Impact of Institutional Change on Legitimacy Strategies: The Case of the Bulgarian Wine Sector

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Organizational legitimacy can be viewed as conformity to broadly-accepted rules, norms, and beliefs.

Legitimacy results from the process of institutionalization (Parsons 1960)

What is the effect of the change of these rules, norms and beliefs change on legitimacy strategies?

Agenda

- Theoretical framework
  - Organizational Legitimacy - Typology
  - Institutional Change
- Empirical setting
  - Bulgarian wine sector
  - Empirical study
- Discussion & Conclusion

Layers of the Environment and Legitimacy Types
Explore the relationship Institutional Change/Legitimacy Profiles

Empirical Setting

- History of the Bulgarian wine industry
  - 3000 years old
  - Linked to Religion, Sciences & Politics
- Shaking a mature industry
  - A new search for legitimacy
    - Economy in Transition & Globalization of wine sector
    - Challenges → Create a framework to regulate the wine sector

Empirical Study

- Semi-structured face-to-face interviews
  - Subject Matter Experts
  - Wine Producers
- Dimensions of wine sector
  - Describe 5 elements over the past 10 years
    - Overall organizational strategy, Varietals, R&D, Wine Growing, Wine Making, & Marketing

Changes in the Bulgarian Wine Sector:
Changes in Legitimacy Sources

<table>
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<th>Bulgarian Wine Sector – Sources of Legitimacy</th>
<th>Legitimacy Type</th>
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<td>Regulatory Environment: new laws &amp; regulation</td>
<td>Regulatory Legitimacy</td>
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<td>From Transition to Market Economy: privatization</td>
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<td>Entrance in the European Union</td>
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<td>Globalization of the wine sector</td>
<td>Industry Legitimacy</td>
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<td>New Entrants (‘Wines from the new World’)</td>
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<td>New &amp; Evolving Demand</td>
<td>Normative Legitimacy</td>
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<td>Local</td>
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<td>Int’l</td>
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<td>Traditions (Local Norms &amp; Practices transmitted over generations)</td>
<td>Cultural-Cognitive Legitimacy</td>
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Results

- Organizational factors explain variation of legitimacy strategies (TMT, organizational size & history)
- Complexity Of Legitimacy Strategies reflects complexity of Social Life
- Legitimacy Strategies: From single to multi-level legitimacy strategy
  - Cognitive: Traditions as Anchor Point (Mimetic Isomorphism: Growing techniques & Varietals)
  - Normative Local: Local Basis b/f going global
  - Normative int'l:
    - Volatility & Adoption of 'global' varietals
    - Create new Tuscan (Manipulate the environment)
  - Industry: 'Play the global game' (Use int'l Varietals, Adopt Global Standards)
  - Regulatory: Create your own local game = Manipulate the environment (Bring int'l standards in Bulgaria)

Discussion & Conclusion

- Limits
  - Methodology
  - Replicability (External validity)
- Avenues for future research
  - New empirical settings
  - Further investigate Legitimacy Profiles & Strategies
- Findings: Transition (Uncertainty):
  - Taken-for-grantedness as the most robust legitimacy anchor point
  - Cultural-Cognitive (Taken-for-grantedness) ⇒ Normative ⇒ Regulatory
  - Explore new layers of the environment as source of legitimacy

Thank you!