C: Competitive Session 1.4.8: Knowledge in the MNE
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Building Different Levels of Legitimacy in Internationalisation: Subsidiary – Civil Society Nexus in Institutional Void

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Abstract:

Drawing on empirical examination of six European MNE-subsidiaries and using a multiple-case method & process analysis, this paper investigates the nexus between subsidiaries & civil society actors in institutional void that affect legitimacy development. Study finds four different levels (i.e. degree) of legitimacy- acceptance, image, endorsement, and synergy (acceptance + efficiency) that subsidiaries earn, develop, or co-develop in collaboration with CS actors in internationalization. Our study brings a new insight on legitimacy theory in international management in a way that isomorphism perspective of legitimacy cannot explain the complexity of subsidiary legitimization in institutional void. This is because subsidiaries not only earn acceptance by complying to institutional context, they also create and co-create image, endorsement and synergy by strategic initiatives. We thus combine institutional isomorphism and institutional innovation perspective in legitimization and conclude that subsidiaries strategic endeavours generate various levels of legitimacy as an output; not just acceptance level only. It is although difficult to separate legitimacy and efficiency as an intermingled strategic outcome because subsidiaries fill up institutional void by institutional innovation and create operational efficiency as well as legitimacy in market and society. We therefore conceptualize the development of different levels of legitimacy using a 'spiral metaphor' and combine isomorphism perspective with institutional innovation and business model-fit in order to illustrate how they influence legitimacy and efficiency development in institutional void context.

Introduction:

How MNEs earn and maintain legitimacy has been an interesting research agenda in international business studies (Zeng, Luo, & Maksimov, 2015; Scherer, Palazzo, and Seidle, 2013; Gammeltoft, Filatotchev, Hobdari, 2012; Meyer, Mudambi, and Narula, 2011; Delmestri and Wezel, 2011; Gifforda, and Kestler, 2008; Chan and Makino, 2007; Kostova and Zaheer, 1999). This is interesting because different scholars cover different perspectives of legitimacy (den Hond et al., 2014;Scherer, Palazzo, and Seidle, 2013; Bitektine, 2011;Rao, Chandy & Prabhu, 2008; Dacin, Oliver and Roy, 2007), strategies of legitimacy (de Haro and Bitektine, 2015; Rana and Sørensen, 2014; Scherer, Palazzo, and Seidle, 2013; Bitektine, 2011; Chan and Makino, 2007) and contexts in which firms' earn, develop, and defend their legitimacy (Castelló and Galang, 2014; Reimann, et al. 2012; Forstenlechner and Mellahi, 2011; Ahlstrom, Bruton and Yeh, 2008; Gifforda and Kestler, 2008). As defined, legitimization is a process by which a firm's behaviour and actions are perceived to be proper and appropriate by socially constructed systems of rules, norms, rationales/logics, and beliefs, and thus firms get 'accepted' (Suchman, 1995) and gain a 'right to exist' in society (Maurer, 1971). This is relatively a complex process for foreign subsidiaries compared to local private companies (Nell, Puck, & Heidenreich, 2015) because MNE subsidiaries involve in foreign and multiple contexts in which multiple and heterogeneous actors (i.e. headquarter, institutional, civil society, & transnational actors) and phenomena (e.g. multiple–embeddedness, pressures, expectations, interests, and logics) (see, Scherer, Palazzo, and Seidle, 2013; Greenwood, Raynard and Kodeih, 2012; Greenwood, et al. 2010; Kostova and Zaheer, 1999) shape the condition to which subsidiaries can develop or co-develop legitimacy. In this paper we focus on the nexus between civil society actors and MNE subsidiaries in institutional void context to see how subsidiaries interact with social actors, use various strategies and thereby build various levels legitimacy. Since legitimacy is a context specific evaluation of multiple evaluators, firm's actions would seem to be appropriate depending on the expectations and nature of institutions and social actors' that are influential in the evaluation process. Social actors' judgements therefore would not only affect the subsidiary 'acceptance' but also its degree of image and endorsements, which shapes the credibility of corporate entity and operation in a foreign context.

Previous studies focused on NGOs and investigated their influence on MNE governance & operation (Vachani, Doh, and Teegen, 2009; Doh and Guay, 2006; Teegen, Doh, and Vachani, 2004) that lead to both tension (Yaziji & Doh, 2009) and resource advantages in the legitimization process (Lambell, et al. 2008; Marano and Tashman, 2012). In this vein, our study focuses on various types of civil society actors (CS) (i.e. NGOs, Associations, activist networks, and individuals with welfare mind-set) and investigates how subsidiaries in institutional void work with those CS actors in pursuit of earning and coevolving different levels (degrees) of legitimacy. We consider civil society as a broader social phenomenon that occupies a social space both in national and transitional context (Rana and Maria, 2017).

Previous studies illustrate that subsidiaries tend to be adaptive, manipulative, and innovative in order to succeed in institutional void context (see, Khanna and Paleppu, 2010); however, they overlook the nexus between subsidiaries and civil society actors in institutional void in which CS tends to provide both complementary resources, acceptance, and also tensions, in case firms fail to meet social expectations and standards (Lambell et al. 2008). Although previous studies examined the legitimization strategies (Regnér and Edman, 2014; Castelló and Galang, 2012; Reimann et al. 2012; Ahlstrom, Bruton and Yeh, 2008), yet we know little about whether strategic implications by subsidiaries in void context lead to 'acceptance' / 'right to exist' only or beyond that? At least no empirical study has been carried out on this question and at this point our study makes an effort to shed light on it.

Our study informs that subsidiary's collaborative initiative with CS actors co-evolve different levels of legitimacy, which is often more than the threshold level legitimacy i.e. 'acceptance'. Above the threshold level, subsidiary legitimization process derives efficiency in operation, cost management, market development and customer awareness creation- – both economic and operational efficiency-, identity & image value creation, and endorsement– together with 'acceptance'. Thus, they illustrate different levels of subsidiary legitimacy. We therefore argue that subsidiaries legitimization process appears to be inseparable from the efficiency generation process in institutional void. To mean 'levels of legitimacy' we do not refer to micro or macro levels of legitimacy (see, as presented by Bitektine, 2015) nor do we indicate various levels of analysis, rather we indicate different outcomes of legitimization process that reflect different degrees of legitimacy.

We acknowledge that firms encounter various challenges and opportunities at different phases of internationalisation. Keeping this in consideration, we analyse legitimization process of six European subsidiaries in Bangladeshi context in terms of three major phases of internationalisation– *pre-entry, entry, and post-entry.* The aim is to understand different levels of legitimacy subsidiaries earn and co-evolve or fail to earn at different phases of internationalisation in institutional void context. Bangladesh presents an ideal context to study this, because its institutional context manifests weaker, often dysfunctional, and incoherent institutional structure, giving rise to different forms of institutional void (see, Mair, Marti, and Ventresca, 2012). As a result, CS actors' appear to be instrumental in such void context (Rana and Sørensen, 2014).

There are two reasons that rationalise our research attempt: first, legitimization of subsidiaries in void context is under studied. It is important to know because previous studies focused on how NGOs complement the institutional weakness and absence in emerging markets in developing and governing the markets (Mair, Marti, and Ventresca, 2012; King and Soule, 2007). However, it is not only the NGOs, rather several other social actors appear to be civil society, such as professional associations, activist networks (see, den Hond, et al., 2014) and even influential individuals that manifest interests and will of citizens that play important roles to fill up void for the cause of public good and wellbeing (see, Yunus, 2010). In addition to NGOs (e.g. Grameen Bank), association (e.g. Bangladesh diabetes Association-BADAS) and activist network (e.g. NCPOGMPP) our case studies present the role of an CS individual with welfare mind-set, and that is Nobel Laureate Muhammad Yunus who has been continuously advocating for developing social business to combat social problems and instigate social entrepreneurship, aiming to initiate welfare-led business model that can complement the profit-led business model currently disrupting social equality and welfare (Yunus, 2010). Thus our study illustrates an interesting nexus between several formal and informal CS actors & MNE subsidiaries and postulates how they together shape various levels of legitimacy in Bangladesh.

Second, organisational legitimacy has traditionally been examined from the perspective of isomorphism (Suchman, 1995; DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975). It means organisations are bestowed legitimacy as and when their behaviour and actions comply with socio-cultural norms, values, and rules of the dominant institutional actors (Scott, 2008). Hence organisations appear to be rule taker and environmental pressure receiver, instead of rules changer and rule, norms and value maker. This understanding encouraged studies to focus on how cultural-cognitive institutions (DiMaggio & Powell, 1983) and regulative institutions (North, 1991) shape organisations' behaviour. Thus, it was presumed that the only way firms can build legitimacy is by being acceptable and adaptive to the expectations of the key institutional and industry actors. However, recent studies inform that firms tend to be innovative and appearing as institutional entrepreneur, thus changing and creating new routines, values, rules, and supporting institutions that fill institutional void (see, Zimmermann, et al., 2014; Regner and Edman, 2013; Scherer, Palazzo, and Seidle, 2013). This sort of strategic actions provides both legitimacy and efficiency to firm's survival and competitive advantage in a way that firms can gain operational and market efficiency whilst strategic actions generate local acceptance and reputation (see, Ahlstrom, Bruton, Yeh, 2008). In this vein our study combines both perspectives– compliance & adaptation and institutional innovation– and examines subsidiary legitimization throughout the internationalisation process to see how subsidiaries earn and maintain them simultaneously or fail to earn them in institutional void.

Subsidiary's Legitimization in Internationalisation:

Although under focused, studies on subsidiary legitimization bring a new insight on how foreign companies get accepted (i.e. legitimized) in host context and what legitimization process yields in internationalisation. While variations in institutional contexts present diverse challenges and opportunities to subsidiaries, they tend to respond them by employing diverse strategies with variations in strategic goals, abilities, and reactions of stakeholders' from inside and outside of the organisation (Meyer, Mudambi, and Narula, 2011; Saka-Helmhout and Geppert, 2011; Westney, 2009; Gifforda and Kestler, 2008; Chan and Makino, 2007). Our review aims to present institutional void as an unconventional context and civil society-MNE nexus as an emergent phenomenon to understand the mechanism and levels of subsidiary legitimacy in internationalisation process. This would therefore hopefully advance the understanding of international management of subsidiaries in emerging markets.

The definition of legitimacy "highlights the scope of actors behaviours associated with legitimacy assessment, shows that legitimacy can be understood as actors' perceptions of the organisation, as a judgement with respect to the organisation, or as the behavioural consequences of perception and judgement, manifested in actors' actions [as strategic outcomes]– acceptance, endorsement, and so forth" (Bitektine, 2011).It is argued that legitimacy as a property or resource is conferred on an organisation by its audiences; therefore, it should be distinguished from legitimization, which emphasises the process of social construction of legitimacy (Bitektine, 2011;Westney, 2009). Institutionalism literature defined legitimacy as behavioural consequences and judgement of appropriateness, desirability and acceptance of the organisation by its environment (Zimmerman and Zeitz, 2002; Kostova and Zaheer, 1999; Suchman, 1995; Dowling and Pfeffer, 1975). While at the threshold level, firm's legitimization process leads to 'acceptance' following a mechanism of compliance with regulative, normative and cultural cognitive standards (Scott, 2008; DiMaggio and Powell, 1983). It has been further discussed that debates over which norms and logics should be used in the evaluation of a given organisation play a critical role in the legitimization process (Lawrence and Philips, 2004; Suddaby and Greenwood, 2005).

This is, on the one hand, a behavioural consequence or judgement by the legitimating actors; on the other hand, it could be a property or resource to the organisation (Turcan, Marinova and Rana, 2012). Subsidiary strategies throughout the legitimization process continuously interact with reactions of judgements and interventions by legitimating actors, which leads to construction of subsidiary reputation/image (den Hond et al., 2014;Bitektine, 2011), economic benefits and social benefits (Zimmerman et al. 2014), and these eventually help subsidiaries being accepted in society also. It means one level of legitimacy– i.e. output of legitimization process–affects the other levels to form. For example, MNEs tend to be endorsed by FSE, carbon emission, fair trade and UN-CSR charter, and these confer acceptance to firms, but moreover they also affect image (i.e. status– either positive or negative), and reputation of firms depending on how firms operationalise the standards and requirements of these certifications and how social legitimating actors, not just the endorsing agencies, judge and validate firms' actions and motives (see, Bitektine, 2011).

At the *pre-entry phase*, subsidiaries are prone to acquire regulative legitimacy (Baum and Oliver, 1991) and socio-political legitimacy (Rana and Sørensen, 2014), making sure that they meet regulative and cultural cognitive requirements to enter foreign market and can receive a positive judgement from socio-political actors, e.g. state, industry actors, and CS. Which entry mode to use and whether it is befitting to the institutional context is an issue that MNEs seriously consider at this phase. Selection of entry mode under the condition of uncertainty and institutional void tend to lead MNEs find a credible and locally legitimized business partner to entry in foreign context (Chan and Makino, 2007) This gives subsidiary an acceptance, image, and endorsement in the local institutional context and market (Rao et al. 2008), although MNE may not achieve all these levels simultaneously at the pre-entry phase but in the following phases.

At the *entry phase* subsidiaries tend to earn market legitimacy (i.e. knowing and getting accepted to market) (Rao et al. 2008), cognitive legitimacy (i.e. being known as a company and brand), media legitimacy, pragmatic legitimacy and socio-political legitimacy (Aldrich and Fiol, 1994; Suchman, 1995), making sure that people, customers, industry actors, and socio-political actors judge the entity, activities, and products of a subsidiary acceptable (see, Bitektine, 2011). Thus, subsidiaries tend to collaborate with local champion firms, political actors, and CS actors by pursuing linkage legitimacy strategies (Child and Rodrigues, 2011; Baum and Oliver, 1991). This is because organisations' linkage with highly legitimate actors in such a context provide subsidiaries with endorsement, image, and resource dependency opportunities (Marano and Tashman, 2012; Dasin, Oliver, Roy, 2007; Chan and Makino, 2007). Moreover, MNE's prior reputation or the reputation that subsidiary earns by its actions in host context eventually affect the process of being accepted and endorsed (Goldberg, Cohen, and Fiegenbaum, 2003).

Subsidiaries thus need to earn and maintain internal legitimacy in all these situations (Kostova and Roth, 2002) – from subsidiary employees, headquarter, owner/investors, partner/collaborators; while they also need to make sure that they *'balance'* between multiple pressures and expectations of various internal and external stakeholders. This is a common condition for MNE subsidiaries due to dual embeddedness (Nell, Puck, Heidenreich, 2015) and multiplicity of institutions (i.e. national, regional, supranational etc.) affecting MNE strategies (Scherer, Palazzo, and Seidle, 2013).

At the *post-entry phase*, subsidiaries tend to focus on business development and growth, thus attention is paid to develop market development and operational expansion as well as reputation building, which influences brand image building and social recognition. Subsidiaries therefore pursue socio-political legitimacy (Rana and Sørensen, 2014; den Hond et al. 2014; Kourula and Halme, 2008) and pay more attention to defend legitimacy at this stage, because competitors, socio-political actors and media at this phase seriously scrutinize subsidiaries behaviour (Gifforda and Kestler, 2008). Subsidiaries in this stage involve in various CSR activities (Zheng, Luo, Maksimov, 2015) together with CS actors (den Hond, de Bakker, Doh, 2015; Marano and Tashman, 2012) and institutional actors (Rana, 2014).

At this phase, business model innovation and strategic initiatives by subsidiaries result in efficiency gain in market development & operation (see, Zott and Amit, 2008) and help build cognitive and socio-political legitimacy (Rana and Maria, 2016).Subsidiaries thus appear to be innovative or creative in institutional context and evolve or change institution (Dunning and Lundan, 2009) that confer acceptance and provide operational efficiency (Regner and Edman,2013).While appearing as innovator and institutional entrepreneur, subsidiaries tend to collaborate with CS and institutional (i.e. national and supranational) actors in order to fill up institutional void and thereby earn operational efficiency together with ‘acceptance’, ‘endorsement’, and ‘image’.

Civil Society’s Role in Subsidiary Legitimization:

The civil society (CS) – as a broad concept– and its relation with MNE subsidiary legitimization have received little attention in international business (IB) studies. As mentioned earlier, there has been a stream of literature focusing particularly on NGOs as the organisational manifestation of CS that aim to serve particular societal interests (Doh & Teegen, 2002; Teegen et al. 2004; Doh & Guay, 2006; Dahan et al., 2010). The importance and drive of other CS actors have been under focused, for example, informal activist networks / groups (den Hond, et al., 2014), professional associations, and individuals with ideological and welfare mind-set etc.. These actors also possess agency due to membership, shared value and social networks based on ideological and intellectual connections that are different from NGOs, and the idea that these actors have sufficiently influence over the market and society (Rana, 2014).

Our study attempts to consider all these CS actors and relies on the definition of CS that encompasses them. Civil society by definition is 'a community of citizens characterised by common interests and collective activity; that aspect of society concerned with and operating for the collective good, independent of state control or commercial influence; all social groups, networks, etc., above the level of the family, which engage in voluntary collective action' (Oxford English Dictionary, 2016).

Over the past decade, there has been a dramatic expansion in the size, scope and capacity of CS around the world, which has been aided by the movement of globalisation, the expansion of democratic governance, telecommunications, economic integration, and worldwide media empowerment (Rana, 2014; Lambell et al., 2008; Edwards, 2001; Keck & Sikkink, 1998). The role of CS tends to be prominent when socio-political and economic institutions do not effectively and coherently perform, thus creating institutional void that affect socio-political order, development, business operation, and human welfare.

As of 2013, there are 2276 registered NGOs working in Bangladesh (http://www.ngoab.gov.bd, accessed on 20.11.2013). Of them, several large NGOs, such as BRAC, Grameen, ASA, RDRS, Gonoshastho Sangstha, are running various citizen-service-organisations in health, education, micro credit and financial sector. They own hundreds of for-profit and not-for-profit companies in medicine, textile & apparel, chemical, energy, telecom & cybernet, and food industries in Bangladesh (Rana, 2014).

Activist networks with various ideological backgrounds are also active in Bangladesh. Of them, an activist group 'National Committee to Protect Oil, Gas, Mineral Resources, Power and Ports' (NCPOGMPP) is the prominent one, which managed to halt operation of several MNEs at the entry and post-entry phases of internationalisation (e.g. Stevedoring Services of America, Asia Energy, and ConocoPhillips) (Rana and Sørensen, 2014).

Moreover, as exemplified before, Nobel Laureate Muhammad Yunus– as a member of CS– has been fighting for eradicating poverty and inequality in society. He has not only founded various organisations for materialising his ideological mission, but also been active in advocating 'social business' concept all over the world. He has been pursuing multilateral institutions, NGOs, MNEs, and social entrepreneurs to finance and build social business ventures in order to address and eradicate the social problems. Thus, he advocates for an alternative form of organisation in which structure prioritises innovation and wellbeing in society while simultaneously offsets demerits of capitalism (i.e. individual capital gain and excessive profit maximization motive is checked by the new structure of social business model) (see, Yunus, 2010). Examples of this organisational form are Grameen-Danone, Grameen-Violia, Grameen-BASF, Grameeen-Intel and so forth.

CS actors pose challenges to subsidiary activities when they fail to meet standards and expectations of social institutions, while they provide opportunities for subsidiaries to leverage contextual resources, social image, and endorsement (Yaziji and Doh, 2009; Rana and Sørensen, 2014). The latter dimension indicates resource dependency perspective in which subsidiaries tend to seek external rents through CS collaboration (Lambell et al. 2008; Bryer & McGrath, 1999; Lindenberg & Dobel, 1999). Such resource dependency of subsidiaries reduces liability of foreignness and increases opportunism in institutional void. This is because subsidiaries in relational governance with CS and institutional actors (Kourula & Halme, 2008) can access to complementary knowledge, and thereby enhance contextual intelligence (Khanna, 2014) to adapt, navigate, and innovate institutional void. This, however, has spill-over effect on subsidiary legitimacy and image creation in the respective institutional context (Yanacopulos 2005; Spar and Le Mure, 2003) so long as collaborating partner has higher legitimacy and image in society (Marano and Tashman, 2012; Reimann et al. 2012).

Collaboration with CS actors helps subsidiaries to carryout CSR activities and leverage competitive advantage in upstream and downstream value chain management (i.e. sourcing local raw materials and distributing products in the void context). Collaboration effect reduces subsidiary transaction cost in international marketing as well as tensions with socio-political actors (Vachani, Doh, and Teegan, 2009), while it helps subsidiaries earn acceptance; in combination collaboration leads to synergy (see, Doh & Guay, 2006, Rana, 2014).

CS actors' play roles in two ways –individually or collaboratively– in institutional void. If we take subsidiary perspective, sustainable collaboration with CS actors requires subsidiaries to ensure complementarity, mutual benefit, and shared value. Only sustainable collaboration can yield positive spill-over effect on subsidiary image and synergy. Subsidiaries can earn legitimacy by employing marketing and management strategies (see, Rao, Chandy, and Prabhu, 2008), but earning legitimacy and efficiency– i.e. synergy– in collaboration with CS requires subsidiaries to have strategic intent and organisational capability (Rana, 2014). 'Efficiency' in synergy has dual perspectives: reducing cost and enhancing benefit– i.e. cost and operational benefit. Thus, efficiency can be achieved either by novelty-centred business model, which refers to new ways of conducting economic exchanges among various participants, or efficiency-centred business model that refers to the measures firms may take to achieve transaction efficiency (see, Zott and Amit, 2008). One novel way subsidiary can earn higher degrees of efficiency is by appearing as institutional entrepreneur or innovator in institutional void context, which subsidiaries' can pursue either by its own strategic initiative or collaborative initiative with CS/institutional/economic actors. CS actors play diverse roles in international business activities: such as filling regulatory vacuum (Dahan et al., 2010), complementing cultural-cognitive constraints (Yunus and Jolis, 2007), filling goods/service provision vacuum (Yunus and Weber, 2010) , industry-institution creation (Doh & Guay, 2006), co-optation (Coy, 2013) , oversight, resource provider(Austin, 2000) , endorsement and credibility provider (Kourula and Halme 2008), and social activism for ideology-based justice (Hond and Bakker, 2007)(See, Table 1).

Table 1: The Roles of CS Actors in Relation to MNEs

CS Roles	Examples
Filling regulatory vacuum	Carbon emissions reporting require global coordination and private firm buy-in, so NGOs engage as civil regulators, and thus MNEs can effectively evade state oversight given national jurisdiction issues, while industries seek to avoid more time-consuming public regulation and/or seek to punish free-riding.
Complementing cultural-cognitive institutions	Micro-credit model (i.e. financing poor people without collateral security) by NGOs, e.g. Grameen Bank and BRAC, altered the 'no trust' between poor people and commercial banks into 'high trust' in micro-credit banking business.
Goods/service provision Vacuum	In the context where government initiatives are not enough, Grameen-Danone social business venture markets vitamin and mineral fortified yogurt at affordable price for growing children at the lower middle and lower classes of society with an aim of solving malnutrition and vitamin deficiency in Bangladesh.
Industry-Institution Creation	The formation of new EU regulation of trading genetically modified organisms was led mainly by three NGOs: ATTAC, Greenpeace and Friend of the Earth.
Co-optation	This formalized inclusion of challengers into the authority system that they are challenging is the essence of co-optation e.g. International fair trade system.
Oversight	Dan Watch and Action Aid monitor organisations' actions as watchdogs (for critical transparency) and can actively protest and channel information.
Resource providing to firms	Starbucks-CARE strategic alliance with a philanthropic motive was initially donating to CARE projects and selling coffee to the countries that CARE projects operate in. The relationship evolved into a two-way exchange of ideas and management personnel, including joint design of workplace codes of conduct for Starbucks' coffee plantations and factories.
Endorsement and credibility provider	Receiving Forest Stewardship Certification (FSE) or joining in 'Ethical Trading Initiative (ETI)'– a leading alliance of companies, trade unions, and NGOs promoting respect for workers' rights- provides endorsement and credibility to MNEs.
Activist groups	Ideological positioning of, e.g., protection of consumers, human rights movement against extraction industries, and activist movement against Wall Street.

Source: Developed by Authors

In most cases CS actors appear to be institutional entrepreneur/innovator, so MNE subsidiaries can take this opportunity to co-create institutions in conjunction with CS and institutional actors. The co-creation process and the outcome lead both to legitimization and economic value creation for MNEs (i.e. efficiency), while this simultaneously leads to social value creation (Zimmermann, 2014) for which CS strives (Yunus and Weber, 2010). This is the level at which subsidiaries earn synergy, and this co-evolutionary process (see, Child et al. 2012) increases opportunities for subsidiaries to leverage contextual intelligence (Khanna, 2014).

The institutional condition to which CS can effectively function as 'third sector' (Lambel et al., 2008) or 'extra institution' (King and Soule, 2007; Council of Europe, 2012) – i.e. being independent from the state influence and cultural dogmatism– depends on the nature of socio-political institutions it operates in. Although we illustrate the roles of different CS actors' separately, in reality they have overlapping relations and they often work together– either formally or informally– for the common goal.

CS has, however, historically been defined at the national level (Schwartz, 2003), where group identity derives from citizenship and group ideologies in the nation-state (Florini, 2003; Pharr, 2003), collective actions increasingly occur across borders through transnational networks (Keck & Sikkink, 1998; Khagram et al., 2002) and cognitive bonding based on shared ideology (Morgan, 2001). They are however manifested in the global non-governmental organisations (GNGOs) across the world, for example, Oxfam, CARE, Grameen Foundations, Green Peace and activist networks.

Subsidiary Legitimization in Institutional Void

(Khanna and Palepu, 1997) coined the term institutional void (IV) that focuses on emerging economies to indicate weak socio-political institutions, less openness to foreign companies, and underdeveloped capital markets, infrastructure and regulations that affect buyer-seller transactions.

The idea was to understand the *dysfunctionality*, *absence*, or *weakness* of mechanisms in institutions and markets; most particularly the factor condition and environmental forces, market intermediaries and physical infrastructures' that affect organisation of economic activities in a society i.e. buyers and sellers of products, labour and financial sector actors (Khanna et al., 2005) (See, table 2).

Table 2: Framework of 'Institutional Void'

Attention paid to	Void leads to	Market structure comprising of	Strategies proposed
Market institutions	Operating challenges	Factor condition and environmental forces in the macro economy	Replicate or adapt
Transactional areas	Higher transaction cost	Market intermediaries	Attempt to change market context
Missing Institutions	Missing product/service provisions	Physical infrastructures	Enter, wait, or exit; compete alone or collaborate

Source: Developed based on Khanna and Palepu, 2010

Institutional voids tend to be manifested in three major spaces: *the structural architecture of a formal institution*, *within conditions of the market, and complementary mechanism of cultural-cognitive and proximate institutions*. Khanna and Paleppu, (2010) clearly illustrated the first two spaces in which voids occurred and how companies responded them by strategies. Mair, Marti, and Ventresca (2012) shaded light on the third type of space in which IV occurred, demonstrating how IV is the source of market exclusion which was underpinned by lack of complementary between cultural-cognitive and proximate institutions i.e. supporting formal institutions. Their study postulates that market exclusion in rural Bangladesh for females was caused by void, which was created by social and religious institutions, while BRAC- NGO complemented that void by advocacy programme, organisational network, and micro-finance initiatives.

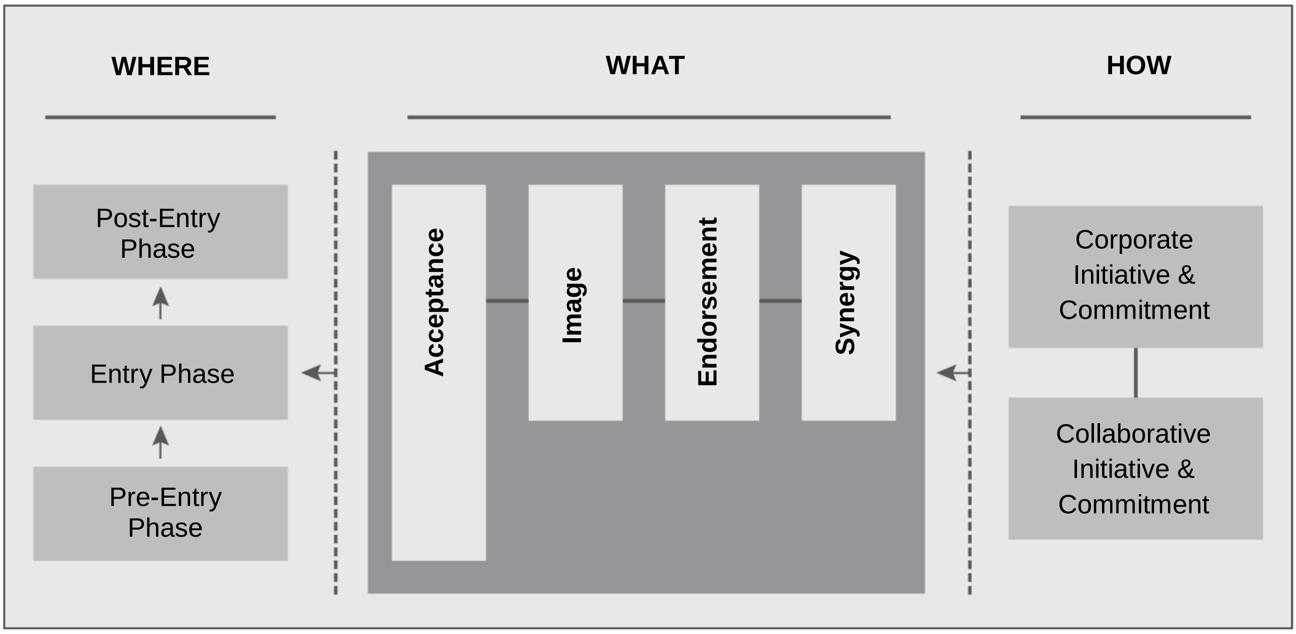
A void in these three spaces can affect subsidiary operations, performance and survival. Although common in emerging economies, developed economies may also have institutional void; but the nature of void may not necessarily affect business transactions seriously– the way it appears in emerging markets.

Subsidiaries can either depend on local economic actor to bypass or navigate IV or fill-up IV by corporate capability or collaborative initiatives (Khanna et al., 2005). The latter strategic initiative is the institutional entrepreneurship/innovation by subsidiaries and in such a case collaboration with CS and/or institutional actors can result in synergy. Yet, institutional void theory focuses on transactional efficiency subsidiaries can gain in market, but our paper illustrates synergy gain in IV – combination of legitimacy and efficiency– in collaboration with CS and institutional actors. Subsidiaries seek different types of legitimacy at different phases of internationalisation due to different levels of contextual intelligence they develop and their ability to respond institutional variations and voids. Understanding different levels of legitimacy, therefore, would help subsidiaries to focus on specific strategies and objectives throughout the internationalisation process in emerging markets where both legitimacy and efficiency earning is necessary, but not so easy.

Analytical Framework

The analytical framework (see, Figure 1) illustrating the structure of analysis shows what levels of legitimacy subsidiaries gain and co-construct and how are they gained and constructed in three different phases of internationalisation. Each phase of internationalisation entails an analysis of four different levels of legitimacy that subsidiaries develop or failed to develop. The question rises, how do we determine each phase of the internationalisation? Drawing on the internationalisation and born global literature (Ref…), we consider that *pre-entry phase* of MNE subsidiary involves decision making and preparation activities until the actual entry took place in host context. *Entry phase* formally begins with the physical entry as a subsidiary and its early establishment period i.e. upto three to four years in the host market, while the *post-entry* phase begins after the establishment of subsidiary and this naturally entails the growth of subsidiary in host context, rather than growth of the product market as such.

Figure.1 Levels of Legitimacy in Internationalisation Process



Developed by authors

Four case companies out of six (i.e. Arla, GSK, Nestle, and Novo-Nordisk) have followed the classical step-wise internationalisation process (see, Johanson and Vahlne, 1977) and entered the host market through indirect exporting from neighbouring country subsidiaries. Legitimization of these subsidiaries in pre-entry phase therefore could not be investigated. We take into account the actual entry of these four subsidiaries instead of the indirect or direct export of the product to host market. In contrast, Telenor and GCM had direct entry as joint-venture and subsidiary respectively, thus we have been able to analyse their pre-entry phase and the subsequent journey.

Our multiple–case study finds four different levels of legitimacy 'acceptance', 'image', 'endorsement', and 'synergy'- a combination of acceptance and efficiency.

While acceptance level indicates threshold legitimacy, firms tends to comply with social expectations and avoid tensions with influential legitimating actors, 'image' reflects how a company is perceived in society, which can be both positive or negative. Positive image can turn into a reputation and thus affecting branding and marketing efficiencies.

Similarly, ‘endorsement’ means an approval that overrides image while also enhancing reputation. It is often a more explicit certification that is linked to formal validation as a result of meeting standard and codes, but sometimes public and/or CS’s announcement and certification that provides legitimacy to a subsidiary can act like an endorsement.

Synergism indicates the high potential benefit of combined actions instead of legitimization on its own. This is the highest level of legitimacy, at which subsidiaries appear to be an institutional entrepreneur and thereby legitimise their behaviour through creativity, collaborative and innovative initiatives. They change or create new rules, norms, practices and values, or develop infrastructures to increase efficiency in operations and value creation, and thus creating synergy by integrating legitimacy with efficiency.

Vertical axes of the matrix in figure 1 indicate levels of legitimacy while horizontal axes show firm’s commitment in the form of individual strategic initiative or collaborative initiative.

While acceptance level can be termed as threshold level legitimacy, the other three levels may develop at any time either by firms own corporate strategic initiative or collaborative initiative with market actors or non-market actors’ e.g. civil society. However, it is not necessary that legitimacy development would follow the order presented in figure 1. Whilst first three levels may affect each other, synergy level is a strategic point at which firms build acceptance together with efficiency that affect operation and performance. It means it is not legitimacy alone, rather firm’s strategic initiative results in combined outputs i.e. acceptance/positive judgement of the legitimating actors and efficiency for organisation/market. ‘Efficiency’ can manifest in the form of economic and operational benefit for organisation as well as society.

Methodology:

We used multiple-case study method (Yin, 2009) and critical incident technique for understanding and theorising the levels of subsidiary legitimacy stemming from the nexus between MNE and CS in institutional void i.e. Bangladesh.

Selection of Case Companies:

Six European MNE subsidiaries have been purposefully selected for investigating the MNE-CS nexus and the levels of legitimacy, for example, Telenor from Norway (C-1), Novo Nordisk from Denmark (C-2), Nestle from Switzerland (C-3), Arla from Denmark (C-4), GlaxoSmithKline (GSK) from UK (C-5), and Asia Energy Corporation from the UK (C-6) (See, Table 3).

Table 3: Descriptive Information of the Case Companies in Bangladesh

Code	Cases	Country of Origin	Sector	Entry in BD	CS Collaboration	Market share	Ownership structure	Venture type
C-1	Grameen-Phone (GP)	Norway & Bangladesh	Telecom	1997	GB+ GTC+ Yunus	42%	Telenor 55.8%, GB+GTC 34.2%, Local Institutions 10%	JV
C-2	Novo Nordisk	Denmark	Pharma	2007 (1999)	BADAS	75%	100%	SA
C-3	Nestle	Switzerland	Food	1992	IF & Proshika	90%	100%	WO
C-4	Arla	Denmark & Sweden	Food	1989	GBPSKS& CARE	20%	100%	JV
C-5	GSK	UK	Pharma	1949	FRIEND-SHIP	P=2.2% V=40% H=79%	GSK 82%, ICB 14%, People & Banks 4%.	JV
C-6	Asia Energy Corporation (AEC)	UK	Mining	2004	None	N/A	GCE-UK, ADB, Barclay's Bank	WO

Note: JV=Joint Venture; SA=Strategic Alliance; WO=Wholly Owned; P= Pharmaceutical; V=Vaccine; H= Healthcare; ICB= Investment Corporation of Bangladesh, GB= Grameen Bank; GTC= Grameen Telecom; BADAS= Bangladesh Diabetes Association; GBPSKS= Glory Bondhu Protim Samaj Kallyan Sangstha; IF= Impact Foundation; GCE: Global Coal Management Recourses, UK.

Considering the research question we developed four criteria to select case companies that are operating in various industries in Bangladesh: first, the company must have a relation with CS actors- i.e. ownership relation, non-ownership strategic relation, and adverse relation; second, companies' operation should link with people i.e. customer, suppliers, people etc. Third, MNE-CS nexus should affect the value added activities or market creation (positive or negatively) of subsidiaries, fourth, company should be known to the people and holding a significant market share in the respective industry.

Introduction to Cases:

Telenor made joint venture with Grameen Telecom- a sister concern of Grameen Bank, a not-for-profit NGO, which is founded by Nobel laureate Professor Muhammad Yunus. Novo Nordisk made strategic alliance with Transcom Group of Companies and Bangladesh Diabetes Association (BADAS). Arla has joint venture with Mutual Group of companies and strategic relation with GBPSKS, for CSR, and CARE-Bangladesh for bottom of the pyramid marketing. GSK has joint venture with government financial institution and strategic alliance with Friendship-NGO for CSR initiatives and Tele-medicine project. Nestle has strategic relation with Impact Foundation for CSR and Nutrition awareness programme and with Proshika-NGO for honey cultivation. Asia Energy Corporation (AEC) had no relation with CS actors, rather NCPOGMPP (National Committee for Protecting Oil, Gas, Mineral Resources, Power, and Port of Bangladesh- an activist group) led by Professor Anu Muhammad organised serious movement, protesting against AEC operations in Bangladesh.

The case companies entered Bangladeshi market at different times and with different modes (see, Table 3). We collected data on the case companies from the point when MNEs had established subsidiaries or joint venture operations in Bangladeshi market instead of the direct and indirect exporting.

Data Collection:

Data collection continued for four years from 2011-2014. The research project was funded by The European Commission and Aalborg University, Denmark. A native Bangladeshi researcher collected data from multiple actors involved in the critical incidents of MNE-CS nexus. Attention was paid to such critical incidents that yield legitimacy (i.e. acceptance) and efficiency as well as value for companies and society or the other way around. We followed a principle during the data collection process, and that is, we interviewed maximum number of informants who were involved in critical incidents of MNE-CS nexus and continued data collection until reaching data saturation stage. Thus, we collected data from the company, CS, and institutional informants- who know better and who were involved in the process of critical incident. Multiple data sources were used: for example, secondary sources i.e. company documents, email communication (where available), newspaper report & articles, NGO reports; semi-structured interviews, and the observation by a native researcher. In total thirty-nine interviews of CS, managers, and institutional actors were taken. Interviews were recorded and noted in note book and later verified by follow-up interviews and other informants. A database was developed with secondary and primary data, which culminated six detailed case reports of 160 pages that are used for this research.

Table 4: Overview of Primary Data Sources

Cases	Related Actors	Number of interviews	Informants by type
C-1	Telenor	3	General Manager; Managers
	GTC (not-for-profit)	2	Managing Director; Managers
	BTRC	4	Director General ; Deputy Director; Asst. Director
	GB (NGO)	1	Manager
C-2	Novo Nordisk	3	Marketing Manager; Senior Executives
	BADAS (Non-profit Association)	1	Project Coordinator (CDiC, BADAS)
C-3	Arla	3	Managing Director; Marketing Managers
	GBPSKS (NGO)	1	Chairman
C-4	GSK	5	Directors; Corporate Managers
	Friendship (NGO)	1	Executive Director
C-5	Nestlé	1	Senior Corporate Manager
	Impact Foundation (NGO)	1	Project Coordinator

C-6	Asia Energy (AEC)	3	NCPOGMPP- general secretary Prof. Anu Muhammad, local activist informants, negotiating lawyer.
Institutional Actors	Various institutional Actors that were linked with critical incidents	10	CPD-Director; Supreme Court Lawyer; Professors; News Reporter ; Deputy Secretary of the Government, Director of Board of Investment of Bangladesh, Director of Centre for Policy Dialogue.

Note: BTRC=Bangladesh Telephone Regulatory Commission; NCPOGMPP = National Committee for Protecting Oil, Gas, Mineral Resources, Power, and Port of Bangladesh (Activist group).

Coding and Analysis Techniques:

We followed a continuous coding method based on the following criteria: what is the critical incident of MNE-CS nexus, what is the output of such nexus in terms of legitimacy (positive and negative) and efficiency, how is the mechanism (i.e. strategies) of legitimacy and efficiency creation, when was it created and gained (i.e. at which phase of internationalisation) in Bangladesh. The codes are later used for process analysis (Langley, 1999) of subsidiary legitimacy in terms of the three phases of internationalisation.

Analysis and Results:

Pre-Entry Phase: At this phase of the foreign market pre-entry, MNEs tend to plan how it can gain smoother acceptance to institutional actors, dominant CS actors, and consumers. Although industry context is important at this phase, subsidiaries tend to make sure that competition is manageable and rivalry is not so high that could jeopardise its acceptance and existence in market. Since it is a planning and preparation stage for subsidiaries prior to entry, the most important matter that MNEs consider is how to receive approval and positive judgement of the legal-political actors and market. Question raises, how subsidiaries can smoothly overcome the cumbersome legal and bureaucratic formalities to enter in institutional void , and whether society would accept the firm and its operation positively. Subsidiaries often collaborate with highly legitimized market actors, but collaboration with non-market actors' particularly civil society actors often pays off more, for example, Grameen Bank and Telenor joint-venture in Bangladesh.

Table 5: Legitimization of Subsidiary and the Nexus of MNE-CS at the Pre-Entry Phase

Levels \ Case	Case No.	What	How (Strategy, CS-MNE Nexus,)	Why
Synergy	X			
Endorsement	X			
Image	X			
'Acceptance' & the idea of resource access	C-1	–Telenor decided to collaborate with Grameen Bank and Muhammad Yunus with an aim to receive positive judgement from the society, political actors, and market, because Grameen name was previously recognised to market & society, while Yunus had high social agency.	–Telenor agreed to commit with Yunus's motive of rural development. –Agreed to swap share with GP after six years of company formation in order to handover governance and empower women members of GB. –Use of 'Grameen' name in Bangladesh would helpTelenor earn high cognitive legitimacy since the entry. – Yunus's influence to government helped getting Telecom licence.	– Telenor needed a local legitimized partner who could provide distribution network support up to remote rural area in Bangladesh. – Collaboration with Yunus and GB helped circumvent many bureaucratic difficulties. – Telenor wanted to make sure that millions of poor women of the Grameen Bank could have money to buy GP phone, and only GB could provide credit to them.
Refusal and Tensions	C-6	- Negative sentiment began to mount against Asia energy company (AEC)	- Prof. Anu Muhammad and his activist group-NCPOGMPP began to create negative sentiment through article writing and talk-show on media.	– Activist groups believed that the agreement between AEC and the government benefitted AEC more than the country, while open-pit method that AEC planned to use for exacting coal would damage climate and livelihood of the local people which AEC would not compensate properly.

At the pre-entry phase (see, Table 5), (Case-1) Telenor could not finalise its decision to entry in Bangladesh until Yunus and Grameen Bank (GB) explicitly agreed to collaborate and showed interest to have ownership stake in Grameenphone (GP) joint-venture. At that time rural areas did not have adequate distribution and infrastructure network, while purchasing power of the rural consumers was extremely low. Telenor as an MNE from Norway was completely unfamiliar to rural people, while GB had wider acceptance and high reputation in the country, thus the use of 'Grameen' name for the newly established joint venture facilitated Telenor to get accepted to the political actors and the greater society. Even before the entry, media and Yunus created cognitive legitimacy for Telenor and the new venture Grameenphone. On the one hand Telenor used Yunus's influence to political actors while on the other hand it intended to exploit GB's 1 million members as the initial customer-base. Yunus agreed to provide micro credit to GB members in rural areas for cell-phone purchase. Yunus's idea was to instigate rural entrepreneurship and employment, and the business model of Grameephone was to provide micro credit to female Grameen Bank (GB) members who would buy cell phone from GP and would sell the talking-minutes to neighbours' who would like to make phone calls. There was no cell phone in village areas, so GB members could easily make money from cell-phone business and pay back the credit to GB and make their livelihood. Yunus's mission and Telenor's mission– serving rural customer and local development– at the initial stage matched well. Telenor, however, agreed that it would swap its share with GB after six years of operation and thus GB would get governance of GP at the post entry phase (see, Table 7). This postulates that in case of collaboration– be it with market and non-market actors, there should be shared vision and shared value in the relationship, and this would determine the degree to which foreign company could get acceptance and resource access through collaborative initiative in host context. In this case, pre-entry preparation and activities were housed in Grameeen Bank office in Dhaka, and every possible hurdle was consulted by Yunus and GB experts' in order to overcome them. Due to such collaboration and strategic relation with non-market actors subsidiaries could earn acceptance, contextual knowledge, and informal endorsement, had access to resources, and these eventually affected image building and synergy in entry and post entry phases.

In contrast, civil society and activist group in Case-6 went against Asia Energy Corporation and began to create negative sentiment by writing articles in newspaper, organising public meetings, and attending in media talk-show. Thus, in pre-entry phase AEC began to lose cognitive and pragmatic legitimacy, though it signed agreement with the government and earned legal legitimacy.

Entry Phase:

This phase is crucial and critical because subsidiaries in this phase make actual entry to market (see, Table- 6). It is important that subsidiaries get accepted in socio-political context, and beyond that it requires formal and informal endorsement and complementary resource support from the institutional and CS actors. Since emerging markets present various types of institutional voids, subsidiaries with its internal capabilities may find it difficult to offset the liability of foreignness and institutional voids.

Acceptance: When subsidiary enters, it may receive positive or negative judgement from the socio-political actors. Negative judgement can turn to be critical if it is created by CS actors and activist groups on the basis of ideological standpoint.

As far as positive judgement of market and society is concerned, Telenor received high acceptance from the customers; all the cell phones offered to the market were sold in few months of its operation and the market growth became rapid at the early stage of operation. Customers and society perceived Telenor and its product as superior and socially contributing because of Grameen Bank & Yunus's involvement. Government and political actors supported it wholeheartedly because it had complemented rural development and shared ownership with local entity i.e. Grameen Bank.

In the same vein (Case-2), strategic alliance with BADAS provided Novo Nordisk subsidiary and its products with high degree of acceptance in diabetes industry. This is because the relation with BADAS was based on shared value and mutual respect, while the missions of CS and MNE (i.e. BADAS and Novo Nordisk) were harmonized – (i.e. combating diabetes). BADAS, as highly legitimised stakeholder, supported Novo Nordisk in political and medical markets.

In contrast, subsidiary may have negative acceptance i.e. CS actors protest to leave subsidiary from the country. A good example is Asia Energy Corporation. Even though it had received license from the concerned agencies and made agreement with government prior to entry, it overlooked expectations of local people and CS members'. The tensions stemmed before its entry and aggravated since it began to operate in 2004. The Fulbari Coal mine extraction had multiple effects including evacuation of people and climate pollution, while Asia Energy undermined the interest of local development and remedies of the problems caused by coal mine extraction. NCPOGMPP led by Professor Anu Muhammad reacted adversely to AEC's actions and intentions, protested in public media and organised activist movement against AEC to stop operation. As a result, operations of AEC freeze in 2006 due to violent protest and local opposition led by NCPOGMPP.

In an interview Anu Muhammad said "*not only the socio-economic benefit for the country that we (i.e. NCPOGMPP) demand from MNEs in the extraction, energy, and oil sectors, but also expect them to care about environmental damages, pay due diligence to rehabilitation and compensation of the affected people. None of these were considered in case of Fulbari coal project, nor did AEC include us or local representatives in planning how to address these issues. We want to ensure people's ownership in the natural resource industries of Bangladesh*".

Subsidiaries may face this sort of situation at the initial stage of entry, if it fails to address threshold level expectations of the society and dominant CS actors. The interesting finding is that MNEs that gradually entered Bangladesh– i.e. exporting from neighbouring countries or through agent, then setting up liaison office, and finally established full-fledged subsidiary– were good at filling up and circumventing institutional void. This is because they were able to accumulate contextual knowledge and develop relationships with key CS and institutional actors, and thereby developed appropriate corporate strategies that fit well. Examples of such companies are: Novo Norisk, GSK, Arla, and Nestle.

Table.6: Legitimization of Subsidiary and the Nexus of MNE-CS at the Entry Phase

Levels \ Case	**Case No.**	**What**	**How (Strategy, CS-MNE Nexus)**	**Why**
Synergy	C-1	Collaboration with GB provided local acceptance to Telenor,	– Telenor used GB's organisational network to sell cell-phone and	– Telenor needed partner who could invest capital to form GP joint-

		while it received wider distribution network in rural Bangladesh and a consumer base with purchasing power due to GB's support.	telecom-services in rural areas. – GB provided micro credit to its female members (i.e. around 1 ml.) to buy GP phone. – GB also sold talking-minute (refill) through its NGO network, – GB ran mobile phone services centres throughout the country in collaboration with Nokia that complemented GP's business.	venture; it could lower down the risk of making investment in institutional void. – Collaboration with Yunus helped circumvent bureaucratic hassles. – Lacking in financial system, trust, and distribution network in rural context required local institutional support; GB complemented the credit system, low purchasing power, inadequate distribution, and low trust in transaction.
Endorsement	C-2	Collaboration programme with BADAS since 2004 provided strong endorsement for Novo-Nordisk.	–Distance learning programme (DLP) on diabetology was launched in collaboration with BADAS, Novo, and WDF in 2004, which enabled Novo Nordisk to receive endorsement from doctors' community. – Novo paid high value to the president of BADAS, and co-opted him in its strategy making process, while he influenced the government policy in favour of their co-mission	–Diabetology education changed the cognitive perspective of doctors on how to treat diabetes; while Novo's role in research, methods of treatment, patient education, and CSR, quality of products, became familiar to doctors, and this provided endorsement to Novo's products and operations. –It needed local agency to indirectly influence the government policy and machineries.
	C-6	No endorsement and communication with CS actors i.e. NCPOGMPP, and one-sided strategic decisions by AEC in case of operating the coal mine project resulted in tensions and protest.	Agreement between AEC and government revealed that local interests, sentiments, and expectations were not carefully integrated into the planning and strategic implications by AEC.	–AEC thought that government endorsement would be enough, while it was ignorant that government credibility to the CS and local people was very low.
Image (Negative)	C-6	AEC had low image since the entry in 2005.	CS actors through the media relations created a discourse that AEC was exploiting natural resources at the cost of local's evacuation, environmental damage, and local ownership.	–Because government is perceived to be corrupt and inactive in protecting the public interest; there was no involvement of CS and community actors in the decision making process of the coal mine project operation.
Image (Positive)	C-1	Yunus's endorsement and association of GB created huge social image for Telenor.	Yunus was campaigning directly for GP	Yunus's mission and Telenor's operational strategies were aligned at this phase.
Acceptance	C1	–Telenor used the name 'Grameenphone', positioned itself as a local company working with Grameen Bank to develop telecom facilities & employment in rural Bangladesh. – GB's presence provided Telenor a local acceptance.	–Telenor complied with Yunus's expectations, e.g. Yunus chose the name 'Grameenphone'; Yunus wanted to serve rural women through GP's operation; Yunus was always consulted by Telenor on how to grow the venture. – People found GP as a JV that contributes to local economy and infrastructure development.	– Telenor needed local acceptance and association with GB, while Yunus provided them.
	C-2	– Novo-Nordisk needed acceptance from the local industry (diabetes) association.	–Novo made strategic alliance with BADAS not only for distribution of medicine to BADAS diabetes clinics, but also aligned its 'mission' with BADAS to combat diabetes through education, support, and marketing of medicine. – BADAS advocated for Novo Nordisk in the medicine industry.	– Novo needed to earn acceptance from the industry actors and the doctors' community, which BADAS provided.
Lack of Acceptance	C-6	–Asia Energy Corporation (AEC) faced huge protest from	–NCPOGMPP– a social movement network– led by professor Anu	–AEC made agreement with the government thus overlooked the

(Negative Outcome)		NCPOGMPP since the contract had been signed between AEC and the Government for coalmine extraction. Protest by CS continued to aggravate and turned into massive march against AEC's mining office, leading to violent actions and death tools, and finally AEC operation was halted in 2006.	Mohammad brought the fact to the media, people and community leaders that how AEC had undermined country's interest, local people's rehabilitation caused by mine effect, compensation, environmental consequences, and sentiments of the local communities.	importance of local people's and CS actors' expectations and sentiment. – There was no plan and strategy for having dialogue with local communities and CS actors. – No sign of local and CS collaboration on project operation and implementation. – Skim for rehabilitation, compensation, and environmental impact mitigation were made one-sided and non-transparent by AEC; so it did not reflect local & CS expectations.

Image: Image building is a matter of process and depending on strategic initiatives by MNEs. However, subsidiaries get little time to develop it at the entry phase, while the context is foreign and subsidiaries hold little knowledge on how to navigate and complement institutional void. Lack of relationships with key social stakeholders tends to make this image building process even more difficult at this phase. Image can be positive or negative, and positive image in the long run becomes reputation for subsidiaries. One dimension of subsidiary image is, MNEs may have global image and that can benefit them while entering a new market. The other dimension is, subsidiary can focus on promotion and public relation in host context and thereby develop image at this stage.

Furthermore, collaboration with reputed partner can have image spill over to subsidiary. In case of GP (C-1), Telenor earned image at the early stage due to GB and Yunus's collaboration and endorsement. Negative image can be built due to same reason. For example, AEC had low image since the entry because it overlooked expectations of locals and key CS actors, while it focused more on the agreement and license approval from the government and concerned government agencies. Professor Anu Muhammad, a philanthropist civil society actor who runs the activist group i.e. NCPOGMPP aims to protect natural resources of the country (e.g. Oli, Gas, Port, nature). He came to know the content of the agreement between AEC and the government before AEC entered the host market. The activist group publicly announced and validated the fact that the local people and nation would suffer if AEC exacts coal from Fulbari mine. Since government has low credibility to people and civil society due to high degree of corruption and poor governance, activist groups managed to develop negative sentiment and low image against AEC as soon as it entered.

Endorsement: Image and endorsement complement each other and thus there is an overlapping relation between them. Strategies to develop these two levels, however, may not be the same. One dimension of the endorsement is formal approval of the institutions, which subsidiaries need to get through formal process and compliance e.g. standard testing and certification, signing in certain standardization. The other dimension is informal endorsement by socio-political actors. Such an informal endorsement affects cognitive level of society, shaping credibility and image of the subsidiaries in void context. Novo Nordisk received endorsement from CS, first, because its mission was aligned with BADAS and World Diabetes Federation (WDF), and second, because Novo Nordisk collaboratively organised distance learning programme on 'diabetology' for doctors in Bangladesh. Diabetology education course affected the cognitive mind-set of the doctors in medical industry who developed positive judgement for Novo Nordisk. These together created endorsement for Novo and its products in the medical market. Obviously it is doctors who prescribe medicine, thus their judgement on medicine and company affects endorsement of the company in market.

In the case Novo Nordisk (C-2), WDF provides endorsement to Novo Nordisk in global context. Global image of Novo Nordisk as a socially responsible and highly innovative company may have spillover effect to local image building, which we cannot necessarily ignore.

By contrast, AEC earned negative endorsement because it did not communicate with dominant CS actors, e.g. NCPOGMPP; neither had it considered the expectations and requirements of locals and CS actors.

Synergy: This level of legitimacy combines both acceptance and efficiency for subsidiaries. It is rare to develop synergy at the entry phase due to the liability of foreignness and lack of relationships with CS actors. The best example of this is GP case. As explained before, collaboration with GB provided acceptance to Telenor, while Telenor used GBs organisational network as the distribution network for rural market and targeted GB members as the initial customer-base whom GB provided micro credit for buying cell phone. Moreover, GB operated mobile phone service-centre throughout the country in order to complement Telenor's telecommunication business. It was an institutional void for Telenor but collaboration with CS (GB and Yunus) in this case provided it with both operational efficiency and legitimacy in rural market and the entire country, which Telenor could not have earned alone.

Post-Entry Phase:

Acceptance: As subsidiaries tend to grow and expand operation, CS and institutional actors seriously scrutinise their behaviour in this phase. Subsidiaries therefore need to maintain legitimacy by applying corporate and collaborative strategies (see Table 7). Cross-case analysis reveals three situations:

First, subsidiary begins to lose acceptance to business partner and CS & institutional actors. This sort of situation eventually affects subsidiary image both in local and international market. Telenor is a good example of it. Telenor denied swapping share with Grameen Bank after six years although it promised, while it was charged of tax evasion in 2005, revenue hiding in 2011, convicted twice for illegal use of VOIP (voice over internet protocol) and thus fined 1.68 billion and 2.5 billion Taka in 2007 and 2008 respectively (Rahman 2005; Reza 2008). A group interview of three high officials of Bangladesh telephone regulatory commission (BTRC) reveals, '*we think all these misconducts are done under the direction of the top management [i.e. Telenor], because when we* *informed them* (Telenor) *no one was punished or fired for carrying out such gross misconduct. So we believe top management does it intentionally in order to maximise the profit, and thus they [top management] want to take credit from the shareholders in Norway'*.

The statement of the key institutional actor shows low credibility of Telenor, while Yunus's reaction affected its acceptability to both local and international context.

With regard to written agreement of share swapping, Yunus issued a press statement in 2008: "*Back in 1996, Telenor and we agreed that the joint company within six years should be a locally operated company with Bangladeshi management and Bangladeshi majority ownership. This has not happened. Telenor is unwilling to let go control of the company. We are now are being told that the words of the written agreement in a legal sense are non-committing statements. We relied on the words of the agreement. We believed in the agreed intentions of the parties. We believed that a Norwegian public listed company, controlled by the Norwegian government, a government supportive to the poor people of Bangladesh, would do as agreed. Telenor now tells me that it was a mistake to rely on their words… I am very optimistic about the eventual outcome of this controversy because it is really in the hands of the people of Norway, whom I have come to know and trust. Norwegians set a very high standard for business ethics, and they are the majority owners of Telenor. I am confident the people of Norway will see to it that the companies that they own and control honour their written intention, in all cases, and especially when dealing with the poor women of Bangladesh*" (Statement from Dr. Mohammad Yunus, 5 September 2008--Falkenberg and Falkenberg, 2009:363; see Lee, 2008).

Since then distance between Telenor and Muhammad Yunus began to grow. Telenor began to ignore expectations of key CS collaborator, the tension stemmed in the relationship between Telenor and Yunus and shared value and mutual respect was no longer considered. Statement of managing director of Grameen Telecom corroborates this, – '*since the birth of Grameenphone,* *every CEO had paid visit to Prof. Muhammad Yunus in almost every month to share matters about Grameenphone operation. It was however a courtesy visit to pay respect to Professor Yunus and discuss critical issues. After all, he is the founding father and was, at that time, the Managing Director of Grameen Bank. This CEO was reluctant to visit him, and once he was called to meet Prof. Yunus, he refused to do so! I was very upset by his ignorance and reluctance towards Prof. Yunus and me'*.

Second, subsidiaries were alleged of violating CS expectations, but strategically managed tensions and regained acceptance. In 2011 Danwatch and Action Aid charged Arla for price-dumping in Bangladesh. The publication of these NGOs revealed that, by receiving European subsidy under the common agricultural policy (CAP) Arla was able to reduce milk price and thereby destroying dairy industry in Bangladesh. Although media reporting on the allegation did not seriously affect Arla's acceptability in local market but it questioned Arla's legitimacy and image in European markets. Managing Director of Arla-Bangladesh reported that *"despite some legitimacy crisis in the beginning of this tension, we began to communicate with both Danwatch and Action Aid and provided them with actual data and scenarios. We assisted them to collect empirical data from the market so that they could see the reality, that there was no way we could use damping pricing while selling milk products at premium price. Finally, they were convinced and now it is no longer an issue in local or EU market"*.

Third, subsidiaries earn acceptance without having been involved in tensions with CS and institutional actors. The best example is Novo Nordisk. Novo Nordisk not only earns acceptance in market and society, it is also proactive to develop various collaborative strategies with CS (i.e. BADAS and WDF) and institutional actors in order to maintain acceptance at the post entry phase.

Image: While 'acceptance' is the threshold legitimacy, this is intertwined with and affecting the two other levels of legitimacy to develop, i.e. 'image' and 'endorsement' levels. Since Telenor began to lose its acceptance to several key stakeholders', its image was jeopardised. Telenor focused on extensive promotion, public relation, and CSR activities with several local and global NGOs, multilateral agencies (i.e. UN, WHO), and the government, aiming to revive image and acceptability.

Image not only affects subsidiary's survival in social context, it also affects employee motivation and brand promotion without incurring the cost. Abdullah Al Mamun, marketing executive of Novo-Nordisk said *'I am very proud of the CDiC programme* [CdiC is a free clinic of Novo Nordisk in collaboration with BADAS and WDF offering treatment to diabetes affected children and pregnant women*]. This programme is helping me to promote insulin products to the doctors. They appreciate me for this programme. My family, friends and relatives also appreciate me for working for a company like Novo-Nordisk'* (Blueprint for Change programme in Bangladesh, (2012:15).

GSK case, however, adds on another perspective of image building in which NGOs act as a resource provider and source of local legitimacy. When a deadly storm destroyed all the houses and infrastructure in the coastal areas of Bangladesh in 2008, British Ambassador organised a project and invited all the British firms in Bangladesh to participate in local development in association with local NGO. The idea was to transform an island named 'Majher Chor' at Shundorban that was completely damaged and the livelihood of 774 people was at risk. A local NGO 'Friendship' was included in the project as implementing partner. The Communication Manager at GSK, Rumana Rahman, says: *'we wanted to participate in the development process of the country at that time, and the opportunity came from the Ambassador, so our management agreed. Actually it was not a single* *firm initiative, but a collective initiative of the British firms led by the British High Commission in order to make the British Brand Image in Bangladesh'*.

Table.7: Legitimization of Subsidiary and the Nexus of MNE-CS at the Post-Entry Phase

Levels \ Case	**Case No.**	**What**	**How (Strategy, CS-MNE Nexus)**	**Why**
Synergy	C-1	–Continuous collaboration with GB provided local acceptance to Telenor, until tension stemmed in 2004. While village phone model succeeded because GB shared resources with Telenor. – Telenor runs more than dozens of social development projects to develop online based education, health support, and access to information.	– GB managed Village-phone project and provided micro credit to GB members to buy cellphone. – Until 2004, Telenor maintained mutual respectful and shared value based relation with Yunus. – Telenor collaborates with local NGOs, associations, Governments, global NGOs, and multilateral institutions and thus aligned its corporate responsibility mission with various stakeholders.	– Village project needed credit and sale support for rural consumers. – GB's resource support and social image depended on Yunus's judgement. – Telenor wishes to diversify in internet service business, and thus CSR projects on online services would complement its future business, while collaborative CSR projects with NGOs would reduce cost of CSR operation and increase social acceptance.
	C-2	– Novo Nordisk upgraded the certificate course on Diabetology to an accredited diploma for physicians in 2008 and that enhanced Novo's product acceptability in market. – Novo made BADAS as its strategic partner for the distribution of medicine to BADAS clinics around the country. – Started 'Changing diabetes-CDiC' CSR clinics in collaboration with BADAS and WDF. This also offered country-wide diabetes education, consultation and awareness programme for patients through BADAS clinics that enhance its market.	– Improving diabetes management through diabetes educators i.e. WDF and BADAS in 2006. – DABAD became Novo's distributor and customer for its own clinics. – Diabetology education contributes to primary prevention of diabetes, and thus Novo can influence the development of guidelines for a long-term National Diabetes Prevention Programme, which is led by WDF + BADAS. – Novo with BADAS and WDF established CDiC project, providing free treatment to children, pregnant women, and diabetes management information to patients, and eye care in 2010. This provides legitimacy and enhances market share.	– Diabetes lessons in medical education were inadequate and doctors were not aware of the modern treatment methods- i.e. medical education void. – Diabetes treatment was not freely available to poor children and pregnant women due to weak government support-system void. Similarly, patients having diabetes are not well aware of the causes; diabetes management is not familiar to the people. By 'CDiC' project Novo achieves its mission, increases acceptability to diabetes industry and society, and enhances brand image and market.
	C-3	– Nestle sources high quality honey from mangrove forest in Shudarban in 2012, while simultaneously it operates CSR project there to support honey farmers.	– Nestle made collaboration with Proshika-NGO; NGO provides training and micro-credit to mangrove forest farmers to cultivate honey, while Nestle buys that honey from farmers.	– Sourcing high quality honey at a cheaper cost was necessary to stay in competition in local market, while Nestle does not have knowledge and acceptability to operate mangrove forest project without Proshika's support.

	C-4	– Arla was accused of destroying Bangladeshi milk industry by Danwatch and ActionAid; thus Arla had to do welfare activities to balance this tension, while it aimed to expand its market to rural areas.	– Arla in collaboration with local NGO offered free education and food to poor children in slum area in order to balance tension, while it sales mini-pack powder milk through CARE's network in rural area.	– Allegation by local and International NGOs put Arla in a tension of lower acceptance and created negative image both in host and international context, while market share also declined. Arla's collaborative strategies with NGOs aim to gain institutional acceptance and expand market to rural areas.
Endorse ment	C-2	Collaborative projects with BADAS and WDF provided endorsement for Novo-Nordisk.	Novo involved BADAS president in CSR policy making and he advocates for Novo Nordisk publicly and endorses Novo at the institutional level.	Collaborative initiatives with BADAS and WDF were so intensive and successful and the collaborators act as endorsing agencies for Novo in institutional contexts. Because BADAS plays key role in policy making in diabetes industry.
Negative Endorse ment	C-1	Yunus openly criticised Telenor in media and separated himself from the operation of GP that Telenor governs.	– Yunus openly criticised Telenor for irresponsible behaviour and corrupt practices in the Nobel Prize giving ceremony in 2007 in Norway and in other media.	– Telenor did not swap share with GB as promised and this stemmed tension between Telenor and Yunus. – Telenor did not keep value based relation with Yunus at a later stage. – Telenor was alleged of child labour, massive job-cut, tax evasion, illegal VOIP, & low corporate governance.
Image	C-2 +	- Novo's various social development and education programmes with CS and government created image for the company in both medical industry and society	-CDiC programme in Bangladesh: Free care for children diabetes and diploma education for physicians created image for Novo's products in medical industry and social prestige for employees.	Novo Nordisk's motto is to work for social welfare and research on diabetology, thus it collaborates and aligns its mission with several stockholders, which eventually creates image for the firm and its products.
	C-5 +	GSK helped rebuild a devastated Island and provided funds and accessories to the people to begin their livelihood. This created image for GSK to the society and institutional actors.	GSK together with other British companies led by a call of British Ambassador, helped rebuild devastated infrastructure of an Island and provided respective instruments to begin livelihoods of the people. This was carried out by an NGO called Friendship.	GSK wanted to respond to the expectations of the local institutional actors including the British Ambassador, while this initiative resulted in image for the subsidiary in society.
Negative Image	C-1 –	Yunus's criticism on Telenor in media tarnished its image in local and international market.	Yunus's mission and Telenor's mission fell apart and moving into different direction.	–There has been no trust between Yunus and Telenor, while their relation turned worse and Telenor overlooked GB's expectations. –Telenor began to focus on maximizing profit instead of local development that Yunus prioritised.
Acceptan ce	C1	– Although Telenor earned high acceptance at the entry phase, but it began to lose acceptance both in society, institutional actors, CS partner.	— Acceptance level began to decrease due to misconducts, unethical practices, non-compliance to the promise of swapping share, massive job-cut, and poor working condition in organisation.	– Telenor focused on profit maximization goal and overlooked the expectations of the legitimating actors.
	C-2	– Relation between Novo and BADAS in collaborative CSR, diabetology education, and medicine distribution became the continuous source of Novo's acceptance in diabetes industry.	–Novo-Nordisk's mission and collaborative activities with BADAS & WDF are aligned in same direction. – The relation between Novo and CS actors was built on high trust and mutual respect.	– Novo-Nordisk stressed on meeting local and international stakeholders' expectations, while it simultaneously maintained that relation on a continuous basis.

	C- 3;4; 5	– Nestle, Arla, and GSK comply with expectations of CS and political institutions.	They maintain strong relationships with CS actors as part of CSR and thus signalling CS and society that they contribute to society, while they also maintain relation with political actors and follow the requirements of the institutions.	– They are sensitive to meeting expectations of CS and institutions.

Endorsement: Endorsement at the post-entry phase has serious effect on image and sustainable legitimization. Our study finds two opposite conditions of endorsements. First, as discussed before, shared value based relation with BADAS has been a continuous source of endorsement for Novo Nordisk. Bangladeshi market lacks proper education and awareness of diabetes treatment and management, thus in such a void context endorsement validates products quality and acceptability in market, while it helps develop social judgement in favour of the company. In an interview professor Azad Khan, President of BADAS, said *"in partnership with Novo-Nordisk we have managed to increase accessibility, awareness and affordability of quality diabetes care. Our partnership with Novo-Nordisk has been going on for years and is based on shared fundamental values'*. Endorsement does not come from the collaborative work only, but subsidiaries also need to align its mission with CS's mission, develop mutual trust, and pursue mutually set goals.

Second, Telenor has a contrasting condition; its mission though aligned before with GB & Yunus was detangled, creating tensions and negative endorsement. In reaction to several misconducts, Yunus, on 5 September 2008, issued a public statement, saying *"the police report includes severe information regarding Telenor's involvement in the activities' [i.e. child labour, tax evasion], it can be perceived to the committee members that the majority shareholders of Grameen Phone Ltd. are involved in encouraging the illegal VoIP business in the international field. The people do not understand that Telenor runs the company and that Grameen Telecom has hardly any effective say in the company operations. Grameen Telecom and I have not yet been given all the facts we need to* *have a complete understanding of the alleged illegal activities. However, those activities should be fully and independently investigated and disclosed. We want the majority shareholder Telenor to authorise complete transparency in all these matters, including the release to the public of the shareholders' agreement and all investigations of the alleged charges. We cannot allow the Grameen name to be tarnished directly or indirectly by inappropriate operations'' (Falkenberg and Falkenberg, 2009:365).*

Yunus told Fortune in an interview in Dhaka, *'there's tension between us and Telenor, ''there's a philosophical difference. They're oriented towards profit maximisation. We're oriented towards social objectives'' (Falkenberg and Falkenberg, 2009:362).*

However, cross-case analysis further reveals that subsidiaries involvement with CS actors is not necessarily the choice of subsidiaries themselves; it is an operational strategy of the HQ policies. As a result, subsidiaries tend to have nexus with both national and multilateral institutions and CS actors, depending on the HQ policy. By this way subsidiaries tend to meet multiple expectations, while receiving multiple endorsements from various stakeholders. Five out of six cases, with an exception of AEC, MNEs are the signatories in UN millennium development charter and this influences subsidiaries to pursue socially responsible activities with CS and multilateral institutions for the sustainable legitimization in global context.

Synergy: While synergy combines legitimization and efficiency creation, this is an on-going strategic initiative for subsidiaries, depending on subsidiaries strategic intent and external conditions.

Analysis finds two conditions in which subsidiaries tend to opt for synergy. First, subsidiaries aim to create market in institutional void; example of Telenor and Novo Nordisk fit here.

Second, subsidiaries want to add value to the value chain management, for example, Nestle collaborates with 'Proshika' NGO in order to source honey from the Shundarban mangrove forest.

Proshika trains farmers and organises project in Shundarban. However, latter dimension also includes CS-subsidiary collaboration in case of CSR activities, because CS actors have local knowledge and social network as well as become cheaper operational partner that can help subsidiaries gain local acceptance and reduce cost of operation in institutional void context.

By contrast, in the GP case Telenor aimed to create cell-phone market in rural Bangladesh with the help of Grameen Bank. Telenor had no acceptance and local knowledge in rural areas, nor did it have physical distribution network and financial strength. Village ladies (i.e. members of Grameen Bank), the initial target market, did not have purchasing power to buy cell phone; even village ladies did not know how to use and what to do with the cell phone. Grameen Bank with its thousands of offices in rural Bangladesh provided credit facilities', distribution support, and training support to village ladies to buy cell phone and begin micro businesses with cell phone. Collaboration with Grameen Bank helped Telenor gain local legitimacy; simultaneously it provided efficiency in market development and operation. Village phone market turned into a big success for Telenor in Bangladesh, reaching more than millions of consumers.

Managing director of Grameen Telecom said "*it was impossible for Telenor alone to create village phone market without the support of Grameen Bank. No one knew Telenor, but everybody knew 'Grameen Bank' and 'Professor Yunus', right? Village people trusted us, our words, and we made it possible, while Telenor received positive reaction from village market as well as the entire country because Telenor was with us (Grameen Bank)"*

In a similar vein, Arla began to focus on the bottom of the economic pyramid market in Bangladesh and sell small-pack powder milk through CARE-Bangladesh's network in rural areas. CARE has knowledge on and acceptability in rural areas that Arla is tapping into through collaborative initiative. However, Arla also needs to show commitment to the international community that it participates in local development in collaboration with NGOs as part of millennium development goal of the UN.

On the other hand, Novo Nordisk and BADAS do not work for market creation; rather market development and market management, thus presenting an interesting picture of synergy. Novo Nordisk and BADAS both aim to combat diabetes, but in Bangladesh patients are not aware of diabetes treatment and management methods, while medical education (i.e. Bachelor of Medicine) in Bangladesh contains only some hours of lecture on diabetes management, which is inadequate. Diabetes medicine and counselling have to reach at the bottom of the society and children and pregnant women who are vulnerable to diabetes need to be treated on priority otherwise they would cause future diabetes patients. Both awareness, education and accessibility for diabetes medication are inadequate in Bangladesh. This condition and weak institutional context where medical support for the poor people is almost non-existent and government cannot build supporting institution to complement these voids, BADAS provided Novo Nordisk with a platform to offer accredited diploma on diabetology education for doctors. Moreover, BADAS also supports to run ‘changing diabetes for children’ project for diabetes affected children and pregnant women, conducting free counselling and awareness programmes for patients through BADAS’s clinics around the country. BADAS became Novo Nordisk’s distributor for its own clinics and the largest institutional consumer.

In this case the process of legitimization and efficiency creation lead to total value creation for Novo Nordisk, CS actors, and society at large. In such a context, efficiency creation in business operation is hard to distinguish from legitimacy creation in diabetes market.

Marketing Manager, Dr. Mohammad Saiful, said that *“our partnership serves us in many ways; first, we need a local champion who is well embedded and legitimised in local context and who* *holds agency in medical market and society. Second, the local champion (BADAS) with its commitment can influence the political will and the policy implications, and BADAS fulfils these all criteria. Third, diabetes medication requires awareness, availability, affordability, and accessibility of the care. Accredited Diabetes education and counselling programme provide awareness to doctors and patients about diabetes management, BADAS has diabetes care centres throughout Bangladesh and it runs the largest diabetes and Cardiac hospitals in the capital city, so BADAS provides availability of diabetes treatments. Moreover, we [Novo Nordisk], WDF, and BADAS developed a fund of approximately 67 million USD to provide free care to children who cannot afford to have diabetes medication. So, we have win-win situation and our collaboration with BADAS helps us receive high acceptance in society and industry, but not only that, our market operation and development becomes efficient and effective due to BADAS's support".*

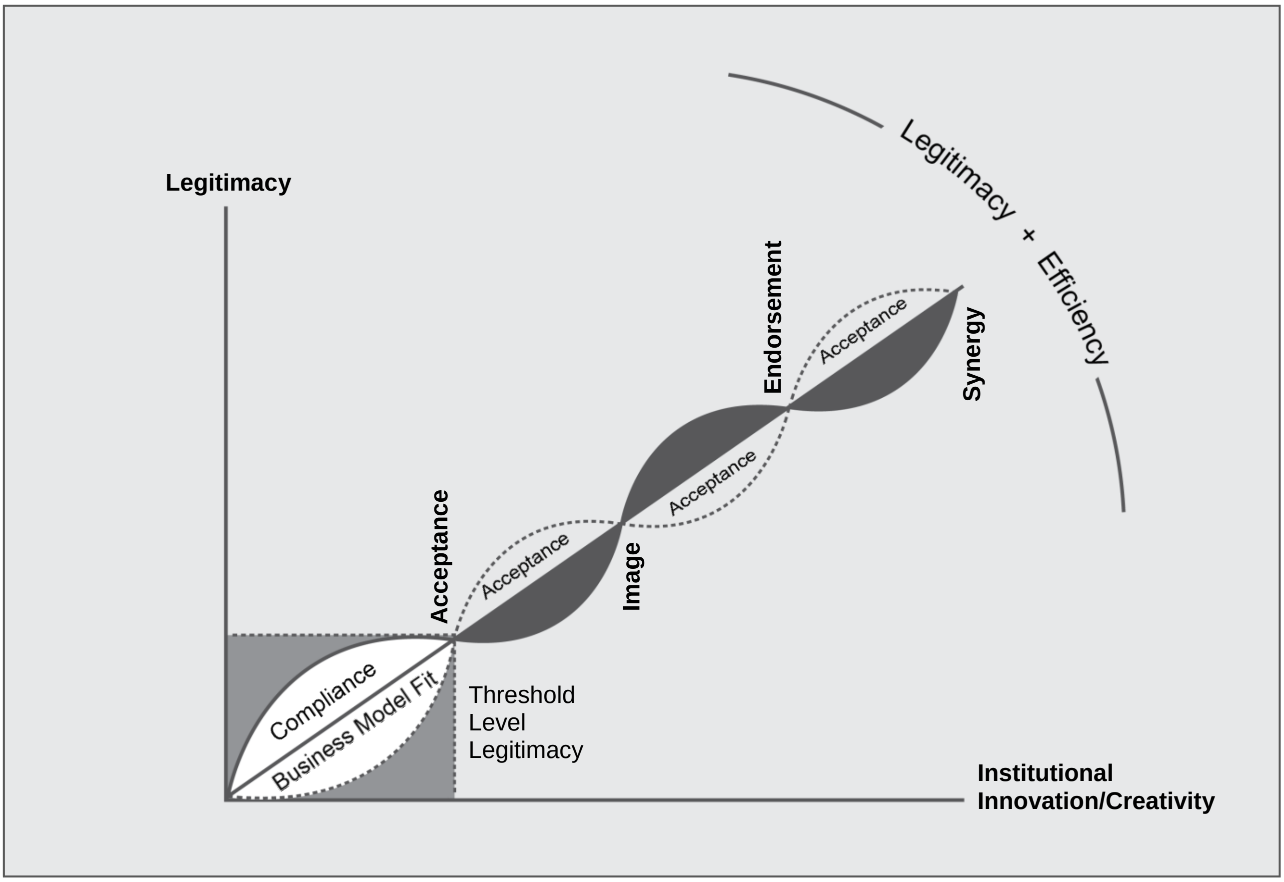
Discussion and Conclusion:

Our study reveals four different, but overlapping, levels of legitimacy that subsidiaries earn and co-develop in collaboration with CS actors along the internationalisation process. Drawing on the notion that legitimacy is a resource and outcome of firm's legitimization process, which includes strategic initiatives and behaviour, this empirical study advances the knowledge of legitimization in a way that evaluators' judgement of firms' actions/behaviour cannot be isolated from the image, endorsement, and synergy (legitimacy and efficiency) that subsidiaries earn and co-evolve in institutional void context. MNEs therefore are not the reactive compliant only that tend to follow institutional rules, values, and systems, which typically manifests isomorphism pattern, but MNEs also appea as proactive institutional entrepreneur or institutional innovator. Thus they create / co-create cognitive rationales, norms & values, rules and policies, supporting and complementary institutions (Dunning and Lundan, 2009). While subsidiaries appear to be institutional innovator, the process yields various levels of legitimacy i.e. acceptance, image, endorsement and above all a synergic outcome that comprises both acceptance and operational efficiency. One may interpret efficiency as a manifestation of lower transaction cost, but we consider these four levels as a resource for subsidiaries in institutional void, which depends on MNE strategic initiatives and commitments (see, figure 2).

Our study thus brings a new perspective of MNE legitimization in void context and advances the strategic view as well as theory of legitimization by incorporating co-evolution and institutional innovation dimensions.

Institutional void is typical in emerging markets. Foreign subsidiaries tend to lack relevant resource capabilities and possess higher liability of foreignness in such a void context. CS actors in such a context can complement resource deficiency of subsidiaries and thereby reduce liability of foreignness and enhance social legitimacy and operational efficiency in local context. Our multiple case studies illustrate that subsidiary strategies at different phases of internationalisation process yield different levels of legitimacy, although it is hard to pinpoint what strategy yields what level of legitimacy. It is not that subsidiaries only earn and co-develop positive forms of legitimacy; inappropriate behaviour and strategies can result in negative forms of legitimacy too.

Figure 2. Various Levels of Legitimacy in Internationalisation



Developed by authors

We conceptualise the levels of legitimacy as ‘spiral metaphor’, and this is in a way that every level is linked with other levels and every level integrates threshold acceptance. Because one level of legitimacy cannot stand alone without having a threshold acceptance, it means ‘threshold acceptance’ is an integral part of subsidiary legitimacy (i.e. white part of the spiral in figure 2), while shaded-parts in the spiral figure indicate different levels (see, Figure 2). It is noted that subsidiaries first need to earn threshold legitimacy, which determines its credibility and acceptability in industry and society. Subsidiary’s business model however also has to fit with market and institutional requirements’ at the early stage of earning legitimacy in internationalisation (see, figure 2). This is the fundamental level of legitimacy for which subsidiaries need to comply with the basic requirements and expectations of the industry and institutions, and simultaneously needs to develop a befitting business model for the new/foreign market and institutional context. Figure 2 presents legitimacy (i.e. compliance to institutional requirements) on the vertical axes and institutional innovation and creativity on the horizontal axes, which means subsidiaries' can change or create new routines, norms, values, rationales, and complementary institutions in the greater institutional system and thereby develop or co-develop legitimacy as well as image, endorsement and efficiency.

In a foreign market, subsidiaries' need to earn different types of legitimacy– cognitive, socio-political, pragmatic, and internal legitimacy– from various evaluators (i.e. employees, shareholders, value chain actors, CS & institutional actors). Moreover, subsidiaries also need to meet expectations of HQ and transnational institutional actors, which are outside of the host context. As a result, subsidiaries should take into account both internal and external evaluators' judgements and expectations while pursuing individual corporate strategies or collaborative strategies with CS and institutional actors.

Since strategic initiatives are multifaceted, they generate various levels of legitimacy in different phases of internationalisation in addition to acceptance level. In case of individual corporate strategies, subsidiaries tend to pursue strategies related to promotion, branding, public relations and CSR, product innovations, celebrity and institutional endorsements, meeting expectations of institutions, customers, and employees'. Subsidiaries however tend to change and evolve new norms, values, and supporting institutions through the corporate strategies on public relations and publicity, product innovations, market disruptions, supporting infrastructure development etc.

In contrast, subsidiaries in collaboration with civil society actors and/or institutional actors pursue similar strategies that generate different levels of legitimacy, and this is relatively sustainable, low cost, and effective strategy considering the extent of impact and operational output. The collaborative strategies can easily develop social acceptance, image, endorsement and synergy in market and society. The success of collaborative strategies depends on the nature of collaboration and the collaborative partner's resource capacity and prior legitimacy. Moreover, collaborative initiative requires subsidiaries to develop shared value and shared vision in order to pursue sustainable co-creation of image, endorsement and synergy. Synergy creation with reputed CS collaborator provides subsidiary with an acceptance in industry, market and society as well as operational efficiency in value creation process. Although our study focuses on civil society actors and subsidiary nexus, subsidiaries also tend to collaborate with institutional actors in case of synergy creation.

Analysis finds that subsidiaries in case of foreign market entry require legitimacy, but this depends on the nature of industry and intuitional context it attempts to enter. If the context has high degree of institutional void, subsidiaries would have to commit for collaborative strategies with reputed CS actors in order to fill up such voids and earn legitimacy at the pre-entry and entry phase. Failure to do so may create tensions and negative credibility, and this could jeopardise sustainability of the subsidiary in both entry and post entry phase.

Contributions and Implications:

Our paper extends the knowledge of legitimization and legitimacy strategies, and postulates that strategic initiatives may generate different levels of legitimacy, while legitimization process may generate both legitimacy and efficiency, which, in practice, is difficult to separate. This new theorization would help managers to design collaborative strategies with an aim to earn and co-evolve various levels of legitimacy. Given this new theorization, managers would be able to integrate both institutional isomorphism and institutional innovation perspective together with business model innovation in order to sustain and create synergy in institutional void context.

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