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THE LEGITIMACY BUILDING OF SMEs FOR BUSINESS DEVELOPMENT IN THE EMERGING ECONOMIES

Finnish cleantech SMEs and the Chinese market

Master`s Thesis in
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ABSTRACT:

To do business in the emerging economies where the institutions are undeveloped, the proactively legitimacy establishment of firms will make their business conduction naturally and meaning and allow the firms to get business resources more quickly. The purpose of this study was to research the legitimacy building of SMEs when developing business in the emerging economies

Adopted an inductive approach and multiple case study method, this study proposed the possible legitimacy needs and the legitimacy-gaining strategies based on literatures and examined the results of similarity and differences through semi-structured interviews. The interviews case companies were the Finnish cleantech SMEs who have been successfully developing in the Chinese market for years.

Through the empirical interviews, it found that the exchange legitimacy and dispositional legitimacy about the trustworthy and visibility of organizations in the local were the most fundamental and important legitimacy needs for the SMEs. Relying on the technical success or references in the local market, the SMEs managed to demonstrate the value of their business in practical, which then gaining the legitimacy in the mind of stakeholders. Particularly, it also found that all of the interviewed SMEs had established physical offices presenting in the emerging countries.

KEY WORDS: Emerging economies, legitimacy building, cleantech, Finnish SMEs, Chinese market

1. INTRODUCTION

In the first chapter, it introduced the background of research topic and its importance in in the theoretical context. Then, based on the reviewed literatures, it explained the research gap, question, and the main objectives of this study. After that, the key definitions and the structure of research have also been described.

1.1.Background of study

For fast economy growth, China ignored environment protection issues and even sacrificed its nature environment over past decades. Until recent years when the deteriorated environment posted a harmful impact on the national development and the public's health, the Chinese government launched new sets of national policies and strengthened laws, taking priorities to the clean energy production, technology innovation, and the environmental protection. And over last decade, driven by the government policy and regulatory support, there has been a significant growth in the investment of cleantech and renewable technology, which made China become the world's largest investor and consumer in cleantech (PWC, 2017: 2). By 2016, the total investment in environmental protection has reached 269 billion dollars, accounting for 2.5% of the GDP. Moreover, as the request for clean industrial production become stronger, the investment in different cleantech sectors will continue to grow in China (PWC, 2017: 6).

Despite of the large market potential and fast growth, the development and innovation of clean technology in the Chinese cleantech firms has still been underdeveloped and not powerful enough to solve the environmental issues of the country. There has always been a great demand for advanced environmental technologies and cost-effective clean technologies in the Chinese market. Based on the dimensions of market potential, environmental policy drivers, technology penetration, and foreign trade regulations, the PWC research (2017: 12-13) estimated that the clean technologies in five sectors; waste management, water, air, new energy vehicle, and soil treatment, can be more desirable in the following years, which showed potential opportunities to foreign cleantech firm who aiming for developing business in China.

On the other hand, there has been a long history development and experience of clean technologies in Finland. The cleantech expertise of cleantech companies in the country has reputed Finland as a global cleantech leader. In the 2017 Global Cleantech Innovation Index, Finland retained the second rank among the 40 reported countries since 2014. The report evaluated cleantech innovation environment of start-up enterprises with four dimensions: general innovation drives, cleantech-specific innovation drives, emerging cleantech innovation and commercialization of the cleantech innovation (WWF, 2017: 12). In Finland, the general and cleantech-specific innovation drives such as entrepreneurial culture, government policies, public R&D expenditures are particularly strong, which then contributed greatly to the research of emerging clean technologies in the country, whereas in China, the performance of all the indicators was still not mature. However, when it comes to the commercialization of clean technology, the last indicator of evaluation, Finnish cleantech companies performed relatively weak, compared with other Nordic countries (WWF, 2017: 31-32). One of the reasons for the low technology commercialization can be the limited market demand within Finland. Thus, the Finnish cleantech firms have always been dedicating into the business development and expansion in the global market.

In Finland, over 90% business companies are micro and small-and medium-sized companies (SMEs). These companies contribute significantly to the national economy, and the Finnish government has also been taking considerable effort in supporting the entrepreneurships and start-ups. Considering the clean technology demand in the Chinese market and the need for global business development of Finnish SMEs, the cleantech became an important cooperation and communication field between the two countries. In January 2019, four Sino-Finnish energy sector pilot projects between the Finnish Ministry of Economic Affairs and Employment and the National Energy Administration (NEA) of China were announced. The pilot projects focus on clean energy supply, district heating and cooling solutions, smart and flexible energy solutions and renewable energy solutions. Therefore, it is meaningful to discuss about how could Finnish cleantech SMEs successfully develop business in China, then entering the market.

Chinese market is characterized by weak market-supporting environment in which governmental involvement is extensive, legal system is not mature to enforce contract, and reliable market and partner information are not easy to be obtained (Zhou & Peng, 2010). Operating under such institutional construct, it is necessary for foreign firms to establish organizational legitimacy in order to release the institutional pressure and minimize the transaction costs of doing business in the market (Suchman, 1995; Khanna & Palepu, 2010). Further, in the view of cleantech industry, some sectors which have been widely researched and utilized in developed counties are still weak in the emerging markets. There is lacking wide-spread and systematically testimonial standards for the clean technologies. Compared to the production technologies that created immediate economic benefit to the companies, it tends to be time-consuming and challengeable for cleantech firms to convince the potential value of their technologies and products. The foreign cleantech firms, then, faced with cognitive legitimacy challenges to access social acceptance and external resources (Bjornali et al., 2017: 1815-1816).

What is more, for the SMEs, they have always been constrained with liabilities in the new markets. Particularly, since the liability of newness and outsidership, it is usually difficult for them to attract customers and establish relationships with local suppliers (Lu & Beamish, 2006: 462). Then, regarding legitimacy as an instrument for resources (Zimmerman & Zeitz, 2002), it is also worthwhile to discuss how could SMEs establish legitimacy to overcome the liabilities, gaining access to social recognition and acceptance in the eyes of other stakeholders and acquiring needed resources more quickly (Bjornali et al., 2017: 2017: 1817; Invanova & Castellano, 2012: 399; Ivanova Ruffo et al., 2018: 1).

1.2. Research gap, question and objectives

In the previous study of legitimacy building, the focus was either on the legitimacy need of new ventures (Baum & Oliver, 1991; Tornikoski & Newbert, 2007; Winter et al., 2010; Almobaireek et al., 2016:), or on the legitimation strategies of large firms in the emerging countries (Ahlstrom et al., 2008; Zhang & White, 2016; Bangara et al., 2012). When considering both the context of SMEs and the emerging economies (Invanova & Castellano, 2012; de Lange, 2016), however, the legitimacy studies were limited. Thus, in this study, it examines both aspects, the legitimacy need and its building strategies, of SMEs. And through the theories study and empirical interviews, it aims understand the legitimacy building of SMEs completely, particularly in the emerging economies. And when managing to develop business in the emerging economies, this research has implications for SMEs to identify their legitimacy needs in multiple aspects and plan the strategies and tactics accordingly to obtain the needed legitimacies. Considering the research background of Finnish SMEs and the cleantech industry of China of this study, it then specifically addresses the research question of

How could Finnish cleantech SMEs building legitimacy for the business development in the Chinese market?

To examine what legitimacies are necessary for SMEs in the emerging economies, there are types of legitimacy and classification studied at first through theories and literatures. Meanwhile, different legitimacy gaining strategies have also been examined responding to each category of legitimacy. Then in the theoretical part of this thesis, it combines the two parts, proposing potential legitimacy needs and a set of legitimation strategies that could support the business development of SMEs in the emerging economies. Furthermore, to better understand the research topic with more empirical evidence and test the strategies that created through literatures, this study continues the theoretical part with a qualitative research. It aims to analyze the similarities and differences of the legitimacy need of SMEs and their legitimacy strategies seen in practice and in theory through interviews with Finnish cleantech SMEs and examine how supportive of the set of legitimation strategies applying in practical business environment. With this empirical research, this study can provide practical recommendation to the future SMEs who are engaged in cleantech industries and have same interested in entering the Chinese market.

Therefore, to answer the research question, the main objectives of this study includes:

(1) *Proposing potential legitimacy needs and a set of legitimation strategies for the business development of SMEs in the emerging market based on the previous literatures of legitimacy and the legitimacy-gaining strategies.*

(2) *To test the proposed strategies through an empirical research in the context of Finnish cleantech SMEs and the Chinese market, identifying what are the SMEs' legitimacy needs in practice and what specific strategies and tactics have used accordingly*

1.3.Key definitions

Cleantech

According to the Ministry for Employment and the Economy in Finland, cleantech refers to "*the products, services and processes, which promote the sustainable use of natural resources while reducing emissions".* It is important to know that *"cleantech is not an industrial sector of its own but the markets for the products and services are found in all industrial sectors".* Using efficient and innovative clean technologies, it reduces unsustainable exploitation of natural and societal resources in the industry, business and consumption, which provides the customers superior value propositions when compared to conventional solutions (Kotiranta et al., 2015: 6-7).

Institutions

In the research of North (1990: 1), institutions are defined as *"the humanly devised constraints"* which include both formal and informal constraints around individual and organizations. While based on the sociological view, the institutions are suggested that *"comprise regulative, normative and cultural-cognitive element that, together with the structures and activities, provide stability and meaning to social life"* (Scott, 2014: 56). According to Peng and Heath (1996), despite different versions of definitions, both perspectives are complementary to each other. Thus, in this study, the understanding of institution combines both definitions from economic and sociological perspectives. Specifically, the formal constraints are supported by the regulative pillar which consists of rule systems like laws, regulations, and enforcement mechanisms (Scott, 2014: 62) established by government power. On the other hand, the informal constraints are supported by normative and cultural-cognitive pillars. Normative pillar refers to the expected or desirable standards to the existing structures or behavior and the norms that specify how things should be done (Scott, 2014: 64). The cultural-cognitive pillar emphasizes more on the interpretation of external culture (Scott, 2014: 67). It includes the beliefs and values that have been accepted and shared among individuals to guide their behavior.

Legitimacy

According to Suchman (1995: 575-577), the literatures about legitimacy generally fall into two streams, strategic-legitimacy and institutional-legitimacy. The strategic-legitimacy studies depict the legitimacy as an operational resource which organizations extract from their cultural environments. The organizations may regard it as their goals, attempting to pursue it strategically. In contrast, in the view of institutionalists, legitimacy is a set of constitutive beliefs. It stems from the broader external institutions construct and interpenetrate organizations in every respect. Despite the different understanding, in real business world, organizations face both strategic operational challenges and institutional constitutive pressure. Therefore, it is important to take both streams into account in the research related to organizational legitimacy. In agreement with the opinion, the definition of legitimacy in this study also follow the research of Suchman (1995: 574), which is *"a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."*

Institutional entrepreneurship

According to Battilana (et al., 2009: 68), institutional entrepreneurs are agents who leverage resource to create or transform institutions. Particularly, they must be initiate to divergent changes of institutional environment and, meanwhile, actively participate in the implementation of the changes. These institutional entrepreneurs can be individual, organizations or groups of organizations (Battilana et al., 2009: 68; Tracey & Phillips, 2011: 29). When it comes to institutional entrepreneurship, Maguire (et al., 2004: 657) proposed that it represents "*the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones*". Particularly, focusing on the central importance of legitimacy and proactive strategies pursuing it in the emerging economies and fields (Tracey et al., 2011: 62; Tracey & Phillips, 2011: 29), institutional entrepreneurship then highlights the practice that institutional entrepreneurs deliberately leverage resources in order to create or manipulate the local existing institutions (Tracey & Phillips, 2011: 29), which manages to get acceptance and approval from resource holders and stakeholders about their promoted norms, values, expectation, models and patterns of behavior (Zimmerman & Zeitz, 2002: 425).

1.4.The structure of thesis

The structure of this thesis consists of five parts, including introduction, theoretical review, research methodology, empirical findings and the final conclusion of research. In the first chapter, it begins with the background of study topic and its value in the literature context. Then the research question, objective, and the definition of key terms are explained. Next, in the part of theoretical review, there are three chapters included. The chapter two is mainly about the environmental research of institutions and the cleantech market of China. In the chapter three, it discusses about types of legitimacy, classification and the importance of legitimacy to small and medium sized companies. At last, the chapter focuses on the legitimacy gaining strategies and approaches responding to each categories of legitimacy.

After the theoretical review, the strategies and methods of empirical research of this thesis are presented in the chapter five. And with the analysis of qualitative interview data, the chapter six describes the empirical results of cases companies and compares them with the proposed theoretical framework about legitimacy building of SMEs. Finally, in the last chapter, it summarizes the findings, revised the framework with practical view, and discusses the limitation of this study and further research topics.

2. INSTITUTIONAL ENVIRONEMT AND THE CLEANTECH MARKET OF CHINA

This chapter firstly introduces the institutional environment of China, considering its significant impact on the foreign firms' operation in the emerging economies. Then, it focuses on the market research of cleantech, the researched industry of this study, explaining its policy-driven characteristic, potential cleantech sectors, and the challenges for foreign cleantech firms in the industry.

2.1. Institutional environment of Chinese market

The main role of institution in a society is to reduce uncertainties by providing stable structures to both individuals and organizations (North, 1990: 6). It influences individuals' decision by signaling acceptable code of conduct, norms of behavior, and affects organizations' actions by constraining them to be acceptable and supportable within the framework (Peng & Heath, 1996: 500). Acting as "players" in an institutional framework, firms operate and compete with "the rules of the game". Then, the firm's behavior and strategies are inherently influenced and changed by the institutions. Therefore, when it comes to the strategy choices of firms, Peng (et al., 2009: 63) suggested that the institutions of a country should not be simply considered as background but independent factors that influencing the strategies,

2.1.1. Formal institutional environment

In the emerging markets, the development of the institutions is largely considered to be weak (Khanna & Palepu 1997: 42; Rottig 2016: 4; Delios & Singh 2005: 56). From an economic perspective, Khanna and Palepu (2010:12) stated that the ease of coming together to do business between buyers and sellers is an important characteristic of any market. In emerging markets, however, it tends to be difficult for consumers, employers and investors to get access adequate and reliable information to assess the quality of goods, services, and investment (Rottig 2016: 5). Moreover, in the business market, the government involvement and intervention are much heavier than that in the developed countries (Khanna & Palepu 1997: 46; Delios & Singh 2005: 60), and judicial systems have not been mature to make sure contract enforcement in a reliable and predictable way (Rottig 2016: 5). Besides, compared to the incremental institutions in developed markets, the institutions in emerging markets changes are constant and unpredictable (Rottig 2016: 6-7). These institution underdevelopments usually make foreign firms reluctant to pursue opportunities and invest in emerging markets (Delios & Singh 2005: 56). On the other hand, however, the rapid progress and change may also lead to further opening of emerging markets, then creating opportunities for foreign companies (Delios & Singh 2005: 66). For instance, when a complete setting of laws and policies about environment protection published in the nation documents, the government offered significant financial or policy incentives for investments technologies, activities, or locations to support the treatment of environmental issues. This posed a big positive influence on the profitability of cleantech firms. Thus, for foreign companies, it is important to stay sensitive on the government policy changes in the emerging markets (Delios & Singh 2005: 83).

As an emerging economy which moving from central planning to market competition, China has a long way to go in the development of institutional environment (Peng 2003: 275). Despite of decades of institutional reform, the economic system in the country has not been market-oriented completely. The Chinese government retains its significant role, taking extensive intervention in the business market. Through the power of laws and regulations, it has a major influence in the market competition, trade opening, and business entry and exit of the country (Zhou & Peng 2010: 358). For instance, in the national documents about foreign investment, the Category of Industries for Foreign Investment (2017), it clearly shows the ownership restriction of foreign companies in some areas, stating that the controlling shareholder must be Chinese party. Moreover, in the profitable areas opening to foreign investment, most of market share has already been taken by Chinese state-owned enterprises. It indicates that the dominance of state-owned enterprise is another key factor of the low market competition in China (OECD 2018: 80). When it comes to the legal mechanism, clear property rights, contract laws, and numerous commercial conventions are still largely lacking in China. This increased opportunism that bureaucrats or powerful individuals interfering with private firms' business operation or even caused corruption in the market (Ahlstrom et al., 2000: 5). Besides, inconsistent regulatory interpretation and unclear laws and enforcement are also the top business challenge for foreign companies in all sectors in the market.

2.1.2. Informal institutional environment

The impact of formal institutions on the performance of the economy is usually more visible than informal institutions. However, it is important to note that formal and informal institutions are interacted with each other and combine to govern the behavior of firms and individuals (Estrin & Prevezer, 2011: 45-46). Moreover, in the situations where formal institutions are not well established or failed to provide guides or certainties, informal constraints may play a larger role in driving the strategy choice and performance of firms (Peng et al., 2009: 68) because the informal constraints are usually embodied in customer, traditions, and codes of conduct which won't be affected easily as the change of political and judicial decisions (North, 1990: 6). Thus, in emerging markets, it is of great significance for foreign companies to take informal institutions into account and even utilized it in their business conduction.

In China, network and relationship is one of the wide acknowledged informal constraints that ingrained in the culture of the country. It was initially the interpersonal relationships that cultivated by managers in the society, not only with managers in other firms but also governmental officials. Armed with the useful contracts and connections, the micro level relationships can be translated into the macro interfirm ties latterly to achieve organizational goals (Peng, 2003: 284). In the business area, there has been a long tradition for Chinese firms to utilize networks or relationships to do business. It can benefit firms from gaining necessary resources, fostering growth, and achieving superior performance, which stimulates the networks to become an important strategic factor affecting the performance of firms. Thus, for foreign companies, it is more necessary to consider network-based strategies for doing business in the market. It has been pointed out that networks have a positive effect on firm performance in the early phase of institutional transitions in emerging markets (Li, Poppo & Zhou, 2008: 386; Peng, 2003: 286). Ahlstrom (2000:

8) also pointed that, in the Chinese market, not only should foreign companies pay attention to the differences among regions, they must also understand the wide network of important resource controllers in the local markets and establish connections with them.

2.2. Cleantech industry in China

2.2.1. The development of cleantech in China

Over the last decade, the development of cleantech and renewable energy has become a major priority of Chinese government. The government investment in the industry has growing substantially, which made the country become the world's largest producer and consumer of cleantech. By 2016, China's green investment had reached RMB 1.85 trillion, approximately USD 269 billion (PWC, 2017a: 6). And in the section of clean technology and renewable energy, the amount of investment has exceeded the combined amount of America and the EU. Meanwhile, being benefit from the industrial investment, the number of Chinese cleantech companies increased significantly from 2762 to 50734 over the ten years from 2005 to 2015 (PWC, 2017a: 6). What is more, it is important to know that cleantech industry is highly policy driven industry in China. The national policies and regulations have a direct impact on the investment of cleantech industry. In 2018, the sectors of clean technology and renewable energy were still taken as the priority by the Chinese government. There have been intensive laws and regulations about ecological prevention and environment treatment published (PWC, 2018: 2).

Specifically, one of the influential documents is the Chinese Five-year-plan (FYP) which provides a comprehensive guiding to the development of the country. In the past 11th and 12th FYP, there has been an increasing level of targets about the development of clean energy and environmental protection. In the recent 13th FYP which covers the years of 2016 to 2020, the targets for clean energy production, energy consumption, renewable energy share and carbon intensity in manufacturing have all been further tightened (PWC, 2017a: 4). Meanwhile, the plan put more emphasis on the balance and green growth of national economy and development (OECD, 2018: 33), stating that environment protection will remain the priority for China in the next five years (2016 - 2020). The State

Council published detailed pollution prevention and control action plans, aiming to tackle pollution issues and improve the quality of air, water, and soil environment of the country (PWC, 2017a: 5, Moody, 2017: 5).

Besides, there are also three action plans, The Air Pollution Prevention and Control Action Plan (2013), The Water Pollution Prevention and Control Plan (2017), and The Soil Pollution Prevention and Control Action Plan (2016), regarded as the central guidance by provincial governments for their environment treatment and protection in the local regions. The plans were set and published by the Ministry of Environment Protection and the National Development and Reform Commission, then it was the regional government offices who responsible for implementing, monitoring, and reporting the progress based on local specific environment issues (PWC, 2017a: 9).

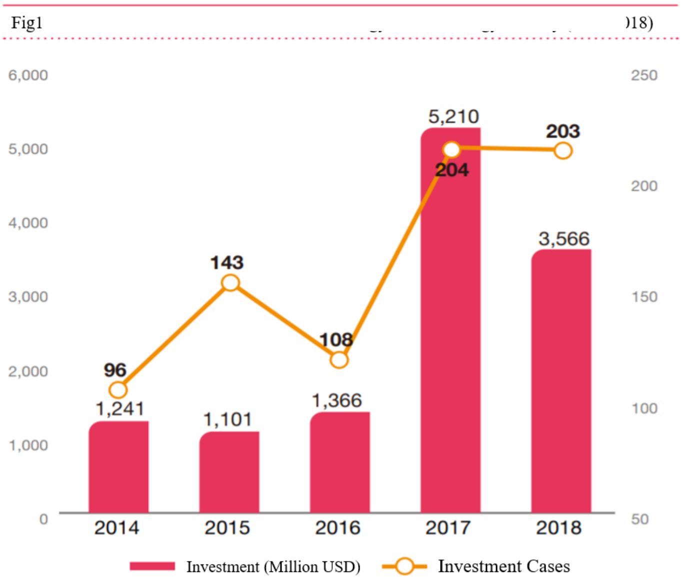
The revised plans have set out more stricter targets on environmental protection and lists measures with greater details to achieve the goals. For example, the "Water Pollution Prevention and Control Action Plan, also called "Water Ten Plan", was revised in 2017, aiming for an obvious improvement in the water environment by 2020. The plan set out 238 specific actions to improve China's water quality, which has been the most comprehensive water policy till now and showed the willingness of the government to promote environmental protection over economic profits of industries. Moreover, the plan also targeted 10 major polluting industries, such as paper & pulp, nitrogen fertilizer and textile dying & finishing, requiring the manufactures and producers to upgrade clean technologies and reduce emissions to achieve clean production industries (China Water Risk, 2015).

Additionally, in the action plan of National Soil Pollution Prevention and Treatment Action Plan, it aims for the safe utilization ratio of contaminated agricultural land and contaminated sites reaching 90% by 2020, and the rate exceed to 95% by the year of 2030. And to reach these targets, there was also a ten-steps strategy proposed (Li et al., 2019: 4). By limiting overall energy use and utilizing clean technologies in the production, China aims to improve air quality ratings, limit water consumption, reducing water pollutants, and limit the amount of land that can be used for construction in the next five years from 2016 to 2020.

2.2.2. The potential opportunities of cleantech business

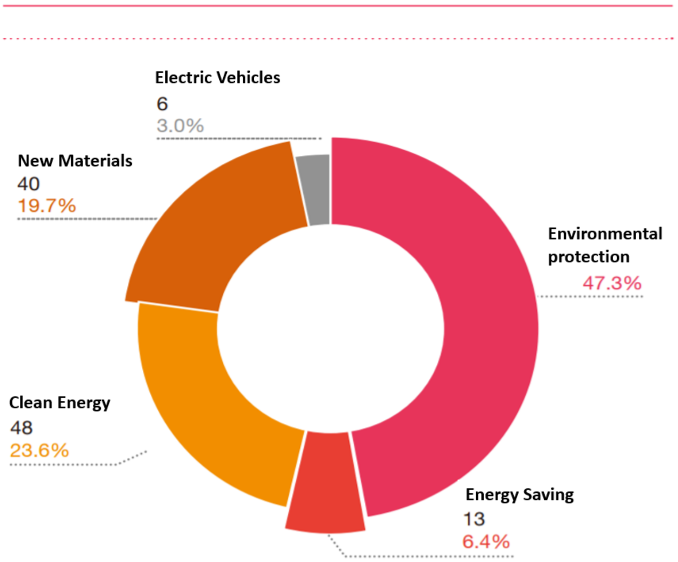
With the governmental and regulatory support, there was a significant growth in the investment of Chinese cleantech. The Fig. 1 and Fig. 2 below demonstrate the development of market investment in the cleantech industry from 2014 to 2018 (PWC, 2018: 21, 24). Particularly, in 2017, the investment increased rapidly from 136.5 billion dollars to 521billion dollars, which was the largest cleantech investment amount of the country in history (PWC, 2017b: 15). In 2018, the disclosed investment in cleantech industry reached 356 billion dollars still (PWC, 2018: 21). Furthermore, viewing from the perspective of cleantech subsectors, it found that the investment was mainly focused on the sectors of clean energy and environmental protection. In the year of 2018, there was 14.23 billion dollars invested in the clean energy technology and 12.92 billion dollars in the environmental technology. The combined investment of these two sectors constitutes over 70% of investment in the whole cleantech industry (PWC, 2018: 24). Besides, it also found that the cleantech subsectors of waste management, soil treatment, water treatment, and air pollution control were identified as the most potential areas for foreign cleantech firms (PWC, 2017a, 12).

Figure 1. The market investment of clean energy and technology industry in China



Source: PWC, 2018: 21

Figure 2. Investment cases in the different sectors of cleantech industry in China



Source: PWC, 2018:24

The national policies and industrial regulations about cleantech can drive production companies to adopt clean technologies in the production, which created plenty of business opportunities in the different cleantech sectors, promoting the development and implementation of cleantech in the country (Moody, 2017: 5; Fujino, 2018, PWC, 2017a: 13;

Environmental Technology Top Market Report, 2017: 10). For example, China has always been stressing energy efficiency in the construction of renewable energy, requesting the energy industry to transfer from capacity expansion to smart generation. It stimulates energy enterprises to take advantage of IT and digital transformation technologies to improve the efficiency of energy supply in the distribution network (PWC, 2019: 7). Besides, in the new published air, water and soil pollutant prevention plans, the government has strengthened the standards of discharge and emission in manufacturing. Those firms who failed to reach the new standards will be forced to shut down. It pushed the manufactures to upgrade their pretreatment technologies in the production, which creates a large demand for treatment technologies in the market (Moody, 2017: 8, 10). Moreover, as the regulations required the pollutant producers to submit and publish the related date of their discharge, the market for monitoring technologies and equipment will be driven by the demand of private companies who are looking to find out the source of their pollution issues (Gautel, 2017; Fujino, 2018; PWC, 2017a: 13). Therefore, to the cleantech firms, the industrial policies and regulations provide them information of market trend and may even create market opportunities for them.

For the foreign businesses, they can also benefit from the demand for cleantech products in the Chinese market. The opportunities exist especially for those who can provide effective solutions in line with the current objectives of policy makers (Fujino, 2018). Although the cleantech industry in China developed fast, there are still technology gaps left in many sectors (Environmental Technology Top Market Report, 2017: 20-29), The national document of Encouraged Import Catalogue (2016) released by the Ministry of Commerce listed technology, equipment that have been still underdeveloped and actively introducing from foreign markets abroad. Furthermore, most Chinese cleantech firms lack either technological capacity or management experience in the cleantech or environmental protection projects. They have always been looking for mature market solutions and rapid response clean technologies. As more companies have expanded their business across the value chain, the cleantech firms who provide one-stop solutions to clients would be more competitive in the Chinese cleantech market (PWC, 2017: 6). The document, the Catalogue for the Guidance of Industries for Foreign Investment (2017), issued by the Ministry of Commerce of China can be a guiding information for foreign cleantech companies. Not only does it show in which industries China encourages foreign technology and products, but also specifies what kinds of technology are highly needed in the areas.

2.2.3. The challenges for foreign cleantech companies

As discussed above, the new published or changed national policies, action plans and regulations about environmental protection and energy management can be potential opportunities for the companies of green business. On the other hand, since the implementation of policies was localized in the provinces and cities, the goals of environment protection are always subordinated to the economic development. Thus, the weak enforcement of the environmental protection can be one of the challenges for cleantech companies to develop business in the market. In other words, the market potential is not as high as they had ever expected (Environmental Technology Top Market Report, 2017: 19). Secondly, intellectual property right has always been a significant issue for the cleantech companies with high technologies contained in the products and equipment, especially in the emerging markets where lack of mature legitimation system. Thus, it was suggested that firm should register trademarks in China as early as possible, which not only helps protecting intellectual property, but also ensure a fair value assessment to their business development in the market (PWC, 2017a: 15).

In addition, foreign companies also faced with a fierce competition environment (EU SME Center, 2014: 22-25). Considering the cleantech and ecological protection have been designated as national strategic industries, there will be monopoly competition and dominance from the Chinese state-owned enterprises in many sectors (Environmental Technology Top Market Report, 2017: 19). Meanwhile, the highly competition will also come from local private companies. As the governmental support, the number of Chinese cleantech companies increased rapidly from just under 3000 in 2005 to more than 50,000 in 2015 (PWC, 2017: 6). The firms enjoy the favor and privilege of local government, which makes them easier to get in toucher with decision makers of projects (PWC, 20017a: 14;). What is more, since the big regional difference in China, it is significantly important for foreign cleantech companies to conform their technologies to industry and local specific regulations and standards (PWC, 20017a: 14; EU SME Center, 2014: 23). Based on their regional specific development and environmental issues, the local provincial and municipal government can interpret differently to the national policies, designing more suitable targets and regulations for the regions. Further, the Chinese authorities will also use a series of reference technologies and testimonia standards to identify which technologies or solutions are more suitable to be applied in a given process (Environmental Technology Top Market Report, 2017: 19). It implies that the introduction of new clean technologies to Chinese market can be a long, different as well as repetitive process. And the more specific policies and regulations of cleantech industry in the local provinces of China should also be researched and followed by foreign cleantech firms.

3. LEGITIMACY NEEDS OF SMEs

This chapter discussed mainly about the legitimacy of organizations. It starts with the definition of legitimacy. Then, considering the context of SMEs, it explains the importance of legitimacy to SMEs in the emerging markets. At last, to have a further understanding about their legitimacy needs, different types of legitimacy and its classification were presented based on the literatures.

3.1. Definitions of legitimacy

When entering a new market, foreign firms have also been suffered from the unfamiliarity by the local audiences. It was likely for the audience to set a higher expectation and standards on the foreign companies since their uncertainty about the promoted products and service of firms, which, then, restricts the legitimation of organizations in the local market (Alcantara at el., 2006: 390). From the perspective of institutional theory, a market was regarded to be an environment which composed by the established and universal understanding and expectation about the appropriateness of organizations. And the cognitively understanding was then take for granted as the social judgement of acceptance, appropriateness, and desirability (Tornikoski & Newbert, 2007: 314, 315). Thus, in the situation when people were not familiar with a new enterprise, it was highly possible for them to think of the consistency between the foreign companies and the prevailing social values in the local markets, regarding the consistency as a judgement standard about the credibility and reliability of the new company (Jiang & Yan, 2010: 354). Those organizations who conformed to the universal understanding and judgement would be regarded legitimated.

Therefore, from the perspective of social judgement and evaluation, legitimacy referred to the "social fitness" of organizations, "*the degree to which broader public view a company's activities as socially acceptable and desirable because its practices comply with industry norms and broader societal expectations*" (Bitektine, 2011: 153). Similarly, focusing on the congruency between the activities and practice of organizations and the social environment where the organizations operated, legitimacy was also defined as "*a* *condition reflecting cultural alignment, normative support, or consonance with relevant rules of laws*" (Scott, 1995: 45)

Besides, legitimacy has also been argued to be an important resource for new ventures to acquire other business resource, which should be proactively pursued by the organizations through strategic and elaborated behavior (Zimmerman & Zeitz, 2002: 414; Tornikoski & Newbert, 2007: 312, 315; Ivanaova Ruffo et al., 2018: 1). Being regarded as an operation instrument, legitimacy is critical to new ventures, which enhances their morality, acquire other needed resource or even financial investment, helping them to overcome liability of newness in the market (Baum & Oliver, 1991: 190; Zimmerman & Zeitz, 2002: 414; Ivanaova Ruffo et al., 2018: 2).

Synthesized both the institutional and strategic views (Hooper & Xu, 2012: 765), the understanding of legitimacy in this paper is follows the popular legitimacy research by Suchman (1995: 574), which defined legitimacy as *"a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions".*

3.2. The importance of legitimacy to SMEs

According to institutional theory, the survival and performance of organizations is highly related to their conformity to the norms and social expectations of host institutional environment (Baum & Oliver, 1991: 189). Then, operating in the emerging markets, it is necessary for foreign firms to establish legitimacy in order to minimize their transaction cost in the market. In the view of institutional theory, the legitimacy implies a set of constitutive belief that extracted from external institutions and interpenetrated in every aspect of organizations. It empowers companies primarily by making their operation seem natural and meaningful (Suchman, 1995: 576), which releases their institutional pressure in the market.

In the business operation, however, companies can face both institutional pressure and strategic resource challenges to enter and develop in the host market. Thus, both legitimation dynamics should be considered by the firms (Suchman, 1995: 577; Kwak, et al., 2019: 117; Tornikoski & Newbert, 2007: 315), including to conform to regulatory relation and industrial standards, support norms and values in its domain, and seek for endorsement to present their industry competences. Compared to the behavior of comforting legitimacy, it has convinced that firms' proactive legitimacy seeking behavior can increase organizational legitimacy to a larger degree in the eyes of resource holders, which poses a positive effect on the firms' performance and operation (Tornikoski & Newbert, 2007: 329).

In the view of SMEs, the firms have always been constrained with liabilities when entering a new market. Specifically, the liability of smallness and newness makes it difficult for the companies have broad social approval, influence and endorsement, which leads them to a weak position in customer attraction and relationship establishment with local suppliers (Lu & Beamish, 2006: 462; Winter et al., 2010: 87). In other words, the SMEs need legitimacies to acquire or improve the audiences' acceptance about their identity of new entrant companies, engaged business and new products (Almobaireek et al., 2016: 90). Thus, for the sake of business survival and further growth, it is important for the SMEs to pursue legitimacy in emerging economies. Further, acting as an operational resource or instrument (Suchman, 1995: 576; Almobaireek et al., 2016: 90), the legitimacy migrated the liabilities (Baum et al, 2000: 269; Baum & Oliver, 1991: 194), assisting firms to acquire needed resource more quickly, easily and to enter market faster through established reputation and authorized endorsement in the industry (Zimmerman & Zeitz, 2002: 418; Zhang & White, 2016: 605; Mort et al., 2012: 555).

3.3.Source of legitimacy

The source of legitimacy are the audiences who observed the organizations. According to the organizational conformity to the prevailing social norms or a specific standard, the observers assessed the legitimacy of organizations. All of the stakeholders who participated in this assessment process can be the source of organizational legitimacy, and they were usually divided into internal and external stakeholders (Ruef & Scott, 1998: 880). While studying the stakeholders in the SMEs' context, Sen and Cowley (2013: 415) classified them into three types, definitive, dominant and discretionary, according to their attributes.

The definitive stakeholders who possessing the most attributes are generally the owners of SMEs. Next, it is the dominant stakeholders of firms. There are customers, employees, suppliers, and investors involved in the group. Comparing with large corporations, the nature of doing business by SMEs is more personal, with more directly contact between the owner and the customers. Thus, for the survive and develop of the SMEs, it is very important for them to provide qualified products and services that the dominant stakeholders want (Ivanova Ruffo et al., 2018: 6). Besides, it found that the SMEs have also gained legitimacy through discretionary stakeholders which include political groups, associations, standard-setting and award-granting organizations and community. The importance of certificate, prizes, awards and participated to the industrial trading shows have been emphasized when it comes to the legitimacy building of SMEs, especially in the international and global markets (Mort et al., 2012: 554, 555).

3.4. Types of legitimacy

When managing to enter new international market, it is necessary for the entrepreneurs of firms to analyze the legitimacy source in their industry sectors, identify important types of legitimacy and proactively pursue them with strategic actions (Díez-Martín et al., 2013: 1964). Among the researches, legitimacy has either been studies in the view of organization (Tornikoski & Newbert, 2007; Zimmerman & Zeitz, 2002) or interest-related evaluators (Tost, 2011). In this study, however, it adopted the legitimacy typology proposed by Suchman (1995: 574) which considering both perspectives of organization and the evaluators. The researcher classified the legitimacy into three categories: pragmatic legitimacy, moral legitimacy, and cognitive legitimacy. And there were also sub-types of legitimacy discussed under each category.

Firstly, pragmatic legitimacy concerns the favorable exchanges between organizations and their evaluating audiences. The stakeholders will make an assessment that whether the organizations able to yield tangible benefits to them. In other words, pragmatic legitimacy is rooted in the self-interested calculations of the organizations' immediate stakeholders (Suchman, 1995: 578). This basis of legitimacy also called instrumental legitimacy in the view of social psychology (Tost, 2011: 690)

Further, Suchman (1995: 578, 579) explained three sub-types of legitimacy: exchange, influence, and dispositional legitimacy, in the pragmatic dimension. For the stakeholders, especially the dominant stakeholders of SMEs, exchange legitimacy concerns whether the firms can provide them with economic benefits and exchange such as reduced cost, production efficiency, enhanced reputation or brand image, which then creates a sustainable business case in the future (Thomas & Lamm, 2012:193). The second type is influence legitimacy. Apart from economic exchange, the benefits expected by stakeholders can be also political or social influence which affects their future well-being in the business. In this case, the stakeholders concentrate on the larger benefit in the long term, perceiving the business and the operation of organizations are potentially in line with the policy-making structures or performance standards set by local constituents (Suchman, 1995: 578). Considering the characteristic of policy-driven of the cleantech industry in China, the influence legitimacy can be utilized as or transformed into the advantage of firm when their business or technologies are potential in the field that encouraged by the policies.

When it comes to the dispositional legitimacy, it usually plays a critical role in signaling the reliability of organizations. In the building of partner relationship, the evaluator will regard the organizations as morally responsible business actors, expecting them with personalized characteristics such as honesty, trustworthy, decent and wise so that there can be long-term contacts formed. The research of Ivanova and Castellano (2012: 406, 407) has also proposed a similar dimension, relational legitimacy, considering the legitimacy needs of SMEs in the transitional environment. It examined the legitimacy with sub-types of trustworthy, stability and visibility, and found that the trustworthy and visibility of organizations through their client reputation and by presenting in the local market were highly valued by the legitimacy-granting constituents and stakeholders (Ivanova & Castellano, 2012: 416)

The second dimension of legitimacy was moral legitimacy (Suchman, 1995), or normative legitimacy (Ruef & Scott, 1998; Zimmerman & Zeitz, 2002). Different with the self-interested calculation, moral legitimacy focused on the positive normative evaluation about the organizations and their activities (Suchman, 1995: 579). It is associated with a judgement whether the organizational activities are "the right things to do" according to the prevailing norms and values in the market. More specifically, Suchman (1995) distinguished with four types of legitimacy in moral dimension. Consequential legitimacy, technical legitimacy, procedure legitimacy and personal legitimacy.

Generally, the consequential legitimacy refers to the judgement of business outcomes, the quality and value of firms' products and services, about their effectiveness, accountability, social benefits or contribution (Suchman, 1995: 580). Similarly, there was a technical legitimacy proposed in the research of Ruef and Scott (1998), which examined closer normative legitimacy and focused on the technical features such as core technology, key competencies, and qualification of employees, of organizations. What is more, the research of Ivanova and Castellano (2012: 415) found that the quality awards and certificates granted by local industrial affiliates are also highly appreciated by the stakeholders in the consequential judgement.

Besides, the procedures and processes of business production will also be judged that whether they are normally accepted, which is then regarded as the organizations' procedure legitimacy. When it comes to structural legitimacy, the evaluators view the system of business operation entirely, instead of regarding each procedural routine independently. Nevertheless, the procedural legitimacy and structural legitimacy tend to blend at the margins since, usually, the organizational structure consists of replicated business procedures (Suchman, 1995: 581).

When thinking about the last dimension, cognitive legitimacy, it concerns with how the perceived features of organizations are processed cognitively by evaluators. The judgement based on the held knowledge of evaluators about the organization, similar business forms and operation history in the market (Bitektine & Montreal, 2011: 157). When the organizational characteristics belong to the knowledge-based forms or behavior, the organizations would be understood by the evaluating audiences, thereby being regarded to be cognitively legitimated.

To understand it better, Suchman (1995) distinguished the cognitive legitimacy with two main levels, comprehensibility and taken-for-grantedness. Focusing on the comprehensibility, the cognitive legitimacy of organizations then stems from the established social norms, value and cultural model in the market. The organizations have to arrange themselves coherent to the cognitive environment, which provides the plausibility and predictability to their evaluators. On the other hand, however, when the engaged fields are weak and underdeveloped in the emerging counties, there are few tracks and standard provided for the judgement of legitimacy-granted constituencies. Then, it tends to be more important for organizations to be proactively, establishing the cognitively legitimacy with institutional entrepreneurship for their business development (Suchman, 1995: 582).

Furthermore, beyond comprehensibility, the organizations and business activities can be also taken as legitimated for granted. That is the situation when audience cannot propose any viable alternatives to the organization in the institutional environment. As Suchman (1995: 583) noted, "*If alternatives become unthinkable, challenges become impossible, and the legitimated entity becomes unassailable by construction"*, the audience will accept it as an inevitable fact. Then the organization achieved "taken-for-grantedness" characteristic in the eyes of the stakeholders, and this is the most powerful source of cognitive legitimacy.

4. STRATEGIES FOR GAINING LEGITIMACY

In this chapter, it will discuss the legitimacy-gaining strategies with three aspects; conformance, selection and manipulation, explain the nature of each type of strategy, and, meanwhile, suggest specific tactics or activities by which the SMEs can gain legitimacy responding to the pragmatic, moral and cognitive levels.

Mostly, there was little business achievement of foreign firms when entering a new entrant market. It means, in the very beginning, the stakeholders and local resource holders have little evidence and information to make a rationally judgement about the firms' competence and their business value. Thus, it is optional for the foreign firms to utilize the endorsement and certification granted by key constituents in the industries. Furthermore, once the business fields that the firms engaged in have still been underdeveloped and with weak market institutions in the emerging economies, it would be more important for them to pursue legitimacy proactively. Therefore, in this chapter, there are also strategies about gaining legitimacies by alliance and creating legitimacies with institutional entrepreneurship suggested (Zhang & White, 2016: 604; Suchman,1995: 593; Zimmerman & Zeitz, 2002; 425)

4.1. Strategies of conformance and selection

4.1.1. Conforming to the environment

With conformance strategies, organization achieve legitimacy by meeting with the expectation of local constituents, prevailing social norms, values and logics, and posing few challenges to established in the institutional environment where the organizations operate (Zimmerman & Zeitz, 2002: 422; Suchman, 1995: 587). Combining with their initial organizational resources, it is possible for foreign companies to turn a liability into an asset, taking advantage of the asking from stakeholders that "what would make this organization look more desirable, proper and appropriate to me?" (Suchman, 1995: 587; Zhang & White, 2016: 611). As the seeking of different legitimacies, the nature of conformism then varies.

Pragmatically, organizations started with satisfying the tastes and demand of various stakeholders or critical resource holders, providing concrete outputs and outcomes for reference and economic exchange (Suchman, 1995: 587; Ahlstrom & Bruton, 2001: 74). In the cleantech industry of China, what the Chinese manufactures care about would be the technology advantage, function and effectiveness of the equipment that promoted by foreign cleantech companies. Moreover, since the large financial investment on the imported equipment solution, the Chinese companies may also care about the cost-benefit analysis and the tangible rewards. Therefore, to satisfy the requirement and best demonstrate the value of their products and technologies, it is possible for foreign cleantech firms to include both technical and financial analysis in the process of business development.

In addition, the organizations also utilized the opportunities of trading fairs and conference in the industries to demonstrate the attractiveness and necessity of their products or services, highlighting the importance and influence of their business offerings and persuading the exchange partners to value them (Suchman, 1995: 591, 592). Examined by Zhang and White (2016: 611), it found that the early founders of Chinese private firms were always actively in public forum, utilizing the power of media to promote the value and potential benefits.

As for influence legitimacy, one of the ways for new companies to gain it is to keep paying attention to the local industrial policies, exploring the potential consistency of the organization and the changing industrial policies of cleantech industry in China. In the eyes of stakeholders, the influential legitimacy may imply the potential of their business activities in the market and the worthy of organizations for cooperation.

Regarding to the moral legitimacy, however, organizations may try to conform to principle ideals in the fields, which contains more cultural concerns than pragmatic legitimacy. Unlike the instrument demand and tastes of customers, the moral criteria are quite broad. Based on the organization's goals and different industries where the firms are domaining, the moral legitimacy also various accordingly (Suchman, 1995:588). In the case of clean-tech industry, there was existing moral legitimacy of the Finnish cleantech firms. It is the potential social contribution of their technologies or equipment products to the environmental treatment and protection of China. Particularly, at the time when there as national policies emphasizing about environmental protection, this moral legitimacy of cleantech firms would be stronger. Nonetheless, since the large geographical variation in the Chinese market, it is also significant for the foreign firms conforming to the business logics, production requirement, and technical standards, then explaining the moral legitimacy concretely.

Finally, when it comes to cognitive legitimacy, it is associated with conforming to the established models and standard, business logics in the market and the knowledge-based perceptions of stakeholders, so that the organizations can demonstrate the plausibility and predictability of their business activities and services in a persuasive way. Further, by linking the promoted business to external definitions of authority and competency, it can also explain the comprehensibility of the organizations persuasively (Suchman, 1995: 589).

Specifically, it is likely for organizations to establish cognitive legitimacy, meanwhile, stronger exchange legitimacy and consequential legitimacy through patent application, official certification or endorsement from governmental constituents or industrial associations in the local market. As stated by Suchman (1995: 588), to gain the organizational legitimacy, it has been not enough for organizations to solely depend on the inherent appeals of their product quality. There should also be a tangible performance to demonstrate their reliable character. When the business performance or technical advantages could be the recommended or even certified by the references with highly reputation or official constituents of industry, it would be great power to demonstrate their cognitive legitimacy in the judgement of stakeholders, also be helpful to acquired other needed business resources (Huang-Horowitz, 2015: 350; Ivanova & Castellano, 2012: 405, 406).

Besides, it was also a powerful way for organizations to establish legitimacy by demonstrating their project references in the Chinese market. Depending on the technical success and reference, the organizations achieved cognitive legitimacy and dispositional legitimacy with the predictability, reliability of their products and the trustworthy, visibility of the organizations (Ivanova &Castellano, 2012: 416), Also, as the reference growing, it may exert spillover effect about moral legitimacy in the eyes of external audience because the accumulated success made a positive influence to the firms' dominating environment (Suchman,1995: 592). For example, with their advanced clean technologies, cleantech firms improved production efficiency and provided long-term cost saving benefits to the businesses in the market. As the successful performance and cases accumulated and the business spreading, the cleantech firms can also demonstrated their effort to the economic development, pollutant reduction, and environment protection to the local society and environment, which improves organizations' social legitimacy of firms.

4.1.2. Selecting among environment

Compare with passively conforming to the instrument demand and prevailing social values, there were also legitimation strategies provided for organizations to achieve legitimacy with more proactiveness. One of them is to request organizations to conduct market research, selecting and starting business in an advantageous environment where the organizations' business was valued and appreciated by stakeholders and their promoted norms, values and beliefs have also been addressed (Suchman1995, 589; Ahstrom et al., 2008: 389). For a new venture, such environment selection and the consistency between environment and the organizations will facilitate to the business development and growth of firms (Zimmerman & Zeitz, 2002: 423).

As a start, it is apparently to identify and attract partners or ending customers who value and even appreciate the benefit exchange provided by the firms. The firms then obtained pragmatic legitimacy depending on their existing advantage of products and services. From the views of these dominant stakeholders, there has been exchange legitimacy existed in the firms. In a similar way, the organizations can achieve influence legitimacy by choosing to cooperate with organizations who are credible or influential in the operating industries (Suchman, 1995: 589). The established relationship or any firms' positive comments, recommendation, reward or promotion from those organizations implies a kind of reliability to the new firms, which helps the firms' reputation building and organizational influence legitimacy in the eyes of resource holders (Zimmerman & Zeitz, 2002: 419).

What is more, regarding to achieve legitimacy in the Chinese market, it found that private firms tend to locate sales offices or subsidiaries in the regions where they have operational resources, network relations or managerial ties existing (Peng & Luo, 2000; Ahlstrom & Bruton, 2002: 60; Ahlstrom et al., 2008: 390). The network resource and firms' physical presence in the local market signal the organizational morals like trustworthy, accountability, which then strengthening the dispositional legitimacy of the firms (Zimmerman & Zeitz, 2002: 423, 424; Ivanova & Castellano, 2012: 416). Therefore, learning from the earlier empirical practice, organizations can gain legitimacy in the emerging market by selecting and locating in an advantageous environment where they have well established resources and networks for operation.

4.2. Signaling legitimacy by networks and endorsement

In the Chinese market, one of the informal institutions is the widely utilization of business network among companies. From the perspective of institutional theory, it is then important for foreign companies be also involved in local networks through interfirm cooperation or cross-sector connection with industrial associations or governmental departments, which allows them to get access to the latest change of industrial polices, deeper understanding the market-know how, and demonstrates their relational or dispositional legitimacy of trustworthy (Dacin et al., 2007: 175; Ivanova & Castellano, 2012: 416; Suchman, 1995) and investment legitimacy of firms' business (Dacin et al., 2007: 177).

Strategic alliance is one of the widely strategies used by firms to build organizational linkage and relationship in the international markets. In addition to the benefits of transaction costs reduction, complementary resource acquisition and knowledge learning, researches (Baum & Oliver, 1991: 189-193; Stuart et al., 1999: 320; Dacin et al., 2007), from the perspective of institutional theory, have also stressed its value for providing external legitimacy to the firms. Similarly, Stuart (2000: 808) suggested that strategic alliance was more than the pathways for firms to exchange tangible and knowledge-based resources, it can be also the signal of organizations about their social approval and recognition in the market, which then demonstrating the organizational legitimacy and products credibility to their partners (Huang-Horowitz, 2015: 350).

More specifically, when partnering with well-established business actors, SMEs can gain resource support, external relationships, social approval conferred by the partners. This is likely to compensate for their years of inexperience in providing products and service in the host countries, then overcoming their liabilities of newness and smallness (Baum & Oliver, 1991: 191; Baum et al., 2000: 270). The perceived quality and reliability of their products and services that signaled by the legitimate alliances will pose a positive influence in attracting customers and establishing stable and effective relationships with suppliers in the host country. In other words, the exchange legitimacy, reputation and endorsement conveyed by well-known partners can open doors to external relationships for them, which facilitates the firms to develop local networks with suppliers and buyers (Stuart, 2000: 808; Tjemkes et al., 2012: 22; Lu & Beamish, 2006: 469).

What is more, cross-sector connection with public communities or constitutional entities may also enhance organizational legitimacy of the business firms. Since the official social status of public partners in the country, they have the position to confer constitutional evaluation and endorsement to the collaboration business actors. Then the companies utilize the reputation and authority of their collaboration with the public sector to strengthen their legitimacy in the eyes of stakeholders (Gao et al., 2017: 2150-2151). When the researched technology is well compatible with established practices, perceived to be desirable by stakeholders and even endorsed by the institutions, it will possess a high degree of legitimacy, which facilitates the commercialization of technology (Kishna et al., 2017: 9; Dacin et al., 2007: 176-177; Stuart, 2000: 795). In emerging markets, an institutional support that firms obtained can be seen as their political capital. It helps them to access critical information, seize potential business opportunities and build organizational reputation and social legitimacy in the market (Li & Zhou, 2010: 858). If the young firms are able to secure ties to the institutional organizations, not only may the collaboration compensate for the organizational inexperience of small firms, but also demonstrate their worthiness to receive more external resources for their services, which implies the value of firms or technologies to be invested by stakeholders (Baum & Oliver, 1991: 189).

4.3.Creating legitimacy with institutional entrepreneurship

When developing business in a new market, most organizations chose to build legitimacy with the legitimation strategies of conformity and selection. However, for some of them, especially the firms engaged in the fields which are still underdeveloped or have not been even realized in the emerging markets, the strategies may not power enough to establish the legitimacy of their business in the market. The organizations then have to be more proactively to shape the opinions and stimulate the demand of stakeholders about the firms' offering, developing a supportive basis particularly to the promoted business activities and practice of firms (Suchman, 1995: 589, 591; Ahlstrom et al., 2008: 392; Zhang & White, 2016: 611).

The strategies of manipulating environment for legitimacy reflects more proactiveness and entrepreneurship of organizations than that by the conformity and selection strategies. According to the research of Oliver (1991: 157), manipulation was described "as the purposeful and opportunistic attempt to co-opt, influence, or control institutional pressures and evaluations". Then, in attempt to gain legitimacy through manipulation strategy, the central work for organizations is to create an environment where enact their claims (Suchman, 1995: 591). Moreover, it is more likely for the firms to be successfully operate it with collective action. (Suchman, 1995: 591-592; Zimmerman & Zeitz, 2002: 424-425; Ahlstrom et al., 2008: 392).

With collective action, groups of organizations who joining together may exert a kind of major social tendency or pressure on the normative order in the society or the prevailing norms and values of local governmental constituents, which can help firms actively conveying the morality about their technological outputs, production procedures or new organizational structures (Suchman, 1995: 592; Zimmerman & Zeitz, 2002: 425). It found that the Chinese private firms joined into business, industrial or trading association in the local in spite of the membership cost because they felt they need help in promoting their products, environment standards and manufacturing safety (Ahlstrom et al., 2008: 392). These associations were usually founded or organized by governmental or communist parties, which play semiofficial roles who represent the voice of private firms in the industries, and a central function of the association is to disseminate information and promote activities through lectures and meetings with municipal or provincial officials. Thus, through the associations or communities, firms can establish a communication channel with officials, which helps to create official understanding of sanctions for their business activities or the problems they are faced with.

What is more, in the pursuing for cognitive legitimacy, organizations managed to establish it through key references. On the other hand, however, it can be also a challenge for the organizations in the new markets since their business basis has still been weak and limited there. In other words, under the situation where firms lack of references record and business history in the host market, there is a request for the capability of them to reach beyond their boundaries, promoting novel legitimacy and shaping the perceptions of resource holders to enable the organizations and their activities become appropriate, operational, effective, competent and even attractive (Tornikoski & Newbert, 2007: 314; Zimmerman & Zeitz, 2002: 425).

Therefore, researches about institutional entrepreneurship (Jayanti & Raghunath, 2018; Tracey & Phillips, 2011: 29; Battilana et al., 2009; Bruton et al., 2010) were proposed. They examined sets of entrepreneurial strategies and activities that new ventures and collective actors can adopt and utilize to proactively build legitimacies for their innovations and business, especially in the market environment with highly institutional distance from their own countries (Zimmerman & Zeitz, 2002: 425; Zhang & White, 2016: 611; Suchman, 1995: 591; de Lange, 2016: 414). Specifically, Battilana (et al., 2009: 78-82) examined that the entrepreneurial strategies consist of three sets, developing a vision to stakeholders about the positive benefit of divergent changes, mobilizing people with that vision to gain more support for the new routines, and finally motivating them to act, achieve and sustain the changes. What is more, taking account of emerging economies context and the potential opportunities in the uncertain institutional environment, researchers (Tracey & Phillips, 2011: 30-34; Jayanti & Raghunath, 2018: 92) examined the entrepreneurial strategies with more specific implementation activities, which include brokering to reduce institutional uncertainty and, meanwhile, provide value to key stakeholders, spanning institutional voids by proposing solutions to institutional problems and establishing them as a taken-for-granted norm, then, finally, bridging institutional distance from home to host countries. These are actually providing guidance for entrepreneurs how to exploit potential opportunities by taking advantage of the high institutional uncertainty in emerging economies (Jayanti & Raghunath, 2018: 92; Tracey & Phillips, 2011: 24; Tracey et al., 2011: 61; Maguire et al., 2004: 657).

More specifically, in the first step, institutional entrepreneurs must craft a vision about the value and interest generated by divergent changes and establish the plausibility the changes in the eyes of stakeholders or potential allies. In the case of business firms, it is mostly about the legitimacy of their innovations and business in the host market. The entrepreneurs can communicate the vision by explicating existing institutional problems and how are the firms' creative solutions able to resolve them, explaining why their casting projects are superior to the existing institutional arrangement and providing compelling reasons to support the vision being promoted (Battilana et al., 2009: 78,79; Suddaby & Greenwood, 2005: 51-56). Notably, rather than merely focusing on differences and changes, institutional entrepreneurs should also connect their innovations and visions with existing and familiar templates and, being as neutral brokers, propose changes with counterfactual thinking and on behalf of mutual benefits (Battilana et al., 2009: 80, 82; Tracey & Phillips, 2011: 30, 31). This is to reduce the worries of uncertainties and appeal the support of stakeholders and influential constituents in the field.

Meanwhile, it has also been pointed that divergent changes can seldom be implemented without support (Battilana et al., 2009: 79; Tracey & Phillips, 2011: 29). Although the change implementation activities seem to be distinctive sets and be consecutive in the process, it emphasized that the vision development and allies' mobilization are actually intertwined in practical (Battilana et al., 2009: 81; Jayanti & Raghunath, 2018: 89). Thus, it is then significance and necessary for institutional entrepreneurs to mobilize allies and cultivate alliances and cooperation behind the vision.

The mobilization practice, including institutional brokering, spanning institutional voids, and bridging institutional distance as mentioned above (Tracey & Phillips, 2011: 30-34), emphasizes the importance of affiliation and collective actions (Jayanti & Raghunath, 2018: 89). In the emerging economies like China, social networks can help to support the implementation of divergent changes. When the organizations doing business in the environment which existed less acceptation of the business practices, models about their business and projects existing, they may try to convince industrial associations or authorities in the field (Tracey & Phillips, 2011: 32), managing to achieve endorsement from the actors, which then increased legitimacy of their projects and thereby mobilize other actors behind it (Battilana et al., 2009: 84). This is the particular importance aspect in the practice of spanning institutional voids. In order to make the proto-institutional solutions become widely adopted or even become standard taken-for-granted solutions in the field, institutional entrepreneurs are requested to be with strong articulation and social capabilities, involving or building networks and alliances to legitimate new institutions among the relevant actors (Tracey & Phillips, 2011: 32).

Additionally, in the emerging markets, there was also lacking of leading organizations or industrial intermediaries through whom foreign organizations can get access to the resource and support in business, whereas, in the developed economies, it can be the business associations or collaborations to set up standards or business practices in the industries (Jayanti & Raghunath, 2018: 89). These institutional intermediaries provide valuable service to the business companies in the industrial market. They may know little about the professional business of each company, however, through their network and market know-how in the local, the industrial intermediaries and associations can make sense of the institutional environment for their partner (Tracey & Phillips, 2011: 31). Therefore, with the lack of institutional intermediaries, institutional entrepreneurs should act collaboratively and be equipped with tactics such as bargaining, negotiating, and creativity to develop their argument and proto-institution, appealing to a wider range of audiences and building lasting coalition among them (Jayanti & Raghunath, 2018: 89; Maguire et al., 2004: 671).

According to Tracey and Phillips (2011: 32), bridging institutional distance was referred to "*the practice of translating or transposing an institution between countries characterized by significant institutional*". It is critical for institutional entrepreneurs to have a deep understanding of their home and host context, which enable them to recognize opportunities between the institutional differences and logics (Tracey and Phillips, 2011: 34; Tracey et al., 2011: 69). Moreover, the institutional bridging is not only confined to the transfer of organizational forms, but also includes organizational practices, norms, and technologies (Tracey and Phillips, 2011: 33). In addition, institutional entrepreneurs from developed economies can also utilized the industrial collaboration and associations to promote their business in the emerging markets and increase legitimacy. One of the core responsibilities of the institutional intermediaries is to provide market information and encourage connection between firms.

4.4. Summary

Based on the past researches (Suchman, 1995; Zimmerman & Zeitz, 2002; Ahlstrom et al., 2008; Zhang and White, 2016), business firms was able to achieve legitimacy with conformance strategy, managing to satisfy the expectation and demand of stakeholders and be consistent with the prevailing norms and logical in the local market. Specifically, they managed to gain pragmatic legitimacy by directly introducing the value of their products to customers, demonstrating it in the industrial trading exhibition, public conference, and promoting their business activities from the perspective that being in line with industrial policies in the local market. For the moral legitimacy, it is largely based on the nature and characteristics of the firms' engaged industry. In the field of cleantech, one of the existing legitimacies that the Finnish cleantech firms can utilized is their potential contribution and social responsibility of their technologies and products to the environmental protection of China.

When it comes to cognitive legitimacy, the firms can demonstrate their organizational comprehensibility by following local business isomorphism and culture models and achieving external endorsement or official certification about their offering and technologies. Furthermore, the past technical success and key references of firms also played a significant and influential role in the firms' pursuing of cognitive legitimacy. Through the technical success, not only could the firms' business be more comprehensive in the cognitively judgement of stakeholders, but also reflects the consequential legitimacy and depositional legitimacy of firms in a practical and persuasive way.

With more proactiveness and purposiveness, it is possible for the firms to transfer their business advantages and competencies into existing legitimacy by selecting an advantageous environment for business development. In the environment, the firms' business has been already proper, appreciated or even desirable. Specifically, they can choose those particular partners and ending customer who are agree with the firms' value and products' benefit, start to develop business from the regions in which the norms and beliefs favored by foreign firms have been established, and, most importantly, locate offices or agents in the area where they have existing network resource. Particularly, in the emerging economies, the physical presence of foreign firms allows them to win the dispositional legitimacy of organizations and their business in the eyes of stakeholders.

Apart from the mentioned legitimation strategies, it is also possible for organizations to gain legitimacy in the networks which including both business cooperation and the connection with public constituents. It found that the alliances with business firms, especially with the partners and clients with high reputation in the field, allows the allying companies to achieve investment legitimacy about the worthy and value of their business and relational legitimacy about trustworthy and reliability of the business organizations (Dacin et al., 2007). In addition, the firms can also demonstrate their legitimacy in the cognitively judgement of stakeholders through the cross-sector connection and relationship of companies. This is particularly true when there were endorsement, certificates or rewards achieved from the related industrial associations about the quality and contributes of the firms' offerings.

On the other hand, being as a new entrant actor in the host market, foreign firms may lack of successful references and have little network resource accumulated in the local. Further, for those who are engaged in the industry which has been still immature in the emerging economies, it tends to be more challenging for them to achieve legitimacies. Therefore, the institutional entrepreneurship of firms and sets of related entrepreneurial activities were proposed (Jayanti & Raghunath, 2018; Tracey & Phillips, 2011: 29; Battilana et al., 2009; Bruton et al., 2010), which encouraged firms to build legitimacies proactively. Firstly, it is necessary for the entrepreneurs to craft a vision about their innovations and business. With counterfactual thinking, they should also explicit the potential benefits generated to the stakeholders, which reduces their sense of uncertainty. Furthermore, it is notable that the vision creation is usually intertwined with mobilization activities. Specifically, the mobilization activities include practices of spanning institutional voids and bridging institutional distance. The entrepreneurial firm manage to get the most related stakeholders or industrial constituents realized institutional distance, convince the positive benefits of firms' business, and manage to achieve endorsement from the actors, which increase cognitive legitimacies for the firms in the industrial environment. Meanwhile, it is also necessary for the firms to bridge the institutional distance. They can utilize the business intermediator or local industrial associations to get in touch with those critical resource holders or official constituents. The Table. 1 shown below categorized all of these legitimacy building approaches and practice.

Table. 1 Legitimacy-building strategies for SMEs

Types of legitimacy	Legitimacy-building strategies
Pragmatic legitimacy	Conforming to satisfy the demand and requests of stakeholders about the firms' offering s and services Attending to trading exhibitions, industrial conferences or public forum regularly for building firms exchange legitimacy Paying attention to the changing of industrial policies and regulation in the emerging countries, then exploring the consistency of firms' business with the development of industry in the market Selecting an advantageous environment where the firms have existing resources and establishing physical offices there Utilizing the high reputation of business partners and clients in the industry, which stronger the reliability and trustworthy of firms and their promoted business in the mind of stakeholders
Moral legitimacy	Introducing the technical success, social contribution and client references that the firms made in the society Promoting their significant awards, patent, or endorsement that the firms achieved in the local Forming alliance with local companies, which make the procedures of business and structures of organizations be more legitimated to the market rules and industrial regulations
Cognitive legitimacy	Utilizing the technical success and references of the firms in the domestic and local market, which increase the plausibility and predictability of their business Establishing connection and relationship with the public organizations or industrial associations, which gets access to

	the resources of industrial information and business networks Institutional entrepreneurial strategies for the firms who engaged in the cleantech subsectors which are still underdeveloped in the emerging economies

5. Research Methodology

5.1.Research purpose and approach

According to Saunders (et al., 2007: 133-134), the research purpose of a study is usually classified into three types, descriptive, explanatory and exploratory. The objective of descriptive research is to portray an extended and more accurate profile of persons, events or situations. For an explanatory research, it places emphasis on investigating the relationship between variables about research question. When aiming to deeply understand a problem or clarify the precise nature of the problem, researchers tend to make exploratory study. It helps to find out 'what is happening; to seek new insights; and to assess phenomena in a new light' (Saunders et al., 2007: 133). Despite of the difference, these purposes are not excluded with each other in a study. Instead, a research project can be done with more than one purpose.

Then, in this study, the research purpose is explanatory as well as exploratory. Based on the existing theories about legitimacy classification, legitimacy building strategies and qualitative data collected through semi-interviews, it attempts to find out what kinds of legitimacy are needed and important for foreign SMEs when developing business in the Chinese mark, and based on their legitimacy need, whether all of the literature legitimacy strategies are applicable to the SMEs in practical, and by interviews, which legitimacy building strategies and approaches have Finnish cleantech SMEs adopted and successfully utilized. From an implication view, this research tends to provide constructive suggestions to the foreign companies for their developing business, then successfully entering the Chinese market.

Research approach is the next critical issue to confirm in a study. It helps to think about what research strategies and methods work for the implementation of research project. Moreover, it is important to know that research approach is more than a simply issue about by what techniques to collect data and with which procedure to analysis them, but a configuration concept which including what kind of date should be gathered, where to collect them, and how such evidence is interpreted in order to provide good answers to the research question (Saunders et al., 2007: 119). Generally, research approach is classified into deductive approach and inductive approach. It is related to the way that how literature theories were explicated and utilized in the study. Specifically, when the theories are explained, hypotheses about research question are proposed, and the following research strategy is designed to test the hypothesis by managing to build an explanation while collecting data and analyzing them, the studies are in the deductive research purpose. On the other hand, when it pays more attention to the date collection and develop theory in a new sight as a result of data analysis, the literature reviews used to show a preunderstanding of researchers about the issues they seek to investigate, these studies are using inductive approach (Saunders et al., 2007: 117-118; Kuada, 2012: 100). Taking reference to the past literatures of legitimacy building strategy and adopting them as the theoretical framework of this study, this thesis then aims to investigate which practical legitimacy strategies are work for small and medium-sized company through semi-interview data collection. Thus, the chosen research approach here is inductive approach.

As mentioned, a study with exploratory purpose focuses more on deep interpreting and developing theory in a new sight as a result of empirical data analysis. Thus, empirical data plays a fundamental role in the such studies. It is significant to be clear the nature, source and techniques of empirical data and its collection before starting to do research. Traditionally, researches are divided into quantitative research and qualitative research. Both data collection techniques and analyzing methods are different in the researches. Stated by Kuada (2012: 93), qualitative research was defined as any type of research in which the achieved findings were not produced through statistical procedures or other means of quantification. In these researches, the empirical data were mainly based on the meanings of words data and collected through qualitative methods such as participant observation, in-depth interviewing, and conversational interviewing. It enables researchers to get a firsthand looking in the context that they operate the studies. Qualitative researches focus more on the analysis of empirical cases and contexts, and the researchers engage in the detailed examination and interpretation of them (Kuada, 2012: 94). Compared with that, quantitative method is more helpful to collect numerical data for studies. There are specific techniques like questionnaire-based surveys and interviews. Utilizing the collected scientific date, it is reliable and effective to help researchers to test proposed hypotheses in the studies and investigate further relationships between variables. Considering the research question and objective, it is no doubt to understand the perception of managers about their needed legitimacy and the strategies of organization for gaining the legitimacies in qualifiedly way. Thus, the chosen research methodology of this study is qualitative research.

5.2.Research strategy

For each research project, there were different research strategies provided to collect and interpret empirical data and evidence. Case study was one of them for qualitative research (Saunders et al., 2007: 135). According to Yin (2009: 18; 2003: 13), case study research was usually defined that *"an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident".* It highlighted the strong connection and involvement between the contemporary phenomenon and its real-life context, which helped to reflect the nature of issues or the characteristics of solutions (Saunders et al., 2007: 139). Moreover, in the international business research, the data was usually collected from cross-border and cross-cultural settings, then case study can a very suitable research method (Pauwels & Matthyssens, 2004: 111, 112).The aim for cast study is to explore issues deeply, looking for explanations and getting understanding of the investigated phenomenon through multiple data sources, which allows researchers to examine problems in the real situation (Farquhar, 2012: 8). Therefore, case study strategy has ability to generate answers to the questions start by 'how', 'what' as well as 'why', and was frequently utilized in the explanatory and exploratory research (Saunders et al., 2007: 139; Pauwels & Matthyssens, 2004: 111; Yin, 2003: 9; Ghauri et al., 1995: 89). This also applied to the research purpose of this study which managing to provide constructive legitimacy strategies for Finnish cleantech SMEs in the practical way.

Further, with a deeply understanding about case study method, Stake (2005: 443-445) categorized case study research into three different types; intrinsic case study, instrumental case study and collective case study. With intrinsic case study strategy, the researches focused on learning about a problem from situation. The second type, instrumental case study, was utilized to examine the insight of an issue. When it comes to the collective case study, a few cases are to be examined about the research phenomenon of study. Given the research objectives of this study, collective case study was chosen as research strategy. It is going to find out what kinds of legitimacy do Finnish cleantech SMEs need for business exploring in China and what legitimacy building strategies enable them to gain the needed legitimacies through multiple cases of Finnish cleantech SMEs who have been successfully developing and growing in the Chinese market.

Specifying the multi-case study, Pauwels and Matthyssens (2004: 128-132) proposed a methodological framework which consists of theoretical sampling, triangulation, pattern-matching logic, analytical generalization and juxtaposition and iteration to increase the credibility of multi-case study. And each of the pillars should be operated in the way that fit to research question and objectives. This was also employed as the guidance of case study analysis in this study. According to Pauwels and Matthyssens (2004: 129), the choice of multi-case study research aims to create more variation based on theoretical frameworks. Thus, there should be a theoretical basis in sampling process.

The *theoretical sampling* of this study was based on theory of legitimacy building strategies, which firms utilized different strategies and related approaches to gain their need legitimacies. The selecting process of cases will be introduced in the following section. For the *triangulation*, it was to collect data from multiple sources or with different methods, integrating them in the research to understand different facets of phenomenon, which reduces the random measurement errors and increases the internal validity of study. In this paper, triangulation was realized by collecting information through company website, interviewing the Finnish SMEs who are engaged in different cleantech sectors, the membership companies of the Finnish Cleantech, and who join in the programs of the Business Finland to get empirical data about the same research theme (Pauwels & Matthyssens, 2004: 129, 130).

When it comes to *pattern-matching logic*, it is identified as a basic type of explanation in science, which based on the comparation between empirical findings of researched phenomenon and predicted patterns. This was also regarded as a general analytical strategy within multi case study. On the other hand, for a further analyzation to get empirical findings, there are more analytical techniques needed. Through *analytical generalization,* an investigator may find out if the outcomes of case analysis are incompatible with the existing theories of researched topic of if there are other new findings produced, which is worthwhile to rephrase existing theory or for additional researches (Pauwels & Matthyssens, 2004: 130).

At last, but not the least, it is the *juxtaposition and iteration of data* which is related to the validity of multi case study. The juxtaposition data refers to extant literature and the emergent theory from empirical findings, and the iteration means the repetition process of assessment and analysis between case selection, respondent selection, data collection, analysis against extant theories. They are highly complementary and interwove with each other to increase the validity of date sources (Pauwels & Matthyssens, 2004: 131). This will also be explained in more details in the following section of reliability and validity.

5.3.Sampling, data collection and analysis

Based on the research question and objectives, the targeted case companies of this study were Finnish cleantech SMEs who have been developing business in the Chinese market. The sampling technique of selecting companies was purposive sampling. The purposive cases provide rich information which were best needed for research questions. Moreover, when the selected cases were different from each other, each of them can be of particular interest and value to the research theme, which increases the variation of study (Saunders et al., 2007: 229-231). Specifically, this study aimed at the Finnish cleantech SMEs who have strong intention of entering Chinese market and have also adopted systematically operation for the purpose, rather than those who had ever been accidentally achieved orders from China or just made a little business starting in the Chinese cleantech market. The four selected Finnish firms of this study have all been running in China over five years.

Then where to find the sample companies? The case selecting process of this study started from the list of membership companies of the Cleantech Finland. Firstly, the Cleantech

Finland was a national action plan to develop environment business of Finland, aiming to develop clean technologies to become a new pillar of Finnish industry (Sitra, 2007: 21). It served as a cooperation platform and coordinator in the internationalization of Finnish cleantech firms, building connections between environmental technology companies with stakeholders (Sitra, 2007: 37). The joined membership companies of Cleantech Finland covered the sectors of energy and resource efficiency, renewables and smart grid, waste-to-value, air quality, clean water, smart transport, and logistics, cleanweb and IoT in the cleantech industry. Meanwhile, there have been collected all the basic information about employee numbers and annually turnover of companies. This was then a reliable starting point for sampling, which makes sure that all the selected case companies belong to cleantech field.

Secondly, according to the European Commission, the small and medium-sized companies (SMEs) are referred to the firms who employed fewer than 250 people and whose annual turnover is 50 million dollars at maximum. On the other hand, considering the companies who have been developing business in China, the number of sampling cases can be limited. Therefore, the selection was continued by investigating the cooperation and marketing programs of Business Finland, especially those aiming for the Chinese market, such as Smart Energy China. Mostly importantly, the cleantech companies who joined the programs are with stronger interest in and intention to the Chinese market. In the next chapter, it will describe and summarize each case companies who were selected and successfully got contacted for this thesis. The information like employee number, engaged cleantech sector, the year when they started developing business in China, and their whole process of business development will be involved.

For the data collection, qualitative research interview was chosen to gather valid and reliable data for this study. Through interviews with key persons who are the founder or responsible for their business in the Chinese market, it will get firsthand words data about what legitimacies are necessary and helpful for Finnish cleantech SMEs to develop business in China and what strategies had they ever been used to gain it. According to Saunders (et al., 2007: 313, 315), where researchers are undertaking to clarify the reasons for the decision of research participants or to understand the reasons for their attitude and opinions, it is necessary for them to conduct qualitative interviews. Not only can the interview collected data help to reveal the 'what' and 'how' questions but is also likely to be used to explore the 'why' question to stronger the answers to research objectives. More specifically, considering the explanatory and exploratory research purpose of this paper, semi-structured interview was adopted as the technique to collect data. In the semi-structured interviews, there were a list of themes and questions prepared to each organization. It provided opportunity with researchers to probe answers that they want interviewees to explain about research topic specifically and further. Moreover, it may also lead discussion to the areas where researches had not previously considered into but are same importantly to address research question and objectives, which adding more significance and depth to data (Saunders et al., 2007: 312, 315; Kuada, 2012: 98).

With more operating details, the interviews of this study were conducted by internet phone calling via Skype, considering the different geographical location and the preference of interviewers. And the duration of each interviews was controlled between 32 to 40 minutes. During the interview, it firstly aimed to know what the process of business development of each Finnish cleantech SMEs in the Chinese market was. With a whole picture view, it was more objective to recognize what legitimation behavior of the companies encouraged their market entry process to China. Then, by asking interview questions like "how did you convey the value and attributes of your products and technologies to the customers", "what business network operation have you ever utilized, which was helpful to the business development and market entry", it was to investigate further information about the organizational legitimation operation in the following interview. Besides, every interview had been audio recorded and taken noted.

When it comes to data analyzation, the first step here is to write them down into transcripts, constructing a case description or explanation (Pauwels & Matthyssens, 2004: 117), which is helpful to make the complicated cases understandable by recognizing significant and influential elements or variables related research topic. Further, combining with the secondary data about the firms' operation in the international market, their products and technology advantages, it helped to understand what existing organizational resources they had ever utilized to gain legitimacy or transferred them into legitimacy.

Then, to make the data more manageable for analysis, it is optional to organize the qualitative interview data by coding technique. This approach is an important step for the data analyzing in this study, which transforms the raw data into analytical research findings. While coding the data, each answer and sentence will be deeply interpreted, making a judgement its meaning from the perspective of research question of this study. The coding also makes researchers to revisit all aspects of the collected data, meanwhile, allows them to precisely pick out the text related to the research and objectives. By showing the relevant data to the readers, it develops a chain of evidence transparently to support the argument of research (Linneberg & Korsgaard, 2016: 261: Auerbach & Silverstein, 2003: 50).

As the growing volume of data and the selection of relevant parts, it is necessary to sort and categorize the text that showing the same or similar idea from each interview transcript separately. Then, by reorganizing them into different concepts and themes according to the reviewed theoretical framework and integrating them into an explanatory framework. It is helpful to identify trends and establish findings furthermore (Pauwels & Matthyssens, 2004: 118; Saunders et al., 2007: 479, 480; Auerbach & Silverstein, 2003: 57, 63). Therefore, after coding each individual Finnish cleantech SME case separately, the next step is to rearrange data by categorizing similarities based on the legitimacy need of firms and respondent legitimacy-building strategies and approaches they had ever been used. Furthermore, with the data analysis technique of pattern-matching which comparing the empirical data with prior larger theoretical frameworks, it will move the repetitive idea text from descriptive data to a more theoretical analysis, forming a structured picture of legitimacy gaining strategies, particular to the Finnish cleantech SMEs who developing business in the Chinese market (Saunders et al., 2007: 489; Auerbach & Silverstein, 2003: 68).

5.4. Reliability and validity

In the designing of research strategy, one of the critical issues underpinning it was the credibility of research findings. In order to reduce the possibility of getting the answer wrong, it was necessary to consider the issue from the two aspects, reliability and validity, which were particularly emphasized on the procedure of data collection and analysis (Saunders et al., 2007: 149; Yin, 2003: 37). According to Yin (2003: 34), reliability referred that the operation of a study can be repeated to yield consistent results (Saunders et al., 2007: 149). In other words, when other investigators followed the same research procedure described in a study, they can also conduct the study and, meanwhile, get same research findings and conclusions with the study (Yin, 2003: 37).

Considering the practicality and flexibility of qualitative interviews, the interview questions of this study were designed particularly to the organizations' contexts and asked in a flexible order responding to the practical interviewing situation, which stimulated interviewees to answer each question in more detail and deeply. As mentioned, in the semi-interviews, researchers may find some other significant issues that are same important to the research question, but they did not think of in the beginning (Saunders et al., 2007: 315, 316). Therefore, the interview questions of each case in this study were keeping adjusted according to organizational context and the analysis from the last semi-interview transcript and notes. When interviewing the case companies one by one, the secondary case will never be started before the data analysis of its earlier case finished, which was make sure the completeness and reliability of data (Pauwels & Matthyssens, 2004: 117).

For the interviewees of this study, all of them are the founder of companies or the sales manager who are responsible for the business development in the Chinese market. They are in China or have been flying there regularly. Thus, they are holding firsthand and the most related information and experience about the research topic, which also increased the reliability of the collected words data (Saunders et al., 2007: 320). When it comes to the interview questions, they were taken reference from the former researches which related to legitimacy building strategies and behavior of companies. After redesigning interview questions based on research topic in this study, each answer to them can be regarded as evidence which helped document the connection between the faces of research issues (Yin, 2003: 104).

As mentioned, the research strategy of this study is case study with the technique of semi-interviews. During the process of interview, all the words data had been audio recorded under the permission of interviewees, meanwhile, there were also handwriting notes for critical information when the discussion of some interview questions went down deeply. After that, all the audio and text record were reviewed and transferred into interview transcript for further analysis of findings and conclusion. These helped to form a database of research topic so that other investigators can review the evidence directly, which increase the reliability of study (Yin, 2003: 102). Further, by analyzing the qualitative data with coding technique, it provided direct text evidence to support the argument in this study, which showed how the findings were concluded from the data, enhancing the transparency of research (Linneberg & Korsgaard, 2016: 261)

As for validity, it is concerned with operational measures for the concept being used in the study and whether the findings are really about what it appears to be about (Saunders et al., 2007: 150). More specifically, researches classified it into internal validity, focusing on the relationship of variables, and external validity, examining whether the study's findings are equally appliable to other research settings (Yin, 2003: 34, 37; Saunders et al., 2007: 151). In the aspect of data collection, the using of multiple data source provided the researched phenomenon with multiple measurement, which increases the validity of study (Yin, 2003: 99). For example, in the sampling process of this study, there was a secondary data searching and collection through internet about the Finnish cleantech SMEs at first, confirming all the case studied companies fall into the targeted research category.

Meanwhile, to increase the variation of data, the engagement field of case study companies covered different sectors of cleantech industry such as water treatment, waste to energy, and soil remediation. The well preparation and knowledge about the organizational context of case companies will help to the performance in the following interview, which makes sure the credibility of data (Saunders et al., 2007: 320). The interview questions of this paper were designed according to the framework of legitimacy-building strategies identified in the previous work (Suchman, 1995; Ahlstrom et al., 2008; Zimmerman & Zeitz, 2002). Thus, in the aspect of data analysis, it was processed in a patten-matching and replication logic for this study. For examples, the interviewees were asked about the competitive advantage of their firms' products or technologies and in which approaches did they make its benefits recognized and accepted by stakeholders. It aimed to examine how Finnish cleantech firms obtain pragmatic legitimacy with their products and technology advantage. Also, considering the institutional environment of business network activities in China, the firms were also asked their relationship with local companies or associations, for example, are there any interfirm linkage or interaction with government officials through both local and home countries' business associations. It was designed to examine firms' utilization of legitimacy strategy of conformance to local environment. After all the cases were summarized, the separately analyzed data have also been reorganized according to theoretical framework, finding out the similarity on the needed legitimacy and common legitimacy strategies and approached adopted by case companies. It managed to incrementally identify a group of legitimacy building strategies practical to and widely utilized by SMEs.

6. FINDINGS

6.1.Introduction of the case study companies

Companies A

This is a small Finnish firm with 10 employees and specialized in the clean technology research and development in the field of paper and pulp. Based on its leading technology, experienced sales and agent networks in different countries, the company has successfully supplied mixing installations to 20 countries in Europe, North America, and Asia. The goal for the firm's products is to improve the quality of paper and boards for the mills and manufactories. What is more, with the innovative and patent technology, the products also effectively reduced the consumption of process chemicals, saved large volume of fresh water and heating energy in the production of the paper businesses. These outstanding advantages of technology make both goals of sustainable development and economic benefits of paper and pulp companies possible at the same time.

The interviewee in this case is the CEO of company. They started to develop business in China since 2003 and cooperate with a local agent. As not being satisfied with its sales capability, Company A cancelled the cooperation and soon established representative office in Beijing, hiring their own employees there. They targeted big Chinese producers and manufactures of paper and boards wherever their locations in China, and till now, there have been over 100 installments provided in the market. In the year of 2018, the company A also got repeat order of two production line from their clients in China. Besides, the firm's products were successfully introduced in the list of national encouraged and important equipment with water saving technology, especially in the paper and pulp industry in 2009. This official approval from government stressed the value of their products to customers in a very persuasive way.

> *"One good example is that our company got a technology reward of Golden Bridge which given by the government of the republic of China. That was in 2008. And we were the first western company that given that reward in China. Then after that, the second year, we got another award by the government. That was*

> *for the technology of saving on the environmental issues like water and energy of our products".*

When it comes to the question how the company achieved the rewards, the interviewee explained that

> " *it was actually our Beijing representative office who has a good relationship with an industrial official minister in China, and we were informed of the rewards, and also, because the Chinese government was following environmental issues produced by mills and the customers have been giving good feedback from the result we have been gaining together with them, and that was then actually being part as the men with technologies, giving something that we can help Chinese interests to improve the environment and presenting the ways. It was the results that actually gave us the rewards, and also we communicated with the Chinese officials about what we have been doing"*

The company A have not been built cooperation with any compartment suppliers or factory partners in China. The whole manufacturing process of equipment and technology development are doing in Finland, and the firm's Beijing representative office is responsible for business development in the Chinese market, then providing products to clients through direct import. For the years of sales development in China, one of the important points for success of the Company A is their well knowledge of Chinese market, local customers and their people in Beijing as the mangers and sales team from Finland have been travelling to the market regularly. Besides, the proactive and well communication between the sales teams in Finland and China also plays an important role. They have been keeping active skype meeting on a regular basis, so that the headquarter company was able to understand the customers and their demand, offering effective solutions to the manufactures, and motivate the Beijing local team for further sale business.

Company B

The company B is a middle-scaled Finnish cleantech firm with 160 employees in total. They have been engaged in the technology and solutions for transferring industrial waste and municipal solid waste into energy, offering equipment and installations to large concrete producers and manufactures over the world for 90 years. Since 1979, the company

B has successfully delivered equipment and technology solutions over the counties worldwide. And in 1992, they established first branch company in the neighbor country, Sweden. As the innovation and further development of firms' technologies and products, the Company B started to expand business further outside Europe to the Asian, Australian, and South American markets. From 2010 onward, there were sales offices in Poland and China established consecutively.

The company started market developing in China in the year of 2012, and now they have own sales team in Shanghai, China for further business development in the future. Compared with other competitors in the Chinese market, the products of company B has the most powerful capability to process huge amount of waste, and there are also patent technologies included for the highly efficiency transfer from waste to energy. Besides, with professional teams for technical issues, the company can offer one-stop and customized solution instead of equipment with any simple function to their customers, which makes the daily operation and production of manufactures more convenient. In 2014, company B achieved their first project in China, which was described as a major milestone for them crowning the hard work done in a new market. Afterwards, they have also received the Outstanding & Innovative Contribution Award of China Cement Kiln Co-processing Technology from CCA (China Cement Association) in the December, 2017, which powerfully acknowledge the reliable function of the firm's products and technologies and their efforts to the smooth transition of environment protection in the industry

The interviewed person of this case was the general manager of Chinese market. She is one of the main responsible persons of Company B for the business in the Chinese market since the very beginning. During the process of business introduction and development,

> *"On the one hand, we will firstly introduce the advantages of our technology and equipment. Secondly, we will take them to visit our references, which demonstrated the benefits of our products in the real cases and through the communication with our current clients. Besides, it is sometimes necessary to assess finance, which showed them what cost saving they will also be benefit from using our equipment in the production"*

On the other hand, at the early time when company B started doing business in China, there was a weak understanding about the technology of waste-to-energy, neither did they know how was the sector developing in the European counties. Therefore, the company B managed to get connection with related departments of local government, conveying their distinctive products and technology concepts to them.

> *"At the early time, we spent a great effort on getting in touch with local government, actively communicating with the responsible people in the related department. We managed to convey our products and technology concept to them, which included taking them to visit our company and references in Finland, demonstrating our thinking through practical cases".*

After the first project achieved in China, their following sale development and operation became much better and more smoothly. Also, based on the first references, the company transferred their focus and efforts back to the traditional market exploring and marketing.

Over the years of developing, company B has been cooperated with several OEM suppliers in the Chinese market for basic accessories and compartments in order to reduce the cost of their equipment. However, when it comes to the main and core part of products, they are still imported directly from Finland as it was in the beginning. Further, since the great need for technology adjustment and customized designing of solutions, the specific designing and operation of projects has also been done by their fully owned subsidiary firms in Shanghai instead of agents or any distributors. In contrast to the interaction with business firms, company B has more and frequent connection with industrial associations in China or business associations in Finland.

> *"In addition, we will attend all kinds of conferences that organized by the industrial associations, collecting latest policies, tendency or other information of our industry in China and getting to know potential clients if there were opportunities".*
>
> *"As the membership of the Business Finland, they regularly provided information of network activities and shared potential customers with us"*

Company C

Company C is a medium-sized company engaged in cleantech business of water and wastewater treatment. Started up in 2002, the company gradually became larger in scale and more completed in business scope through merge and acquisition of other Finnish water SMEs who were engaged in different subsectors of water and environmental management, such as sludge management, gas and water purification solutions. When it comes to their business operation in global scale, there have been cooperation partners and distributors developed in European, Australian, Russian, Mid-Eastern and Asian countries. They started developing business in China 10 years ago and have their own representative sales office in Beijing, pursuing further increase on the sales performance. Currently, their main business presenting in the Chinese market are the product lines for getting rid of sludge from water and wastewater. They targeted to the municipal water and wastewater treatment plants for public sector and the large paper factories in the pulp and paper industry. Meanwhile, aiming for the double increase on sales and convenience in the equipment delivery, company C has also cultivated four local distributors in China mainland and two partners in Hongkong and Taiwan, trying to covering business and significant company clients in the wider geographical areas and industrial scope.

The interviewee of this case is the CEO of company. According to his explanation, basic way for company C to develop business in the Chinese market was mainly through product presentations and references recommendation.

> *"It was mainly through technical and commercial presentations, and of course, we have quite wide references, so we encouraged our potential clients to contact our existing customer companies, which helped to demonstrate the value of our products in practice"*

From the view of ending customers like the municipal wastewater treatment plants, the whole process including equipment purchases and construction was a large investment for them. They were significantly caring about the total cost and the benefits return of the investment over the period. Thus, in most cases, the potential customers will contact and visit the Company C's reference for further practical information. In addition, faced with the large Chinese market and the diversity between regions in the country

> *"we always have Chinese either local distributors or agents who assisted business with us, so we were able to understand their demand and expectation better, then demonstrating our business and products to them. For a medium-sized Finnish company, it was about credibility whether you have local presence or not"*

Company D

Company D is an environmental technology company offering advanced technology solution and equipment to biogas plants and soil and groundwater remediation projects. It was founded in 1995 and was the first company who specialized in soil remediation technology. Till now, there are 15 employees working in the company, and have been managed to achieve over 50 million euros turnover per year. As for the project references, most of happened in the domestic market of Finland, but there was also achievement in South Africa and the Asian countries of Vietnam and China. The company started the Chinese market development in 2016. In that year, an act called "soil ten plan" was published by the Chinese national environmental ministry, considering the serious contamination of soil and underground water in the country. The governmental policy changes and updated created potential business opportunities, which further encouraged the Company D to start business development in the Chinese market. Based on the timing and market hot, the Company D promoted their technologies of soil and underground water remediation. The leading advantage was that they provided a sustainable and biological way for soil remediation instead of damping to landfill with roughly processing.

In 2017, the company D successfully signed a licensing contract with a Chinese environmental company located in Beijing. In the contract, there were three folds between their cooperation, including the license of our technologies, training of workforce, and the project cooperation. Compared with other candidate companies, this selected partner was able to offer us them the most locative packaging financially, especially the discounting cash flows, which gave the company a sense of security that they were a serious partner. On the other hand, when the contract ended, there has been no plan for the Company D to continue the licensing cooperation, considering the limited market potential and the business capability of the Chinese partner.

"We will keep the connection and relationship with our partner, but, for the license contract, we will not renew it because, as I told, there was a height in the business space, and our expectation was much higher than those have been realized projects. However, our partner was not that strong as we expected to be, and the market was not that hot as everyone would have hoped. So, about this contract, it was a good deal for us financially, but it was not that good that we would have hoped when it comes the business development in the market".

Since 2018, the Company D has also been introducing and promoting their technologies and solutions to China. The new technology project they have been marketing now is about biogas technology. However, the market has still not been mature now in China as told by the CEO.

"The challenging is that the readiness for the market to pay for that solutions is not well yet, so we are not very actively on the biogas side. For the future, our main strategy is to stay in China and to find a partner who can work with in a longer term"

The way for Company D to get connection with potential Chinese companies was through a business intermediator company who organized an exchange communication conference for advanced cleantech companies and Chinese firms who wanted to enter into the field. Commented by the interviewee, the CEO of company D, such intermediator companies or official organizations are helpful in the internationalization of their firms.

"In general, when the purpose and business model are executed correctly, such intermediator companies or organizations will be a great value because they are kind of objective parties between two companies in different market. They can work in both directions, identifying technologies overseas and serving them to Chinese companies. I thought that it was one of the options for us to look for potential partners from China. So, when the execution is good, I think it was a great service"

In addition, the business network resource utilized by Company D also included the business programs organized by the Business Finland who acting as the eyes of Finnish companies in abroad market. And, in Finland, there are some cities who have partnership with the cities or regions in China. Based on that, there were exchange communication and business development activities organized by both local governments. And the company D has actively taking part of such connection in which there were business or regional delegations engaged in matchmaking between companies. These were all the resource for the Company D to get information about potential partners and cooperation opportunities. However, the interviewee noted that most of the partner match-making results obtained through these intermediator organizations or delegations were actually not as good as they expected. And for the sake of a serious and reliable partner, it is still necessary for companies to look for cooperation partners proactively and by themselves.

6.2.The important legitimacies for Finnish cleantech SMEs

Summarizing the data of each case company, the objective of this sector is to find out the common attributes across the interviewed companies about the legitimacies they need for developing business in China. And in order to best answer this research objectives, the following analysis and discussion will be structured according to the studied literatures about legitimacy.

6.2.1. Exchange and dispositional legitimacy

As mentioned, pragmatic legitimacy rests on the self-interest calculations of audience. The firms' promoted business or activities which satisfying the requirements and demand of stakeholders will be legitimated in the eyes of the audience. Through the practical interview with Finnish cleantech SMEs, it found that pragmatic legitimacy, especially the types of exchange and dispositional legitimacy, were the most fundamental for the Finnish cleantech SMEs to start business development in the Chinese market.

Specifically, all of the interviewed companies went to firstly investigate and understand the demand of Chinese companies according to their different engaged cleantech sectors, then proposing customized solutions for the clients' manufacturing issues and economic benefits generation. This was also a significant process for the SMEs to present and explain the competitive advantage of their clean technologies, which demonstrated exchange legitimacy of their business.

"You really need to know what your customers are looking for and meet their needs" (Company D)

"Our market know-how of Chinese market and the actively communication with local sales office and clients played a significant role to our business achievement in China" (Company A)

Apart from the technology advantage, economic benefits reward from such big cleantech project investment was also a critical issue for Chinese companies.

"Sometimes, it was also necessary to make financial assessment for the potential projects, which showed the clients how much cost saving they may be benefit from using our equipment in the production" (Company B)

Besides, it also found that the reliability of Finish firms' technology solution, equipment and services also affected the acceptance of their cleantech business in the purchase decision of Chinese companies. Firstly, the companies A, B, and C have all admitted that their references, especially those large-sized companies, in the Chinese local markets played a significant role for them in developing business. Not only did the references demonstrated the value and effectiveness of the Finnish cleantech equipment and offering in practical, but also implied the trustworthy of the foreign company organizations and their business, considering their successful cooperation relationship with Chinese local companies. What is more, for the firms' operation in China, the establishment of a physical office in the local has also showed to be critical. All of the first three interviewed SMEs have established sales office or representative agent in the Chinese market, and the company D has also planned a representative office with their own employees. This also represented the reliability of organizations. As expressed by Company C,

"For a medium-sized Finnish company, it was about credibility whether you have local presence or not" (Company C)

What is more, from the case study of Company D, it found that the influential legitimacy that utilizing national policies of cleantech can be also helpful for Finnish cleantech SMEs entering into Chinese market. In the emerging economies, the role of national government in the business environment cannot be ignored. Their large investment to an industry may create a market trend or business opportunities for local companies. Plus, cleantech is a police-driven industry in China. Then, there would be a higher possibility for the Finnish cleantech SMEs to receive attention and even cooperation opportunities from local companies in China, once it is consistent between their cleantech technologies and offering with the governmental new published and promoted policies, such as the “soil ten plan” in the case. From the perspective of distributors or sales agents, this consistency and conformity may be related to the market potential of the clean technologies and equipment that provided by foreign suppliers, which then affected their decisions for cooperation. Therefore, it is important and necessary for Finnish cleantech SMEs to keep eyes on the cleantech industrial policies in China. The changing and new update can be a potential business opportunity and timing for the SMEs to catch, which then allows them to enter into Chinese market

6.2.2. Consequential legitimacy

In the category of moral legitimacy, the necessity for Finnish SMEs to demonstrate consequential legitimacy was more heavily than the procedural legitimacy of their proposed technology solution and structure legitimacy of operational business because the consequential legitimacy was usually regarded as visualized measurement of the pragmatic legitimacy which strongly promoted by firms.

Different from pragmatic legitimacy, the consequential legitimacy was evaluated or judged by what output and consequence have firms accomplished. One of the ways for the Finnish cleantech SMEs to establish it is to introduce their technical success and references in the local market. As the general sales manager who responsible for the Chinese market of Company B mentioned,

> *“………, you know, how much the importance of successful references and projects is when doing business in the Chinese market”*
>
> *“…… …, we will take them to visit our references, which demonstrated the benefits of our products through real cases and the communication with our current clients” (Company B)*

Similarly, in the case of company C, the CEO of the company also utilized their references as a power tool for the further business development. And for the company A, the interviewee particularly stressed their clients' large-size and widely known characteristics in the paper and pulp industry of China.

> *".... we have quite wide references, so we encouraged our potential clients to contact our existing customer companies, which helped to demonstrate the value of our products in practice" (Company C)*
>
> *"...last year, we achieved a repeated order from one of our important references in China. It is a vary big manufactory in the paper and pulp industry" (Company A)*

In addition, the patents, certificates and endorsement that the Finnish cleantech SMEs obtained, especially in the Chinese local market, were also able to represent the consequential legitimacy of the Finnish SMEs, which showed the outcomes and achievement of their business and offering in a more direct way. For example, in 2009, the clean technology of company A was officially introduced in the list of national encouraged and imported equipment with water saving technology, especially in the paper and pulp industry. In the case of company B, then, it received the Outstanding & Innovative Contribution Award of China Cement Kiln Co-Processing Technology from CCA (China Cement Association) in the December 2017. These kinds of acknowledgement from official and industrial organizations can also signal the dispositional legitimacy of credibility and the cognitive legitimacy of predictability about the Finnish firms' business.

When it comes to procedural and structure legitimacy, the socially accepted business operation techniques, and procedures, none of the interviewed companies expressed that they have ever been restricted by industrial regulations or technical standards in the Chinese market. The Finnish cleantech SMEs generally contained the explanation of organizational features and operation or procedure same in the products and commercial presentation, which improving their reliability in the eyes of customers. For example, in the presentation, the SMEs introduced

"We have a long history in the technology innovation of soil remediation since 1995. We are one of the earlies firms specialized in the filed in Finland" (Company D)

6.2.3. The comprehensibility of cleantech business

Compared with the pragmatic and moral legitimacy which based on interest and evaluation, cognitive legitimacy place emphasis on the establishment or the change of perceptions of audience and stakeholders. Through the interviews, it found that the cognitive legitimacy was necessary for Finnish cleantech SMEs to establish at the early time when the cleantech sub-sectors they engaged in were still underdeveloped in the Chinese market, as the case of company B.

"At the early time when we started developing business in the Chinese market, the understanding about this industry was still weak. They did not know how the industry has been developed in the western countries. Thus, in the very beginning, we spent a great effort on getting in touch with local government, actively communicating with the responsible people in the related department. We managed to convey our products and technology concept to them".

The company B introduced the industrial development distance between China and the European countries to stress plausibility of their clean technology and equipment, meanwhile, they have also utilized their references in Finland to demonstrate the predictability and practical applications of their technologies in the real business environment, which then enhanced the legitimacy of their business in the cognitively judgement of customers and stakeholders at the time.

As the issue of environment protection getting realized and even getting supported by the national government with policies, this cognitively changing can be regarded as a good timing for business developing and partner cooperation, as the case of Company D.

"Backing to the 2016, the new governmental act, called 'Soil Act Plan' was created, the Chinese Environmental Minister decided to do something for the over 60% contaminated soil land of the country. So, this policy change gave us a kind of headroom to start investigate business in the Chinese market"

6.3. The legitimation strategies used by Finnish cleantech SMEs

After identifying the important types of legitimacy for Finnish cleantech SMEs, the objective of this section is then to identify what legitimacy strategies and specific approaches have they used for the business development in the Chinese market. It will be structured according to framework discussed earlier in the theoretically parts, summarizing the legitimation strategies responding to each category of legitimacy

6.3.1. Conformance strategy

As examined above, exchange legitimacy and dispositional legitimacy were the most fundamental legitimacy for the Finnish cleantech firms to develop business in the Chinese market. The Chinese client companies and manufactories took serious about the economic benefits and cost-saving capability of the imported clean technologies and equipment. Meanwhile, the dispositional legitimacy about trustworthy and visibility of the Finnish companies also played a critical role in the legitimacy judgement of the Chinese stakeholders.

In the empirical interviews, all of the Finnish cleantech SMEs have been actively explicating and demonstrating the value of their offering by products and commercial presentations which involving the competitive advantage of their technologies, the technology expertise of companies, and the long history of business operating in the cleantech sectors. Moreover, the industrial trading fair and exhibitions are also significant opportunities for the Finnish firms to demonstrate themselves and build up pragmatic legitimacy proactively.

Meanwhile, as the pragmatic legitimacy rarely can be gained purely through "sound practices", there should be established records about the technology advantages for support. Thus, the Finnish firms have also introduced their successful projects, arranged the potential clientele to visit the references and, sometimes, prepared financial assessment about their technological solutions to visualize the value and benefits of their clean technology and products in a practical way. Through these performance and reference records, it was more likely for the Finnish cleantech companies to prove their exchange legitimacy in the judgement of client companies. Furthermore, the technical success and the cooperation relationship with their references, especially those big projects and clients with high reputation in the industry, also helped the Finnish firms establishing their dispositional legitimacy, which specifically refers to the trustworthy of organizations and the credibility of their cleantech offerings.

In the pursuing of moral legitimacy, none of the interviewed companies had ever been restricted by local industrial regulation or technology standards during the project implementation, since all the equipment would be directly imported rather than producing in China. Instead, they took a great effort on the gaining of consequential legitimacy in the mind of stakeholders. The Finnish cleantech firms managed to demonstrate what they have achieved by their cleantech projects and references. In a sense, this was equivalent to achieve pragmatic legitimacy, presenting concrete and meritorious outcomes to satisfy the tastes of potential customers and conveying the benefits and value of their business to the stakeholders. Apart from that, the consequential legitimacy building also included patent application for their technologies and equipment, rewards and endorsement from official authorities, and the recommendation of their important references in the Chinese market. This is more obviously in the case of company A and B.

6.3.2. The establishment of physical presence

Compared with conformance strategy, the selection for an advantageous environment to utilizing their existing legitimacy was not widely used in the interviewed Finnish cleantech SMEs. Through the empiric interviews, it found that the Finnish cleantech SMEs actually targeted a wide range of Chinese manufacturers clients as long as they belong to their engaged cleantech sectors. The Finnish SMEs tended to proactively demonstrate themselves, exploring business in a wide range of clientele. Similarly, the firms have been looking for business all over the Chinese market, rather than geographically targeting business opportunities in any particular area or regional market.

On the other hand, among the four interviewed companies, three of them have established representative office or fully foreign-owned subsidiary in China. And this has also been the plan of Company D. The company A and C located their representative office in Beijing. Company B established subsidiary company in Shanghai, and the license cooperation partner of Company D was also from Beijing. The two cities are the political center and business center of China, in which may be prevailed a higher level of appreciation of cleantech and more business resource. Particularly, in the case of company B, one of the reasons for them to locate the subsidiary in Shanghai was their close relationship with the FinChi Innovation Ltd who has been providing a wider range of business service to the Finnish companies in China. The general manager said,

> *"Finchi helped us with accounting and employee's recruitment in the beginning, so that we are able to spare time and energy, concentrating on the business development."*

With a physical presence in the market, not only would it be easier for the SMEs to be involved in the local business and public networks, accessing to the latest industrial information and customer resources, but also enhance the dispositional legitimacy of their business activities and organizations. As expressed by Company C, the local presence concerned about the credibility of the firm and their business in the mind of potential Chinese customers.

6.3.3. Networks and endorsement

Apart from the legitimation strategies, it is also possible for the SMEs to signal the consequential and dispositional legitimacy by strategic alliance and networks, but this was not obviously in the Finnish SMEs of this study. Among the interviewed cases, the inter-firm cooperation, such as material supplying or products manufacturing, between Finnish and local Chinese companies were not always the case in practical. Firstly, all of the interviewed Finnish companies have their own capability of manufacturing in Finland. Although the Company B has several Chinese suppliers and OEM factories for the compartments of their equipment, the products with core technology have been still imported directly from Finland. Secondly, it was also to protect intellectual property right of their technologies. In the interview of company A, they had ever been experienced the copy issue by the Chinese company in the same business sector. Thus, instead of alliance establishment with business companies, the Finnish cleantech SMEs have been widely utilizing their achieved projects or references, demonstrating the relationship building behavior with customer companies. Meanwhile, understanding the importance of business network, there was a degree of connection between Finnish cleantech SMEs with the industrial organizations or associations in the Chinese market. For example, the Companies A and B have been keeping a warm relationship with the industrial association in their own field for the resources of latest policies, customer networks, and public forum or conference for promotion.

6.3.4. The institutional entrepreneurial behavior

Learned from the interviews, the local projects or references played a significant role in the business development of the Finnish cleantech SMEs in the Chinese market. It visualized the benefit and the value of cleantech offering and the cooperation and comments from the clients showed the dispositional legitimacy about the reliability and credibility of the organizations. Despite of it, this was not the case in the very beginning when the SMEs started business in China. The companies lacked local references to demonstrate their clean technologies and the exchange benefits in a practical way. Further, in some cases, the subsectors that the Finnish engaged in were still weak and underdeveloped in the Chinese market, and there was lacking well-established technical and testimonial standards about the clean technologies.

In the case of Company B, there was operation of them to get in touch with local government, arranging a visiting to their reference in Finland and explaining the cleantech development distance between Finland and China.

> *"At the early time, we spent a great effort on getting in touch with local government, actively communicating with the responsible people in the related department. We managed to convey our products and technology concept to them, which included taking them to visit our company and references in Finland, demonstrating our thinking through practical cases".*

However, this cognitive legitimacy building was a challenging and time-consuming process for the company. It took almost two years for them to achieve the first projects. And this proactively pursuing for the change of perception was not strong in all the Finnish cleantech SMEs. As the case of company D, when the author mentioned about the new projects program which have been promoting in the Chinese market, the CEO explained,

> *"The challenging is that the readiness for the market to pay for that solutions is not well yet, so we are not very actively on the biogas side"* (Company D)

From the interviewed cases, it found that the Finnish cleantech SMEs managed to gain their needed legitimacies mainly through conforming to the stakeholders and with individually operation. Few of them proposed to organize collective action for establishing cognitive legitimacy in the new market. Since the limited capability of SMEs, it may require a large organizer with both governmental official and business identities to organized collective actions for Finnish cleantech SMEs entering the Chinese market, assisting them to get in touch with key responsible constituents or persons in the cleantech sectors, then getting access to more project business and firm's cooperation opportunities for them. For example, in the case of Company D, the opportunity that setting up a license cooperation with the Chinese partner was through a business association, U-more, from China. In the year of 2016 when the Chinese national government strongly encourage the environment protection and clean technologies utilization in the industrial manufacturing, the U-more organed the Chinese companies with clean technology demands and actively looking for potential cleantech firms overseas, establishing the business connection between them. Thus, the utilization of public organizations and associations should not be underestimated by the SMEs for firms' internationalization.

7. CONCLUSION

This chapter will make a summary of the studied legitimacy theories, research method and the empirical findings to answer the research question and objectives of this study. Besides, the limitations and the related topics which are potential to be researched in the future will also be discussed.

7.1. Conclusions and managerial implications

According to the institutional theory, the institutions of a country should not be simply taken as the environment background of business firms, but an independent factor which affecting their strategic decisions for business, especially in the emerging economies. The formal and informal institutions influence the companies in regulations, social norms and cultural-cognition. When the Western firms managing to develop business in the emerging economies where has a bigger institutional distance with developed countries, it is necessary for them to establish legitimacy, which defined as "*the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs*", for their business and organizations. The organizational legitimacy will empower the foreign companies by making their business conduction naturally and meaningful, which then minimizes the transaction cost of operation and the potential institutional pressure in the market. Furthermore, the legitimacy can be also utilized as a strategic instrument for the firms to obtain needed information and resource more quickly, migrating the firms' liabilities in the entry of emerging markets.

Regarding to the legitimacy study, Therefore, this thesis is to research both aspects of legitimacy need and the strategies for gaining legitimacy in the context of SMEs and emerging economies. The theoretical basis of this study stemmed from the legitimacy study of Suchman (1995), which classified the legitimacy into three types: pragmatic legitimacy, moral legitimacy, and the cognitive legitimacy, and then proposed three categorizes of legitimation strategies responding to each type of legitimacy. And considering the study background, this thesis specifically focused on the Finnish cleantech SMEs and the Chinese market. To implement the research project, it adopted multiple case study as the research strategy of this study, selecting the case companies who have been running the China over five years and collecting qualitative data by interviewing with the CEO and mangers of the Finnish cleantech SMEs.

Through the empirical interviews, this research identified several types of legitimacy need of the firms when developing business in China and summarized in the Table. 2. It found that exchange legitimacy and dispositional legitimacy which belong to the pragmatic legitimacy category were the most fundamental legitimacy need for the cleantech SMEs developing business in China. Specifically, evaluating the exchange legitimacy, the stakeholders considered whether the imported clean technologies able to reduce the energy consumption and improve production efficiency, which then generate economic benefit in the business operation. In addition, they have also expectation of dispositional legitimacy from the Finnish firms, which is about the trustworthy of their products and physical presence in the local.

Regarding to the moral legitimacy, its subtype of consequential legitimacy has more influence on the legitimacy need of the Finnish SMEs. In a sense, it was similar to the exchange legitimacy, which the firms have to demonstrate the practical outcomes and output of their cleantech products and service. Apart from the local references, it can be also the patent technology, quality awards and official certification achieved by the SMEs in China. When it comes to the cognitive legitimacy, it is a significant legitimacy for the cleantech SMEs, especially at the early time when the cleantech subsectors where they engaged in were still underdeveloped in China. It can be even an opportunity if they were able to establish the comprehensibility about their cleantech business in the stakeholders. This requests a strong proactiveness and institutional entrepreneurship for the firms. However, the legitimacy need was not found in all the interviewed companies.

Table. 2 The legitimacy needs of Finnish cleantech SMEs

Needed legitimacy	The basis of legitimacy
Exchange legitimacy	The technical benefits of the cleantech equipment: reduction of energy consumption, improvement of production efficiency, environment treatment etc.
Dispositional legitimacy	The trustworthy and effectiveness of the cleantech equipment; The references of cleantech SMEs in the Chinese market; The physical presence of the cleantech SMEs in the Chinese market, whether they have local sales offices or distributors;
Consequential legitimacy	The technical success or references in the Chinese market; Patent technology, quality awards or certification rewarded by official institutions in China;
Comprehensibility	The plausibility and predictability of their cleantech business in the Chinese market

Responding to the needed legitimacy, the Finnish SMEs partially adopted the legitimation strategies which proposed in the theoretical parts. Their efforts were mainly on the satisfying to the demand of dominant stakeholders, introduction of local references, and the physical presence of their offices or distributors in China. More specifically, the Finnish cleantech SMEs built up exchange legitimacy of their equipment in the traditional way of commercial presentation and the regularly attending to the industrial exhibitions and fairs. Meanwhile, they also introduced their references in the local. Not only was it able to demonstrate the value of cleantech offerings in practice, but also achieved the trustworthy of their cleantech equipment in the mind of customers In addition, to further demonstrate their dispositional legitimacy, the interviewed Finnish SMEs have established the physical offices and formed partnership with local distributors, which conformed to the expectation of clients about the firms' reliability and credibility in the potential cooperation.

Apart from the legitimation strategies, it is also possible for the Finnish cleantech SMEs to signal the dispositional legitimacy of trustworthy and the consequential legitimacy of their cleantech offerings by their influential network resources. Similar to the conformance legitimacy, the dispositional legitimacy signaled by Finnish cleantech SMEs mainly through their relationship and successful cooperation with local references and clients. Besides, there was also long-term relationship and connection of them with the industrial associations in China. The quality reward, certification and endorsement rewarded by the public organizations in the industry also posed a positive influence on the legitimacy signaling of the Finnish cleantech SME in the business development. Moreover, such public relationship in the industry can be also utilized as a channel to establish the comprehensibility of their business in the Chinese market, especially at the early time when the cleantech sectors were still underdeveloped in China. The company network resources of the industrial association or intermediators will help a lot for the SMEs to get in touch with target customers in the local. The Table.3 below displayed the legitimation strategies and tactics that utilized by Finnish cleantech SMEs to develop business in the Chinese market.

For the cleantech SMEs who are interested in the Chinese market, this study provides a few guidelines for them. Firstly, being as an emerging economy with an underdeveloped institutional environment, all levels of governments play significant roles in the society. There is possibility for them to create a market trend or demand through formal institutions like policy incentives, financial investment and subsidies. Thus, it is important for the foreign firms to pay a close attention to the changing of national and regional policies about the cleantech industry. Plus, cleantech is a highly-policy driven industry in China. Secondly, to developing business in the Chinese, the exchange legitimacy and the dispositional legitimacy about the trustworthy and visibility of firms are most important for the SMEs. The firms should take efforts on visualizing and demonstrating the value of their products and services, which then achieving the legitimacy in the judgement of stakeholders. The most acknowledged way is to show their reference in the local. Particularly, the physical presence of the cleantech SMEs in China enables them to get access to the latest industrial information and resources, policy changing, and get involved in the local networks, which migrates the liabilities in the market.

7.2. Limitations and future study

In this study, there are also limitations of research. Firstly, due to the limited time and resources, the number of interviewed SMEs who have been successfully established business in the Chinese market was not big enough, which then did not include all the aspects of legitimacies and its building strategies. This may affect to depict a complete picture of the legitimacy building of SMEs when they managed to enter emerging markets. Secondly, all the case companies in this study have always been targeting directly to ending customer companies in China, the dominant stakeholders. Few of them chose to form alliance relationship with other business firms or social constituents. Therefore, the research result about the needed legitimacies of SMEs was also based on their business developing with ending customers. Considering the self-interest consideration were different between the business or public actors and ending customers companies, there would be also variation on the legitimacy need by SMEs with the purpose of building relationship with the actors. At last, in examining legitimacy gaining strategies, there was not collective action founded among SMEs to achieve cognitive legitimacy by creating or manipulating the perceptions of their stakeholders. All of them are individual behavior to the firms. Since the limited capability and resource of individual company, the SMEs focus more on the conformance legitimation strategy and the manipulation approaches for pragmatic and moral legitimacies. Thus, the institutional entrepreneurship behavior of SMEs was not empirically discussed enough. Therefore, in the future research, it is possible to investigated how to organize such that collective action and utilize cross-sector relationships for SMEs to get access and get in touch with more business opportunities and potential customers. In addition, considering the policy-driven characteristic of clean-tech industry in China and the effect of influence legitimacy to the business companies in the emerging markets, there can be also a study about the firms' market entry by utilizing the timing and change in policies of industry.

Table. 3 The legitimacy needs of Finnish cleantech SMEs

Types of legitimacy	Legitimacy-building strategies
Exchange legitimacy	• Conforming to satisfy the demand and requests of stakeholders about the firms' offering s and services • Attending to trading exhibitions, industrial conferences or public forum regularly for building firms exchange legitimacy
Dispositional legitimacy	• Selecting an advantageous environment where the firms have existing resources and establishing physical offices there • Introducing the references in the local, which stronger the reliability and trustworthy of firms and their promoted business in the mind of stakeholders
Consequential legitimacy	• Introducing the technical success, social contribution and client references that the firms made in the society • Promoting their significant awards, patent, or endorsement that the firms achieved in the local
Comprehensibility	• Utilizing the technical success and references of the firms in the domestic and local market, which increase the plausibility and predictability of their business • Establishing connection and relationship with the public organizations or industrial associations, which gets access to the resources of industrial information and business networks

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APPENDIX 1. Semi-interview Questions

More information of interviewed companies

1) How many employees are there in your company now?
2) When did you start developing business in China?
3) Why did you decide to enter the Chinese market?
4) What is the competitive advantage of your technologies or products?

Specific strategies and approaches that utilized by Finnish cleantech SMEs for gaining Pragmatic legitimacy

1) What kind of companies are your target customers in the Chinese market?
2) What are your customers most interested in or care about?
3) How did you convey the benefits and value of your products to the targeted customers?
4) Do you attend industrial trade fairs and exhibitions regularly?

Moral legitimacy

1) Do you have established references about your products in the Chinese market?
2) Do you have distributors or partners in the Chinese market?
3) Compared with other candidates of Chinese environmental protection company, why did you choose this company as your partner?
4) What else existing connections do you have in the Chinese market?
5) Did your firm experience any governmental intervention or regulation restriction on the business running in China?

Cognitive legitimacy

1) Are you a membership company of any business or industrial association in the domestic or local market?
2) As a membership company of Business Finland, what services have you received from them?
3) How did you identify the business intermediator?

4) Apart from the business intermediators, what else channel have you ever been used to get in touch with Chinese companies?