Legitimation in an internationalization perspective

Master's Thesis by Daniel Oddermose

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Introduction

The subject chosen for investigation for this thesis is that of legitimization coupled with internationalization which is a subject of great interest to the author. This was done because very little has been written on the combination of these two subjects. It was therefore a natural decision to investigate the possibilities of combining the two theories in an attempt to unify them into one.

In an ever shrinking world when it comes to distribution and communications and concepts such as "born global", the subject of internationalization has been a focal point of much research. Therefore it feels like an excellent topic to further investigate but from a different point of origin. The hopes is to find that the theories align in such a way that they are compatible, but it is more than likely that only parts of the legitimization model is usable in such a different context.

Problem formulation

With this in mind, the overall question of investigation within this project is:

Can the ideas of legitimization theories be applied to the ideas of internationalization?

This is a very broad statement; therefore there are some limitations and explanations in the following to help insure that the understanding of the question is the same for the reader as it is from the author.

Both the ideas of legitimization and that of internationalization will be outlined and explained in a chapter of its own to give the reader a common knowledge of the topic as that of the author. This will also help give a limitation as to the theories that are being unified, giving a narrowing of the very broad topic of the research.

Lastly, the way to see the question is from the point of legitimization theory. That is to say, it is the ideas of legitimization that will be scrutinized and applied to concepts of internationalization. Meaning that most of the theories presented will be those of legitimization and internationalization will be presented broadly and only specifically when needed.

Methodology

In this chapter a presentation of the research methodology will be outlined and explained. The goal of the methodological chapter is to explain, how the researcher is to achieve answering their research question. This will be done by utilizing some of the most commonly used frameworks for methodology within the social sciences and more specifically business studies. This will help give the reader an understanding of the thought process of the author and thereby better understand the reasoning behind the decisions and argumentation throughout the project. Lastly it will help the reader better understand the author, because the subjective presumptions will be detailed and explained.

Paradigmatic choice

In the following the choice of paradigm will be made as well as argued for why this fits the research conducted. In order to do this, a quick presentation of the various choices will be presented. Then an argumentation for the pros and cons of these will be made and finally a choice is made and argued for. The paradigms chosen are those of Arbnor and Bjerke (1997), this is because these have been utilized by many researchers over a number of years. This means that they are tried and tested and therefore reliable. Lastly this was chosen because the author of this project has personal experience with this particular paradigm and it was therefore a natural choice.

The overview of the paradigms will be presented following a brief introduction to what a paradigm is. Starting with the definition by Arbnor and Bjerke they say it is, "any set of general and ultimate ideas about the constitution of reality, the structure of science, scientific ideals, and the like". By this they mean that a paradigm is the overarching way of looking at ones reality and research, in other words, how the world is viewed, how it interacts and what it means to ones research. Another definition is "a cluster of beliefs and dictates which for scientists in a particular discipline influence what should be studied, how research should be done, how results should be interpreted, and so on" (Bryman, Research methods and organization studies, 1989). This, like the previous definition, shows that a paradigm is the framework from which a researcher can take their point of origin for their study by helping them understand and explain their view of their reality.

Knowing this it is now easier to determine which of the paradigms fits this research the best. The paradigms presented by Arbnor and Bjerke consist of three different slightly overlapping paradigms with six subcategories, as seen in the figure below.
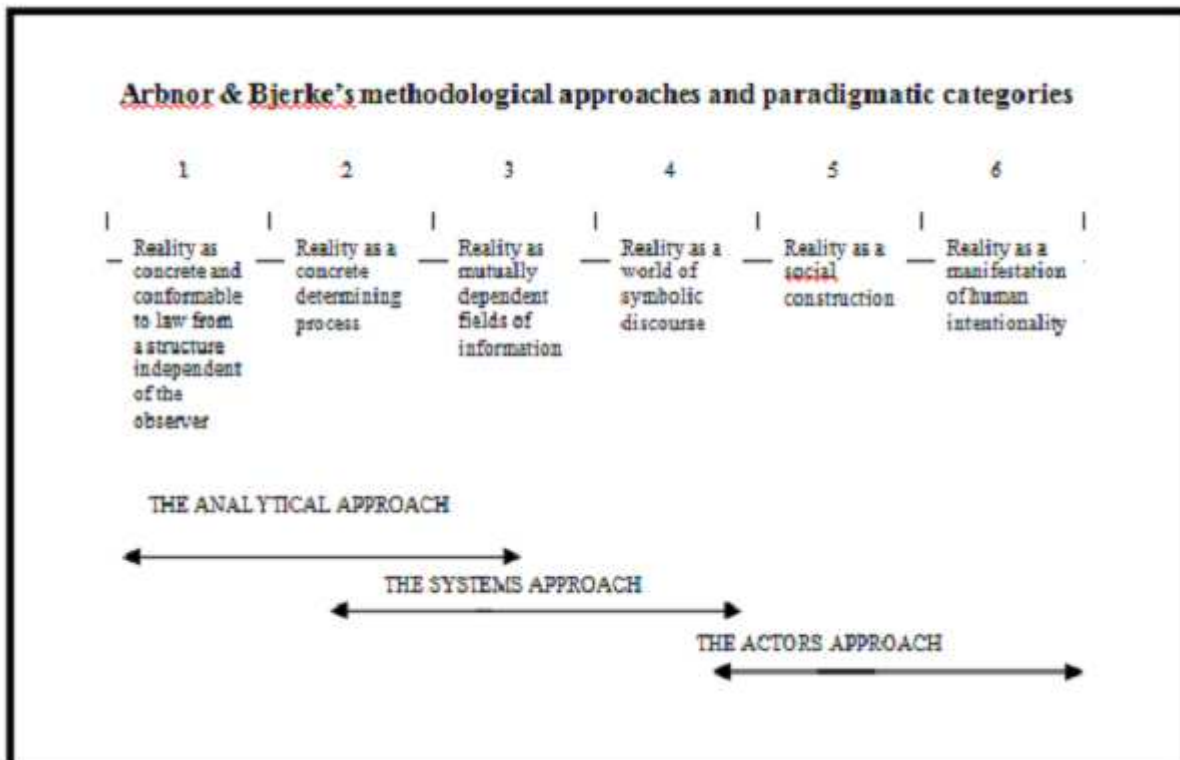
Arbnor & Bjerke's methodological approaches and paradigmatic categories

1	2	3	4	5	6
Reality as concrete and conformable to law from a structure independent of the observer	Reality as a concrete determining process	Reality as mutually dependent fields of information	Reality as a world of symbolic discourse	Reality as a social construction	Reality as a manifestation of human intentionality

THE ANALYTICAL APPROACH

THE SYSTEMS APPROACH

THE ACTORS APPROACH

The three main approaches outlined in the figure will now be briefly detailed before a decision is made, followed by a similar process for the subcategories for the chosen approach.

Analytical approach is the first of the three, this approach stipulates a very strict cause and effect link, high degree of logic and representative cases. This means everything is seen in very absolute terms, with very little left up to interpretation.

The systems approach is much like the analytical approach in that it looks at the world in a very analytical way, e.g. cause and effect. The very important distinction being that with the systems approach there is room for some degree of freedom to interpret findings

The last of the three approaches is the actors approach, this is at the other end of the scale. By this is meant that when the other two talks about how there is a causal link between actions and results. This looks more at the links that binds cause and effect and puts meaning into these. This gives the researcher a very high degree of freedom to interpret their findings.

Between these three approaches the choice for this project will be the systems approach, this is because this combines the best of both sides. It allows the researcher the freedom to do some interpretation on

their finding but at the same time it is very strict in how broadly it allows this freely interpretations. Because the aim of this research is to try and combine aspects of two different theories that has not been done before it is needed to have some degree of freedom to interpret results. But it is also important that the framework is strict in how it allows these results to be created.

Knowing the approach it is now time to look at the previously mentioned subcategories. For the systems approach there are again three different that will quickly be outlined and then a decision made in accordance with which one is the most optimal choice for the project.

The first sees reality as "a concrete determining process", this says that everything is seen as concrete as a whole but in detail it is constantly evolving. This means that that findings as a whole should remain the same but the underlying details can be slightly manipulated.

The next reality is "mutually dependent fields of information", within this we again have an evolution of details but the difference being that the nature which before was seen as concrete can now also be slightly interpreted. This means that like before the underlying details are up for interpretations in ones findings but so is the whole.

Lastly reality is seen as "a world of symbolic discourse", within this there is a larger focus on the details then the whole. Findings should be interpreted though their underlying details and these interactions more so than their whole. This means research is forced to conclude more on the parts then the whole.

Of these three ways of seeing and interpreting reality, the one chosen for this project will be seeing it as "a concrete determining process". This is done because it allows the necessary interpretation to conclude on the research but at the same time it maintains a concrete base which should help ensure the theoretical base when attempting to unify them.

Ultimate assumptions

In this chapter the ultimate presumptions of the author will be outlined, this is done so that the reader can better understand the thought process of the author behind the different decision made throughout this analysis. This will build on what was found before, as it will answer in greater detail how the author sees the world in accordance with the systems approach in regards to four different areas.

The starting point is explaining the *conception of reality*, that is explaining in this context how the view of reality. In this case it is viewed as systemically constructed, meaning it is seen as independent of the

researcher. This is done because the subject under investigation is already established ideas which should not be influenced by the subjectivity of the person analyzing these but rather stay as objective as possible. That is not to say that subjective ideas cannot be interjected into the findings, as discussed above so long as the theories as a whole keeps their meaning the underlying ideas can be tweaked to fit the overall ideas.

Turning to *conceptions of science*, these are given in advance, due to the choice of the systems approach. It is given since, there is never an "all things equal" within this approach and everything is understood by the interpretation of the "user" – in this case the reader of the theories. This, in context of this project gives the reasoning as to why the underlying parts of a theory can be tweaked to fit another, in other words it sees it less concrete and more from a pragmatic view point.

Moving to the *scientific ideal*, describes how under the systems approach business research strives to achieve a better the understanding and explanation of system behavior under different circumstances and how these are constantly evolving when gaining new knowledge. What this means for the research undertaken in this project is once again that, when combining theories you are creating new knowledge and it is therefore eligible for transformation within the context given.

Lastly are the *ethical and aesthetical aspects,* these talks about the implications of the research and findings in regards to the ethical stance. In other words what is allowed and how is one attitude about doing so. The implications of these for the project are limited as this is an analysis at a very early stage and therefore the impact is neglectable, there is however the question of attitude which still plays a role in a subject like this. In a research that is as exploratory in nature as this one it is very important to be very open for different results and try and get beyond possible preconceived ideas.

Knowledge creation

A short presentation on how knowledge will be created within this project will now be outlined alongside an explanation of some of the difficulties that can be faced with the knowledge that is created within this project. There is two ways of looking at how to create new knowledge, these are subjectivity and objectivity. These two concepts are very important to distinguish and be aware of when doing research such as this. Having chosen the systems approach, it is automatically assumed that the world or reality is viewed as objectively as allowed. However, where it is different from the analytical approach, is that it allows the researcher to be very subjective in their intepretation of said reality. This is very important as this project will rely heavily on that distinction. The basis of the project is the fixed ideas of already existing

theories that needs to be conjoined and in order to do so it will be required to view them differently than was originally intended.

Having defined the difference and importance of objectivity and subjectivity it is also important to stipulate how it will be used during the analysis. For the purposes of this analysis as much objectivity as possible will be used when it comes to theories and other sources , to keep the reliability and integrity of these intact. However when it gets to the point where a merging of the two overall theories it will switch to a very subjective challenges as this will require adaptation where the systems as they are will very likely not fit together and interjection of personal opinion or experience will occur.

Some of the potential difficulties faced in this process is that this is a single author project, this can potentially leave to a single-angled research because where there in a process with multiple authors would be a natural multi-angle there will in this process be a need to constantly remember to try and incorporate this whenever it is needed. Another potential pitfall with the single author process is the lack of brainstorming and evaluation of ideas, when there in a multi person group would be an automatic discussion of the validity of an idea the single author is forced to assume the role of "devil's advocate" on their own idea which can be challenging.

Research method

Now a focus on the research method, this is a description of how data is to be collected within the research. There are three important topics within research methods (Bryman & Bell, 2007) that we will focus on before moving on to how to do data collection. The first of these three topics is reliability, this is that any research data and their results must be *reliable*. This means, within a business context, it must be consistent. In research such as this, where the result is very subjective it makes it all the more important that any conclusions drawn are well augmented for so that any attempt to reexamine the findings will be able to do so with the same assumptions. The second is about *replication*, this is much like the previous and is about how if it is attempted to redo the analysis it must yield the same results the second time it is conducted. As before the implication in this research is that everything must be extensively argued to ensure that any repetition of the idea will have the same basic assumptions.

The most important of the three is validity, since this talks about how truthful the findings are and therefore if they are useable or not. There is listed four different types of validity by Bryman and Bell (1997), they will briefly be outlined and argued for. The first is *measurement validity* this is to do with if the measures - ones results - are actually representing the subjects that are under investigation. For research

such as this, it is only important when looking at how supporting theories and sources are applied. Meaning that the "measurement" in this context is how a source is interpreted before it is applied.

The next validity is *internal validity*, this validity is about the causal of findings and conclusion. This is therefore also the most important validity with regards to this project because this deals with whether the subjectively applied theory fits with another and if sources used to underpin the findings are indeed explaining the causality.

The third is the *external validity*, this is if the findings can be generalized beyond their immediate results into a broader context. This is therefore also an important aspect in research such as the one undertaken here, because this describes how a theory can subjectively be applied to another so long as there is sufficient argumentation or evidence for why it is possible.

Lastly is the *ecological validity*, this deals with how well research can be broadly applied to everyday surroundings. This validity is again not a focal point for this investigation, it is however important to remember when trying to apply examples that it must be applicable to the real world.

Data collection

A brief description as to how data is to be collected to answer the research question. As this question is very subjective in nature and is also of a very investigative nature it will be very hard to validate though statistics etc. It will therefore rely on the subjective interpretations of the author which will be backed by other studies on the subject when possible alongside real world examples to help underpin the arguments.

An attempt to try and generate some firsthand data was attempted by sending questions that would help determine if any managers in small North Jutland companies that has had previous experience with the process of internationalization had, knowingly and unknowingly utilized legitimization in the process. But due to lack of responses this has been excluded.

Research design

Looking at the research design this will help the reader understand the idea of how this project will be conducted. In the figure it can be seen how the process starts with the formation of the problem and methodology followed by the theory overview of both legitimization and internationalization. Then there is

an analysis focusing on the legitimization aspects as these are the ones that are the subject of investigation. finally they are combined and a conclusion at the end.
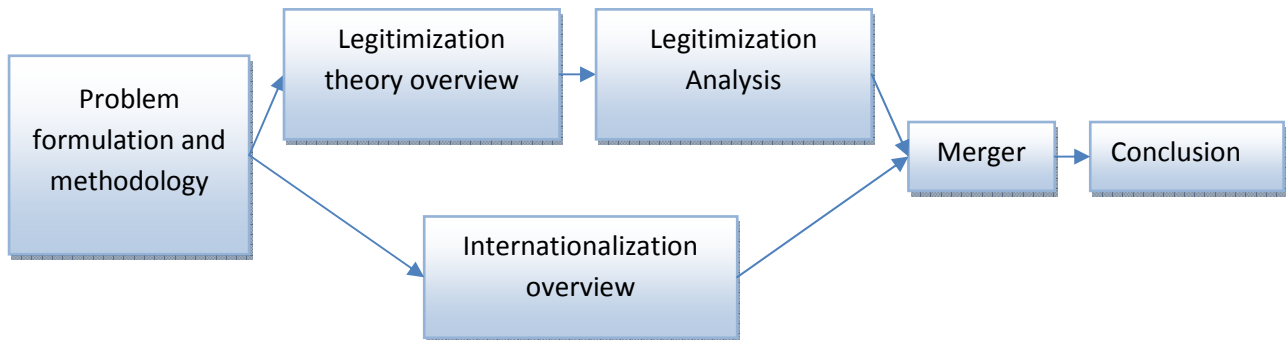

Figure 2: Research design (Own creation)

methodic

The final part of the methodology is the methodic, within the systems approach there are two ways of doing this, trial-and-error and goal-mean (Arbnor & Bjerke, 1997). As it would be impossible to feasibly do this based on trial-and-error the choice will have to be that of goal-mean orientation.

The goal-mean orientation works in a very simple way, in which the goals of the research is stipulated alongside the means in which to get there at an early stage of the research. This will allow the researcher to follow their early decided upon means throughout the research as a guiding star. In the case of this project it will in that from the onset there is a clear direction or goal outlined alongside the path or means to achieve this so the research can be focused from the beginning.

Theory presentation

In the following chapter a review and presentation of the theories and scientific articles that will be used are outlined. The purpose of this review is to gain an overview of the current literature and find any potential gaps therein to further explore. In order to this a key-word search of academic papers will be conducted, focusing on articles from within the latest decade with a further focus on number of citation. This should help ensure the validity of these papers. There will also be a focus on early, heavily cited, articles within the subject to ensure that reader and author has a common understanding of the foundation on which other research has been conducted.

Many of the theories and frameworks described in the review will be primarily based on works by institutionalists with a heavy focus on business related topics, as this is where the notion of legitimization originated. One of the first authors to influence legitimization in the business sphere was North (1991) with his views on formal rules and informal constraints on institutions. The reason this is important is because it outlines where the notion that lead later authors to be inspired to come up with the version of legitimacy as it is seen today. The formal rules are the tangible regulations set by a society and that it expect its surroundings to abide. The informal are the intangible rules set by the same society such as taboos, tradition and such. What this means is, there are two types of norms that one must conform to such as to function within a society and environment. These two will also later be the building blocks in much of the literature on legitimacy although adapted to the new frameworks.

There is also given an example of trade throughout history and how these informal and formal rules have impacted such trade. The importance of this in relation to this project is that it can be seen how basic internationalization-traits shows up in very early trade. It does not happen directly across borders as it would today, but it happens across different societies nonetheless so it can be argued that some of the same obstacles must be overcome in modern internationalization issues as was experienced by simple societies in early trade. This further gives reason to believe that there is a basis for a unification of modern internationalization theory and legitimization ideas.

The last argument important to highlight from North's presentation of the evolution of institutions is that over the years it gains more and more complexity and interdependence between societies, such as governments and regulatory bodies and institutions such as business becomes apparent. This dependence makes analysis of just one part impossible and it is therefore important as a researcher to conduct the analysis not on just one side as this would skewer the results but instead look at how changes affects both sides of the subject.

Legitimization theories

A focus will now be given to the theories of legitimizations and how the current understanding of legitimization is. Further there will be a presentation and interpretation of some theories and papers dealing with the subject and subjects related to this project. The aim of doing this is to present the reader with a understanding of the views of how the articles are interpreted before they are analyzed and applied to answer the research question. The first two presented theories are the two predominant attempts to create frameworks for legitimization. The first will only be briefly presented as it is not the one chosen for analysis but still is important to the understanding of the subject and how it evolved.

Before looking closer at the different theories it will be necessary to have a definition of what legitimacy actually is so in order to do this we will examine the definitions used in both of the frameworks, this is "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). As this shows, legitimacy as defined here is a broad topic that deals with the compliance of rules, whether they are formal or informal, tangible or intangible etc. in different socially settings. The definition although broad in what it allows within the concept of legitimization is also specific in how these must be utilized. This helps in focusing the research conducted and how it is allowed to be molded.

Managing legitimacy

The first framework to present is an attempt to "synthesizes the large but diverse literature on organizational legitimacy" (Suchman, 1995). The attempt to do so was conducted by reviewing the various articles on the topic and combining these into a unified framework. The result was an identification of three types or concepts of legitimacy these were pragmatic, moral and cognitive. These concepts are very similar to those in the other framework. Pragmatic legitimacy is defined as thinking primarily about your immediate surroundings as this is where there is a potential for greatest influence. The moral legitimacy is, as the name implies, the need to "do the right thing" and the focus is not on how this benefits oneself but rather how it benefits society. The last is the cognitive legitimacy which is described as a "taken for granted" view of the world. This however is not the most important contribution from this paper, besides the definitions of what legitimization is. A very important note is that moving from the pragmatic though moral to cognitive legitimacy makes it more "elusive to obtain and more difficult to manipulate". By that is meant that it is a lot harder to both comply with and indeed change the surroundings the further you move from concrete rules within the cognitive concept towards the more abstracts within the cognitive concept. This is important note because this will very likely be true for other findings of legitimacy. It further is

important to remember when trying to adapt the ideas of legitimization, that one is more manipulative than others.

Three pillars of institution

Moving on to the predominant framework within legitimization this also has its roots, as all theories within legitimization, in institutionalism. It was first brought forward by Scott (2008) and is known as the three pillars of institution, these are *Regulative, Normative* and *Cultural-cognitive*, these will be outlined below. This, or a slight variation thereof, is the starting point for much of the studies done on the subject and it will therefore also be from here this will originate.

An outline of each of the three pillars will now be presented to insure the reader has a similar understanding of the three pillars as that of the author.

Regulative

Starting with the regulative pillar, this talks about, as the name suggests, the regulatory side of legitimizations. This includes the things that society obliges an institution to comply with such as laws, rules etc. But it is not limited to these; it also includes the rules with in a society that is unwritten. This is also where the enforcement of non-compliance is both obvious and easiest to measure, because it will come in the form of either fines or other sanctions such as injunctions. This means this is, much like the pragmatic before, the one where it is most obvious and therefore the easiest to interact with for a company to their advantage.

Normative

The normative pillar is about two core concepts that a company or institutions should aim to comply with, these are norms and values. These two will be individual defined and analyzed. Starting with value this is defined as the preferred or desired and the standard for which other things can be compared and assessed. This is the more tangible of the two concepts for a company or institution and therefore the more straightforward to try and influence in order to gain an advantage. Norms are defined as how something should be done; it is seen as a means to an end. This is why when the two concepts are combined value can defined the goal of what one is trying to achieve whereas the norms are more so defining the path to

get there. This however also makes norms all the more abstract and therefore harder for someone to try and manipulate.

Cultural-cognitive

Finally the Cultural-cognitive pillar describing the most elusive and abstract of the three, it holds that culture is an important aspect of any company trying to legitimize themselves and they therefore have to strive to comply with this. However where it differs from other ideas on culture, which is an extensive branch of both business and social studies, is that it also includes the cognitive aspects. This mean that you are not only to comply with external cultural influences, it must also, or more likely will, be influenced by one's own subjectivity and personal beliefs. This can be seen both as an advantage and as a disadvantage. It is however a lot harder to influence this as an institution as culture is so deeply embedded in societies and the same is true for one's own subjectivity that influences the decisions. It is therefore very important to be aware of the need to keep this in mind when conducting research.

	Regulative pillar	Normative pillar	Cultural-Cognitive pillar
Basis of compliance	Expedience	Social Obligation	Taken-for-grantedness Shared understanding
Mechanisms	Coercive	Normative	Mimetic
Elements	Rules, Laws, Sanctions	Values, Expectations	Common beliefs, Shared logics of action, Categories, Typifications
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible, Recognizable, Culturally supported
Routines	Protocols, Standard operating procedures	Jobs, Roles, Obedience to duty	Scripts

Figure 3: Three pillars of institution by Scott (source: (Vázquez-Salceda, 2004))

In the table there is a quick overview of how the three pillars influence five different categories, this helps better understand the three pillars as well as this is a good reference point when the attempt to adapt these are made later. Because it helps with focusing on the importance and gives an idea as to which

elements within each can be triggered and altered to achieve different end results and help draw conclusions from.

Complementary studies

The focus will now shift to an overview of a variety of papers on the subject that will help gives a broader idea of what different scholars has made of contribution to the concept of legitimization. This should further be helpful in uncovering areas that are either overlooked or underutilized. If this is not possible to identify, however it will give the basis of further discussion on the areas uncovered. This should then in return help with forming a more concrete and transformable basis of the discussion so that it can be applied in the adapted framework when answering the research question.

A prominent idea that has been suggested is that legitimacy can help for a company with growth in new ventures (Zimmerman & Zeit, 2002). It is suggest that this is possible because legitimacy is an important step in the process of going from the strategic step shown first in the figure below. It is at this strategic step the decision of a new venture is made and the plan as to how this is achieved. The next step is the important step of legitimacy; these are the ones as mentioned previously with the addition of industry. This is that within most industries there will always be some predefined legitimacies, this can be norms as in normative, specific rules applied to the industry from regulative or a preconceive perception of the industry by society. All are things that could fit under the arch of one of the other three, but because it is unique to the industry is therefore defined as a fourth legitimacy in this framework. It is then argued that the more of these legitimacies a new venture are in compliance with the greater their access to potential resources will be. This could be in the form of grants, faster approval of products or other beneficial factors coming from compliance. This will in turn help the new venture to pass the threshold for survival and lead to growth in one of the three categories that the company was trying to achieve. It is also then believed this is a perpetual process for growth in the future, so once some growth is established it is then possible to revisit a step to further increase the growth, this is also true in case there is not reached a high enough level of legitimacy or resources.
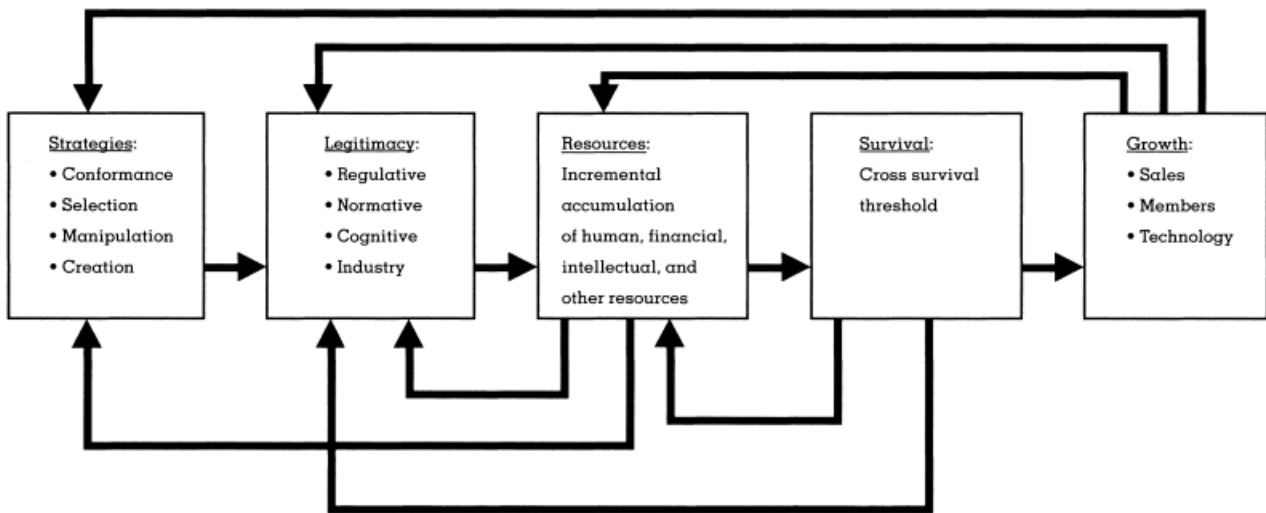
What this model helps to prove in regards to the research question is to conceptualize the processes of legitimization and thereby make it easier to dissect the individual parts of the process that can then be reapplied in a different setting.

There is further evidence of legitimacy being linked with increased growth in a study on what they referred to as organization slack - that is underutilized resources (Zhang & Cui, 2010). The idea is that if an organization legitimizes itself to the surroundings it will be easier to attain growth, compared to not legitimizing itself. They showed this with a case from china where a company suffered from an image crises, they managed to use legitimation though investing in reestablishing the values they represented in the public's eye. This helps strengthen the belief that legitimization is an important aspect of supporting growth within a company.

While on the topic of new ventures, one of the ways companies achieve this is through mergers or acquisitions. This will predominantly be larger companies that have the financial and organizational strength to do so. But can also be done for smaller companies acquiring competition to strengthen this position in a market or as part of their attempt to secure a up or downstream part of their value chain. This idea of incorporating legitimation into M&A has been proposed and tested, resulting in it being both positive and negative (Vaara, 2010). This means, that for some of their variables tested gave a positive result whereas others gave a negative. This does not mean that the legitimation is not valid in conjunction with M&A but rather it highlights the complexity of the subject.

Having viewed these growth and merger trends, which are arguably the more tangible examples of real life implementation. Another very important aspect that can be viewed is the actual strategic decision. This is

the very first step any organization must take when dealing with either legitimation or indeed internationalization. There has been a great deal written on strategy in the business literature but a great deal focuses on economical variables and does not look at the social relations. This however limits the potential of the strategy chosen (Peng, 2002). The argumentation is, social implications will influence the process regardless so it is better to chose a strategy that incorporates this then one that focuses purely on economical indicators.

Having focused on how great the potential is by using legitimacy, it is however not always the case as there are also some negative aspects to attempting legitimization. One of these is that once legitimatization has been conducted it has entered a vicious circle (Ashforth & Gibbs, 1990).
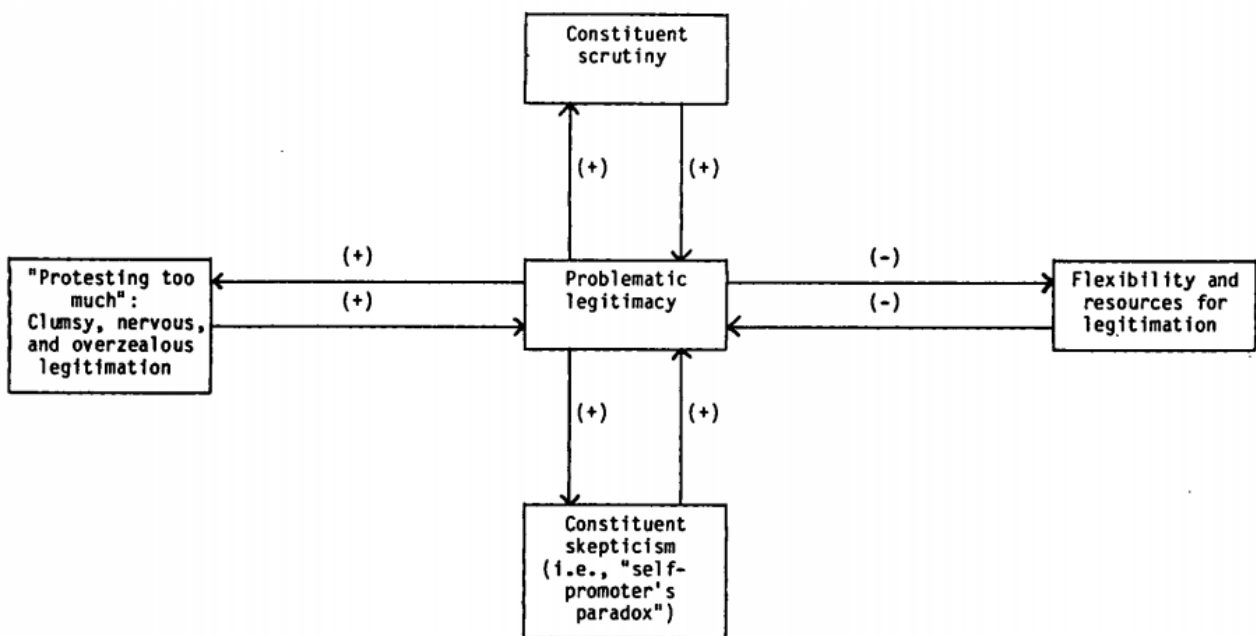
Figure 5: Vicious circle of legitimation (source: (Ashforth & Gibbs, 1990))

As the figure above shows, there are positive and negative influences from the outside that influences the so called "problematic legitimacy". That is the variables within legitimacy that can constantly impact negatively on the company e.g. a company that has advertised as being ecological turns out to be a polluter. There are shown four here three that affects "positively" that is to increase the problematic legitimacy and one "negatively". It is very important to be aware of this constant feedback loop that is present, because if a strategic advantage is achieved by utilizing legitimacy it is also required to be maintained or that advantage is potentially lost. Because of this perpetual feedback any adaptation to use legitimacy as part of the internationalization strategy will require that it is constantly maintained or risk jeopardizing one's own position on the market.

Internationalization process

Having gained an insight into the ideas behind institutional legitimation and how this can help a company in making decisions on strategy. Therefore it is now time to look at the internationalization process that is the necessary steps a company is to follow in order for it to successfully expand their business to operate in the international market. The goal of this part is to highlight the important aspects in this process so as to find where it is possible for an integration of the ideas in legitimation and this process. This will be achieved by utilizing a framework that has been used for a long time as a standard model and because of this has also been vigorously tested in approved in academia. Further this will be followed by the more recent update to this same process, where new understanding and ideas are incorporated. This should give a very good understanding of which steps or requirements there are for a company when starting the process of internationalization.

Uppsala model

The model or framework that will form the basis of the internationalization process was first published in 1977 on the back of early internationalization research which did not seem to follow a very similar process wherein "firms start exporting to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in the host country." (Johanson & Vahlne, The Internationalization Process Of The Firm-a Model Of Knowledge Development And Increasing Foreign Market Commitments , 1977). This let them to research further how this process was so similar in all the cases and there were not more differences in the process from case to case.

The model they suggested can be seen as a schematic model to the right. This model consists of two different overall categories, state and change aspects. The left side of the model is the state aspects, this is the resources committed

Figure 6: The basic mechanism of internationalization (source: (Johanson & Vahlne, The Internationalization Process Of The Firm-a Model Of Knowledge Development And Increasing Foreign Market
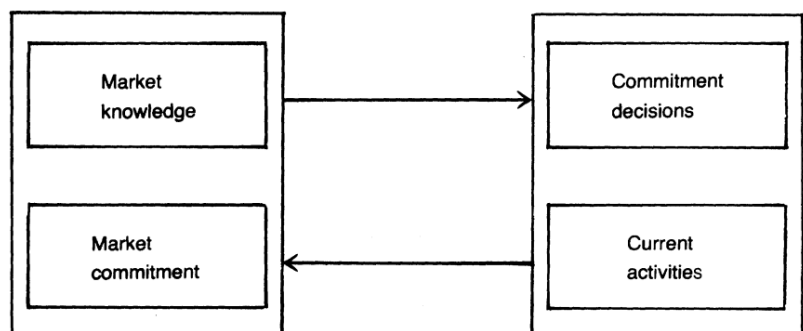
to the market from the company, this can be seen as the final step in the process and the knowledge a company holds about the market. In short it is the company's view of the market under investigation. On the other side we have the change aspects these are the more internally viewed aspects to the internationalization process. It shows how the company must make a commitment to

start their internationalization process; this is both the resources a company commits to the process but also how committed they are to succeeding. The other change aspect is the current activities which is how a company can use the knowledge and efforts they already do to further their process.

Having looked at the original model the focus will now shift to the aspect that has since been introduced to the same model in order for it to be more appropriate to the times. It is important to know the extent of the old model to better understand the new model as it is molded to fit the old model but be updated to a world that is a lot more globalized then it was 30 years before. Therefore at first an introduction and discussion of the key concepts that has been updated will be presented first before the new model is presented.

The first concept that is introduced is the high dependency on networks, which means that any company that is in the process of internationalizing themselves will often find that it is a prerequisite to have established networks in the country in order to be successful. The requirement to have networks plays an important role as it requires the company to build relations with another company. Achieving this is a mostly informal task where "Intentions, expectations, and interpretations are important. Relationships are basically socially constructed." (Johanson & Vahlne, 2009). This is important because this makes legitimation a much more important aspect for a company as it is now required to adhere to a socially constructed situation. The next aspect that has been highlighted is knowledge and learning, by this is meant that a company must, before and during their internationalization process, utilize the knowledge they have of a market as well as use previously learned experiences as basis for the new process. This is amongst other things linked with the need to have knowledge of laws and rules. Trust and commitment is also seen as integral in the development of a good internationalization process. These are important because these are the basis of a good network which importance was explained previously. Moving to opportunity development this is how a company should actively try and look for possibilities themselves rather than expect the opportunity to come to them. This is moving on from when internationalization happened because a company received an order from abroad and this sets the process in motion to rather be that the company themselves should make it a point to try and expand as a self made decision. The final difference they highlight is the criticism of their own establishment chain, that companies enter neighboring countries first due to psychic distance. This chain has been broken because of companies now being both "born global" and internationalize earlier than they normally would. This however, they argue, is not the whole truth and the chain maintains validity because most companies aren't born global as their business is global from the onset, often regional at most. They do acknowledge that the foundation of psychic distance has been weakened in a globalized world however.

With this they have themselves updated their model; it still has the same two aspects of state and change, and follows a lineal progression. However the content has been adapted to reflect the changes outlined above. This means that the process has become more complex as it now more nuanced in the four steps. This not only helps it being more accurate, but it also means that now it can be used to explain internationalization outside of the very strict strategic considerations that was used in the original model. Looking at the new model, we see that the changes to the two aspects starting with state we see that market knowledge has been changed to knowledge opportunity, to reflect that it is indeed still required to have market knowledge but now it is also needed to engage the market in order to find potential opportunities to initiate the process. The final step has changed from market commitment to network position, meaning that where before reflected how committed a company is in the market it now is more about how well ones network reacts to the decision to change of position within the market. The change aspects have also seen changes, starting with the original commitment decision this has had relationship added. It is therefore now looking not only at making the decision and deciding on how committed it should be, but now focuses on how the company can interact with its network of relationships. Finally the current activities has seen the largest change, this has become learning, creating and trust-building. It maintains its original value of learning from the activities that is already ongoing but it now also includes the trust-building with the network to prepare these for the changes of positions within the market. Creation talks about transforming the opportunity from step one into a fully molded idea that can be used to changes ones position in the market.

With this information, an adaptation of the model can be made that will hold very true to the original but better reflects the steps a company takes during the process. This will help to better attempt to incorporate the ideas of legitimation into some of the steps. The steps can be seen in the graphic below.

Figure 7: Adapted internationaliztion process (source: Own creation)

Analysis

In the following chapter an analysis will be made on the legitimation theories, in such a way that the individual pillars will be analyzed in an attempt to make them fit into one of the four steps outlined as the internationalization process. This will be achieved by individually investigate each of the pillars and find evidence that it is important for a company to follow these in the process of internationalization.

It will at the same time be investigated if there are possible strategic advantages with complying with the three pillars, these will be aimed at looking purely at the gains from a more traditional business perspective. This should help in explaining the potential desire for business to implementing the ideas into the internationalization process. Because even if it was possible to include the concepts into the internationalizations model, this would server no purpose if there was not a desirable business motive in doing so.

Regulative pillar

Starting with the first, this is the most tangible of the three and it will therefore likely be the easiest of the three to verify objectively. It will attempt to do this by looking at real world examples of non-compliance of companies and try to hypothesis why these companies chose to be in non compliance. The pillar will also be divided into two a mandatory part, this is what is expected to be compliant with and a non-compulsory part which can be seen more as a best-practice.

Mandatory

First a look at the mandatory rules and regulations, these are all the laws and regulations that a company is required to comply with in order for the company to not face potentially sanctions such as fines or injunctions. These are the laws that most companies will seek to be in compliance with, however some may see it as a possibility to be in non-compliance if the gain is perceived as greater than the loss incurred. This brings up a discussion of reputation, because this was an important part of the internationalization.

It can be a hard for a company to have such specific and complex knowledge of a country outside of its area of operation; this further underpins the need for companies to engage in networking as described previously. This will help them gain the expertise needed to be in compliance with these laws. Another

option is utilizing consulting from an external source, within the European Union this is offered to companies for free[1].

Non-compulsory

Another aspect of this are the more intangible rules that a company can seek to comply with. This is to say there exists a certain subset of rules that a company can be in violation of, without facing sanctions from authorities. However there will likely be a backlash from other stakeholders if a company violates these rules. As an example, crash tests of cars can illustrate this point. A car can be in compliance with all laws but if it is not following the guidelines or rules of the crash test it will hurt sales, this happened to the Holden Barina[2]

This is again helps underpin the idea that there is a very large influence on the company of its surroundings that needs to be taken into account when conducting business that lies outside the regular scope of what regulatory compliance implies.

Strategic advantage

Looking at the potential advantages here, they can be put into two different categories. One category is a monetary benefit and the other is a social-benefit. Starting with the monetary benefit, this is the easiest to measure. It may be desirable for a company to be in violation of some laws if they stand to gain more than the potential sanctions they face, this could be seen in the patent dispute between Apple and Samsung, where Samsung perhaps was aware of the infringement yet decided the potential was greater than the risk[3]. The societal-perception can be slightly harder to comprehend, but here there can be a positive or negative societal -benefit of being compliant or not. By this is meant the perception of the company can be changed depending on how well they comply with given laws and rules. A good example of this is Greenpeace who occasionally breaks laws in order to protected the environment. This is often still perceived as a positive by society as a whole even though they are non-compliant with the law and faces sanctions.

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[1] http://portal.enterprise-europe-network.ec.europa.eu/services/advice-eu-law-and-standards
[2] http://www.caradvice.com.au/250/holden-barina-2006-poor-safety-slows-sales/
[3] http://www.bbc.com/news/technology-19377261

This shows that there is good reason to consider the positive or negative societal-perception that can be earned from how compliance is implemented as part of a strategic move. This will therefore naturally be an attractive thing to consider as part of a strategic decision such as internationalization.

Normative pillar

Moving on to the normative pillar this deals with the values and norms, these will be analyzed individually so as to get a more detailed view of both concepts and how they can be transformed and reapplied within the concepts of internationalization.

Values

Firstly a more specific definition of what norms are and how they are understood in this context is presented so as to make sure there is a sound reasoning behind the argumentation. Values were characterized as the preferred or desired in terms of aspiration and it is further what things are compared to in terms of standards. This means a company can try and match their contribution, be it a product, service or otherwise, to the current standard to see how it compares. This is important not only to see as a debate on which products a company can bring to market, but also reflects on how the company as a whole is perceived.

Having a good perception in the eyes, not only of the public, but other business is very important for a business in their efforts to try and market themselves as well as in their aspirations to forge new partnerships and allegiances. This can therefore be a very good guidance into how a company ought to act if they are to try and represent themselves as a trustworthy company.

Norms

Norms works essentially as a guide on how to achieve the desired values. That is not to say that it is a set of guidelines that one must follow, but rather it is a set of intangible rules on how to behave or conduct business. They are therefore very important to have ingrained into a business practice so that the desired behavior automatically becomes present in all aspects of the business conducted.

The high importance of this is hard to measure, as it is by definition something that is intangible. However it can be easily speculated on its importance. For instance, if a business has a set of values, or goals, that it

wishes to achieve and be acknowledge for. It must also have the ingrained norms within the business culture for this to be possible. An example of this could be how BP tries to appear as a green and eco friendly company with their logo change[4], yet were still responsible for one of the biggest ecological disasters in recent years[5].

Strategic advantage

The way this can potentially be used as a strategic advantage is in how a company strives to positions themselves in a market. This is both in terms of their reputation and their products. If we start with how a company can use this in order conjunction with their reputation, it could be like the BP logo change, which will help steer the way customers and other stakeholders views the company. This line of thinking has a branch of the business study tree, in that this is in essence what Corporate social responsibility is based on. So a CSR strategy would, very likely, not be successful if the goals (values) of the strategy is not clearly defined and outlined. Even then, if the means to be successful in fulfilling these goals - the norms - are not being embedded into the organization these goals will still likely not be achieved.

The other aspect is how this can be used to determine how a company can use values - in this setting it is the qualities of a product - to position their own products in a new market space. This can be important when a move to a market that is not close to one's home market in terms of economics and social perception. An example was provided at a company visit to Grundfos, about their intentions to enter India. They were already a global company, known for their high quality products which came at a premium in cost. This was a concern on the Indian marked because of the lower economy on the market Grundfos was selling to at the time. This meant they were forced with a decision to sell a lower quality product that better matched the "values" of the Indian market or enter with the normal quality product and either sell at a loss or risk low sales. This example illustrates how companies can be forced in some situations to reevaluate the properties of their products to better fit the values of a potential market that is desirable to enter.

As this highlights, there is a definite potential within the value proposition to help in the managerial decision of how, and if, a market will react positively or negatively to a set of values presented from a company, be it their corporate values or their product values.

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[4] http://news.bbc.co.uk/2/hi/business/849475.stm
[5] http://www.nytimes.com/2011/09/15/science/earth/15spill.html

Cultural-cognitive

Finally we have the cultural aspects, this is the hardest of the three to disassemble due to the fact that culture is inherently so complex and therefore will anything that goes on to explain it naturally also have to be complex. As was established earlier, this goes beyond the more common models for explaining culture, in that it takes the subjective viewpoint of the observer. So rather than objectively understanding the culture observed - be it corporate, societal or other - it also requires the subjective input of the observer. The reason it is very important to be aware of this mismatch in how culture is perceived can be better explored with the four cultural dimensions (Hofstede & Bond, 1984). These can help illustrate the difference inherent in culture, but also why its problematic to have a subjective view.

The four dimensions are the power distance, describing the relations between superior and a subordinate within a culture - national or company. This is perhaps the one with the most obvious difference between cultures, where Europe, and specifically Scandinavia, has a low power difference it is the opposite in Asia. The secound is "uncertainty avoidance" this is how a culture deals with conflict and is not as great in highlighting the difference. The third is "Individualism vs. Collectivism" and describes to which degree a culture is inherently thinking about themselves or the broader collective. Tribal societies will fit collectivism a lot better than for instance the more self-centered western cultures. Finally the "Masculinity vs. Femininity". This is if an extension to the third, where masculinity focuses on values such as success, money and material goods where as feminine cultures focuses more on softer values such as family, health and others.

The problem with viewing culture purely objectively is the norm when looking at cultures in business strategy, is people are inherently used to applying their own subjective ideas into what they do. Therefore adding the expectation to do so, forces a realization that the culture being analyzed may differ and this is therefore taken consciously into account.

Strategic advantage

Now is it possible that this difference in view on culture can be used to derive a strategic advantage, will be very hard to conclude upon, purely because it is so close to how the process is viewed already so it can only be speculated that by highlighting the need to consider - and use - one's subjectivity will have an influence on the decision. The thing that could perhaps be argued for is the need for an intermediate, that can help bridge two different cultures so as to ensure compliance.

Linking the concepts

the attempt to try and unify the two concepts that has been presented will now be undertaken. It will follow the process of the previous chapters, by starting with looking at each of the three pillars and argue how they fit into one of the four process steps derived from the Uppsala model earlier.

Regulative

This is where the greatest potential lies, according to the analysis. This is because there is four different dimensions that can be directly manipulated, in order to attain a desired result. Because of this it also carries the biggest uncertainty, since the other is also true. If one does not consider both sides, compliance/non-compliance and positive vs. negative perception, it can have a negative effect on the aspect(s) not considered.

As was shown in the legitimacy process model, being in compliance will grant a company access to a variety of resources, however most of these resources would often come with a set of regulations that would be required so a company would have to be in compliance to attain these.

If we try and see how this fits into the four steps established in the internationalization process, it will be the easier of the three to place, because it is conforms to a more specific part of a process. The decision whether to be in compliance with the regulatory pillar will fall under the Relationship commitment decision, due to it being a rudimentary decision made early on in the process. It will be made less with customers or end users in mind and more with a broader picture in mind and focus on larger network relations. It can be argued that the aspect of trust-building plays a role if a company uses compliance to increase how they are perceived. However this is secondary or a consequence to the benefits gain by committing.

Normative

Moving on to the normative pillar, this will be harder to accurately fit into the model, because of this being inherently more of a abstract concept. However, as it talks about values it can be somewhat conceptualized to find a fit within the stages.

Because the benefits gained from complying with the normative pillar are purely in terms of perception from stakeholders, be it customers, partners or others. This is also a lot more susceptible to fall victim of the vicious circle. Since regulations are seldom changed very often, taking strides to be compliant will often mean you are compliant for the foreseeable future. This means the investment can be viewed as more long term. Whereas the perception of an organization are constantly being revised by the stakeholders and is therefore a constant commitment to keep up with conformity.

Applying this to the four internationalization steps, it will again automatically be useful for several of the steps, however it will naturally fit with Trust-building as they are both discussing how a company makes itself more attractive to their stakeholders.

Cultural-cognitive

Finally there is the cultural aspects, the hardest of the three to conceptualize. As was described earlier, the benefits that can be attributed to culture comes from ones subjective self or in realizing that outside influence is needed to make the correct decision.

Because this is about the cultural aspects it would be natural that it fixates on the external parts of the process these are the Knowledge Opportunity and Network position. It is useful in trying to identify new opportunities and analyze their potential but it will be more useful in the context of network position, as this is where the most direct exposure to the target market is.

A combined model

Having established how each of the legitimation pillars fits into the various steps of the adapted internationalization model, a combined model of the two will now be constructed.

It is important to factor in that even though they are individual steps, a process will be more of a fluid process. So having the pillars overlap adjacent steps will be accepted on the basis that spillover will occur. That is, if the process has started with being aware of social-constructs in the process it will follow though.

the adapted model will therefore look as follows, the colors denote which of the four steps a given pillar belongs and the half indicates where potential spillover effects can occur.
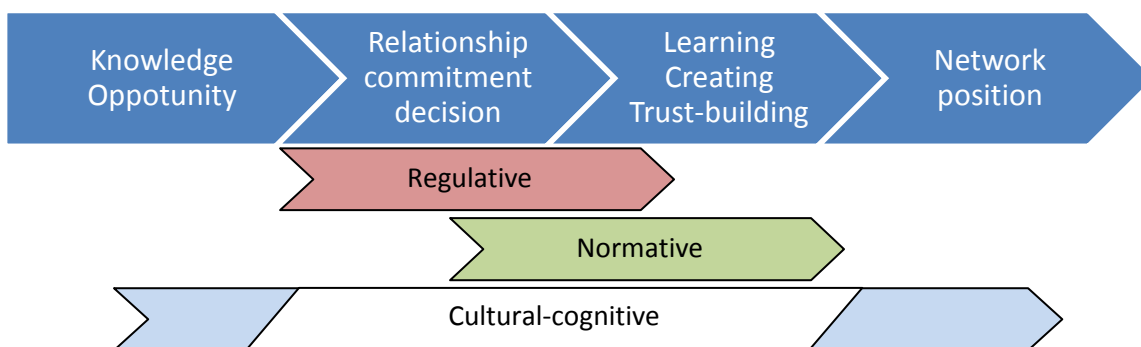

Figure 8: combined model (source: Own Creation)

Conclusion

Over the course of this investigation, it was found that legitimation does have the potential to strengthen a business's in achieving some goal. Whether this is to change their perception in the eyes of customers or business partners or if the decision is to seek exploitation of not complying with the legal system in some way.

It was also discovered that the internationalization process investigated had been updated to include some of the social constructs that legitimation aims to address. This made it easier to identify where the potential linkage are. The incorporation of the ideas into the framework is not at a level where it can be considered satisfactory in addressing the potential of compliance.

To answer the overall research question, if it is possible to incorporate the idea of legitimation into the process of internationalization. The answer to this, is that it was proven to be possible. However there are certain provision in this that are to be made very clear. The impact of implementing this into an active model cannot be concluded only that it has the potential to influence positively. Because of this, it can also not be realized if trying to achieve compliance with the limitations pillars is worthy of offsetting the increased cost generated by seeking it.

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