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# A processual view of organizational stigmatization in foreign market entry: The failure of Guggenheim Helsinki

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**Abstract**

Multinational organizations increasingly face strong resistance to their market entry by some local audiences, reflecting growing ideological divisions and populism in societies. We turned to the organizational stigma literature for the conceptual tools and vocabulary to uncover why multinationals can simultaneously be praised by some audiences and tainted by others. Drawing on a longitudinal explanatory case study of an unsuccessful market entry, we develop a process model of organizational stigmatization in a foreign market entry. Our model explains how and why some local audiences may taint the core attributes of an entry-seeking organization and its market entry process, while others may embrace the foreign entrant. We also introduce the notion of cross-border stigma translation where negative audience evaluations are amplified across geographic contexts. A focus on competing local audiences is important for understanding the generative mechanisms of the liability of foreignness and liability of origin and how to manage them. Our study grounds a conversation on the processes and mechanisms of organizational stigmatization that may cause permanent liabilities to foreign organizations.

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**Keywords::** liability of foreignness; liability of origin; organizational stigma; ideologies; politics; case study

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*I suppose that it [rejection of the Guggenheim Foundation's entry in Helsinki] was a reaction to a sense of engulfing internationalism, or a reaction against globalism. That's how I'm explaining it to myself.*

—Richard Armstrong, Director of the Guggenheim Foundation  
(cited in *The New York Times*, November 29, 2016)

## INTRODUCTION

As the opening quotation suggests, the reactions of local audiences to an entry-seeking multinational may be ideologically driven. In late 2016, after 6 years of negotiations and campaigns,



the Helsinki City Council rejected the proposal to establish a Guggenheim Helsinki art museum in Finland. The Council's long and stormy meeting reflected the entire entry process of the Guggenheim to Helsinki – a heated debate between proponents and opponents of the museum initiative. The opponents often used moral and ideological arguments to stigmatize the Guggenheim Foundation and its deal with the City of Helsinki. We find that some audiences stigmatized the Guggenheim's foreignness, while others condemned its "American" roots and franchising as an operation mode, effectively blocking its market entry. Multinationals such as Starbucks in Italy (Wang, 2018), Walmart in India (Franz, 2010), and McDonald's in France, where "Le Big Mac" is both loved and hated (Debouzy, 2006), have also faced ideologically driven resistance by local audiences. Yet, to date, international business (IB) scholars have largely overlooked ideological and political resistance to market entry (Witt, 2019, see also Pant & Ramachandran, 2017).

Research on liabilities of foreign firms in host countries has become an established field of inquiry in IB (Denk, Kauffman, & Roesch, 2012; Gorostidi-Martinez & Zhao, 2017; Hymer, 1960). Studies have found that local governments, consumers, and suppliers give preferential treatment to local competitors over foreign firms, leading to what has been conceptualized as the liability of foreignness (LOF) (Zaheer, 1995) or the liability of origin (LOR) (Ramachandran & Pant, 2010). These studies have provided valuable insights into why foreign firms may be negatively perceived in a host country, what they can do to overcome LOF and LOR, and what specific advantages they need to do so (Zaheer, 1995; Zaheer & Mosakowski, 1997). However, current understanding of how local audiences construct liabilities remains limited due to the dominance of a functionalist and essentialist view of foreignness. LOF and LOR studies have tended to aggregate liabilities and treat them as concerted and generic at the level of the host country. In particular, the role and activities of local audiences that differ in their evaluations of the foreign market entrant are still poorly understood. This is an important shortcoming, because only such an approach can reveal the generative mechanisms of foreignness. Despite early calls to integrate ideology-based evaluations and the "politics of reception" in a host country (Brannen, 2004: 595), LOF and LOR researchers are only beginning to grapple

with these questions (e.g., Moeller, Harvey, Griffith, & Richey, 2013).

In contrast, organizational scholars argue that due to their distinct ideologies, interests, and power dynamics, various audiences evaluate features of the firm such as foreignness differently (Ansari, Fiss, & Zajac, 2010; Durand, Granqvist, & Tyllström, 2017). The expansion of foreign firms often contradicts the norms and values of local audiences (Hudson, 2008), giving rise to strong moral dissonance, emotional responses, and even stigmatization in the host country. Stigma is a moral categorization of an organization that provokes a strong negative, emotional reaction among audiences (Ashforth, 2019; Goffman, 1963; Hudson, 2008); this distinguishes it from related concepts such as (il)legitimacy, LOF, or LOR. A stigmatized organization possesses "a fundamental, deep-seated flaw" (Devers, Dewett, Mishina, & Belsito, 2009: 155) that is extremely discrediting (Goffman, 1963). Stigmatization has strong political foundations and occurs when local audiences perceive economic and other disadvantages, loss of status, or when the norms and values of those in power are being attacked (Hampel & Tracey, 2017; Link & Phelan, 2001; Siltaoja, Lähdesmäki, Granqvist, Kurki, Puska, & Luomala, 2020). For our study, organizational stigma literature provides appropriate conceptual tools and vocabulary for developing a granular understanding of organizational stigmatization during foreign market entry. Thus, we ask: *how and why do local audiences construct liabilities to block foreign market entry?*

Drawing on a longitudinal explanatory case study, we account for the failure of Guggenheim Helsinki and make two significant contributions to IB research. First, we uncover audience-specific evaluations of a foreign market entrant by integrating insights from organizational stigma literature into LOF and LOR research. Due to the growing ideological divisions and related populism in societies (Rodrik, 2018), stigmatization has become an increasingly salient and important issue for multinationals. Unlike prior work, we approach this issue from the perspective of the audiences rather than of the country and develop a process model of organizational stigmatization in foreign market entry. This model shows how stigmatization unfolds in ongoing, ideological negotiations where various audiences construct social order (Strauss, 1982). While opponents seek to stigmatize the foreign entrant, proponents attempt to destigmatize it, highlighting the political and ideological nature of foreign market



entry. Such a perspective on the foreign entrant also contributes to the dearth of scholarship on liabilities at the organizational level (Joardar, Kostova, & Wu, 2014; Edman, 2016; Ramachandran & Pant, 2010).

Second, our longitudinal design allows us to identify processes of stigmatization that are dynamic and unfold over time. Research on liability of foreignness argues that LOF decreases as foreign firms learn about the institutional environment in the host country (Zaheer & Mosakowski, 1997; see Brannen, 2004 for a rare exception). In our case, however, stigmas based on moral ideology were particularly sticky and resistant to disconfirmation (Ashforth, 2019; Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001). We also identify cross-border stigma translation where negative evaluations of a multinational are strategically imported and adapted to a local context by opponent audiences to amplify the negative effects in a host country. We theorize that the effect of cross-border stigma translation goes beyond the initial challenges confronted in establishing legitimacy for new foreign subsidiaries (Hymer, 1960; Kostova & Zaheer, 1999) because it stems from the organization's core attributes (Hudson, 2008) and is ideological, moral, and emotional in nature. We suggest that cross-border stigma translation is a generative mechanism of negative legitimacy spillovers (Kostova & Zaheer, 1999).

In the following, we analyze research on liabilities of foreign firms and justify the need to integrate insights from organizational stigma literature. We then detail the longitudinal explanatory case study, which is rarely used in IB. The field of art is particularly prone to political struggles and strong ideologies and is dependent in many countries on public funding (i.e., taxpayer money), which enables market entry but can also effectively block it. After the case narrative, we discuss the process model of organizational stigmatization in a foreign market entry and make suggestions for future research.

### LIABILITIES OF FOREIGN FIRMS

Since the seminal work of Hymer (1960) and Kindleberger (1969), IB scholars have acknowledged that compared with local companies, foreign firms face disadvantages in host countries. Ramachandran & Pant (2010) distinguish between the liabilities of multinationality, foreignness (LOF), and origin (LOR). The last two are relevant

for our empirical setting because they can be applied to a particular host city or country.

Zaheer (1995: 343) defines LOF as all the “additional costs a firm operating in a market overseas incurs that a local firm would not incur”; these costs stem from the cultural, political, and economic differences between countries. In essence, LOF research explains the disadvantages suffered by foreign subsidiaries “as a consequence of *where they are not from*” (Ramachandran & Pant, 2010: 241). Previous research suggests that LOF is produced by a high degree of home–host-country dissimilarity in terms of local cultures, xenophobia, norms and rules, and lack of access to local tacit knowledge and networks (Edman, 2016; Ramachandran & Pant, 2010). In contrast, LOR stems from the specific nationality of the multinational company (MNC) and refers to the disadvantages for multinationals “as a consequence of *where they are from*” (Ramachandran & Pant, 2010: 241, see also Bartlett & Ghoshal, 2000). More specifically, LOR originates from the adverse attributions that relate to the home country due to the “(real or perceived) conflict with the regulative, normative, or cultural-cognitive elements of the host country” (Ramachandran & Pant, 2010: 243). LOR rests on negative stereotyping of the origin of firms in the host country where they “may be *misunderstood completely*” (Ramachandran & Pant, 2010: 250). Although the notion of LOR has been associated with multinationals originating from emerging economies, foreign firms from developed countries may also suffer from it (Ramachandran & Pant, 2010). Both LOF and LOR may lead to discrimination against various types of organizations.

The question of whether liabilities persist over time and how to overcome them are central in this stream of research. While Hymer (1960) argued that foreign barriers are of a “more permanent” nature (Miller & Parkhe, 2002: 72), Zaheer and Mosakowski (1997) found that LOF decreases over time as foreign subsidiaries gain a better understanding of the institutional environment and enhance their local legitimacy in the host country. Regarding how to overcome LOF, IB scholars have identified various strategies such as mimicking the administrative practices of local firms (Zaheer, 1995), choosing an appropriate entry mode, and using firm-specific resources to outperform local rivals (Bell, Filatotchev, & Rasheed, 2012; Eden & Miller, 2004; Nachum, 2003). Since foreign firms are “outsiders without status and without expectations,” they can sometimes afford to go against the dominant



business models used in the host country, for example by recruiting female managers – an underutilized group of talent in South Korea (Siegel, Pyun, & Cheon, 2019: 373). Unlike LOF, which can be reduced through action by firms themselves, LOR is likely to burden the organization for considerable time.

Since the pioneering work of Zaheer and colleagues, the literature on LOF has grown rapidly (for reviews, see Denk et al., 2012; Gorostidi-Martinez & Zhao, 2017) and the research on LOR is gaining traction (Bartlett & Ghoshal, 2000; Ramachandran & Pant, 2010). The conceptual work by Brannen (2004) and Edman (2016) has begun to challenge the essentialist view of foreignness that emphasizes its universal and enduring properties. Brannen (2004) argues that foreign ideas and artifacts are recontextualized, thereby taking on new meanings when transferred by firms to different host countries. Depending on the cultural context, she considers foreignness as either a liability or an asset (see also Stahl & Tung, 2015; Taussig, 2017). Edman (2016) further develops Brannen's dynamic view of LOF and acknowledges that host countries vary in their degree of homogeneity. He suggests that subsidiaries can manage their foreign identity as a strategic asset in interaction with the host country. However, empirical work on the processes explaining how liabilities are constructed in a host country is outside the scope of these seminal papers.

We build on Edman's (2016) and Brannen's (2004) conceptual contributions and philosophical underpinnings by arguing that the liabilities of foreignness and origin are socially constructed and thus outcomes of on-going negotiations between the foreign entrant and its diverse local audiences. Our dynamic, processual view of foreignness is based on audience-level processes of stigmatization that taint foreign entry-seeking organizations, shifting from the perspective of the country to that of receiving audiences in the host country. While the concepts of LOF and LOR address some of the very core disadvantages that multinationals experience in host countries, they shed limited light on the processes through which liabilities are constructed and how they may turn into extreme negative evaluations. In contrast, the organizational stigma literature addresses the role of local audiences in these processes – we turn to this next.

## ORGANIZATIONAL STIGMA

The word stigma ('mark') originates in ancient Greece, where slaves caught trying to escape were branded (Weiner, Perry, & Magnusson, 1988). Goffman (1963) argues that stigmas are relational, and intimately associated with stereotypes, unconscious expectations, and norms that play out in social encounters. A stigma is a moral categorization of an organization and hence, the act of stigmatizing is inherently an act of moralizing (Ashforth, 2019; Goffman, 1963). Unlike the related concept of organizational legitimacy, organizational stigma can – due to its connection with foundational morals, ideologies, and values – lead to strong negative emotions such as anger, contempt, and disgust towards the object of stigmatization (Devers et al., 2009). Table 1 defines organizational stigma and distinguishes it from related concepts of LOR, LOF, and legitimacy.

Stigma scholars have focused on studying how stigmatized individuals cope with their stigma and have then shifted attention to uncovering how organizations encounter and manage such profound disapproval (Sutton & Callahan, 1987). Hudson (2008) distinguishes between core and event stigmas. Core stigma is "an evaluation held and often expressed by some social audience(s) that an organization or set of organizations is discounted, discredited, and/or tainted in some way owing to some core attribute" (Hudson, 2008: 254). What leads to core-stigmatization depends on the audience; for instance, environmentalists may argue that certain logging practices destroy the diversity of nature and are thus morally reprehensible, whereas other audiences (e.g., the logging companies) may not share this evaluation. Moreover, tribal stigmas – originating for instance from industry affiliation to a "sin industry" (e.g., tobacco) or from a country of origin, as in our study – are a form of core stigma that spreads through affiliation and is non-controllable (Devers et al., 2009; Hudson, 2008). When audiences core-stigmatize a particular organization, their disapproval tends to persist (Hampel & Tracey, 2017).

Event stigmas "result from discrete, anomalous, and episodic events" such as corporate scandals and wrongdoing (Hudson, 2008: 253). A case in point is the Deepwater Horizon, which caused the largest-ever oil spill in U.S. waters in 2010. Event stigmas are based on action, hence they are controllable, albeit persistent (Devers et al., 2009). However,



**Table 1** Key distinctions between LOF, LOR, organizational (il)legitimacy, and stigma

	Liability of foreignness	Liability of origin	Organizational legitimacy	Organizational stigma
Definition	Additional costs faced by MNCs in host countries that local firms do not incur	Disadvantages faced by MNCs in host countries as a consequence of their national origins	A generalized perception of appropriateness of the organization within a system of norms, values, beliefs, and definitions	A group-specific collective evaluation of the organization that is deeply discrediting or tainting
Foundational literature	Neoinstitutional theory, international economics, IB literature (Hymer, 1960; Kindleberger, 1969; Zaheer, 1995)	Neoinstitutional theory, IB literature (Bartlett & Ghoshal, 2000; Kostova & Zaheer, 1999; Ramachandran & Pant, 2010)	Neoinstitutional theory (Dowling & Pfeffer, 1975; Suchman, 1995)	Labeling theory (Devers et al., 2009; Goffman, 1963; Sutton & Callahan, 1987)
Unit of analysis	Subsidiary	MNC organization	Organization	Organization
Source	Regulative, normative, and cultural-cognitive distance, host-country homogeneity and xenophobia	Regulative, normative, and cultural-cognitive conflict between home- and host-country environments	Regulative, normative, or cultural-cognitive misfit	Ideological and moral misfit
Key assumptions relating to audience evaluations	Local audience evaluations are homogeneous and triggered almost automatically.		Local audience evaluations addressed as concerted but organizations aim to influence judgments.	Local audience evaluations are heterogeneous and require active agency, i.e., stigmatization.
Engages with emotions and politics	Silent	Silent	Typically silent on emotions, accounts for political aspects	Yes

event stigmas may also resurface and remain in the public sphere, especially when scandals and wrongdoing are widely reported in the media. Hence, rather than vanishing, they may readily be remobilized into a variety of situations. This has implications for companies under public scrutiny during foreign market entry.

Stigma literature discusses labeling and attribution processes that associate an organization with a broader category of negatively evaluated organizations. Individuals and groups construct cognitive categories that are linked to stereotyped beliefs (for a review, see Link & Phelan, 2001). A key component in categorization is the separation between “us” and “them” (Devine, Plant, & Harrison, 1999). This separation is fundamental for understanding “foreignness” and thus how LOF and LOR relate to stigma. Local audiences may collectively perceive that a foreign organization has values contradictory to the group’s own (Devers et al., 2009). In our study of “locals” and “foreigners”, locals are positioned as the norm; foreigners violate local moral and normative expectations, thereby making them vulnerable to stigmatization, for instance through stereotyping.

Thus, research on organizational stigma allows us to augment current understanding of how local

audiences can make strategic use of stereotypes, negative labeling, and emotions to stigmatize entry-seeking firms. Because foreignness makes them stand out from local actors and exposes them to public scrutiny of their morals and past wrongdoing, multinationals are particularly vulnerable to stigmatization. Foreign market entry provides a fertile research setting for studying stigmatization because it reveals authentic evaluations of the foreign entrant by local audiences (Sethi & Judge, 2009; Zaheer & Mosakowski, 1997). Transitions from legitimacy to stigma can therefore be expected when these organizations cross borders and value systems. However, IB research has to date largely associated stigma with individuals like inpatriate managers (Harvey, Novicevic, Buckley, & Fung, 2005) and individual level characteristics such as race, gender, nationality (Zerbrowitz, 1996), or sexual orientation (Moeller & Maley, 2018) rather than with organizations. In a rare conceptual study, Moeller et al. (2013) theorize the impact of an organization’s country of origin on the acceptance of foreign subsidiaries in a host country. These authors identify the role of key stakeholders such as customers, employees, and channel members (Moeller et al., 2013). However, their model



does not account for how local audiences construct liabilities to block foreign entrants – the focus of our empirical study.

## A LONGITUDINAL EXPLANATORY CASE STUDY

### Research Context

Art museums occupy a conflictual position with regard to globalization. While they serve as platforms for artwork circulation and international influences, museums also reflect national heritage and identity (Geertz, 1976) and thus serve as a powerful symbolic means of nation-building and resistance to “foreign rule” (Anderson, 2006 [1983]: 111). Moreover, in many countries, including Finland, the cultural sector is highly dependent on public funding, making it an arena for political negotiations. The Finnish museum field consists of more than a thousand museums. Finland, with a population of 5.5 million, can boast one of the highest per capita numbers of museums in Europe (Pettersson, 2011). The main tenet of cultural policy in the country rests on the welfare-state ideology, which highlights the rights of artists to economic security and equal access of citizens to cultural services (Kangas, 2001). This differs from the situation in the U.S., where most funding comes from wealthy individuals, often art collectors and museum sponsors (‘patrons’), and where art museums are considered elitist (DiMaggio, 1991).

The Solomon R. Guggenheim Foundation is perhaps the most openly commercial museum in the world. Founded in 1937, it redefined modern art in the twentieth century and created the concept of “a global museum” – a main site combined with satellite museums that would reach a broader public and stimulate cultural tourism (Rectanus, 2006: 381). Thomas Krens, nicknamed the “Clint Eastwood of the art museum director’s world” (*The New York Times*, Jan. 14, 1988), masterminded the Guggenheim Foundation’s internationalization strategy and created a model of cultural franchising (Unger & Unger, 2006). According to this model, the host city pays the costs of the building and an annual administrative fee in addition to a licensing fee for use of the Guggenheim brand. While Guggenheim Bilbao has become a symbol of cultural tourism and urban renewal, the other satellite museums across the world have either been closed down or the projects have been canceled (see Table 2). Guggenheim Abu Dhabi, under development since 2006, has been

the target of strong political resistance and allegations of human rights abuse of construction workers, as we will discuss later.

### Chronology of Events

In early 2011, the City of Helsinki commissioned the Guggenheim Foundation to undertake a two-million-euro feasibility study for a Guggenheim museum in Helsinki. The Guggenheim stated that the museum would draw on “Finland’s virtually unparalleled legacy of architecture and design” with an ambition to “explore the idea of a 21st-century art museum” and “seek unconventional solutions and explore bold new ideas” (The Guggenheim Foundation, 2011: 4). The museum initiative soon saw an unparalleled shift from surprise and excitement to resentment and even anger, along with rapid polarization of local audiences into the proponents and opponents.

Once the feasibility study was released in January 2012, the media response turned increasingly negative. By this time, the opponents had started to organize themselves; they published a pamphlet titled “In the Shadow of the Guggenheim” (Taipale, 2012). In May, “the Guggenheim Helsinki dream” (*The Guardian*, May 4, 2012) turned sour with a close vote in the Helsinki City Board against proceeding with the museum initiative. In the backstage, the artist-opponents brainstormed Helsinki as a cultural city “from the inside,”<sup>1</sup> marking the birth of Checkpoint Helsinki, an organic network of artists that was later joined by global anti-Guggenheim activists.

The Guggenheim did not give up the idea of a Helsinki museum but focused on shaping a better entry strategy with a deeper understanding of local culture and politics. In September 2013, the Foundation came forward with a revised proposal where it made significant concessions – among others, to halve the annual administration fee from a two million to one million euro (The Guggenheim Foundation, 2013b). Other elements included setting up the Guggenheim Helsinki Supporting Foundation to raise private funds, and administer and fund an open international architectural competition rather than inviting star architects as in their landmark buildings by Frank Lloyd Wright in New York City (NYC) and Frank Gehry in Bilbao. The Guggenheim also announced plans to develop a permanent collection of its own and appointed its first curator of “architecture and digital initiatives.” Finally, in order to engage citizens, Guggenheim Helsinki Live events were launched together with a

**Table 2** Chronology of key events

Year	Key events
<b>Earlier (de)internationalization events (1976–2010)</b>	
1976	Donation of the Peggy Guggenheim Collection in Venice to the Guggenheim Foundation
1989	Guggenheim Museum in Salzburg canceled (design by Hans Hollein)
1997	Opening of the Guggenheim Bilbao Museum (design by Frank Gehry)
1997–2013	Deutsche Guggenheim Museum in Berlin, Germany (Deutsche Bank building)
2001–2003	Guggenheim Las Vegas (design by Rem Koolhaas)
2001–2008	Guggenheim Hermitage Museum in Las Vegas (design by Rem Koolhaas)
2001	Guggenheim Museum in Tokyo canceled (design by Zaha Hadid and Jean Nouvel)
2001	Guggenheim Museum in Singapore canceled (design by Jean Nouvel)
2004	Guggenheim Museum in Hong Kong canceled
2005	Guggenheim Museum in Taichung, Taiwan canceled (design by Zaha Hadid)
2005	Guggenheim Museum in Rio de Janeiro canceled (design by Jean Nouvel)
2008	Guggenheim Museum in Guadalajara, Mexico canceled (design by Enrique Norten)
2010	Vilnius Guggenheim Hermitage Museum canceled (design by Zaha Hadid)
<b>Phase 0 (12/2009–12/2010)</b>	
12/2009	Suggestion to the City of Helsinki to approach the Guggenheim Foundation made by Director of Helsinki Art Museum
12/2010	Deputy Mayor of Helsinki and Director of Helsinki Art Museum invite three board members of Helsinki Art Museum to a meeting without revealing the topic
<b>Phase 1 (1/2011–5/2012)</b>	
1/2011	City of Helsinki announces that it has commissioned the Guggenheim Foundation to undertake a feasibility study for a Guggenheim Helsinki Museum
1/2012	Feasibility study for a Guggenheim Helsinki presented with estimated building costs of €130–140 M
1/2012	Pamphlet “In the Shadow of the Guggenheim” released immediately after the feasibility study (Taipale, 2012)
5/2012	Helsinki City Board votes against the plan (with a tight vote of 8 to 7)
<b>Negotiation Breakdown and Time to (Re)organize (5/2012–9/2013)</b>	
5/2012	Checkpoint Helsinki established as an alternative to Guggenheim Helsinki
1–2/2013	Secret meeting held between the City of Helsinki and the Guggenheim
5/2013	A local communications agency recruited to lead the project
<b>Phase 2 (9/2013–11/2016)</b>	
9/2013	The Guggenheim presents a revised proposal for Guggenheim Helsinki
1/2014	Helsinki City Board reserves a site for the museum
4/2014	Guggenheim Helsinki Supporting Foundation established
6/2014	Guggenheim Helsinki Design Competition opened
4/2015	Next Helsinki Seminar organized by a transnational coalition of anti-Guggenheim activists
6/2015	Winner of the Guggenheim Helsinki Design competition announced
9/2016	Leader of the populist Finns Party says there will be no state money for Guggenheim Helsinki
11/2016	City of Helsinki presents an updated proposal
11/2016	Helsinki City Board accepts the museum proposal (8 to 7 votes)
11/2016	Helsinki City Council rejects the museum proposal (53 to 32 votes)

local think tank, known to work towards more sustainable societies. Despite these significant efforts, stigmatization remained an enduring and growing aspect of the initiative. In November 2016, the City Council convened to decide on the museum initiative. In the meeting, it seemed that proponents had already given up because opponents of the project accounted for as many as 70 percent of the statements made by councilors. Following the passionate and emotional almost 6-h-long debate, the City Council voted against Guggenheim Helsinki.

Due to the strong polarization of audiences into supporters and opponents, the Guggenheim case is particularly contentious. It is therefore a rich setting for exploring the stigmatization activities which contributed to the failed market entry.

### Data

We undertook an explanatory longitudinal case study to elucidate how and why local audiences engage in stigmatization processes to construct liabilities that block the foreign market entry. Explanatory case studies (Yin, 2014), especially longitudinal ones, are rare in IB (Piekkari, Welch,



**Table 3** Data sources

Data items	Interviews 53	Observation 21 h	News stories and blogs 837	Reports and press releases 48
Pages	564	175	~ 1200	469
Timing	Jan 14–Apr 17	Jan 11–March 17	Jan 11–Dec 16	Jan 11–Dec 16
Description of the data	All key actors and audience groups: representatives of Guggenheim Foundation, Guggenheim Helsinki Supporting Foundation, Guggenheim Bilbao, City of Helsinki, local communications agency, artists, museum directors, philanthropists, jury members of the Guggenheim design competition, funders, industry, politicians, journalists, activists in NYC	Real-time non-participant observation: Guggenheim Helsinki Design Competition events, Next Helsinki anti-competition event and Helsinki City Council meeting  Video-based observation: Next Helsinki competition book launch event in NYC, The City of Helsinki press conference	New Stories (807): Helsingin Sanomat (527) Yle News (258) New York Times (20) Guardian (2) Blog posts (30): CulturaGrrl (28) postings of politicians (2)	Guggenheim Helsinki Concept and Development Study (2011), Guggenheim Helsinki Revised Proposal (2013), press releases of the Guggenheim Foundation and the City of Helsinki
Type of information provided	Arguments and opinions for and against the museum initiative, understanding of the background processes, roles, and behavior of organizations and individuals involved; retrospective data	Portrayal of the justifications for and against the museum, insight into the interactions, tensions and emotions of actors in situ, access to events before the start of the fieldwork through videos; real-time data	Opinions for and against the museum by diverse actors (opinion pieces, editorials), documentation of events, topics and understandings across time and geography; real-time data	Legitimation processes by the Guggenheim Foundation and the City of Helsinki; real-time data
Limitations of the data	Retrospective interviews: accuracy of information and post hoc rationalization, fewer opponent than proponent interviews	Videos used for Phase 1 (more limited data on the early stage) and for more distant events organized in NYC	Journalists' interpretation may not correspond with the actors' interpretations, social media analysis is mainly excluded	More critical or controversial aspects are not reported

& Paavilainen, 2009). This research strategy allows us to explain why Guggenheim failed in its market entry and to develop a causal account that draws on process and context (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011).

Table 3 provides an overview of the use of various data sources: interviews, observations, news stories and blogs, as well as reports and press releases. We conducted a total of 53 semi-structured interviews (including four follow-up interviews) in Helsinki, NYC, and Bilbao between January 2014 and April 2017. Our informants represented the Guggenheim Foundation and various cultural stakeholders in Helsinki, ranging from city and governmental officials and politicians to architects, artists, museum managers, art patrons, and journalists.

We also interviewed representatives of Guggenheim Bilbao, as well as social activists and artists residing in NYC. In addition, we conducted 21 h of non-participant observation as part of the architectural competition for Guggenheim Helsinki and the rival Next Helsinki competition. We also observed the 6-h Helsinki City Council meeting in November 2016, where the final vote on the museum initiative took place, and draw on its 132-page-long transcription.

Furthermore, we collected altogether 807 news stories (of which 785 were in local newspapers) on Guggenheim Helsinki as media form a central arena for legitimation and stigmatization struggles (Vergne, 2012). Our media analysis provided some proof for the claim that *Helsingin Sanomat*, the main



national newspaper, covered the museum plan from a 'pro-Guggenheim position,' while *YLE* (Finland's public broadcaster) espoused a more skeptical view. *The New York Times* and *CulturaGrrl*, a blog by a US arts journalist, provided a media voice that tracked events from a distance. We also examined a wide variety of publicly available reports and press releases of the Guggenheim Foundation, Guggenheim Helsinki, and the City of Helsinki. In combining the data sources we did not aim to arrive at a converging line of inquiry (Yin, 2014), but at producing a multivocal and plausible account of the unfolding events where the various data sources sometimes complemented and sometimes contradicted each other, thus leading to more focused scrutiny of the data.

### Analysis

Our analysis consisted of four main steps. First, we outlined the history of the internationalization of Guggenheim in order to understand the Helsinki initiative within the broader global strategy of the Foundation. We studied a wealth of archival material, including family histories (e.g., Unger & Unger, 2006) to create a chronology of the events (see Table 2).

Second, in explaining why the Guggenheim failed in its market entry we established that local audiences engaged in processes of organizational stigmatization in order to construct liabilities that tainted the museum. We identified two major phases, the first and second market entry, which were of theoretical significance for teasing out causal mechanisms. We used temporal bracketing (Langley, 1999) to analyze over time how actions of the entry-seeking multinational and its audiences in one phase led to changes in subsequent period. The processual analysis 'theorized the arrows' in our model and enhanced the internal validity of the study.

Third, we categorized the audience evaluations of the Guggenheim into positive, neutral, and negative in the dataset of 785 news stories. In order to explain the Guggenheim's failed market entry, we focused primarily on the negative evaluations of opponents. In a subset of 132 news stories, opponents presented a stigmatizing evaluation of the museum which we coded systematically. The rest of the news stories were written without directly quoting an opponent. However, as Figure 1 shows, the opponents were not a homogeneous group but represented a variety of values, morals, and ideologies that led to diverse

stigmatization themes (core and event stigmas). Politically left-leaning audiences consisting of artists, intellectuals, and politicians held values such as anti-neoliberalism, social liberalism, and social inclusion. They openly resented Guggenheim's Americanness and its explicit commercial approach to art, thereby reflecting LOR. The nationalistic audiences, including the populist Finns Party, positioned themselves against elites but were conservative in their values and cherished national interests. They opposed the use of taxpayer money for elitist foreign art, thus reflecting LOF. Finally, the politically right-leaning audiences consisted of conservatives. While the majority supported the museum initiative, there were also vocal opponents among them who mainly condemned the funding model of the museum. As the inner boxes of Figure 1 show, we further grouped the evaluations of audiences into two categories: core stigma if their reaction related to identity, core values and ideologies, or event stigma if it was associated with the market entry deal (e.g., funding model, museum site), the process of market entry (e.g., transparency of the negotiations), or market entry processes in other countries (e.g., in Abu Dhabi).

Our analysis drew on abductive reasoning (Dubois & Gadde, 2002; Van Maanen et al., 2007), which emphasizes the familiarity of researchers with the relevant literature as a starting point in a research process. Such familiarity allows researchers to recognize the limits of existing explanations when theory confronts data. We initially framed our study as a case of non-linear internationalization by a multinational facing LOF and LOR. However, this literature could not account for the heterogeneous moral and emotional reactions by local audiences towards the foreign entrant. We therefore turned to the organizational stigma literature to uncover the core and event stigmas constructed by local audiences to taint the entry-seeking multinational, thus rendering its market entry extremely difficult. The observation that both LOF and LOR persisted and were even amplified during market entry led us to identify the ideological and moral underpinnings of foreignness. At this point, we also coined the notion of cross-border stigma translation, which amplified the negative effects in the host country. As the final step, we reinterpreted our study as a case of organizational stigmatization in foreign market entry. Figure 1 illustrates our abductive process of theorizing during which we matched the evolving model with the empirical case and iterated between

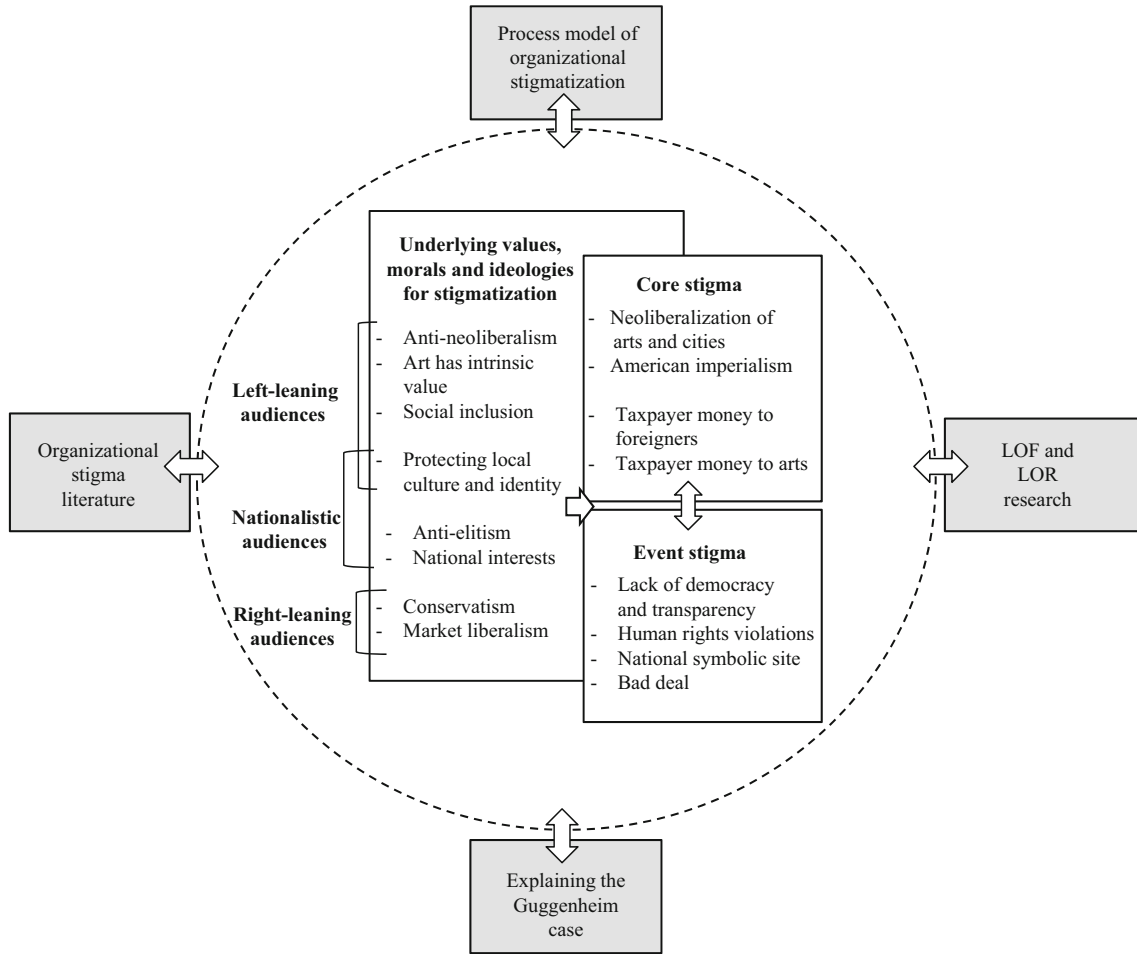


Figure 1 Abductive research process including stigmatization themes by opponent audiences.

LOF and LOR research as well as organizational stigma literature. Table 4 provides additional evidence of audience evaluations from different data sources.

**PROCESSES OF ORGANIZATIONAL STIGMATIZATION TO BLOCK THE GUGGENHEIM’S MARKET ENTRY**

**Proponents’ Legitimation: A City Branding Opportunity with Economic Benefits**

We identified five key proponent groups: the City of Helsinki, the Guggenheim, travel and tourism industry, part of the local arts community, and conservative and green politicians. While proponent groups had varying values and interests, they all saw the Guggenheim’s foreignness and brand as assets that would enrich and revitalize the local

cultural infrastructure. A Guggenheim museum would put Finland on the cultural world map; it would strengthen the national brand, and make the city more cosmopolitan. In our media analysis, the arts community focused on the cultural benefits while other proponent groups focused on the economic benefits.

When the proponents introduced the museum, they mainly used such rational arguments. Market entry was framed as a major economic and city branding opportunity – it was expected to attract masses of tourists (replicate the “Bilbao effect”) and bring employment opportunities. The mayor of Helsinki argued that the Guggenheim museum would help Helsinki compete against other cities (*Guggenheim News*, Jan. 18, 2011):

It is widely recognized that cultural destinations can help drive economic growth for a country... We have such a plan – the Guggenheim, a truly global institution... This is a



Table 4 Quotes from the data

Stigmatization theme	Ideological and moralizing rhetoric	Quotes
<b>Core stigma (properties: permanent relates to identity, core values and ideologies, difficult if not impossible to manage)</b>		
A. Neoliberalization of arts and cities	Economic inequality, cities for sale, cultural franchising, failure as a business model, predator capitalism, starchitect supermarket	<p>A1. One thing what was most stunning for me as an artist is that there was really no-zero-discussion on art through those 5 years of talking about this project. It was all about public funds, it was about tourists – how many tourists would come in, different type of numbers, but it was never about the function of art in society. (Artist in the Next Helsinki book launch event, NYC, March 6, 2017)</p> <p>A2. The entire Guggenheim project is stupid because it tries to develop culture through economic arguments. The two are not commensurable and that is the core problem. The miracle of Bilbao has turned the Guggenheim Foundation into a salesmen's dream with the taste of plastic (<i>Yle News</i>, Feb. 2, 2012)</p> <p>A3. [Our] overall model has to do with challenging the Bilbao Effect, which is heavily contested to begin with. It's a critique of using this model for urban development – of using...a blockbuster museum to anchor development of a city...As a model for urban development, we think it's disastrous. (Interview with Jack, social activist)</p>
B. American Imperialism	McDonaldization, cultural imperialism, destroying national identity and self-esteem, power transfer to multinationals, Starbucks museology	<p>B1. Everybody has their opinion, but I am surprised that people say that the Guggenheim will somehow bring visibility. I can say that it brings as much visibility as some fucking McDonalds here in Helsinki... where is our self-esteem, and why do we need such a crazy colossus? I wonder, come on. (Left-leaning politician, City Council Meeting, Nov. 30, 2016)</p> <p>B2. Abidin [an artist] calls the Guggenheim as "the McDonald's of arts"...if the museum comes to Helsinki, young artists would start to make their art too much with Guggenheim in mind and its authenticity would suffer. (<i>Helsingin Sanomat</i>, March 5, 2012)</p> <p>B3. The imperial Guggenheim franchise – to many of us the cultural equivalent of Starbucks – was what launched us [anti-Guggenheim activists]. (field notes, April 19, 2015)</p>
C. Taxpayer money to foreigners	American initiative, public money to the American elite	<p>C1. Helsinki does not need the Guggenheim, but the Guggenheim foundation needs the money from Helsinki. Tens of millions should not be given to an American foundation. We can also use this money elsewhere. (Left-leaning politician, <i>Helsingin Sanomat</i> Feb. 13, 2012)</p> <p>C2. Those who are trying to earn their daily bread have a hard time understanding that an American endeavor of this kind is being force-fed to us. (Nationalist politician, City Council Meeting, Nov. 30, 2016).</p> <p>C3. The City of Helsinki is tempted to spend hundreds of millions of municipal euros in return for the benefits of branding the city with someone else's mark. Is this really the best use for the site and tax money? (Call for Next Helsinki counter-competition)</p>
D. Taxpayer money to arts	Taking public funds from those who need them most	<p>D1. Mamma Mia! If we want to invest in culture, then why on earth the Guggenheim? ...how can anyone seriously suggest that this would be done with our taxpayers' money? How anyone in their right mind ... the times are bad and we have ailing elderly people. (Interview with left-leaning politician)</p> <p>D2. With the money for this venture alone we would fund caregiving at home for 20 years. (Nationalist politician, City Council Meeting, Nov. 30, 2016)</p>



Table 4 (Continued)

Stigmatization theme	Ideological and moralizing rhetoric	Quotes
<b>Event stigma (properties: episodic, relates to a deal specific to foreign market entry and the process of market entry, manageable)</b>		
E. Lack of democracy and transparency	Secretive, inner circle, lobbying, rush, non-negotiable, no alternatives	E1. It was truly incomprehensible! I was secretly told that plans for this [Guggenheim Helsinki museum] are underway. Not a word could be said, and we are talking about the use of public funding! (Interview with left-leaning politician) E2. This is about big money...the big boys who have a lot of money, to whom others want to be loyal. The city administration has some bizarre loyalty when people named Erkkö, Seppälä, Ehrnrooth, Ollila [wealthy Finnish business families] sit around the table, then the old criteria are no longer valid. Then we play with their rules, not the city's. (Left-leaning politician, City Council Meeting, Nov. 30, 2016)
F. Occupying a national symbolic site	Ruining or tainting national landscape	F1. Wake up, people of Helsinki! This is about your hometown and the capital of Finland. Do you want the south shore of the white city of the north to accommodate the somber black building that won the Guggenheim architectural competition? ( <i>Helsingin Sanomat</i> , Dec. 7, 2015 quoting an architect) F2. I am so fundamentally a person from Helsinki that I do not want the Guggenheim to be the landmark of Helsinki at any cost. That our landmark is a franchise? I don't want it, not even if it's free. ( <i>Helsingin Sanomat</i> Nov. 2, 2016) F3. Here in the Engel [the architect of Helsinki's historic center] cityscape you cannot imagine any other cultural building than one that reflects who we are. Buying the local office of a brand as the landmark of Helsinki is embarrassing, and there is also an image risk related to the brand. The city officials should have told us that the Guggenheim brand is in trouble in Abu Dhabi. (Left-leaning politician, City Council Meeting, Nov. 30, 2016)
G. Bad deal	Big investment, big risks for the city and taxpayers, history of failures	G1. The proposed contract guarantees nearly 20 million in income for the Solomon R. Guggenheim Foundation, but leaves the risk of building the museum and running the operation to others. (Left-leaning councilor, City Council meeting, Nov. 30, 2016) G2. Guggenheim museum projects have clearly failed more than they have succeeded. In fact, the Guggenheim has succeeded only in Bilbao. (Right-leaning councilor, City Council meeting, Nov. 30, 2016)
H. Human rights issues in Abu Dhabi as one instant of exploitation	Slave-labor despotism, exploitation	H1. Bringing the Guggenheim to Helsinki means you bring a tainted brand, a name that's already associated with human rights abuses. (Interview with Jack, social activist) H2. There has been quite a lot of discussion that as the Louvre, New York University and the British Museum also operate in [Abu Dhabi] – shouldn't they be equally pressured? The Guggenheim is kind of a...traditional target of brand tarnishing. (Interview with Tom, artist)





collaboration that can help Helsinki and Finland prosper in an increasingly interconnected and competitive world.

The economic and branding benefits were highlighted in a study by a consulting company presenting calculations about how the museum would boost tourism to the city by bringing 500,000 new visitors per year (The Guggenheim Foundation, 2011). The annual new tax revenue for Finland was estimated to amount to 4.4 million euro (The Guggenheim Foundation, 2011). Such estimations were based on the position of Helsinki as a major hub for millions of Asian tourists flying to Europe. The Guggenheim could provide a magnet that would draw tourists from the airport to the city center. Also, the Guggenheim Foundation highlighted the location of Helsinki between East and West, as a gateway to Russia: *“There was proximity to Russia which we found very attractive”* (Amber, Guggenheim Executive Cabinet). The national media contended that the Guggenheim was a competitive opportunity that Finland should not miss: *“Helsinki beat Taipei, Rio, and Guadalajara [as the location for a new Guggenheim museum]”* (Helsingin Sanomat Jan. 19, 2011).

However, these very arguments – that the museum is a renowned American franchise that would boost Finland’s economy and tourism – acted as the main factors in the ensuing stigmatization by the project’s opponents.

### Core Stigmatization by Opponents

Core stigmas emerge from an organization’s core attributes (e.g., espoused core values, operating models, clients) and relate to the values, ideologies, and moral belief systems of both stigmatizers and stigmatized (Hudson, 2008; Sutton & Callahan, 1987). Hence, in our case, core stigmas reflect the clash of values and ideologies between the foreign market entrant and local audiences. We identified two types of core stigmas: (1) neoliberalism and related claims regarding American imperialism and (2) using taxpayer money for foreigners and arts. Our analysis shows that these stigmas reflected the various ideologies of opponent groups. We discuss how constructing these core stigmas contributed to LOR and LOF.

### Neoliberalization of the arts and cities and American imperialism

The perceived neoliberal pressures leading to the commodification of art and cities were a major source of core stigma for the local left-leaning art

community and politicians. Moreover, these audiences questioned the Guggenheim’s moral foundation by accusing it of “American cultural imperialism,” referring to how the values, practices, and meanings of a powerful US culture are imposed upon a native culture (Tomlinson, 1991), forming a significant symbolic threat to the national cultural identity. These strongly drove perceptions of American imperialism and anti-Americanness and thus promoted LOR among left-leaning audiences.

As for neoliberalization of the arts and cities, cultural franchising, the Guggenheim’s mode of operation, was created by former Guggenheim director Krens, who was himself labeled an *“empire builder and imperialist”* (Jack, an activist). In the cultural sector, franchising as an operation mode may equate museums with growth-driven corporations. As a cultural franchise, Guggenheim Helsinki was said to epitomize harmful commodification of cities and loss of authentic identity and to distract from the content of art (Table 4: A1). Anton, representing an opponent group of left-leaning audiences, sighed: *“The fundamental idea here is that everything is a commodity. Also, cities become trademarks to be compared”* (see also Table 4: A2, A3). The dominant ethos among artists is that the value of art is intrinsic, and hence art should not be influenced by money and markets (Holden, 2006). Hence, commodification can be particularly stigmatizing.

An opponent claimed that *“The Guggenheim Foundation is a non-profit organization in name only, but in practice a profitable brand that has failed in its investment activities”* (Yle News, citing an artist-professor Feb. 17, 2012). Robert, an arts field insider, described to us the core premises of the Guggenheim take on franchising as an operation mode:

[Krens] asked “is the museum local or global? Should you be focusing on the local community or a broader global community?” I think the bottom line was the strategy for the international museum program, [which] was very clever... getting a foreign government to fund the arts and in doing so, bringing a cash infusion back to New York.

Reacting to such arguments, proponents like Samuli claimed that opponents used the word “corporation” strategically: *“99 percent of those people who used the word corporation did so on purpose.”* Thomas, from the Guggenheim Executive Cabinet, stated the following: *“Oftentimes just anecdotally we see language that refers to us as a corporation, which is completely the opposite of what we are in*



fact.” Despite the counterarguments, portrayal of the Guggenheim as a greedy corporation became very sticky. Ample references to McDonald’s and therefore to *American imperialism* were made with both linguistic and visual means; they represent a form of moral categorization and stigma production. The insulting expression “McGuggenheimization” had already surfaced when Krens introduced the model of cultural franchising (*New York Times*, May 30, 1997). It was subsequently mobilized on multiple occasions, for instance when the Guggenheim entered Bilbao (McNeill, 2000). Visually, the Guggenheim logo was compared to the golden arches. The use of McDonald’s label and images stereotyped Guggenheim as the cultural equivalent of the hamburger chain; it penetrated a society by applying the same principles and expansion processes as the American fast-food industry (Ritzer, 1996). The opponents used the label extensively to show their profound disapproval of what they perceived as “fast art” and an overtly commercial approach. As Peppi, a left-leaning politician, explained in our interview:

It is called the McDonald’s of the art world. It sells its brand and acts like a franchisor...do we want to have this McDonald’s of the art world, which imports the same chewed-up concept present everywhere else?

An artist and Left Alliance politician went so far as to organize a protest in a local McDonald’s restaurant when the results of the feasibility study were released. His slogan was the following: “*the Guggenheim is as important to the Finnish art scene as McDonald’s is to Finnish food culture*” (blogspot of jpvaisanen, Jan. 10, 2012,<sup>2</sup> also Table 4: B1). Guggenheim’s American imperialism was described as a tsunami that would wipe out the city’s original identity.

The harmful imperialistic effects of “*ArtDonald’s*” were believed to “*spread western fast art and rip off poor, local artists*” (*The Guardian* May 4, 2012), but also to stifle their creativity and freedom (Table 4: B2). In our data this perception of cultural imperialism and neoliberal pressures were linked with anti-Americanism, effectively producing LOR and becoming the defining features of the opponents’ arguments. During our interview, Minna (historian, proponent) described to us that these accusations triggered “*flashbacks to the bipolar world where America was seen to represent something of a vague gestalt of imperialism.*” Anti-Americanness was also reflected in the “anything-but-American” opinion pieces published in *Helsingin Sanomat* with the

headlines: “*Preferably Hermitage art to Helsinki*” (Aug. 28, 2011), and “*The Louvre art museum would be a noble partner*” (Jan. 19, 2012). This fear of Americanization was strong both in the public debate and political discussions (see also Moisio, 2018).

The Guggenheim and its local promoters were aware of this stigmatization, as acknowledged in the feasibility study: “*There is a small, anti-global faction in Finland that considers large international companies ‘imperialistic’*” (The Guggenheim Foundation, 2011: 33). However, the Guggenheim and its local supporters apparently overlooked this profound stigmatization. Rachel, a member of the Guggenheim Executive Cabinet, lamented in our interview:

I bet the same people are talking about U.S. imperialism and listening to Lady Gaga, and wearing sneakers made by Nike... We offer a point of distinction, not homogenization. They’re being illogical in many ways. But, that’s the way small people like to be also.

The criticism of the potential Guggenheim entry was not confined to Finland and was also articulated by more distant observers such as an influential New York-based arts blogger:

Helsinki shouldn’t feel a need to rely on Americans to oversee a new cultural institution. A new museum, if needed, should grow out of the city’s own cultural fabric and be masterminded and characterized by collegial cooperation, not costly colonization (a blog post in Culture Grrl Feb. 10, 2012).

Indeed, during the Guggenheim’s second market entry attempt, the stigma of American imperialism was effectively amplified, ironically by American social activists. The activists were part of the “Global Ultra Luxury Faction” (GULF), with roots in the Occupy Wall Street movement. This activist group is a direct action wing of Gulf Labor Coalition, which advocates better living and working conditions for the migrant workforce in Abu Dhabi, where the Guggenheim and the Louvre were at the time building their foreign outposts. Representing GULF, Jack told us that they “*have a long history of working against the Guggenheim,*” which culminated in occupation of the Guggenheim museum in NYC in 2014 (see also Table 4: B3). The activists expounded the threat caused by the entry of McGuggenheim, which would destroy Helsinki’s egalitarian model for urban development and damage the city’s identity. The Guggenheim Helsinki initiative also became a platform for American protests claiming that the foundation promotes inequalities cutting across the American arts sector. As Jack explained, “*the Guggenheim model*



*exhibits ultra-luxury assets that are traded on the marketplace by very wealthy people in the New York art world, which is very racially exclusive, more than any other professional sector in the city.*" This concern for social exclusion was also shared with Checkpoint Helsinki, which according to Tom (an artist) *"brought black feminism to the art debate in Finland"*.

In sum, throughout the two attempts to enter Helsinki, left-leaning audiences – initially local ones and subsequently foreign opponents engaging in cross-border stigma translation – core-stigmatized the Guggenheim as an imperialistic American franchise driven by neoliberal ideology. While their stigmatization emphasized symbolic threats to Helsinki, it was intertwined with fears of subsidizing foreign elitist art, the key concern of the nationalistic audiences.

### **Taxpayer money to foreigners and arts**

To invoke tension, populist-nationalist and some left-leaning politicians juxtaposed Guggenheim Helsinki against local social investments such as elderly care and the Children's Hospital that was under construction at the time. Peppi presented the critique by the nationalists as follows: *"As long as the diaper of any senior citizen is wet, no bloody art museum will be built here!"* Like other populist movements, the Finns Party, at the time holding significant power on the Helsinki City Board and in the Finnish Government, opposed spending taxpayer money on cultural institutions that the party considered a luxury for the elites. Such fiscal criticism could not be ignored as major cuts in public funding were being made at the time. In the Guggenheim case, this issue was further accentuated since money would be spent on a foreign institution rather than national Finnish art and institutions. Some populist-nationalist politicians argued that *"using tax money for a McDonald's of art is... insane"* (Yle News April 22, 2015). This was portrayed as the immoral use of taxpayer's money for rich Americans at the expense of the homeless living on the streets (also C1–C3 and D1, D2 in Table 4):

Is it ethical to finance the Yankees while John Doe on the street eats if he happens to find some food and sleeps outside because he is homeless? We should be ashamed, because we live in a welfare state of the 2000s (A nationalist politician, Helsinki City Council meeting, Nov. 30, 2016).

For the nationalists, the Guggenheim was an outsider that posed a threat to the funding of nationally important issues. The arguments centered on improper use of taxpayer money:

The reason [for being against the museum] is the state of the economy and a deep understanding of Maslow's hierarchy of needs: first acute needs such as food, drink...and only last so called higher level needs, that is, looking at pictures that hang on the walls or objects on the floor (Helsingin Sanomat Nov. 3, 2016 quoting a nationalistic politician).

This supported the production of core stigma, which drew on the nationalistic sentiments. To put the icing on the cake, a minister and leader of the Finns Party announced in his blog in August 2016 that *"there will be no state money for this venture"*.<sup>3</sup> Soon, a Guggenheim rap-feat with the minister singing *"Guggenheim will not get any state funding"* started to trend in the social media. The denial of government funding came as a surprise to the Guggenheim Helsinki Supporting Foundation, which interpreted the decisions as a kiss of death that reflected national politics:

Perhaps the most important issue to recognize in order to understand this outcome is the sharp decline in the popularity of the Finns Party. (Anja, a business representative)

The political aspects combined with effective core-stigmatizing significantly contributed to the failure of the Guggenheim entry. Moreover, Rachel (the Guggenheim Foundation) recognized the fiscal pressures and elitism:

You don't really have a surplus economy [in Finland]. Where we're living [in the U.S.], there's so much surplus, that it's a very different kind of commitment and investment. We live completely on private money in New York. So I can imagine that this is a stretch, and it's a model that's unlike what's happened previously. And because our name looks like we're rich and ugly and from outside, it adds up to a very complicated equation.

In sum, our analyses show that combined with perceived elitism, the Guggenheim's foreignness and outsider position formed a core stigma, particularly among the nationalistic audiences. In terms of public funding and political decision-making, these contributed effectively to LOF.

### **Event Stigmatization by Opponents**

Event stigmas emerge from episodic negative events, which in this context relate to market entry deals and processes. In the Guggenheim case such stigmas were associated with the perceived undemocratic and opaque negotiations, the site, human rights issues in Abu Dhabi, and the deal offered to the City of Helsinki, which was strongly criticized by all opponent audiences although on partly different grounds. We discuss



how such stigmatization contributed to LOF and LOR.

### ***A lack of democracy and transparency***

In a press briefing organized at the Helsinki City Hall in January 2011, the director of the Helsinki Art Museum announced collaboration between the City and the Guggenheim Foundation. At the announcement, the mayor explained that he had begun talks with Guggenheim's head office more than a year earlier, inspired by the success of Guggenheim Bilbao. These talks had been kept under the radar based on the mayor's political assessment of the situation. Hence only a small inner circle had participated in the talks. While a typical practice for preparing politically contentious initiatives, many of our informants responded to the secretive planning with surprise and even shock (Table 4: E1). The local arts community was dismayed:

It really came out of the blue for the art scene – it wasn't discussed anywhere in public and suddenly it just became a prize that we all should be really, really happy about...also what frustrated people was the way that the proposal was brought in as if there was no alternative...it almost immediately became a symbol of the paradigm shift of social democracies...rapidly dismantling the basis of the welfare system, which also tends to lead into inequality in the art world (Local artist, video from NYC, March 6, 2017).

The opponents also criticized the tight schedule for proceeding, which seemed to be forcing the museum proposal through the city administration. The entry negotiations were labeled as undemocratic lacking "*legitimate civil debate*" (Jaana, leader, from a local think tank) and widely cited as "*a classic example of what happens when a small inner circle secretly prepares an initiative and tries to railroad it through the municipal decision-making procedure just before local elections*" (Helsingin Sanomat June 4, 2012, Table 4: E1, E2). Sonja (journalist) even called the proponents "*happy amateurs who are pushing this [through] on a quick schedule.*" The opponents also loudly accused the Guggenheim of manipulating political decision-makers. Reflective of such accusations, Pirjo, a city official, explained that the investigative journalists of the national broadcaster YLE had contacted her as they wanted to know the costs of entertaining the Guggenheim representatives during a meeting at the town hall: "*I replied that don't you know how much a cup of coffee costs!*"

The Guggenheim's lack of local knowledge was evident when the foundation's officials miscalculated the political power of the mayor. In NYC, the

mayor exercises major decision-making power whereas in Helsinki, the 85 members of the City Council, play this role. In addition to the mayor, the foundation members had negotiated mainly with representatives of the City of Helsinki and counted on them to reach out and engage the Finnish state. However, the political setting was complex and support from the state was not secured in the end. Amber, representing the Guggenheim's Executive Cabinet, explained their lack of understanding of the local politics:

We didn't have independent political, and press advice... Because, the invitation came from the city, all of our discussions ... were with the city. It was only at the very, very end, I think, literally a week or two before the publication of the concept and development study... that the city, and the mayor reached out to the state and said, 'hey, this could be a collaborative project'.

The director of the Guggenheim Museum commented – both privately and in public – that they were surprised by the highly politicized nature of cultural funding in Finland and unprepared to deal with it. In local media, the director explained that because private funds provide most of the operating budget of the Guggenheim, he "*is seldom in touch with politicians*" (Helsingin Sanomat Dec. 19, 2013).

The Guggenheim initiative was rejected by the city council on the first round. LOF contributed to this outcome; inadequate understanding of local culture was a root cause of the event stigma. The Guggenheim did not, however, give up and made a significant effort to reshape its entry strategy with a deeper understanding and appreciation of local culture and politics. For the second attempt, the Guggenheim hired a local communications agency to "*ensure that Finnish cultural values would be incorporated into the proposal*" (The Guggenheim Foundation, 2013a:11). The agency invited public engagement, coordinated private fundraising efforts, and lobbied political decision-makers to secure a political buy-in.

While the second entry process was significantly more open than the first, the project's opponents did not change their standing. They had considered the case closed and the mere fact that the museum was again on the political agenda fed views that preparations had once more been occurring backstage. The local press had the following headline: "*The return of the Guggenheim was also a total surprise to the politicians – promoting the project is like 'forcing a snake into the barrel of a gun'*" (YLE News Nov 3,





2013). Such accusations were not limited to the local press; *The Guardian* (Sept. 11, 2014) also quoted a local member of the left-leaning audience:

The promoters are using the old Thatcherite saying, 'There is no alternative,' but there has never been a proper conversation ... Democracy only works if people have enough information about the choices they are making.

The style of the Americans was not a great fit with the low-key Finnish culture. Bill, a foreign observer, referred to the cultural distance between the two countries and claimed that in the first round the Guggenheim representatives from NYC “showed off” and consequently “the Finns didn’t feel very comfortable.” A member of the executive cabinet admitted, “We were too naïve and too American at the beginning” (*Helsingin Sanomat* Dec. 18, 2013). A perception of superiority and arrogance was enforced during the second round by an episode where one of the Guggenheim directors refused to answer a journalist’s question in a news interview and walked away. This trivial issue had strong symbolic significance. Journalists also criticized the Guggenheim for concealing facts. This perceived Americanness and arrogance effectively produced LOR.

In sum, local opponents perceived the entry process as non-negotiable, secretive, anti-democratic, arrogant, and lacking in appreciation for Finnish culture, which fostered LOF. The dominance of American values in the entry process produced LOR.

#### **Occupying a national symbolic site**

After the failure of the first round, perhaps the major strategic move to open and democratize the entry process was the launching of an open, blind-reviewed international architectural competition. This was the first time in the Guggenheim’s history as the foundation had always commissioned new museum buildings from renowned architects. The City of Helsinki reserved a prime waterfront site for the museum and the architectural competition attracted a record-breaking 1715 submissions from 77 countries. The winner – a modernist black building made of glass and charred wood – divided opinions (Table 4: F1).

Moreover, the NYC-based activists initiated a counter-competition. The aim was to provide alternative uses for the nationally important site and initiate a public debate. The Next Helsinki competition<sup>4</sup> generally criticized the model for urban development where a “blockbuster museum” designed by a “starchitect” functions as an anchor

for city development. This “anti-competition” attracted over 200 entries from 37 countries (Haapoja, Ross, & Sorkin, 2016). In its launch event, David (an architect-urbanist) warned Helsinki of selling its identity:

[Our motive was] a simultaneous sense of outrage and love. Outrage at the march of the homogenizing multi-national brand culture... The feeling of love came from our mutual affection for Helsinki itself... a sense that it is a singular place, unique in setting, form, and culture (field notes, April 19, 2015).

The site became a major source of debates – should the prime cultural site in the center of the Helsinki waterfront be granted to a foreign multinational, jeopardizing national uniqueness (Table 4: F2, F3)? To epitomize the potential travesty, a Big Mac hamburger was placed on the site designated for Helsinki Guggenheim, creating an image that became a meme. While the open architectural competition aimed to remove the event stigma of anti-democratic secrecy and elitism, it was construed as another sign of city branding through foreign, multinational, and most typically, American brands. Hence debates about the site effectively reflected LOR.

#### **Bad deal**

A further source for event stigma was that overall, the Guggenheim was considered an outsider offering a bad deal to the City of Helsinki, hence reflecting LOF. Some prominent members of the centrist conservative party were particularly vocal critics. They claimed that the estimates of potential visitors presented in the consultants’ feasibility study were overly optimistic. The opponents also questioned the proposed contract. They considered the licensing fee of \$30 million for a 20-year period unfair; Helsinki taxpayers would pay the bill and carry the financial risk while the Guggenheim would make all the decisions and reap the benefits. The left-leaning audiences were also furious: “the Guggenheim Helsinki project is a big blow; the city must give away a site worth at least a million, pay tens of millions, and guarantee a big loan... This is ... a direct scam” (*Helsingin Sanomat* Nov. 30, 2016, quoting left-leaning writer). A city councilor had the following to say at the final council meeting: “In terms of trade politics and promotion of tourism, Guggenheim would be a risky investment with public funding; its economic obligations would be tangible, but any benefits very uncertain.” Moreover, the opponents pointed out that Guggenheim ventures





had been major flops everywhere after Bilbao, which should give cause for caution (Table 4: G2). Jack voiced these concerns in an interview:

Bilbao was really one of its kind. The others all failed or never got off the ground. But the museum foundation actually made money from them, because it collects a lot of money from the feasibility studies... So it actually is a business model. Failure as a business model.

The deal was criticized vocally across party lines (Table 4: G1). It was considered an example of an exploitative growth strategy that clashed with the norms of the arts field in Finland, where, as in most European states, arts organizations rely on public funding.

The Guggenheim was sympathetic to these concerns and willing to meet the city halfway. In the second round, it revised the proposal and halved the annual management fees to show that it, too, was willing to take financial risks. This concession had marginal impact as the opponents had taken their positions and stuck to the view that Helsinki would be subsidizing the Guggenheim. This was reflected in a telling comment by one of the most vocal opponents (a city councilor) just a couple of weeks before the final City Council vote: *"I don't want it, not even for free"* (Table 4: F2). Some proponents claimed that emotion, and not money or reason, had become the biggest obstacle to Guggenheim Helsinki: *"It was never a question about money... all worries and personal doubts and narrow-mindedness are hidden in the argument that this is about money. It was never about that"* (Simo, a business representative). People on both sides were questioning the ideals and morals of those representing the opposing view.

### **Human rights issues in Abu Dhabi as an instance of exploitation**

A final form of constructing the event stigma was through cross-border stigma translation relating to alleged unethical labor conditions at the Guggenheim construction site in Abu Dhabi (Table 4: F3, H1). Since 2010, GULF had pursued a campaign of direct action against Guggenheim, accusing it of using forced labor (e.g., low wages and substandard accommodation). It is noteworthy that while also other organizations (the Louvre, New York University, and the British Museum) were building foreign outpost, the activists decided to *'sully'* the Guggenheim brand (Tom, artist, Table 4: H2). The Guggenheim considered this *"unfair"* and accused GULF of continuing to *"shift its demands"* and of spreading

*"mistruths about the project"* (The Guggenheim Foundation, 2016). However, GULF activism effectively imported these conversations to the Finnish context. The Guggenheim brand became tainted in Helsinki through claimed wrongdoing at the other museum locations (Table 4: H1). Opponents engaged in cross-border stigma translation to taint the Guggenheim and to convince city councilors that they were in fact taking a stand on the human rights violations in Abu Dhabi through their votes: *"How is it that the violation of the rights of the migrant workers... is not a question that we should take a stand on tonight?"* (a city councilor). Hence supporting the Guggenheim and voting for it were framed as immoral acts. Here, the opponents effectively construed foreignness through moral stigmatization.

In sum, our analyses show that a lack of transparency and democracy in the process, occupying a central symbolic site, considerations of a bad deal, and alleged human rights violations effectively produced event stigma. This event stigmatization strengthened the core stigma. Following the passionate debate, the City Council voted 53-32 against the Guggenheim Helsinki. A vocal, left-leaning politician expressed the feelings of many: *"I'm exhausted but relieved... Instead of buying a subsidiary of the Guggenheim Museum in New York we can now focus on creating unique local cultural attractions in Helsinki"* (The New York Times Nov. 30, 2016).

## **DISCUSSION AND CONCLUSION**

We began this paper with the unaddressed question of how and why local audiences construct liabilities to block foreign market entry. To answer this question, we brought together the literatures on LOF, LOR and organizational stigma, which have remained disconnected to date. Our longitudinal case study allowed us to develop a process model of organizational stigmatization in a foreign market entry (Figure 2).

The model shows how market entry negotiations can become an arena for stigmatization, destigmatization, and power-plays by ideologically diverse audiences – both locally and cross-nationally. In their stigmatization efforts, opponents can construct two forms of stigma: (1) *core stigma*, which results from tainting of a multinational for its core organizational attributes by some of its audiences and (2) *event stigma*, which originates from market entry processes and entry deal. Acts of judgment and stigmatization draw on audiences' underlying values, morals, and ideologies and have an affective

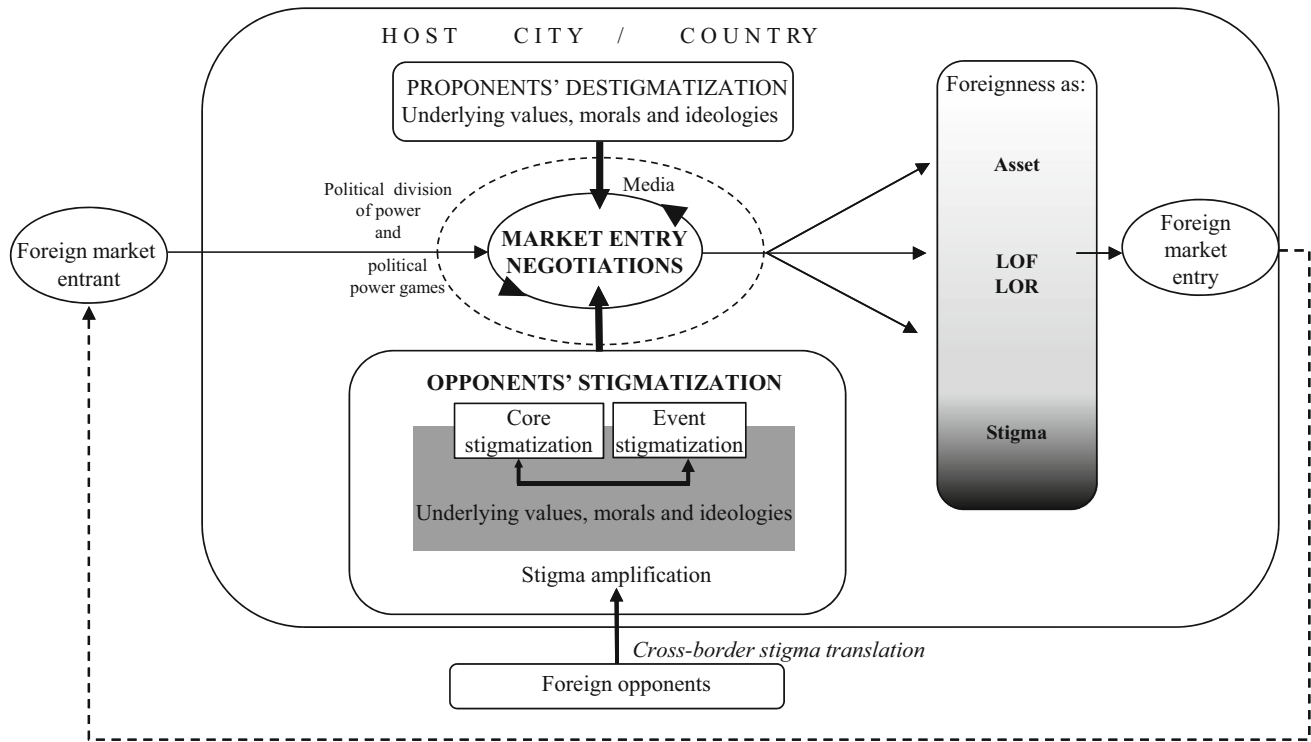


Figure 2 A process model of organizational stigmatization in a foreign market entry.

basis. While core stigma and event stigma are conceptually distinct, core stigma strengthens event stigma, making bad episodic events worse. Event stigma also provides audiences with a frame for evaluations and can reinforce core stigma. Furthermore, the stigmas produced in the host country can be amplified when foreign opponents engage in *cross-border stigma translation* and actively construe negative evaluations in new contexts. Consequently, the foreign entrant and its entry processes become tainted.

As Figure 2 shows, stigmatization processes by opponents form the basis of the proponents' destigmatization, which also draws on values, morals and ideologies. Should the market entry negotiations concern a nationally sensitive field, the media will have an impact on public opinion. These dynamics influence whether local audiences construct foreignness as an asset, LOF, LOR, or stigma, and ultimately contribute to the success or failure of market entry. In our model, stigma is both a tool and an outcome if stigmatization is successful. In the following, we elaborate on the key contributions to IB research.

### Generative Mechanisms of Liabilities in Foreign Market Entry

Our first contribution concerns the multiplicity and heterogeneity of local audiences whose competing evaluations reveal the generative mechanisms of liabilities. We show how underlying values, moralities, and ideological conflicts take shape and escalate between audiences that advance their own political agendas, effectively thwarting foreign market entry. Most conceptualizations of liabilities address dissimilarity between home and host countries and assume that local audiences in a host country respond to foreign entrants in a concerted way (Joardar et al., 2014). However, we show that this conceptualization is ill-equipped to account for contradictory evaluations that multinationals encounter. The theoretical grounding of our study at the intersection of literatures on LOF, LOR, and organizational stigma helps clarify how and why an organization may simultaneously be both legitimate and stigmatized in a host country.

In this paper, we uncover the connections between stigmatization, LOF and LOR and thus continue Brannen's (2004) exploration of the mechanisms producing and maintaining foreignness. We complement her previous work by providing an examination of audience-level



foundations of liabilities (LOF, LOR) and stigma. This offers a fine-grained analysis of local audience responses along a continuum of “shades of gray rather than black or white” (Ashforth, 2019: 24). Growing ideological divisions in societies make stigmatization an increasingly salient issue for multinationals. Our study shows that the concepts of core and event stigma have high explanatory power in accounting for failed foreign market entry by multinationals. Thus, we argue that the agency of heterogeneous audiences in processes of organizational stigmatization is a generative mechanism of liabilities.

Our second contribution lies in exhibiting the temporal aspects of foreignness, its persistent and amplified character over time (Ramachandran & Pant, 2010; Zaheer & Mosakowski, 1997). We have identified *cross-border stigma translation* as a mechanism that fuels negative evaluations of a foreign entrant. Event stigmas stemming from previous wrongdoing by an organization (Hudson, 2008) are very likely to diffuse across contexts as the entrant becomes a focus of media attention during market entry. In this way, the notion of cross-border stigma translation extends the concept of legitimacy spillover, which implies that legitimacy can spill over from an MNC to its subsidiaries or within an industry (Kostova & Zaheer, 1999). We unpacked how cross-border stigma translation by foreign opponents is thus far an untheorized mechanism behind negative legitimacy spillovers. We have also shown that such spillovers are not only cognitive (Kostova & Zaheer, 1999), but construed in interactions among multiple participants who hold different ideological and political views and have varying emotional responses. Thus, the international setting of our study allowed us to surface the cross-border translation and amplification of organizational stigma, a phenomenon that has hitherto remained unexplored.

### Management of Stigma in Foreign Market Entry

Our study is a case of the vulnerability of well-known multinationals that are drawn into public discourse as “exemplars of global irresponsibility” by specific ideological audiences. As we have shown, it became almost irrelevant what the Guggenheim did – the foundation had very limited means to combat the core stigma, which was already produced during the first entry attempt. Over time, the stigmas were maintained, and they even grew stronger, particularly after the U.S.-based activists joined the opposition. In this regard, we

complement but also challenge Edman’s (2016) conceptual work in uncovering the difficulties of managing foreignness as an organizational identity. Overall, previous studies on subsidiary legitimation paint a rather positive picture of increasing local acceptance over time, as subsidiaries succeed in balancing local versus global institutional demands (Pant & Ramachandran, 2017), or even in shaping host country institutions (Rana & Sørensen, 2020; Régner & Edman, 2013). In contrast, we put forward a more nuanced – and perhaps more realistic – view of local legitimacy building. Our processual view of foreignness highlights the role of the competing values, morals, and ideologies of local audiences – issues which are increasingly salient in the face of growing anti-globalization.

We believe our findings can help MNCs anticipate and to some extent manage the causes and consequences of extremely negative audience evaluations in a host setting. To date, several studies have enhanced our understanding of how stigmatized organizations engage in stigma management (Helms & Patterson, 2014; Hudson & Okhuysen, 2009; Vergne, 2012) and how they can sometimes remove stigma altogether (Hampel & Tracey, 2017). Nevertheless, organizations have a high risk of remaining stigmatized because “bad is stronger than good,” reflecting the stickiness of moral stigmas (Ashforth, 2019: 323). We have shown that foreignness provides a powerful and effective context for stigmatization due both to a lack of information and to cultural and national stereotypes that function as heuristics in moments of uncertainty such as market entry (Kostova & Zaheer, 1999). Our findings imply that if management has very limited understanding of the local culture and political system, they may mishandle the market entry process in terms of decision-making, transparency, or engagement of citizens, and thereby contribute to the development of event stigma. Communication with politicians and citizens is particularly important if the foreign entrant receives subsidies or tax benefits from local governments or seeks to build on a nationally symbolic site. Educating local audiences about the mission and values of an organization and what it can bring to the local setting may be one way to manage LOR. For these reasons, managers involved in planning a market entry should actively involve those individuals, groups and organizations who possess social, economic, and political power since



“it takes power to stigmatize” (Link & Phelan, 2001: 375).

### Boundary Conditions and Suggestions for Future Research

The case of Guggenheim Helsinki allowed us to tease out some of the generative mechanisms of foreignness. The uniqueness of this case rendered the mechanisms of core and event stigmatization as well as cross-border stigma translation particularly salient. We believe these mechanisms have relevance in other politically sensitive or regulated fields such as the energy, mining, or even retailing (e.g., the challenges faced by IKEA in building “big-box stores” in various local landscapes) – all of which can be subject to resistance by local audiences. Our insights may also be applicable to multinationals that intend to relocate their activities to another city in the home country. Like the Guggenheim, Amazon has been blamed for its unwillingness to engage with local residents when planning to build a satellite headquarters in NYC. In such a setting, processes of organizational stigmatization may be at work and a study of why and how entry-seeking organizations are stigmatized in global cities (Goerzen, Asmussen & Nielsen, 2013) would be intriguing.

Our findings also showed that franchising as an operation mode can become the target of stigmatization if it collides with sectoral norms in the host country. Hence, we give impetus to further study what could be labeled a “mode stigma” by combining insights from research on foreign operation modes with that on organizational stigmas. Another fruitful area for future research concerns the internationalization process of core-stigmatized organizations. While the surprise evoked by newcomers entering unfamiliar settings and the subsequent sense-making have been studied at the individual level (Louis, 1980), whether and how multinationals cope with and learn from stigmatization remains an exciting question. Finally, our findings showed the importance of emotions in stigmatization. Future research could capitalize on

the growing body of literature on emotions in management studies (e.g., Ashkanasy, Humphrey, & Huy, 2017) to shed more light on the emotional underpinnings of LOR and LOF. We hope to begin a conversation on why, when, where, and how organizational stigmatization may cause permanent liabilities to foreign organizations.

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### NOTES

<sup>1</sup><https://www.checkpointhelsinki.org/en/about>.

<sup>2</sup><https://www.skp.fi/blogit/jp-v-nen/guggenheim-taiteelle-yht-t-rke-kuin-mcdonald-s-ruokakulttuurille>. Accessed April 8, 2019.

<sup>3</sup><http://timosoini.fi/2016/08/guggenheimille-ei-tule-valtion-rahaa/>.

<sup>4</sup><http://www.nexthelsinki.org/>.

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