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Same same, but different: unpacking legitimacy's role in optimal distinctiveness

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The optimal distinctiveness (OD) literature suggests that firms gain a competitive advantage by positioning their offerings in a “sweet spot”: similar enough to confer legitimacy yet distinct enough to avoid intense competition. However, prior OD research largely treats legitimacy as a unidimensional construct. In this study, we challenge this assumption in two ways. First, we reconceptualize legitimacy as a multilayered construct that operates at the offering, firm, and industry levels and examine how alignment or misalignment across these levels affects market performance in terms of adoption and willingness-to-pay (WTP). Second, we leverage audience heterogeneity to explore contingencies

in the similarity–performance dynamic, arguing that stakeholders (i.e., early vs. late adopters) may perceive the same degree of similarity differently. Using a novel dataset of over 8m non-fungible tokens (NFTs) traded on the OpenSea platform and employing artificial intelligence techniques to quantify visual similarity, we find that greater similarity increases adoption rates but reduces WTP. Moreover, higher firm and industry moderate these effects positively. Our findings provide theoretical insights and practical guidance for OD research and corporate decision-makers navigating rapidly evolving digital markets.