University of Alberta

Alberta School of Business Research Paper no. 2016-901

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David L. Deephouse

Jonathan Bundy

Leigh Plunkett Tost

Mark C. Suchman

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David L. Deephouse, Alberta School of Business, University of Alberta, Edmonton, Alberta, Canada

Jonathan Bundy, W.P. Carey School of Business; Arizona State University. Tempe, AZ, USA.

Leigh Plunkett Tost, Marshall School of Business, University of Southern California, Los Angeles, CA, USA

Mark C. Suchman, Department of Sociology, Brown University, Providence, RI, USA

July, 2016

Forthcoming as Chapter 1 in Greenwood, R., Oliver, C., Lawrence, T., & Meyer, R. (Eds.). 2017. ***The SAGE Handbook of Organizational Institutionalism*** (2nd Ed.). Thousand Oaks CA: Sage.

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INTRODUCTION

Legitimacy is a fundamental concept of organizational institutionalism. It influences how organizations behave and has been shown to affect their performance and survival (Pollock & Rindova, 2003; Singh, Tucker, & House, 1986). As developed in organizational institutionalism the term has spread widely across the social sciences, and because of this, our current understandings of legitimacy and how it is managed are much more nuanced and elaborate than portrayed in early institutional accounts. In this chapter, we seek to bring greater clarity and order to the growing and sometimes confusing literature, focusing on the conceptualization of legitimacy itself and how it changes over time.

This chapter builds from the previous edition (Deephouse & Suchman, 2008, available online at www.sage.org/organizational institutionalism/legitimacy). In updating that chapter we reviewed 1299 publications and conference papers that had the string "legitim" in the title, abstract, or keywords. Reflecting the reach and power of legitimacy, these publications included books and a wide range of journals and across a wide range of disciplines (e.g., communication, political science, public administration, and sociology -- not just management). Our goal was both to identify both broad trends in theory and research and possible theoretical innovations and also to highlight important applications for scholars in organizational institutionalism. From this review we identified six central questions around which this chapter is arranged: What is organizational legitimacy? Why does legitimacy matter? Who confers legitimacy, and how? What criteria are used (for making legitimacy evaluations)? How does legitimacy change over time? These questions are shown in Figure 1.1. Our final section asks "Where do we go from here?" and offers suggestions for future research.

Insert Figure 1.1 about here

We start with the question of "What is legitimacy?" because we are concerned about the concept's ossification in recent years. Our review revealed that a large number of papers simply quote Suchman's (1995: 574) definition verbatim before moving on to discuss whatever particular type of legitimacy was studied in the paper. There has, however, been some noteworthy conceptual movement as well. Several authors have followed Deephouse and Suchman's (2008) recommendation that the term "desirable" in Suchman's (1995) original definition be removed or bracketed to avoid potential confusion with status or reputation, especially if legitimacy is being examined alongside one or more of these other forms of social evaluation. More recently, there have been excellent recent elaborations of the definition of legitimacy (especially Bitektine, 2011 & Tost, 2011). Given these trends, the next section reviews and refines the definition of organizational legitimacy.

Having defined legitimacy, the obvious following question is "Why does it matter?" We discuss why legitimacy matters, highlighting its many benefits to organizations. Having done so, we examine who confers legitimacy, and how. The short answer is that legitimacy can be granted by a variety of sources, each using a distinct routine. Whether through conscious deliberation or preconscious heuristics and taken-for-granted schemas, each source perceives and assesses legitimacy-relevant information, evaluates organizations using this information, and then endorses or challenges them based on those evaluations. Early treatments of legitimacy considered society as a whole as the relevant social system and viewed the nation-state as the primary source of legitimacy (Meyer & Scott, 1983; Parsons, 1956, 1960). Other early accounts viewed organizations in an organizational field as sources of legitimacy, and legitimacy was conferred by their endorsements, often in the form of formal inter-organizational relationships (Galaskiewicz, 1985; Singh et al., 1986). Subsequent treatments recognized that the media could be a source for society as a whole and for particular social systems within it (Deephouse, 1996; Dowling & Pfeffer, 1975; Lamin & Zaheer, 2012). More recent research has added to this list of legitimacy sources – which now includes individuals, investors, social movements, and other stakeholders (Schneiberg & Lounsbury, chapter 11; Tost, 2011). Researchers, in other words, are beginning to examine in greater depth which and how particular sources evaluate, both actively and passively, the legitimacy of organizations and how sources interact with each other and with subject organizations (Bitektine, 2011; Tost, 2011).

The fourth question that we address considers the criteria used by different sources as they evaluate the legitimacy of organizations and their actions. There are several types of criteria, and these can be useful for identifying different dimensions of legitimacy (e.g., regulatory, pragmatic, etc.). However, appreciation that legitimacy evaluations come from multiple sources highlights the possibility that legitimacy criteria may emerge interactively, in the interplay between the various sources evaluating a given organization and the organization itself. And, given the complexity and pluralism of the institutional environment it is possible that inconsistent prescriptions may arise and that debates may ensue among organizations and stakeholders, often in the public sphere. The variety of sources and their possibly conflicting evaluations inevitably bring to the foreground underlying debates at the micro- and meso-levels that influence macro-level legitimacy (Bitektine & Haack, 2015). Thus, we propose that the criteria used to assess legitimacy should be considered separately from the definition of legitimacy itself.

Our last question turns attention to how legitimacy changes over time. Fundamentally, organizations, sources, and criteria change over time, and organizations must retain legitimacy throughout these changes in order to benefit from it. New organizations gain legitimacy in order to become established (Aldrich & Fiol, 1994; Stinchcombe, 1965). An organization itself, moreover, changes over time as it moves through the organizational lifecycle or changes its nature by diversification, intrapreneurship, or divestment. Corporate scandals, those still-to-common transgressions in organizational action, can challenge legitimacy (Gabbioneta, Greenwood, Mazzola, & Minoja, 2013), sometimes leading to organizational death (e.g., Enron and Arthur Andersen) but mostly leading to lingering concerns about an organization (e.g., BP, Exxon, Union Carbide). Similarly, in the longer term, changing social mores and regulations, often championed by social movements, alter the criteria by which legitimacy is evaluated, challenging those organizations that are slow to adapt (King & Soule, 2007). And at times, some organizations act as institutional entrepreneurs to alter legitimacy standards (Hardy & Maguire, chapter 10).

Thus, it is important when studying legitimacy to reject a static perspective and recognize that legitimacy is a continually unfolding process in which different scenarios can be identified at different points in time. Ashforth and Gibbs (1990) and Suchman (1995) offered tri-partite categorizations of such scenarios, focusing on the processes of gaining and maintaining legitimacy, as well as the processes of responding to legitimacy challenges. We revisit and refine their categorizations, adding two additional dimensions to their frameworks that recognize major developments in recent research: *Challenged By* and *Institutionally Innovating*.

We conclude by summarizing the main points of our review and then highlighting some critical areas for future empirical research -- thus answering the question: where do we go from here?

1. WHAT IS ORGANIZATIONAL LEGITIMACY?

Since the dawn of organizational institutionalism in 1977, the conceptualization of legitimacy has displayed substantial elasticity that engendered both productive conceptual evolution and unproductive conceptual stretching (Osigweh, 1989). As a result, the existing literature contains many partially overlapping definitions that have spawned alternate measures and a variety of theoretical propositions. However, this intellectual thicket received some pruning in the last ten years, encouraged by Deephouse and Suchman (2008). In this section, we review research on the definition of legitimacy and offer a refined formulation of the concept.

Legitimacy can be evaluated for a wide range of subjects (Deephouse & Suchman, 2008), including: organizational forms, structures, routines, practices, governance mechanisms, categories, company founders, top management teams, etc. (Bernstein & Cashore, 2007; Black, 2008; Cohen & Dean, 2005; Deeds, Mang, & Frandsen, 2004; Djelic & Sahlin-Andersson, 2006; Durand & Boulongne, chapter 24; Haack, Pfarrer, & Scherer, 2014; Higgins & Gulati, 2003, 2006; Johnson, 2004). We focus on *organizational legitimacy*. However, many of our refinements to the conceptualization of legitimacy of organizations may apply to the legitimacy of other subjects as well.

Most reviewers credit Weber with introducing legitimacy into sociological theory and thus into organization studies (Johnson, Dowd, & Ridgeway, 2006; Ruef & Scott, 1998; Suchman, 1995). He discussed the importance of social practice being oriented to “maxims” or rules and suggested that legitimacy can result from conformity with both general social norms and formal laws (Weber, 1978). Parsons (1956, 1960) applied Weber’s ideas and viewed legitimacy as congruence of an organization with social laws, norms and values.

New institutional theory emerged in 1977 with articles by Meyer and Rowan (1977) and (Zucker, 1977). Although Zucker only mentioned legitimacy once, Meyer and Rowan made it a central focus, invoking the term at least 43 times in some form. Their summary graphic (1977: 353, figure 2) placed “legitimacy” and “resources” together in the same box, and suggested that both of these survival-enhancing phenomena may result not only from being efficient but also from conforming to institutionalized myths in the organizational environment. Although Meyer and Rowan (1977) did not offer an explicit definition of legitimacy, they presaged many of the dimensions explicated in the mid-1990s by stating that legitimacy can result from suppositions of “rational effectiveness” (later termed pragmatic legitimacy), “legal mandates” (regulatory or sociopolitical legitimacy), and “collectively valued purposes, means, goals, etc.," (normative or moral legitimacy). They also highlighted how legitimacy insulates the organization from external pressures: "The incorporation of institutionalized elements provides an account (Scott & Lyman, 1968) ... that protects the organization from having its conduct questioned. The organization becomes, in a word, legitimate.... And legitimacy as accepted subunits of society protects organizations from immediate sanctions for variations in technical performance" (Meyer & Rowan, 1977: 349, 351).

In 1983, Meyer and Scott discussed legitimacy in greater depth and provided this definition:

> We take the view that organizational legitimacy refers to the degree of cultural support for an organization – the extent to which the array of established cultural accounts provide explanations for its existence, functioning, and jurisdiction, and lack or deny alternatives … In such a[n] instance, legitimacy mainly refers to the *adequacy of an organization as theory*. A completely legitimate organization would be one about which no question could be raised. [Every goal, mean, resource, and control system is necessary, specified, complete, and without alternative.] Perfect legitimation is perfect theory, complete (i.e., without uncertainty) and confronted by no alternatives. (p. 201)

One noteworthy feature of this definition is its emphasis on legitimacy's "cognitive" aspects – explanation, theorization, and the incomprehensibility of alternatives.

Some theorizing expanded this formulation, embracing the basic proposition that legitimacy can be conceptualized as the presence or absence of questioning. Along these lines, Hirsch and Andrews (1984: 173-4) considered two types of legitimacy challenges:

> Performance challenges occur when organizations are perceived by relevant actors as having failed to execute the purpose for which they are chartered and claim support. The values they serve are not at issue, but rather their performance in 'delivering the goods' and meeting the goals of their mission are called into serious question … Value challenges place the organization's mission and legitimacy for existence at issue, regardless of how well it has fulfilled its agreed-upon goals or function. ... [Both] entail fundamental challenges to the legitimacy of an organization's continued existence. Each places the target in an inherently more unstable situation than is addressed in comparative or longitudinal examinations of administrative efficiency.

Pfeffer and Salancik's (1978) foundational statement of resource-dependence theory adopted a similar "negative definition" of legitimacy, asserting that "Legitimacy is known more readily when it is absent than when it is present. When activities of an organization are illegitimate, comments and attacks will occur" (1978: 194). Knoke (1985: 222) restated this in the affirmative, defining legitimacy (in the context of political associations and interest groups) as "the acceptance by the general public and by relevant elite organizations of an association's right to exist and to pursue its affairs in its chosen manner."

The ability of an organization to pursue its own affairs (Knoke, 1985) resonates with Child's (1972) strategic choice perspective, which holds that legitimate organizations enjoy substantial latitude to choose their structures, products, markets, factors of production, etc. In other words, a legitimate organization has largely unquestioned freedom to pursue its activities (Brown, 1998; Deephouse, 1996).

The year 1995 could be viewed as a pivotal point in the development of legitimacy theory. Scott's book *Institutions and Organizations* (1995: 45) included the following definition:

> Legitimacy is not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws.

These three factors generated his cognitive, normative, and regulative bases of legitimacy.

Also in 1995, Suchman published his comprehensive "Managing legitimacy: Strategic and institutional approaches" in the *Academy of Management Review*. He observed that legitimacy was "an anchor-point of a vastly expanded theoretical apparatus addressing the normative and cognitive forces that constrain, construct, and empower organizational actors," but he also cautioned that the existing literature provided "surprisingly fragile conceptual moorings. Many researchers employ the term *legitimacy*, but few define it. Further, most treatments cover only a limited aspect …" (1995: 571, italics in the original). To remedy these weaknesses, Suchman (1995: 574) offered the following broad-based definition:

> Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

Within this scope, he delineated two basic perspectives, an institutional view emphasizing how constitutive societal beliefs become embedded in organizations, and a strategic view emphasizing how legitimacy can be managed to help achieve organizational goals.

These two publications raised the visibility of legitimacy, especially among management researchers studying for-profit organizations. Aldrich and Fiol (1994) had just highlighted the importance of legitimacy to entrepreneurs, and within a few years Kostova and Zaheer (1999) integrated legitimacy with multinational enterprises. Meanwhile, at a more theoretical level, Oliver (1997) drew heavily on arguments about legitimacy to integrate institutional theory with the resource-based view of the firm, and Deephouse (1999) developed strategic balance theory to address the tension between differentiating to attain profitability and conforming to attain legitimacy. This period also witnessed a sharp upsurge in references to legitimacy in the wider management literature. And this heightened attention led to a number of significant refinements in the field's understandings of the definition, dimensions, subjects, and sources of legitimacy, as well as of the processes, antecedents, and consequences of legitimation.

Overall, most research in the last two decades has, in some way, followed Suchman's (1995: 574) definition of legitimacy, evident by the many citations not only in management journals but in journals from other disciplines and languages.[1] Many papers simply repeated the definition verbatim (e.g., Demuijnck & Fasterling, 2016: 678; Fisher, Kotha, & Lahiri, 2016: 383 & 386), while others used elements of this definition to build their own similar definitions. Some researchers followed Knoke (1985) and focused on the term "acceptable" (Castelló, Etter, & Årup Nielsen, 2016; Deephouse & Carter, 2005; Scott, Ruef, Mendel, & Caronna, 2000: 237).

More recently, three works have moved beyond the seminal work of Suchman (1995) and reviewed extensively the definition. First, Deephouse and Suchman (2008) recommended that scholars cease using the term "desirable" in the Suchman (1995) definition to avoid confusion with status and reputation. Perhaps as a result, this element has become less common as a standalone term in the last decade.

Second, following Wilson (1997), Bitektine (2011: 159) offered an enumerative definition of legitimacy:

> The concept of organizational legitimacy covers perceptions of an organization or entire class of organizations, judgment/evaluation based on these perceptions, and behavioral response based on these judgments rendered by media, regulators, and other industry actors (advocacy groups, employees, etc.), who perceive an organization's processes, structures, and outcomes of its activity, its leaders, and its linkages with other social actors and judge the organization either by classifying it into a preexisting (positively evaluated) cognitive category/class or by subjecting it to a thorough sociopolitical evaluation, which is based on the assessment of the overall

[1] As of June 15, 2016, this is the second most cited paper in *Academy of Management Review*.

> value of the organization to the individual evaluator (pragmatic legitimacy), his or her social group, or the whole society (moral legitimacy), and through the pattern of interactions with the organization and other social actors, the evaluating actor supports, remains neutral, or sanctions the organization depending on whether the organization provides the benefit(s) prescribed by the prevailing norms and regulations.

The enumerative definition is a helpful summary of legitimacy research that highlights the concept itself and salient antecedents and consequences (especially behavioral ones). It also reminds us that organizational legitimacy is a perception of organizations by stakeholders, and Bitektine (2011; Bitektine & Haack, 2015) expanded on the nature of these perceptions. However, its breadth and intricacy may challenge scholars attempting to operationalize the concept in a consistent and replicable fashion, that as would be necessary to generate cumulative scholarly advances.

Third, and also consistent with the idea of legitimacy as perception, Tost (2011) developed a model of legitimacy that integrated institutional and social psychological perspectives. She focused more narrowly than Bitektine (2011), specifically examining legitimacy as perceived by an individual. As such, her definition (2011: 688-689) was concise; legitimacy is:

“the extent to which an entity is appropriate for its social context.”

The use of the word “appropriate” as the singular adjective in this definition has the benefit of specificity and is also one of the three adjectives in Suchman’s (1995) definition.

In sum, conceptual clarity is important in theorizing because it allows scholars to debate, replicate, and refine theory (Dubin, 1976; Kaplan, 1964; Osigweh, 1989; Suddaby, 2010). Given our review, we offer the following, concise definition:

Organizational legitimacy is the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions.

Rules, values, norms, and definitions reflect regulatory, pragmatic, moral, and cultural-cognitive criteria or dimensions for evaluating legitimacy and are elaborated in section 4.

* * * *

The conceptual range of legitimacy has generated much debate. Deephouse and Suchman (2008) argued that legitimacy is fundamentally dichotomous – an organization is either legitimate or illegitimate. Yet many researchers have operationalized legitimacy using ordinal or continuous measures. We propose a refined view recognizing that there are four basic outcomes of legitimacy evaluations and hence four basic states of organizational legitimacy: accepted, proper, debated, and illegitimate. *Accepted* should be used by scholars for more passive evaluations that reflect taken-for-grantedness, whereas *proper* should be used for judgments reached in a more deliberative fashion, as in evaluations of propriety (cf., Bitektine & Haack, 2015; Meyer & Rowan, 1977; Suchman, 1995; Tost, 2011). This distinction reflects that "accepted" organizations are those that are not, or have not recently been, actively evaluated, whereas organization deemed "proper" have been. For example, a long-standing food company may be taken-for granted by consumers and thus accepted by this audience. However, it is also likely subject to regular formal inspections by the food inspection agency of the nation-state. From the perspective of the nation-state, therefore, the company's legitimacy as a purveyor of safe food is periodically monitored. Even if it receives a passing grade, and is thus labeled "proper," its legitimacy is less secure than if it were more passively accepted. [2] Appropriate is a covering term for both acceptable and proper. The majority of organizations in a social system will be accepted by most stakeholders and viewed as proper by many others. Often, this acceptance will occur because propriety has been validated by another influential stakeholder, such as a state agency, in the recent past (Bitektine & Haack, 2015; Tost 2011).

Debated reflects the presence of active disagreement within the social system, often among different stakeholders or between dissident stakeholders and the organization; (we consider the various sources in the debate below.) Debate often includes questions or challenges by stakeholders about the organization's activities or its fundamental values (Hirsch & Andrews, 1984; Meyer & Scott, 1983). For instance, a food company that has a listeria outbreak in its products may be challenged by stakeholders as to the appropriateness of its processes and perhaps even its values. Debate also occurs when an organization attempts to extend its domain into new areas or engage in institutional entrepreneurship. The example of genetically modified foods illustrates both cases. Finally, *Illegitimate* reflects the assessment by the social system that the organization is inappropriate and that it should be radically reformed or cease to exist.

In addition to specifying these four states of legitimacy, we also conduct a *Gedankenexperiment* of how two stakeholders, an individual (Bitektine & Haack, 2015; Tost, 2011; see Deephouse, (2014), for application to the closely related concept of reputation) and the nation-state where the individual resides (Kostova & Zaheer, 1999; Meyer, Boli, Thomas,

[2] We leave aside, for now, the question of how actively any given regulator actually assesses the propriety of any given target organization. In practice, it is certainly possible that some prominent and reputable organizations receive only pro forma regulatory scrutiny, making even the regulatory imprimatur more a matter of taken-for-granted acceptance than of carefully assessed propriety.

& Ramirez, 1997; Wu & Salomon, 2016) evaluate the legitimacy of organizations within their boundary; this boundary is cognitive for the individual and geographic for the nation-state. The overwhelming majority of organizations for both stakeholders are legitimate. Most of the time, most stakeholders passively take most organizations for granted. As an individual, imagine the cognitive load if you made propriety legitimacy judgments for every organization you interacted with each day (Tost, 2011), such as the legitimacy of each item of food you buy. Similarly, the nation-state does not have the resources to actively and continually assess the propriety of each organization in its territory. Returning to our preferred terminology, most organizations are accepted, having been deemed proper and appropriate in the past and become taken-for-granted. The group of accepted organizations receives occasional validation by routine regulatory re-approval or unchallenging media mention, the level of scrutiny is so low that it merely reconfirms the inherent passivity of the evaluator. Another group of organizations may be deemed legitimate not because the organizations are passively accepted but because they have recently had their propriety assessed, and the resulting positive evaluations are salient to the evaluator. This could include organizations being actively audited by tax authorities or reassessed by concerned consumers. Smaller groups of organizations are being actively challenged and debated or are deemed illegitimate. We propose there is a lower percentage of illegitimate organizations from the perspective of the nation-state compared to the individual, given the former's ability to close illegitimate organizations using its police power. Turning to relative numbers of debated organizations, we propose the individual has a lower percentage of organizations in this group because of the cognitive complexity and emotional effort of questioning.

Distinguishing these four states of legitimacy informs the measurement of organizational legitimacy at the level of a social system. We propose that legitimacy is fundamentally bounded. At one boundary, an organization is legitimate because it has demonstrated its appropriateness and goes unchallenged regarding societal rules, norms, values, or meaning systems (Hirsch & Andrews, 1984; Meyer & Scott, 1983; Suchman, 1995; Tost, 2011). Stakeholders within the social system may vary on their evaluations as to whether the organization is proper or accepted, but at the collective level of the social system the organization is appropriate. At the other boundary, illegitimate subjects are those that are so questioned that they are broadly viewed as lacking a right to exist. In between these bounds are subjects whose legitimacy is being questioned or challenged to varying degrees. Thus, as with the concept of "satisficing" in bounded-rationality theory (Simon, 1976), legitimacy may not be fully dichotomous; however, strong cognitive pressures act to segregate most cases into the two ends of the spectrum and make the middle categories temporary and unstable.

2. WHY DOES LEGITIMACY MATTER?

Legitimacy matters because it has consequences for organizations. Primary among these consequences, particularly for organizational scholars, is that legitimacy has a clear effect on social and economic exchange: most stakeholders will only engage with legitimate organizations. In other words, no matter what the components of the marketing mix illegitimate organizations might offer, a large number of stakeholders will not transact with entities that are regarded as illegitimate (and indeed, many stakeholders may actively avoid debated organizations as well). Thus, legitimacy affects market access: "An organization which can convince relevant publics that its competitors are not legitimate can eliminate some competition" (Brown, 1998; Deephouse & Carter, 2005; Pfeffer & Salancik, 1978: 194).

A few examples may be enlightening: One is gambling, divided into state-sanctioned and other forms. Many customers who would happily buy a state lottery ticket would never consider placing wagers with a bookie, even at substantially more favorable odds. Another example is petroleum marketing. Certain stakeholders who are concerned about the environment may refuse to patronize Exxon, Shell, and BP in reaction to the *Exxon Valdez*, Brent Spar, and Deepwater Horizon incidents respectively. These concerned stakeholders may outright oppose to the existence of these companies (and thus deem them illegitimate), or they may actively debate their legitimacy at a given point in time (for example, in reaction to the incidents listed). Regardless of being deemed outright illegitimate or being debated, the concerned stakeholder will refuse to engage in commerce with the companies. A third example comes from the British Columbia forestry industry, where the province decided to grant timber access only to contractors who could demonstrate acceptable safety standards not only in their own operations but also in the operations of their sub-contractors. In announcing the policy, the Provincial Forests Minister nicely captured the importance of legitimacy for market access: "no one is going to get one of those tenders unless they have safety procedures applied through their operation ... they are a safe company and they meet our standards." (Kennedy, 2006: S3).). A final, somewhat different example can be seen in the 1960s aphorism "no one ever lost their job by buying IBM." Here, the driving force was less pragmatic efficacy or normative approbation than cognitive taken-for-grantedness: IBM was the “accepted” standard, and hence beyond reproach; the propriety of any other choice required explicit justification, and risked engendering explicit debate.

The effects of social and economic exchange have been assessed using a variety of outcome measures. Since Meyer and Rowan (1977: 353), institutionalists have argued that legitimacy enhances organizational survival. Supportive evidence abounds: Legitimacy measured by endorsements and inter-organizational relationships increased survival rates among Toronto non-profits (Baum & Oliver, 1991; 1992; Singh et al., 1986), and both managerial and technical legitimacy reduced exit rates for US hospitals (Ruef and Scott 1998). Organizational ecology, too, has lent support to this claim, finding that legitimacy (measured by the density of firms in an industry) increases survival rates across a wide range of organizational populations, particularly in their early years (Hannan & Carroll, 1992). Some research has considered how legitimacy could be used to facilitate survival. For instance, Walker, Schlosser, and Deephouse (2014) found that solar energy producers leveraged four different dimensions of legitimacy to develop ingenuity strategies to adapt to and modify institutional constraints. One of these ingenuity strategies, forming inter-organizational collaborations, was a key antecedent of subsequent legitimacy. These collaborations were formed rapidly in this embryonic industry, contrary to Aldrich and Fiol’s (1994) prediction for emergent industries and firms. These treatments of legitimacy are consistent with Scott’s (1995: 45) view that: “Legitimacy is not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws.”

As management scholars in business schools, especially in strategic management, developed an interest in legitimacy over the last 20 years, there have been more efforts to consider how legitimacy contributes directly to financial performance. This reflects the strategic view of legitimacy as a tool for achieving organizational goals and that “[l]egitimacy affects the competition for resources,” (Pfeffer & Salancik, 1978: 201; Suchman, 1995). Researchers have developed and tested hypotheses predicting how legitimacy would affect a variety of performance measures, such as the value of initial public offerings (IPOs) (Cohen & Dean, 2005; Deeds et al., 2004; Pollock & Rindova, 2003), stock prices (Lamin & Zaheer, 2012), stock market risk (Bansal & Clelland, 2004), and stakeholder support (Choi & Shepherd, 2005). Legitimacy is also related to measures of financial performance through the legitimating and performance-enhancing impact of isomorphism (Deephouse, 1996; Heugens & Lander, 2009; Meyer & Rowan, 1977).

Early institutionalists proposed that a central benefit of legitimacy was avoiding questions or challenges from society (Hirsch & Andrews, 1984; Meyer & Rowan, 1977: 349, 351; Meyer & Scott, 1983). Legitimate organizations have largely unquestioned freedom to pursue their activities (Knoke, 1985). Consistent with this theme, Brown (1998: 35) stated: "legitimate status is a *sine qua non* for easy access to resources, unrestricted access to markets, and long term survival". In contrast, organizations whose legitimacy is debated have less freedom and are closely monitored. For instance, Deephouse (1996) highlighted that regulatory sanctions restricted the ability of banks to make certain types of loans. Thus, legitimacy matters because it enhances strategic choice, a key concern of strategists (Child, 1972).

3. WHO CONFERS LEGITIMACY, AND HOW?

Legitimacy is conferred by sources using routines. Sources are those internal and external stakeholders who observe organizations (and other legitimacy subjects) and make legitimacy evaluations, whether consciously or not, by comparing organizations to particular criteria or standards (Ruef & Scott, 1998: 880). We use the term "source" to indicate an entity that makes either explicit or tacit legitimacy judgements about a focal organization. Other commonly used labels include "audience" and "evaluator." The former, however, may connote too much passivity for some situations, while the latter may connote too much assertiveness. With "source," we favor a more neutral middle ground. To be considered a source of legitimacy, the stakeholder must not only make an assessment about the legitimacy of the subject but that assessment must generalize into a broader view of the overall appropriateness of the organization in its social system. Commonly studied sources include: the state, its regulatory agencies, and its judiciary; the professions; licensing boards; public opinion; and the media (Bitektine & Haack, 2015; Knoke, 1985; Meyer & Scott, 1983; Ruef & Scott, 1998). Each of these sources employs a distinct set of cognitive processes or routines (Bitektine, 2011; Nelson & Winter, 1982; Tost, 2011) for perceiving and processing legitimacy-relevant information, evaluating organizations using this information, and then communicating these evaluations to others in the social system.

Early legitimacy research focused on the importance of the state. For instance, Dowling and Pfeffer (1975) considered how the American Institute for Foreign Studies sought legitimacy from government officials. Others have recognized that most organizations are routinely evaluated by some agency of the state, such as banks by regulators and non-profits by taxation authorities (Deephouse, 1996; Singh et al., 1986). Even in an era of neo-liberal deregulation and "private governance," such state actors remain important in conferring legitimacy (Reimann, Ehrgott, Kaufmann, & Carter, 2012).

Another long studied source is public opinion as a reflection of social values. For example, Selznick (1966) showed that the Tennessee Valley Authority adapted its goals and methods to conform to public opinion. Public opinion can be measured by surveys and by studying public forms of communication (Dowling & Pfeffer, 1975). General-population surveys on the legitimacy of specific organizations are relatively rare, but surveys targeted on specific sectors or practices are more common (Finch, Deephouse, & Varella, 2015). The importance of public opinion and communication was re-iterated in the special topic forum on communication, cognition, and institutions of the *Academy of Management Review* (Bitektine & Haack, 2015; Cornelissen, Durand, Fiss, Lammers, & Vaara, 2015; Gray, Purdy, & Ansari, 2015).

The media have become a frequently studied source of legitimacy because of the link between media reports and public opinion (Abrahamson & Fairchild, 1999; Bansal & Clelland, 2004; Deeds et al., 2004; Lamertz & Baum, 1998; Lamin & Zaheer, 2012; Pollock & Rindova, 2003). Early work assumed that media reports reflected public opinion in the larger social system (Dowling & Pfeffer, 1975; Hybels, Ryan, & Barley, 1994; Schramm, 1949); however, later research recognized that media also influence public opinion (Deephouse, 1996; McCombs & Shaw, 1972). This duality is particularly noteworthy in the case of "prestige media," such as *The New York Times* or *The Wall Street Journal*, as prestige media often set the agenda for less prestigious media outlets (Boyle, 2001; Gans, 1979). Prestige media have figured prominently in legitimacy studies (Bansal & Clelland, 2004; Lamin & Zaheer, 2012; Pollock & Rindova, 2003). Media reports are appealing to empirical researchers because many reports are readily available in electronic form. However, if scholars focus on prestige media alone, they may overlook underlying contestation because different types of media are connected to different stakeholders and their different interests (Carter & Deephouse, 1999; Vergne, 2011).

Today, the media world is rapidly changing as the cost of information and communication technologies have dropped. Mass communication is becoming less massive, and many traditional media empires are shrinking. Moreover, organizations, interest groups, social movements, and individuals use digital technologies to inform and persuade others regarding the legitimacy of organizations and their practices. One intriguing consequence of this new dynamic is that the true meaning of media "authority" can be questioned: prestige media can no longer set the tone without substantial input (and potentially pushback) from individuals across the social strata voicing their opinions and concerns on social media. Indeed, one Facebook post or one tweet on Twitter can lead to a legitimacy challenge for even the most well-established organization. Our hope is that future research will produce a better understanding of how the emergence of social media and the big data generated therein reflect and influence organizational legitimacy. For instance, Castelló, Etter, and Årup Nielsen (2016) examined how a multinational pharmaceutical corporation developed a networked legitimacy strategy to address institutional complexity by participating in open social media platforms and co-constructing agendas with pluralistic stakeholders.

Social movements and interest groups are also important influences on public opinion and government policy. They actively advocate for the legitimation of certain subjects and the de-legitimation of others (Rao, Morrill, & Zald, 2000; Schneiberg & Lounsbury, chapter 11; Strang & Soule, 1998), often by focusing attention on particular criteria such as rights for GLBT people (Creed, Scully, & Austin, 2002; Elsbach & Sutton, 1992) and the natural environment (MacKay & Munro, 2012). Their arguments commonly appear in (social) media and are often adjudicated (albeit not always fully resolved) by regulators, courts, or legislators (Bitektine & Haack, 2015; Edelman & Suchman, 1997; Suddaby & Greenwood, 2005).

Although early experimental work by Zucker (1977) and Elsbach (1994) examined how individuals assessed legitimacy, most research has focused on legitimacy granted by influential sources at a collective level of analysis. Recently, however, two papers in *Academy of Management Review* have rekindled interest in how legitimacy is evaluated at the individual-level of analysis. Bitektine (2011) observed that research usually regarded evaluators as passive audiences; in contrast, he considered them as active information processors. Tost (2011) observed that evaluators are either individuals or comprised of individuals, when they are making decisions in organizations. She drew on the work of Dornbush and Scott (1975) to highlight a useful distinction between *propriety*, i.e., legitimacy assessed by individuals, and *validity*, i.e., legitimacy assessed by collectivities. Bitektine and Haack (2015) subsequently utilized this distinction in developing a multi-level process model linking micro and macro levels. This interest in the individual is consistent with research trying to bridge the micro-macro divide, both in institutional theory (e.g., Powell & Colyvas, 2008; Powell & Rerup, chapter 12; Scott, 1995) and in management more generally (Bamberger, 2008; Molloy, Ployhart, & Wright, 2011; Rousseau, 1985). For instance, Gray et al. (2015) considered the micro-processes and mechanisms that allow for bottom-up institutionalization of meanings and fields. Their theory focused on the role of framing to explain how micro-level interactions between stakeholders instantiate more macro structures of understanding.

Tost (2011) integrated arguments from social psychology and institutional theory to develop a model that focuses specifically on individuals as evaluators but also may inform evaluations of legitimacy by organizations. Her model consists of three stages: judgment formation, judgment use, and judgment reassessment. She argued that judgment formation can occur in one of two psychological “modes”: passive or evaluative. Most commonly, the judgments made by individuals are quick and effortless, characterized by passive acceptance of the legitimacy cues offered in the institutional environment. When legitimacy is contested, in contrast, individuals engage in a more active evaluative process of judging the subject along the various dimensions of legitimacy. Once a judgment is formed, it is used in a passive way until an event or exogenous shock triggers a re-assessment of the institution. The judgment re-assessment stage is theorized by Tost (2011) to always proceed in the “evaluative” mode. The nature of the evaluative mode was elaborated in the process model developed by Bitektine and Haack (2015) that also made an important contribution in connecting individual-level and collective-level legitimacy dynamics. Consistent with this trend, empirical work in management has begun to investigate the role of the individual in legitimacy processes (Drori & Honig, 2013; Finch et al., 2015; Huy, Corley, & Kraatz, 2014; Westphal & Deephouse, 2011). Similarly, researchers in other disciplines such as accounting (Milne & Patten, 2002; O'Dwyer, 2002) and criminology (Tyler, Fagan, & Geller, 2014) have also begun to apply legitimacy theory to the study of individual responses.

Much of the research on individual processes of legitimacy judgments focuses on cognitive efforts to make sense of organizations (cf. Bitektine, 2011; Bitektine & Haack, 2015; Tost, 2011). While this research recognizes the “passive” processing of taken-for-granted legitimacy judgments (Tost, 2011: 692), including the role of cognitive biases, it has been largely silent on the role of emotions and affect. That is, while research has advanced our understanding of how individuals use reason and logic to make their legitimacy judgments, we know less about how individuals use their emotions and feelings to assess organizations. Parallel to emerging research on emotions and institutions (Lok, Creed, & Voronov, chapter 22; Voronov & Vince, 2012), research has only just begun incorporating emotions to the study of legitimacy. For example, Haack et al. (2014: 636) considered how the general public legitimates transnational governance schemes (such as the United Nations Global Compact) through an intuitive “legitimacy spillover” process. These authors argued that the legitimation process is primarily “affective,” in that intuiters rely on their positive or negative feelings towards affiliate organizations to infer the legitimacy of transnational governance organizations. Similarly, Huy et al. (2014) show how positive emotional reactions to change initiatives can reduce stakeholders’ resistance and enhance their evaluations of such initiatives (and how negative emotional reactions can increase resistance and lead to legitimacy challenges). Future research should build on this emergent stream to consider how cognitive and emotional systems interact to influence legitimacy judgments. However, we do not believe that legitimacy captures stakeholders’ emotional evaluations exclusively because legitimacy is defined primarily by a sense of appropriateness, not by favorability or likeability, as in the case of reputation, nor by group membership and honor, as in the case of status (Bundy & Pfarrer, 2015; Deephouse & Suchman, 2008; Pollock, Lee, Jin, & Lashley, 2015).

We conclude our discussion of sources by recommending that researchers closely consider what specific sources of legitimacy *actually do* when evaluating organizations, that is: what routines they use to perceive and assess legitimacy-relevant information, make legitimacy evaluations, and communicate these evaluations? Recent attention to the cognitive processes of the individual has been excellent in this regard. We look for greater depth as scholars study the many influential sources that are themselves organizations – each with its own individual decision-makers, internal processes, and external environments. Such work should draw partly on other disciplines that focus on these sources, such as law, political science, and public administration. For instance, media stories do not appear out of a vacuum but instead are produced by people in organizations, as Hirsch (1977) reminded us forty years ago and has been elaborated by communication scholars (Shoemaker & Reese, 1991, 2014). Indeed, useful insights into the distinctions among prestige media, specialized media and social media might be gained by considering the different mix of field-level standards, organization-level routines and individual-level cognitions in these different contexts. The multi-level interplay of standards, routines and cognitions may be equally salient among non-media legitimacy sources as well. De-legitimation by fraudulent accounting stems from decisions made by accounting firms, as the cases of Enron and Parmalat should remind us (Gabbioneta et al., 2013). And of course, de-legitimation by government prosecution stems from the complex interplay of prescription and discretion within the criminal justice system.

Equally important, though, will be exchanges with other branches of organization theory. After all, many sources of legitimacy are organizations in their own right (Hirsch, 1977; Scott, 1987), and their actions need to be understood in organizational terms. A long-standing tenet of organizational theory from an open systems perspective is that each legitimacy-granting organization is connected to others, both within its sector and across sectors, and mimetic isomorphism often occurs. For instance, media monitor and report decisions by regulators (Deephouse, 1996). Similarly, Gabbioneta et al. (2013) showed that the various stakeholders influence each other – often unwittingly. Thus, the conferring of legitimacy by various sources is as amenable to organizational analysis as is the pursuit of legitimacy by a focal organization.

4. WHAT CRITERIA ARE USED?

Sources use four basic types of criteria for evaluating organizational legitimacy: regulatory, pragmatic, moral, and cultural-cognitive. We acknowledge that these four types have been denoted as "bases" (Scott, 2014) or "dimensions" (Suchman, 1995) of legitimacy; we use the term *criteria* because it more clearly evokes the presence of implicit or explicit standards for evaluating organizations, consistent with our refined definition. We also acknowledge that we have positioned the types of criteria outside the box defining legitimacy in Figure 1.1. This choice reflects the fact that the specific criteria are not inherent to the definition of legitimacy, as dimensions would be. Instead, criteria emerge from negotiation and debate among organizations and stakeholders. Moreover, criteria vary depending on the specific source and particular organization under consideration. Nevertheless, we remain consistent with past research by recognizing different types of legitimacy (e.g., moral legitimacy) result when certain criteria (moral values) are generally agreed upon within the social system.

Our selection of these four types is not surprising, given past research. Meyer and Rowan (1977) discussed the importance of rational effectiveness, legal mandates, and "collectively valued purposes, means, goals, etc." – approximately equivalent to our categories of pragmatic, regulatory, and moral criteria, respectively. Aldrich and Fiol (1994: 648) distinguished between cognitive and sociopolitical legitimacy, where "cognitive legitimation refers to the spread of knowledge about a new venture… Sociopolitical legitimation refers to the process by which key stakeholders, the general public, key opinion leaders, or government officials accept a venture as appropriate and right, given existing norms and laws" (cf., Bitektine, 2011; Deeds et al., 2004) Suchman (1995) proposed three general categories of "pragmatic," "moral" and "cognitive" legitimacy and then elaborated this into a typology of twelve types. Scott (1995) proposed three bases of legitimacy linked to his three pillars of institutions: regulative, normative, and cognitive. Subsequently (2014), he refined cognitive legitimacy to become cultural-cognitive legitimacy, reflecting both taken-for-grantedness and shared understandings. In contrast to Aldrich and Fiol (1994) and Scott (1995, 2014), Archibald (2004) equated sociopolitical legitimacy with regulative legitimacy and combined normative and cognitive legitimacy in a new category called cultural legitimacy. Cultural legitimacy accrues over time in professional and cultural contexts, whereas sociopolitical legitimacy is more directly managed within political contexts. Recently, Tost (2011) drew on conceptualizations of legitimacy from social psychology to introduce the relational category, reflecting the effect of an organization on an individual's identity and self-worth. This category may become more important, especially as institutionalists incorporate identity and identification into their work (Brown & Toyoki, 2013; Canivez, 2010; Drori, Honig, & Sheaffer, 2009); however, it is hard to say at present whether relational considerations will prove to be a distinct fifth type of criteria or an overarching causal process through which any of the four core types can be applied.

More specific criteria related to particular types of organizations or contexts can be situated within these four general categories of criteria. For instance, Bansal and Clelland (2004) developed the concept of corporate environmental legitimacy, reflecting regulatory, moral and cultural-cognitive appropriateness in terms of a particular set of environmental practices and norms. Vergne (2011) focused on contextually and phenomenologically derived dimensions in developing his measure of legitimacy, including criteria focused on environmental and competitive norms.

Although we recognize that the categorizing of legitimacy criteria is important for theorizing and empirical research, we also recognize that such categories are analytic concepts, not fully separable empirical phenomena. Thus, we urge legitimacy researchers not to become fixated on defending the purity and independence of the different types. Early in the development of organizational institutionalism, Meyer and Scott (1983: 214) observed that "the literature on legitimacy tends to distinguish sharply between its cognitive and normative aspects. This may overemphasize Western dualism." This critique may become more relevant as globalization proceeds. Scott (1995: 143–4; cf., Tost, 2011) wrote that "distinctions … among [the three pillars of institutions] are analytical in the sense that concrete institutional arrangements will be found to combine regulative, normative, and cognitive processes together in varying amounts." Thus, any act of legitimation may affect a number of criteria. For instance, certification contests in the early days of auto making provided both normative justification and cognitive validation for the young industry – as well as pragmatic promotion for those fortunate firms that could demonstrate superior capabilities (Rao, 1994). Many issues subject to regulation, such as food safety (Durant & Legge, 2006; Hemphill & Banerjee, 2015) and securities fraud (Gabbioneta et al., 2013), also have pragmatic, moral, cultural-cognitive, and perhaps even relational implications.

5. HOW DOES LEGITIMACY CHANGE OVER TIME?

The preceding sections of this paper have painted a general picture of legitimacy as a state of acceptance, propriety, debate or rejection at a particular point in time. We next turn to how legitimacy changes over time as organizations, sources, and criteria change over time.

Legitimation was defined in early research as the process by which an organization demonstrates its legitimacy to stakeholders (Maurer, 1971). Early work highlighted how organizations sought to enhance their legitimacy by donating to charities, forming director interlocks, and obtaining external endorsements (Dowling & Pfeffer, 1975; Galaskiewicz, 1985; Pfeffer & Salancik, 1978). This organization-centered view persisted in what Suchman (1995) labeled the "strategic" approach to legitimacy research. However, an open-systems perspective recognizes that stakeholders are potentially agentic and legitimacy is often negotiated (Ashforth & Gibbs, 1990; Bitektine, 2011; Pfeffer & Salancik, 1978). Within this open-systems view, it is generally recognized that different legitimacy sources have different criteria that sometimes conflict (Fisher et al., 2016; Ruef & Scott, 1998). Thus, we extend our discussion to include stakeholders' actions to endorse or contest an organization's legitimacy as well as the organization's actions to defend itself. We begin this section by proposing five legitimation scenarios. We then highlight the symbolic and substantive tools used for managing legitimacy. Throughout, we observe that certain scenarios and tools differ systematically based on the type of organization or organizational form.

Managing legitimacy is important at all times, but different times call for different types of legitimation activities. Ashforth and Gibbs (1990: 182) proposed three "purpose(s) of legitimation:" Extending, Maintaining, and Defending Legitimacy. Suchman (1995: 585) offered a similar framework of three "challenges of legitimacy management:" Gaining, Maintaining, and Repairing Legitimacy. Rather than purposes or challenges, we propose the use of the term *Scenarios* because it better reflects evolving situations that can be viewed both from the organization's and from the stakeholders' perspective; also, scenarios are commonly used by planners as alternative future states (Cornelius, Van De Putte, & Romani, 2005; Hodgkinson & Healey, 2008; Schoemaker, 1993); nevertheless, we do follow prior work and take the perspective of the organization when selecting names for the scenarios. We add two categories of scenarios to the earlier three-fold typologies. *Challenged By* and *Institutionally Innovating* (discussed below).

We prefer *Gaining* to Extending because before new organizations can extend legitimacy, they need to gain it in the first place —or risk falling victim to the liabilities of newness (Singh et al., 1986; Stinchcombe, 1965). Moreover, existing organizations can gain legitimacy for new activities in a variety of ways, not only by extending the umbrella of the organization's prior legitimacy to cover a new activity. Thus, gaining is more a comprehensive term. Gaining legitimacy occurs in a stable institutional environment, so that the organization must demonstrate its propriety and fit within pre-existing regulatory and pragmatic standards, moral values, and cultural-cognitive meaning systems. Based on the pioneering work of Aldrich and Fiol (1994), much research has examined how new entrepreneurial organizations gain legitimacy (Martens, Jennings, & Jennings, 2007; Zimmerman & Zeitz, 2002). As Bitektine (2011: 165) noted, entrepreneurs often accomplish this task by "presenting their innovation broadly enough to encompass existing knowledge and to invoke familiar cognitive categories." Importantly, we separate the scenario of gaining legitimacy, via displaying consistency with familiar norms, from the scenario of institutional innovating, which involves a more radical attempt to shift and challenge such norms. We detail this latter scenario shortly.

We continue with the term *Maintaining*. Maintaining involves routinized attention to reinforcing stakeholders' sense that the organization continues to adhere to standards of appropriateness and as reflected in various types of criteria. There is very little research on how organizations actively maintain legitimacy because stability does not create theoretical much drama or require much active managerial intervention (Locke & Golden-Biddle, 1997). However, organizations that maintain legitimacy are commonly used in quantitative studies of legitimacy over time (Deephouse, 1996). Research on ethics and compliance programs also often consider processes of maintaining legitimacy, often in the context of decoupling (Weaver, Trevino, & Cochran, 1999). Indeed, MacLean and Behnam (2010) considered the dangers of decoupling compliance, suggesting that decoupling can lead to organizational misconduct and challenges from stakeholders.

The first new scenario that we propose is called *Challenged By*. This scenario brings to the foreground the existence and point of view of multiple stakeholders (recognizing heterogeneous sources) who may question legitimacy on multiple grounds (recognizing heterogeneous criteria). Thus, we refine the more generic term "challenges" to legitimacy

(Hirsch & Andrews, 1984) by recognizing that such challenges may be heterogeneous. In doing so, we formally link performance challenges to regulatory and pragmatic legitimacy and value challenges to moral legitimacy. Further, we specify a new type of challenge, challenges to meanings, which undermine the cultural-cognitive legitimacy of a subject.

By separating the challenged by scenario from the responding scenario (detailed below), we seek to call attention to the fact that challenges based on norms or values may take distinctly different forms and involve unique processes compared to challenges based on performance or pragmatic utility. As Tost (2011) highlighted in her model of the legitimacy judgment process, instrumental evaluations and reassessments are distinct from relational or moral evaluations and reassessments. Similarly, challenges by different stakeholders also take unique forms (e.g., regulatory challenges from the state versus challenges from aggravated stakeholders). Others studying reputation and other social evaluations have also recognized these distinctions in terms of multiple stakeholders making multiple evaluations using multiple criteria (e.g., Bundy & Pfarrer, 2015; Mishina, Block, & Mannor, 2012). Thus, we seek to recognize the multiplicity inherent in legitimacy challenges by recognizing them as a unique part of the legitimation process, separate from the responses used to manage these challenges.

We also propose the term *Responding* rather than Defending or Repairing. We assume that challenges to legitimacy are a form of institutional pressure to which an organization can respond, and possible responses vary on the reactive/proactive dimension (Oliver, 1991). In contrast, Suchman (1995: 597) stated that repairing "generally represents a reactive response to an unforeseen crisis," and Ashforth and Gibbs (1990: 182, Table 1) summarized defending legitimacy as reactive. Much research focuses on how organizations respond to challenges to their legitimacy. For instance, Pavlovich, Sinha, and Rodrigues (2016) found that moral legitimacy was especially important for the Fonterra-Sanlu international joint venture in the scandal about its milk in China. Sinha, Daellenbach, and Bednarek (2015) examined the responses of Air New Zealand to the demands of diverse stakeholders during its acquisition of Ansett Australia. Useful approaches for managing legitimacy in the face of inconsistent criteria have been identified, such as decoupling (Boxenbaum & Jonsson, chapter 3) and hybridization (Battilana, Besharov & Mitzinnick, chapter 5). Finally, Lamin and Zaheer (2012) considered different forms of impression management and the effect on legitimacy for different evaluators, including Wall Street and Main Street audiences. They found that these audiences responded differently to different impression management tactics, highlighting the need to consider the challenge and the response as separate scenarios.

Overall, effective responses may depend less on conforming to any single set of expectations than on determining which sources care about which criteria and constructing a viable bundle of reassurances that satisfy enough sources on enough criteria enough of the time. Performance challenges, for example, may require reassurances of organizational efficacy in order to sustain regulatory and pragmatic legitimacy, whereas value challenges require reassurances of good character and social responsibility in order to sustain moral legitimacy. Finally, challenges to meaning may require reassurances of comprehensibility, such as sensemaking (Weick, 2000) or narrative emplotment (Downing 2005), to sustain cultural-cognitive legitimacy.

We call our second new scenario *Institutionally Innovating*. This scenario focuses on the strategic creation of new institutions, frequently by institutional entrepreneurs (DiMaggio, 1988; Hardy & Maguire, chapter 10). We separate this from gaining legitimacy because the actions required to theorize and create new institutional rules, norms, and meaning systems in the institutional environment are qualitatively different from the actions required to demonstrate the appropriateness of a new instance of an already familiar form within a stable institutional regime (Aldrich & Fiol, 1994; Garud, Jain, & Kumaraswamy, 2002; Lounsbury & Glynn, 2001; Rao, 1994; Strang & Meyer, 1993). For example, Greenwood et al. (2002) provided an early investigation of the process involved in institutional entrepreneurship. They induced a six-stage model of institutional change in highly professionalized fields. Moral and pragmatic legitimacies were theorized in stages four and five, and cognitive legitimacy occurred in stage six. Voronov, DeClerq, and Hinings (2013) studied the wine industry in the Niagara peninsula for five years and found several different paths by which wineries de-legitimated prevailing wine-making practices that produced inexpensive wines and replaced them with new practices that adapted old world techniques to the local context. Turcan and Fraser (2016) examined an international new venture in Moldova over an eleven-year period and developed a process model of new venture and new industry legitimacy in emerging markets.

Table 1.1 summarizes this discussion. It builds from Table 1 of Suchman (1995) using our revised definition of legitimacy, our types of criteria, and our expanded view of scenarios.

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Insert Table 1.1 About Here

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Given these scenarios, what types of tools do organizations typically use to manage legitimacy? Ashforth and Gibbs (1990) highlighted two basic types of legitimacy work and a total of ten categories of action. Symbolic management, with six actions, represents the efforts and changes that transform "the *meaning* of acts" (180; emphasis in original) to make them appear consistent with social values and expectations. Substantive management, with four actions, represents the "real, material changes in organizational goals, structures, and processes or socially institutionalized practices" (178). We consider both in turn.

Most legitimation research has examined how texts, generally construed, have been used in debates on legitimacy by both organizations and stakeholders. The examination of texts is often classified as symbolic management broadly, and one specific approach is impression management. In an early example, Elsbach (1994) found that verbal accounts acknowledging failings or referring to the institutional environment are superior to accounts denying responsibility or referring to the technical environment. Lamin and Zaheer (2012) examined how organizations use text-based response strategies to defend themselves in the wake of negative events, specifically accusations of sweatshop labour. They found that highly defensive strategies hindered the recovery of legitimacy with the general public as measured by media reports. A recent impression management study by Van Halderan et al. (2016) examined the tactics used by BP and ExxonMobil to maintain corporate environmental legitimacy in the context of the grand challenge of climate change (Ferraro, Etzion, & Gehman, 2015; Whiteman, Hope, & Wadhams, 2013). Research in the field of public relations and communication has also considered the interplay of symbolic management and legitimacy (cf. Sellnow & Seeger, 2013).

Another approach to studying texts is discourse analysis, which includes individual speech acts ("little d" discourse) and hegemonic meaning systems ("Big D" discourse) (Alvesson & Karreman, 2000; Gee, 2011; Phillips, Lawrence, & Hardy, 2004). For instance, Suddaby and Greenwood (2005) examined the discursive struggle between proponents and opponents of multidisciplinary partnerships in professional services. Vaara, Tienari, and Laurila (2006) identified five "discursive legitimation" strategies: normalization, authorization, rationalization, moralization, and narrativization. Joutsenvirta (2012) identified five legitimation strategies regarding executive pay at a Finnish energy company using critical discourse analysis of media texts.

Overall, researchers have applied many different approaches to studying texts, including: rhetoric, both old and new (Erkama & Vaara, 2010; Green, 2004; Harmon, Green, & Goodnight, 2015; Sillince & Brown, 2009); narrative analysis (Brown, 1998; Golant &

Sillince, 2007); discourse analysis, sometimes critical (Phillips et al., 2004; Vaara & Tienari, 2002); and framing (Benford & Snow, 2000; Cornelissen, Holt, & Zundel, 2011). These approaches and their methods typically remain in disciplinary silos with different assumptions of agency, level of analysis, etc., but empirically each typically connects a set of texts to legitimacy.

The prevalence of research on legitimation by words is hardly surprising, given the prevalence of textual data sources; however, legitimation by substantive actions, such as role performance and isomorphism, is arguably more important (Ashforth & Gibbs, 1990). One common form of substantive legitimacy management involves securing regulatory approvals, such as for new pharmaceuticals and restaurants. Rao (1994) demonstrated how the ability of early automobiles to complete and win endurance contests built legitimacy for the winning companies and the auto industry as a whole. These accomplishments demonstrate pragmatic legitimacy and are communicated to others in the social system. Deephouse (1996) showed that both isomorphism and financial performance increased normative and regulatory legitimacy within a population of competing commercial banks. Westphal, Gulati, and Shortell (1997) found that conformity in TQM practices enhanced the legitimacy of hospitals. Similarly, CSR has been used as a tool to gain legitimacy (Beddewela & Fairbrass, 2016). Individuals and organizations have gained legitimacy using ingenious actions, often unconventional ones, in places like Silicon Valley and Southwestern Ontario (Kannan-Narasimhan, 2014; Walker et al., 2014). Divestment by companies from the global arms industry is another substantive example of how companies responded to legitimacy challenges (Durand & Vergne, 2015).

Finally, we recognize that managing legitimacy also depends on the type of organization in question. Early empirical work focused on schools and public sector organizations (Hannigan & Kueneman, 1977; Kamens, 1977; Meyer & Rowan, 1977; Rowan, 1982), but scholars later applied legitimacy to non-profits, businesses, hospitals, etc. (Carroll & Hannan, 1989; Deephouse, 1996; Ruef & Scott, 1998; Singh et al., 1986). There are marked differences between organizations in different societal sectors in terms of the sources who evaluate legitimacy, the criteria used, and the outcomes that result.

Within a societal sector, the specific organizational population is also important. Following Hannan and Freeman (1977: 935-936), an organizational population consists of all organizations within a boundary sharing an organizational form; organizational form is “a blueprint for organizational action,” including formal structure, patterns of action, and the normative order recognized by organizational members and the relevant societal sector. Thus, within the financial sector, non-profit, member-owned credit unions and for-profit, investor-owned banks have different legitimacy processes involving different stakeholders (Barron, 1998; Haveman & Rao, 1997). And as implied above in our discussion of entrepreneurs gaining legitimacy, the stage of the organization in its life cycle stage is also important. Thus, there are distinct differences between new organizations and established organizations (Aldrich & Fiol, 1994; Fisher et al., 2016) and between established organizations and organizations encountering the liabilities of senescence (Barron, West, & Hannan, 1994).

6. CONCLUSION: WHERE DO WE GO FROM HERE?

Conceptual clarity has been a central concern of the social sciences for decades (Dubin, 1976; Kaplan, 1964; Osigweh, 1989; Suddaby, 2010). Our review has found considerable convergence in the last twenty years around the definition of legitimacy proposed by Suchman (1995). However we wonder if such convergence is becoming formulaic and limiting the development of the legitimacy concept in the context of other social evaluations like status and reputation (Deephouse & Suchman, 2008) – concepts should evolve as they are used and juxtaposed with other concepts in the course of research (Kaplan, 1964; Wright 1985). Thus, we applaud the many efforts to distinguish different social evaluations and the increased attention to sources of legitimacy at different levels and from different disciplines, ranging from individuals (Bitektine, 2011; Tost, 2011) in psychology to societal systems in sociology (Meyer & Rowan, 1977).

In this context, we have continued the work of Deephouse and Suchman (2008) in refining the legitimacy concept and making recommendations for future research. We first focused the definition on the concept of appropriateness and then offered four basic states of legitimacy: accepted, proper, debated, and illegitimate. We also advocated strongly for more in-depth research on the variety of sources and the variety of criteria in play for different types of organizations. We then refined our conceptualization of different legitimation scenarios (Ashforth & Gibbs, 1990; Suchman, 1995) by integrating them with challenges to legitimacy (Hirsch & Andrews, 1984) and by specifying institutional innovation as a separate scenario.

Before closing, we offer several recommendations for future research. First, in the prior section we listed many approaches to studying texts as part of symbolic legitimation (e.g., rhetoric, impression management, discourse analysis, etc.), and each of them has a large theoretical and methodological tradition. Perhaps our most ambitious recommendation is for future research to critically review these different approaches to verbal legitimation tactics with the goal of integrating and consolidating them in order to create cumulative knowledge rather than retaining theoretical autonomy and novelty (Barley, 2016). For instance, the same set of texts should be examined from multiple approaches (Van de Ven, 2007) – perhaps by a collaborative team representing several traditions, as demonstrated by the collaboration of Erez and Latham in goal-setting theory (Latham, Erez, & Locke, 1988). Organizational institutionalists could take inspiration from research in communication, where the *Journal of Communication* published a special issue comparing three theories of media effects: framing, agenda-setting, and priming (Scheufele & Tewksbury, 2007). Bedeian (2004) observed that many so-called novel theories overlook long histories of research both within and outside of management theory. The disciplines of communication, political science, and public relations also have a long tradition of research on convincing by word, such as by Lippmann, Lasswell, and others on propaganda, "the management of collective attitudes by manipulation of significant symbols" (Lasswell, 1927: 627; Lasswell, Leites, & Associates, 1965; Lippmann, 1922), especially during the critical period of World War II. These fields have much to offer organizational scholars who wish to understand similar activities in other spheres.

Our second recommendation also considers integrating two research streams that have strong theoretical and methodological traditions: 'substantive management' and 'symbolic management' (Ashforth & Gibbs, 1990). While a small number of studies have combined the two (cf. Pfarrer et al., 2008; Zavyalova et al., 2012), most studies focus only on one or the other. This has created a substantial gap in our knowledge, and we strongly encourage future scholars to consider how symbolic and substantive efforts interact with one another to influence legitimacy judgements. Indeed, many have criticized the symbolic approach, suggesting it acts as a form of deception or distraction from substantive issues of legitimacy (cf. Bundy & Pfarrer, 2015). However, we see value in both approaches, particularly when considered in combination. For example, symbolic management in the form of apologies is likely best received when combined with substantive efforts at repentance and restitution (Pfarrer et al., 2008). Moreover, we observe that some substantive actions also have symbolic impact, such as Johnson & Johnson's speedy recall of all Tylenol in 1982. However, and particularly within empirical research, we see only limited attempts to consider this combined management approach.

Third, there are several emerging empirical settings that should be fertile grounds for growing research on social evaluations. Although the nation-state has historically been central to legitimacy, substitutes for state regulation have emerged, such as transnational governance (Djelic & Sahlin-Andersson, 2006; Haack et al., 2014; Hollerer et al, chapter 8; Scott, chapter 33) and private self-regulation (Bernstein & Cashore, 2007; Cashore, Auld, & Newsom, 2004; Prakash & Potoski, 2006). These new governance mechanisms are worthy of further study.

Future research could also examine how the major changes in digital technology affect legitimation. Many new organizations and practices have emerged, such as AirBnB, BitCoin, and Uber, and the legitimation efforts of these "new economy" organizations have been hotly contested. These could be valuable settings to study; for example, Vergne has recently established a research centre to study crypto-currencies (cf., Dodgson, Gann, Wladawsky-Berger, Sultan, & George, 2015). However, research should not forget the early work on ACT UP and Earth First! (Elsbach & Sutton, 1992) in showing how pragmatic legitimacy with certain legitimacy sources preceded the validation by the media, government regulators, and the judiciary during periods of institutional change when subjects are gaining legitimacy (Bitektine & Haack, 2015; Suchman, 1995). Digital technology is also giving sources new ways to influence legitimacy (Castelló et al., 2016). The importance of social media for legitimation is also clearly worthy of further work.

Two other empirical settings may also prove fertile for advancing legitimacy research. Much past research has used differences among the 50 United States to examine legitimacy and diffusion (Tolbert & Zucker, 1983). Currently under consideration are legalized marijuana sales and doctor-assisted suicide. These topics may be useful places to develop and replicate research on social evaluations. Finally, natural disasters, epidemics, and wars generate large-scale crises that require multi-sectoral, transnational responses, and these may increase if anthropogenic global warming (AGW) continues as predicted by 97% of scientific reports in 1991-2011 taking a position on AGW (Cook et al., 2013; Cook et al., 2016). These responses will need to develop legitimacy in order to succeed (Christensen, Lægreid, & Rykkja, 2016).

Our review also has implications for the research methods used to study legitimacy. Given the bounded nature of legitimacy, limited dependent variable models may be more appropriate for statistical hypothesis testing. For example, Deephouse (1996) used censored regression (Tobit) to test a variable ranging from no challenging media reports to all challenging media reports and logistic regression to test categorical regulatory ratings. There is also renewed interest in experimental research. For example, in 2012 Bitektine and Haack started a series of workshops about using experimental methods in institutional theory, first at the Academy of Management annual meeting and then at the European Group for

Organization Studies colloquium. Experimental studies of legitimacy have now appeared in many journals, such as Neto and Mullet's (2014) study of the legitimacy of executive pay among Portuguese citizens, and Weisburd, Hinkle, Famega, and Ready's (2011) study of the legitimacy of policing. There is also much experimental research about ethical and moral judgments that are fundamental components of moral legitimacy (Cullen, Parboteeah, & Hoegl, 2004; Moore & Gino, 2013; Tyler, 2006). Such experimental studies improve our understanding of the micro-foundations of legitimacy, and we expect and hope to see many more in the coming years.

From research methods we turn to research designs, and we recommend that researchers be more ambitious! More than two decades after Suchman's 1995 review of legitimacy, we still find, as he concluded then, that "most treatments cover only a limited aspect" (1995: 571) of this complex but crucial subject. There are specific combinations of sources and criteria that apply to specific types of organizations under specific circumstances. Most empirical research, be it qualitative or quantitative, examines only one or at most two combinations (e.g., Wall Street and Main Street, in Lamin & Zaheer, 2012; Niagara wineries, in Voronov et al., 2013). There are some exemplary efforts to capture the complexity of legitimacy in the context of an evolving institutional field, such as Scott et al.'s (2000) examination of healthcare organizations and Wedlin's (2006) examination of European business schools. However, these works are books. The advancement of legitimacy research is being slowed by the norms of business schools in which many legitimacy researchers now work. Rewards at business schools clearly favor journal publications over longer works, leading to what Greenwood (2016) called "salami slicing" research that impedes the development of comprehensive explanations for phenomena that are too complex to be explicated in the space of 30–40 pages. Hinings (2006) has advocated the pursuit of ambitious, large-scale research programs, to reach new heights in our understanding of complex organizational phenomena. Legitimacy is clearly one such complex phenomenon that would benefit from a large-scale collaborative research program involving the integrated efforts of many people over many years. Can such concerted endeavors become legitimate again?

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TABLE 1.1: MANAGING ORGANIZATIONAL LEGITIMACY OVER TIME

Concept\Scenario	**Gaining**	**Maintaining**	**Challenged by**	**Responding**	**Institutionally Innovating**
Legitimacy	Demonstrate propriety	Remain acceptable or taken-for-granted	Challenges of appropriateness	Demonstrate appropriateness	Create new definitions of propriety
Regulatory legitimacy	Apply and meet standards	Satisfy routine monitoring	Performance challenges	Verify performance vis-à-vis standards	Change regulations
Pragmatic legitimacy	Demonstrate adequate performance	Avoid poor performance	Performance challenges	Affirm adequate performance	Change performance criteria
Moral legitimacy	Show fit with social values	Don't violate social values	Value challenges	Affirm fit with social values	Change social values
Cultural-cognitive legitimacy	Conform to meaning systems	Don't violate meaning systems	Meaning challenges	Affirm fit with meaning systems	Change meaning systems

FIGURE 1.1: OVERVIEW OF ORGANIZATIONAL LEGITIMACY -- SEE FIGURE ATTACHED

Figure 1.1: Overview of Organizational Legitimacy