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Master Degree Project in Innovation and Industrial Management

The Process of Legitimizing Business Model Innovation

A multiple case study of Swedish and Chinese MNEs

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Abstract

Studies have shown how companies that are constantly revising and implementing business model innovations are more likely to navigate through complex environments and thus succeed in the long run. Despite this fact, the process of developing new business model innovations is faced with a wide range of illegitimacy challenges. Gaining legitimacy in the process of business model innovation (BMI) therefore becomes of vital importance. The main purpose of this qualitative multiple case study is to get a deeper understanding of illegitimacy challenges in the process of business model innovation, as well as investigating ways of gaining and/or maintaining legitimacy throughout the process. Theories indicate several illegitimacy challenges and suggestions of strategies for gaining and maintaining legitimacy. The empirical findings of this thesis confirm what previous scholars have found within the focal field. Moreover, the novel findings of this thesis contributed to the development within the field. At an initial stage of the process, it is beneficial to “work under the radar”; which gives the project time to mature without having to meet strict deadlines and challenging opinions from established forces. Additionally, findings show how an authority figure within the organization often enhances the process of gaining legitimacy. Furthermore, the creator of the BMI project must be passionate and energetic about the innovation, as well as being prepared to invest the time needed to structure clear and realistic goals for the business model innovation project. Lastly, this thesis shows the importance of protecting recent accomplishment to strengthen legitimacy gained within the organization in the long run.

Keywords: Business model innovation, illegitimacy challenges, gaining legitimacy, maintaining legitimacy

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1. Introduction

This chapter aims to introduce the background for writing this thesis and to provide an overview of the central theoretical material from which the purpose and the research question has been shaped.

1.1 Background

Innovation is of vital importance in today's competitive and global business climate. The recent connectivity development has opened up for a market where new skills and partnerships form new competition, but also yields opportunities of offering value from novel products and services (Teece, 2010). Studies have displayed how creative leaders strongly inspire to experiment with different types of business model innovations to operate more effectively in this ever-changing environment (IBM 2010). Patterns are also increasingly showing that companies that are able to organize knowledge, experience, and technological skills in order to create novelty in their products and/or services, as well in the ways of delivering those offerings, are more likely to succeed (Tidd and Bessant, 2009). As the necessity for more innovation is increasingly declared, the actual outcome, according to scholars, is falling short of what is required, leading to a perceived innovation problem (Storey, 2000).

Within the positive literature innovation is treated as accepted and acknowledged as a good thing (Storey 2000), while this may be the case, Takeishi et al. (2010) argue how economical and technical uncertainties are predominated in early stage innovation processes. Organizational members, the recipients or innovators, are likely to question the outcome, potential value, and the change the innovation delivers. Takeishi et al. (2010) further mention how "*there is no objective consensus that a new idea will succeed in the end (p. 165)*", Storey (2000) continues with the notion on how awareness of the risks and the costs innovations carry can lead to illegitimacy for the innovation.

As described above there is a range of illegitimacies surrounding innovation due to the disputed environment. Innovation is understood to be a source of anxiety were conflicts within the organization might arise surrounding important issues such as; allocation of resources, service and product offerings, operating processes, as well as the infrastructure of the organization (Storey 2000). According to IBM's report (2010), the complexity within organizations seems to be at an all-time high were various companies might need to re-evaluate their business model and thus new ways of creating benefits internally as well as the value proposition they present to their customers.

“Without a well-developed business model, innovators will fail to either deliver – or to capture – value from their innovations.”¹

In the process of business model innovation (BMI), there is a challenging task of attaining legitimacy for crucial activities. Innovation might cause illegitimacies from established forces, activating inertia, when challenging existing trajectories, structures, cultures, routines, and old investments (Christensen, 1993). However, even if factors initially get illegitimated, there is still a chance for organizations to incorporate them (Dougerty & Heller, 1994). Cavalcante (2011) reasons how the dynamics of business models are *“driven by an individual’s ability to recognize the need for change and by the will to promote and implement such change (p. 1336).”* Just recently has that role of individuals been recognized in literature concerning organizational change, which is central in our understanding of business model dynamics. As new ideas or visions often emerge from vague concepts, the actions taken by individuals are evident throughout the process of business model innovation (Cavalcante, 2011).

Greenwood et al. (2002) argues how most writers to date have largely ignored how new ideas become legitimized. Van Dijk et al. (2011) seconds this by stating how real-time studies of legitimizing actions in innovation projects are missing in literature. Takeishi et al. (2010) further address this problem by declaring how the legitimacy itself and ways to obtain it have not been fully explored.

To conclude, one can see how today’s competitive and global business climate opens up for new types of competition and opportunities of providing offerings, where companies might have to reevaluate their business model and hence develop new innovations. However, patterns also show how there are a range of illegitimacy threats to overcome when developing these new innovations, and how today’s literature has largely ignored this phenomenon. Thus, opening up for further research in the field of how actors manage to legitimate new business model innovations.

1.2 Purpose and Research Question

The purpose of this thesis is to develop a greater understanding of the legitimizing process of business model innovation. As discussed in the background, innovations are of vital importance, but are currently also facing large extents of illegitimacies. Despite these illegitimacy challenges, organizations are still able to develop new business models. Thus the focus of this paper is to examine the following three areas; (1) what are the illegitimacy challenges during the BMI process, (2) what are ways of gaining legitimacy, and (3) what are ways of maintaining legitimacy. Additionally, since the world is becoming more globalized, this thesis will also investigate similarities and differences between Swedish and Chinese firms within the aforementioned topics.

¹ (Teece, 2010, p.172)

Utilizing the previously stated purpose, alongside with the background for means of framing, the following research question has been created:

What actions enhance legitimacy in the process of business model innovation?

To answer the research questions, three sub-questions have also been created:

What are illegitimacy challenges?

What are ways of gaining/maintaining legitimacy?

What are differences/similarities between Swedish and Chinese companies?

The research question will be answered by first examining relevant literature within the focal field, and second performing semi-structured interviews at companies located in Sweden, as well as in China.

1.3 Delimitations

In order to answer the just constructed research question with the limited time and resources possessed for this thesis, the following scope has been created.

- All the interviews will be performed at multinational enterprises (MNEs), with a focus on firms within the automotive industry.
- The comparison between Swedish and Chinese firms will be conducted with a sample size of seven companies; four in Sweden and three in China.
- The focus will solely be but on the legitimizing process of business model innovation, thus no other types of innovation will be further analyzed.

1.3 Thesis Structure

Chapter one aims to provide an *Introduction* to the topic of this thesis. Here background information is provided, touching upon the importance and purpose of the field of study chosen for this thesis, as well as the research question set out to answer.

Chapter two contains the *Theoretical framework* used in this thesis. Here relevant theories are discussed and defined with focus on the topics of business model innovation and legitimacy. Firstly, business model and business model innovation will be discussed. Secondly, the concept of legitimacy will be presented in general and then further discussed in terms of strategies for how to gain and maintain it.

Chapter three provides the *Methodology* used in this thesis. Here the methods used to conduct this study are mentioned with arguments to why they have been chosen. Also, a detailed demonstration of the case selection is presented.

Chapter four contains the *Empirical findings*, which have been gathered from the interviews conducted. The findings are presented case per case, where focus is put on the illegitimacy challenges and ways to overcome them.

Chapter five contains the *Analysis*. The chapter presents the analysis of the empirical findings of this thesis. Focus is put on analyzing differences and similarities with regards to the three main topics, namely; illegitimacy challenges, gaining legitimacy, and maintaining legitimacy. Lastly, an analysis of the differences and similarities between Sweden and China is presented.

Chapter six presents the *Conclusion* and will thus present an answer to the research question and the main findings of the thesis. Ideas of future research within this field will also be discussed.

2.Theoretical Framework

The purpose of this chapter is to provide an understanding of different frameworks and theories that compose the theoretical basis of this paper. Firstly, a comprehensive overview on the topic of business model will be presented. Secondly, the topic of business model innovation will be discussed, with a focus on the illegitimacy challenges regarding business model innovation. Thirdly, legitimacy will be defined, followed by a presentation of how to gain and maintain it.

2.1 Business Model

While the interest and general discussion regarding business models have increased within the business/management field during recent years (Zott et al., 2011), there is still no clear definition and explanation of what business models actually are. Authors have described business models in diverse ways, but there does not seem to exist a generally recognized definition as of today. The theoretical differences existing could be explained by how researchers have different viewpoints, thus explore different essentials (Shafer et al., 2005). Consequently, diverse definitions of business model will emerge, definitions that are applicable for the focal studies, but do not merge well into a general definition (Zott et al., 2011).

As just declared, definitions and notions regarding business models are widely spread. Nevertheless, by following Osterwalder's view of a business model, one will get a better understanding of the fundamentals.

By defining "business" and "model" independently, Osterwalder (2004) gives a first simple understanding of a business model as "*a representation of how a company buys and sells goods and services and earns money (p. 14).*" He further extends this notion by describing the business model as an "*abstract representation of the business logic of a company*", where "business logic" is defined as an "*abstract comprehension of the way a company makes money*" (p.14). Thus, one could recognize the business model as a conceptual model of a business (Teece, 2010), which helps the company with two crucial functions: value creation and value capture (Chesbrough, 2007).

It is also important to distinguish between a business model and a strategy. The business model does enable examination of a company's strategy, in terms of analysis, testing, and validation. However, this does not make the business model a strategy in itself (Shafer et al., 2005). The business model could rather be seen as a *blueprint*, which translates the company's strategy into the company's logic of earning money (Osterwalder, 2004).

Figure 1 below presents more definitions of a business model from today's literature.

Author(s), Year	Definition
Timmers, 1998	The business model is “an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues” (p. 2).
Amit & Zott, 2001; 2012	The business model depicts “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (2001 511). Based on the fact that transactions connect activities, the authors further evolved this definition to conceptualize a firm’s business model as “a system of interdependent activities that transcends the focal firm and spans its boundaries” (2012: 42).
Chesbrough & Rosenbloom, 2002	The business model is “the heuristic logic that connects technical potential with the realization of economic value” (p. 529).
Magretta, 2002	Business models are “stories that explain how enterprises work. A good business model answers Peter Drucker’s age old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” (p. 4).
Osterwalder, 2004	A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams. (p. 15)
Morris et al., 2005	A business model is a “concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” (p. 727). It has six fundamental components: Value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors.
Shafer et al., 2005	A business model is defined as a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network.
Johnson et al., 2008	Business models “consist of four interlocking elements, that, taken together, create and deliver value” (p. 52). These are customer value proposition, profit formula, key resources, and key processes.
Casadesus-Masanell & Ricart, 2010	“A business model is . . . a <i>reflection</i> of the firm’s <i>realized</i> strategy” (p. 195)
Teece, 2010	“A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value” (p. 179).

Figure 1: Business model definitions.

2.2 Business Model Innovation

Businesses are often valued based on the products and services they provide. Consequently, managers have focused the innovation capabilities within their firms towards those fields. However, as globalization and technological development increases, new opportunities are being revealed for managers who are ready to innovate their business model in order to differentiate themselves from the rest of the market (Pohle & Chapman, 2006).

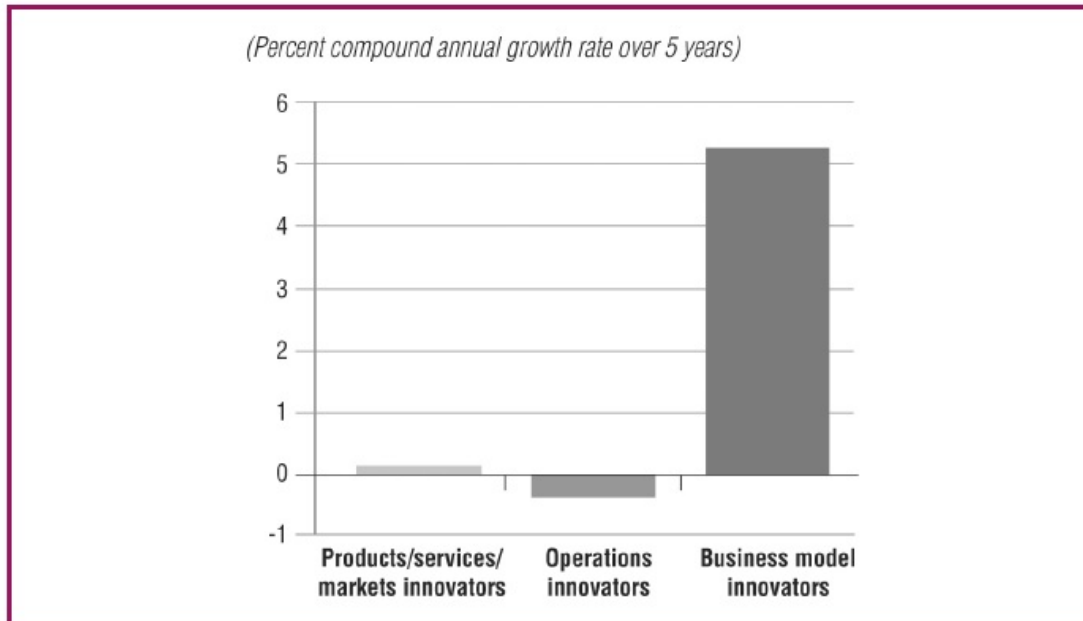


Figure 2: Operating margin growth in excess of competitive peers (Pohle & Chapman, 2006)

A survey (Pohle & Chapman, 2006) conducted by consultants at IBM show how companies that were outperforming their competitors by financial means put double the emphasis on business model innovation. CEO's who took part in the survey mentioned how it was very likely that *“a competitor with a radically different business model would upset the competitive dynamics of the entire industry (p. 36)”* and how *“innovation with respect to business models and operations will not only create opportunities for cost saving, but will also lead to additional revenue generation opportunities (p. 38)”*. Pohle and Chapman further argue how battles between business model innovations can replace today's battleground of products/services, and market innovations.

A model is always static by nature and could be seen as a print of the present. Though, the business models of most companies need to adapt and change in order to meet the constant pressure from the company's surroundings (Osterwalder, 2004). As argued, organizations that are continuously successful at managing their innovations outperform their competitors in terms of financial performance and growth (Tidd, 2006).

A differentiated business model developed through use of solid competitive advantage is more likely to generate profit. However, competition will eventually catch up unless the company protects and develops their business model in a dynamic manner (Teece, 2010). New innovations, regulations, and competitors are various factors that could drastically change the market and thus make a business model valueless. Accordingly, companies need to develop their business models continuously if they want to stay successful in the long term (Sosna et al., 2010).

Business model innovation can be seen as a change to the business model that provide offerings to customers and end users that were not previously available, with the processes of developing these novel replacements also referred to as a business model innovation (Mitchell & Coles, 2003). Afuah (2014) resumes the argument surrounding novelty and change by moving back to the architecture of a business model and its components. Furthermore, Afuah states that business model innovation is about “*creating and/or taking advantage of opportunities to better create and capture value (p.11)*”, which is achieved by changes in the key components of a business model. Other scholars also appear to put an emphasis on change, process, and the capturing of value in new ways when defining a business model innovation (Chesbrough, 2006; IBM, 2006).

Author(s), Year	Definition
Mitchell & Coles, 2003; 2004	A business model is the combination of “who”, “what”, “when”, “where”, “why”, “how”, and “how much” an organization uses to provide its goods and services and develop resources to continue its efforts. A business model replacement improves performance in at least four of these business model elements versus the competition to create sustained enhancements in company earnings, cash flow and revenues. By business model innovation, we mean business model replacements that provide product or service offerings to customers and end users that were not previously available. We also refer to the process of developing these novel replacements as business model innovation.
Taran & Boer, 2013	Taran & Boer (2013) describe a business model as a model of creating and delivering value composed of seven building blocks. Business model innovation is described as the change of these building blocks. “In effect, any change can rightfully be called a business model innovation. Some changes are more radical, farther-reaching and/or more complex than others. And some changes (e.g. radical product innovation, incremental process improvement) are better understood than others (e.g. a holistic, new to the world departure from all business models known so far).”
Afuah, 2014	To define a business model innovation, we first define a business model and an innovation. A <i>business model</i> is a framework or recipe for making money- for creating and capturing value. Innovation is about doing things differently from the norm. Therefore, a <i>business model innovation</i> is a framework or recipe for creating and capturing value by doing things differently. It is often about changing the rules of the game.

Figure 3: Business model innovation definitions.

Taran and Boer (2013) argue how organizational change is quite common but also question what actually encompasses business model innovation. They describe a business model as a model composed of seven building blocks. Furthermore they create a three-dimensional space, focusing on radicality, reach, and complexity, which work as a framework when defining business model innovation by placing them within the three dimensions. Taran and Boer (2013) also emphasize how any change in the building blocks of the business model can rightfully be called a business model innovation, where the three dimensional framework helps confirming of radical the BMI actually is. Below follows a description of the three dimensions.

- *Radicality*: describes the newness of the building blocks in terms of radical or incremental change. Radical changes are usually defined as significant shift from existing products/services, processes or business models. Incremental change on the other hand, indicates minor changes such as improvements or extensions in previous mentioned areas.
- *Reach*: describes for whom the innovation is created for, reaching from a company, market, industry, to the world.
- *Complexity*: describes the number of building blocks that the innovation touches upon and changes in the process. Changes in any of the building blocks are considered as a business model innovation.

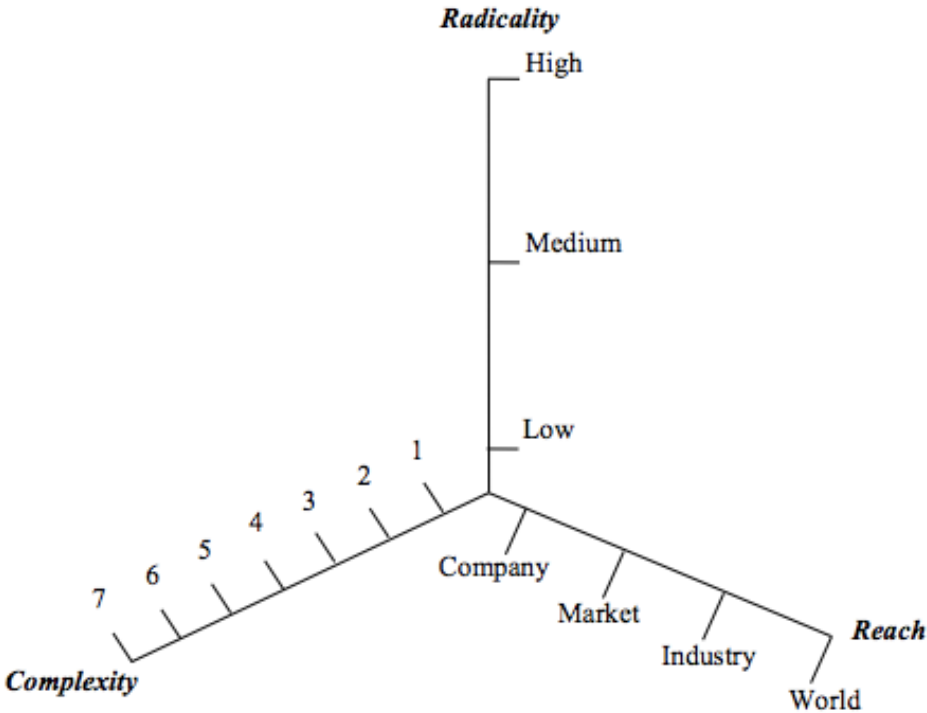


Figure 4: A Three-Dimensional (Business Model) Innovativeness Scale (Taran & Boer, 2013)

This thesis chooses to follow Afuah (2014) together with Taran and Boer (2013) in their definitions of business model innovation; as a process of changing the key components of the business model, which leads to new ways of creating and/or capturing value, in terms of new products, services, or processes. As mentioned in previous chapter, there are several definitions to a business model and thus its components. With the broad area of definitions were several scholars mention different components; Osterwalder (2004) provides a suitable summary, thus offering a holistic view of a business model with a comprehensive look of the main components. Osterwalder (2004) mentions strategic objective and value proposition, sources of revenue, core competencies, and critical success factors as the main components of the business. Osterwalder's key components will be used in the context of this thesis and will hence be explained in more detail below.

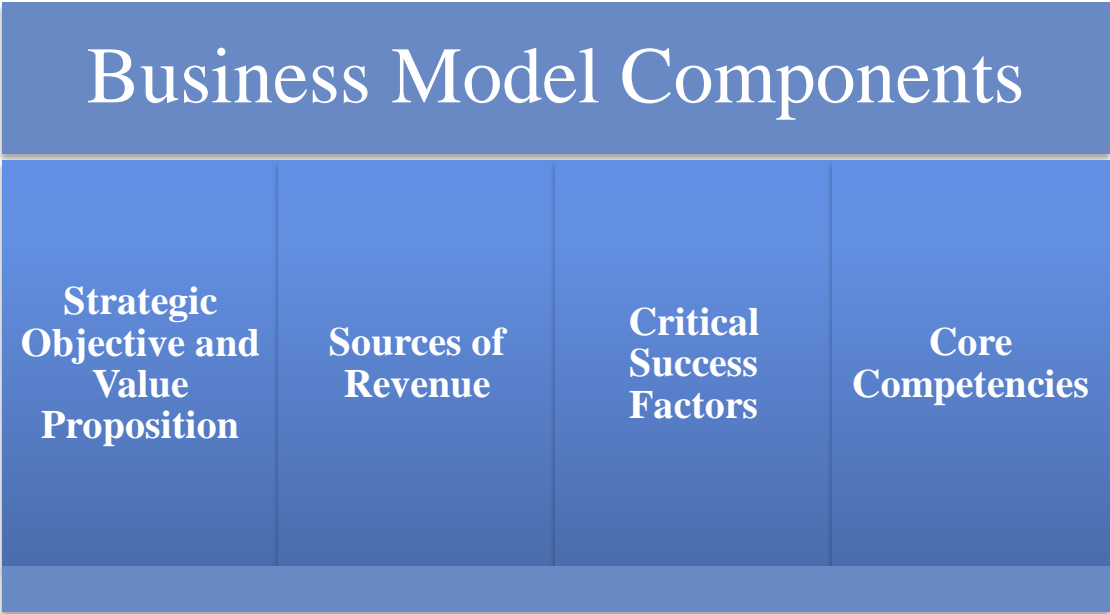


Figure 5: Business model components

Strategic Objective and Value Proposition

The strategic objective provides a holistic picture of the intended customer, product and/or service offering, and the unique value proposition targeted by the company. These elements form the overall mission of the business, hence, also define what the business model is intended to achieve. Furthermore, the strategic objective will set the market scope and state the target segment(s), thus giving an image of what the company will do different from its competitors and what trade-offs will have to be made (Osterwalder, 2004).

The value proposition is a description of how the value offerings from a company, such as products and services, are satisfying the needs of the customers. Depending on the focal customer segment of the company, the value proposition will differ as value is interpreted

differently in various segments. The strategic objective, together with the value proposition, explains how the company differentiates from its competitors (Osterwalder, 2004).

Sources of Revenue

The revenue model specifies the company's capability to translate the value offered into incoming revenue streams. A company can have several revenue streams built on different pricing mechanisms. Furthermore, a representative view of a company's revenue streams is a key part of the business model and its long-term survival (Osterwalder, 2004).

Critical Success Factors

For every business model there are critical success factors that need to be managed in order for the company to survive and prosper (Osterwalder, 2004). On a holistic level, the critical success factors for any given company can be found by asking two questions: (1) *What do our customers want?* (2) *What does the firm need to do to survive competition?* By finding answers to these fundamental questions, the company will be able to understand its customers and their demands more thoroughly, the company will also get an improved understanding of its competition and what factors are needed in order to stay competitive (Grant, 2010).

Companies operating in the same industry are often competing with the same common success factors. Nevertheless, when paring these factors with unique competencies, divergent strategies often evolve. Thus, it is important to be aware of what strategy the unique combination of competencies and success factors will create when structuring the business model (Grant, 2010).

Core Competencies

Core competencies are those central components in a business model that defines the company's capability to compete (Dodgson et al., 2008). These competencies should be created and taken care of within the company in order to establish a powerful business model (Osterwalder, 2004).

In order for a competence to play a strategically important role for the company two conditions need to be present: (1) *Scarcity*, meaning that the number of firms that possess the focal competence are of smaller size than what is needed to create a perfect competition in that industry. (2) *Relevance*, the competence needs to be relevant to the key success factors in the market. The competence could be shaped to mitigate threats in the company's environment and/or to exploit potential opportunities (Dodgson, et al., 2008; Grant, 2010).

2.2.1 Illegitimacy Challenges

As comprehended thus far, business models and the innovation of it is a rather complex activity. Consequently, one must be prepared to face a number of challenges when managing the innovation process. Surely, the number and shape of possible challenges that could arise

during the process will differ based on the characteristics of the BMI project. Nevertheless, Dougherty and Heller (1994) present eight reoccurring illegitimacy challenges, based on insights from 134 innovators, many of which are also reoccurring in papers written by other scholars, hence they are seen as important aspects to be aware of when trying to innovate a business model. Below, the illegitimacy challenges are presented one by one below and are then summarized in a table.

2.2.1.1 The Innovation Process Itself

A notable challenge during the innovation process is the actual process itself. Dougherty and Heller (1994) argue how experiments are an important aspect for the innovators because it enables them to learn more about the innovation project; however, this was forbidden by the institutionalized practices in many of the cases observed. Resources needed to continue the innovation process were also hard to acquire. For both of these cases, inabilities from the organization to understand the potential value from the innovation seem to have been a central difficulty for the innovators to overcome.

Challenges can also emerge from external factors. Shafer et al. (2005) discuss how an innovator seemed to have created a pioneering business model with solid logics of how to create and capture value. However, when questioned about external factors, uncertainties and questions regarding the applicability of the model arose. Thus creating challenges, although, the internal organization was supportive of the innovative model.

Even though the corporation understands the value offering from the innovation as such, there may still be a challenge during the actual process since the innovation appears irrational. According to Christensen (1993), existing corporations often fail to capture innovations that create new linkages to novel customers since the expected customer base appears too small to justify resource allocation. Kusunoki and Aoshima (2010) extends this notion when they argue how corporations have to realize openings for new innovations that are often unseen through their ordinal scope and invest resources in seemingly irrational activities.

To conclude, the challenge with the innovation process can be described as a challenge of attracting attention to a new idea disposed to resistance, gaining organizational and social approval of the idea, managing collaboration from crucial actors, and transforming the existing institutions (Takeishi et al, 2010; Van de Ven, 1986).

2.2.1.2 The Standards Used to Judge the Innovation

Somewhat linked to the previous paragraph is the challenge that arose when an innovation was evaluated based on its potential. The flexibility or capability of the methods used to evaluate innovations was often low. Furthermore, fellow colleagues in the corporation tended to view the new innovation through the scope of existing, often inapplicable standards, such

as time or financial returns. Consequently, effort was put on variables needed to match the evaluation system and the innovators felt that they constantly had to defend their project (Dougherty & Heller, 1994).

2.2.1.3 Major Barriers Between Departments

Effective collaboration and communication across departments are vital aspects for the success of new innovations. However, there are several challenges to tackle when managing the relationships, roles, and commitments necessary to establish these collaborations. Innovators' claim how established practices for task allocation, career progression, work relationship, and general guidelines for collaborations were challenges to overcome when trying to break functional barriers. They also claimed how narrowly constructed roles of different departments made collaboration difficult and how employees theoretically understood the need for cooperation but did not see it as "real" work. Some also claimed how they wanted to collaborate but did not know how to do it in practice (Dougherty & Heller, 1994).

2.2.1.4 Ongoing Minor Conflicts

Once the challenges regarding the major barriers between departments are sorted, one must still be aware of minor conflicts that might cause new challenges. Takeishi and Numagami (2010) argue how it is easy to reach consensus in a small group, where members always interact closely with each other when solving problems, such as a group of engineers from the same department. However, when working across the boundaries of different social groups, Takeishi and Numagami mention interactions with people dissimilar in mainly these three aspects (2010, p. 34):

- *Information owned:* People collect information through experience and day-to-day observations. When the information possessed from one group differs significantly from that of another, it is difficult to for the two groups to reach a united agreement since they interpret facts in diverse ways.
- *Interests:* Differing interests between groups may lead to dissimilar understandings of the same phenomena. It could also be that the understanding is similar between the two groups, however they choose to respond differently depending on what will benefit the one group the most. Since the two groups might have different objectives, a decision could be favorable for one group and problematic for the other, thus making a mutual agreement hard to reach.
- *World view:* The groups develop different views of the world since they are exposed to dissimilar pieces of information and are pursuing different interests. This could also be part of the explanation behind differences in their interests and information.

In order for an innovation to succeed, these challenges need to be resolved and consensus between the groups needs to be reached.

2.2.1.5 Getting people to work on the innovation

Even when barriers and conflicts between departments were resolved, innovators in Dougherty and Heller's (1994) paper still expressed difficulties with getting people to work on the innovation. It was hard to "*get borrowed resources at the right time and within an effective time frame*", also, "*keeping the team together and involved is difficult*" according to the innovators (p. 209). Getting the resources and commitment needed was hard, especially when it was requested in a flexible manner. As innovation was not a "core" assignment, the requests were either ignored or denied by established forces.

2.2.1.6 Structural links

This challenge refers to the difficulties innovators experienced when trying to connect their innovations with the company's strategy and structure. Some companies did not have a solid process for how to extract value out of new innovations, but rather just merged the innovation with the established business, without giving it the special management needed. Furthermore, it was hard for innovators to get the resources necessary since the innovation did not fit established communication flows and relationships within the company. Although the innovator was promised resources on a corporate level, managers from different divisions were unhurried with issuing the resources as they argued that another division was responsible for that resource. This argument of resources among managers made the innovator look bad as the performance assessment over the innovation dropped due to lack of resources. Some innovators also expressed how they could not discuss their special requests for their innovations with senior managers, as it was "nothing you do" in their companies (Dougherty & Heller, 1994).

2.2.1.7 Strategic links

Another challenge presented by Dougherty and Heller's (1994) paper was the strategic link between the innovation and the company. This was especially true when new innovations took companies to unfamiliar markets, which left managers questioning their strategic choices. The criteria used to base the strategic fit of the innovation seemed to differ between levels in the company, as there was no common holistic view of the company's competencies regarding the innovation. Consequently, innovators expressed how their questions were often left unsolved. This challenge is also revealed by Shafer et al. (2005, p. 205) as they argue how a narrow "*set of strategic choices can often be traced to a tendency on the part of senior management to consider strategic decisions in a piecemeal fashion.*"

2.2.1.8 Risk averse climate in firm

The final illegitimacy challenge found by Dougherty and Heller (1994) was connected to the general atmosphere within the company. Innovators commented on how their companies were risk-averse, conservative, anti-innovative, and showed a lack of commitment in general regarding new innovations.

Summary Illegitimacy Challenges		
Challenge	Description	Source(s)
Innovation process itself	<ul style="list-style-type: none"> • Attract attention • Acquire resources • Describe potential value and logic fit • Transform existing institutions 	Dougherty & Heller, 1994 Shafer et al., 2005 Christensen, 1993 Kusunoki & Aoshima, 2010 Takeishi et al., 2010 Van de Ven, 1986
Standards used to judge the innovation	<ul style="list-style-type: none"> • Low flexibility or capability of the value method • Inapplicable standards, such as financial returns • A need to defend the innovation 	Dougherty & Heller, 1994
Major barriers between departments	<ul style="list-style-type: none"> • Hard to break functional barriers • Cooperation not seen as “real” work • Hard to cooperate in practice 	Dougherty & Heller, 1994
Ongoing minor conflicts	<ul style="list-style-type: none"> • People interpret facts in different ways • Different objectives within the group • Diverse interests and information 	Takeishi & Numagami, 2010
Getting people to work on the innovation	<ul style="list-style-type: none"> • Difficult to get borrowed resources (people) at the right time • Innovation not seen as 	Dougherty & Heller, 1994

	a “core” assignment	
Structural links	<ul style="list-style-type: none"> • Company did not know how to extract value from innovation • Did not fit established relationships and communications • Promised resources on corporate level hard to get in reality 	Dougherty & Heller, 1994
Strategic links	<ul style="list-style-type: none"> • Find strategic fit when innovations are brining companies to unfamiliar markets • No shared holistic view of the company’s competencies 	Dougherty & Heller, 1994 Shafer et al., 2005
Risk averse climate in firm	<ul style="list-style-type: none"> • Conservative, risk averse, and lack of commitment 	Dougherty & Heller, 1994

Figure 6: Summary illegitimacy challenges

2.3 Legitimacy

As seen in the previous part of this chapter, the process of business model innovation is not a straightforward journey. Uncertainties on many different levels might cause doubts of novel notions and at an initial phase there is no guarantee that the innovation will succeed. Consequently, the "creators" of the innovation need to *convince* others, both internally and outside the firm, in order to gain legitimacy and crucial resources needed for a successful commercialization of the innovation (Takeishi et al., 2010). Thus, the process of realizing innovation can be seen as a process of attracting attention towards the development of new ideas. This can be difficult since human beings and their organizations are typically intended to focus on, producing, and protecting already existing practices rather than trying to create new paths. Van de Ven (1986, p.594) argues how human beings have a fundamental physiological restriction of not being able to cope with complexity and intuitively adapting to progressively shifting environmental circumstances as well as, complying with group norms, and focusing on repetitive activities. Hence, a key management question of innovation is how to make individuals appreciate and pay attention to new ideas and opportunities. Furthermore, since the outcome of an innovation can be hard to measure beforehand, the perceived

legitimacy of the innovation process often serves as the dominant evaluation criterion. (Van de Ven, 1986).

The literature concerning institutional legitimacy can be divided into two distinct groups: strategic-, and institutional legitimacy. The strategic band adopts a managerial perspective with focus on the instrumental methods used by organizations to manipulate and deploy suggestive symbols in order to acquire societal support. In contrast, the work within the institutional group applies a more unbiased standpoint with focus on sector-wide structuration and how that creates a cultural force that transfers to single organization's purposive control (Suchman, 1995).

The distinction between the two groups is to a large extent a matter of perspective with the institutional theorists having the viewpoint of society looking "in", while the strategic theorist adopting a viewpoint of organizational managers looking "out". Thus, these different perspectives could have an impact on what legitimacy aspects researchers see and which they miss. Furthermore, the question "what is legitimacy?" often overlaps with the question "legitimacy for what?", making the task of defining legitimacy, rather than describing it, more complex (Suchman, 1995).

Suchman adopts a comprehensive definition of legitimacy (1995, p. 574): "*Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.*" He further argues how researchers should either address the full range of the phenomenon, or should clearly identify which aspect(s) they have in mind.

2.3.1 Gaining and Maintaining Legitimacy

As described by Suchman (1995), the management of legitimacy rests significantly on communication. The communication needed in the management of legitimacy is often complex and the actions taken are often nonverbal. In order to manage this process one requires a set of techniques and tools. Suchman (1995) examines three general challenges of legitimacy: gaining legitimacy, maintaining legitimacy, and repairing legitimacy. Two of these challenges are of particular interest for this thesis and will thus be described more in detail, namely the processes of gaining and maintaining legitimacy.

2.3.1.1 Gaining Legitimacy

There is often a challenge linked to the line of activities executed in order to gain legitimacy for a new innovation. The creator faces the mission of either gaining propriety for the focal activity, gaining validity on a personal level, or both. Suchman (1995) refers to two main aspects when coping with the "liability of newness". Firstly, creators of a new project need to allocate time and energy in building a division that appears as solid, well established, and also

acts independently without support from specific incumbents. The inventor might have started the project with support from an already established and legitimate division. Consequently, at a certain time, the creator needs to distinguish the project from that division in order to gain legitimacy for the innovation as such. Secondly, there is a challenge of gaining support from already established and legitimated forces of the cooperation. The new project might cause resistance when challenging existing trajectories, structures, cultures, routines, and old investments. The creator needs to cope with these challenges to gain legitimacy for a project that introduces uncertainty to established logics and structures (Christensen, 1993; Suchman, 1995; Tripsas & Gavetti, 2000).

Approaches for gaining legitimacy

Suchman (1995) categorizes the proactive strategies of gaining legitimacy into three clusters: (1) conform to environments, (2) select among environments, and (3) manipulate environments. Van Dijk et al. (2011) extend this strategic response by adding (4) tolerance seeking.

1. *Conform to environments*: Conforming refers to how innovators in need of legitimacy position their project within an already established force of the organization. By doing so, they indicate loyalty to the cultural environment and pose few challenges to the established logics. The innovator does not need to confront cognitive frames and can rather benefit from being a cultural insider. Innovators may also conform to the environment by trading strong reputation in related activities, or by producing concrete and admirable outcomes, and thus gain legitimacy.
2. *Select among environments*: It might not always be advantageous for the innovator to adapt their project to a pre-set environment. A more proactive approach is to select a beneficial environment that will give the project legitimacy, while demanding few changes in return. As the cultural environment of an organization often appears rather fragmented, there is a possibility to find an applicable setting for the project, which calls for less conformity to established forces.
3. *Manipulate environments*: For those innovators who distinguish considerably from previous practices, conformity or selection of environment might not be sufficient to gain legitimacy. Instead, they must intervene proactively in the cultural environment to declare “new” explanations of social reality. Innovators can enhance the clarity of a new perspective by telling “stories” which illustrate the reality. A concrete example of this would be the use of a lobbying strategy. Nevertheless, the uses of proactive manipulation strategies to gain legitimacy are less controllable, less common, and thus far less understood than conformity and selecting strategies.
4. *Tolerance seeking*: Tolerance does not cause legitimacy as such, however, it enables the creator of the innovation to continue with the project despite perceived illegitimacy. Institutional actors allow for the innovation to continue without adapting to established interests, norms, and beliefs.

Dornbusch and Scott (1975) formulate a theory where they describe how the legitimacy flows through a regime (further referred to as an organization) by putting emphasis on: (1) validity, (2) propriety, (3) authorization, and (4) endorsement.

1. *Validity*: The members of an organization need to treat the relations and elements included in the structure of the organization as objective facts. They need to accept them as obligatory and established for all the members of the organization.
2. *Propriety*: In order for the organization to attain propriety from an individual, there must be an acceptance of the structure and the way things should be handled in that organization.
3. *Authorization*: The organization will gain authorization by approval from high-status actors. Either by *propriety* to it, or by general perceived encouragement.
4. *Endorsement*: By getting approval or support from lower-status actors, the organization will gain endorsement.

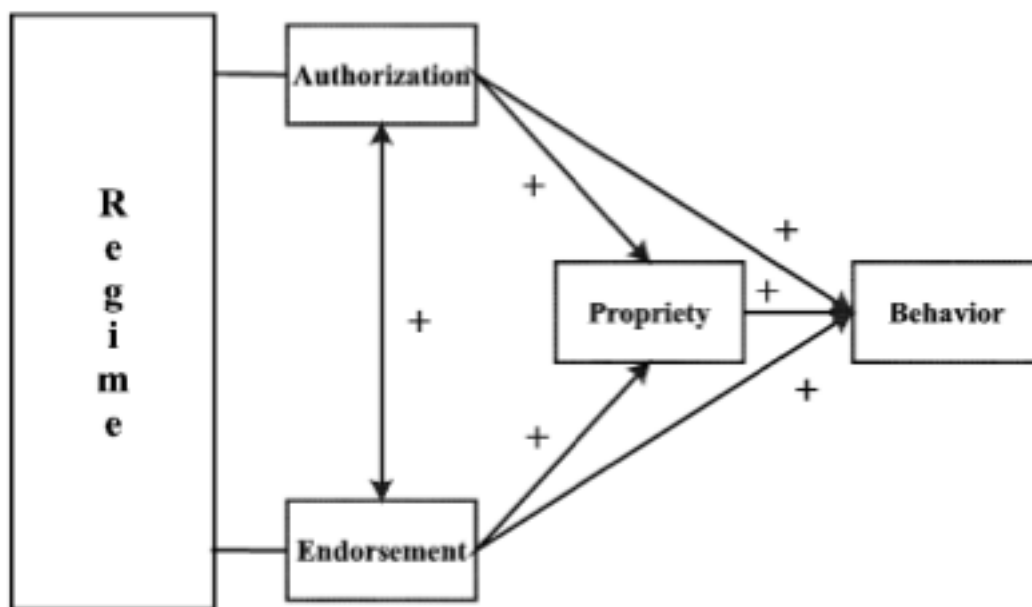


Figure 7: Schematic representation of legitimacy arguments (Dornbusch & Scott, 1975)

The strategies and approaches presented by Suchman gives an understanding of how to behave and act when trying to gain legitimacy. While the theory presented by Dornbusch and Scott does not explain legitimacy strategies per se, but it provides an understanding of the multiplicity of legitimacy dynamics within an organization. Furthermore, it provides insight in the complexity of legitimacy management when trying to satisfy all audiences.

Summary Gaining Legitimacy		
Approach	Description	Source(s)
Conform to environment	<ul style="list-style-type: none"> Position project within established forces 	Suchman, 1995
Select among environments	<ul style="list-style-type: none"> Find environment that yields legitimacy while asking little in return 	Suchman, 1995
Manipulate environments	<ul style="list-style-type: none"> Declare “new” explanations for social reality Lobby for the innovation 	Suchman, 1995
Tolerance seeking	<ul style="list-style-type: none"> Enables innovators to continue despite perceived illegitimacy 	Van Dijk et al., 2011
Validity	<ul style="list-style-type: none"> The structure of the group needs to be accepted by all members 	Dornbusch & Scott, 1975
Propriety	<ul style="list-style-type: none"> Organizational members need to accept the way things ought to be 	Dornbusch & Scott, 1975
Authorization	<ul style="list-style-type: none"> Gaining approval from high-status actors 	Dornbusch & Scott, 1975
Endorsement	<ul style="list-style-type: none"> Gaining approval from low-status actors 	Dornbusch & Scott, 1975

Figure 8: Summary gaining legitimacy

2.3.1.2 Maintaining Legitimacy

The challenge of maintaining legitimacy is generally perceived as an easier task than that of gaining legitimacy. That being said, sudden failures and external factors pose as continuous threats, therefore, organizations cannot ignore maintenance concerning their legitimacy. Consequently, it is crucial to stay proactive in the maintenance of legitimacy as unaddressed problems might escalate if they are neglected (Suchman, 1995).

Suchman (1995) addresses three problems linked to the maintenance of legitimacy. Firstly, the audiences are often heterogeneous. The legitimacy is never owned by an organization, and should rather be seen as a relationship between the organization and the audience. Over time, a fragmented organizational culture with a heterogeneous audience could become problematic to handle from a legitimacy perspective since it is virtually impossible to please all groups. Secondly, stability often entails rigidity. Meaning that there is a risk that mutual adjustments and “taken-for-grantedness” hinder the awareness to shifting external conditions. This becomes dangerous if the organization turns homogeneous while its environment stays heterogeneous as unfulfilled requests might create incentives for innovators to choose a different path. Thirdly, institutionalization often generates its own opposition. The legitimacy project will most likely attract attention. There is a risk that individuals will oppose the institutionalization per se, either based on conceptual grounds or because they experience the new ideas as undesirable (Suchman, 1995)

Approaches for maintaining legitimacy

Suchman (1995) categorize the strategies for maintaining legitimacy into two groups: (1) perceiving future changes and (2) protecting past accomplishments.

1. *Perceiving future changes*: By enhancing the ability to predict future challenges and recognize the audience reactions to changes, the organization is more likely to mitigate those encounters in a beneficial way. The innovators can engage proactively in legitimizing activities, thus keeping the organization and its external environment in close position. In order for this to work in an effective manner, the innovator needs to have a good understanding of the group’s values, beliefs, and reactions to change.
2. *Protecting past accomplishments*: Organizations should be consistent and predictable. It is also important to deliver fundamental needs and create a sense of fundamental control, hence eliminating uncertainties. Organizations can also maintain legitimacy by stockpiling goodwill and support. By doing so, organizations can occasionally diverge from the norms of the group without harming the origination’s establishment in a severe way.

Zelditch and Walker (2003) extend the theory introduced by Dornbusch and Scott (1975) and identify four conditions, which they argue are jointly sufficient to establish and sustain legitimacy: (1) consensus, (2) impartiality, (3) objectification, and (4) consonance.

1. *Consensus*: The consensus indicates the endorsement of an organization and thus the overall approval by lower-status actors.
2. *Impartiality*: Organizations will struggle to sustain their legitimacy if its engagements appear to benefit some members and not others. Members who feel mistreated will illegitimate the organization if there is no clear impartiality within the group.
3. *Objectification*: Statements and decisions need to be objectified as concrete facts. If a problem does not seem to match with actions taken, the organization will struggle to objectify their actions.

4. *Consonance*: The nature, settings, and consequences of the organization must be in agreement with the elements by which that organization has been legitimized. In other words, the actions of an organization must match its core values and beliefs.

The strategies suggested for maintaining legitimacy put emphasis on a proactive and coherent mindset. Suchman addresses the importance of predicting future changes while enhancing the legitimacy established through the use of old accomplishments. Zelditch and Walker state four key conditions that put emphasis on the different levels of an organization and further address the multiplicity of legitimacy decisions.

Summary Maintaining Legitimacy		
Approach	Description	Source(s)
Perceiving future changes	<ul style="list-style-type: none"> Enhance ability to predict future changes and mitigate those changes Keep the group and its external environment in close position 	Suchman, 1995
Protecting past accomplishments	<ul style="list-style-type: none"> Deliver fundamental needs and establish a sense of control Stockpile goodwill and support 	Suchman, 1995
Consensus	<ul style="list-style-type: none"> Indicates endorsement and overall approval 	Zelditch & Walker, 2003
Impartiality	<ul style="list-style-type: none"> Engagements cant benefit some more than others 	Zelditch & Walker, 2003
Objectification	<ul style="list-style-type: none"> Statements need to match the actions taken 	Zelditch & Walker, 2003
Consonance	<ul style="list-style-type: none"> The organizations must live up to established values and beliefs 	Zelditch & Walker, 2003

Figure 9: Summary maintaining legitimacy

3. Methodology

The purpose of this chapter is to describe the strategies and methods that have been used in order to answer the research question of this thesis. An extended understanding of the thought process behind the choice of the particular cases observed in this thesis will also be further clarified.

3.1 Research Strategy

As the topic of this research is shaped in an explorative way, a qualitative strategy has been chosen in order to answer the research question. Furthermore, the strategy takes an inductive approach with regards to connection between research and theory, where emphasis is put on creation of theories. Consequently, giving the researchers the possibility to collect and analyze qualitative data that cannot be anticipated, in order to construct a holistic understanding of the research topic (Bryman & Bell, 2011).

To make sure that data is collected and analyzed in an applicable and systematized way, this research will take use of the grounded theory perspective, which is widely used as a qualitative interpretive framework in social science (Denzin, 1994). Grounded theory is oriented towards micro level processes reflected in action and interaction (Bryman & Bell; 2011, Locke, 2003) and addresses the analytic operations in a qualitative research project (Maxwell, 1998). Thus, bringing predefined concepts and hypotheses guidance from a general theoretical perspective to the process of data gathering and analysis (Locke, 2003). Grounded theory is especially valuable for research concerning organizational and management studies with fundamental topics for example decision making and change, such as the research topic of this thesis (Bryman & Bell, 2011; Locke, 2003).

3.2 Research Design

This thesis will apply a multiple case study, meaning that a number of case studies will be conducted during the data collection phase of the research. As the purpose of this thesis is to examine the process of legitimizing a business model innovation, a multiple case study will allow the researchers to compare and contrast the findings deriving from each of the cases. This also promotes theoretical reflection on the findings in order to find differences and similarities between cases. Furthermore, the unique context of each case is of interest for the researchers, which is one of the aspects that can be recognized in a multiple case study approach (Bryman & Bell, 2011).

3.3 Research Method

Primary and secondary data will be used to construct this paper. Secondary data will be used to extract theories that currently exist within the fields of; illegitimacy challenges with connection to business model innovation, legitimacy as a concept, ways of gaining legitimacy, and ways of maintaining legitimacy. A hypothesis will then be formed by use of this data, which will later be tested and compared to the data extracted from interviews. The qualitative data, which is the primary data for the research will be gathered using semi-structured interviews with innovation creators at the companies selected for this study. Semi-structured have been chosen so the interviewer has the freedom to adjust to the responses of the interviewee and gets the ability to ask novel questions (Bryman & Bell, 2011).

Interviewee	Industry	Location	Respondent Position	Type	Language
A	Automotive Industry	Gothenburg	Innovation Manager	Face-to-face	Swedish
B	Automotive Industry	Gothenburg	Engineer	Face-to-face	Swedish
C	Automotive Industry	Gothenburg	Head of Corporate Innovation Office	Face-to-face	Swedish
D	Automotive Industry	Shanghai	Development Director	Face-to-face	English
E	Energy Industry	Hangzhou	General Manager	Face-to-face	English
F	Automotive Industry	Shanghai	Engineering Director	Face-to-face	English
G	Automotive Industry	Gothenburg	Market Development Director	Face-to-face	English

Figure 9: Summary maintaining legitimacy

3.3.1 Case selection

The cases and interviewees of for this thesis were chosen with the following three main criteria. The first criterion was based on the selection of cases regarding business model innovation. As described in previous chapter this thesis defines a business model innovation as a change in the components of a business model. Consequently a criterion for the cases used in this thesis was that key components in the business model needed to be changed. As complexity is likely to increase in correlation with the number of components changed, thus creating illegitimacy challenges, a minimum of two components was set as a requirement. In

the table below the categorization of the projects is shown within the categories: radicality, reach, and complexity.

The second criterion was selection of appropriate interviewees. The interviewees selected were either the founder of the idea or had been involved in the BMI project to a large extent from the start. As business model innovations encounter several illegitimacies from the start of development, it was of great importance that the interviewees could describe the project from the very beginning. The third criterion for the cases was based on the fact that they needed to be developed within MNEs. MNEs were chosen as structural links often become more difficult within larger organizations.

Interviewee	Radicality High/Medium/Low	Reach Company/Market/Industry/World	Complexity 1-4
A	Medium	Market	2
B	High	Market	2
C	High/Medium/Low	Company/Market/Industry/World	1-4
D	Low	Company	2
E	High	World	4
F	Low	Industry	2
G	Medium	Industry	3

Figure 11: Case selection

3.4 Data Collection

The data used for this research has been both primary and secondary. The primary data for this research has been gathered from the semi-structured interviews. After the result from the interviews had been analyzed, that data was sent to the interviewee for secondary input to guarantee that nothing was missed. The secondary data was gathered from academic articles, conference papers and books. As secondary data is data gathered by other researchers, source criticism is an important aspect that needs to be kept in mind when using this data (Bryman & Bell 2011). Sufficient secondary data was gathered throughout the research as new primary data lead to new subjects and focus areas.

3.5 Data Analysis

During the interviews one of the authors acted interviewer while the other author took notes. By dividing the task, the right follow up questions could be asked in a responsive manner, while at the same time making sure that all useful data was collected. Directly after the interview was conducted, the authors discussed the interview before transcribing the data. The transcriptions were then merged together to form one outcome from the interview. The

interviews were also recorded, which gave the authors possibility to clarify potential uncertainties if needed.

The main findings from each interview were then categorized into themes to simplify the process of finding similarities and differences between the interviews. The findings from those comparisons were then categorized again into concepts to identify the actions affecting the process of legitimizing a business model innovation.

3.6 Research Quality

When conducting research, several factors need to be taken into consideration, which could affect the quality of the research. Below are three factors contributing to a solid research quality.

All the interviews were conducted face-to-face which allowed the researchers to interpret the interviewees' answers, gestures, and facial expressions throughout the interviews. While today's technology has provided many ways of conducting interviews (Skype, Viber, FaceTime, etc.), the interviewers' gained a better connection with the interviewee by conducting face-to-face interviews. As a result, data could be extracted and understood in a truthful manner.

Another contributing factors to solid data from the interviews were the researchers' rolls during the interviews. Both researchers had their individual assignment: moderator and annotator. The moderator could focus on asking the right questions and relevant follow-up questions while the annotator made sure all the data was documented.

All the interviewees were well qualified as respondents for this research. The interviewees were either project leaders/managers or creators of the innovation that had worked on the project from the start. Due to this the answers received were highly relevant and contributed to the findings of this thesis.

3.6.1 Validity

Validity refers to if the study is actually measuring what its intended with regards to the aim of the research. This research is based on qualitative empirics, which could be problematic, e.g. due to the small sample, thus making it difficult to generalize. As validity states whether the result could be generalized and used in other cases, this becomes highly important for the research (Bryman & Bell, 2011). This thesis sees two main contributing factors increasing the validity of this study; (1) the thesis has had a clear objective from the start, with a research question that has lead the researchers in the right direction, (2) before conducting any interviews, a comprehensive research of today's theory within this field was performed,

making sure that both the researchers understood the topic and could thus perform interviews of high quality.

3.6.2 Reliability

Reliability refers to issues concerning consistency of the measurements in the study, i.e. if other researchers can replicate the study. With a qualitative study this becomes difficult due to the setting in which the data is collected (Bryman & Bell, 2011). The data is collected by face-to-face interviews where the exact setting and variables affecting the collection will be impossible to replicate. However, this research has focused on a clear framework and built the interviews around this framework, meaning that other researchers could follow the same approach when conducting similar research. Following the literature review, the applied definitions, and the interview guide would thus improve the reliability, making other researchers achieve comparable results.

4. Empirical findings

This chapter will present the empirical data gathered for this thesis. The chapter starts with an explanation of how the data is structured and is then followed by a presentation of the data, case by case. Emphasis will be put on the “illegitimacy challenges” to get a further understanding of what challenges emerged and how they were mitigated.

4.1 Presentation of Empirical Findings

Below follows a presentation of the interviews conducted for this thesis. Firstly, the interviewee is briefly introduced in terms of position and working activities within the firm. Secondly, the project is described and then followed by an explanation of how the project has progressed. Thirdly, the challenges and means through which legitimacy was obtained during the process is presented. Lastly, a summary of the key findings in each interview is presented in a list. Furthermore, some of the interviewees were involved in many business model innovation projects simultaneously. Consequently, they provided useful information that could not be linked to the focal project, but which is of great interest for this thesis in general.

4.1.1 Interviewee A

Interviewee A (further referred to as “A”) is the leader of the project and is employed by a company within the automotive industry. A is mainly involved in projects with focus on innovations.

4.1.1.1 Project description

The goal of the project is to find a profitable business model that merges the concept of roam delivery with the car industry. Initially, focus was put on how groceries could be delivered to a parked car, this was further extended with other ideas, such as items ordered online. The owner of the car will receive a delivery message when a package is about to get delivered. He or she can then open the car in a secure way a from distance, which will give the delivery service access to the trunk of the car. The contribution of this innovation would be the amount of time saved for both car owners and delivery agencies. As purchasing items gets more convenient for the end consumer, it also opens up the potential for new markets to evolve.

This project was chosen as the components: value proposition and source of revenue in the business model were changed. Value was being delivered in a new way towards customers and a novel way of retrieving revenue was created for the company.

4.1.1.2 Project development

During an internal innovation workshop in the beginning of 2011 the initial idea of this project was born. After fighting for its survival, among other ideas, it eventually got accepted as a pilot project. After being put on hold for a year, partly to mature, and partly to give the group time to gain legitimacy, a survey with some 1000 respondents was initiated. The project received a considerable amount of positive feedback; nonetheless some negative feedback was also acknowledged and analyzed. The final results from the survey were convincing enough for the project team to move on to a trial stage in order to make sure that there was a market potential for the innovation. In this stage it was vital to find a receiver for the innovation. Since the innovation did not fit the business model of the company, and since the innovation group can never “own” the innovation themselves, a receiver needed to be found elsewhere. The project group decided that they wanted to aim for a receiver within the food industry, because that would generate a stable flow of deliveries. After having some trouble with the first potential receiver, the project group managed to find a solid partner in the shape of an online grocery provider. The project is currently in a test phase and it not yet commercialized.

4.1.1.3 Illegitimacy Challenges

A vital key to the success of the project up until this point can be explained by previous actions taken by A. While the project was put on hold to mature, A could establish legitimacy and trust by showing positive results in other projects. A described how freedom is necessary when working with innovative projects, which A acquired through incremental innovation results in other fields. These incremental progressions gave the trust and legitimacy needed to proceed with the project. A also mentioned how “working under the radar” was a suitable approach for new projects in an early phase. More specifically, working under the radar means operating the project without drawing any attention. Attention might initiate a discussion regarding funding, which in turn, could shut down the project at an early stage. By applying this approach, A could work with ordinary tasks while still making progress on the project. The project could be developed step by step and was first revealed when A felt that the organizations and the managers were ready for it.

Surely, sooner or later the project needs to be revealed and legitimacy needs to be gained from the organizations as a whole, this will most likely generate some failures, mistakes, and doubts from the organization. A mentioned that value could be gained from failures; therefore, it is important to handle it correctly. According to A, the most crucial aspect of failure is to search for the reason behind it, and seek the benefits that might have emerged from the process. It is important to clarify that the resources allocated for the project did not go to waste and that the failure contributed to the development of the project. A also mentioned the importance of being responsive to a “no”. During the survey that initiated the project, one respondent said that this was “*the most stupid idea he had ever seen*”. It turned out to be a

matter of doubts regarding the solution of security and how the respondent was unfamiliar with the “access solution” to the car. However, after explaining the innovation in detail the respondent turned his rather decisive “no” to a “yes”.

An additional key aspect during the early stage of the project was the strategy of lobbying. A spoke about how one can “*win the war before the battle*” by presenting and pitching an idea to the right people, thus generating the support and interest needed to succeed. This also made it easier to spread the idea and let it grow, hence enticing people to join the project. A explained that “*when a random person within the organization is able to explain your innovation, that’s when you know you’ve succeeded!*”

Furthermore, A mentioned the importance of obtaining legitimacy from the final receiver of the innovation at an early stage. In many cases, such as the one described above, it is hard to define a receiver at an early phase of the project, especially if the innovation is too divergent in comparison to the company’s business model. However, when a potential receiver for the innovation is located within the company, it is important to make contact at an early stage. A described how one needs to get in contact with a “Grandfather”, someone within the division that the innovation is likely to end up with, and that already possess legitimacy within that division. By incorporating that person at an early stage in the process, the legitimacy process is likely to get enhanced. The “Grandfather” will establish an early interest for the innovation and feel involved in the process. A further expressed how illegitimacy challenges might occur if a relationship with the receiver is not established at an initial phase. When a new innovation is allocated to a department where it fits, but has not been a part of the development as a result, it might be illegitimated. The innovation is not seen as their “baby”, making the implementation and acceptance for the innovation hard to achieve in an effective manner.

Another aspect that A mentioned was the way innovation is interpreted. It is crucial to understand the management’s expectations as well as what they want delivered. One needs to make sure that key actors understand what is meant with the innovation, and what the outcome will be. Otherwise, the mission of attaining legitimacy further down the road might get complex as expectations and results does not match.

Illegitimacy challenges

- The need for support from the organization as a whole will create doubts and possible failures
- Doubts regarding the idea at an initial stage; “the stupidest idea ever”
- Hard to find a receiver for the innovation at an early stage
- Innovation is not seen as the “baby” of the department it is likely to end up at a later stage
- It is crucial to understand how innovation is interpreted. Hard to attain legitimacy if expectations and results does not match.

Gaining legitimacy

- You need to have freedom when working with innovative projects
- “Working under the radar” without drawing attention, revealing the project once it is ready for it
- Be responsive to a “No” and ask questions to *why* someone said no
- Lobbying; “win the war before the battle”. Present and pitch the idea for the right people
- Try to gain legitimacy from the final receiver at an early stage of the process
- Search for a “Grandfather” that gets involved at an early stage

Maintaining legitimacy

- Maintain legitimacy for the project by showing positive results in other projects
- Work with incremental innovations to maintain an overall trust
- Handle failures in an appropriate way, explain why something failed and what you gained from that failure; resources did not just go lost

4.1.2 Interviewee B

Interviewee B (further referred to as “**B**”) is the creator of the innovation in this project. **B** is an engineer employed by a company within the automotive industry.

4.1.2.1 Project description

The core of the project is to build a long lasting relationship with customers with an emphasis on loyalty. The main idea focuses on creating a “lock-in” effect while at the same time offering significantly increased value to the customer. Consequently, creating increased value and new possibilities for the company.

This project was chosen as the components: value proposition and source of revenue in the business model were changed. Value was created in novel ways for both customers and the company, along with a new way of creating revenue for the company.

4.1.2.2 Project development

The initial idea of this project was born when **B** participated in an internal innovation workshop in the beginning of 2013. At an early stage, similar project were merged to increase strengths and decrease weaknesses. Next, the project was presented in front of a jury to either be approved or to be rejected. The project survived the trial and is currently in a pilot phase where **B** is allowed to dedicate four hours per week on this project, besides his chief working

tasks at the company. The four hours are mainly used to spread the idea within the organization in order to gain support and enhance recognition. Thus far, several departments have expressed positive feedback and value potential from the project. Since the project is not a core activity for the organization, and since the project is only in a pilot stage, an external and unpaid team has begun the work of examining what customers think of the idea.

4.1.2.3 *Illegitimacy Challenges*

As of now, **B** is the most determined person behind this project. One of the main challenges for **B** is the four hour per week limit “allowed” to spend on the project. That is by far not enough as answering emails and trying to reach out to colleagues for support consume most of the time. **B** is still expected to manage his main working activities in the same fashion as if the innovation project had not existed. Thus the four extra hours could rather be seen as “allowed” time to spend on the innovation, with a prerequisite that the main working activities are already dealt with. **B** further explained how you “*almost forget what you did last time you were working on the project*”. **B** would rather see that a period with more intensive focus on the innovation project was established. That would give a better chance to either take the project to the next step or consider it a failure. As of now, “*people might lose interest along the way due to the spread out time schedule*” according to **B**.

Another challenge for **B** is to gain legitimacy and interest from employees in different departments. The structure of the innovation demands expertise from different fields in order to succeed, making involvement from actors outside of **B**’s department mandatory. **B**’s main focus is the job as an engineer, but that work does not include any involvement with the departments needed for the innovation on daily basis. Thus making communication and gaining the help and support needed a harder task. Employees within the organization are also aware of the fact that an extra task, such as the innovation project, would lead to more work while still having to cope with their normal tasks.

B expressed how a “Champion” would help to solve the problems just mention. **B** defined a “Champion” as person with authority within the organization, hence able to open many doors and help solve legitimacy problems. The “Champion” does not have to be involved in the project to a large extent and should rather be seen as a person to ask for trust and support.

Additionally, **B** mentioned how an employee with experience is more likely to get coherence and legitimacy for their ideas. This is especially true with fellow employees that work in similar departments, where close relationships are often established.

Illegitimacy challenges

- Not allowed to spend enough time in order to bring the innovation forward; “people might lose interest along the way”
- Gaining legitimacy and interest from employees in different departments

- Hard to communicate across departments

Gaining legitimacy

- Search for a “Champion” of authority within the organization
- Work enthusiastically and really believe in the innovation

4.1.3 Interviewee C

Interviewee C (further referred to as “C”) is a manager of an innovation department for a company within the automotive industry.

4.1.3.1 Project description

The focal project of this interview was the managing of the innovation department. The department works as a “greenhouse” for radical innovations within the organization, such as new business models. The aim of the department is to find promising innovations from all divisions of the organization.

This project was chosen as all the components in the business model could potentially be changed in the process, depending on what project C is currently working on different components are being changed or modified.

4.1.3.2 Project development

The process of developing a new business model innovation starts by scanning the organizations, as well as the external environment, in 360 degrees for potential opportunities. Of high interest are those opportunities that yield customer value while contributing to the gathering of knowledge within the organization. Up to 90% of the opportunities are rejected, as they have no customer value, internal receiver of the innovation, or both. The rest is processed in order to establish as much material as possible to present strengths and get a good idea of the potential for the innovation.

Thereafter it is of high importance for the department to find an internal customer for the innovation. As the department cannot “own” the innovation themselves, a customer within the organization needs to act as owner and be a part of the development of the innovation.

Once an internal customer is located, the development of the innovation can proceed. At a certain point, funding is crucial for the project to continue. If the project does get funding and therefore progresses, the last and the final stage is a verdict from managers, here it is vital to show the potential for the innovation and a possible commercialization.

4.1.3.3 Illegitimacy Challenges

The first legitimacy challenge is based on the task to find a receiver for the innovation. *C* explains how this can cause resistance for two main reasons. Firstly, it might be that the manager of the department has already rejected the innovation. Now, when the innovation is “forced” upon the department, the manager might feel overruled or mistrusted on the preceding judgment. *C* mentions how it is important to explain to the manager how the innovation is valuable, based on other criteria and how the previous decision taken by the manager was legit too. Secondly, the department might have doubts regarding the potential of the innovation. *C* argues how it is pivotal to integrate the department at an early stage of the process to enhance the chances of gaining trust and legitimacy. By doing so, the key employees will get involved in the innovation and attain a better understanding of it as such, as mentioned by *C*; “sometimes people will get a real understanding first when they get involved”.

Another key legitimacy challenge is securing funding for the innovation. *C* describes how working on the project without drawing any attention at an early stage is beneficial in the long run. If attention is gained at an early stage, there is a risk that the project becomes considered as a waste of time from managers, which in turn generate illegitimacy that may terminate the project. Furthermore, working without drawing attention works as a good argument when asking for funds as *C* can show how progress has been made with limited resources. When showing results, a powerful tool is to illustrate something tangible. This makes the innovation easier to grasp and gives a better understanding of the final creation.

C also talked about the significance of gaining overall legitimacy for the innovation from the managers. *C* mentioned the importance of communicating the benefits of the innovation in a clear way. *C* also said how one needs to “plant a small seed and let it grow” and emphasize how “this can become big in the future”. Furthermore, it is important that the managers walk into these meetings with an open mind set, something that *C* has managed to establish through success in previous cases and through incremental achievements. It is also important to present the innovation with energy and enthusiasm. It is beneficial if the presenter is passionate about the innovation and is able to convey that onto the managers.

Illegitimacy challenges

- Finding an internal customer for the innovation, which might cause resistance since the innovation is “forced” upon the department or because the department does not believe in the potential of the innovation
- Getting funding for the innovation, convince the “right” people that the innovation deserves resources

Gaining legitimacy

- Integrate departments at an early stage of the process, get people involved in the innovation

- Work with the project without drawing attention at an early stage
- Make tangible examples, something that will make it easier to people to understand the innovation. Something that has been created with limited resources
- Communicate the benefits of the innovation in a clear way – “*plant a seed and let it grow*”
- Be enthusiastic during the presentation, present the innovation with passion and self confidence

Maintaining legitimacy

- Incremental achievements will establish a more open mindset to innovations from managers and other employees

4.1.4 Interviewee D

Interviewee D (further referred to as “**D**”) is working as director of development for a company within the automotive industry and plays a key role in this project.

4.1.4.1 Project description

The interview focused on a project with evolvement from both **D**’s company (further referred to as “the firm”) and another actor in the automotive industry (further referred to as THL). THL is in the process of entering a new market and asked **D**’s firm for their products and services within certain fields of that process.

This project was chosen as the components: value proposition and core competencies are changed. Value is being created in a new way for customers as THL is entering a novel market and core competencies are established through unconventional means when developing this new value.

4.1.4.2 Project development

The project was initiated when **D** was contacted by THL to be a part of their team, with the aim to enter a new market. THL had seen the possibility to enter a new segment with a new product and **D** got involved in the project at an early stage since the firm possessed great expertise within the field.

Once the project had been running for some time, **D** realized that THL was “shooting for the stars” but only had the capabilities to reach the treetops. Actions needed to be taken in order to steer the project to a realistic destination, thus **D** had to convince THL that their vision was not representative to the intended budget.

D managed to get THL to reassess their vision and consequently navigate their project towards a more rational direction. Nevertheless, *D* still faced some major challenges, as the project would not meet the internal requirements of the internal process within the firm. Since the potential value of the business model innovation was still unidentified, *D* needed to get permission to continue with the process without any guarantee of a positive outcome. After a period of negotiation and convincement, executives within the firm eventually authorized the needed “go”.

4.1.4.3 Illegitimacy Challenges

The first vital illegitimacy challenges that *D* needed to overcome was to convince THL that they were aiming for something was out of their reach. Enlightening the company that their goals were set too high was not an easy task. THL first denied the fact and continued the process as nothing had been said. At this point *D* realized that more direct actions needed to be taken. Consequently, *D* stopped working on the project and clearly stated *"there was no point in wasting time and money on something that never would become reality"*. Clearly there was a risk that the participation in the project would be lost to someone who would accept the terms. However, *D* managed to get THL to see that a reassessment of the project and its goals would benefit everyone involved; *"you cannot take no for an answer and you need stay firm by your opinion in order for people to listen to you"*, according to *D*.

The second major challenge arose when *D* needed to convince the firm that the project conducted in collaboration with THL was worth taking onto the next step of the internal process, even though they had not proved any success that could be measured. *D* gained legitimacy in this stage by arranging a meeting between the firm and THL to show the executives more than just facts and figures. *D* emphasized how one needs to create a "personal connection" between the initiators and the project, and by doing so, making the executives feel more connected to the project and not just assesses it based on what is written on a paper. The executives felt that there was a positive atmosphere within the project group with a lot of promising ideas and also a high chance of success, which could not be translated into words at that point. Hence they gave the permission to continue with the project; *"It is not always the bottom line that makes the biggest difference"*, as mentioned by *D*.

Illegitimacy challenges

- Convince THL that their vision could not be reached
- Gain legitimacy internally even though it was against the standard procedures

Gaining legitimacy

- Not to take "no" for an answer and stand strongly behind one's beliefs
- Get the executives to get personally involved with the project and relate to in more ways than just facts and figures on a paper

- Make the "intangible" factors show

4.1.5 Interviewee E

Interviewee E (further referred to as *E*) is the general manager of a division within a company in the energy sector.

4.1.5.1 Project description

This interview focused on a project that completely changed the business model within the company by use of “cloud” solutions. This new innovation enhanced the offerings made to customers, which mainly focuses on lowering the energy consumption for large buildings. By integrating a cloud solution to the offerings, *E*'s company can access real time data and also remove hardware that customers previously needed to purchase.

This project was chosen as all the components in the business model were changed. The project is changing the entire way the company is working thus changing all of its components.

4.1.5.2 Project development

The idea for this innovation emerged from technological development in general and “cloud” solutions in specific. *E* had been working in the firm for many years and had thus gained great knowledge within the field of energy use. Therefore, *E* was able to spot the opportunity that arose by integrating cloud solutions to the software of the firm's offerings. *E* approached the managers of the firm and managed to get funding for a test project. As the project evolved *E* realized that the new business model was too radical to fit within the current organization. Consequently, *E* approached the managers once again and told them that the innovation needed more “space” to continue its progress. The managers' answer to this request resulted in the creation of a new division within the company.

As *E* kept showing positive results, the firm decided to transform the new division into a brand new company. The creation of a new company gave large freedom for the innovation, but it also called for change and adaption from the employees. The new organization demanded new ways of working; hence educating the employees was crucial. The organization grew rather quickly and *E* noticed how it was hard to maintain the “innovational spirit” that had been within the small core group from the start. *E* also understood that even though the new organization and its employees had been able to adapt to the new innovation, there was still an enormous challenge to educate and gain trust from customers. Many customers had been buying from the firm for years, however, this new innovation demanded change and new ways of thinking.

4.1.5.3 Illegitimacy Challenges

An initial challenge for **E** was to get others to realize the potential of the cloud solution. The firm was already performing well with their offerings, and had no complaints from customers either. Hence, it was hard to gain legitimacy and resources for a new business model innovation when the existing one seemed to perform well. Nevertheless, **E** managed to convince the managers that this was worth the investment. **E** had been at the company for over a decade and said *“it is easier to get coherence for a “crazy” idea if you have performed well and shown what you are capable of in the past”*. The managers believed in **E** because of his past accomplishments and also, because the innovation was presented in a clear and objective manner.

As stated above, the project evolved rather quickly and it was not long before a new company was created. This caused a huge challenge for **E** as the employees faced a major change. Many of the employees did not understand why the change was needed since *“their way of working was highly successful”*. It took a lot of convincing and explaining from **E**'s part in order to get the employees committed to the project; *“it was almost like I had to educate our employees about our own products”*. **E** also explained how it was vital to show how the project was progressing; *“even small achievements will keep people motivated, we are doing something impressive here!”* The “innovational spirit” within the organization is something that **E** spoke a lot about. As the new organization grew, it was hard to maintain the same spirit as the group had initially. **E** put a lot of emphasis on motivating and explaining the need to keep innovating. At this point, **E** had become general manager for the new company, thus having less connection with all the employees. Therefore, it was crucial to get the middle managers to appreciate and motivate ideas linked to new innovations.

One might think that the innovation was an obvious success by now, however, **E** still had large problems with gaining trust and legitimacy from the customers. Many of the customers had been loyal to the company for many years, yet, they were acting very skeptical to this new solution. In this situation you need to give them the time they need, according to **E**. You need to sit down and make sure to explain how everything works in a tangible manner. **E** also realized how important it is to act confident and trustworthy in these situations; *“if you are not one hundred percent confident about the innovation yourself, the customer will tell straight away, you need to present with passion and believe in it yourself.”*

Illegitimacy challenges

- Gain funding for a radical new business model innovation
- Hard for people to move away from old ways of thinking
- Educate employees in new ways of working
- Maintain the “innovational spirit” in the fast growing organization
- Educate the customers to see value within new innovations

Gaining legitimacy

- Gained trust by focusing on successful achievements
- Relied on expertise and knowledge within the firm
- One needs to help the employees understand the objective that needs to be achieved
- Use small milestones to constantly see the progress of the project
- Sit down the with customer and explain the innovation in detail, try to make it tangible and easy to follow

Maintaining legitimacy

- Leadership support and coaching is crucial

4.1.6 Interviewee F

Interviewee F (further referred to as *F*) is working as an engineering director and a team manager in a company within the automotive industry.

4.1.6.1 Project description

The business model innovation of focus in this interview was a innovation within the company that offered their customers novel ways to develop their products. *F* did not want any further details to be published, but the innovation was radical and called for a business model change from the customers' of the innovation.

This project was chosen as the components: value proposition and core competencies are changed. Value is delivered in a new way towards customers and the core competencies within the company are used in a novel manner.

4.1.6.2 Project development

The initial stage of the BMI process is what *F* refers to as stage “t-0”. This is the phase before the actual development of the idea starts and where focus is put on the initial innovation. In stage t-0 general managers from six different departments are gathered to evaluate potential ideas. As the general managers are aware of their needs and what is achievable from their departments, evaluating and cooperating becomes difficult. *F* mentioned one example where the production department wanted more resources while the finance department thought the opposite.

To succeed with the new innovation, the team is aware of the fact that compromises must be made to satisfy the requirements from the different departments. Thus every week the team gathers to discuss the progress and evaluate if any of the departments have encountered any obstacles. Stage t-0 thus becomes rather long as no department should be disappointed before moving on.

When stage t-0 was finally passed and all six departments were satisfied with the result; the actual development phase could start. Before this phase started and resources were disposed of, *F* contacted potential customers to present the new innovation. *F* emphasized the difficulty of getting customers to accept and invest new innovations due to the overall conservative climate within the market. Although customers are well aware of the potential of the new innovation, *F* still struggles to secure confirmed buyers. Consequently, *F* is still in a stage where resources need to be attained before an approval to proceed with the development phase can be achieved.

4.1.6.3 Illegitimacy Challenges

F's prime challenge also worked as a way of gaining legitimacy for the BMI. As previously explained, all the different departments are involved from the very start in the t-0 stage. Thus the innovation needs to be approved by all the departments at a very early stage. For *F*, this was both a good and a bad thing; *"on the one hand you can never start working with a project and "convince" people that it will work once you have made progress, on the other hand, when all the departments have gained understanding and given their legitimacy for the innovation at an early stage, the rest of the process becomes a whole lot easier"*. *F* has learnt to cope with this way of working within the company by always setting clear goals and targets before even pitching the idea. By doing so, *F* managed to get approval and at the same time all the departments within the company felt involved with the project. *F* also mentioned the importance to stay alert and deal with illegitimacy problems in a proactive way; *"you need to coach the group and listen to all the members - "what do you need? what can we do for you?"* It is also important to not say "no"; *"some of the ideas we have previously denied have just been "put in a jar"*. This helped *F* in this project as people who came up with those ideas did not feel overruled and knew that their idea might still be used in the future.

Once the BMI had gained legitimacy internally, another challenge arose when *F* contacted potential customers. This is a stage in which *F* is still struggling; *"our industry is very, very conservative, and often our customer judge the innovation on inapplicable KPI's."* Sometimes the only way to gain trust for something radical (like the BMI of this project) is to also highlight incremental innovation offerings at the same time; *"if you manage to get the customer in a positive and inspired mood, it is more likely that the innovation will gain legitimacy."* as mentioned by *F*.

Illegitimacy challenges

- Hard to get conservative customers to appreciate the new innovation
- All departments are involved at an initial stage of the BMI process
- New BMI's are often judged based on inapplicable KPI's

Gaining legitimacy

- All the departments are cooperating at the initial stage of the BMI process
- Evaluation together, everyone feels involved
- One needs to set a clear goal and have a clear target

Maintaining legitimacy

- Coaching the group; “what do you need? What can we do?”
- Never say no and kill the idea, rather “put it in a jar” and bring it back

4.1.7 Interviewee G

Interviewee G (further referred to as “**G**”) is market development director with the task to look for market expansion opportunities at a company within the automotive industry.

4.1.7.1 Project description

The core of the project is to find a business model for mobility within the automotive industry. The BMI focuses on new demands, which will create new ways of enabling owner utilization for customers.

This project was chosen as the components: strategic objective and value proposition, source of revenue, and critical success factors in the business model were changed. The BMI will affect the ways of delivering value to customers, ways of retrieving revenue, and thus also the critical success factors for the company.

4.1.7.2 Project development

G was introduced to the project when a potential solution was dropped on **G**'s desk with an attached assignment; “do this”. **G** understood the core logics and the idea behind the project and began with a business case for the project. The business case lead **G** to the conclusion: “*why would we do this? - This is a terrible idea*”. When **G** delivered the verdict and got the response that a senior manager wanted it to be done; “*we want an answer on how to do it*”. Consequently, **G** instead started to look for the issues and flaws surrounding the BMI, which in turn would lead to a new solution. The project is outside the day-to-day norm and overlaps several departments. Currently, the project is in the defining stage where the work is progressing across departments to understand and identify the issues. As there are seven different departments that need to be involved, the issues must be clear and understood by everyone involved before the project can continue to the next stage.

4.1.7.3 Illegitimacy Challenges

The first legitimacy challenge **G** presented was to gain an understanding as to why the project should exist and be developed at all. **G** started by developing a business case, which did not show any potential to deliver the result managers wanted from the project. Thus, **G** emphasized that the project was a terrible idea and that it should be terminated. The flaws that **G** was able to show from the business case gave managers an understanding of the issues and hence they rephrased the task to “we want an answer to how to do it”. This meant that **G** could start from scratch by defining the issues around the problem and start to work on a solution that would deliver the value managers were looking for.

As this project is outside the day-to-day norm of the organization, it is harder to innovate and align the different departments that are required for the project. **G** further expressed that to succeed with this; a powerful sponsor needs to be located. This sponsor is someone with authority that can enhance the legitimacy in crucial situations. As the senior manager was very interested in seeing this project succeeding, aligning the different departments needed for the BMI was easier achieved. The challenge that followed was finding the right people in the different departments, as mentioned by **G**; “*I don’t know half the people in the organization, I don’t know who I should speak to*”.

G mentioned that there were committee meetings every week where the progress of the project was reported. Sometimes, the only progress that could be shown or delivered was the communication made with people in different departments. **G** highlights that this should not be seen as a set back in the project since the organization is large and several departments need to be involved. **G** continues by mentioning that a conversation with an influential peer that leads to involvement in the project should be seen as a successful KPI or milestones even if this may not be a result that the committee is looking for. In this stage **G** has two crucial challenges; first, finding the right people and getting them involved, and second, not getting blinded by success. In regards to the first challenge, **G** always approaches the person needed for the project with the phrase; “*I have this issue and I think you can solve it*”. **G** says that this phrase helps gaining their attention and at the same making them feel appreciated, thus wanting to join and contribute to the project. With regards to the second challenge, not getting blinded by success, **G** mentions that it is hard to deliver results and progress to the committee, as they want the big win immediately. One needs to take a step back and put the “breaks” on the project, starting with paperwork and objectify the outcome of the project to gain a holistic understanding. By doing so, **G** argues that the issue and the objective of the project will not be lost. Accomplishments will be analyzed and assessed, helping the project continue without developing roadblocks down the road. However, if roadblocks do occur, an innovative project needs the ability to fail where the team can reflect on the problems that have occurred and have a chance to start over.

As the project is driven by people, everyone involved needs to believe in the innovation. **G** sees this as a huge challenge and is thus constantly working to keep the team motivated. **G** focuses on talking with the people involved on a one-on-one basis to understand how they

work and what their goals with the project are, thus **G** can promote the project without it sounding like a sales pitch. **G** mentions that this helps the project, rather than if everyone would be gathered in one room and listening to a “sales promotion” of the project.

Illegitimacy challenges

- Hard to get people to understand the issue and the problem that needs to be solved.
- Hard to innovate outside the day-to-day norm and get people involved
- Communication and knowledge between departments is hard to handle
- Find the right people within a large organization
- You need the project team to believe in the project, otherwise it will fail
- Everybody needs to be aligned, on track, and not blinded by success

Gaining legitimacy

- Highlight a peers knowledge and experience
- Find a powerful sponsor that can align across the top
- Paperwork, taking the time to build a clear objective
- KPIs on milestones that is iterative with progress

Maintaining legitimacy

- Understand the people working on the project
- Innovative projects need to make room for failure

5. Analysis

This chapter presents the analysis of the empirical data gathered for this thesis. The chapter is divided in three parts; illegitimacy challenges, gaining legitimacy, and maintaining legitimacy. Each part starts with a presentation of the findings made in today's theory, which will later be compared to the empirical data gathered from interviews with real life business model innovations cases as the main focus.

5.1 The Process of Legitimizing Business Model Innovation

The process of legitimizing a business model innovation is by no means a straightforward journey. The theory gave insight to the complexity and different dynamics surrounding the topic. By analyzing the empirical findings, one can clearly see that the same complexity applies for the cases observed in the context of this thesis. Even though all but one of the cases was conducted in the same industry, there were obvious differences of how to run the BMI project, but also how to obtain and maintain legitimacy. The analysis of this thesis will be presented as follows.

First, an analysis of illegitimacy challenges that are likely to occur during the BMI process is presented. This was done by conducting a holistic study of today's literature within the scope of this thesis, which resulted in a table displaying the most common illegitimacy challenges. Findings from the empirics of this thesis were later added to that table.

Second, the same approach was used to find ways of gaining and maintaining legitimacy. Again, a table with the most common approaches from literature has been created, combined with findings from the empirics of this thesis.

Lastly, a comparison between the interviews conducted in Sweden, and those conducted in China, will be presented.

5.1.1 Illegitimacy Challenges

Concerning illegitimacy challenges, the analysis of this thesis confirms all the challenges found in theory from previous studies, additionally, the empirical findings contribute to new challenges that were not discovered beforehand.

When analyzing the different illegitimacy challenges, it becomes obvious how some had posed a greater challenge than others. The *innovation process itself* was confirmed by a majority of the interviewees, and seemed to have been a great challenge to overcome at the initial stage of the BMI process if it was not handled correctly. Also, *getting people to work on the innovation* and coping with *barriers between departments* are illegitimacy challenges that

were clearly emphasized by the interviewees. Additionally, discoveries linked to *locating the internal customer* for the innovation was presented in the empirical findings.

Illegitimacy challenges			
Challenge	Description	Source(s)	Confirmed
Innovation process itself	<ul style="list-style-type: none"> • Attract attention • Acquire resources • Describe potential value and logic fit • Transform existing institutions 	Dougherty & Heller, 1994 Shafer et al., 2005 Christensen, 1993 Kusunoki & Aoshima, 2010 Takeishi et al., 2010 Van de Ven, 1986	Interviewee <i>A</i> Interviewee <i>C</i> Interviewee <i>E</i> Interviewee <i>G</i>
Standards used to judge the innovation	<ul style="list-style-type: none"> • Low flexibility or capability of the value method • Inapplicable standards, such as financial returns • A need to defend the innovation 	Dougherty & Heller, 1994	Interviewee <i>D</i> Interviewee <i>F</i>
Major barriers between departments	<ul style="list-style-type: none"> • Hard to break functional barriers • Cooperation not seen as “real” work • Hard to cooperate in practice 	Dougherty & Heller, 1994	Interviewee <i>A</i> Interviewee <i>B</i> Interviewee <i>G</i>
Ongoing minor conflicts	<ul style="list-style-type: none"> • People interpret facts in different ways • Different objectives within the group • Diverse interests and information 	Takeishi & Numagami, 2010	Interviewee <i>F</i> Interviewee <i>G</i>
Getting people to	<ul style="list-style-type: none"> • Difficult to get 	Dougherty &	Interviewee <i>B</i>

work on the innovation	<p>borrowed resources (people) at the right time</p> <ul style="list-style-type: none"> • Innovation not seen as a “core” assignment 	Heller, 1994	Interviewee <i>E</i> Interviewee <i>G</i>
Structural links	<ul style="list-style-type: none"> • Company did not know how to extract value from innovation • Did not fit established relationships and communications • Promised resources on corporate level hard to get in reality 	Dougherty & Heller, 1994	
Strategic links	<ul style="list-style-type: none"> • Find strategic fit when innovations are bringing companies to unfamiliar markets • No shared holistic view of the company’s competencies 	Dougherty & Heller, 1994 Shafer et al., 2005	Interviewee <i>A</i> Interviewee <i>D</i> Interviewee <i>E</i>
Risk averse climate in firm	<ul style="list-style-type: none"> • Conservative, risk averse, and lack of commitment 	Dougherty & Heller, 1994	Interviewee <i>F</i>
Locate the internal customer	<ul style="list-style-type: none"> • Crucial to get involvement at an early stage • Might cause resistance since the innovation is “forced” 		Interviewee <i>A</i> Interviewee <i>C</i>

Figure 12: Illegitimacy challenges confirmed by theory and interviewees

5.1.1.1 Innovation Process Itself

Wide ranges of scholars have given insight to the different illegitimacy challenges one might face during the actual BMI process. Findings from the empirics state how the "creators" struggled with different challenges, such as; general doubts from the organization (**A**), attaining the needed resources to advance with the project (**C**, **E**), and how to even get people to understand the core logics behind the innovation (**G**). All the challenges that arose in the different cases seem to be connected with the initial stage of the BMI process. A common link between the different cases is the difficulty to get people within the organization to *understand* what the innovation is all about. **A** received the comment that the innovation "*is the stupidest idea I have ever heard*", but after a conversation with the person, it turned out that it was just a matter of misinterpretation.

The challenge of funding is also a repeated phenomenon, even when the logics of the innovation are understood. This has also been clearly stated by other scholars, where companies see the potential of the innovation but think that the motives are too thin to justify the resources (Christensen, 1993; Kusunoki & Aoshima, 2010).

5.1.1.2 Standards Used to Judge the Innovation

It is often hard to measure and evaluate innovations, especially at an early stage. Standards such as time or financial returns are often used, which can be hard to specify initially. The uncertainty that surrounded **D's** project in regards to how vaguely the progress could be measured at an initial stage turned out to be a major challenge. The project did not fit with the strategy and structure of how projects are normally run; hence, **D** had a hard time gaining the trust and legitimacy needed from managers to continue. Consequently, **D** really had to *convince* the executives that the BMI, in collaboration with THL, was worth investing in even though there was no "solid" data to show. The project did not follow the traditional ways in which the firm usually ran their projects, thus creating a huge challenge in terms of the standards and judgments used to evaluate it.

While **D** faced an internal challenge, **F** had to cope with the same issue, but on an external level. This is also a case that proves how the inflexibility of the methods and KPI's used to measure the innovation can create major challenges for the innovator. There is a risk that the energy is expanded on what managers want to see, rather than what will benefit the BMI process the most.

5.1.1.3 Major Barriers Between Departments

The barriers created between departments can be caused by various reasons, where previous innovators' have stated established practices such as career progression, work relationships, and task allocation as some of the major ones. **A** expressed how it is crucial to gain involvement from the department where the innovation is likely to eventually end up, in order to get them to see it as "their baby". Theory describes how many innovators experienced

narrowly constructed roles within departments, with a view that cooperating between departments is not "real" work. This notion, combined with the urgent need for functioning collaborations between departments, creates a serious illegitimacy challenge. Previous innovators also claimed how they wanted to collaborate, however, they did not know how to in practice. This argument has also been found in the empirics of this research, where **G** has a problem with finding the right people within the firm to collaborate with; *"I don't know half the people in the organization, I don't know who I should speak to"*. **B** experiences a similar problem where working as an engineer does not provide contact with the departments needed for the innovation, thus making communication and collaboration really hard to establish.

5.1.1.4 Ongoing Minor Conflicts

While being somewhat linked to the previous challenge, the ongoing minor conflicts seems to center more around differing views and objectives between departments. **F** claimed how involvement from different departments at an early stage of the BMI process is good, but it also create problems as various departments will come up with diverse understandings, and also value things differently. **G** extends this notion by arguing how separate departments are looking for distinct results, since they are faced with diverse objectives. Referring back to theory, one can see how crucial aspects observed by other scholars (Takeishi & Numagami, 2010) such as; information owned, interest, and worldview seem to play a key role in the minor conflicts observed in the empirical findings of this thesis, too. Both **G** and **F** mention how different objectives between departments is a key illegitimacy challenge to overcome.

5.1.1.5 Getting People to Work on the Innovation

When analyzing the challenge of getting people to work on the innovation, there is a clear link between the findings and what has already been written in today's literature. **B** emphasized how there is a risk that peers will lose interest in the project thanks to its low priority, and how it is hard to gain the interest needed from employees from separate departments. While **E** did not have any problem with getting people to work on the innovation, it was still a struggle to get them to move away from old ways of thinking; also, a lot of energy was expended on educating the employees in the new ways of working. **E** further mentioned how working with the motivation and understanding throughout the project in order to keep the "innovational spirit" within the group is crucial. **G's** statement also confirms one of the challenge found in literature, namely the difficulty of innovate outside the day-to-day norms and "core" assignments.

5.1.1.6 Strategic Links

Challenges connected to the strategic links of the companies were presented in various ways in the empirical findings. *E* needed to educate the customers to appreciate and understand the value of the new innovation. Just as mentioned by Dougherty and Heller (1994), when innovations bring companies to unfamiliar markets, doubts and questions might arise from managers. Thus, *E* needed to truly emphasize the value and the strategic fit of the innovation for the focal company; "*you need to present with passion and believe in it yourself.*" *D* had a somewhat different challenge where the company had a clear view of the strategy, which *D* strongly disagreed with. The challenge called for similar techniques as the one that *E* had, namely that the presenter must be confident and trustworthy.

A central point in both of these examples is the importance of understanding how innovation is interpreted. One needs to make sure that key actors understand what is meant with the innovation, and what the outcome will be. Otherwise, attaining legitimacy is hard, as stated by *A*.

5.1.1.7 Risk Averse Climate in Firm

Instead of finding strategic fit to the company, *F* struggles with an overall conservative mindset from the customers in the industry. *F*'s company will not benefit from the business model innovation itself, hence, there is an urgent need find a suitable customer that will. While the innovation fits well with many of the companies in the market, the overall climate makes it hard to adapt the innovation, as no one is ready to take the risk and truly appreciate the potential of the innovation.

5.1.1.8 Locate the Internal Customer

A key task that both *A* and *C* mentioned was the search of a *receiver* or *internal customer* for the innovation. This can evolve into a major challenge for two main reasons. Firstly, at an initial stage, the shape that the innovation will take at last might still be uncertain. Therefore, it is hard to predetermine the "right" customer/receiver for the innovation. Secondly, if the innovation is assigned to a department within the company at later stage, there is a major risk that illegitimacy for the innovation will arise. *A* described how this is because the department or the person within the organization does not feel connected to the innovation; "*it is not their baby.*" *C* follows this notion with the argument that people might feel that the innovation is "forced" upon them.

This is by no means an easy challenge. Finding a receiver at an early stage is hard since the final value of the innovation is still uncertain, but by waiting too long, there is a risk that the innovation will not be accepted at all.

5.1.2 Gaining Legitimacy

As new projects are initiated, the innovator may challenge old routines, structures, cultures, etc. Gaining legitimacy thus becomes important for the innovator to succeed. In the table below, all the approaches presented in theory are confirmed by the findings from the interviews. Furthermore, two new approaches that were not mentioned in theory but, which are emphasized by the interviewees, have been added.

Gaining Legitimacy			
Approach	Description	Source(s)	Confirmed
Conform to environment	<ul style="list-style-type: none"> Position project within established forces 	Suchman, 1995	Interviewee <i>A</i> Interviewee <i>C</i>
Select among environments	<ul style="list-style-type: none"> Find environment that yields legitimacy while asking little in return 	Suchman, 1995	Interviewee <i>A</i> Interviewee <i>B</i> Interviewee <i>G</i>
Manipulate environments	<ul style="list-style-type: none"> Declare “new” explanations for social reality Lobby for the innovation 	Suchman, 1995	Interviewee <i>A</i> Interviewee <i>E</i>
Tolerance seeking	<ul style="list-style-type: none"> Enables innovators to continue despite perceived illegitimacy 	Van Dijk et al., 2011	Interviewee <i>A</i> Interviewee <i>D</i> Interviewee <i>E</i>
Validity	<ul style="list-style-type: none"> The structure of the group needs to be accepted by all members 	Dornbusch & Scott, 1975	Interviewee <i>F</i>
Propriety	<ul style="list-style-type: none"> Organizational members need to accept the way things ought to be 	Dornbusch & Scott, 1975	Interviewee <i>F</i>
Authorization	<ul style="list-style-type: none"> Gaining approval from high-status actors 	Dornbusch & Scott, 1975	Interviewee <i>A</i> Interviewee <i>D</i>
Endorsement	<ul style="list-style-type: none"> Gaining approval 	Dornbusch & Scott, 1975	Interviewee <i>C</i>

	from low-status actors		Interviewee <i>E</i> Interviewee <i>G</i>
Personal Passion	<ul style="list-style-type: none"> • Responsive actions to a "no" • Confident and enthusiastic 		Interviewee <i>A</i> Interviewee <i>B</i> Interviewee <i>C</i> Interviewee <i>D</i> Interviewee <i>E</i>
Create Goals Within Reach	<ul style="list-style-type: none"> • Work methodically and with clear goals • Create tangible results, small milestones, iterative KPI's 		Interviewee <i>C</i> Interviewee <i>E</i> Interviewee <i>F</i> Interviewee <i>G</i>

Figure 13: Gaining legitimacy confirmed by theory and interviewees

5.1.2.1 Conform to Environment

Suchman (1995) describes how innovators in search of legitimacy for their innovations need to find already established forces and position their projects within those forces. When analyzing the empirical data, one can see how some interviewees were "working under the radar" (*A*, *C*) and could progress with the BMI project without drawing any attention, which enhanced the task to gain legitimacy. This permitted for working without needing to show any results or meeting strict milestones, which allowed for more freedom to develop the innovation at an early stage. Consequently, the creators could reveal the innovation when it was ready, and when they had something that showed potential, which is more likely to generate legitimacy.

Furthermore, innovations might challenge the existing culture, norms, structures, or ways of working and thus cause resistance from previous audiences, which lead to to the need of gaining legitimacy (Suchman, 1995). Accordingly, it is pivotal to gain legitimacy in these environments, which could potentially be achieved by producing concrete and admirable outcomes. These outcomes were attained by *A* and *C* due to the work that was done before they revealed their innovations to the intended audience. When solid outcomes were accomplished, they could reveal their innovation and thus gain the legitimacy needed from the established forces in the organization.

5.1.2.2 Select Among Environments

As theory describes, new innovations may not fit in the current environment and may demand the innovator to adapt their innovation within another department. As business models are composed of several components, thus indicating that new BMIs usually need involvement from different departments. Therefore, it is crucial to gain trust and legitimacy from several

departments within the organization. Empirical findings show how employees that already possessed legitimacy and authority within the needed area were approached to attract legitimacy for the project. The interviewees (**A**, **B**, and **G**) used names such as “Grandfathers”, “Champions”, and “Sponsors” to describe these individuals. By getting help from them, illegitimacy challenges could be mitigated and the effort needed to gain legitimacy for the project in key areas was greatly decreased. Individuals which such power were described as someone who “*already possesses legitimacy within that division (A)*”, “*a person with authority (B)*”, and “*someone with authority and can make things happen (G)*.”

5.1.2.3 Manipulate Environments

Innovations often lead to how previous practices being questioned in the current environment. According to Suchman (1995) innovators must intervene in the cultural environment. **A** mentions how innovations are not always accepted and excepted as they are not fully understood at an early stage. Being responsive to “no” and also questioning it in a proper way can contribute to the project by solving potential doubts regarding the project at an early stage.

Theory describes how innovators in this environment must be proactive, an example of this is **A** and the lobbying performed for the innovation. Presenting and pitching, explaining the background, and the original idea for the right people was necessary for the innovation to continue according to **A**, it was about “*winning the war before the battle*”. A proactive strategy is also how **E** succeeded in gaining legitimacy; by understanding the uncertainty customers felt about their new service, **E** could sit down and explain the service in detail, making it tangible and graspable. These strategies are not a guarantee for gaining legitimacy, although, without these activities resentment and doubts would still exist toward the innovations.

5.1.2.4 Tolerance Seeking

Tolerance seeking does not cause legitimacy as such, however, it does let the BMI project continue despite perceived illegitimacy. **A** refers to this action with the remark on how “*you need to have freedom when working with innovation projects*”. Empirical findings also show how **E** managed to gain trust, which could later be used to extend the tolerance for the BMI project throughout the process. At an initial stage, **E** gained legitimacy for the BMI project by focusing on successful achievements where trust was established. By gaining this trust **E** could continue the development, despite perceived illegitimacy challenges.

Theory describes how tolerance seeking allows innovations to continue without adoption to established interest, norms and how institutional actors allow this, which can be linked to **D**'s case. **D** gained legitimacy by making the intangible factors show, factors which were outside the usual norms of the company's assessment for innovations. Consequently, tolerance for the

continuance of the BMI project was achieved even though it did not follow established norms and interests.

5.1.2.5 Validity

F highlighted how it is crucial that all departments are aligned and involved in order to gain legitimacy for a new innovation. As different departments have different objectives and ways of evaluating innovations, the project needs to be developed in a united manner at an early stage of the process.

This way of working will also mitigate potential issues between departments, since everyone get an understanding of the needs and interests, thus enhancing the feeling of involvement in the project. This aspect can also be seen in theory, which describes how members within the organization need to accept the relations and elements included in the structure as objective facts.

5.1.2.6 Propriety

Closely linked to validity is propriety, which indicates the acceptance of the structure and the way things ought to be in the project. *F* continues the discussion by stressing the importance of cooperation. Making it a group effort to assess the initial stages of the project is key to cooperation, according to *F*.

F's interview provided this thesis with information regarding why both validity and propriety was required, for the process in which the BMI was developed. *F*'s company had an innovation process before the real development of the BMI started. This process gathered managers from six departments where the idea was then developed. The development of new ideas in this process demanded long evaluations and cooperation between the departments, many doubts and concerns were voiced and all pros and cons regarding the innovation were evaluated and considered. When the BMI process later began, it progressed smoothly, hence requiring less work to gain legitimacy.

5.1.2.7 Authorization

As the idea for a BMI project may come from a department where the project wont be developed or where the final receiver of the innovation wont be located; legitimacy needs to be gained from the final receiver at an early stage (*A*). Authorization from the final receiver at an early stage will contribute to legitimacy for the innovation. This legitimacy could lead to a better understanding of the innovation and the resources necessary for development.

High-status actors within the organization will either approve or deny the innovation and thus their possible encouragement will lead to legitimacy for the innovation as described in theory. By getting the executives within the organization involved in the project *E* gained the approval and thus the legitimacy needed to continue with the project. The executives understood the value and could hence see past the facts and figures that they usually base their decisions on.

5.1.2.8 Endorsement

Theory describes that lower-status actors within the organization are important to gain legitimacy in order to gain approval and support for the project. Interviewee *C*, *E*, and *G* all mention how they gained the support they needed in three different ways.

By integrating departments at an early stage of the process *C* gained support and approval, as “*people feel involved in the innovation*”. *E* explained how “*you need to make the employees understand what you want to achieve*”. *E* continues by saying that educating the employees can yield the support needed for the project. *G* gained approval and support by highlighting a fellow peers knowledge and experience, as they felt flattered and wanted to support and take part in the project. The support and legitimacy gained from fellow employees could later be used by the interviewees to gain legitimacy from the organization as a whole.

5.1.2.9 Personal Passion

A reoccurring action that could be confirmed from several cases was the importance of the creator’s personal commitment to the project. One might think that this goes without saying, and that being committed to the project is an obvious essential for the project to have any chance of success at all. Nevertheless, in the majority of the interviews, the creators strongly emphasized how their personal commitment to the project had been crucial for its progress. Both *A* and *D* spoke about the importance of being responsive to a “no”. One needs to ask *why* someone said no and try to find a way around it, according to *A*. *D* was on to the same point with the argument that one needs to stand firmly behind the innovation. Confidence is key to obtaining coherence and legitimacy in a situation where illegitimacy challenges would otherwise occur. The innovation needs to be presented in a proper way, with passion, confidence, and commitment, according to *C*. *E* also states how you need to be “*one hundred percent confident about the innovation yourself [...] and present it with passion and belief.*”

When analyzing the empirics one can also notice how the enthusiasm and positive “energy” regarding innovations in general is of high importance. *B* stated that one of the strongest “tools” was to really believe in the innovation and work enthusiastically, thus spreading that energy and involvement to peers within the department. With luck, this can evolve to something greater where one of *B*’s peers might happen to know someone at another department, hence the positive and encouraging thoughts regarding the innovation will move

on throughout the organization, all being done with "positivism" as the only resource used. *C* also touched upon this topic with the statement that one needs to "*plant a seed and let it grow*". In other words, try to create a positive atmosphere within the organization, which supports new thinking and innovations. Even though this sounds like a "simple" thing to do, one must not underestimate the impact of a creator's commitment for the BMI project.

5.1.2.10 Create Goals Within Reach

While being more or less touched upon in recent approaches, the aspect of working methodically and with clear goals seems to be of such high importance that it needs to be explained yet more thoroughly. Many of the creators (*C*, *E*, *F*, and *G*) emphasized how one needs to be structured by mentioning how it is necessary to have; *tangible results*, *small milestones*, *clear goals and targets*, *clear objectives*, and *iterative KPI's*. By showing tangible results that made it easier for employees and managers to grasp the innovation, the legitimacy for *C's* projects increased considerably. *E* used the same approach by constantly showing the employees small - yet important - milestones to prove that they were progressing and on to something promising. *F* and *G's* statements were similar when they explained how crucial it is to set a clear target and build a clear objective and purpose for the BMI. *G* extended this notion with the reflection that KPI's are useful, however, they need to be iterative in regards to the progress of the project; one cannot have "super" specific and defined KPI's at an initial stage.

5.1.3 Maintaining Legitimacy

Once legitimacy is gained, it is crucial to stay proactive and alert in order to maintain it. Although maintaining legitimacy is perceived as an easier task compared to the one of gaining, one must still be aware that threats and changes can occur fast and thus pose as continuous threat for the BMI (Suchman, 1995).

As stated above, many of the projects observed were in early stages of the BMI process; hence, more data was extracted concerning how legitimacy can be gained rather than how to maintain it. Nevertheless, one can see how a major part of the interviewees (*A*, *C*, *E*, and *F*) used the approach of "protecting past accomplishments" to maintain their legitimacy. Confirmation of the two other approaches mentioned in theory could also be found, while the additional three were left without confirmation. The approaches that were left blank by the interviewees will not be further analyzed.

Maintaining legitimacy			
Approach	Description	Source(s)	Confirmed
Perceiving future changes	<ul style="list-style-type: none"> Enhance ability to predict future changes and mitigate those changes Keep the group and its external environment in close position 	Suchman, 1995	Interviewee <i>G</i>
Protecting past accomplishments	<ul style="list-style-type: none"> Deliver fundamental needs and establish a sense of control Stockpile goodwill and support 	Suchman, 1995	Interviewee <i>A</i> Interviewee <i>C</i> Interviewee <i>E</i> Interviewee <i>F</i>
Consensus	<ul style="list-style-type: none"> Indicates endorsement and overall approval 	Zelditch & Walker, 2003	
Impartiality	<ul style="list-style-type: none"> Engagements cant benefit some more than others 	Zelditch & Walker, 2003	
Objectification	<ul style="list-style-type: none"> Statements need to match the actions taken 	Zelditch & Walker, 2003	Interviewee <i>B</i>
Consonance	<ul style="list-style-type: none"> The organizations must live up to established values and beliefs 	Zelditch & Walker, 2003	

Figure 14: Maintaining legitimacy confirmed by theory and interviewees

5.1.3.1 Perceiving Future Change

Suchman (1995) stresses the importance of trying to predict future challenges and recognize the audience reactions to change. By doing so, the project is more likely to mitigate those encounters in a proactive way and thus maintain the legitimacy. *G* mentioned how a project is always driven by people, therefore it is important to understand the mindset of each individual involved in the project. When one has a clear picture of everyone's goals and what keeps them motivated, it is easier to predict and mitigate changes that could potentially danger the gained legitimacy.

5.1.3.2 Protecting Past Accomplishment

Another way of maintaining the legitimacy gained is to protect what has already been accomplished. *A* explained how one can maintain the legitimacy for the project by showing positive results in other projects, and by working with incremental innovations to maintain an overall trust. By doing so one can display tangible results for the organization, hence maintaining the legitimacy for the BMI project. *C* seconds this approach by stating how incremental achievements will establish a more open mindset to innovation from managers and other employees. Consequently, one will have more room for trial and error before illegitimacy thoughts start to emerge for the BMI project.

E and *F* give another take on how to protect legitimacy for the BMI project where they speak about the importance of support and coaching. It is vital to support the group and stay coherent; "what do you need? what can we do?", as stated by *F*. The organization should be able to deliver fundamental needs and create a sense of fundamental control (Suchman, 1995), which can be supported by the way *E* and *F* acted in their BMI projects where they stayed proactive and coherent to the views of the peers involved.

5.1.3.3 Objectification

The project will struggle to objectify its actions if statements do not meet the measures taken (Zelditch and Walker, 2003). *A* gave some insight to this question and mentioned how it is necessary to have an explanation for the failure of a project; "what did you do? what did you learn?" By doing so, people in the organization will realize that resources did not go to waste, hence making it easier to objectify the failure.

5.1.4 Sweden vs. China

There are many differences and similarities regarding the analysis of the empirical findings of Sweden and in China. Before making any further conclusions from this data, it is necessary to disclose that this thesis held a low sample size. There were four interviews conducted in Sweden and three in China. Nevertheless, once a comparison of the two countries had been conducted, a considerable amount of noteworthy data had been generated.

5.1.4.1 Differences

There seem to be a difference regarding the view of innovation and how one is ought to work with innovation between companies in Sweden and those in China. Both *E* and *D* had rather predetermined processes for how they were supposed to work with innovation. They also struggled with the low capability of the methods used to value the innovation. *D*'s company called for solid data at an early stage and *F*'s innovation process included KPIs from different

departments that all needed to match. Based on the empirical findings for this thesis, there seems to exist a larger insecurity and lower level of risk acceptance regarding innovations in China. *E* had to spend a lot of time just to educate and convince the employees to work with the BMI project. Later on, the same was needed to get the customers to buy the new innovation. *F* also mention that it is really hard get customers to accept the innovation, even though they are aware of its potential success.

In Sweden, actions conducted on a personal level seem to play a more important role. *A* spoke about how one needs to be proactive and really prepare how and to whom the innovation should be presented when trying to gain legitimacy for the BMI project. Both *B* and *C* spoke about the importance of spreading “positivism” and “planting” innovational thoughts within the organization. When analyzing the data it can also be seen both *A*, and *C*, mentioned how one actively needs to search for a *receiver/internal customer* for the innovation. There also seems to be a more intense search for people within the organizations that already possesses legitimacy, in the Swedish cases. By finding these people, described as “*Grandfathers*”, “*Champions*” and “*Sponsors*” by several interviewees (*A*, *B* and *G*), the BMI projects could potentially take “short cuts” as their legitimacy will get greatly enhanced. A possible explanation as to why this is not seen in the Chinese BMI projects could be that they are more structured; hence there is less flexibility and less chance for such actions.

Empirics also show how a major challenge in many of the Swedish cases – barriers between departments – does not exist to any large extent in the Chinese ones. A possible explanation to this is how the more structured innovation process in China mitigates these barriers. While a backside of the more unstructured approached observed in the Swedish cases could potentially affect the barriers between departments.

5.1.4.2 Similarities

There are also some empirical findings that can be linked to both Sweden and China. One of the main challenges observed is getting people to work on the innovation, this can be found from BMI projects in both countries. The perception that innovation is not seen as “core” assignment and the difficulty in getting borrowed resources (people) can be found in both, Sweden and China (*B*, *E*, *G*). The same can be said about minor conflicts within the group, where people interpret fact in diverse ways and how different objectives drive parts of the group in separate directions (*F*, *G*).

The importance of the personal commitment of the creator for the innovation appears to be equally important in the both countries. The emphasis on how one needs to be responsive to a “no” (*A* and *D*), and how one needs to stay confident, committed, and positive when pitching the innovation (*C*, *E*) can be linked to both Swedish and Chinese interviewees.

Additionally, the importance of being structured and having clear goals and objectives does also apply as an important factor to gaining legitimacy for interviewees from both countries.

A majority (*C*, *E*, *F* and *G*) mentioned the significance of showing the group that the project is making progress, and how a well structured BMI project is more likely to gain legitimacy and succeed overall.

6. Conclusion

This chapter aims to answer the research question of this thesis by summarizing and presenting the key findings from the analysis in the last chapter. Suggestion for future research within this field will also be presented at the end of the chapter.

6.1 The Process of Legitimizing Business Model Innovation

The purpose of this thesis was to answer the following research question;

What actions enhance legitimacy in the process of business model innovation?

The findings of this thesis state the complexity of this question. There is no “golden rule” to follow and the methods vary from case to case. Findings from the different BMI projects in this thesis show how being prepared and aware of potential illegitimacy challenges; is just as important as the actions taken to gain/maintain legitimacy. Even though all but one of the projects was conducted in MNEs within the same industry, the diversity and uniqueness of each project is evident. However, findings also suggest how certain actions to gain legitimacy were more applied than others. Consequently, these actions are seen as the key findings of this thesis.

Work Under the Radar

As innovations are fragile and easily challenged by established forces at an initial stage, *working under the radar* and making progress on the BMI project without drawing any attention has proved to be a successful approach to gain legitimacy. This makes room for an effective work ethic without the need to show results or to meet strict milestones; this results in more freedom to develop the innovation at an early stage. Consequently, the creators can reveal the innovation when it is ready, and when they have something noteworthy to show. This will decrease potential illegitimacy threats while also increasing the chances of gaining legitimacy. Empirical findings also displayed how projects, which were able to generate progress without demanding any resources, were more likely to gain legitimacy. This further strengthens how the approach of *working under the radar* is a potential legitimacy technique, especially in early stages of the BMI project.

Seek for an Authority Figure

One of the key illegitimacy challenges found was the difficulty of collaborating and finding the right people across departments in the large organizations observed. However, some of the interviewees also exploited the benefits of their large organizations to gain legitimacy.

Empirical findings show how employees that already possessed authority and power in areas where the BMI project needed legitimacy were approached to enhance the process. The interviewees used names such as “*Grandfathers*”, “*Champions*”, and “*Sponsors*” to describe these individuals. By getting help from these individuals, illegitimacy challenges could be mitigated and the effort needed to gain legitimacy for the project in key areas was greatly decreased. This way of working also decreased the challenges with working across departments, since the project was able to gain trust and coherence by using an *Authority Figure*.

Do not Underestimate the Power of Passion

Though it might sound simple, the personal commitment from the creator of an innovation has a high impact on the success of the BMI projects. The analysis shows how creators are proactive in regards to negative thoughts linked to the innovation and how they are actively working to mitigate illegitimacy by showing a positive attitude, confidence, passion, and commitment to the BMI. This *passion* has a tendency to spread throughout the organization and thus create attention and involvement for the project, it is necessary “*plant a seed and let it grow*”, as stated by one of the interviewees.

Furthermore, even if the commitment fails to create legitimacy as such, the analysis also shows how it can create *tolerance* for the project, letting it continue despite illegitimacy challenges. This allows for a greater amount of freedom when working on the BMI project, where continuance is accepted even though established interest may be challenged.

Create Goals Within Reach

A key finding that appears to be crucial when trying to gain and maintain legitimacy is the aspect of working methodically with clear goals and comprehensible results. Many of the interviewees expressed how *tangible results, small milestones, clear goals and targets, clear objectives* and *iterative KPI's* made it easier to steer the project, and how it also enhanced manager's ability to grasp the different projects, thus making it easier to gain legitimacy. Thus, *clear goals, targets, and objectives* serve as vital tasks throughout the BMI project and must not be underestimated or rushed when they are in the establishment stage. Findings have also shown that the preceding techniques apply for both, Swedish and Chinese firms.

This way of working can also be linked to how the interviewees maintained their legitimacy. By being able to show past accomplishment and small milestones, the projects gained more room for trial and error, without having to risk illegitimacy within the project. However, when things do go wrong, empirical findings also show how it is vital to explain *why* it did go wrong and *what* was learned from it. Without any reasonable explanation, there is a risk that legitimacy for the project will be lost.

Locate the Internal Customer

Lastly, the challenge of locating a *receiver/internal customer* for the BMI at an early stage of the process needs to be highlighted. This is crucial to mitigate the risk of the innovation being rejected from the department/customer at a later stage. By locating a receiver early, there is a higher chance of creating an interest and legitimate involvement for the innovation. The challenge here centers on finding the right balance between being certain about the outcome and waiting too late to approach the potential receiver/internal customer. Approaching the internal customer too early could potentially create illegitimacy thoughts due to the uncertainty and vagueness surrounding the BMI project when it is being presented at an initial stage. On the other hand, by waiting too long, there is a risk that the department will feel like the innovation is forced upon them, no matter how promising and well developed it might look.

While being presented as an illegitimacy challenge, there is also an opportunity to benefit and truly anchor the project at this stage. By being aware of the potential risks of getting the project denied later down the road at an early stage, the creator will work proactively to not make that happen. Thus focus will be put on communication and making sure that acceptance for the innovation for the BMI is created. If one is able to establish a strong relationship with the internal customer of the innovation, illegitimacy challenges throughout the process will be mitigated to a large extent.

6.2 Future Research

An interesting area for future research within the field of this thesis would be to follow the development of the different BMI projects over a longer period of time. This would result in a better understanding of how the different stages affect the process of legitimizing of BMI in greater detail. By interviewing the creator of the BMI project on several occasions throughout the project, there would be a greater understanding of the various fluctuations that could occur due to undertaking certain challenges and acting on diverse techniques. By doing so, one would be able to analyze if/how the key findings of this thesis are being developed throughout time. A suggestion would thus be to follow one or multiple BMI projects from an initial phase, all the way to a successful commercialization.

Further, as this research focused on a smaller sample of projects within the automotive industry, a suggestion for future research would be to focus on a larger sample. A larger sample could potentially include several people within the same BMI project, as well as projects within different industries. People within the same project could tell their stories of how the project gained and maintain legitimacy in order to extract similarities and/or differences. Furthermore, actors within different industries might experience different illegitimacies as they may work different ways when gaining and/or maintain legitimacy.

Thus, a suggestion for future research is to follow several people involved in BMI project within several different industries. Findings from such a research could then be compared to the findings of this thesis. This would give an enhanced understanding of how/if the contextual factors differ between industries, and also how different individuals in the same BMI project experience the notion of legitimacy.

In the context of this thesis, a comparison between Swedish and Chinese firms has also been made. While some hypotheses regarding similarities and differences could be drawn, it would be highly interesting to conduct deeper research within this field to either reject or approve the hypotheses constructed. A larger sample size would most likely contribute to a greater solidity within the data attained, which could then be compared to the findings of this thesis.

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8. Appendixes

8.1 Interview Guideline

Background information

- What is your background?
 - Education?*
 - Experience?*
- How long have you been working for the company?
- What are your chief assignments?

The project development process

- Could you describe the project?
 - What is the key objective?*
 - Who is the end “user” of the project?*
- What is your role/assignment in the project?
- Could you describe the process of the project?
 - Were did the idea come from?*
 - When did the project start?*
 - Why did the project start?*
- How far along has the project progressed?
- What is the goal with the project?

Challenges related to project

- What challenges has the project encountered during the process?
- What challenges have you encountered during the process?
- Why do you believe these challenges occurred?

-How did you work around these challenges?

-What would you do differently if you could?

-If; Why would you do that differently?

Initiatives

-What do you believe are the contributing factors to the success of this project?

-What actions/initiatives from your part do you believe contributed to the success of the project?