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How Can Multinational Brands Acquire Legitimacy in Developing Markets? A Case Study of Haier and TCL in Developing Markets

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Abstract:

When multinational brands enter developing markets, they must address frequently large problems to gain legitimacy. To that end, from a dynamic and evolutionary perspective and based on legitimacy theory, we conduct an in-depth case study of two successful Chinese brands and their legitimation and development process in local markets and propose four brand legitimation strategies: element legitimation strategies, management legitimation strategies, output legitimation strategies and standard-setting legitimation strategies. And we propose a conceptual framework with a set of corresponding propositions that explain why brand legitimation strategies can help multinational brands gain legitimacy and which legitimation strategy is proper and appropriate in various development periods in host market. Furthermore, we contribute to the extant literature on how multinational brands can gradually gain legitimacy in the host market.

Key words: legitimacy theory; legitimation process; brand legitimacy; legitimation strategy

1. Introduction

In 1992, the Shougang Group, a Chinese company, acquired the Peru Iron Ore Company. In 1993, the Shougang Peru Iron Ore Company was established in Peru, revealing that the Shougang Group had successfully entered Peru. However, in the next several years, due to Peruvian employees' constant strikes and conflicts with Chinese managers, the Shougang Peru Iron Ore Company suffered intermittently halted production, running the business in Peru became difficult, and the company did not fulfill the desired profit expectations. The Shougang Group reached the point where it wanted to sell the Shougang Peru Iron Ore Company, revealing that the Shougang Group's operation and development in Peru had failed.

Why did the Shougang Group struggle to survive in Peru even though it smoothly entered the Peruvian market? From an institutional perspective, one of the most primary reasons is that the Shougang Group did not obtain local stakeholders' recognition and social support, namely, legitimacy, which refers to actions by multinational brands that are desirable, proper and appropriate with respect tothe host country's system of norms, values, and beliefs (Suchman, 1995). For example, because Shougang Group employees did not accept and support company directives, strikes and conflicts with Chinese managers continually occurred, and its normal business operations in Peru were disrupting, as a result of which the Shougang Peru Iron Ore Company struggled to survive.

Thus, for multinational brands, entering developing markets does not necessarily mean that they can survive and have long-term and sustainable development. If they want to have long-term and sustainable development, the following question must be answered: how can the company successfully gain legitimacy? Compared with entering developed markets, when entering developing markets, multinational brands face minor disadvantages or even some advantages in technology, production, and craftmanship. Thus, in developing markets, multinational brands mainly face more pressures of legitimacy, not efficiency. The foundation for them to have sustainable development is to obtain local stakeholders' support and acceptance, that is,to acquire legitimacy (Snihur & Zott, 2013; Wu, Zhao & Zhou, 2019).The reason is that without legitimacy, they will not be able to obtain numerous necessary resources, they will struggle in the host market (Kraft & Wolf, 2018), and their stakeholders may boycott their strategic actions.

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However, the question of how companies can gain legitimacy has not been sufficiently answered. Although some studies have investigated the question and obtained some strategies for legitimation, such as conformance, selection and manipulation (Suchman, 1995), decoupling (MacLean & Behnam, 2010), discursive strategies (Vaara, Tienari, & Laurila, 2005), rhetorical strategies (Suddaby & Greenwood, 2005), symbolic management practices (Zott & Huy, 2007), and the claiming of membership in an emerging or existing category (Navis & Glynn, 2011), several gaps still exist: (1) some studies investigate legitimacy as a monolithic construct, most of them are focused on the degree of legitimacy, not changes in the content of legitimacy, and they ignore the fact that different kinds of legitimacy may necessitate the adoption of different strategies. (2) Some studies ignore that in the process of legitimation, a sequence may exist; for example, cognitive legitimacy may be the end of the legitimation process (Hannan & Freeman, 1986). Thus, for multinational brands, their legitimation process should be a gradual evolutionary process. A stage model is essential for investigating the legitimation process (Suddaby, Bitektime, & Haack, 2017). (3) Although several studies have investigated the legitimation process over time (Humphreys, 2010; Drori& Honig, 2013), these studies mainly focused on new ventures or new industries, not on multinational brands. For multinational brands in the host market, their legitimation process may be greatly different from that of new ventures or industries in the domestic market. For example, multinational brands need to deal with cultural conflicts, which is not necessarily the case for new ventures or industries; new ventures or industries may pay more attention to immature technology, production and craftmanship, while multinational brands might not; and compared with local new ventures or industries, multinational brands encounter more attention from governments, public audiences and supervisory organizations because of the various political and economic factors of countries. Thus, current studies on the legitimation process may not be appropriate and sufficient for understanding the legitimation process of multinational brands in developing markets.

To clearly understand the evolutionary and dynamic process of legitimation and to answer the question of how multinational brands can successfully gain legitimacy in developing markets, we conducted an in-depth case study of two successful multinational brands and their entire legitimation and development process in developing markets, namely, Haier in Thailand and TCL in Vietnam. We also examined three failed cases in developing markets, namely, Zijin Mining in Congo, Shougang in Peru and Lifan in Vietnam. Comparing successful cases with failed cases, we investigated the legitimation process in a more detailed manner.

Our study provides a number of contributions. First, based on legitimacy theory, we propose four brand legitimation strategies by analyzing all the strategic actions which multinational brands adopt, and we suggest that multinational brands can use four different legitimation strategies to gain legitimacy step by step in developing markets. Not focusing only on certain specific strategies such as rhetorical strategies, this study provides some new brand legitimation strategies more extensively and comprehensively, enriching current research on legitimation strategies.

Second, we discuss which brand legitimation strategies can be adopted for multinational brands to gain legitimacy in different development periods in the host market by comparing successful cases with failed cases.Ultimately,we construct a framework thatshows that in different development periods, there may be various kinds of legitimacy pressures and that multinational brands should adopt appropriate strategies to form the relevant legitimacy, which responses to Suddaby's call for research on the legitimation process. We do notinvestigate legitimacy as a monolithic construct; instead, we analyze different kind of legitimacy in the evolutionary process of brand legitimation and find that a sequence of legitimation exists in brand legitimation. Thus, this finding directly and comprehensively answers the following question: how can multinational brands gain legitimacy in developing markets?

Third, in contrast to prior studies, which emphasize changes in the degree of legitimacy, this study mainly focuses on changes in content in the legitimation process. This study illustrates that in different development periods, multinational brands pursue different kinds of legitimacy because they face various kinds of legitimacy pressures and strategic goals. Thus, for multinational brands, investigating the changes in the content of legitimacy in the legitimation process of multinational brands in the host market is of vital importance.

Finally, as our research object, we describe the development of Chinese brands in developing countries because Chinese brands mainly face problems of legitimacy in developing markets. The Chinese context may be an appropriate context for investigating the entire process of legitimation. Our findings may provide a series of very detailed suggestions for multinational brands to gain legitimacy to have sustainable and long-term development in the developing market.

2. Theoreticalbackground - legitimacy theory

Legitimacy derives from institutional theory and is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995).

Legitimacy can be divided based on the levels of institutions (i.e., regulations, norms and cognition) (Aldrich &Fiol, 1994; Weber, 1968; Zimmerman &Zeite, 2002). Thus, the legitimacy of a brand can be divided into three types: regulative legitimacy (which refers to the degree of a brand compliance with explicit regulative processes, such asthe legal setting, monitoring and sanctioning activities), normative legitimacy (which refers to the degree of congruence or fit between the actions, characteristics and form of brand and the norms of the broader social environment within which it exists) and cognitive legitimacy (which refers to the degree of acceptance of brands as necessary, inevitable and takenforgranted) (Scott, 1995; Suddaby et.al, 2016).

Brand legitimacy is bestowed on brands by external stakeholders who endorsethe worthiness of the brand's vision or objectives as well as the brand's competence to work efficiently to achieve designated objectives (Zimmerman &Zeitz, 2002). According to institutional theory, the various institutions of different countries and regions may cause a liability of foreignness (Zaheer, 1997; Calhoun, 2002). Multinational brands may encounter a challenge when they operate in the host country due to institutional differences (Kostova& Zaheer, 1999; Peng & Wang, 2008; Xu, 2001).Consequently, acquiring legitimacy will become difficult, and multinational brands will struggle to transfer their advantages from the home market to the host market and struggle to survive in the host market (Lounsbury & Glynn, 2001; Zimmerman &Zeitz, 2002) due to the difficulty ofobtaining the necessary resources (such as financial support) (Wang, Hong, Kafouros& Boateng, 2012). Thus, for multinational brands, the key to developing and operating in the host market is to establish and maintain legitimacy (Xu, 2001; Xu, Pan & Beamish, 2004).

For multinational brands, how to gain legitimacy in the host market, namely, legitimation, can be significantly important. Legitimation, which means obtaining and maintaining legitimacy, is a dynamic and evolutionary process and can be defined as "the process by which institutional accounts from a larger social framework in which a social entity is nested and constructed to explain and support the existence of that social entity, whether that social entity be a group, a structure of inequality, a position of authority or a social practice" (Berger, Ridgeway, Fisek& Norman, 1998; Suddaby et.al, 2017). Some researchers have studied several mechanisms and strategies of legitimation, such as conformance, selection, manipulation (Suchman, 1995), creation (Zimmerman &Zeite, 2002), decoupling (MacLean & Behnam, 2010), narratives and stories (Garud, Schildt & Lant, 2014; Martens, Jennings & Jennings, 2007), discursive legitimation strategies (Vaara, Tienari, &Laurila, 2005), rhetorical strategies (Suddaby & Greenwood, 2005), symbolic management practices (Zott&Huy, 2007), and the claiming of membership in an emerging or existing category (Navis & Glynn, 2011). Regarding some strategies or mechanisms, legitimacy is usually investigated as a monolithic construct, which leads to several limitations: (1) studying legitimacy as a monolithic construct ignores the different legitimation mechanisms or strategies of various dimensions. (2) Current research ignores the fact that legitimacy is gradually formed and is a gradual evolutionary process. Thus, there should be a sequence in legitimation. (3) By usually investigating the legitimation process as a monolithic construct, studies ignore that in different stages of the legitimation process, various strategies or mechanisms can be used to form different kind of legitimacy. Thus, producing a stage model (Suddaby et al., 2017) is essential to demonstrate how multinational brands acquire legitimacy step by step in the host market.

Therefore, to overcome these limitations, this study proposes a stage model of the internationalization of multinational brands in the host market, and investigates the appropriate strategies for acquiring legitimacy in each stage.

3. Research design

3.1 Research method

In this study, we focus on the shifts in strategy that multinational brands adopted to gain legitimacy in host markets and the changes in the contents of legitimacy to comprehensively illustrate the legitimation process of multinational brands in host markets. We investigate these issues using a case study approach because case studies can obtain very rich, detailed and in-depth information and this approach can generalize and develop new insights and viewpoints.

A more complete theory can be produced, developed or refined from a comparison involving multiple case studies (Yin, 2013) since different cases allow a test of the reliability and applicability of the theory (Eisenhardt, 1989). Thus, we selected two typical and successful cases as well as three failed cases for comparison to address the question of which legitimation strategies should multinational should adopt to achieve legitimacy step by step in developing markets.

3.2 Selection of cases

According to the principles of case study, the selected cases must be typical, and the multiple cases should produce the same or similar results (Yin, 2013). Following these principles, we selected two successful cases using the following criteria: (1) the cases must involve multinational brands; (2) the multinational brands have established their production subsidiaries in the host market; (3) the multinational brands have operated in the host market for more than 10 years to guarantee that their brands have long-term development; and (4) the multinational brands have gained great success in the host market; for example, they have become the dominators or leaders in the local industry. Thus, our two successful cases are Haier in Thailand and TCL in Vietnam.

3.3 Data collection

The process of data collection can be divided into two steps. First, we collected data on the strategic actions adopted by Haier and TCL in their host markets; we collected these data from (1) exclusive interviews with the top managers of these multinational brands, which came from authoritative third-party media such as CCTV, CRI Online, and Sino Foreign Management; (2) news reports from thesemultinational brands' websites, such ashttp://www.haier.net/cn/about_haier/news/ andhttp://www.tcl.com/group/news/index; (3) various information on these multinational brands, which came from third-party media such asSina, Xinhuanet, the People's Daily Overseas Edition, and China Economic Weekly.

We collected over 170 thousand words of literal information, including more than 60 thousand words about Haier and more than 100 thousand words about TCL. The data from various sources had good objectivity and authenticity, ensuring the reliability and credibility of the results. Finally, we checked whether the collected data could sufficiently answer the proposed question; if not, we added more data. For example, the data should contain observations on the multinational brands for every year after they entered their host markets; if observations for one year were missing, we searched for relevant information to fill this gap.

3.4 Brief descriptions of the main cases (Haier and TCL)

Haier is one of the world's leading providers of good life solution services. In Thailand, Haier has achieved a great success after nearly sixteen years of development. Haier has become the leading brand and accounts for more than 10% of the market share. More importantly, Haier has tried very hard to boost the local industry, for example, by innovating advanced technologies and setting new industry standards.

TCL is a global manufacturer of intelligent products and an internet application services provider. In Vietnam, TCL has also achieved great success. After nearly 20 years of development in Vietnam, TCL has firmly been in the top three in the local home appliance market, accounting for more than 10% of the market share, and it has become well-known in the local market.

3.5 Data analysis

After analyzing the strategic actions that these multinational brands adopted in their host markets, we can identify strategies that multinational brands adopt to gain stakeholders' acceptance and support in the developing market, namely, legitimation strategies. Based on the selected cases and according to the general and standard process of open coding, axial coding and selective coding, two Ph.D. students and one marketing professor participated in the coding process, and we extracted 31 concepts, 10 subcategories and 4 main categories (see Table 1).Comparing the connections among the initial case data, concepts, subcategories and main categories, we propose four core categories: element legitimation strategies, management legitimation strategies, output legitimation strategies and standard-setting legitimation strategies.

Table1. Main categories and sub-categories

Main-categories	Sub-categories	Content
1 Output Legitimation strategy	1-1 Product legitimation strategy	Haier introduced washing machines with fragrant, two-cylinder washing machines, zero water pressure washing machine, the most efficient single-door refrigerator, refrigerators in different colors and designed a refrigerator that the above part is with function frozen while the underneath part is with function of freezing. TCL developed color TVs with super receiver and lightning protection.
	1-2 Service legitimation strategy	Haier was the first to offer a "three-year warranty service" for products in Thailand. TCL offered "three-year free maintenance" and "one-month free return", and established a special maintenance station in every province in the Vietnamese market. TCL adopts door-to-door repair methods. If the fault is complicated and hard to solve, TCL will give consumer a spare machine to use and replace it when it is fixed completely.
	01-3 Stakeholders Legitimation Strategy	"Corporation leaders often visit and help us to overcome the difficulties with the fastest speed." The Vietnamese distributor says in an interview. TCL intends to strengthen emotional communications with their local distributors. In Vietnam, TCL donates cash and numerous IT products to primary and secondary schools in poor areas. TCL actively cooperates with Vietnamese Communist Youth League to establish TCL Excellent Youth funds, and sponsored 30 million Vietnamese Dong for gratitude funds, and established "TCL hope engineering funds. When Haier holds annual distributors conference (because of worship of Thai distributors for Japanese managers), president Du Jingguo (Japanese CEO) was invited to make speeches. Haier shows products' high quality to distributors because distributors pay more attention to quality. In August 2011, the central and northern parts of Thailand were hit by a huge flood, Haierimmediately scheduled ships to provide help for local consumers. like delivering goods to consumer's house, repairing electricity at no charge, and providing free maintenance service. Haier donates numerous air conditioners to local community schools.
2 Management Legitimation Strategy	2-1 Meet local employees' demands	In Vietnam, TCL provides a better treatment with respect to salary for their local employees according to local salary standards.
	2-2 Respect local employees	According to a field investigation of factory which TCL established in Vietnam, Chinese managers entirely respect personality of local employees.
	2-3 Communicate with local employees	All TCL managers appointed to Vietnam must first pass local language test and, when being posted to Vietnam, managers must have a prior understanding of local cultures and customs.
	2-4 Manage local employees with a localization method	In Thailand, Haier hires local people to be grassroots employees, middle and senior managers, every room and door are marked with bright and colorful Haier' logos because of local employees' fanaticism on color. Due to local Japanese pursuit for private space, Haier provides separate dormitories for local Japanese employees. In TCL, most middle managers are Vietnamese, and TCL hires local people to be grassroots employees.
3 Element Legitimation Strategy	3-1 Comply with local laws and regulations	In Thailand, by law, Haier determines the rise in salary for next year before December 25 of each year
		Haier conducts research on Thai customs requirements; TCL does the same for Vietnamese customs requirements
	3-2 Comply with local industrial requirements	Haier adopts Japanese quality standards in Thailand because Japanese products' qualities are highly regarded. Haier and TCL both understand local industrial license standards and industrial access standards.
4 Standards Setting Legitimation Strategy	4-1 Set up new standards for local industry	In Thailand, Haier first introduces magnetic suspension central air conditioning which becomes a permanent collection of National Energy Department, and sets up new industrial standards on energy saving. Haier's central air conditioning has become a byword for energy-saving and environmental protection. In Vietnam, TCL has achieved a commanding lead in television with QLED (Quantum Dot Light Emitting Diodes) and curved technologies; QLED and curved technologies are the next generation of TV display technology which industry-recognized.

Element legitimation strategies refer to the various elements that multinational brands own, such as materials, labor resources, contract terms and technology standards, which must comply with local regulatory standards, laws and policies.

Compared with those in the home country, the regulations, laws and policies in the host market may have various differences. In the host country, the contents of regulations, policies and laws have been redefined, and some higher standards and new rules may be included; thus, some actions that are legal and widely adopted in the home country may be illegal in the host country. An element legitimation strategy indicates that all the elements of multinational brands must conform to the host country's laws and regulations based on a better understanding of local regulations and laws. For example, before entering host countries, both Haier and TCL spent a considerable amount of time to understand the laws and regulations in the host countries. To better understand Thai laws, regulations, governmental policies, and market rules, Haier spent more than 5 years carrying out tentative sales work by cooperating with local enterprises instead of establishing a manufacturing factory. TCL also spent a considerable amount of time and human and financial resources to understand the laws, regulations, policies, and market environment in Vietnam. For example, in 1998, Dongsheng Li, the chairman of TCL, organized a large, powerful, and professional team to comprehensively and elaborately inspect and investigate the Vietnamese market.

Management legitimation strategies refer to the appropriate management approaches that multinational brands adopt to comply with the managerial norms of local industries and to satisfy the demands of local employees. Because of the various differences in traditions, routines, customs and cultures between the host and home countries, some management styles may be abnormal, weird and unconventional in the eyes of local employees, even though these styles are widely used in the home country. A management legitimation strategy indicates that multinational brands make certain changes in their management styles in the host market to conform to local traditions, customs and norms. For example, both Haier and TCL made some changes in their management styles in host market. In Thailand, Haier hired local people to be middle and senior managers, and because of local employees' fanatic love of color, all rooms and doors in the company's factories and administrative buildings were marked with bright and colorful Haier logos. Regarding TCL, its managers had to pass a local language test and better understand the local culture and traditions before being posted to Vietnam, and the company's managers had to have great respect for local employees.

Output legitimation strategies refer to further improvements in the products and services of brands that multinational brands undertake when entering the host country, with multinational brands trying very hard to gain local stakeholders' attention and approval to build the new reputation and popularity of their brands. An output legitimation strategy emphasizes that multinational brands should make certain changes in their products, services and distribution systems based on the local market context and local stakeholder requirements. Making these changes can be difficult – on the one hand, multinational brands should be in line with successful local brands to gain acceptance and avoid resistance and suppression; on the other hand, multinational brands should show their characteristics and uniqueness to gain a more competitive advantage and obtain popularity. This legitimation strategy includes three aspects: the product, the service and stakeholders. Here, a product legitimation strategy emphasizes that multinational brands should make changes to their products to adapt to the local environment and satisfy some new and/or unique demands of local customers; a service legitimation strategy indicates that multinational brands should improve the quality of their service; and in a stakeholder legitimation strategy, multinational brands should provide help to their stakeholders and help them to solve any present difficulties in a manner that stakeholders appreciate, and multinational brands should show that they are responsibility for social benefits. For example, both Haier and TCL adopted these strategies. In Thailand, Haier made changes to its products and services based on the local environment and local demands. For example, Haier introduced a series of improved products, such as washing machines with fragrant, two-cylinder washing machines, zero-water pressure washing machines and refrigerators with various colors; it also provided a better service for its customers than other enterprises in local market, such as a "three-year warranty service". Further, Haier has donated numerous air conditioners to local community schools and provided abundant and free services for local consumers who were hit by an enormous flood. In Vietnam, TCL developed color TVs with a super receiver and lightning protection because in this country, the signal is blocked by numerous mountains and thunderstormsare common.TCL offered "three-year free maintenance" and "one-month free return" services for its products and established special maintenance stations in every province to provide door-to-door service. Additionally, it has provided help for its local distributors and frequently strengthens its emotional communications with local distributors. TCL has also shown its social responsibility by, for example, donating cash and numerous IT products to local schools, establishing the TCL Excellent Youth fund through a cooperation with the Vietnamese Communist Youth League, contributing 30 million Vietnamese dong for gratitude funds, and establishing the TCL Hope Engineering fund.

Standard-setting legitimation strategies refer to when multinational brands introduce new frontier advanced technologies and set new standards for the local industry. In the host market, industry standards are usually set by local enterprises, which have developed for many years in the local market and these local enterprises have dominated the industry for a long period of time. To become a dominator or leader in the local industry, multinational brands must innovate advanced and frontier technologies to control the future development of the local industry. For example, in Thailand, Haier was the first to introduce magnetic suspension central air conditioning, which has become a permanent feature of the Energy Department in Thailand, which sets new industrial standards on energy savings, and central air conditioning has become a byword for energy savings and environmental protection in the local industry. In Vietnam, TCL has developed two advanced technologies: quantum dot light-emitting diode (QLED) and curved technologies. These two technologies represent the next generation of TV display technologyand has gained industry recognition. Thus, both Haier and TCL have tried very hard to innovate new technologies and to set up industry standards to control the future development directions of the local industry, ultimately becoming the dominators or leaders in local industry.

Thus, based on the core categories that we extracted, we propose four brand legitimation strategies (see Figure 1).

Figures

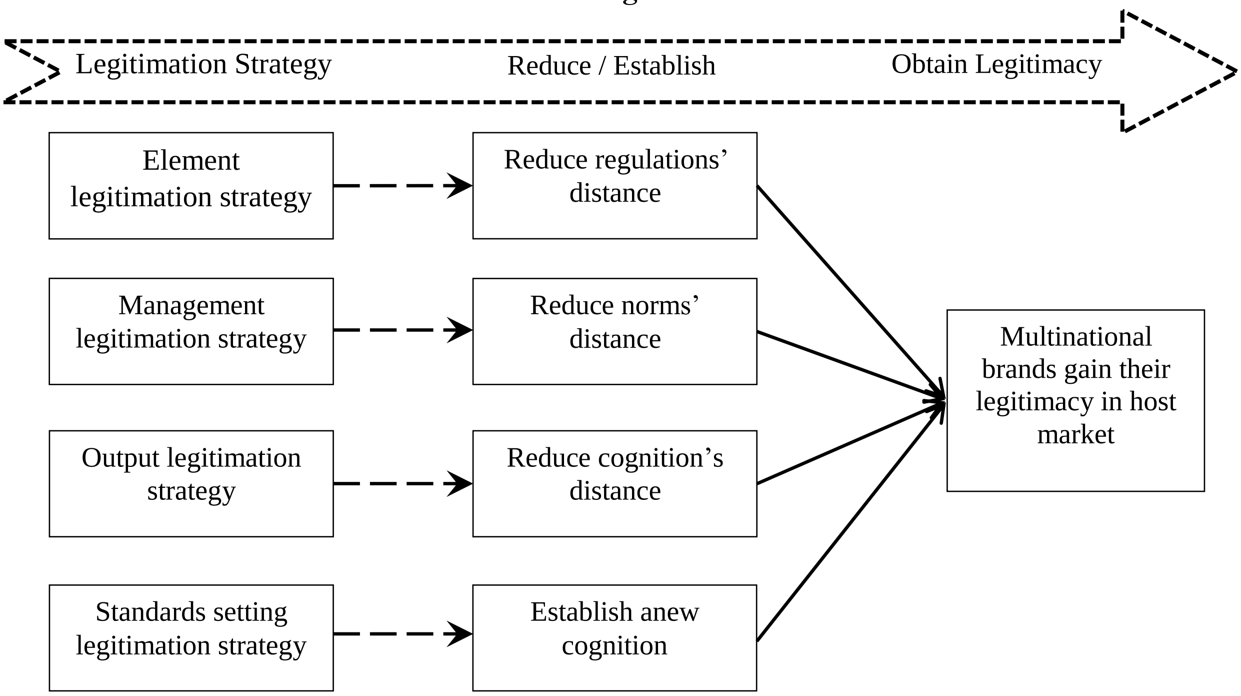


Figure 1. Framework of legitimation strategies for multinational brands attempting to gain legitimacy in host market

Cases analysis

2.2 The legitimation process of multinational brands in developing markets

This study divides the legitimation process of multinational brands in developing markets into four periods according to the actual historical events during the evolution of multinational brands, with these events indicating that multinational brands have obtained different kinds of legitimacy in the host market. The actual historical events are significant, and they are landmarks, indicating that an old period has ended and that a new period has begun. We analyzed the collected data in a detailed manner and found three landmark historical events based on a comprehensive examination of the development of multinational brands in local markets.

These events consist of the following: (1) multinational brands successfully obtain host governmental permissions and enter the local market, which indicates that they have received governmental support and recognition, meaningthat they have obtained regular legitimacy. (2) Multinational brands initially obtain profits, and their daily operation activities can be carried out smoothly, which indicates that they have obtained the acceptance of their most important stakeholders (employees);additionally, the actions of multinational brands conform to social/industrial norms, which means that they have gained normative legitimacy. (3) Multinational brands reach the top tier of the local industry and become well-known and popular in the local market, which indicates that they become comprehensible and gain more awareness across a broad range; additionally, the products, services, and actions of multinational brands obtain recognition and are taken for granted due to their consistency with stakeholders' values and beliefs, meaning that they have obtained cognitive legitimacy. Based on these events, this study divides the evolutionary process of multinational brands into four periods: the preliminary exploration period, development period, extension period, and mature period. According to these historical and landmark events, the development timelines of multinational brands are shown in Figure 2 (see Figure 2).

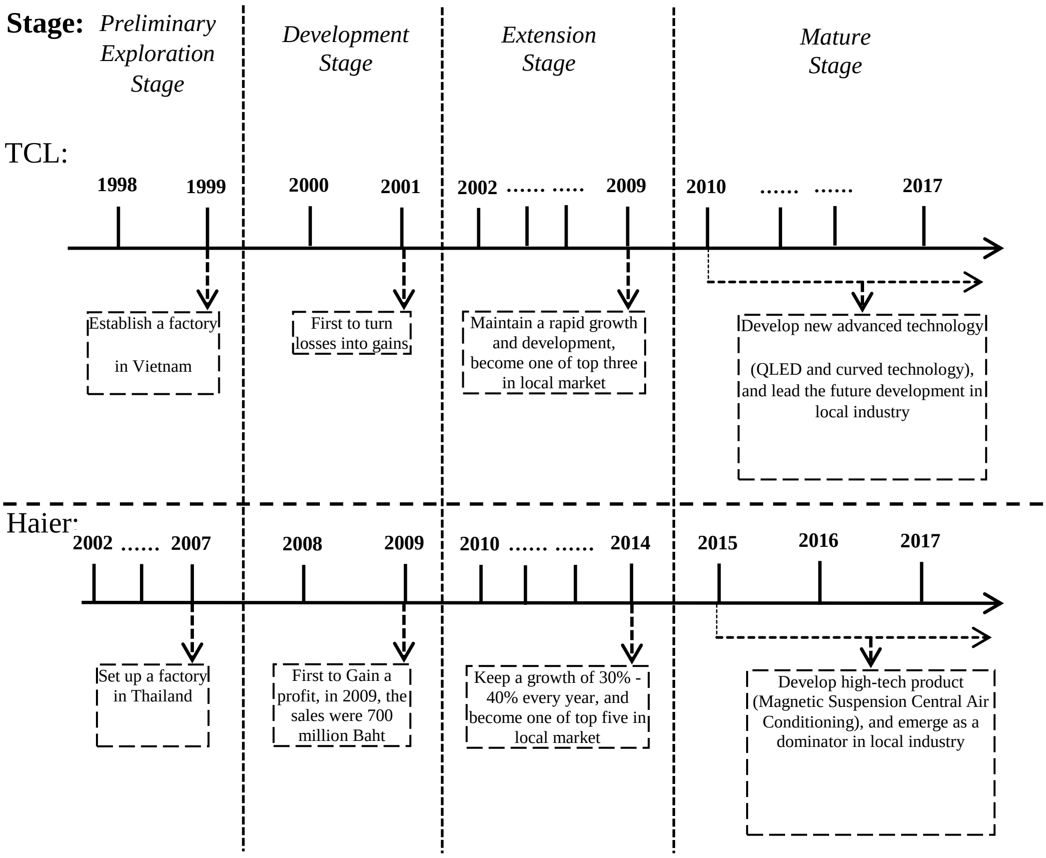


Figure 2. The development timeline of multinational brands in developing markets

This study also investigates the strategic goals of multinational brands in different periods based on the development timelines. In different periods, multinational brands' strategic goals vary and are significantly different. The strategic goals of different multinational brands may vary and be different in every year; however, their strategic goals in one period can be similar. Next, this study will discuss the characteristics and strategic goals of multinational brands in different periods.

The preliminary exploration period refers to the period during which multinational brands conduct in-depth research and a lot of preparation on their target host market. In this period, their main strategic goal is to decide whether entering the host market for further development is worthwhile; if it is, they will try very hard to enter the host market. If they have successfully entered the host market, the strategic goals of this period have been completed, which indicates that this period has ended and that anew period has begun. For example, Haier, which attempted some tentative sales work in the Thai market between 2002 and 2007, simultaneously fully investigated its development potential and gained a deep understanding of Thai laws, regulations and policies, finally making the strategic decision to enter the Thai market and achieving success, which indicates that it successfully entered the Thai market in 2007. For TCL, in 1998, Dongsheng Li, the chairman of TCL, led a large, powerful and professional team to elaborately inspect the Vietnamese market and obtained an in-depth understanding of Vietnam's laws, rules and development potential. Finally, Dongsheng Li decided to enter Vietnam, and the company achieved success, which indicates that TCL smoothly entered Vietnam in 1999.

Thus, in the preliminary exploration period, the strategic goals of multinational brands are to successfully enter the host market; if these strategic goals cannot be completed, then multinational brands will lose the opportunity to enter the host market and have further development in the host market.

The development period refers to the period during which the daily operations of multinational brands can be carried out smoothly by strengthening their internal management capability in host market and finally begin to make profits, not losses. In this period, the strategic goals of multinational brands are to obtain profits to ensure that they can survive in the host market. During this period, the main challenge involves how to conduct daily operation activities in the right way. In the territory of host country, multinational brands' operations face large challenges, such as a lack of enthusiasm on the part of locally hired employees and employees' resistance tothe instructions of directors or managers. Thus, managers must consider how to enhance employee enthusiasm and conduct daily business activities correctly. For example, between 2000 and 2001, the main strategic actions of TCL were to mobilize the enthusiasm of their hired employees to ensure that TCL's daily operation activities would be carried out smoothly in Vietnam. Finally, 2001 marked the first year in which TCL turned losses into gains, which indicates that TCL survived in Vietnam. Similarly, between 2008 and 2009, the main strategic actions adopted by the directors of Haier in Thailand included ensuring that staff knew the corporation's management style and stimulating the enthusiasm of local employees to work to maintain normal operation activities to ensure that operations could be carried out smoothly. The year 2009 was the first in which Haier obtained profits, indicating that Haier had survived in Thailand. Thus, in the development period, the strategic goals of multinational brands are to gain profits in host market and to successfully survive; if these strategic goals cannot be completed, multinational brands will struggle to survive and finally withdraw from the host market.

The extension period refers to the period in which multinational brands attempt to ensure that they can become a leader or dominator in the local industry. During this period, their strategic goals are to expand their market share as much as possible, to gain more profits, to obtain good brand awareness and popularity, and to gradually become a dominator or leader in the host market. For example, between 2002 and 2009, after 8 years of sustainable rapid growth in the Vietnamese market, TCL became one of the top three brands in the local household electrical appliance industry. Haier also experienced rapid and fast development in the Thai market between 2010 and 2014, from making its first profits to becoming one of the top five brands. Thus, in this period, the strategic goals of multinational brands are to expand their brands' popularity and to enhance their comprehensibility. If these strategic goals are not completed, they will become just a follower inlocal industry.

The mature period refers to the period in which multinational brands continuously innovate new and advanced technologies and set new industry standards to guide the local industry's future development and to further consolidate their competitive position and advantage in local market. In this period, the strategic goals of multinational brands are to lead the future development of the local industry by mastering the new technologies that are essential and needed for the local industry's future development and by setting a series of industry standards. For example, to acquire a dominant position in the local industry, after 2010, TCL launched high-end products and developed new advanced technologies, such as QLED and curved technologies. Ultimately, TCL achieved its goals – it now leads future development in the local industry and has consolidated its dominant position in Vietnamese market. Similarly, in Thai market, Haier introduced various high-end products and continuously developed academic technologies (such as magnetic suspension technology) after 2014 to ensure that it would be a leader in the local industry. Both TCL and Haier control the future of the local market; thus, in the mature period, the main strategic goals of multinational brands are to become the creator, not a follower in local industry.

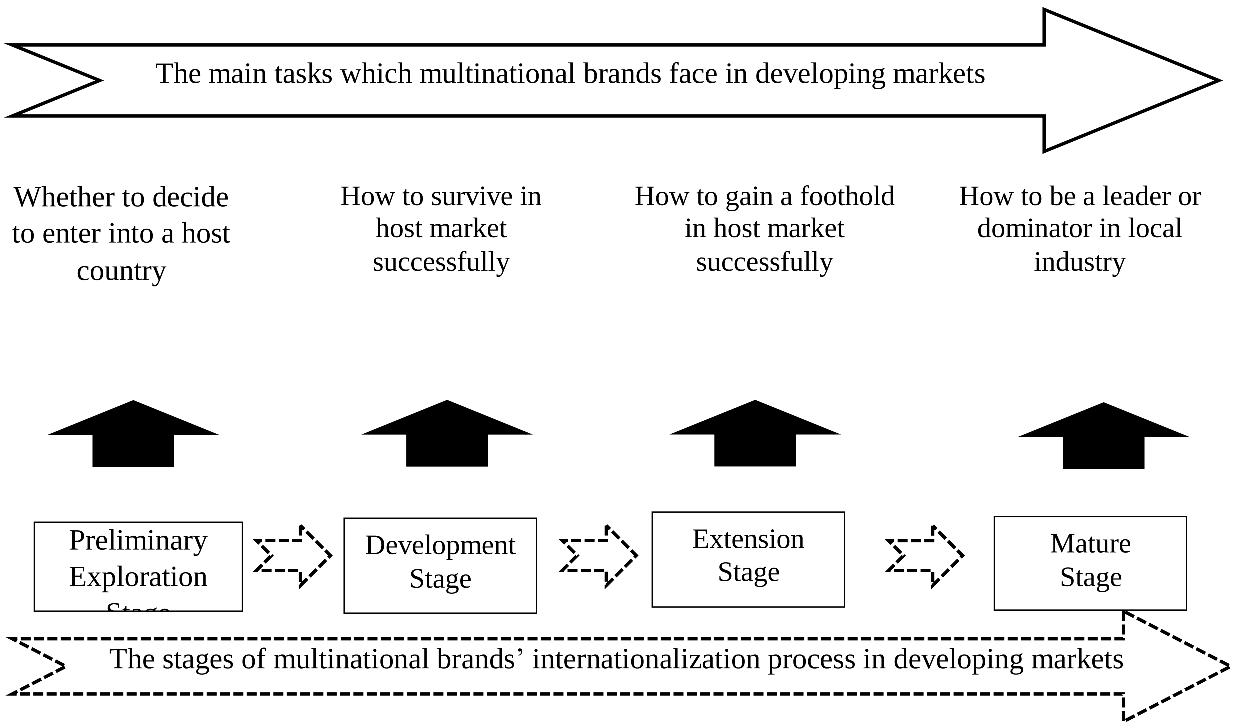


Figure 3. The stage model of multinational brands' internationalization process in developing market

4.2 The periods of legitimation process and brand legitimation strategies

We have analyzed various strategic actions that multinational brands adopt in different development periods in the host market. Our main task is to identify the most important strategies by counting the number of strategic actions. After doing so, according to the number of relevant strategic actions, we generalize the main brand legitimation strategy in different development periods in host market. In other words, the results that we obtained can precisely answer the following question: which legitimation strategies can multinational brands adopt in different periods to gain legitimacy step by step in the host market? We draw some valuable conclusions by analyzing various strategic actions adopted in different periods of development of multinational brands in the host country. We find thatto obtain legitimacy in the host market, the strategies that multinational brands adopt vary and are diverse in different periods (see Table 2).

Table2. Numbers of legitimation strategy in different internationalization stages

Multinational brands	**Stages**	**Legitimation Strategy**	**Total Number**
Haier in Thailand	**Preliminary Exploration Stage （2002-2007）**	***Element Legitimation Strategy***	***8***
		Management Legitimation Strategy	2
	Development Stage （2008-2009）	Output Legitimation Strategy	1
		Management Legitimation Strategy	***12***
	Extension Stage （2010-2014）	***Output Legitimation Strategy***	***25***
		Non	1
	Mature Stage （2015-）	***Standards Setting Legitimation Strategy***	***6***
TCL in Vietnam	**Preliminary Exploration Stage （1998-1999）**	***Element Legitimation Strategy***	***18***
		Management Legitimation Strategy	1
	Development Stage （2000-2001）	***Management Legitimation Strategy***	***5***

Multinational brands	Stages	Legitimation Strategy	Total Number
		Output Legitimation Strategy	1
		Non	1
	Extension Stage （2002-2009）	***Output Legitimation Strategy***	***60***
		Management Legitimation Strategy	1
	Mature Stage （2010-）	***Standards Setting Legitimation Strategy***	***5***
		Output Legitimation Strategy	1

4. **Results**

5.1 The preliminary exploration period and element legitimation strategies

In the preliminary exploration period, the strategic goals of multinational brands are to decide whether entering foreign markets for further development is worthwhile; if it is, they will try very hard to obtain permission to enter the host market. In this period, Haier and TCL were both committed to understanding local laws, regulations and governmental policies in detail and to obtaining entry permission in a way that conformed to local industrial and/or governmental regulations. According to Table 2, this study finds that in this period, multinational brands should adopt element legitimation strategies.

Haier carried out tentative sales work in the Thai market during the period between 2002 and 2007, which is the preliminary exploration period, and it acquired a comprehensive, detailed and sufficient understanding of Thailand's laws, regulations, industry permissions and market environment. Subsequently, Haier obtained official permission to enter the Thai market and successfully established its first factory in Thailand in 2007.

TCL chose similar approaches. In 1998, Dongsheng Li, the chairman of TCL, personally led an investigation group (including many executives and top managers) to evaluate Vietnam's policies, investment laws, and customs, as well as the economic situation in the Vietnamese market. After gaining a detailed understanding of these factors, TCL made the decision to enter the Vietnamese market, obtained governmental permission and successfully established its factories in Vietnam in 1999.

However, if multinational brands violate governmental policies, laws and institutions, it will be difficult for them to obtain permission to enter the host market. For example, Zijin Mining wanted to enter the Republic of the Congo for further development but violated certain Congolese governmental regulations when it acquired the Platmin Congo Limited Company, resulting in a lost opportunity to further enter the Congolese market because the Congolese government declared that Zijin Mining's acquisition of the Platmin Congo Limited Company was inappropriate. This result reveals that Zijin Mining failed to enter the Congolese market. Thus, in the preliminary exploration period, multinational brands should ensure that their strategic actions adhere to the laws and regulations of local governments and/or the local industry (Liou, Rose & Ellstrand, 2012) and guarantee that their development plans are in line with those of local governments to first gain governmental acceptance and support, namely, regulative legitimacy. If multinational brands are unable to comply with the laws and policies of local governments, they will lose the opportunity to enter the host market because such laws and regulations are coercive (Sheng, Zhou, Li & Guo, 2018) and violations are not permitted. Thus, in this period, multinational brands should ensure that their strategic actions fall under the permission of local regulations, laws and policies, and are subject to the control of institutional routines (Rotting, 2016) since they are not allowed to challenge governmental authorities. If multinational brands do not conform to the laws, regulations and policies formulated by governments, they will lose the opportunity to enter the host country and fail (Dacin, Oliver & Roy, 2007; Zhou, Gao & Zhao, 2017). Thus, we propose the following:

Proposition 1: In the preliminary exploration period, multinational brands can primarily adopt element legitimation strategies to gain regulative legitimacy in the host market.

5.2 The development period and management legitimation strategies

In the development period, the main strategic goal is to ensure that multinational brands can survive in the host market. In this period, the key is to ensure that their business activities can be carried out successfully and that they do not suffer resistance and are not suppressed by local industries; additionally, they should gain local employees' acceptance and support and boost employee enthusiasm. Both Haier and TCL attempted to stimulate their local staff in the host market.

Haier and TCL hired local employees to be managers and put these promoted managers in charge of their local staff in the host market because the promoted local managers might better understand local employees' workrequirements. TCL also established a new system of employee compensation for its local staff and respected its local employees in Vietnam. TCL's expatriate managers were required to understand the cultural traditions and taboos in Vietnam. Haier's managers also attempted to satisfy local employee demands in Thailand. For example, to satisfy the local staff's demands for vibrant color, Haier posted its logo in bright colors in its new factories in Thailand; to meet local Japanese managers' demands for private space, Haier's managers provided individual quarters for its local Japanese managers.

However, if multinational brands failed to gain their employees' recognition and acceptance, they would be struggle to survive. For example,the Chinese managers of the Shougang Peru Iron Ore Company (a failed case) had conflicts with local staff,as a result of which Shougang struggle to survive in the Peruvian market, even though the Shougang Group had successfully entered Peru in 1992. The Chinese managers of Shougang wanted to introduce their management style into Peru. For example, the Shougang Group established a congress of local workers and staff and set in place its standard production team systems, which required each team to have a Chinese team leader. Unfortunately, these methods were neither accepted nor recognized by local employees because these approaches poorly considered local employees' needs and demands. The Chinese managers were unable to communicate with local employees due to linguistic differences; as a result, Shougang was not able to smoothly conduct its work in Peru. Moreover, since the Chinese managers did not understand the local union culture and despised the union presence in their enterprise operations, local employees' strikes became the largest obstacle to Shougang's further development in Peru. Even after several years, the Shougang Peru Iron Ore Company was unable to find efficient approaches to resolve the problems of local employees' strikes, as a result of which the company's production was always shut down and the Shougang Group struggled in Peru.

Thus, in the development period, multinational brands should ensure that their business activities can be conducted successfully and smoothly, which first requires the acceptance and support of their local employees. Employees are the most important resource for enterprises (Wright & Boswell, 2002). If multinational brands improve their employees' enthusiasm for work, they will be able to successfully run their business. When multinational brands enter the host market, their original and inherent management styles with regard to employees may not be well suited to local employees, either due to differences in traditions and cultures (Bitektine, 2011), which will require multinational brands to make certain changes to their local management styles. For example, multinational brands must first attempt to understand the operating norms of local industries or enterprises and the special demands of local employees in detail (such as local employees' religious beliefs and cultural customs) so that they will be able to modify their management styles in accordance with the approaches recognized by employees or the industry. Thus, management legitimation strategies should be adopted to gain the acceptance and recognition of local employees, reduce or eliminate staff biases toward multinational brands, thereby increasing local employees' enthusiasm for their work, and ensure that business activities can be successfully conducted. If multinational brands satisfy their local employees' demands, they will gain these employees' acceptance and support. This, in turn, will encourage them to work more actively, thus ensuring that the business activities of multinational brands can be conducted successfully and smoothly, enabling them to survive in the host market. This survival indicates that the actions of multinational brands conform to local routines, traditions and customs and that their behaviors are in accordance with local norms and standards to gain normative legitimacy in the local market. If multinational brands do not do these things, their local employees' negative attitudes may influence their work habits, which, in turn, will have a negative effect on normal operations in the host market, as a result of which multinational brands will struggle to survive in the local market. Thus, we propose the following:

Proposition 2: In the development period, multinational brands can primarily adopt management legitimation strategies to gain normative legitimacy in the host market.

5.3 The extension period and output legitimation strategies

In the extension period, the strategic goals of multinational brands are to build their awareness by gaining the acceptance and recognition of local stakeholders to acquire a share of the local market and to establish their brands' popularity and gradually become a dominator or leader in the host market. Both TCL and Haier adopted a series of strategies to gain local stakeholders' social support to expand their brands' popularity and comprehensibility to gain cognitive legitimacy in their local markets.

First, Haier and TCL introduced new products to which they made improvements based on market demands.

For example, in Thailand, Haier introduced washing machines with scentsto meet local consumers' needs for fragrance, zero-water pressure washing machines to address the unstable water pressure in Thailand, and two-cylinder models to satisfy local demands for a variety of styles. Haier also introduced refrigerators that were the most efficient single-door models (to address local consumers' demands for energy savings), that refrigerated foods below freezing (to address local demands for frozen fresh foods), and that came in different colors (to satisfy local demands for colors). In Vietnam, TCL adopted a similar strategy by introducing TVs with a super receiver and lightning protection equipment to address the frequent occurrence of thunderstorms in Vietnam.

Second, both Haier and TCL provided better after-sales service for local consumers. For example, Haier proposed a "three-year warranty" service in Thailand, and TCL proposed a "three-year free maintenance" service in Vietnam. In order to quickly respond to consumers' demands for repair services, TCL set up a repair station in each province in Vietnam and proposed a fast service system. For a product that is too complicated to immediately repair, TCL will give its local consumers a standby machine to use and will replace the standby machine as needed until the consumers' machine is completely repaired.

Third, both TCL and Haier adopted strategies to gain the acceptance and support of their upstream and downstream partners. For example, in Vietnam, local distributors attach great importance to their emotional feelings; thus, TCL communicates actively with local distributors and invites them to parties to understanding each other in more detail. These actions can promote affection between TCL and its local distributors. TCL has also attempted to provide help to local distributors, thereby gaining their acceptance and recognition. In Thailand, local distributors greatly revere and adore Japanese managers. When Haier holds an annual meeting for local distributors, it invites Mr. Du (Haier's first director in the Japanese market) to make a speech. Since local Thai distributors pay more attention to product quality, Haier has actively demonstrated the excellent quality of its products to meet distributor needs.

Furthermore, TCL and Haier have conducted activities benefiting the local public. For example, in Thailand, Haier provides air conditioners for free to local community schools. In Vietnam, TCL donates much money and many IT products to primary and secondary schools located in poor areas, and it has set up a series of funds with local governments. These strategies could help multinational corporations gainthe acceptance and favor of governments because these strategies demonstrate that they are willing to improve local living standards not only to make profits but also to establish a good image and to gain legitimacy in the host market.

However, if multinational brands cannot provide competitive products or servicesto their local consumers, they will struggle in the host market. Lifan, a brand of a motorcycle manufacturing enterprise, established a factory in Vietnam in 2001,with production starting in 2002. After nearly 8 years of development, Lifan initially dominated the local market, even surpassingcertain famous global brands such as Honda, and it became the most famous brand in Vietnamese market. However, according to Vietnam Investment Daily, in recent years, Lifanhas produced no more than 600 motorcycles, while Honda has produced more than 1 million vehicles.Lifan occupied the local market by using a low-price strategy, and thus, itdid not have enough resources to improve the technologies, quality and services of its products. Due to the products' low quality, most Vietnamese dealers did not sell Lifan motorcycles, instead recommending that their consumers buy the high-quality motorcycles produced by Lifan's competitors. As a result, Lifan soon suffered an overwhelming defeat, obtaining profits for only a short period of time. Thus, in this period, multinational brands should adopt output legitimation strategies.

First, multinational brands should provide local customers with better products and services than their competitors to gain such customers' support, satisfaction and acceptance, thus attracting more customers to purchase their products or services (Li, Zhou & Shao, 2009; Zhou, Brown & Dev, 2009). Multinational brands should guarantee that their products and services can better satisfy their local customers' special requirements (Love, Roper &Vahter, 2014; Ramanathan, Ramanathan & Zhang, 2016; Ritala & Humeinna-Laukkanen, 2013). This can also help multinational brands establish their brand popularity to eliminate any negative cognitions surrounding their brands. Multinational brands should adopt a product legitimation strategy to provide better products to their consumers in the host market, to satisfy local consumers' demands for functions, styles and colors, and to gain more positive consumer recognition and favor to increase purchases. Second, multinational brands should adopt a service legitimation strategy in the host market. To enhance their reputation and competitiveness, they should provide better service to their local consumers. Third, multinational brands should adopt a stakeholder legitimation strategy. To seize a share of the host market, they should cooperate with local distributors to build brand awareness. Multinational brands should communicate with their distributors in the host market in a way that meets all expectations of local distributors (Zhao, Park & Zhou, 2014) and then establish good relationships with their distributors. Fourth, multinational brands are members of local communities and to prove as much, they should take actions to benefit the local public and practice corporate social responsibility. Thus, we propose the following:

Proposition 3: In the extension period, multinational brands can primarily adopt the output legitimation strategies to gain cognitive legitimacy in the host market.

5.4 The mature period and standard-setting legitimation strategies

In the mature period, the main strategic goals of multinational brands are to further consolidate their competitive advantage and industrial status, and to become a leader or dominator in the local industry to control the future direction of industry development.

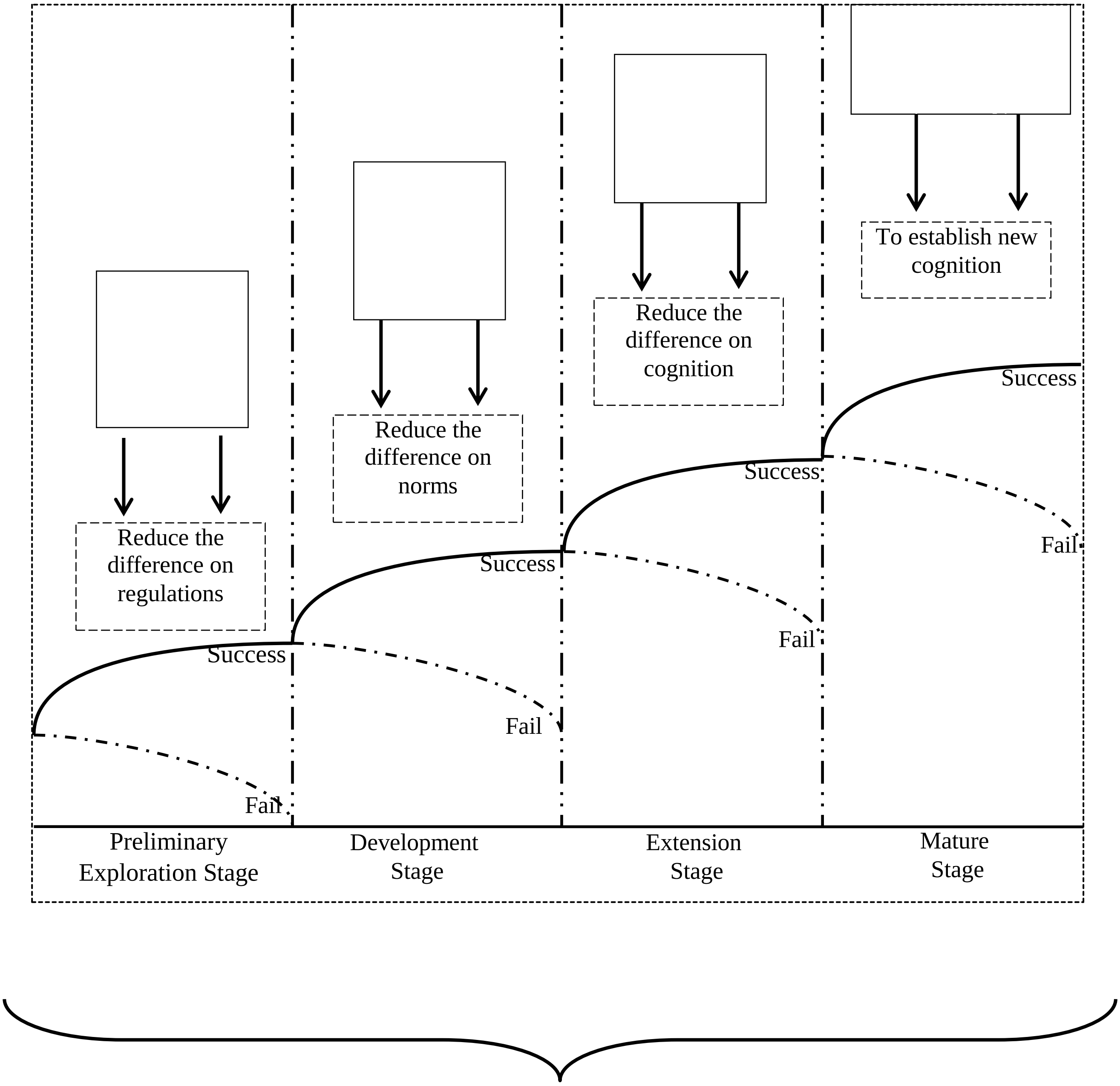
Both Haier and TCL attempted to continuously establish their dominance in their host markets. For example, in Thailand, Haier introduced magnetic suspension central air conditioning by constantly increasing its investment in research and development. Magnetic suspension central air conditioning has become a permanent feature of the Energy Department in Thailand, which may create a new standard for energy savings in the local market thus enabling Haier to establish control over the local industry. In Vietnam, TCL has become the first company to integrate two advanced technologies, QLED and curved screen technologies, both of which are developing trends in the local TV industry. TCL has successfully mastered these two advanced technologies and led the development of related industries.

Therefore, in this period, multinational brands should adopt standard-setting legitimation strategies. On the one hand, multinational brands can continuously enhance their research and development capability to create new (breakthrough innovative) technologies and engender new products (Akgun, 2006) or to develop advanced environmental protection technologies (Wei, Shen, Zhou & Li, 2017). In local markets, it is often difficult for other companies to imitate such innovation results. Multinational brands can exhibit their own advanced new and innovative technologies to eliminate impressions of poor quality. On the other hand, this will include the introduction of new technologies that may satisfy future development trends in the local industry, such as green development. Multinational brands can also create a new standard or industrial norm for their entire industry and compel local members of the industry to comply with these new standards or norms; doing so will provide multinational brands with more powerful control over the local industry, thereby enhancing their status. Standard-setting legitimation strategies may also persuade stakeholders that multinational brands are more powerful and more trustworthy, reshape stakeholders' inherent negative impression and cognition, and thus allow multinational brands to establish a new cognitive legitimacy in the host market. Therefore, we propose the following:

Proposition 4: In the mature period, multinational brands should primarily adopt standard-setting legitimation strategies to gain new cognitive legitimacy in the host market.

Thus, we suggest that legitimation strategies should be adopted by multinational brands in different periods of their development in the host market (see Figure 4).

5.



6.

7. Figure 4. Framework of primary legitimation strategy adoptedby multinational brands' in internationalization process

8. Discussion and conclusions

Numerous multinational brands have decided to enter and pursue further development in host markets. After multinational brands enter host markets, they must address the important and urgent question of how they can acquire legitimacy to ensure sustainable, stable and long-term development in the host market.

When multinational brands enter the host market for future development, due to the institutional differences that exist between the home and host countries, they frequently encountera problematic process of transferring the advantages established in the home country to the host market. Multinational brands bear the liability of foreignness, which creates difficulties with respect to gaining legitimacy in the host market, thus resulting in challenges in the necessary process of obtaining various indispensable resources (Zimmerman &Zeitz, 2002). All of these factors will cause multinational brands to struggle for survival in the host market (Hennart, 2009).

To overcome this difficulty, it is necessary to discuss specific strategies that multinational brands adopt to gain legitimacy in the host market. From a dynamic and evolutionary perspective, based on legitimacy theory, we performed in-depth research and provide a discussion of the following question: to gain legitimacy in the host market, which legitimation strategies can multinational brands adopt based on the periods of their development process.

By examining two successful cases of multinational brands and their entry into host markets, namely, Haier in the Thai market and TCL in the Vietnamese market, we find that multinational brands should adopt appropriate and specific brand legitimation strategies in different development periods to gain legitimacy to have sustainable and long-term development and to become a leader or dominator in the host market.

9. **Contributions, limitations and future research**

From a dynamic and evolutionary perspective, based on legitimacy theory, we have analyzed the entire legitimation process of multinational brands in the host market. First, we focus our analysis on four periods (preliminary exploration period, development period, extension period and mature period) of the legitimation and development process of multinational brands in the host market and illustrate the different tasks and missions that multinational brands face in each period. Second, different from prior studies, which usually analyze one kind of specific strategy, such asrhetorical strategies, we have also proposed four brand legitimation strategies (element legitimation strategies, management legitimation strategies, output legitimation strategies and standard-setting legitimation strategies) by focusing on all strategic actions that multinational brands adopt to gain the acceptance and recognition of their stakeholders in the host market. Third, we provide an improved answer to the following question: how can multinational brands gain legitimacy step by step in the host market? We propose a research framework for examining the process by which multinational brands gain their legitimacy from a dynamic and evolutionary perspective and reveal the sequence in the legitimation process.

In practice, we also provide a series of significant meaningful guidelines for multinational brands to adopt in conducting business in their host market: 1) multinational brands need to know their main tasks and which legitimation or development period they are in; 2) based on their current development period in the local market, multinational brands should adopt the corresponding brand legitimation strategy; and 3) multinational brands can gain legitimacy in the host country by following a gradual process. Thus, we have provided significant directions for multinational brands to gain legitimacy, thereby having sustainable and long-term development in the host market.

There are some limitations to our findings. We analyzed only two successful and three failed cases of development of multinational brands in developing markets, which may limit the generalizability of our results, and we did not analyze quantitative data to verify our proposed framework. However, since we deliberately used a case study design for our analysis, we addressed the first issue; further, since our analysis focused on the actions taken by Haier in the Thai market and TCL in the Vietnamese market and the results of those actions, quantitative data analysis might be considered less necessary. However, our case study analysis may have limited our ability to propose legitimation strategies – we proposed four stage-specific legitimation strategies, but other multinational brands may have pursued different approaches and taken alternative actions that we would not have captured in our analysis. We therefore suggest that future studies should examine viable legitimation strategies in different host countries.

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