Liability of peripheral-ness in foreign markets: What forms crippled integrity of internationalising craft breweries

Abstract: Social embeddedness in foreign markets is deemed to have positive outcomes for internationalising firms. Such embeddedness, however, incorporates also legitimacy in an industry or market category, which has been overlooked by international business scholars. The reason for this omission is considering industry boundaries as formed by technical characteristics or dimensions such as size and market share postulated by industrial economics. Yet industries are socially constructed and hence stakeholders in various countries can form diverse interpretations. By using qualitative methodology, this study explores the internationalisation of the craft beer industry characterised as a peripheral category within the beer segment. The findings uncover that craft breweries face several sources of pressures: tapping into the peripheral field, template stickiness and identity dissonance. This study presents novel insights on the dynamics of legitimation pressures across the borders nested at the industry level and hence contributes to the literature at the intersection of international business and organisational embeddedness.

Keywords: Liabilities during internationalisation, foreignness, outsidership, legitimacy, craft beer industry, market category, qualitative methods.

1 INTRODUCTION

To successfully enter foreign markets, firms have to cope with social costs, such as lack of legitimacy, political approval or network embeddedness (Kostova et al., 2008, Boddewyn, 1995, Johanson and Vahlne, 2009). International business scholars by applying sociological perspective emphasised that these issues might lead to various negative consequences mainly caused by multiple and often contested interpretations of stakeholders located in diverse socio-cognitive contexts and the inability of foreign firms to meet these expectations. This layer of complexities is known as liabilities of foreignness caused by institutional differences between the home and host countries (Zaheer, 1995); outsidership formed by failure to form relevant knowledge networks (Johanson and Vahlne, 2009); and newness and smallness created by lacking reputation and track record of nascent and small firms (Lu and Beamish, 2006).

However, while research on liabilities during cross-border operations is important, international business (IB) scholars have not paid sufficient attention to legitimacy pressures at the industry level. The main reason is that while it has been acknowledged that industry boundaries defining market rivalry and structure are socially constructed (Porac et al., 1989, Porac et al., 1995, Suarez et al., 2015) the conception of industry in IB remains to be drawn from the industrial economics and strategy perspective. This means that IB still sees the industry as composed of exchanges between buyers and sellers and boundaries formed by technical characteristics of products and market share of firms (Porter, 1980/2004). Turning attention to the social construction of market categories uncovers complex, yet under-researched, set of pressures to internationalising firms.

In this paper, I focus on the case of peripheral firms – a phenomenon increasingly apparent in many industries such as craft breweries, boutique wineries, boutique hotels or artisan food products – internationalisation and growth scalability can disrupt or even taint their authentic identity built by smallness and local presence. Moreover, because these segments often take the market share from the large mass-incumbents, we have already observed corporations imitating peripheral firms. I argue that such pressure forms their liability of peripheral-ness caused by their weak membership in peripheral industry or market category. In the international business context, such pressures do not only form competition for legitimacy but represent even more pressing issues for peripheral firms. Thus, the purpose of this paper is to explore what industry-level liabilities do internationalising firms from peripheral industries experience.

I focus on smaller peripheral firms from hierarchical sectors (Rao et al., 2000, DiMaggio, 1983). As the popularity of offerings from peripheral segments such as boutique wine, craft beer, custom-designed sports accessories or slow fashion producers has increased in recent years, some of them found international opportunities in global niche markets. Hence, this study explores how these peripheral firms have grown beyond their domestic markets and overcome liabilities during internationalisation. In particular, I apply the qualitative methodology to study the craft beer industry comprising smaller peripheral firms often face strategic attacks from large firms. These smaller actors might be ill-equipped to respond to the competitive advantages large organisations have in terms of economies of scale and market power. These attacks impede domestic and international activities. Despite the increased popularity and significance of peripheral firms, and the tendency of dominant, large corporations to exploit their positions of power over the smaller players, the perspective of smaller, internationalising firms facing such pressure from multinationals has not yet been adequately addressed in the IB literature.

This paper provides contributions to the literature on social costs during internationalisation (Kostova and Zaheer, 1999, Zaheer, 1995, Johanson and Vahlne, 2009, Meyer et al., 2014) by building a model of crippled integrity of internationalising firms from peripheral industries causing social costs. The model involves three mechanisms. ‘Tapping into the peripheral field’ means that large firms, which initially operated exclusively outside the peripheral sector, reap its premium prices for specialty products. ‘Template stickiness’ occurs when foreign market audiences evaluate peripheral firms by using their existing knowledge about the quality and reputation of large breweries from the same country. And lastly, international growth of peripheral and related scaling activities deteriorates category membership of peripheral firms and its established sharp difference to large corporations in the form of ‘identity dissonance’.

2 SOCIAL COSTS OF DOING BUSINESS ABROAD

Costs of doing business abroad are caused by additional hurdles of firms in foreign markets caused by their outsider status and involve both economic and social costs (Hymer, 1960/1976, Zaheer, 1995, Johanson and Vahlne, 2009, Eden and Miller, 2015). While economic costs are caused by market forces and cause difficulties to gain competitive advantage, social costs, which are the focus of this review, comprise of extra effort of firms to fit into foreign markets.

The international business literature discussed two major causes of social costs of internationalising firms: liability of foreignness and liability of outsidership in networks. Liability of foreignness means that firms do not conform to a foreign environment characterised by regulative, normative and cognitive prescriptions which creates potential sanctions and legitimacy issues (Zaheer, 1995, Zaheer and Mosakowski, 1997). The bigger the institutional distance between the host and home countries, comprising similarities and differences in rules, norms and beliefs (Xu and Shenkar, 2002), the larger the liability of foreignness is (Kostova and Roth, 2002).

Liability of outsidership in networks means that firms lack or are insufficiently nested in relevant network relationships which act as a source of knowledge about opportunities (Johanson and Vahlne, 2009, Forsgren, 2016). These ties can be situated in the home or host markets and because “learning and creating are intertwined”, social construction is deeply involved (Johanson and Vahlne, 2006, p.47). The increased relational distance between the partners or disembeddedness in relevant networks is interpreted as deficient network knowledge and trust, complicating the insider position. Importantly, lack of insidership in networks can be stronger with the increased institutional distance.

While the liability of foreignness and outsidership in networks is to a certain extent present during all cross-border activities, only some firms would experience liability of origin. From the sociological perspective, the liability of origin is caused by lowered social status or reputation of certain countries. This can be observed in two forms. Countries and firms originating from them can be perceived negatively only by a certain nation because of some past negative historical events. Kostova and Zaheer (1999) used an example of Indians not being favourable to British firms because of the colonial past. The other forms refer to the general negative view of certain nations, such as countries with authoritative regimes (Meyer et al., 2014) or emerging markets (Madhok and Keyhani, 2012).

Newness refers to a firm’s initial entry and presence in foreign markets, where young firms are relatively new to internationalisation activities (Lu and Beamish, 2006, Pisani et al., 2017, Knight and Cavusgil, 1996). The organisational liability of newness was introduced by Stinchcombe (1965) who observed that new organisations are disadvantaged when compared to established ones because they create new knowledge about the market, roles, skills, processes, routines, relationships inside the company (e.g. loyalty and trust of employees), customer base, government links and other channels. For example, Mudambi and Zahra (2007) studied firms investing in the United Kingdom (UK) market during the early 1990s and found that young firms were more likely to fail compared to their older counterparts because of their missing track record and credibility. The liability of newness also means that firms are short in terms of social endorsement which increases the likelihood of failure (Baum and Oliver, 1991).

This implies that new firms have to expend enormous effort to construct relevant networks in distant countries (Lu and Beamish, 2006).

Finally, the notion of smallness involves a lack of resources and market power (Aldrich and Auster, 1986). These advantages can be of a financial nature, but smaller firms are also short of resources such as specific expertise and managerial skills, economies of scale and bargaining power in value chains (Lu and Beamish, 2006, Brouthers et al., 2009). Traditionally, size is considered a liability and smaller firms are resource-poor market actors who are more vulnerable to environmental pressures than their larger counterparts. A longitudinal study of small, Canadian, non-profit organisations concluded that smaller firms found it harder, compared to large companies, to cope with changes implemented by the federal government (Singh et al., 1991). Larger firms enjoy advantages such as status, reputation, economies of scale and (at times) market dominance (Chen and Hambrick, 1995). Therefore, apart from having tangible resources, large actors are perceived to have adequate status, power and market strength (Baum and Oliver, 1991), leaving smaller firms with lower chances of survival when compared to their larger counterparts (Freeman et al., 1983).

While international business literature has identified several concepts contributing to understanding the liabilities during internationalisation, such as foreignness, outsidership, origin, newness and smallness our understanding of social costs formed by industry pressures remains to be addressed. In particular, this paper applies the perspective of cognitive market categories to study internationalisation of peripheral firms.

3 LIABILITIES OF PERIPHERAL FIRMS FROM HIERARCHICAL INDUSTRIES

Hierarchical industries are characterised by a sharp power structure with large incumbent actors operating at the top or centre position and the rest occupying the bottom or peripheral space

(DiMaggio, 1983, Rao et al., 2000), see Figure 1. Thus, peripheral firms represent a sub-segment of hierarchical industries and construct a new market category, which emerges alongside established, central, pre-existing players or incumbents (Swaminathan and Wade, 2001, Leblebici et al., 1991). In this way, the hierarchical industry represents a complex ecosystem of two market categories that have a different structure, size and ownership type, and which serve different consumers. The market category is defined by a set of observable and non-observable attributes of the group of firms, and these attributes help decide on legitimate members (Zuckerman, 1999). In other words, the market category is formed by similar organisations and defined by their overlapping characteristics (Vergne and Wry, 2014) and the audience perceives market category members to be very similar or as very close alternatives for each other (Navis and Glynn, 2010).

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The characteristic features of peripheral market category members differ from those of established incumbents. Peripheral market category members do not have to offer superior or technically more advanced products or services. They stand in opposition to large firms and serve as an ideological alternative to the status quo (Mathias et al., 2018), such as entities from the slow food movement. Examples of such industries are microbreweries and industrial breweries (Carroll and Swaminathan, 2000, Carroll et al., 1993), boutique wineries and mass-production wineries (Delacroix and Swaminathan, 1991, Swaminathan, 1995) or specialty coffee retailers and large commercial roasters (Rindova and Fombrun, 2001). In the context of hierarchical industries, these microbreweries, boutique wineries and specialty coffee retailers are regarded as peripheral actors.

The research on peripheral firms has shown that their competitive advantage and survival are defined by their legitimacy and (in particular) authentic membership of a market category (Carroll and Swaminathan, 2000, Swaminathan, 2001, Verhaal et al., 2017, Mathias et al., 2018). Firms engage in legitimisation strategies to seek a relevant membership in the market category (a group formed by socially constructed commonalities among organisations) to appear as meaningful and recognised by external audiences (Vergne and Wry, 2014, Zuckerman, 1999). The acquired legitimacy (through market category membership) enables peripheral actors to gain resources and achieve growth. Importantly, it also appears to be a crucial element of immunity, which protects their peripheral market category from rivals seeking membership (Verhaal et al., 2017, Carroll and Swaminathan, 2000). In this way, legitimacy holds the same importance as material sources (e.g. know-how, firm assets, networks and capabilities); however, legitimacy as a resource is nested in a company's socio-cultural settings as opposed to firm-level (Zimmerman and Zeitz, 2002).

By refocusing attention to socio-cognitive market categories and legitimacy it is clear that segments in hierarchical industries are not organised according to the conventional concept of market segments defined by rationality. The traditional strategic and industrial economics perspectives assert that the competition around economic resources determines markets and their boundaries (Chen and Hambrick, 1995, Porter, 1980/2004). In that sense, technical characteristics of products together with organisational size define industry structure and competitiveness of the firms. And yet, industry boundaries are socially constructed and built by cultural definitions (Porac et al., 1989, Porac et al., 1995). The organisations within these industries constitute market categories with associated collective identities, and these forms are embedded in a distinct socio-cultural context (Ruef, 2000).

The market category boundaries are sharpened by articulating relevant cultural codes (Verhaal et al., 2017, Lee et al., 2017). Cultural codes represent a shared vocabulary, and they form a meaning system for the market category, such as what it means to be authentic or local (Weber et al., 2008). That is, cultural codes (rather than technical boundaries) would define inter-firm rivalry and in particular identity-based competition or competition for legitimacy. Hence, building strong legitimacy through market category membership helps smaller actors not only to strengthen their market category but also to gain protection against industry incumbents (Wry et al., 2011, Navis and Glynn, 2010, Clegg et al., 2007).

The vocabularies or cultural codes of categories are embedded in socio-cultural settings generating complexities during cross-border operations. For instance, Delmestri and Wezel (2011) studied how the multiplex cinema concept which was fully established in the US could successfully enter the European market. They explained this market entry as a movement from the logic where film-making was considered as a business (the US) into a philosophy where film-making was perceived as an art (Europe). Linking the industry identity with "global norms of efficiency and progress" helped the US multiplex cinemas to legitimise this new market category in foreign countries (Delmestri and Wezel, 2011, p.843). Another study of British retailers entering the Asian market demonstrated differing perceptions of the retail concept (Owens et al., 2013). The paper showed how British retailers successfully redefined social context by manipulating the interpretation of the company's market category and its meaning. Instead of British retailers adapting their offerings to Asian markets, they managed to reshape the expectations and behaviour of stakeholders by educating them. Hence, retailers were able to gain legitimacy by creating a new retail concept without changing their products.

When going global, peripheral firms face not only liabilities of foreignness, newness and smallness, but also the liability of peripheral-ness defined by a membership in a peripheral market category. The liability of peripheral-ness refers to the firm being an industry outsider or having a peripheral (lower) position in their industry, which is dominated by a handful of larger firms attacking their integrity. Peripheral-ness fills the gap between firm level (smallness and newness) and country level (foreignness and origin) liabilities by incorporating an industry layer (peripheral-ness). In this article, I argue that the concept of peripheral-ness helps explore pressures faced by peripheral firms from hierarchical industries during their internationalisation.

4 RESEARCH DESIGN

4.1 Research context

To address the research questions, the internationalisation of craft beer industries of four small, open economies (Australia, the Czech Republic, Denmark and New Zealand) was studied. The paper uses the following definition of craft brewery:

> A craft brewery is a small and independent brewery, which uses traditional or innovative beer production methods. The craft brewery is independent when at least 75 per cent is owned by the brewery and is traditional in their use of authentic and anti-mass production methods. Small operations are considered either to have production of less than 200,000 hl or to be employing fewer than 200 people.

The craft beer industry is characterised by both the increasing power of MNEs and the microbrewery revolution. The M&As undertaken by the most significant industry players, AB InBev, Heineken, China Resource Enterprise and Carlsberg, have resulted in only four companies controlling half the global beer market (Euromonitor International, 2017). Since the 1990s, and in contrast to the industry consolidation, there has been an enormous boom of smaller craft beer producers. While the beer consumption produced by multinationals is stagnating, the success of craft beer drives overall industry growth (IBISWorld, 2018). Craft beer producers have found their space by focusing on small batches, local ingredients, and beer with a story. Moreover, as a consequence of international trade liberalisation and global demand for niche products, craft breweries have started to explore international opportunities

(Cabras and Bamforth, 2015, Chaudhuri, 2016, ANZ, 2017). They have leveraged specialist orientation in foreign markets along with the fact that people have been seeking out the products and services of smaller businesses more and more (KPMG, 2017).

Craft breweries have been emerging globally, but they do not create new consumer markets as such. They progressively take market share away from large beer companies and thus are interrupting their dominance (IBISWorld, 2018). The large firms are aware of this trend and are reacting to it by buying out craft breweries, creating their own specialty brands, disguising production locations and "dressing up" as craft beer (ANZ, 2017, Kirkegaard, 2016, Wilson, 2012). Despite these tensions, the craft breweries have been able to grow internationally and weaken the position of global beer corporations.

Adding the national context of small open economies, Australia, the Czech Republic, Denmark and New Zealand with booming craft beer establishments and enormous market power of large corporations (Morávek, 2013, Bryggeriforeningen, 2015, Sammartino, 2017, ANZ, 2017), internationalisation becomes more a necessity than an option. Small open economies are characterised by high levels of participation in international trade, and limited opportunities in the domestic market as compared to their trading partners (Benito et al., 2002, Maitland and Nicholas, 2002). As such, the craft beer industries from small open economies serve as a novel empirical setting to study internationalisation of firms operating in a hierarchical field with market power in the hands of MNEs.

4.2 Data collection and analysis

In this study, qualitative case study research using in-depth semi-structured interviews with key industry informants and textual documents was applied. More specifically, to account for the complexity of the craft beer industry internationalisation in Australia, the Czech Republic, Denmark and New Zealand, I use a multiple-embedded case study design with country cases and smaller firm internationalisation as a nested unit (Stake, 2013). This in-depth investigation enables the analysis of countries as rich cases (Redding, 2005) rather than using only summary variables of context conditions.

In this research, I applied two data collection techniques, with the prime attention given to interviews (see Table 1) and secondary attention to documents. These diverse but interconnected and complementary databanks provided rich information on the researched phenomenon at varying embedded levels. Interviews, as a primary method of this research, were undertaken in the period from May 2015 to June 2016. The study was conducted in the sequence of the Czech Republic, Australia, Denmark and New Zealand/Australia and involved several trips between the countries. The purpose of the interviews was to collect information about firm internationalisation, industry and country level data. Two key informant categories were used in this process. The first group included craft beer managers (n=56) and owners and the second consisted of the industry experts (n=19) displayed in Table 1.

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I approached the analysis iteratively by going back and forth between the raw data, emerging model and existing literature on liabilities during firm internationalisation and market category research. In the first stage, through reading the transcripts I allocated descriptive labels to bigger chunks of the text to engage in interpretation of the text (Corbin and Strauss, 2008). While it is difficult for the researchers to enter the field without pre-existing knowledge, during this stage I have not applied any specific theoretical framework and tried to see what is really happing empirically. Guided by the overall research question of identifying the pressures during internationalisation, I focused extracted various types of pressures which complicated cross-border activities of craft breweries and what are the consequences to craft breweries.

In the second stage, I formed links between existing codes by merging them in higher level theoretical categories. For examples, the terms like “craft-washed”, “fake”, “undercover”, “phantom” or “faux” craft beers produced by industrial breweries formed a theoretical category of “imitating production”. During this process it started to be obvious that craft breweries are not constrained only by their firm-level disadvantages (e.g., small size and lack of international experience) or country-level pressures (e.g., regulatory obstacles), but industry-level pressures in the form of competition for legitimacy with large breweries and their own struggle with outgrowing their identity posed appeared to be a significant obstacle. Thus, in the final stage, I attended to market category literature concepts of sharp category boundaries and formed three aggregated theoretical dimensions of ‘tapping into the peripheral field’, ‘template stickiness’ and ‘identity dissonance’ further described in the findings section.

5 FINDINGS: LIABILITIES OF CRAFT BREWERIES DURING INTERNATIONALISATION

Liability of peripheral-ness in the context of the beer industry represents a constraint towards claiming authenticity and membership in the craft beer category characterised by opposition to large industrial breweries. The growth of the craft beer industry was initially accompanied by a lack of legitimacy of their nascent market category. Low credibility and awareness of new types of premium beers contributed to the liability of newness and weak support from the audience (Garavaglia and Swinnen, 2017). Brewers across all countries who started their businesses during the early stage reported that it was difficult to persuade audiences, including consumers, beer venues and investors about the value of craft beer. Their product was appreciated only by a very small group of enthusiasts:

> When we wanted to sell in stores, they just laughed at us. They told us: 'There is no way you are going to sell a beer, one bottle for 10 dollars. This is a joke'. It is amazing how it's changed. It was just door knocking, building trust and talking to people. (NZ12)

Over time the craft beer industry has gained recognition in all studied countries implying that the industry has passed the period of emergence. However, as the segment was also growing towards foreign markets, the respondents reported that many industry outsiders were trying to 'free-ride' on the craft beer success: "They [large breweries] want to take over the craft world" (DK7). These forces presented additional pressures beyond the initial newness, smallness and foreignness, as they were defined by peripheral-ness. I delineate three different types of constraints: 'tapping into the peripheral field', 'template stickiness' and 'identity dissonance' (see Table 2).

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5.1 <u>Tapping into the peripheral field</u>

Tapping into the peripheral field signifies the attempts of large multinationals, as powerful incumbents of the beer industry, to enter the peripheries of the craft beer segment and to imitate niche products.

At the beginning of the craft beer revolution, the competition between small and large breweries was almost non-existent. When the craft beer industry was in its early emergent stage, this niche segment was not attractive to the large MNEs. Corporations were busy directly competing with other big oligopolies (Carroll and Swaminathan, 2000). However, the continued growth of the craft beer sector eventually drew their attention. It was noted that craft breweries have not only been stealing the market share away from large breweries, but they have challenged the status quo about the quality and authentic beer.

Once the craft beer industry gained acknowledgement and began growing rapidly, the large breweries started to act more competitively against the small players. In the words of some craft brewers interviewed, “the big guys [started] entering the scene” (AU10) by promoting “fake”, “undercover”, “craft-washed”, “phantom” or “faux” craft beers. Whatever label I heard during the interviews or read throughout the document search, the characteristic feature was that these beers appeared to be craft beers produced by small independent breweries, but in reality, they were brewed and financed by large multinationals. These include both large multinationals selling craft beer locally in markets where craft breweries internationalise but also expanding with their craft beer brands internationally.

Nevertheless, industrial breweries cannot produce real craft beers in the same way as McDonald’s cannot sell “artisan grilled chicken”; people are just buying “crafty marketing” (Wilson, 2015). Large beer companies invested huge amounts of money in looking like craft breweries, and most of the time it was not clear to consumers which beer was craft and which one was only pretending to be premium (Williams and Ferguson, 2014). Whether obvious or hidden, the involvement of multinationals in craft beer brewing was deteriorating the identity of the craft beer segment. A Czech brewer noted this in the following quote:

> There is nothing against Anheuser Busch [AB InBev] doing a good beer, but it is not craft. And Anheuser Busch is saying that: 'We are not saying we are craft'. Well yes, you are, because why don't you put Anheuser Busch on the can, so people are not confused, be proud of making your beer. (CZ20)

The fact that large breweries produced beers which they labelled ‘craft’ was weakening the real craft beer integrity. I identified three forms of ‘tapping’ depending on the amount of control large breweries possessed over craft beer production. Large breweries can maintain complete control by creating the craft beer brands themselves. They can also have substantial power by buying out existing craft breweries. And finally, large breweries can be involved in craft brewing by at least operating as production premises for existing craft beer brands.

I start with the mode of large beer companies making craft beers. Multinationals created their own brands or established craft beer divisions, which acted as stand-alone craft breweries. For example, Danish Carlsberg founded their own craft brewery, Jacobsen, and the Carlsberg website described its deserved role in the craft beer industry as follows:

> We have been at the forefront of the Danish craft beer movement for ten years now, and the huge popularity of our beers here in Denmark and abroad just goes to show that dedication and uncompromising quality is a recipe for success. (Carlsberg, 2015)

The implication of this craft beer brand established by a multinational is explained in the following quote by one Danish brewer:

> Carlsberg actually expanded with the craft beer line of their own, Jacobsen. That really got the whole craft beer market going mainstream and not niche anymore, which is ruining the whole segment of specialty beers. (DK18)

As the above quote illustrates, because the large breweries were entering the field with their own brands, the real value of the specialty and uniqueness of the craft beer depreciated. Hence, whether the hands of large breweries in the craft beer production were visible or hidden, in both cases the perception of the whole craft beer industry was changing towards a less premium category.

Second, the data indicated that large beer companies were buying out craft breweries. As the following quote from a New Zealand brewer illustrates:

> Big guys are always keeping their eye on the smaller guys leading the way, and a few of them have been bought out already. (NZ16)

Industrial breweries completely concealed their ownership of craft breweries, or used marketing power to fool consumers. These activities often received negative publicity towards both large but also acquired small breweries, which were criticised as the ones "selling their soul" (Daneshkhu and Whipp, 2016). The situation was described by a Danish brewer who commented on the global development of the craft beer industry:

> We have seen over the past two, three years the big brewing companies, mainly AB InBev have been buying craft breweries. And I am seeing this as a trend going upward for the very logical reason. These big brewing concerns can see that craft brewing is increasing. Their own market share is decreasing, and they can see that there is so much value money-wise in the craft segment and they simply say to themselves: 'The future is in craft beer, let's go and buy it'. (DK12)

And finally, what was also considered by industry actors as a dishonest practice was when the craft breweries were using the facilities of mainstream breweries to brew their beer. That is, a craft brewery officially made the beer, but the physical production was done at a different location, which was not always clear. This means that many of these "phantom" breweries brewed their beer with industrial equipment and still charged premium prices for their "fake craft beer". Some breweries even went so far as to hide the connection with the large multinationals, as reported by one Australian brewer who recounted this controversy:

> I think there has been a lot publicised about small breweries making beer at bigger breweries and concealing it. There was one brewery found, which was making it somewhere else but did not put it onto their bottle. So, I think we need to be transparent about that. (AU4)

The additional document search of media articles and press releases revealed that the brewery described in the quote above could not grow because of council restrictions and thus engaged in contracting agreements with large breweries. In the end, the misleading labelling led to fines being imposed by the Australian Competition and Consumer Commission (ACCC) and the brewery was later fully bought up by the large corporation (Kirkegaard, 2016). In all cases of large breweries 'tapping into the peripheral field' – namely craft beer brand, craft brewery ownership and craft beer production – it became harder for the audience to recognise what real craft beer was and what only represented an extended arm of larger brewery. This dissonance of craft beer attributes, such as independence versus ownership of an MNE, was even more difficult to discern in foreign countries with additional uncertainty of market conditions. The data showed that the implications of these three tactics were twofold. First, the craft-washed beers were undercutting prices to craft breweries as they were sold as small-batch producers. And second, large breweries were blocking access to bars and restaurants with their non-authentic beers.

To start with, fake craft beers from large breweries pushed down the premium price of craft beer and created difficulties for small producers to compete with the cost structure and economies of scale of large breweries:

> There is a couple of big guys who are sold as sort of craft, but they are very cheap beer, you can't compete with that. (NZ3)

When the craft beer was produced at premises of industrial breweries or financed from corporate budgets, they could afford to lower the price and destabilise the market entry to internationalising small actors. The following statement from one Czech brewer demonstrates the struggles the craft brewery had to deal with during internationalisation:

> Some large breweries are dumping the prices with their specialty brands. Their beers are cheaper than ours, but our costs are higher. We are really struggling with that because their beer is also

> lower quality, which creates a bad name for the Czech microbreweries. This is really a huge fight. (CZ16)

Hence, tapping into the peripheral field caused confusion and deceived consumers because large breweries produced their specialty brands and called them craft beers. This meant that large players were still able to reap premium prices for specialty products, while their production costs were significantly lower than those for craft breweries. The issue was also illustrated in two quotes from Danish and Australian interviewees:

> It is cheating the consumers because they buy bottles like this and this bottle gives you a signal that this is a craft beer. (DK10); Big players who are trying to give the perception that they are doing craft beer and the consumers do not know the difference. (AU10)

The second implication of large breweries infiltrating the craft beer industry is that they block the access of craft breweries into pubs, bars and restaurants, also labelled as "tap contacts". Corporations applied tactics such as paying "motivation money" or "incentives" to bar and pub owners to have "tied taps". These are also known as exclusive tap rights, and they dictate contract conditions, such as serving only industrial beers. The tap contracts made it harder and more costly for the craft breweries to enter foreign beer venues because the "fake craft beer" had already taken a certain craft beer tap. The reason behind this was that large breweries were able to provide a full range of beers (including craft beer) to distributors and publicans:

> They can offer the bars the whole package including the craft beer. (CZ7); The bar owners can't serve necessarily what they would like to serve. (NZ15)

And here again, large breweries were there with their non-authentic beer confusing consumers about what real craft beer was. As one Australian brewer pointed out: "They [large breweries] lock our taps with their craft beer brands, so that hurts people like us" (AU4).

Overall, the fact that large breweries started to produce fake beers formed direct competition between smaller craft breweries and large multinationals. It falsely created an illusion that they belonged to the same market category. Importantly, it resonated in the data, how isolated cases of fake craft beer production in foreign markets had a negative impact on the whole industry. This rationale was explained by a New Zealand brewer:

> My worst competitor is the brewery which pretends to be a craft brewery but sells the beer too cheaply and with bad quality. Because a person goes to the shop, wants to try a craft beer, he buys a cheap bottle [and] is disappointed. He will not come back and try a new craft beer anymore. (NZ5)

During internationalisation, imitation of craft breweries through the forms just mentioned (craft beer brands, buy-outs, contract brewing) was less visible. Foreign audiences lacked information about international brands and their real origin. The issue was equally represented across all studied countries. Even though Czech and Danish craft beer markets were characterised by large breweries having their brands, and New Zealand and Australia had more buy-outs, the magnitude of the negative consequences were similar. Internationalising craft breweries had to compete with other foreign and domestic breweries selling authentic or non-authentic craft beers. This only precipitated the liability of peripheral-ness.

5.2 Template stickiness

Template stickiness is characterised by foreign market audiences using various ‘templates’ such as country-of-origin or reputation as cues to categorise firms and evaluate their desirability.

The craft beer industry emerged in opposition to industrial beer. However, as shown in the data, the foreign market audiences tended to use the country-of-origin image to compensate for lack of knowledge about the foreign country’s craft beer industry or a specific craft producer.

Similarly, Kostova and Zaheer (1999) used an example of the UK company, Cargill, in India. The country-of-origin link between Cargill and British colonial oppression was perceived negatively by Indian stakeholders. Indeed, the data in this thesis revealed that in the world of beer, the audience judged beers by connecting their existing knowledge about firms from the same country. It means that when craft breweries went abroad, they were compared to other breweries (both craft and industrial) from the respective state and evaluated based on the pre-existing judgement of the audience. Predictably, a negative reputation was harmful and positive reputation was beneficial.

Taken together, the legitimacy of craft breweries was formed not only by their membership in the craft beer category but also by their association to the country category. Hence craft breweries were labelled as ‘Australian breweries’ or ‘Danish breweries’. The country reputation of the industry or another company stuck with the internationalising craft brewery and influenced its evaluation in foreign markets.

A good example is the case of Australian breweries. As compared to Denmark, whose industrial brewery, Carlsberg, had a positive reputation internationally (as mentioned by key informants), Australian beers were regarded as a cheaper option with lower quality. The major Australian beer traded globally is Fosters. The brand is owned by the most prominent global beer company, AB InBev, and is internationally regarded as an “iconic Australian brand” and licenced all over the world (Ritson, 2013). Being once a leading Australian beer, poor positioning in international markets completely has deteriorated its appeal (Ritson, 2013).

Australian craft brewers reported in the interviews that even though Fosters is an industrial brewery, in foreign markets, they were considered simply as ‘Australian breweries’. Thus, their quality was evaluated by using the country template. A plausible explanation is that the Australian craft beer scene did not build a sufficient international presence at that time. This caused foreign audiences to use other cues for evaluation, for example, the Australian industrial beer brands. As one Australian brewer explained:

> I think we have a bad reputation thanks to Fosters. When people think of Aussie beer, they would automatically think of Fosters. It is the same as everyone from Denmark thinking Carlsberg or Holland thinking Heineken or America thinking Budweiser. People automatically recognise these brands within that country. And it is the same with Australia. We get branded under Fosters when we really should not. (AU13)

A slightly different pattern was evident in the case of the Czech Republic. As brewers reported, the country was generally perceived as a traditional beer nation mainly because of the popularity of the industrial beers Plzeňský Prazdroj [Pilsner Urquell], Budějovický Budvar [Czech Budweiser] and Staropramen. These beers have been exported globally for decades (Brewers of Europe, 2018). Moreover, the Czech Republic is home of renowned Pilsen lager beer, and the country has a strong history of brewing.

Despite this positive influence, the Czech Republic is also a Central and Eastern European and transitioning country. As shown in the data, offerings from Czech breweries were often considered as being of lower quality, and as some Czech brewers said:

> The products from Eastern Europe are still considered as inferior." (CZ13); "They don't trust our product." (CZ8); "There is still a problem of looking at our [Czech] beer as a cheap product. (CZ15)

Of relevance is the fact that several Danish key informants interviewed automatically localised cheap beer as beer brewed in Eastern Europe (DK4, DK11, DK16, and DK19). Hence, the existent positive industry evaluation often did not 'stick' entirely with the Czech craft breweries.

To relate the presented issues to craft beer legitimacy, I link this concept to the issue of tapping into the peripheral field. Apart from being associated with certain beer brands (such as in the case of Australia), or being connected to a lower quality perception of a country's products (as Czech breweries do), the fact that large breweries were producing fake beers was also problematic for the reputation of the national craft beer industry.

To explain this further, the data showed that issues of template stickiness were not only about large beer brands creating a negative reputation for the country or certain beer types. It also referred to large breweries acting as craft beer producers and disseminating a bad name for the whole industry, which stuck with the country category. By drinking craft beer from large breweries, with less flavour, lower prices, and being sold in discount supermarkets, foreign audiences updated their perception about the craft beer industry from that respective country. It generated an amended country-of-origin template according to which audience judged the craftiness as the more crippled one. The following quote illustrates the problem of large breweries making craft beer and selling it internationally:

> They [consumers] drink something which is not really a good product. The whole New Zealand craft beer industry gets a bad name. (NZ11)

Overall, template stickiness was observed across all countries, with variability of its impact. However, it was slightly more prevalent for Australian and Czech breweries because of ingrained, pre-existing, negative perceptions. For Australian breweries, it was the combination of slower expansion of craft breweries into international markets, lack of awareness in foreign audiences, and the strong, unfavourable reputation of Fosters beer. While Czech craft breweries did not suffer from a negative reputation of the Czech industrial brands, they were considered as transitioning country producers making inferior products.

5.3 Identity dissonance

Identity dissonance refers to a danger that growth activities of craft breweries, such as internationalisation, could move their identity towards a mainstream category. As the data indicated, this was because the audience identified that some attributes of the craft brewery contradicted the whole ideology of craft beer. Hence, the primary goal of the internationalising craft breweries was to expand abroad while staying craft.

In general, organisational growth and public awareness of an industry lead to increased knowledge and credibility of an emerging industry (Santos and Eisenhardt, 2009, Zimmerman and Zeitz, 2002). However, as demonstrated by the findings, this was not the case for the craft beer industry. Internationalisation often required higher production volumes and involvement of large-scale brewing equipment with a certain amount of automation:

> The very quality that makes craft beer a hot commodity in foreign markets is the same that could keep supplies tight for global traders. It’s the paradox of craft beer that its roots are in small batch production to serve a local, even neighbourhood market. (Mitchel, 2014)

On that account, for the craft beer industry, international growth was problematic. As some key informants reported, it went against the essence of craft beer authenticity by drawing it away from the artisan and boutique, towards a profit-oriented category. I observed in the data that the craft beer ideology emphasised the passion of the brewer over the commercial orientation of a corporation; the face of the brewer over face-less corporations; small batch production over mass production; personal, hands-on approach over automation and local community over global distribution. As one Danish brewer stated:

> I think when the company starts to consider the beer as a vehicle for business, and not the other way around, you stop being craft. (DK19)

Considering the growth as a liability suggested that signalling smallness and localness were defining success factors of the craft beer industry. Larger craft breweries with an international presence – even though still considered craft producers – ended up in the position of being questioned for their membership in the craft category and some received penalties harming their existence. Growth made craft breweries more visible and available, which was not "cool" anymore (Eisenberg, 2015) because their identity "moved beyond bearded hipsters" (Evans, 2017). Hence, expansion, even a small one, was detrimental to craft beer authenticity as it made the craft producers more similar to large breweries. I explain two main attributes which during internationalisation became dissonant from the craft beer philosophy: localness and traditional small-batch production.

The first problem with international growth was the question of localness. Some brewers mentioned that connection to the local community made craft beer different from the large multinationals. The extreme cases were brewpubs because their production was immediately consumed on the premises. For the remaining breweries, so-called 'production craft breweries', being local meant distributing beer in the same town or region. Even though craft breweries distributing nationally had to expand to sustain the demand, it was the internationalisation that induced questioning of the craft beer authenticity. This is illustrated by the following quote from one Australian brewer:

> I think that is a bit contradictory...small craft brewers working in their local community and supporting their local area on the one the hand and on the other to be shipped to all corners of the world. (NZ5)

Second, internationalisation also indirectly contributed to the violation of the craft beer definition by pursuing internal changes that allowed them to raise volumes. Some internationalising breweries were required to increase their capacity, lost their independence through external shareholder funding or contract brewed to reach the demanded production amounts. Additionally, brewers reported that international distributors usually expected taste consistency and regular supplies. Yet, small batch production could not guarantee it without automation and larger equipment. In other words, the quality was considered from the perspective of being able to brew the same taste, and hence required more computerised production. As expected, this went against the “soul of craft beer” that stresses “playfulness”, “hand-made” and “small amounts”. The fact that every batch is a little bit different also symbolises opposing values to industrial beers. One Australian brewer provided his perspective on this conundrum:

> It is questionable whether they [internationalising craft breweries] are craft breweries, really. Because then they have to probably contract brew or build huge investment facilities. (AU14)

I link the findings just presented to the previous information on large breweries, ‘tapping into the peripheral field’. In particular, the grey area of internationalising craft breweries started to create an opportunity for large breweries to sneak more easily into the craft industry, because the boundaries became ill-defined and in flux. The blurriness left space for powerful outsiders to enter the periphery field, as they could play around with the definition. Of course, they could also use the strength of their marketing resources to facilitate this process.

Craft brewers themselves were often confused. In the interviews, the discussion about what craft beer is and what it is not often ended up with a list of craft breweries which were not authentic anymore, because they were too big, too international, too commercial, being everywhere or too hands-off. To sharpen the fuzzy line between craft and mainstream, some brewers attempted to provide a list of non-craft breweries. However, the explanations often varied. For example, one Australian brewer said:

> For me, Little Creatures is no longer a craft brewery, Mountain Goat is no longer a craft brewery, James Squire, Matilda Bay, these guys are not craft breweries. 4 Pines to me is still craft brewery, but their borderline is becoming commercial[i], Stones in the US is commercial, so is the Sierra Nevada. Danish Mikkeller started off as a craft but now is so big, that he is commercially exporting everywhere. (AU13)

The main question here was why craft breweries needed to grow if it would harm their authenticity. The answer is a combination of factors, and their discussion would go beyond the scope of this thesis. Nevertheless, as interviewed brewers pointed out, large breweries tapping into the craft beer industry in domestic market and causing saturation was certainly a contributing aspect. This is shown by the following quote from an Australian brewer:

> There is not so much shelf space available, so there is certainly a competition and not only because the big boys are bringing craft beers, but they buy fridge space the same way as they buy tap space. Yenda [non-independent craft beer] is the classic example, owned by Coca-Cola, the biggest soft drink company. They are going to put some Yenda in the fridge next to Coca-Cola. So, it is basically extortion. And that happens, so there is not much we can do about that other than just get to other markets. (AU4)

Notably in Australia, as shown in the industry data, more than 50 per cent of the craft beer market is owned by multinational organisations (Euromonitor International, 2017), who brew craft beer on a large scale as opposed to small-batch brewing. Hence, the "craft beer bubble" (Mitchel, 2015) – as often labelled by popular press – is somewhat more driven by fake craft beers from large multinationals than by a growing number of small producers.

Overall, identity dissonance was present in all country cases studied. However, I found subtle differences in the extent to which their social context enabled it. Internationalisation meant something different to Czech and Danish craft breweries as compared to their Australian and New Zealand peers. For the former group, some foreign locations were often geographically closer than places in their own countries, such as for Czech breweries located close to German borders or breweries operating in Copenhagen and exporting to Sweden. Therefore, Czech and Danish breweries did not emphasise localness as extensively as their Australian and New Zealand counterparts did. This would suggest that only international growth represented by significant distances and volumes was visible enough to raise concerns about craft beer identity.

6 DISCUSSION: CRIPPLED LEGITIMACY AND LIABILITY OF PERIPHERAL-NESS DURING INTERNATIONALISATION

6.1 Model

This study aimed to address the question of what industry-level liabilities internationalising firms from peripheral industries experience. Organisations perceive legitimacy pressures when its sense, meaning, value and fitness within constructed categories are questioned (Suchman, 1995, Vergne and Wry, 2014, Meyer and Rowan, 1977). As shown in Figure 2, I identified three legitimacy pressures forming the crippled identity of peripheral firms during internationalisation which represent the antecedents to the liability of peripheral-ness. These three elements can act in isolation, but they also reinforce each other to weaken the legitimacy of smaller peripheral firms and hence their resistance to incumbent organisations. They create a system where ‘tapping into the peripheral field’ relates to industry actors, ‘template stickiness’ rests at the country level and ‘identity dissonance’ explains the controversy of a firm’s activities towards the market category scripts. Together, they deteriorate the market category barriers and, as a result, undermine the legitimacy of smaller peripheral actors.

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Figure 2 goes around here

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As Figure 2 depicts, large companies tapping into the field of smaller producers in the form of imitation weaken the industry boundaries of a peripheral segment. As hierarchical fields are socially constructed and defined by cultural codes (Rao et al., 2000), infiltration of outsiders contributes to an already existing field ambiguity (Lee et al., 2017). Indeed, the findings revealed that the border between craft and industrial beer represented a grey area rather than a sharp line. Notably, these conditions complicated the legitimisation process of internationalising craft breweries. In general, the overlaps or similarities between two seemingly opposing categories confuse audiences and achieving the status of legitimacy is challenging when seemingly similar firms or their offerings are fighting for the same resources (Pfeffer and Salancik, 1978/2003). For example, when craft beer was produced by large multinational beer companies, it sent false signals to the audience and eroded their trust and expectations about craft beer authenticity and a premium value.

Internationalising firms need to defend their legitimacy when their behaviour deviates from the prescribed rules, norms and beliefs in the host country – traditionally measured by institutional distance (Xu and Shenkar, 2002, Kostova, 1997). However, in this study of smaller peripheral firms, the legitimacy constraints were anchored in the industry or market category level. Thereby, the findings revealed that the danger of illegitimacy was generated not only by nonconformity with the country-institutional environment, but primarily by competition for legitimacy among industry sub-groups (here craft versus industrial beer producers).

The strategic attacks from outsider firms do not induce just potential market share and profit threats, but they also deteriorate industry integrity and clarity of its category boundaries (Lee et al., 2017). The pressures are stronger during internationalisation because the existing multiplicity of industry definitions across borders means differences between authentic and non-authentic producers are harder to discern. Thus, this research suggests that it is also apparent that the legitimacy of smaller peripheral firms is not weakened only by country-level legitimacy pressures, but also industry-level competition deteriorates it.

Template stickiness, as part of Figure 2, refers to the fact that the evaluation process of the audience is shaped by the liability of foreignness, which means that their judgement about foreign firms is distorted by bounded rationality (Kostova and Zaheer, 1999). To compensate for missing knowledge, audiences link a firm's attributes to neighbouring categories they are familiar with, for example, shared country-of-origin or well-known brands from the same country. Formation and application of such filters are also labelled as positive or negative "legitimacy spillover" (Kostova and Zaheer, 1999). In general, individuals and organisations use "templates from broad domains" to become acquainted with novel things (Santos and Eisenhardt, 2009, p.650).

Importantly, this process depends on which, or how many, category dimensions are more notable to the audience (e.g. country-of-origin image or reputation of the national industry) (Vergne, 2012). During internationalisation, the country category is salient in the eyes of the audience (Kostova and Zaheer, 1999). To illustrate, imported craft beer brands in specialty retail stores and on supermarket shelves or restaurant menus are often organised by the country-of-origin. Similarly, Vergne (2012) in his study arms industry reported that the international tender participants were classified by their home country and not by their real organisational name. Because audiences freely use various templates either at industry or country level, it can lead to what international marketing scholars call, "product-country mismatch" (Roth and Romeo, 1992). In the data, this was the case with Australia, where the country was considered positively, but the product was not. Hence, smaller craft breweries were unwillingly recognised under the category which also contained industrial breweries from the same country. Here I add that also in the context of cross-border operations, legitimacy spillover can comprise multiple layers with overlapping attributes, such as country, industry and various market categories.

The third component in Figure 2 is identity dissonance describes a situation in which the legitimacy of smaller actors is weakened by their efforts to grow commercially – a strategy that deviates from the core philosophy of their market category. Audiences use the collective identities or industry templates as a filter to evaluate appropriateness and congruence of organisations with cultural codes of market categories (Glynn and Navis, 2013). Any sign of potential violation of these schemata would cause adverse judgement. That is, even partial incongruence with legitimacy prescriptions can lead to illegitimacy.

As shown, small-batch beer production was economically inefficient, and firms often solved the issue by international sales, which generated the critical mass. However, such a strategy did not align with the craft beer definition praising smallness and localness. In the context of craft breweries, international growth and its supporting activities resembled the large-scale global production of industrial breweries, who could then more easily infiltrate the industry. This is because, a weak or ambiguous industry identity enables entrants to effortlessly penetrate the field (Lee et al., 2017). Such a form of hybrid or paradoxical organising is created by firms adopting activities which appear to be competing (Pache and Santos, 2010), like operating as a local craft brewery with a small-batch production versus opting for commercial growth in foreign markets. Therefore, audiences perceived the internationalisation of craft breweries as a contested or stigmatised practice.

On a similar note, Vaara and Tienari (2008) studied organisational legitimisation during an international merger. The paper explored how internal evaluators scrutinised the changes within the company because of the arising contradiction of global versus national identities. In the data, I similarly observed that the authentic identity of internationalising craft breweries was questioned, and craft beer internationalisation was seen as a paradox. IB scholars have shown that legitimacy pressures are caused by distrust in firms from certain countries (Meyer et al., 2014) and conflicting demands from organisational actors (Kostova and Roth, 2002, Vaara and Tienari, 2008). However, I complement this research by presenting the conflicts over authentic identity deteriorated by international growth.

6.2 Contributions

The presented study aims to make contributions to the literature on social costs during internationalisation (Kostova and Zaheer, 1999, Zaheer, 1995, Johanson and Vahlne, 2009, Meyer et al., 2014). It goes without saying that cross-border activities are unique because firms operate in multiple and fragmented fields (Kostova et al., 2008). Nonetheless, a surprisingly limited number of studies in the IB area have addressed a detailed conceptualisation of the complexity of industry institutions (Redding, 2005, Jackson and Deeg, 2008). Moreover, researchers applied the assumptions of industrial economics proposing sharp and rational industry boundaries (Peng et al., 2008). On the contrary, this paper does not treat institutions as “unidimensional variables” (McGaughey et al., 2016, p.872), but gives deserved recognition to the critical role of industry context defined by a detailed description of socially constructed market categories. Instead of country norms, regulations and beliefs, the findings show that crippled identity characterised as unclear market category membership causes liabilities during internationalisation. To illustrate, the shift towards industry level enabled conceptualisation of the predatory tactics of large breweries labelling their products as ‘craft’ into a theoretical construct of ‘tapping into the peripheral field’.

This reinforces the fact that industry-level schemas and their sharp boundaries are critical to internationalising firms. Such a perspective is in line with Delmestri and Wezel (2011) who showed how different industry logics across borders, rather than regulatory distance, generated legitimacy constraints. The authors stated that “the ‘real’ process of legitimisation” starts after the market categories of organisations have been evaluated as meaningful, transparent and appropriate (Delmestri and Wezel, 2011, p.843, original quotations).

Importantly, this study does not aim to soften the role of country-level institutional distance. Quite the reverse, I believe that the institutional distance and industry level constructs identified in this thesis reinforce each other. For instance, legitimacy guidelines of the market category, such as the cultural definition of craft beer, are nested in the country level rules, norms and beliefs. However, more detailed attention to multiple layers of social context helps comprehension of how internationalising firms legitimise and compete with other actors over market category membership. Similarly, Morgan and Quack (2005) comparatively examined the professional industry field by looking at German and UK law firms. Internationalisation in their study was shaped by strong "institutional legacies" of industries and the interplay of "institutional layers". Their detailed multi-level description instead of aggregation of country-level variables identified the issues which were not directly observable.

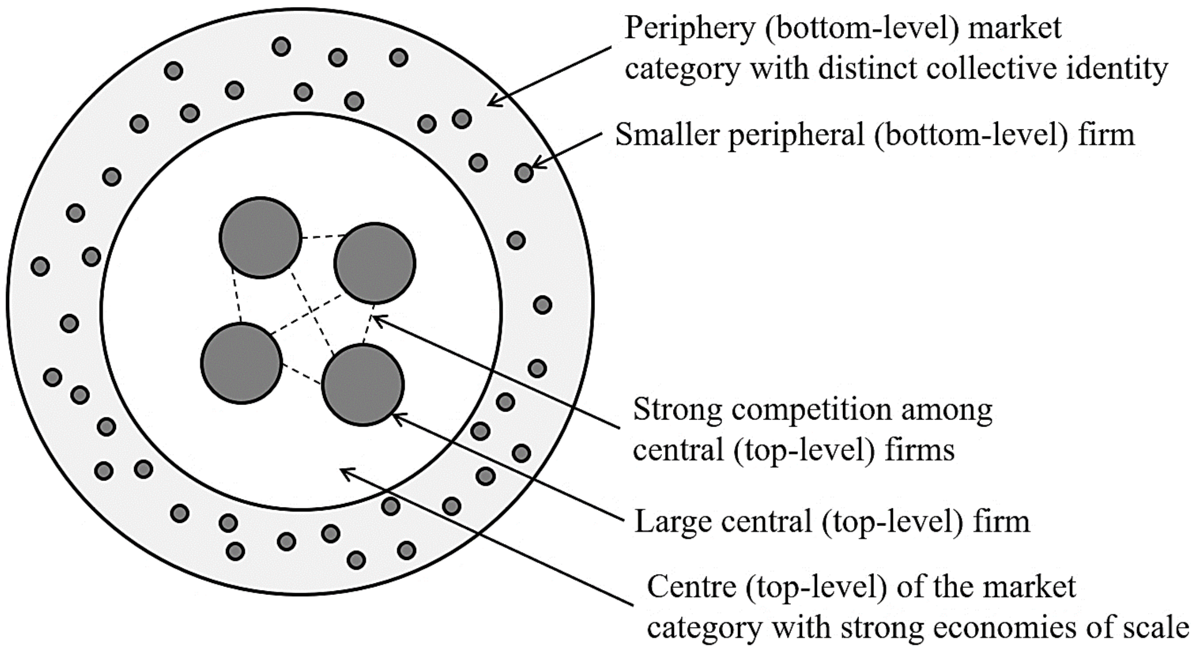
6.3 Limitations and future research

While this study focused on the pressures of peripheral firms during internationalisation, future research can investigate the nature of organisational responses. Accounting for the fact that smaller firms often have to face competitive encounters with large organisations, adoption of non-traditional strategies to succeed and outcompete larger firms is necessary (Chen and Hambrick, 1995, Laurila and Lilja, 2002). For example, Chen and Hambrick (1995) argued in their study of the airline industry that smaller firms possess tools which are less traditional and are not easily accessible to large competitors. These strategies were driven by the fact that larger firms are often constrained by inertia, the risk of losing reputation, slow adaptability and increased attention from various stakeholders (Chen and Hambrick, 1995).

Moreover, the present study did not discuss how individuals construct, understand and interpret various dimensions of strategic legitimacy pressures across borders. As mentioned, legitimacy is socially constructed. Evaluators share assumptions about what attributes the organisations should possess to signal authentic membership in the market category. However, even though legitimacy is a collective concept, it is "enacted by individuals" (Bitektine and Haack, 2015, p.49). This perspective is on the rise outside of IB, yet, has not made strides into the discipline. Notably, this individual level process can be studied from both angles; audience and organisational.

Finally, the results cast some initial light upon the role of internationalising firms under the conditions of institutional complexity (see the special issue editorial: Saka-Helmhout et al., 2016). IB scholars have overwhelmingly followed the legitimacy concepts germinated in the early stream of new institutional theory (Meyer and Rowan, 1977, DiMaggio and Powell, 1983). However, international environments also present conditions under which organisations have to face differing and often competing 'institutional logics' in which legitimisation can be problematic (Kostova et al., 2008, Saka-Helmhout et al., 2016). Given the multiplicity of institutional fields – a unique feature of the IB discipline – deploying the lens of 'institutional logics' can bring some significant theoretical and empirical contributions not only to the IB field but potentially to other associated disciplines.

Figure 1: Overview of hierarchical industries



Note: The overview is developed from definitions provided by Rao et al. (2000) and DiMaggio (1983).

Figure 2: Links between the barriers to legitimation

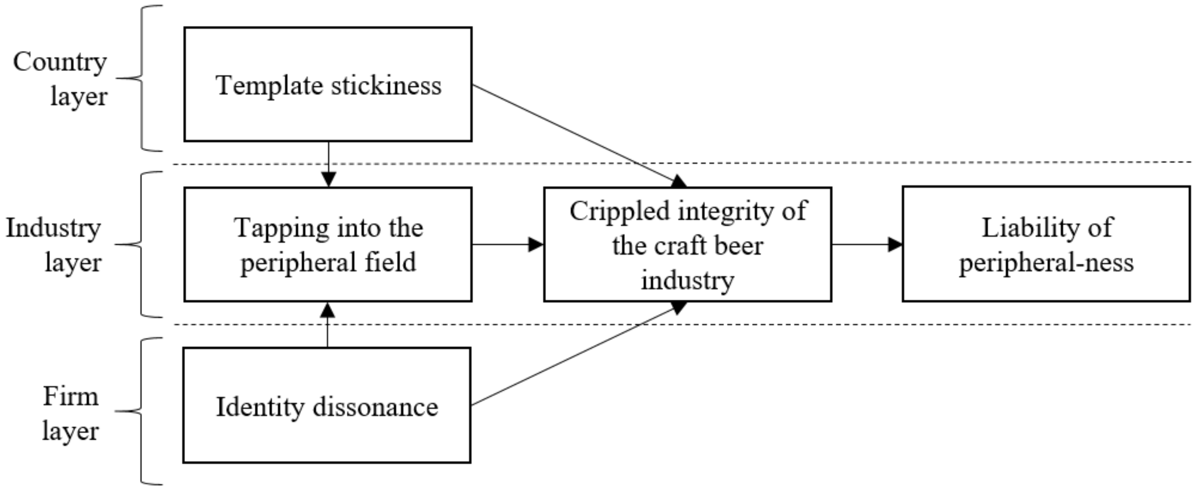


Table 1: Overview of participants

	Australia	New Zealand	Denmark	Czech Republic	Total
Domestic breweries	2	2	2	1	
International intention	1	1	1	2 (1 brewery)	
Early internationals	3	4	8	7	
Late internationals	4	4	3	7 (5 breweries)	
International withdrawal	1	1	1	1	
Craft brewery informants	**11**	**12**	**15**	**18 (15 breweries)**	**56**
Expert - association	1	2	1	2	
Expert - journalist	1	0	0	1	
Expert - distributor	1	1	1	0	
Expert - brewpub manager	0	0	1	0	
Expert - beer industry experience	2	2	3	0	
Industry experts	**5**	**5**	**6**	**3**	**19**
Key informants - total	**16**	**17**	**21**	**21**	**75**

Table 2: Barriers to legitimation

	Mechanism	Outcome for legitimacy	Representative quote
Tapping into the peripheral field	Buy-out and contracting: Large breweries acquire craft breweries or build contractual relationships with craft breweries.	Deception of consumers and changing the perception of what craft beer is (e.g. craft beer is a product brewed by the small and independent brewery versus craft beer can be produced by the large brewery): - Deterioration of premium status - Blocking value chain	"The trend today is to more and more neglect the term craft beer and to talk about beer because some of the big commercial breweries are now making their craft brands. So, the boundaries are becoming blurry." (DK2)
	Craft beer brands: Large breweries produce their specialty brands, establish craft beer divisions or build craft breweries from scratch.		"While UniBrew and Carlsberg [industrial breweries] have brands which they call craft beer, in my opinion, it is not. Because it is made in the same place, especially UniBrew…it is made with the same equipment." (DK10) "Big players are trying to have a perception that they are doing craft beer, and the consumers do not know the difference." (AU10)
Template stickiness	Foreign market audiences evaluate craft breweries by using their existing knowledge about the large breweries from the same country.	Established negative reputation for the craft beer industry.	"There is a lot of Fosters overseas, which is probably not great." (AU15)
Identity dissonance	International growth and related activities compete with the craft beer philosophy.	Legitimacy is questioned as some breweries end up in the grey area or appear as inauthentic producers.	"But generally, the idea is not to become a huge, big brewery that is exporting everywhere." (CZ17)

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[i] Several months after conducting the interviews, the craft brewery 4 Pines has been bought out by AB InBev (the largest industrial beer company) BREWS NEWS. 2017. AB InBev Buys 4 Pines Beer: Media Release. *Brews News*, 22.9.2017.