

3. The study

Self-efficacy is taken as a powerful and strong predictor of behavior, including entrepreneurial-related tasks [41]. It is argued that a person can identify and realize a new venture opportunity only if he/she meets the expected self-efficacy criteria for a specific opportunity [33]. Entrepreneurs with high self-efficacy may expect positive potential for the new projects and value propositions since entrepreneurship is closely related to value creation [42]. Moreover, they are ready to perform more challenging tasks, set higher goals and commit to higher performance to realize them [43]. Parallel to self-efficacy, optimism is also considered to be a predictor of behavior [44]. In the context of new value creation, optimism is said to be positively related to opportunity recognition [45], especially within dynamic environments.

In addition, the relationship among self-efficacy, optimism and new value creation may be considered from an institutional theory perspective, especially in the context of legitimacy. Klyver and Thornton [10] note the limited literature regarding the collective effect of cognitive frameworks such as self-efficacy and institutional legitimacy on entrepreneurial value creation. They further argue that entrepreneurial self-efficacy is more accurate when such behavior is taken as legitimate in the society. Nonetheless, it is also true that entrepreneurs with high self-efficacy are ready to actively create new value [43] at the expense of legitimacy within a given environmental setting or the impact of complete change in a given institution. Moreover, innovation may be taken as the link between self-efficacy and entrepreneurship in terms of new value creation [42]; in particular, radical innovation is considered to be breaking the present rules of the market [46], an argument which can shed more light on the relationship between self-efficacy and legitimacy. Moreover, entrepreneurial self-efficacy brings personal traits and environmental factors together, which can be explained via institutional theory perspective [47].

Similarly, institutional theory and optimism may have a collective effect on entrepreneurial intention and behavior. During a revolutionary change in the market, prior legitimacy is destined to be replaced. Over the course of such replacement of legitimacy, optimism is an important tool supporting a risky new value idea [48]. Without the support of optimism during this time of institutional change, the risk lies in returning to old habits [48]. It is proposed that optimism leads firms to ignore the risk factor and focus only on value creation [49]. To this point, Koçak et al. [35] have argued that optimism about an entrepreneur's ability to attain specific goals (i.e., self-efficacy) is unrelated to optimism in the context of risk-taking. Organizational research also confirms that higher levels of perceived self-efficacy correspondingly lead to higher levels of optimism [49]. As a result, these entrepreneurs tend to focus more on opportunities than the downside of taking the risk required to achieve them. Consequently, both self-efficacy and optimism lead to an increase in entrepreneurial value-creating activities [50]. This is especially true for dynamic environments undergoing change and the replacement of previous legitimacy through the actions of entrepreneurs. Based on the concepts and theories as outlined above, the following research questions are proposed:

Research Question 1: Are high levels of self-efficacy positively related to new value creation and recreation of institutions and legitimacy within the environment?

Research Question 2: Are high levels of optimism positively related to new value creation and recreation of the institutions and legitimacy within the environment?

Furthermore, as explained in detail above, entrepreneurs recreate institutions and legitimacy while creating an opportunity. To accomplish this, the literature has proposed some tools. For example, it is argued that discourse through networking between entrepreneurs and their suppliers, government agencies or consumers will cement the viability of new opportunity and legitimacy [11, 13, 29, 30]. As such, the authors of the present study will look for the use of such tools within the sample. Therefore, the following research question is proposed.

Research Question 3: Which tools are used by entrepreneurs in order to recreate the institutions and legitimacy while creating an opportunity?

4. Methodology

In order to understand the phenomena, a qualitative-based multicase study was applied. It is argued that, although the acquisition of knowledge has been attributed to quantitative research in this field, there is still a need for "indigenous theory" gathered through a qualitative design [14]. Multiple case study, similar to experimental logic, enables repeatability [51]. Therefore, with the help of purposeful sampling, six Turkish entrepreneurial firms in the process of reforming and redefining their markets through new value creation, as described by Kim and Mauborgne [12], were selected for the present study. The value-related actions of the firms are presented in **Table 1**. Different from theoretical sampling, purposeful sampling includes predetermination of the number and properties of

the cases, time and other factors [52]. As argued by Davidsson and Wiklund [53], entrepreneurship should be examined on a multilevel analysis basis because it is multilevel in nature. To address this concern, the present work focuses on both the individual, as the creator of new value (i.e., self-efficacy and optimism), and the organization, as the grantor of legitimacy.

Business owners and “opportunity recognizers,” if different from owners, were also interviewed. The research team conducted in-depth, semi-structured interviews, as suggested by Yin [51]. For firms having an active Internet site, it was used to understand the firm’s stated mission and business strategy. The collected data via interview were compared against public information, such as news from the firms’ Internet sites, when available. The interviews lasted around 1–1.5 h. To confer reliability and validity, immediately after the interviews, researchers discussed and interpreted the subjects that arose during the meeting. After the initial discussions, one more meeting was held among the researchers to discuss the facts learned in detail [17]. In this way, researcher bias tried to be minimized. Moreover, for analytical generalizability of the results, triangulation in terms of researcher and data source was applied [54].

With the aim of analyzing the data, the Miles and Huberman’s [55] technique was applied. During data collection, every piece of information was compared to the proposed theoretical background. Then, based on the suggestion of Miles and Huberman [55], upon completing the entire analytic process, similarities and differences between and among cases were presented, as shown in **Table 1**.

Firms	Four actions for new value creation				
	Factors to be eliminated	Factors to be reduced	Factors to be rise	Factors to be created	Created value through
A				New distribution channel	Proposing a totally new experience
B		Price compared to competitors	Increasing value to be presented through changes in the product		New value-price proposition and proposing better value for customer in continuous terms
C			Continuous innovation	New product idea	Proposing better value for customer in continuous terms
D				New product idea	Proposing a totally new experience
E				New product idea	Differences in the product and make their customers to feel special
F			Continuous innovation	New product idea	Differences in the product in continuous terms

Table 1. Firm information.

5. Findings

5.1. Self-efficacy

The relationship between self-efficacy and value creation is relatively consistent in the literature. Entrepreneurs with high self-efficacy tend to be opportunity seekers, and this leads to an increase in value creation activities [49]. All of the entrepreneurs, except Firm F, emphasized a tendency toward self-efficacy (**Table 2**). Firms A, C and E underscored their capabilities or know-how in relation to self-efficacy. Firms B, D and E emphasized their experience in related sectors. Firm E mentioned their talent, as given by Allah, as a source of self-efficacy. This is consistent with our first research question.

“I realize an opportunity within the market. Then I turn back to the firm and see strength, a strong engineering capability. I match them. It is definitely my own idea.” Firm A

Firms	Self-efficacy	Optimism	Institutional legitimacy and new value creation	How they change the institutions and legitimacy
A	Due to a strength—the engineering capability—of the firm		The sector was not defined separately but within a different sector. With Visco, changed the “orthopedic” perception in the market and market accordingly. Competition was based on price but now shift to being “orthopedic”	DiscourseTies with suppliers
B	Due to the experience in a similar market	Belief on everything will go well somehow and they will benefit from the economic crises	Change the perception of what kind of buildings can be constructed with light steel	Economic crisisTies with competitorsTies with universities
C	Due to the belief in the capability to discover opportunity	Belief that, if one works enough Allah will help and everything will be positive	Form the legitimacy in the market, since the first firm in the market was too small and ineffective	Government agenciesTies with competitors
D	Due to the experience in a similar market with the main raw material		Form the legitimacy in the sector since he/she is the first mover	Organization and production concept
E	Due to know-how, experience of three family generation, being innovator, talent given by Allah	Belief that the sector will go well	Combine the features that were taken as contradiction and change the furniture sector accordingly	Organization and production concept
F		Belief that focusing on positive sides result with positive things come true	With the technology and innovativeness, make the competitors follow	Ties with competitors

Table 2. Results.

"We were dealing with some other things. He (her husband and the firm's consultant) explained to us that 'there is such a machine.' We thought that there is no reason to hesitate importing the machine and getting into the market. We thought we could easily overcome this as a result of our experience in the construction sector." Firm B

"We see the gaps, opportunities of the market and then go into that market. When natural gas was first imported, there was no product; we were importing the pipes also." Firm C

"These are all about paper and paperboard, the stuff that I know a lot about. That's why I never hesitated in getting into this market." Firm D

"In 2003, I became the CEO after my dad. My dad was the best furniture producer of his time. I targeted to be the best around Turkey. We started to this job with the idea that we could produce more quality furniture compared to our foreign competitors because we have production experience, the know-how and the background. (...) In order to be successful, one needs to differentiate from others and add something different. We have this talent also. This is not just related to being in the furniture sector for years, but there need to be a gift given by Allah. There is some artistic dimension." Firm E

According to Kickul et al. [56], self-confidence and self-efficacy tend to lead firms in the direction of taking high levels of risk. However, Ardichvili et al. [49] argue that "risk" is an irrelevant concept for entrepreneurs since they mostly focus on opportunity recognition. All of the entrepreneurs emphasized opportunity, while none of them mentioned risk-related concepts. Furthermore, all of the entrepreneurs mentioned either monitoring or reforming/leading the present sector, which is an idea related to institutional theory. This supports the argument proposed in our first research question, that is, the self-efficacy/new value relationship can be understood in terms of institutional theory.

5.2. Optimism

Optimism in relation to value creation is complicated by the fact that those with high levels of optimism may perceive less risk in potential opportunities, thereby leading to possible failure [27]. However, in our research sample, all entrepreneurs demonstrated success in changing value proposition in the market. Specifically, with the exception of Firms A and D, all entrepreneurs seemed to have high levels of optimism. Firm B believed that they would benefit from the economic crisis and that everything would go well. Firm E considered that their whole sector would do well in the future. Firm F mentioned, as a philosophy of life, that "if you focus on positive sides, positive things come true." Differently, Firm C remarked about the effect of religion on his/her optimism.

"We said, somehow everything will go well. Economic crisis may pave way to the success of some firms, if you can see the opportunities." Firm B

"God will also help those who work properly. We always thought everything would turn out positively." Firm C

"Furniture will be one of the locomotive industries in Turkey, and we will be the main firm within this sector." Firm E

"If you focus on the negative sides, you also realize them. One needs to read and analyze the subjects positively." Firm F

Hmieleski and Baron [8] argue that the relationship between optimism and new value creation is a systematic one and that high levels of optimism are positively related to new value creation if the institutional environment is a dynamic, as in the samples recorded above, where it can be seen that entrepreneurs are actively changing environmental scripts. Based on these transcription excerpts, it can be argued that a positive relationship exists between optimism and new value creation, which parallels our second research question.

5.3. Legitimacy

In the literature, legitimacy is associated with high levels of entrepreneurial self-efficacy [10], and this is, in turn, identified with a high level of entrepreneurial activity [49]. This relationship is accepted by the early works of institutional theory. However, neoinstitutionalism argues that entrepreneurs deny the present legitimacy within the market and actively reform it [25]. Some of the entrepreneurs in the sample mentioned legitimacy within their market as it related to value creation process.

"There was no 'bed' sector. Bed was taken within the furniture sector. There is a bed sector now. It is said that this was done by Firm A. The rest of the sector says this; the suppliers say this. The term orthopedic changed. We have changed this view in Turkey. In the past, since firms cannot create value except price, the competition was always based on price. Now, this is not the case. They also began to emphasize the term orthopedic." Firm A

"There are such large machines in the market. We mobilized the machines. Now, most of the construction firms producing prefabricated buildings are using our machine. The first firm that used light steel in Turkey started to make villas. As a result, the accepted idea about light steel was that just villas could be constructed with it. After we got into the market, this idea has changed. Then we constructed schools with light steel in Turkey. (...) Engineers who are working in our firm insisted that engineering degrees be offered in light steel. We have recommended that universities consider this area as an academic discipline." Firm B

"We want to define our standard as the standard of the market and change it continuously. Being innovative is a must; you cannot do anything without it. An innovative firm will clear off you. Our competitors follow us. We formed the market." Firm C

"We are unique in Turkey. It is certain that there will be firms and some will be successful. However, we have come a long way since discovering this opportunity. We made some changes on a machine and now using for totally different purposes. I did it myself." Firm D

In order to change the legitimacy, a totally new value concept may be offered by the entrepreneurial firms [57]. Firm E do this by combining the previously exempted value propositions and Firm F do this by creating a new value for the market [12].

"Very cheap, very aesthetic and very strong. If you cannot make this real, your product would become ordinary. This is too utopic, but if you cannot realize this, you cannot be a leading firm. We determine in our market and the rest of the market follow us." Firm E

"If everyone is using the same way, it may not be healthy to follow that path. One has to look for his/her own way. Some competitors started to use our new technology." Firm F

Firms A, B and E changed their market by changing the value proposition in the market. Firms C and D are the first movers of their market, and as a result, they defined the market according to their propositions. In this sense, both self-efficacy and optimism played an important role. This result supports both of the first two of the research questions.

In the sample, all of the firms somehow related the value creation process to their innovative activities. In the literature, innovation is taken as an important value-creating activity [58], and as a result, both innovation and creativity are taken as the traits of entrepreneurs [49]. Moreover, these value-creating activities are associated with radical innovation that creates a leap in market value.

"The term orthopedic changed. So we changed the sector. (...) We are leading the market nowadays, but we will make another jump; we need to do that. While they are running after the value we created yesterday, we will shift the value curve once more." Firm A

"There is no end to technological change. We have a checklist for the changes on the machine. When our competitors reach our current level, we will have already done the items on the check-list. We are 3–5 steps ahead of our competitors." Firm B

"As days pass, we add new products, renew our old ones. We have been the firm making the most patent applications during the year 2011. Our innovations come from both customers and the innovative capability of our R&D department. I hate copying; this won't get you anywhere. The innovation needs to be applicable and market-oriented." Firm C

"Our firm is the first that has developed such a process. There aren't any machines to cut the puzzle into pieces. I made some changes on another machine and it's now in use." Firm D

"We were producing kitchen furniture when no other firm knew the area. They are coming from behind; however, we set a higher standard before they reach our present level." Firm E

"We are the first firm to produce foam soap in Turkey. We have another product that can be used in different cleaning areas. There is a gap in this area, and we are producing a new product. It is not sufficient to look for how a product is produced by a competitor. One needs to look for what else can be developed." Firm F

As previously noted, Firm F is using a network that is motivated by religious beliefs. According to Manolova and Yan [59], if the institutional environment is not a supportive one for entrepreneurship, firms tend to use their informal/formal networks in order to create new value propositions and change the current legitimacy.

5.4. Recreation of institutions

In order to create an opportunity, entrepreneurs simultaneously recreate the institutions and the legitimacy within the environment. The literature provides some insight about tools proposed to accomplish this. Accordingly, it is argued that the discourse underlying the building

of these networks must include different players, including government officials, competitors, suppliers, buyers and consumers who must all agree to the terms and conditions of the changes required to realize new opportunities, as well as the corresponding new legitimacy [11, 13, 29, 30].

“We started this process with the following motto: Adapting the global technological advancements to our sector. The term orthopedic changed, we changed the sector.” Firm A

“After we go into the market, this idea changed. Then we constructed 20–30 schools with light steel in Turkey. (...) We have successfully convinced universities to consider this area an academic discipline.” Firm B

“When natural gas was first imported, there was no product, we convinced government to accept our pipe standards. We want to define our standard as the standard of the market, and we want to change it continuously.” Firm C

“Our firm is the first to develop such an organization and production process. There aren’t any machines that can be used to cut the puzzle into pieces.” Firm D

“Very cheap, very aesthetic and very strong. We determine a path, and the rest of the market follow us.” Firm E

“Some competitors started to use our new technology.” Firm F

Entrepreneurial discourse is an important tool with which to reshape institutions [11, 30]. In the sample, Firm A explained how they used discourse to accomplish this. Another tool is the ties with different actors within an environment. Firm A uses its ties with suppliers [29, 30], Firm B uses its network ties with competitors [13] and universities [29], Firm C uses its informal ties with government agencies [11] and competitors, and Firm F uses its ties with competitors in order to reshape the institutional environment. Unexpected situations, such as disasters, may also be used to reshape the institutional environment [13], and Firm B uses the economic crises in this sense. Lastly, breaking organizational isomorphism may also result in changing the present legitimacy and institutions [29]. Accordingly, in our sample, Firms D and E changed the dominant organization and production concept within the market. These

Tool used for reforming the institutions	Case(s)
Entrepreneurial discourses	Firm A
Ties with suppliers	Firm A
Ties with competitors	Firm B, Firm C and Firm F
Ties with universities	Firm B
Ties with government agencies	Firm C
Economic crises	Firm B
Changing the dominant organization and production concept within the market	Firm D and Firm E

Table 3. Change in institutions within market.

findings provide explanation for the third research question that investigates the tools that are used by entrepreneurs in order to recreate the institutions and legitimacy while creating an opportunity (**Table 3**).

6. Discussion

Grounded in institutional theory and entrepreneurial cognition, it was found in this study that both optimism and self-efficacy are positively related to opportunity creation and reforming both institutions and legitimacy within the environment. Tools used to reform and redefine institutions also varied across cases. Accordingly, six cases were selected among entrepreneurs actively creating or recreating value propositions within their Turkish market. Although the concept of value creation is not recognized within either cognitive or institutional theory, these two ideas make important contributions to the literature of entrepreneurship.

Krueger et al. [60] indicate that the perception of self-efficacy for entrepreneurs may be taken as an antecedent of opportunity recognition. Firms A, C and E underscored having some kind of capability or know-how in relation to value creation. In particular, Firms B, D and E emphasized experience within their sector related to self-efficacy. In terms of optimism, Firm B believed that everything would go well for them, and Firm E considered that their whole sector would do well in the future. As a philosophy of life, Firm F noted that “if you focus on positive sides, positive things come true.” In contrast, Firm C highlighted the effect of religion on his/her optimism.

In the study, it can also be argued that a high level of both optimism and self-efficacy is associated with high levels of the intention to create new value propositions. Moreover, Monsen and Urbig [27] state that the evaluation of entrepreneurial opportunity depends on the perception of self-efficacy perception, corroborating our findings. Apart from cognition, it is evident that new value creation activities are related to radical innovation in a way that creates new legitimacy. According to the literature, legitimacy is understood to be an important factor for entrepreneurial self-efficacy. However, in our sample, although all of the entrepreneurs had high levels of self-efficacy, most of them create or recreate a new value and legitimacy accordingly. Firms A, B and E mentioned that they changed their market by reforming the value proposition in the market. Firms C and D are the first movers of their market, and as a result, they defined both market and legitimacy according to their propositions.

Thus, using the work of Kim and Mauborgne [12], who defined four actions of new value creation, the “Factors to be Created” label is relevant in different senses for all cases studied. For instance, for Firm A, the source of new value is a new distribution channel, whereas for Firms C, D, E and F, it is new product idea. Similarly, for Firms B, C and E, the “Factors to be Raised” label is relevant. For Firm B, this label involves increasing value to be presented through changes in the product, and for Firms C and E, it is achieved through continuous innovation. For Firms C and E, it is achieved through continuous innovation. For Firm B, the “Factors to Raised” label involves price compared to competitors.

With respect to reforming institutions, firms within the sample used entrepreneurial discourse (Firm A), ties with suppliers (Firm A), ties with competitors (Firm B, Firm C and Firm F), ties with universities (Firm B), ties with government agencies (Firm C), economic crises (Firm B), and changing the dominant organization and production concept within the market (Firm D and Firm E) [11].

7. Conclusions

Entrepreneurship is a multidimensional phenomenon, and there are a large number of theories aiming to explain some part of it. In this study, two different theoretical aspects of entrepreneurship—cognitive and institutional theories—are brought together. In order to do this, legitimacy is considered to be a key element within the neoinstitutionalist perspective. Accordingly, entrepreneurs are considered to be dynamos for change within the institutional framework and legitimacy. Moreover, their cognitive framework is considered to be an important element to understand this phenomenon within a holistic perspective. However, the collective effect of institutional environment and cognitive structure as they affect the value creation undertaken by entrepreneurs has been neglected in the literature.

Grounded in these two theories, it was found in this study that both optimism and self-efficacy are positively related to opportunity creation and reforming both institutions and legitimacy within the environment. In other words, within the market/value recreation context, entrepreneurial cognition and institutionalism in terms of legitimacy are brought together in this study. It was further argued that entrepreneurs use different tools to achieve these goals. Accordingly, neoinstitutionalism perspective that involves a change in legitimacy, instead of the static legitimacy of the classic institutionalism view, is applied. There is limited literature in entrepreneurship literature on the effects of the neoinstitutionalism and cognitive structure of entrepreneurs on value formation within an emerging market such as Turkey. Besides, the value creation concept, covering redefining and reshaping the present market, is not recognized within both cognitive and institutional theory. Therefore, these two aspects are important contributions of this study to the literature.

Implications for public decision makers could also be derived. Irrespective of institutional condition, the results of this study confirmed that entrepreneurs who have a high level of self-efficacy and optimism can successfully create or recreate new markets, allowing legitimacy to be established later on. Thus, in order to motivate entrepreneurs to create a new market or radical innovation, optimism should be encouraged through supportive programs. In addition, since intuition is defined to be the most powerful determination of behavior, supporting courses for self-efficacy to enhance entrepreneurial intention in undergraduate and graduate level will be efficient for the new value creation. Moreover, some tools for forming the institutional environment, such as discourse ties with suppliers, ties with competitors, ties with universities, ties with government agencies, economic crises, and changing the dominant organization and production concept within the market are proposed for entrepreneurial firms. It should also be noted that the results obtained from this study are valid for the six cases, but perhaps not universally applicable. Therefore, further research on different types

of entrepreneurial institutions and different cognitive concepts, such as overconfidence, is suggested.

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