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Organizational Legitimacy

Challenges and Opportunities for Businesses and Institutions

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Preface

The concept of organizational legitimacy is not recent, but it has never achieved so much attention as now. It is certainly more than a fashion. Using the concept of legitimacy responds to a more current and comprehensive idea that goes beyond the traditional concepts of corporate reputation, business ethics or corporate social responsibility.

Successful entrepreneurial action has been measured in many ways, but above all, it always plans the overall vision for the survival of the organization. Financial and economic goals can be important, but good results are a fallacy if the organization does not survive over time. In essence, our book deals with the survival of organizations whose origin is, according to the Institutional Theory, achieving legitimacy.

Organizations survive because they achieve legitimacy. Legitimacy achieves objectives and achievements such as access to capital; providing new business opportunities; creating financial opportunities; affecting the competition over resources; solving social problems better; and having an influence on the value of Initial Public Offering, share prices, stock market risk and stakeholder support. But what everyone accepts and takes as an axiom is that the key for an organization is to survive and legitimacy is the guarantor for this to happen. Since Meyer and Rowan (1977), institutionalists have argued that legitimacy enhances organizational survival. This is also supported by other theory, such as Organizational Ecology.

This book provides eighteen chapters that focus on generating concern and encouraging managers and researchers. In fact, it begins by clarifying essential theoretical aspects that allow a better understanding of the legitimacy of organizations. It continues with the review of the literature, which allows us to identify what is known and to deduce those other issues that are pending to be analysed. After that, the application of organizational legitimacy to various fields and economic sectors is developed.

Those who, for the first time, are interested in the legitimacy of organizations are astonished by a profusion of terms that are sometimes similar, but with meanings that do not entirely coincide, and in other cases, because new concepts emerge, giving rise to a terminological jungle that hinders its understanding and practical use.

Therefore, Díez-de-Castro, Peris-Ortiz and Diez-Martin considered it necessary to establish a legitimacy typology that maintains the contributions of the authors who have previously dealt with the subject, but that define and group them so that researchers and experts in the field of management can understand its limits and content more clearly.

The concept of isomorphism has had significant use for legitimacy, but has been limited by its own definition. The authors Díez-Martín, Díez-de-Castro and Vázquez extend the application of isomorphism to the study of organizations, interpreting the concept of similarity. This concept is based on the idea that two organizations are equivalent if they have ties of the same kind. Therefore, organizations can be considered as equivalent when they have similar characteristics. The key question is to determine which characteristics define similarity. After reviewing the literature and based on the three traditional variables (routines, structure and strategy), the authors included four more variables that had not been focused on enough. In total, they suggest seven variables to define the organizational isomorphism model.

Organizational legitimacy has become one of the most vibrant topics in the field of business management, going from 12 research publications in 1995 to over 274 in 2016 (SSCI-Thomson database). Díez-Martín, Díez and Blanco-Gonzalez analyse the contributing countries and institutions from 1995 to 2014 by using bibliometric methods, which involve the aggregation of large amounts of bibliographic data. In the course of the analysis, the study goes beyond traditional citation and co-citation analysis is used. This research clarifies the current literature on organizational legitimacy by responding to the following research questions: which are the countries and institutions which contribute to research on the field of organizational legitimacy, the lines of research that have been developed and who share them; how legitimacy investigations between countries and institutions are connected; which countries and institutions represent real turning points in this field; how dissemination of research on organizational legitimacy between countries and institutions has evolved.

Given the importance of studying organizational legitimacy in-depth, Álvarez-García, Maldonado-Erazo and del-Río-Rama analyse what is being done in this field, who it is done by and how it is being developed. To do this, they provide a quantitative-descriptive bibliometric study. Their results support some of the conclusions of the previous study, while adding significant contributions to the knowledge of legitimacy research. This research work clearly provides information that allows the academic community to assess the maturity level of research in this thematic area.

The concept of legitimacy is also linked to government action. As Blanco, Payne and Prado point out, states with low legitimacy concentrate most of their efforts on staying in power rather than managing their institutions effectively. With a clear practical sense, the authors go deeper into the analysis of state legitimacy, which enables to establish effective policies, develop efficient social policies and apply relevant communication actions. In this sense, a government with this information could have a more robust intelligence system and could approve more reliable policies.

Why do people donate to some organizations but not to others? Why do different countries consider different causes to be worthy of their philanthropy? These are two questions that Louis Diez aims at responding by relating increasing legitimacy with donations. The study of legitimacy by Institutional Theory scholars provides a promising framework from which to study these differences and posit interventions to increase legitimacy. Conversely, non-profit fundraising presents an ideal field in which to test some of the assumptions of the legitimacy theory.

Concepts also need to be legitimized. The ultimate purpose of the chapter presented by Revilla, Cossío and Mercado is to determine whether neuromarketing is a concept that needs to be legitimized. These authors use a four-stage model – innovation, validation at local level, dissemination and general validation – to explain the legitimization of this new marketing trend. This investigation is a starting point in the search for the legitimization and future viability of neuromarketing.

There are many studies that relate legitimacy to competitive advantage. This relationship often has a causal expression, where the effect is achieving a competitive advantage. By conducting an exploratory study of the US airline case study, Payne, Suárez and Prado go a step further by pointing out that the competitive advantage is a preceding factor to survival, since legitimacy is in itself a competitive advantage.

The relationship between legitimacy and the reputation of organizations is also a field of interest that has been discussed on some occasions by the literature. Given the importance of both aspects for organizations, it is very important to develop strategies that improve these assets. In this line, Orviz, Cuervo and Del Castillo analyse the effect of ISO 9001 and ISO 14001 systems on the legitimacy, reputation and financial performance of organizations.

Retolaza, San-José and Torres Pruñonosa discuss the key factors for organizations' social legitimacy. Since the lack of legitimacy affects large companies to a greater degree, two hypotheses related to the size of firms were tested. The first one has to do with a larger presence of delegitimizing factors in large firms. The second one analyses a smaller distribution in this type of firms of value generated to stakeholders that are not shareholders assessed by means of the Social Efficiency Ratio (SER).

Relationship between legitimacy and organizational success is the issue addressed by Miranda, Cruz-Suarez and Prado-Román. Although there are numerous studies that have analysed different aspects of the concept of legitimacy, there are still gaps for some issues. Do organizations with greater legitimacy get better results? Do they have better access to the resources needed to survive? What legitimacy dimensions lead to better organizational results?

In many cases, legitimacy is confused with corporate social responsibility. With the aim of clarifying this issue, Galeana Figueroa, Escamilla Solano, Aguilasocho Montoya and Plaza Casado study business legitimacy and its relationship with corporate social responsibility, analysing through the case method, two countries, one European and one American.

We are increasingly seeing that marketers are more interested in the issue of the legitimacy of organizations. Duojiezhaxi, de Esteban and Antonovica analyse the corporate image as an element of legitimacy of Chinese steel companies. The main results of the research project show that using relationship marketing in a correct way can help diverse companies to create and improve corporate image in the eyes of their clients. In this sense, the use of relationship marketing can reduce potential threats and maximize opportunities with existing and future customers while competing with other companies in the industry.

The informal economy is a reality in many countries. The effects are sometimes positive but also have a negative impact on many aspects of economic development. Iglesias, Blanco-González and Martínez-Navalón study the case of Spain, but many of their reflections apply to other countries. The methods used to reduce the impact of the informal economy are not enough. There is even an increasing gap between public administration measures and public opinion. In this context, before adopting a measure, it is necessary to analyse the legitimacy of the measure. Lack or inadequacy of legitimacy means that the measures to reduce the informal economy are not in line with social norms and values, which could lead to their failure. For this reason, the purpose of this research is to seek rational solutions to stop the existence of the informal economy through legitimacy analysis.

How citizens receive information, as well as what they receive, impact this dialogue. Justel, Micó, Payne and Ordeix-Rigo explore this process by examining shaping the agenda, the framework and other components of communication in the democratic process, through traditional media as well as social media. A major focus of this chapter is to determine how such “mediated realities” presented by the press to the public are created, and the mediation role of the press and web analytics in this process. This chapter introduces the reader into the new media scenario today and focuses on the challenges created by the contributors of today’s mediated realities.

The analysis of the motivations to adhere to quality standards has led Prado-Román, Del Castillo and Mercado to suggest that most of the companies that adhere to quality certifications in the Spanish aerospace industry do it due to “external” motivations, such as to increase their institutional legitimacy and reputation. Nevertheless, firms where “internal” motivations predominate, such as to improve their operational execution or organizational processes, showed higher benefits as a result of implementing quality standards.

Gomez-Martinez, Andreu and Díez-Martín studied the relationship between organizational legitimacy and the price of firms. The aim of this research is to define the effect of organizational legitimacy on the price of a company’s shares. To meet the objective, researchers related the stock index with the legitimacy of IBEX 35 in 19 mass media, for a 15-month period. The results show that the probability of a company’s share prices increasing depends on the legitimacy variation obtained by the company the day before. In addition, they highlight the importance of legitimacy management through mass media, mainly, social media and specialized media.

The legitimacy of organizations has become a field of research that is arousing interest in scientists, who from different approaches are making their increasingly numerous contributions. This book is an example of the variety of scholars, the diversity of approach and the large number of issues that can be addressed.

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Reference

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Contents

Chapter 1
Criteria for Evaluating the Organizational Legitimacy: A Typology for Legitimacy Jungle

Emilio Díez-de-Castro, Marta Peris-Ortiz, and Francisco Díez-Martín

Abstract The legitimacy of organizations is a conceptual and scientific approach developed theoretically from different disciplines. For the measurement and analysis of legitimacy, researchers have developed typologies, coinciding in many aspects, but with significant differences in others. The diversity of typologies has its origin in the scientific theories not only on which framework the researchers who create them move but also in the object and method of analysis. This has led to the emergence of a profusion of terms used to evaluate the legitimacy of organizations. This gives rise to a jungle of terminology that makes it difficult for researchers to work, especially when empirical research is done. The present work establishes a typology of legitimacy, by taking into account the contributions of different authors, who contribute to define different aspects of the legitimacy of organizations. At the same time, we divide some concepts to achieve a greater clarity and definition of them, a relevant issue when trying to measure and evaluate. In this way, we create a somewhat broader typology than we usually find, defining eight types of legitimacy rather than the three or four types that we generally find in the literature.

Keywords Organizational legitimacy · Types of legitimacy · Stakeholders · Constituents · Legitimacy theory · Cognitive legitimacy · Moral legitimacy · Managerial legitimacy · Technical legitimacy · Regulative legitimacy · Pragmatic legitimacy · Industry legitimacy · Relational · Emotional legitimacy

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1.1 Introduction

In the 1990s, the development of studies on organizational legitimacy led to the development of new concepts to satisfy the need of researchers. These new concepts were established around the various aspects that are considered important in evaluating legitimacy. In this way, typologies of legitimacy were developed at a theoretical level, which were later used to carry out empirical studies. In subsequent decades, always on the basis of the contributions of Aldrich and Fiol (1994), Scott (1995) and Suchman (1995), legitimacy typologies continued to be developed for two reasons. Firstly, because the initial typologies had a strong origin in the sociology of organizations and either due to the different schools of research or the entry of other areas of knowledge in the study of the legitimacy of organizations, researchers needed to use different terms and even to differentiate the original concepts, clarifying their content or segmenting them. Secondly, researchers found that some characteristics of the legitimacy of organizations were not represented in the typologies already used, and it was necessary to add new types to complete the perspective of aspects to evaluate the legitimacy of organizations. Thus, we reach a point where we face a profusion of terms that form a jungle difficult to unravel, as there are many types of legitimacy and in addition, the meaning given to each typology by authors is not always the same.

Bitektine (2011) indicated the existence of 18 types of legitimacy. However, three of them were not different aspects of legitimacy but referred to the specific audiences that granted them. This list of types of legitimacy did not remain the same as the one mentioned above but continued to expand, and we found 37 types (Table 1.1). This shows that the interest in evaluating the legitimacy of organizations has continued to grow, both in the empirical analysis and in the areas of knowledge that are of interest to them. The theory of legitimacy "is rather like a flu virus, constantly mutating as it diffuses" (Czarniawska, 2008:153).

An explanation of the diversity of criteria used and the emergence of different typologies lie in the diversity of disciplinary approaches that have emerged around the theory of legitimacy. "There is nothing so useful as a good theory" (Suddaby, 2010: 15). However, difficulties arise when problems are approached from different theories, partly because theories are linked to the key questions, and consequently, the theory contains the hypotheses and objectives that define the application parameters within it, but, in particular, the problems that arise are derived from the instrumental nature of the theory, since the tools they use are specific to the purpose and intent of the research.

Traditionally organizational legitimacy was considered a concept linked to the institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Deephouse and Suchman (2008) state that organizational legitimacy is a central concept in the institutional theory. However, other theories have also been significant, such as the "resource dependency theory" (Pfeffer & Salancik, 1978), "population ecology theory" (Hannan & Freeman, 1977, 1993) and "organizational studies" (Ahlstrom & Bruton, 2001). "Organizational legitimacy has energized a large and vibrant

Table 1.1 Legitimacy jungle

Typology	Reference	Typology	Reference
Accountability legitimacy	Ahrens and Chapman (2002), Auld and Gulbrandsen (2010) and Vergne (2011)	Normative legitimacy	Deephouse and Suchman (2008) and Scott (1995)
Cognitive legitimacy	Aldrich and Fiol (1994) and Suchman (1995)	Output legitimacy	Ossewaarde, Nijhof and Heyse (2008)
Competitive legitimacy	Bitektine (2008) and Vergne (2011)	Personal legitimacy	Suchman (1995)
Consequential legitimacy	Suchman (1995)	Pragmatic legitimacy	Suchman (1995)
Cultural legitimacy	Ahlstrom and Bruton (2001) and Deephouse and Suchman (2008)	Procedural legitimacy	Suchman (1995)
Dispositional legitimacy	Suchman (1995)	Professional legitimacy	Deephouse and Suchman (2008)
Emotional legitimacy	Huy (1999) and Johnson, Ford and Kaufman (2000)	Public legitimacy	Deephouse and Carter (2005)
Environmental legitimacy	Bansal and Clelland (2004) and Vergne (2011)	Regulatory legitimacy	Scott (1995) and Tost (2011)
Ethical legitimacy	Clarke and Gibson-Sweet (1999) and Mathews (1995)	Relational legitimacy	Tost (2011), Treviño et al. (2014) and Tyler (1997)
External legitimacy	Kostova and Roth (2002) and Kostova and Zaheer (1999)	Resource legitimacy	Ahlstrom and Bruton (2001)
Financial regulatory legitimacy	Deephouse and Carter (2005)	Social legitimacy	Simcic Brønn and Vidaver-Cohen (2009) and Chen and Bouvain (2008)
Industry legitimacy	Zimmerman and Zeitz (2002)	Sociopolitical legitimacy	Aldrich and Fiol (1994) and Bitektine (2011)
Influence legitimacy	Suchman (1995)	Sociopolitical normative legitimacy	Scott (1995) and Zimmerman and Zeitz (2002)
Instrumental legitimacy	Treviño et al. (2014) and Tyler (1997)	Sociopolitical regulatory legitimacy	Zimmerman and Zeitz (2002)
Internal legitimacy	Kostova and Roth (2002) and Kostova and Zaheer (1999)	Strategy legitimacy	Chen et al. (2008) and Long and Driscoll (2007)
Interpartner legitimacy	Kumar and Das (2007)	Structural legitimacy	Suchman (1995)
Managerial legitimacy	Ruef and Scott (1998)	Technical legitimacy	Ruef and Scott (1998)
Media legitimacy	Bitektine (2011) and Deephouse (1996)	Transactional legitimacy	Kanungo (2009), Pandya and Dholakia (1992) and Vergne (2011)
Moral legitimacy	Ahlstrom and Bruton (2001), Suchman (1995) and Tost (2011)		

academic community" (Dover & Lawrence, 2010:305), and to a larger extent, we find studies that emerge in the field of accounting and finance (Spalding & Lawrie, 2017), marketing (Homburg, Hahn, Bornemann, & Sandner, 2014), business ethics (Chen, Patten, & Roberts, 2008) and social psychology (Tost, 2011).

One of the basic issues that we pay special attention to is the definition of legitimacy. The existing definitions are theoretically excellent but are difficult to understand in their entirety by those who are not academics and even by scholars from other research areas.

Generic definitions of legitimacy, as formulated, give rise to problems when they are to be used for empirical research. Research on the legitimacy of organizations is usually supported by stakeholder consultation. This implies that the groups could be asked directly by giving the definition and referring it to a particular organization. In this way, with a single question, we could know the audiences' evaluation of the legitimacy of the organization. However, this is not done in empirical work, to a large extent, due to the lag between theoretical expressions and practical understanding. We have not found studies in which the question to the audience corresponds to a definition of legitimacy accepted academically. On the contrary, there are a number of considerable investigations in which the measurement of legitimacy is based on several questions, on each of the different types of legitimacy. Consequently, the evaluation of legitimacy is carried out on specific types of legitimacy, asking questions about each of them.

The importance of typologies is easy to accept in view of what happens in empirical studies. At the same time, we perceive the slightest empirical relevance of the general concept of legitimacy.

We propose a concept of legitimacy that is easy to understand by any audience, which will facilitate its use in empirical studies, as well as proposing a typology of legitimacy from a business and management perspective. Our objective is to develop a typology of legitimacy of organizations that is accessible, in terms of its understanding, by the directors and managers of organizations, so that it can be used by them for management and by researchers thanks to its generalization. A typology that while maintaining the essential ideas that have been developed in the last three decades, allows to do research and work in the field of legitimacy with greater detail of some concepts, avoiding duplications, different names for similar concepts and answering questions about where to fit situations that can be examined, such as belonging to one type of legitimacy or another, resolving possible overlaps.

1.2 Organizational Legitimacy

Although the concept of legitimacy enjoys a great consensus regarding the definition of Suchman (1995), other authors have contributed to clarify and complete this concept (Bitektine, 2011; Deephouse et al. (2017); Tost, 2011).

In order to understand the meaning and scope of the legitimacy of organizations clearly, we have to start from the essential questions of the concept of legitimacy.

This is based on: (a) It is a generalized judgement issued by the stakeholders; (b) the assumption that the actions of an organization are correct, fair and appropriate; and (c) the evaluation of the role that the legitimate organization plays in society and the convenience of maintaining it.

The first question highlights the use of the word "judgement" (Bitektine, 2011; Tost, 2011). Legitimacy is not an objective but a subjective concept. The legitimacy of an organization is not acquired only because a number of characteristics are satisfied. Legitimacy is granted or denied by audiences, based on the judgement they make about the organization; "legitimacy ultimately exists in the eye of the beholder" (Zimmerman & Zeitz, 2002: 416). Legitimacy is not gained but is received from those who give it (stakeholders; social actors; external components of the organization; audiences). No matter how hard the effort and how well the actions are, stakeholders may consider that these efforts or actions are not worthy of being valued to give legitimacy to the organization because they are not considered adequate, or because they are understood to be insufficient, or for other reasons that generate dissatisfaction in those who are issuing judgement about the organization. The judgements that are issued by audiences have to be considered in a generalized way, since not all the actors think alike. Audiences always judge on the basis of the cultural, ethical and knowledge environment in which they perform (Scott, 1995).

The judgements made by audiences or stakeholders can be based on data or perceptions and often on a combination of both. In empirical investigations, in many cases, the information comes from interviews and surveys whose results are transformed into variables using scales.

Legitimacy is "a psychological property" (Tyler, 2006) which is formulated by an authority or by interest groups. In the literature, those who have the power or ability to grant legitimacy are identified with audiences with power (constituents) or interest groups (stakeholders) (Ashforth & Gibbs, 1990; Deephouse, 1996; Pfeffer & Salancik, 1978). The basic question is that several relevant groups can give their judgement, and the judgement of each group may be different with respect to the legitimacy of the organization. For one group, the organization may have legitimacy, and for another group it may not. Does this make sense? The explanation is based on the constituents judging the legitimacy of the organization on the basis of different criteria. The criterion that serves a group to grant legitimacy to the organization may be of no importance to another group, which uses different criteria.

Organizations need to find out what the relevant groups are and what the legitimacy issues relevant to those groups are (Baum & Oliver, 1991; Deephouse, 1996). Precisely, these issues are those that demonstrate the need to differentiate the different aspects of the legitimacy of the organizations and force to establish a typology of legitimacy.

Secondly, we have defined our position on the expression that serves to establish the judgement. These judgements are expressed as "approved" (Aldrich & Fiol, 1994; Bitektine, 2011), "accepted" (Zimmerman & Zeitz, 2002), "authorized" (Bitektine, 2011) and "assumed" (Suchman, 1995). We use the word "approval", but any of the other expressions have a similar meaning. This approval is based on the fact that the actions of an organization are considered fair because they maintain ethical and equity principles (Aldrich & Fiol, 1994; Tyler, 2006) and appropriate because they are considered adequate and consistent with the purpose of the organization in the social framework (Aldrich & Fiol, 1994; Suchman, 1995).

Thirdly, we give special significance to stakeholders' approval, recognizing the legitimacy of the organization, its role in society and the convenience of maintaining it. This is an issue that is present in several studies (Parsons, 1960) in which it is recognized that legitimacy justifies the role of the organization in society. Bitektine (2011: 163) asked the questions: "Does the organization have the right to exist?" and/or "Is the organization beneficial or hazardous to (a) me, (b) the social group(s) to which I belong to, and (c) the society in which I live?"

In this way, the legitimacy of an organization is a generalized judgement, issued by stakeholders, that are guided by different dimensions or criteria and, based on them, assume that the actions of an organization are correct, fair and appropriate, approving the role it plays in society and the convenience of its maintenance.

Focusing on the contents of the concept of legitimacy is a previous step that has allowed us to reveal its broadness and richness. Legitimacy is a plural concept; audiences give legitimacy to a given organization on the basis of different issues. In addition, each relevant group, in its judgements about the legitimacy of the organization, considers aspects that are often irrelevant to others. This plurality of legitimacy criteria forces us to classify them. The judgements that are made on the legitimacy of organizations are usually based only on some aspects and rarely use a complete vision that includes all of them.

Consequently, we build a categorization or typology of the legitimacy of organizations based on the dimensions defined by academics in their theoretical studies and empirical research. This categorization reflects the wide range of aspects that may be relevant to evaluating legitimacy.

1.3 Typologies of Legitimacy

The typologies of legitimacy have in practice, problems of interpretation due to the number of adjectives used to describe each type of legitimacy. The selection of terms referring to the legitimacy of organizations reminds us of the classic work of Koontz (1961) who used the term "jungle" to refer to the wide disparity of approaches in management theory. The typologies aim to systematize the different aspects of the concept of legitimacy, since legitimacy is a multilevel construct (Treviño, den Nieuwenboer, Kreiner, & Bishop, 2014; Vergne, 2011).

From the table above, we can make some general considerations. In the first place, the basis of typologies was created in 1994 and 1995 by Aldrich and Fiol (1994), Scott (1995) and Suchman (1995). After the previous works, other typologies were carried out without providing many innovations. In the twenty-first century, there has been an evolution of these typologies consisting of the expansion of the number of grouping elements, going from typologies of three elements to others of four. This occurs because issues that can hardly be framed in the previous typologies begin to be identified. However, there was no consensus among researchers. Among these contributions, we can find that Ahlstrom and Bruton (2001) changed the term cognitive legitimacy for cultural legitimacy and, in addition, introduced resource legitimacy as a new concept. Zimmerman and Zeitz (2002) added the concept of industry legitimacy. Ossewaarde et al. (2008) refer to output legitimacy, and Treviño et al. (2014) provide the concept of relational legitimacy in their typology.

The differences between typologies can be seen in some researchers' considerations. Ruef and Scott (1998: 877) point out that "Suchman's (1995) typology of legitimacy is also closely related. He also identified the 'cognitive' element. His category of 'moral' is similar to our normative; and the third category, 'pragmatic' includes our regulative element but broadens it to include all conformity based on self-interested calculations". Zimmerman and Zeitz (2002: 419) state that "Sociopolitical normative legitimacy (Hunt & Aldrich, 1996), also known as normative legitimacy (Scott, 1995), or Sociopolitical regulatory legitimacy (Hunt & Aldrich), also known as regulative legitimacy (Scott, 1995)". Among the different types of legitimacy, we can find points of contact and overlap. For example, Thomas (2005; 191) states that "cognitive legitimacy is a second-order perception, derivative of its pragmatic utility or normative consonance".

We dispensed with a concept widely used by scholars of the institutional theory, which is normative legitimacy. This is a concept that from the usefulness of its measurement, we consider it to be excessively broad and diverse, which has led us to assign to other different types of legitimacy, the usual contents of normative legitimacy. Some references to the concept can help us explain this issue. Normative legitimacy refers, among others, to the concept of moral legitimacy. Moral legitimacy occurs when we find that the actions of the organization are consistent with social values (Suchman, 1995). Moral legitimacy is based on judgements about what organizations should and should not do. Public legitimacy is linked to this concept of normative legitimacy (Deephouse & Carter, 2005) which is the denomination that is given to moral legitimacy when the content analysis of the media is used for its measurement. Deephouse and Carter (2005) also indicate that they prefer to use public legitimacy because they want to refer exclusively to moral legitimacy and not to normative legitimacy based on professional endorsement. Professional legitimacy is based on respect for the principles and values that should guide good management, both at technical level and management and strategy level. Professional legitimacy is encouraged and taught especially in business schools, so that managers are aware of it and its importance (Ruef & Scott, 1998). In view of the above considerations, we decided to use the following criteria to cover the different aspects of normative legitimacy: moral legitimacy, managerial legitimacy and technical legitimacy.

There are various *evaluative criteria* that contribute to individual perceptions of legitimacy. For the evaluation, sometimes the type of organization that is examined is determinant, if it is public (Cashore, 2002) or private (Kuilman & Li, 2009). At other times, what is essential to discover the state of legitimacy of the organization is the theoretical approach that is used, which can be based on intuition (Ortiz & BehmMorawitz, 2015), on information (Deephouse & Carter, 2005) or on a mixed system of intuition and data (Ashforth, Kreiner, Clark, & Fugate, 2007). The stakeholders that legitimize organizations are also relevant and whether they come from internal or external sources to the organization. External sources include licensing agencies, funding agencies, professional bodies, trade unions, business communities and public opinion (Bansal & Clelland, 2004; Bitektine, 2011; Deephouse, 1996; Díez-Martín, Blanco-González, & Prado-Román, 2016; Pollock & Rindova, 2003), consumers, suppliers and investors (Certo, 2003; Rao, Chandy, & Prabhu, 2008; Rao, Greve, & Davis, 2001). Although legitimacy based on internal stakeholders, such as workers, managers, staff specialists, etc., is less frequent, it is sometimes analysed (Díez-Martín, Prado-Roman, & Blanco-González, 2013; Ruef & Scott, 1998).

1.4 A Typology Focused on Business Management

When investigating the concept of legitimacy, with so many different perspectives, it is important to be able to clearly identify which type of legitimacy is being measured, at each moment and in each case. Researchers need to use concepts that are common and above all, understandable within their field of research. They need common concepts since it is not easy to carry out empirical studies, whether qualitative or quantitative, if the concepts use different words to define contents that partially coincide with each other. A better delimitation of the concepts will contribute to the development of empirical studies on the legitimacy of organizations. This is why we have developed a typology, considering it as the appropriate instrument to facilitate the measurement of legitimacy, especially in the field of management.

Another issue that generates the need to have a more precise typology of legitimacy has its origin in stakeholders' needs. The different stakeholders demand organizations to support their legitimacy in different aspects. Ossewaarde et al. (2008) highlighted this issue when dealing with the case of international NGOs. To be legitimate, international NGOs have to meet various expectations. NGOs receive their resources from entities, which they need to show how they manage their resources (technical legitimacy). International NGOs are also expected to comply with international law (regulative legitimacy) and be able to act on behalf of the stated mission, demonstrating the effectiveness of their objectives (managerial legitimacy).

Different words are used to differentiate the different sources of legitimacy. Suchman (1995) refers to *dimensions*. Scott (1995) speaks of legitimacy *pillars* or bases. In some cases, the concept of *categories* is used, since these are the means through which on a routine basis, the events and experiences are observed and classified (Clegg, 2010). Deephouse et al. (2017) prefer to use the term *criteria because it more clearly evokes the presence of implicit or explicit standards for evaluating organizations*. But, we also very often find the expression *types of legitimacy* (Ahlstrom & Bruton, 2001; Bitektine, 2011; Cruz-Suárez, Díez-Martín, Blanco-González, & Prado-Román, 2014; O'Dwyer, Owen, & Unerman, 2011). In our case, we prefer to use the expression types of legitimacy. Since we tried to establish the types of legitimacy as clearly as possible, we were forced to increase the number of

Table 1.2 Types of legitimacy

Typology	Meaning	Identified by
Cognitive legitimacy (cultural)	Legitimacy is granted by audiences because they assume that the image they have of the organization corresponds to what the organization is	Identity of the organization
Regulatory legitimacy	Organizations are institutionalized because they are regulated by governments or other authorities through the establishment of rules, norms, laws and sanctions that force them to act and behave in a certain way	Norms, compliance and sanctions
Moral legitimacy (ethical)	Audiences grant legitimacy when they perceive that an organization defends and pursues principles accepted and valued as socially positive, which are above private interests	Initiatives based on values
Pragmatic legitimacy (instrumental or resources)	It occurs when stakeholders achieve their objectives through the organization, getting a contribution of value, while they acquire certain commitments with the organization	Balance of the organization with interests of internal and external forces
Managerial legitimacy (output)	Organizations must demonstrate to all their audiences that they fulfil their mission and take decisive steps to achieve their vision and move clearly towards the achievement of their strategic objectives in the medium or long term	Fulfilment of mission, vision and general objectives
Technical legitimacy	Legitimacy comes from the fact that the actions of the organization are carried out in the best possible way, innovation is applied, the best managers and staff are available, new management techniques are developed, existing ones are updated, and smart strategies are adopted	Deployment of management capabilities
Emotional legitimacy (relational)	The actors assume that the organization represents an ideal which they are completely identified with, emotionally linked with it, whatever the specific activities it develops, the people who manage it or the way in which it is managed	Emotional bonding to the organization
Legitimacy of the industry or sector	Integrated organizations, belonging to or admitted as members, within legitimized groups or sectors, are also considered to be legitimized	Integration in sector or group with legitimacy

types usually used (up to three or four depending on the case) to eight. This extension of types of legitimacy, we think makes each of them more understandable and reduces the complexity (Table 1.2).

Cognitive Legitimacy

When we deal with the concept of legitimacy in organizations, cognitive legitimacy refers to the knowledge that the groups or audiences that evaluate it have of the organization (Aldrich & Fiol, 1994). The greater the knowledge, the more understandable the organizations will be, and the audiences will have better criteria to judge them and define them as appropriate and interpretable (Suchman, 1995). Sometimes information about the organization is scarce, which affects the degree to which the organization is understood. In these situations, stakeholders substitute reliable and direct information for symbols and signals that represent indirect indications of the legitimacy of the organization. Cognitive legitimacy is based on "*symbols—words, signs, gestures—have their effect by shaping the meanings we attribute to objects and activities*" (Scott, 2014, p. 66). These symbols are very diverse; among them we can mention the availability of brilliant and socially recognized leaders, favourable consideration by governments, close ties with important financial entities, strong growth of the organization or having a corporate structure considered appropriate. These symbols, when presented, allow us to assume the legitimacy of the organization.

Obviously, the audience's interpretation of the organization depends on a core issue, the environment in which such audiences perform, "*the shared conceptions that constitute the nature of social reality and create the frames through which meaning is made*" (Scott, 2014, p. 66). Legitimacy, according to this point of view, is mainly due to existing cultural models that provide plausible explanations for the organization and its efforts. In the presence of these types of models, the organizational activity is predictable, meaningful and appealing. Precisely for this reason, Ahlstrom and Bruton (2001) call this type of legitimacy "cultural legitimacy". Legitimacy is granted by the audience because it understands that the actions of the organization conform to its system of beliefs and presumptions (Treviño et al., 2014). To point out the difference between cognitive and pragmatic or moral legitimacy, Treviño et al. (2014) mentioned that "the distinction between them is linked to motivation, and cognitive legitimacy is based neither on interests nor on moral motivations" (Treviño et al. 2014: 200).

The sources of cognitive legitimacy commonly referred to in the literature are "comprehensibility" and "taking it for granted".

Comprehensibility. Audiences have to understand the organization in all dimensions, its structure, the way it does things, its processes, its growth or its location. Comprehensibility includes familiarity, knowledge of the organization being analysed and the use of products and services, as audiences will not approve the cognitive aspects of the organization if they do not know them. To facilitate this understanding, organizations develop communication and information policies.

Taking it for granted. Audiences believe or think about how organizations have to be and what structural or performance features they can expect from them. In the presence of cultural models, for audiences it is literally unthinkable for things to be otherwise, and therefore the organizational activity will be meaningful, predictable and appealing if it adjusts to those models. "If alternatives become unthinkable, challenges become impossible, and the legitimated entity becomes unassailable" (Suchman, 1995, p.583). For example, they may expect clients to be heard and cared for in certain circumstances, or there may be a claims department, so they do not think the organization could be or act otherwise. Consequently, cognitive legitimacy is closely linked to the identity and the image that is transmitted about the capacity, stability and coherence of the organization creating the framework through which the meanings of the organization are constructed.

Regulatory Legitimacy

The legitimacy which is obtained by complying with regulations is a type of legitimacy that has been studied practically by all researchers of the subject (Baum & Oliver, 1991; Deephouse, 1996; Rao, 2004). Regulatory legitimacy reflects the conformity of the organization's actions with the standards established by the authorities (Benbasat & Zmud, 2003).

Organizations are institutionalized because they are regulated by governments or other authorities through the establishment of rules, norms, laws and sanctions that force them to act and behave in a certain way (Cruz-Suárez, Prado-Román, & Díez-Martín, 2014; Díez-de-Castro, Díez-Martín, & Vázquez-Sánchez, 2015; Scott, 1995). "To be sure, regulatory systems usually involve sanctions that can be used to ensure that organizations address rules, regulations, standards, and expectations" (Zimmerman & Zeitz, 2002, p. 419). In the regulatory pillar, organizations act in a certain way because there is a higher authority that forces them and coerces them directly with sanctions or indirectly through loss of rights, benefits or positioning, and even, with exclusion, "*regulative institutions, such as Weber's* '*guaranteed law*' *stress the presence of* '*explicit regulative processes: rule-setting, monitoring, and sanctioning activities*'*...*" (Scott, 1995, p. 35).

Such activities are often supervised by state agencies or authorized private agencies. This authority is generally governmental, but sometimes it is associations, stakeholders or even other powerful organizations (Scott, 1995; Zimmerman & Zeitz, 2002).

To evaluate regulatory legitimacy, data on certified organizations or with certain licenses have been used (Baum & Oliver, 1991; Pfeffer & Salancik, 1978; Singh, Tucker, & House, 1986) and also the registration of sanctions to the regulated organizations (Deephouse, 1996).

Moral or Ethical Legitimacy

Audiences grant legitimacy when they perceive that an organization defends and pursues principles accepted and valued as positive taking into account the ethical framework in which the organization operates. These and other principles are important, although it is not enough to publish them, or be revealed by the managers or their knowledge by the staff or other groups. It is necessary for the stakeholder to perceive them with the sufficient force so that these ethical principles are valued at a level that actually gives legitimacy to the organization. Ethical legitimacy goes beyond doing no harm (Simcic Brønn & Vidaver-Cohen, 2009) and respecting laws.

The activities of an organization demonstrate if its actions are acceptable according to the moral standards of society and typical of the organization. For example, hospitals often feel obliged to acquire and use the latest technology to ensure that patients receive the best care, even if new investments are not profitable (Ahlstrom & Bruton, 2001).

The beliefs and values of the organization are usually transformed into basic principles that allow the interpretation and application of those values and beliefs by the management. For example, the Spanish public university maintains the principle of "participation of the entire university community in the governing bodies", which builds on social beliefs and values related to the administration and management of public bodies. "The ethical norms, rules and ideologies of society represent the appropriate behaviours by which organizations should be governed (Meyer & Rowan, 1983: 8) and by which they gain legitimacy (Deephouse, 1996; Suchman, 1995). Ethically motivated companies operate with socially responsible behaviour because it is the right thing to do. Doing the right thing seems to be a stronger motive for social initiative than the benefits that can be generated for the organization (Hahn & Scheermesser, 2006; Steurer, Langer, Konrad, & Martinuzzi, 2005).

We prefer to use the expression ethical legitimacy instead of the most frequently used expression moral legitimacy since "morality is thought to reside within the person" (Skitka, Bauman, & Lytle, 2009:569). Actors within companies, such as management teams, make decisions based on their cognitive biases and personal values (Cyert & March, 1963), which are disseminated through the general values of the organization and business ethics, generating the moral obligation to "do what is right" and guiding values about the "right thing" to do (Cashore, 2002). Suchman (1995) suggests that one of the dimensions of moral legitimacy in organizations is personal legitimacy, demonstrating integrity and trustworthy behaviour among organizational leaders and representatives.

Bartlett and Preston (2000) wondered if it could really exist in a business. The administration theory suggests that organizational actors lead organizations based on morale, or company values, which takes them beyond economic interests (Davis, Schoorman, & Donaldson, 1997). Social legitimacy is an aspect of ethical legitimacy. Carroll (1979) refers to the ethical responsibilities of corporations. This refers to the legitimacy that it provides for the organization, its concern for social issues. The usual way to evaluate this type of legitimacy is through social disclosure, the information that is revealed or made available to the public by the organization on social issues. The greater the concern of the organization about social issues, the greater the information provided concerning them (Patten, 1992).

Finally, we must point out what intentionality is, why things are done, which allows to categorize the actions into ethical or into another category such as the professional one. A teaching institution can seek excellence in teaching because it wants to satisfy the students' needs for knowledge (professional), or because it feels responsible for training its students (ethical), or because good teaching will attract more students and that will allow them to achieve their economic (managerial) goals.

Pragmatic Legitimacy

Pragmatic legitimacy (Suchman, 1995) is based on the selfish calculations of an organization's stakeholders. Pragmatic legitimacy is granted to an organization, when its stakeholders achieve their goals through it.

Pragmatic legitimacy captures the degree to which an organization represents the particular interests of stakeholders or provides them with favourable exchanges (Foreman & Whetten, 2002).

Ahlstrom and Bruton (2001) use the concept of resource legitimacy in a similar way to the concept of pragmatic legitimacy. Resource legitimacy is granted when organizations create value for their relevant groups (internal or external groups), such as favourable contracts, gifts, profit sharing, etc. In some cases, pragmatic legitimacy is termed instrumental legitimacy (Treviño et al., 2014), representing the fulfilment of the evaluator's personal expectations.

This concept is related to what Galbraith (1984) denominates compensation power. Collectives provide legitimacy to organizations that compensate them adequately. Sometimes the compensation is not agreed or requested directly; it simply exists in the minds of the groups not as a requirement but as an awareness that in case of need the compensation will occur, so we are faced with what Suchman (1995) denominates influence legitimacy. Thomas (2005) indicates that in order to identify pragmatic legitimacy, it is necessary to ask the audience: Do you believe that the organization's performance will help (consumers, staff, etc.) to achieve its goals and aspirations?

Technical Professional Legitimacy

One of the sources that provide legitimacy to organizations is to do the job well and to perform good management in an effective and efficient way. Consequently, legitimacy can be granted because it is understood by audiences that the actions of the organization create value because they apply innovation, have the best managers and staff and develop efficient management techniques. Suchman (1995) refers to this concept, calling it procedural legitimacy, when "good practices", processes and procedures can serve to demonstrate that the organization is socially accepted.

Obviously, doing things well and applying the best management techniques is not enough; it is necessary for the audiences to know it, value it and understand it, which is sometimes very difficult to achieve. In this way, audiences can grant legitimacy because they are aware that the organization carries out its activities using the best, most useful and efficient instruments and value its actions, stating that at a technical and management level, things could hardly be done better. "Technical legitimacy is focused on aspects of core technology, including normative support for staff qualifications, training programs, work procedures, and quality assurance mechanisms" (Ruef & Scott, 1998:883).

An organization shows its desirability and acceptance by engaging and developing methods, models, practices, assumptions, knowledge, ideas, realities, concepts, thoughts and others that are widely accepted and considered useful and desirable by the professional body where it operates, that is, it develops activities that help to simplify decision processes, making the decisions better and more rational. In the presence of this type of legitimacy, the organizational activity will be predictable, meaningful and appealing (Díez-Martín, Blanco González, & Prado Román, 2010).

On the other hand, Berger, Berger, and Kellner (1973) had previously made statements about the means and procedures, which when appropriate allow the acceptance of the organization as legitimate.

Professional legitimacy is possibly the most difficult to perceive. Individuals and stakeholders do not easily grasp the internal aspects of the organization, such as the capacity and training of management teams, good management and continuous improvement, or the application of rigorous technical principles or the professionalization of its management. For this reason, it is necessary to have instruments that improve its visibility. The great instrument used to identify professional legitimacy is the certification based on ISO or TQM models, such as the EFQM model (Blanco-González, Cruz-Suárez, & Díez-Martín, 2015).

Managerial Professional or Output Legitimacy

Organizations have to demonstrate to their stakeholders that they fulfil their mission, take determined steps to achieve their vision and move clearly towards the achievement of their goals. An organization is justified because its mission and vision are linked to the general interest. It is clear that the mission and vision are a matter of time and progress, sometimes quickly and other times with doubts and certain obstacles. But the organization has to justify its interest and position in society and this is achieved by its results over time. Audiences value and give legitimacy to the organization because they accept that the products, services and results of the organization justify it socially and play a role that society needs. Managerial legitimacy involves mechanisms such as personnel management, accounting practices and the rules of conduct and structure of the administrative staff (Ruef & Scott, 1998: 883).

The question that has to be asked is: Is the continuity of the organization of any interest for society in general and all the groups of stakeholders? Is what it does worthwhile or is it only of interest because it benefits some interest group? Output legitimacy is strengthened when organizations report their achievements to their stakeholders. Organizations have to demonstrate how they actually materialize their general goals, those that give content and clarify the meaning of their mission and vision (output legitimacy (Ossewaarde et al., 2008). In Suchman's consequential legitimacy typology (1995), it is implied that organizations must be judged by what they achieve or the effects they produce.

It is impossible to evaluate the fulfilment of the mission and the accomplishment of the general objectives of an organization, if we only consider the short term. At times, the evaluation of managerial or output legitimacy may require very long periods of time. A newly created university needs decades to acquire the necessary significance and the fulfilment of a mission valued by the whole of society and its stakeholders. Performance measures are essential as a means of communicating effective and efficient operations to a broad range of stakeholders. Performance and measurement evaluation serves not only to gain legitimacy for external stakeholders but also for internal stakeholders.

Emotional Legitimacy

Perhaps the aspect of the legitimacy of organizations that has been less dealt with, or that has been insufficiently advised by scholars, is that which has its origin in the affective link between people and organizations, which we call emotional legitimacy.

Emotional legitimacy occurs when the actors assume that the organization represents an ideal which they are completely identified with, which leads them to be emotionally linked to the social meaning of the entity, ignoring the specific activities developed by the organization, the people who run them or the way in which it is managed. Dispositional legitimacy of Suchman (1995) approaches the concept described here. Constituents are likely to accord legitimacy to those organizations that "have our best interests at heart", that "share our values" or that are "honest", "trustworthy", "decent" and "wise" (Suchman, 1995: 578). In the same line, although focusing on the internal legitimacy of the organization, Tost (2011) and Treviño et al. (2014) identified relational legitimacy as a dimension of legitimacy, based on the studies of Tyler (1997, 2006) and Tyler and Lind (1992).

In certain cultural areas, there are expressions of the type "there are few things that are chosen forever, one of them is your football team". When we initially make a choice forever, such as religion, football team, political party, profession, etc., we find that people and groups will support and defend, apologize and be forgiving of the mistakes of the organizations with which they have established a special emotional bond. They will be happy with their success and be sad with their failures because the individual and the group are so involved that they have a sense of belonging to that organization. Relational legitimacy is acquired when one affirms another person's social identity and reinforces their self-worth, generally through identification with the group or organization (Treviño et al., 2014: 200). Audiences form part of the organization not in a personal, noneconomic, nonownership way but affective way. Emotional legitimacy represents a feeling that is neither rational nor rationalized because for audiences, feelings will always prevail over reason.

Emotional legitimacy has some special features that allow a significant differentiation regarding moral legitimacy. An organization with moral legitimacy, even if it is considered stable and respected for a long time, can lose its legitimacy in a very short time, in situations such as corrupt behaviour of the management. However, emotional legitimacy has some special and unique characteristics, such as its greater stability and survival in time, as well as its hardly erodible character by the circumstances or events of the organization.

Emotional legitimacy is maintained over time, and it is difficult to lose because to achieve this, it is necessary to undermine the feeling, an issue that requires very long processes and generally produces very profound and even catastrophic social changes. Another characteristic of emotional legitimacy is that when organizations are threatened socially or pursued, it sinks and seems as if it stops existing, but it appears at the slightest chance. The emotion is not based on the rational, nor is it linked to ethics, nor professional recognition, nor the perception of an image that audiences expect to find, although all these can be triggering elements of emotions. Emotions are feelings that for certain audiences are above any rational valuation.

Industry Legitimacy

Industry and, in general, economic sectors have standards, norms and common practices. They use certain technologies, and they have characteristic organizational structures. Those organizations that participate in standards, practices, etc., considered to be the right ones in the industry, which are taken for granted, acquire legitimacy (Zimmerman & Zeitz, 2002). Industrial legitimacy occurs because there is previously an industrial sector that is legitimized. The legitimacy of the organization is achieved by belonging to that industry or sector, that is, as a matter derived from the legitimacy of the industry considered. There is legitimacy "when the organization is classified as a member of some already known and already legitimate class of organizations" (Bitektine, 2011; 157). This type of legitimacy is sometimes considered a form of cognitive legitimacy.

When a sector is evaluated as legitimate, "legitimate organizations become almost self-replicating" (Suchman, 1995: 575). The legitimized organization is as such, due to its isomorphism regarding structure, routines and strategy, in relation to the organizations of the sector.

1.5 Discussion

Legitimacy is a latent concept that cannot be observed directly (Zimmerman & Zeitz, 2002). When legitimacy is attributed to an organization, it is necessary to measure it. For this, it is essential to answer the question: what are the issues that serve the constituents to grant legitimacy? It is there, where we begin to find a great variety of elements of judgement that we need to bring together and systematize. Legitimacy, considered as a construct, needs to identify the categories that represent the different aspects that serve to issue a judgement of legitimacy to an organization. This has been the core work of our study. The objective of creating a categorization of organizational legitimacy that could cover the different faces of the prism, or what is the same, the different issues that serve the constituents to grant legitimacy, has led us to identify eight basic types. These types have the characteristic that they can be measured and they can be identified and differentiated from the others clearly.

Although social science research gives little relevance to these issues, we understand that it is not something minor. Typologies facilitate measurement, allowing researchers to formulate hypotheses. The confusion and intermingling of concepts is not good when you want to move from the field of theory to its practical application. Empirical studies need a good theory to support them, and that theory requires good tools. How do you know what the right instruments are if there is so much disparity in the dimensions that are considered? "Not all the dimensions will be relevant every time, so scholars should pick those they need based on their research question" (Vergne, 2011:487). In order to establish judgements based on relevant dimensions, it is necessary to know what those dimensions are in advance. Research requires information and data on these dimensions. Sometimes, the judgement can come from information and data that can be extracted from primary sources (Blanco-González, Prado-Román, & Díez-Martín, 2017; Deephouse, 1996; Katsikas, Manes Rossi, & Orelli, 2016; Ruef & Scott, 1998), in other cases, the information is obtained by compiling the responses expressed through the opinions based on surveys and interviews (Ahlstrom & Bruton, 2001; Blanco-González et al., 2017; Bruton & Alhstrom, 2003; Treviño et al., 2014). We think that the categorization and definition of dimensions and their contents is an instrument that will help the progress of future research work.

Our typology is broader than any of the others found in the literature, both at theoretical and empirical studies level. It is a typology that collects all the basic criteria or aspects of legitimacy of the organizations that we can find in the studies on the subject.

We have joined the name of the types of legitimacy whose concept is similar, for example, the concepts of pragmatic legitimacy and instrumental legitimacy or the concepts of cognitive legitimacy and cultural legitimacy. We have separated some concepts frequently used like normative legitimacy, which is linked to moral legitimacy and professional legitimacy, both managerial and technical. We have shown the meaning of the concepts of types of legitimacy. This is important because intentionality often helps to place an issue into one type or another of legitimacy, for example, charity. If it is a question of providing a better image thanks to charitable donations, we are referring to cognitive legitimacy. If charity is carried out due to responsibility and commitment to society, we are talking about moral legitimacy.

On the other hand, legitimacy has its moment and its time and its measurement is valid for an environment and a time dimension, since the legitimacy of an organization corresponds to a specific moment in its history. When we speak of legitimacy in any of its characteristics and events, we know that none of them are exempt from the fact that time changes their position or makes them obsolete. Many aspects relating to the environment and its preservation were not visible or considered important by society for a long time; therefore, they did not affect the legitimacy of an organization. Subsequently, society became aware of the harmful effects of pollution, toxic spills and other environmental issues, becoming a matter of moral legitimacy. Over time, governments felt that they should intervene to preserve an adequate environment for future generations and improve the existence of current ones, which became a matter of regulatory legitimacy. Some companies take unregulated environmental measures thinking about the positive image they can create in their stakeholders, which corresponds to cognitive legitimacy (e.g. Red Bull and its sponsorship of extreme sports).

Another advantage of expanding and delimiting the characteristics of legitimacy and expanding the criteria that judge it is that it forces to specify what is truly relevant to stakeholders. Many times, stakeholders give legitimacy to an organization but we cannot know why. And it is necessary to know what the criteria used are and what the most relevant criteria are. Sometimes, legitimacy is granted especially by a criterion. For example, the emotional criterion is basic and essential in the case of ideological affiliation, belonging to religions or sports entities. In other cases, cognitive legitimacy is essential and almost exclusive. For example, the belief that public health is superior to private health gives cognitive legitimacy to public hospitals by the mere fact of being so. In other cases, many aspects or features of legitimacy must be considered at the same time. This is the case of the requirements to be met by organizations that compete to obtain international contracts.

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Chapter 2
Refocusing Isomorphism to Explain Organizational Legitimacy: A New Approach

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Abstract Isomorphism is the process by which organizations adopt similar structures, routines, or even strategies. Through this process, organizations obtain legitimacy and become institutionalized. This paper criticizes the traditional definition of isomorphism by suggesting that the idea of similarity has been used to imply that organizations are static, which is only true in a small number of cases. In reality, most organizations change according to internal or external contingency factors. The authors note that isomorphism is at the same time a process as well as a state that is reached by sharing essential organizational characteristics. Through this redefined approach to isomorphism, common characteristics are studied, and new propositions are put forth to improve our understanding on how organizational structures are built while also acknowledging and explaining differences among them.

Keywords Isomorphism · Legitimacy · Institutional theory · Routines · Structure · Strategy · Attributes of organizational legitimacy · Mission · Public interest · Stakeholder satisfaction · Ethical leadership · Information transparency · Added value

2.1 Introduction

Organizations seek legitimacy: "organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio & Powell, 1983: 150). Its importance is due to the fact that it is a key factor for organizational survival and success (Díez-Martín, Prado-Roman, & Blanco-González, 2013; Meyer & Rowan, 1977; Yang, Su, &

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Fam, 2012; Zimmerman & Zeitz, 2002; Zucker, 1987). Brown (1998: 35) states that "legitimate status is a sine qua non for easy access to resources, unrestricted access to markets, and long term survival."

Legitimacy does not happen overnight; it requires time and intentional actions—in other words, a process. In institutional theory, the process that allows an institution to acquire legitimacy is called institutionalization (Cruz-Suárez, Prado-Román, & Díez-Martín, 2014). The elevated status for an organization was first defined by Selznick (1957) as an "institution." This idea is coherent with research showing that entrepreneurs contemplate goals linked to public, social, or moral causes as well as the more commonly shared business principles (Clarke & Holt, 2010; Miles, 2011). Even then, recent economic upheaval has brought forward voices looking to place limits on the exclusive maximization of benefits without regard to societal costs (Munir, 2011).

Starting with the foundational work of Meyer and Rowan (1977), the study of organizational institutionalization has examined multiple aspects of this process (Haveman & David, 2008). Nevertheless, some authors identify a need to reconsider institutional theory in order to better explain differences among organizations (Greenwood, Hinings, & Whetten, 2014).

To answer this question, new institutionalists developed the concept of isomorphism. "The concept of legitimacy was once seen as a key mechanism of isomorphism in new institutional theory" (Anderson et al., 2006: 107). Isomorphism is based on the following axiom: once an organization in a certain field has been accepted by society because its actions are desirable, proper, or appropriate, it becomes legitimated. At this time, all other organizations in that field sharing those characteristics will also become legitimated (DiMaggio & Powell, 1983). Clegg (2010) points out that when organizations become isomorphic they obtain legitimacy and other benefits like survival. This axiom suggests that for an organization to become legitimated it must adapt itself to the structure of others in its field, thereby gaining access to the general legitimacy acquired by the field. From this axiom, a general proposition evolves: in a legitimated field, every organization that shares the characteristics of the others is seen as legitimate.

The idea of isomorphism arises from considering the institution as a cultural model (Greenwood & Suddaby, 2006) based on organizations that follow their environment's societal rules without questioning them, changing them, or disrupting them (Zimmerman & Zeitz, 2002). An institution's audience will thus perceive it to be more meaningful, predictable, and trustable.

Isomorphism arises from the institutional theory developed in the field of sociology; however its study has been expanded to social psychology of organizations (Baron & Pfeffer, 1994; Katz & Kahn, 1978), management (Warren, 2003), engineering and technology management (Chen & Tsou, 2012), marketing (Mudie, 2003), accounting and finance (Broadbent, Jacobs, & Laughlin, 2001), and business ethics (Donaldson & Dunfee, 1994). Institutional theory is an approach in which different areas of knowledge and research converge, favoring its enrichment.

The traditional concept of isomorphism is limited to the idea of organizations adopting similar forms to the ones considered as traditional in their field. These forms can consist of the way they perform business or their organizational routines (Meyer & Rowan, 1977), how they organize the chain of command and their hierarchical decision-making (their structure), or what goals and actions that they use to interact with their environment (their strategy) (Deephouse, 1996). This approach indicates that there are cause-effect relationships between institutional pressures (causes) and the characteristics of the organization, which upon receiving these pressures are transformed to obtain legitimacy. The consequence of this cause-effect relationship is that organizations are considered legitimate.

One of the most suggestive aspects of the study of isomorphism is that organizations may possess features that legitimize it. No other conceptual approach developed by institutional theory asserts that there are features that legitimize the organization. Although, at the individual level, there are authors who have expressed that legitimacy is initially earned by adopting "normative and widely endorsed organizational characteristics" (Kimberly, 1994: 58). To gain legitimacy and survive, the organizations will tend to incorporate features that are consistent with institutionalized myths (Meyer & Rowan, 1977; Selznick, 1996).

These characteristics, in the approach of the isomorphism, were initially the structure and the routines, to which later the strategy was added. We ask whether, in addition to the three characteristics mentioned above, there are others that could be considered with a similar weight or with the same legitimating capacity as the previous three, already accepted by the literature. Our work tries to integrate characteristics of the organizations that had already been pointed out in the field of institutional theory in the study of isomorphism. Our work tries to integrate into the study of isomorphism organizations' characteristics that had already been identified in the field of institutional theory but had not been considered as characteristics to be investigated in the isomorphism approach.

For example, Deephouse and Carter (2005: 333) stated that "organizational level research found that isomorphism on different attributes (e.g. strategies, missions, TQM practices) has a positive effect on different types of legitimacy." Other authors have insisted on the value generation and stakeholders satisfaction (Selznick, 1957), the essential role of leaders when they receive institutional pressures (Liang, Saraf, Hu, & Xue, 2007), or the information transparency role as an additional source of legitimacy (De Fine Licht, Naurin, Esaiasson, & Gilljam, 2014; Mitchell, 1997).

A second question, which seems transcendental, is related to the interpretation of the concept of isomorphism. Isomorphism means that an organization has the same form, in its basic characteristics (structure, routines, and strategy), than those others that are already recognized for their legitimacy. All of these lead to similar characteristics being developed across different organizations. Being similar to each other helps them live longer and be seen as more legitimate by their constituents (Clegg, 2010). Traditionally, this concept has been interpreted as a similar behavior among organizations in the same field (DiMaggio & Powell, 1983).

In an economic sector, strategies may have a common background in some aspects, but in fact they always demonstrate remarkable practical differences, partly because of the existence of strategic groups and partly because differences are what mark survival. Legitimacy arises not so much from the similarity of strategies as from the fact that they have strategies, with common aspects and with different aspects.

During much of the twentieth century, it was argued that the best way to develop large corporations was through a multidivisional form (M-form). This structural form is common in firms that grow through acquisition because it was more efficient than its predecessors. The M-form has several unique features, including (1) establishment of a division for each distinct business, (2) decentralization for operating each division, and (3) centralization of strategic, financial controls and resource allocations. Maintaining the characteristics pointed out, the real structures present great differences by the intensity with which they apply these characteristics. The origin of these differences lies in the internationalization of organizations, their age, the economic sector in which they operate, the management teams, and a large number of contingent factors. Institutionalized myths, such as the multidivisional structure of corporations, are respected, but actual structures possess enormous differences. And the point is, if the theory stays at this point, strong constraints will emerge.

Another similar issue occurs with practices that become routines. The implementation of practices derived from institutional pressures depends on specific aspects to each organization such as its history, dimension, etc. Townley's (1997) research shows that organizations can have similar characteristics but do things differently. This author examines the implementation of an obligatory rule at universities: teacher evaluation. The rule is common, but its application varies substantively depending on the type of university (humanities or technology), the history of the university, or the resistance of individual actors. After applying this norm, the final result is vastly different among institutions, although the norm has been accepted and followed by all of them. We can ask ourselves: Can the development of new routines or the variations produced in the structure of organizations be defined as similar using a very broad concept that encompasses everything? Should we not evolve in the use of concepts, since the current ones really do not allow us to sufficiently approximate what happens in organizations?

In this state, certain characteristics or attributes are adopted among all legitimated organization in the same field. This is a wider concept of isomorphism than the traditional version. In this sense, isomorphism would be a conceptual construct that goes beyond imitation to reference essential characteristics in organizations that are acquired in the institutionalization process.

The authors understand institutional isomorphism as a set of socially accepted common requirements and characteristics shared by members of a collective. These are the characteristics that define the process by which an organization turns into an institution. Identifying these common characteristics in legitimated organizations is the basis of our work.

Our proposal is that due to institutional pressures organizations adopt structures, routines, and strategies consistent with their position, history, dimension, and other contingent factors. These responses cause them to acquire similar characteristics in their expression but, at the same time, characteristics that may be very different in their contents. In turn, arise complementary strategies, structures, or complementary routines that are different. We understand that what is common in isomorphism is that organizations respond to institutional pressures by generating structures, routines, and strategies. What is common is the existence of a response to pressures, causing changes consistent with what the organization represents and its position in the market and its environment—changes that will be reflected in its basic characteristics.

The goal of the present investigation is an improved understanding of institutional structures and the differences between them (Greenwood et al., 2014) while noting the limitations and possible broadening of the isomorphism concept through the consideration of both cultural and cognitive components of each field as well as structural elements (Hinings, 2012). This is an essential step toward future research on how organizations become institutionalized (Peng, Sun, Pinkham, & Chen, 2009). The authors suggest that isomorphism is not only a process but also a condition that is reached when certain characteristics are acquired. Following this, they explore the condition-like aspects of isomorphism where common characteristics are shared among a group of organizations. A holistic perspective is applied to this analysis, which allows the exploration of subjects such as the unity of institutional characteristics, the existence of negative characteristics, and different degrees of institutionalization. Finally, the investigation's limits and future areas of research are explored.

2.2 Common Institutional Characteristics

The following section reviews those characteristics that differentiate institutions from organizations. Each characteristic is described in a way that facilitates empirical research. These characteristics make them one of the main mechanisms for social stability (Scott, 1987).

Isomorphism is a constraining process that forces one unit in a population to resemble other units (Hawley, 1968). The use of this definition has effects on two issues. Firstly, the need to test homogenization between organizations forces the study sample to be defined, that is, the population that will serve as a reference for establishing similarities. Secondly, it is necessary to specify what is meant by similarity. Third, it is essential to establish which variables are going to verify the similarity between organizations.

The study population was defined by DiMaggio and Powell (1983) as organizational field. Those authors state "By organizational field, we mean those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products" (DiMaggio & Powell, 1983: 148). This choice was justified by the observation that, within an organizational field, rational actors make their organizations increasingly similar. In other cases, the field of study has focused on a particular economic sector (Deephouse, 1996). And, as we see, the field of study is limited to seek the homogenization of organizations. The question is whether the homogenization of organizations occurs only in an organizational field or in an economic sector. Looking at the current situation of the organizations' responses to institutional pressures, it is easy to see that sometimes some pressures occur specifically in a sector. But usually, these pressures are directed to all the organizations without particularizing the sectors to which they belong. This is something that is totally evident to the regulatory pressures, whether of professional or cultural origin. This is also evident when we observe coercive pressures, with the establishment of norms that are almost always directed at all organizations. It is even valid for mimetic pressures, although in this case membership in a sector or an organizational field may have greater value and importance in establishing similarities.

The second question concerns the concept of similarity. This concept is based on the idea that two organizations are equivalent if they have ties of the same kind. Therefore, organizations can be considered as equivalent when they have similar characteristics.

The key question is to determine which features define similarity. We have two approaches. The traditional neo-institutional approach focuses on the similarity of what is done in organizations. For example, let's take the case of similarity strategies. To establish equivalence between strategies, the traditional approach would seek to verify that the strategy of an entity is defined in its basic objectives and is based on the same parameters and priorities as the organizations within its sector. The second approach is to verify that both organizations have strategies that have been defined based on professional requirements and that such strategy is adequate within the competitive framework of each organization. Thus, one can speak of similarity between two organizations when their strategies are properly developed and consistent with their environment. What is essential is that the organization has adequately defined its strategy following professional criteria and that the characteristic sought in the two organizations is that whether its implementation has followed the parameters admitted as essential in a good management, parameters that can be found in excellence models in management such as that developed by EFQM.

Finally, we have to identify which variables are going to verify the similarity between organizations. Many organizations that share a similar environment do not conform to the same patterns (Suddaby, 2010). What are the variables that can be identified to define a model of legitimacy based on isomorphism? We review the literature, and based on the three traditional variables (routines, structure, strategy), we add: organizational mission in the public interest, stakeholder satisfaction, ethical leadership, and information transparency. In total there are seven variables to define the organizational isomorphism model.

Routines

Routines are a term derived from institutional theory that encompasses a number of organizational management issues. In fact, management theory uses more specific terms to refer to routines such as processes, norms, rules, procedures, protocols, etc.

Routines are linked to the process of rationalization, in which we define the way of doing things, the order tasks are performed, appropriate behaviors, and other rules derived from experience or analysis.

Institutions are characterized by these types of taken-for-granted repetitive social behaviors that originate in both formal and informal norms. Institutional theory considers that norms and socialization processes are of central importance. This alludes to the following definition of institutions as "collections of stable rules and roles and corresponding sets of meanings and interpretations" (Czarniawska, 2008: 771).

Modern institutions are rationalized, and these rationalized elements act as myths, creating formal organizations (Scott, 1995). "Especially important is the fact that they are organized, that is, established, regularized, chartered, endorsed, and enforced, and hence made predictable and effective in all of the common or recurrent relational-functional situations." (Scott, 1987: 499). Meyer and Rowan (1977) highlighted that the growth of rationalized institutional elements or "rationalized myths" is an essential driver in the development of modern societies.

Firms adopt norms and rules that adjust to social expectations in order to acquire respect and legitimacy (Meyer & Rowan, 1977). Among these, we find professional development, auditing protocols, evaluations, and basic management systems (Weaver, Treviño, & Cochran, 1999). These norms and rules constitute the organization's rules. Routines are management tools found in all institutions that provide security to the stakeholders by defining processes, procedures, and behaviors that are dependable, secure, fair, and flexible. The greater the number of these formalized processes, the greater their utility as a source of isomorphism.

Routines have two types of positive effects, toward internal constituents and toward external stakeholders. With routines, institutional elements are easily communicated to new arrivals. In addition, routines are typically long-lasting and resist change (Zucker, 1977). Having a predefined way of behaving and working provides security to internal groups. From an external point of view, routines also provide security. External stakeholders know what to expect from an organization and how it will react in its interaction with external groups.

Benchmarking can be a way to acquire routines from the best organizations in a field. This is an efficient process that reduces search and analysis costs. Other organizations establish their own routines, without looking to match others in the field or best practices. In these organizations, the institutionalizing effect of routines originates in their alignment with the organization's mission and goals.

For Aguilera, Rupp, Williams, and Ganapathi (2007) isomorphism manifests itself as an adaptation of processes to local conditions, not only as a literal copy. Organizations may establish routines and still adapt to their individual circumstances and environment. Even if they share the same field, environmental variables such as organizational age, size, location, and market type may vary.

Our interpretation of the concept of isomorphism is similar to the one in ISO quality standards where certification is achieved not by simply copying another organization's norms but by having implemented norms and procedures with specific common requirements in certain fundamental areas. The fact that these routines are copied (or not) does not affect the ISO standards. Rather, what is important is that these norms exist and that they are designed and applied correctly.

Structure

As previously interpreted, isomorphism leads to "an inexorable push towards homogenization." (DiMaggio & Powell, 1983: 148). Organizations that incorporate structural elements from their field are legitimated. Those that do not risk their legitimacy (Arndt & Bigelow, 2000).

Institutional theory maintains that organizational structures are created to gain legitimacy from their stakeholders, instead of just to be more efficient (Drori & Honig, 2013; Kent & Zunker, 2013; Yang & Su, 2013). This happens both with internal structures (Griffin & Dunn, 2004) and external ones (Treviño, den Nieuwenboer, Kreiner, & Bishop, 2014). Departmental and divisional areas within organizations in the same field are often the same, precisely because they have copied each other. This movement toward structural imitation is not solely based on rationality or efficiency considerations.

Whatever the cause (mimicry, regulation, or cognitive factors), organizational structures have a tendency to converge by field into what is considered normal, accepted, and correct. In these structures, isomorphism is evident in the number of divisions or departments that must make an organization, the division of tasks among them, the names they receive, their relative importance within an organization, and how they are grouped (by function, by market, etc.). The creation of divisions and departments—with whatever labels are used—reflects highly rationalized myths concerning functional specialization and hierarchy. For example, at a practical level if organizations in a field typically have a maintenance department, other organizations in the same field must adopt a similarly named department.

Formal structures in the current postindustrial society are a reflection of institutional myths regarding the requirements of each work activity. Ruebottom (2013) noted that even organizational leaders are not cognizant of the cultural myths they create to legitimize their organizations. Isomorphic structures are not necessarily more efficient, but they are highly persistent. This provides stakeholders with the necessary security and stability. In consequence, structural institutionalization is a strong component of organizational institutionalization. The fact that similar departments exist in many organizations does not mean that they always have the same functions, way of working, or influence in the decision-making process. Organizations adopt heterogeneous practices and structures in response to the institutional competitive dynamics in their respective fields (Choi & Bhakoo, 2013). Zucker (1977) highlights the importance of having a clearly defined line of command. He shows that individual actor's behavior will be more stable and according to rules if the actor occupies a specific position within the organization.

Other choices must be made through a group decision-making process. Organizations usually encompass varying ways of thinking that originate in its different units, geographic areas, stakeholder groups, strategic vision discrepancies, and the behavior and way of understanding things of its members. Unifying these visions and sensibilities is key to create stability within the organization. It is therefore necessary to define how collective decision-making processes work, along with their components and functions. As Mintzberg (1992) states in his study of organizational power, large organizations are best understood as a coalition of different interests, each with a negotiated level of authority.

As applied in this paper, the concept of institutional structure is a model that includes the hierarchical organization of formal power among its executives, the degree of centralization, and the way collective decision-making entities are defined with both external or internal participants. In reality, the way these structures originate in institutionalized organizations is a process in which compounds of conventions around decision-making rules and other organizational routines have fossilized into structural entities (Palmer, Biggart, & Dick, 2008). Once these structures have become institutionalized, their capacity to survive and prosper can be a function of how stable these structures appear to be rather than a measure of their performance. As structural isomorphism develops in an organization, it acquires greater legitimacy.

Strategy

Even though isomorphism studies initially analyzed organizational structures and routines, in time institutional theory practitioners incorporated organizational theory into their field (DiMaggio & Powell, 1991; Scott, 2014). Numerous empirical studies show how institutional forces influence the adoption of certain strategies (Dhalla & Oliver, 2013; Peng, 2002). In a variety of fields, organizations deploy similar strategies. Researchers that notice this phenomenon dub it strategic isomorphism.

Deephouse (1996) examines the link between strategic isomorphism and organizational legitimacy. He studies banking organizations and defines strategic isomorphism as the way in which these entities distribute their resources and operations. According to his definition, isomorphism exists when resources are distributed in a similar way and when products offered by them were distributed in similar proportions. For this author, strategic isomorphism exists when strategies in an organization are similar to those of other organizations in its field. Organizations in the field benefit from following similar strategies because it helps them become more legitimate. If they behave according to these rules of strategic behavior, their actions will be seen as more acceptable, and societal actors will consider them to be legitimate (Meyer & Rowan, 1977).

There are three main causes of strategic isomorphism. The first is environmental uncertainty and ambiguity. Since it is not easy to know what the best strategy is, executives try to mitigate the risk of introducing new strategies and thus avoid their possible failure. By following the group, they avoid potential criticism and find support. Peloza (2006) finds that when certain key businesses set the bar by involving themselves in social initiatives, others follow suit even though the efficiency of such measures may not have been proven. Second, certain public and private regulatory entities establish norms that imply the use of certain strategies (DiMaggio & Powell, 1983; Reid & Toffel, 2009). In some fields such as healthcare or education, this phenomenon is especially salient. Third, organizations naturally align their strategies with other organizations in the same field by virtue of being in contact with each other. This connection among them occurs through professional networks or association as well as through the use of benchmarking. With it, organizations strive to learn from the best in their fields and approximate their strategies (Oliver, 1991).

Furthermore, another comprehensive interpretation of strategic isomorphism is based on how a strategy is developed and implemented. A link has been shown to exist between how developed an organization's strategies are and how legitimate it is (Díez-Martín, Prado-Román, & Blanco-González, 2013). A strategy requires the following conditions: (a) a written mission, vision, and values statement, (b) a strategic plan, and (c) measurement and evaluation of its execution (Ruef & Scott, 1998).

Organizational Mission in the Public Interest

Institutions are best understood as a set of actions oriented to fulfilling a mission in the public interest (Evans, 1995). In the context of this work, public interest is defined as a set of practices and strategies that defend common interests and promote human rights and social justice. Thus, an institution is an organization that has a positive effect on the "common good" or "social well-being." As a consequence, its existence and continuity benefit its environment and society as a whole.

Oliver (1991) states that an institution is an entity that performs a function that is in the public interest or is seen as greatly prestigious within a social group. The distinction between private or public ownership of the entity or legal structure would not be relevant considerations.

The term "business" is sometimes used as a placeholder for an organization that is opposed to an "institution." In business, ownership interests have priority over moral, ethical, or historic considerations. Traditionally, a business is defined as an occupation or entity whose primary goal is to obtain profits. Its survival depends on the opportunities that it meets over time. Over time, the assertion that businesses were free of moral restrictions originated a conceptual divide between them and other organizations that did have a mission oriented toward the public interest: institutions. It is obvious that the public interest is not met when an organization's actions are oriented toward fraud, security violations, corruptions, or speculation or when they only satisfy the needs of a single person or its owners.

Alternatively, the moral unity theory of business asserts that businesses are part of an all-encompassing social environment and are subjected to the some moral norms that affect social institutions (Sud, VanSandt, & Baugous, 2009). In this sense, businesses are undeveloped institutions or organizations at the initial end of the institutionalization continuum. When a business defines a mission that is in the public interest, it starts a process of institutionalization.

While public interest can encompass numerous aspects, an organization may be deemed to defend it when its existence and continuity are in the interest of society as a whole or of its immediate environment. A business that provides employment in a distressed area is in the public interest—similarly, if it develops new technologies or simply provides neighborhood supplies. Public interest can be seen in these and other organizations that provide added value and are socially legitimated. In consequence, there is a close link between implementing activities in the public interest and social recognition of an institution.

Stakeholder Satisfaction

When services or goods are produced, resources are utilized to convert inputs into outputs. In the process, value is added or created. All organizations create value, but when they are institutionalized, there is an "infusion with value beyond the technical requirements of the task at hand" (Selznick, 1957: 17).

Stakeholders pressure administrators to define the organization's social obligations and its interactions with each respective stakeholder group (Driscoll & Starik, 2004).

Influence on an organization by stakeholders can be direct or indirect, depending on the dependence relationship between the firm and stakeholders (Frooman, 1999). Stakeholders that do not control critical or valued resources (Sharma & Henriques, 2005) may only influence indirectly through other stakeholder groups. Notwithstanding the type of influence, institutions must satisfy their needs.

Identifying the most significant stakeholder groups is an important process. Different groups may have different aspirations and ways of valuing things (Bitektine, 2011). For instance, Lamin and Zaheer (2012) studied two different interest groups: the public at large and the investor community. For each group, the actions that would develop an organization's legitimacy were very different. This suggests that each group operates by a different set of moral rules: the public seemed to value fairness above all, while investors valued profits.

Ethical Leadership

The impact of leadership on organizational legitimacy has not yet been the focus of much study. Nevertheless, management excellence models (i.e., European Foundation for Quality Management (EFQM) Model) have paid much attention to these matters. One of the EFQM's eight principles is "Leading with vision, inspiration and integrity." It states that organizations that aspire for excellence have leaders that are models in performance, values, and ethics. "Legitimacy contributes to a leader's ability to gain voluntary compliance and support for decisions, contributing to perceptions of leader efectiveness" (Brown, Treviño, & Harrison, 2005: 123).

Even though researchers of isomorphism have not identified leadership as an attribute for legitimacy, it seems evident that an institution's public image and that of its leaders are related. When it is known that a leader uses his or her institution for self-benefit or crime, the institution's credibility crumbles. If the organization's employees feel unjustly treated, the leadership team's legitimacy disappears and with it institutional legitimacy (Drori & Honig, 2013). An organization's image is highly related to that of its leader.

Any institution, public or private, can be delegitimized by the behavior of its executive team. For example, in 2005 consulting firm Arthur Andersen—then an auditor of Enron—was accused of collaborating in covering up its client's tax fraud. It was publicly accused of purposefully being lax in its auditing capacity to benefit its consulting branch. Andersen was convicted of destroying documents as the government began investigating Enron's accounting. As a consequence, Andersen dissolved under the pressure of public opinion.

There are two essential components of leadership: (a) internal and external leadership recognition and (b) ethical behavior.

Institutions count on leaders to inspire others with their vision, to communicate a clear path for their organization, and to unite and motivate other organizational leaders to inspire their collaborators in pursuit of a common goal (EFQM, 2012). Leaders also represent an outward-facing image that should inspire confidence in the management of the organization and provide stability and security to those that interact with it.

They must exhibit a commitment to follow currently applicable rules and accept government policy. Their personal behavior must be exemplary. Inversely, when organizations engage in less than exemplary behaviors, these are commonly interpreted as being inspired or consented by its leaders. An organization cannot acquire legitimacy if its leaders are seen as ineffective (Schyns & Schilling, 2011), unhelpful (Stein, 2013), or corrupt.

Information Transparency

Times are long past when shareholders, society at large, and other stakeholders would not ask questions, request information, or be satisfied with superficial or incomplete answers. From approximately the 1970s, scholars have anticipated these changes (Toffler, 1980) by considering information and communication an integral part of organizational management.

The growing significance of supranational governance organizations has spurred demands for greater transparency of organizations and institution, indicating the potential for transparency to improve the legitimacy and accountability (Auld & Gulbrandsen, 2010).

Information has evolved from a weak demand to a right and necessity in the decision-making process. Relationships and trust between organizations and stakeholders are built on information and communication (Kent & Zunker, 2013). Numerous certification processes value communicativeness as a central value, i.e., in ISO standards, RECU accreditation, or EFQM excellence models. The implementation of these models has paralleled the increasing importance of true and accurate information across an organization.

Curtin and Meijer (2006) asked "Does transparency strengthen legitimacy?" They argued that transparency is a key element, but assumptions about the relation between transparency and legitimacy can and should be avoided. Moreover, De Fine Licht et al. (2014) analyzed causal mechanisms that may drive a link between transparency and legitimacy.

Increasing interest in transparency and its relationship to organizational legitimacy is contributing to new and better theoretical foundations. For example, the observation that information transparency has three attributes, one of which is legitimacy but must be accompanied by salience and credibility (Cash et al., 2003). From our point of view, legitimacy already includes salience and credibility, but it is convenient to check how these issues stand out in any studies on the subject. Other studies on transparency distinguish between two types, procedural and outcome transparency, whose impact on the goals sought can be differentiated (Auld & Gulbrandsen, 2010). It has even been revealed "the potentially negative effect of transparency in decision making on perceived legitimacy" (de Fine Licht, 2011: 183).

Etzion and Ferraro (2010) emphasize the importance of reporting in an organization's institutionalization process. If an organization hides information or excessively limits communication channels, it closes opportunities for interaction and alienates stakeholders. It will be hard for these organizations to become legitimized since not enough is known about them.

2.3 Discussion

In the current study, isomorphism has been presented as a state that is achieved when organizations complete a process of institutionalization (DiMaggio & Powell, 1983). At this stage, organizations exhibit practices, processes, strategies, structures, and other characteristics that are similar to other organizations in their field. Originally, the study of isomorphism erroneously concluded that organizations would become identical (Suddaby, 2010). We consider that this concept should mature into the concept that organizations differentiate themselves but maintain identical principles related to structure, strategy, mission, stakeholders, leadership, and transparency.

There are multiple paths for an organization to become institutionalized, but evidence is scant as to which is most effective. This is related to the concept of "equifinality by interpreting fit as feasible sets of equally effective alternative designs, with each design internally consistent in its structural pattern and with each set matched to a configuration of contingencies facing the organization" (Drazin & Van de Ven, 1985:

520). In fact, institutions have developed differently, with alternative strategies and with widely varying processes, norms, and policies. Katz and Kahn (1978) suggest that different systems can reach a similar final state even if they have different initial conditions and evolutionary paths. Therefore, in interpreting the process of isomorphism, we view defining the final state as more important than how an organization gets there. The final state is when an organization is seen as an institution.

Certain problems are ignored by the traditional view of isomorphism, such as optimal adjustment to environmental changes or the variety of possible environments for different organizations belonging to the same field. Different organizational forms (routines and structures) correspond with different environments (Filatotchev & Nakajima, 2014; Hannan & Freeman, 1977). Ruef and Scott (1998) point out that the saliency of each effect (institutional characteristics or forms) varies depending on the nature of the institutional environment. Therefore, traditional isomorphism can only be applied in a small—and most probably, diminishing—number of situations. "One might examine whether, and the extent to which, different users are interested in different types of content" (Golden-Biddle, Locke, & Reay, 2006: 250).

Some researchers are trying to break those barriers. For example, they investigate how institutional pressures motivate the firm to adopt a strategy and how such effects are moderated by organizational culture suggesting that the dimensions of institutional pressures (normative, mimetic, and coercive pressures) have differential effects on the strategy. The work of Liang et al. (2007) suggest that mimetic pressures positively affect top management beliefs, which then positively affects top management participation in the ERP assimilation process. This introduces mediating variables in the creation of routines, as a consequence of institutional pressures. In this line, other works, such as by Slack and Hinings (1994) who study the pressures from a state agency to adopt a more professional and bureaucratic design, highlight the role of the resistance to institutional pressures, proving that certain elements of structure do not change as much as others.

We also strove to identify the common characteristics that define institutions, despite their differences, and how isomorphism occurs in each of these characteristics. After this process, it is still necessary to examine institutions from a holistic point of view. To do this, three main questions must be examined. The first is whether institutional characteristics form a unified whole. In other words, must every characteristic be present in every case? The second question looks at whether negative characteristics imply a loss of legitimacy. The third studies if institutionalization can be seen as a continuum with different degrees of institutionalization.

To study these questions, the authors define three propositions. While propositions are statements that can be demonstrated as true or false, this confirmation process is out of the scope of the current study.

By defining the attributes of isomorphism differently from the traditional, we broaden the field of inquiry and generate new questions. With the consideration of attributes of legitimacy that were found in the literature but which were not valued as attributes of isomorphism, we improved the understanding of the consequences of institutional pressures on the legitimacy of organizations.

Institutions achieve legitimacy by communication of a perception of stability, security, credibility, utility, and trust. Institutions are seen by society at large and its stakeholders as being "stable" (Bromley, 2001; Czarniawska, 2008; Huy, 2001; Leaptrott, 2005; Meyer & Rowan, 1977) since they trust their continuity in time; "secure" (Arndt & Bigelow, 2000; Choi & Bhakoo, 2013; Oliver, 1991) because they know what to expect from them; "credible" (Certo, 2003; Huy, 2001) because they will not try to mislead them; "useful" (Selznick, 1996) because they provide employment, modernization, economic activity, and added value; and "trustworthy" (Boxenbaum & Jonsson, 2008; Contardo & Wensley, 2004; Ruef & Scott, 1998) because institutional values are solid and socially accepted.

Achieving these characteristics is not an easy task. An institution must orient its actions and policies toward achieving these goals. Over time, these actions will transform the way it functions, its effectiveness and efficiency, as well as its capacity for innovation. When an organization develops and defines its structure by making visible its individual and group decision-making organs, it provides stability and security for its stakeholders. Similarly, defining processes and routines also communicates stability and security. Defining an institutional strategy meets these goals and provides value to its stakeholders. When organizations have a mission that is in the public interest they become trustworthy. A strong, ethical leadership provides security, credibility, and trust. Satisfying the needs of its stakeholders provides value and trust. Finally, an organization with clear and transparent communications gives its stakeholders security, credibility, value, and trust.

In this way, the previously identified organizational characteristics are closely related to the factors that legitimize an organization. Institutions are organizations that serve their stakeholder groups, have exemplary leaders, have a mission and social function that goes beyond providing profits to its owners, and communicate in a truthful and transparent way.

Proposition 1. Legitimized organizations share common attributes or isomorphic characteristics.

An essential question is whether legitimacy should be studied independently or as part of a whole. Could an organization be legitimate for one group and illegitimate for another? If an organization has resource legitimacy (Ahlstrom & Bruton, 2001) but not moral legitimacy, is it still legitimate? Our approach has been to consider the whole rather than the parts, rejecting the idea that legitimacy can be seen as a partial component of an organization (Deephouse & Suchman, 2008). An organization is either legitimate or not. In our view, an eclectic posture that accepts legitimacy in one aspect but not others should be rejected as a distortion of the concept.

Legitimacy is, in its essence, a holistic concept. When an institution becomes legitimized, it acquires certain attributes that differentiate it from other organizations. This is how isomorphism occurs.

Knowing the characteristics of an institution also allows us to examine situations in which institutional trust is lost (Maguire & Phillips, 2008). Professor Velarde (Principe de Asturias Prize for Economics) explained that countries sometimes commit economic suicide by destroying their means of sustenance. This can happen with institutions as well if any of the seven characteristics is destroyed.

As a consequence, new research proposals emerge. In order to consider the isomorphism of organizations, it is enough to evaluate the isomorphism of one of the attributes like the strategy (Deephouse, 1996), or is it necessary to confluence all the attributes?

Every institution displays these characteristics in varying degrees according to their level of institutionalization, but, in order to be considered as an institution, they must all be there.

Proposition 2. An organization cannot be considered to be an institution if it lacks any one of the isomorphic institutional characteristics.

Legitimacy is what makes organizations into institutions (Meyer & Rowan, 1977). Until now, legitimacy has been interpreted as a dichotomous variable: an organization has it or not (Zimmerman & Zeitz, 2002). While this may sometimes be the case, we have noted that the tools for determining different levels of institutionalization do not exist. If as we propose varying levels of institutionalization are possible, the process of institutionalization would not end when a certain level of legitimacy is reached. It would rather be a process of continuous development.

Institutions cannot be seen as something static and fixed. They are organizations that change and evolve to adapt to their environment. Denying change is contrary to the concept of institution. As Clegg (2010, p. 5) points out "ideal types tend to reification, and institutional isomorphism mechanisms are no exception." Institutions are stable systems and at the same time generate change and new behaviors (Czarniawska, 2008). An essential institutional characteristic is their capacity for change and adaptation (Greenwood, Suddaby, & Hinings, 2002). Selznick's (1957) vision of organizational structure as an adaptive mechanism that reacts to the characteristics of its participants and environment is an inductive piece of evidence toward the importance of change in the institutionalization process. Institutions are lasting precisely because they are able to change and adapt.

Legitimacy is not a permanent characteristic either. It is a dynamic concept that evolves with society's values and beliefs. The long-lasting characteristic of institutions implies that change must be a constant. Therefore, being able to measure the degree of institutionalization of an organization is crucial in order to compare it with other institutions.

Proposition 3. The degree or level of institutionalization depends on the individual level of each of the institutional attributes and what is deemed as socially desirable. These levels are not permanent, since they evolve in parallel with social change.

The weakness of this approach is that it does not permit for valid speculation on the relative importance of these isomorphic characteristics. We have defined a way to describe institutions through their characteristic elements but have not established levels that would identify differences in excellence or institutional quality. In general, intensity in each of these characteristics would be seen as positive, but they cannot in and of themselves determine institutional excellence. This study does not seek to model the level or degree of institutionalization. To do so would require defining a scale and empirical studies that use the abovementioned characteristics to determine organizational levels of institutionalization.

Second, this investigation does not offer a general model. We assumed that excellent institutions show certain equilibrium in their characteristics and that none is over or underrepresented. Even though we identified seven characteristics, it is possible that others exist. Future research should examine the existence of other dimensions.

Third, we attempted to describe the final state of institutional isomorphism. We identified the key variables that characterize such institutions. At the same time, an institution is an organization that has been legitimized. Therefore, the model requires a bridge between institutionalization as defined by organizational characteristics and organizational legitimacy.

"Institutional theory is rather like a flu virus, constantly mutating as it diffuses" (Greenwood, 2008: 153). Empirical analysis is necessary to confirm all the above statements. Hypotheses need to be laid out that propose a link between isomorphic variables and institutionalization. "The question of which aspects/dimensions of the organization's activities, structure, or outcomes the audiences use in legitimacy judgment is critical for determining the overall legitimacy of the organization" (Bitektine, 2011: 156). Future research should test the existence of these dimensions of isomorphism and their relationship with legitimacy.

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Chapter 3
Organizational Legitimacy Research: Contributing Countries and Institutions from 1995 to 2014

Francisco Díez-Martín, Louis Diez, and Alicia Blanco-Gonzalez

Abstract Organizational legitimacy has raised great concern in management research; however, no bibliometric studies have been conducted in this field. The aim of this paper is to show the structure formed by the countries and institutions that contribute to research on organizational legitimacy. The development and evolution of organizational legitimacy as a field of study is shown through a bibliometric study in four 5-year periods (from 1995 to 2014). The results provide information on the main countries and institutions that contribute to research in the field of organizational legitimacy, the lines of research that have been developed and who share them, how legitimacy research between countries and institutions is related, which countries and institutions represent real turning points in this field and how the dissemination of organizational legitimacy research between countries and institutions has evolved. In general, this paper shows how since the beginning of research on the concept of legitimacy applied to organizations and the countries that have generated the highest frequency of citations are the USA, Canada, England and Australia, followed later by China, the Netherlands, France and Spain, while the institutions with the most significant frequencies are Univ. of Alberta, Penn State Univ., Harvard Univ., Warwick Univ., York Univ. and Erasmus Univ. This study provides a comprehensive review of the contributors to the discipline of organizational legitimacy, different schools and lines of research, as well as a starting point for future researchers to continue to build a solid theoretical base.

Keywords Organizational legitimacy · Bibliometric analysis · Literature review · State of the art · Legitimacy · Business legitimacy · Bibliometric method · Legitimacy contributors

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3.1 Introduction

The concept of legitimacy as a key element of the institutional theory has aroused great interest among the scientific community. One of the reasons is because it allows for better understanding of the behaviour of organizations and their stakeholders. A simple search using the word legitimacy in business journals of major scientific databases, such as the Web of Science, shows more than 2000 articles. Two-thirds of these articles were published in the last decade (2007–2016) in numerous scientific journals, including the most prestigious ones: *Organization Studies*, *Academy of Management Journal* or *Strategic Management Journal*.

Since Suchman (1995) and Scott (1995) provided understanding of organizational legitimacy, great advances have been made in this field of research. Thus, studies have emerged, which analyse the behaviour of legitimacy sources (Bitektine, 2011; Tost, 2011), the actions that companies can develop to gain legitimacy (Cho & Patten, 2007; Suddaby & Greenwood, 2005) and the effects of legitimacy on obtaining resources (Pollack, Rutherford, & Nagy, 2012; Pollock & Rindova, 2003), the effect on business results (Cruz-Suárez, Prado-Román, & Prado-Román, 2014) and the effect on business success (Díez-Martín, Prado-Roman, & Blanco-González, 2013). All this has led to progress in a great number of lines of research such as the creation of companies (Tornikoski & Newbert, 2007; Zimmerman & Zeitz, 2002), internationalization (Kostova, Roth, & Dacin, 2008), corporate social responsibility (Scherer & Palazzo, 2007) or management of stakeholders (Mitchell, Agle, & Wood, 1997).

The great number of lines of research that has emerged related to the concept of organizational legitimacy has led to the emergence of some literature reviews. As the knowledge of a research field accumulates, its periodic analysis becomes essential. This type of work is of great value for the progress of science because it groups the main contributions in a field of research. The majority of existing reviews in this field have been qualitative. The most relevant review out of all of them, due to its number of citations, is 'legitimacy in organizational institutionalism' (Deephouse & Suchman, 2008), where a summary of theoretical and empirical research on organizational legitimacy is made and suggestions on the elements that make up the process of legitimization are given. This paper was updated recently in a version that responds to six big questions on organizational legitimacy: concept, importance, source, strategies, types and evolution (Deephouse, Bundy, Tost, & Suchman, 2017). Other reviews of interest are 'legitimacy' (Suddaby, Bitektine, & Haack, 2017) or 'legitimation of new ventures' (Überbacher, 2014).

The progress of science is multiplied with the cooperation between researchers. As a field of research evolves, it undergoes a transition in its collaborative structure, from a small number of disconnected researchers to a much larger network, where a large collaborative group appears connecting the structure (Bettencourt, Kaiser, & Kaur, 2009). The process of scientific discovery and the reorganization of the collaborative structure of emerging fields can be understood in general terms as a process of cognitive and social unification of many initially separated efforts. Since new conceptual findings arise from increasingly close collaboration between scientists, this made us become interested in the knowledge structure among contributors in the field of organizational legitimacy.

Thus, by using a bibliometric study we try to respond to what the main countries and institutions that contribute to research in the field of organizational legitimacy are, the lines of research that have been developed and who share them, how legitimacy investigations between countries and institutions are connected, which countries and institutions represent real turning points in this field and how the dissemination of research on organizational legitimacy between countries and institutions has evolved.

Beyond the objectives of this research, this paper continues with the description of the methodology used to respond to the previous questions. The results of the bibliometric analysis are then presented, and the conclusions of the study are established.

3.2 Research Method

In order to know the knowledge structure of organizational legitimacy between countries and institutions, a bibliometric study was carried out. Bibliometrics helps researchers to understand the origin and evolution of a discipline, as well as complement and extend the results obtained by using more traditional techniques of literature review (Ramos-Rodríguez & Ruíz-Navarro, 2004). Bibliometric methods have several possible uses: evaluating the performance of publications of scientists and institutions, as well as the mapping of science in order to reveal the structure and dynamics of scientific fields (Zupic & Cater, 2015).

In this paper we use the analysis of co-citations. Unlike the citation analysis, a co-citation is defined as the frequency with which two documents are cited together in a paper (Small, 1973). Therefore, documents are co-cited if they are included in the same paper. So, if two elements are cited together, they will probably have some kind of content related. In addition, the influence of the co-cited paper will be greater on its field of knowledge. In contrast, citation analysis provides information on the relative influence of a paper, so it is not capable of identifying interconnection networks between academics. Co-citation analysis is useful for reporting on paper networks and even detecting changes in paradigms and schools of thought (Zupic & Cater, 2015). However, the major drawback of co-citation analysis is that the frequency of co-citations is not independent of the moment at which the analysis is started, so papers of earlier dates are more likely to be the most co-cited (Vogel & Güttel, 2012).

Currently, the analysis of co-citations can be carried out using some of the numerous software of scientific visualization, such as Pajek, Jigsaw, VOSviewer or HistCite. These tools have their own advantages and disadvantages. However, CiteSpace was used in this work. It is scientific detection and visualization software based on Java, which enables to analyse the critical changes that take place in a field of research (Chen, 2006; Chen, Ibekwe-SanJuan, & Hou, 2010). It is specially designed to support the analytical visualization process and can produce co-citation networks based on citations of articles that reveal the structure of a particular research field. Its results include being capable of extracting the main research clusters in a given field, as well as their connection. In addition, CiteSpace analyses co-occurrence networks not only between authors and keywords but also between institutions and countries.

The elaboration of the database for CiteSpace was done in several steps. First, the documents under analysis were selected. For this, only articles from scientific journals from the Social Science Citation Index (SSCI) containing the term ‘legitimacy’ in the title, abstract or keywords were analysed. Later we filtered the articles according to the scientific area to which they belonged. In this research, we are interested in articles related to the areas of business and finance. Third, we delimited the period of analysis, and only articles between 1995 and 2014 were selected. A total of 1605 articles were used in four 5-year analysis periods (1995–1999, 2000–2004, 2005–2009, 2010–2014). Each period had 87, 147, 453 and 918 articles, respectively. At this point, using the co-citation method, the literature suggests that its reliability improves when used to analyse past, noncurrent periods. For this last purpose, the use of bibliographic coupling would be more adequate (Vogel & Güttel, 2012).

After elaborating the database, the main paths of the evolution of organizational legitimacy between institutions and between countries were mapped. The analytical process consists of categorizing clusters of countries and institutions in the discipline of organizational legitimacy, identifying the major clusters in the knowledge map, identifying the key countries and institutions that connect knowledge paths and performing a chronological analysis of the evolution of knowledge between countries and institutions. This was done in the four time periods mentioned above. The following parameters in CiteSpace were used: (1) time slice, according to the analysis period (slice length = 1 year); (2) term source, country or institution; (3) node type, country or institution; (4) pruning, pathfinder/pruning the merged network; and (5) selection criteria, top 50 per slice.

3.3 Results

Organizational Legitimacy Knowledge Structure by Country

Figures 3.1, 3.2, 3.3 and 3.4 show the network of countries that contributed to the study of organizational legitimacy from 1995 to 2014. Countries are represented by nodes, whose size depends on the frequency of citations received. Thus, during the 1995–1999 period, the country that generated the highest frequency of citations in the field of organizational legitimacy was the USA (34 citations), followed by Canada (14 citations) and England (11 citations). These countries represent the core of studies on organizational legitimacy. The ten countries that produced the

Fig. 3.1 The network of countries for organizational legitimacy: 1995–1999

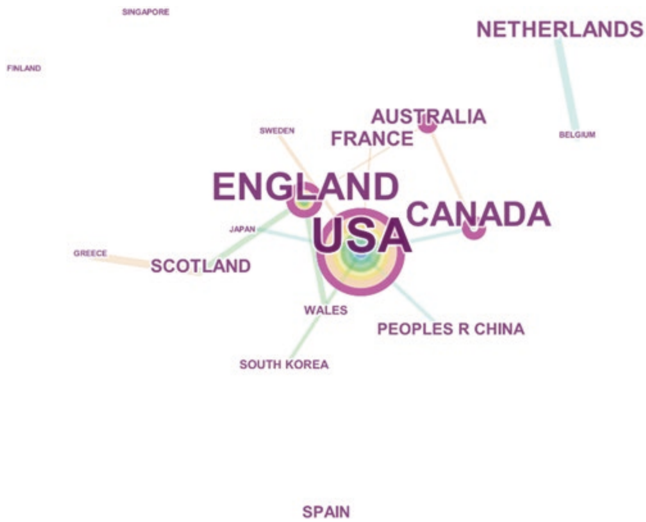

Fig. 3.2 The network of countries for organizational legitimacy: 2000–2004

most citations in the field of organizational legitimacy, in each of the four study periods, are shown in Table 3.1. It is worth noting that during the following study periods (2000–2004, 2005–2009, 2010–2014), the USA continues to be the country that contributes most to the field of organizational legitimacy, generating more than twice as many citations as the second or third country that contributes most to this area. Besides, Canada and England continue to be, behind the USA, the

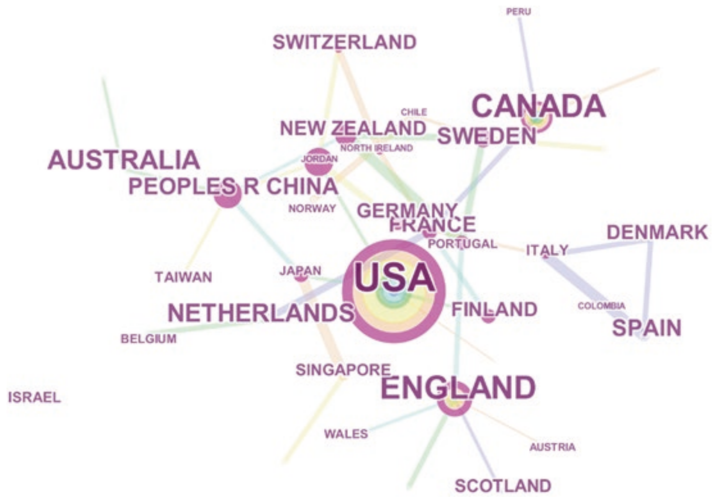

Fig. 3.3 The network of countries for organizational legitimacy: 2005–2009

Fig. 3.4 The network of countries for organizational legitimacy: 2010–2014

countries that generate the highest frequency of citations in this field. This core of countries is maintained over time. During the 2010–2014 period, Australia achieves a citation level similar to Canada, considered one of the countries with the greatest contribution increase in this field. Between 2005 and 2009, a substructure of

Table 3.1 Top 10 organizational legitimacy research distribution by country

Period	Rank	Country	Frequency >10	Rank	Country	Centrality >0.10
1995–1999	1	USA	36	1	USA	0.33
1995–1999	2	Canada	14	2	Canada	0.15
1995–1999	3	England	11	3	England	0.11
2000–2004	1	USA	77	1	USA	0.32
2000–2004	2	England	28	2	Canada	0.24
2000–2004	3	Canada	19	3	Australia	0.22
2000–2004	…	…	…	4	England	0.21
2005–2009	1	USA	185	1	P.R. China	0.80
2005–2009	2	Canada	67	2	Jordan	0.61
2005–2009	3	England	66	3	New Zealand	0.59
2005–2009	4	Australia	27	4	USA	0.41
2005–2009	5	Netherlands	25	5	France	0.38
2005–2009	6	P.R. China	20	6	Portugal	0.36
2005–2009	7	spain	17	7	England	0.31
2005–2009	8	Sweden	16	8	Japan	0.29
2005–2009	9	France	13	9	Finland	0.27
2005–2009	10	Germany	12	10	Sweden	0.24
2010–2014	1	USA	311	1	Switzerland	0.96
2010–2014	2	England	156	2	Italy	0.85
2010–2014	3	Australia	103	3	England	0.71
2010–2014	4	Canada	103	4	Finland	0.64
2010–2014	5	France	54	5	Wales	0.58
2010–2014	6	P.R. China	49	6	P.R. China	0.53
2010–2014	7	Netherlands	45	7	Netherlands	0.51
2010–2014	8	Spain	42	8	Belgium	0.49
2010–2014	9	Germany	35	9	Spain	0.43
2010–2014	10	Finland	27	10	Ireland	0.34

countries that generate citations in this area is observed. This substructure is maintained during the following period, which is formed by the Netherlands, China, Spain, France and Germany.

A more in-depth analysis of the nodes that make up the network of contributing countries to the field of organizational legitimacy enables to observe that some nodes have a purple ring (see Figs. 3.1, 3.2, 3.3 and 3.4). This shows the centrality of the node in the network. Thus, a greater thickness of the purple ring implies a greater centrality of the country. Betweenness centrality measures the degree to which a particular node, which refers to a cited article, is connected to other nodes in a network. Centrality is related to points of intellectual inflection. A very centralized node indicates that it connects many different links. The analysis of the inflection point enables to show the paradigmatic changes and the evolution of a specific discipline. In our case, it identifies those countries that have contributed to the evolution and better understanding of the field of organizational legitimacy.

Therefore, countries with high centrality are those that have acted as bridges connecting different research trends in our field of study. They reveal the intellectual transition of a field of study over time (Chen, 2004).

According to the theory of social networks, a centrality greater than 0.10 is considered high (Fang, 2015). During the first two periods under study, the countries with the greatest centrality were the USA, Canada, England and Australia, coinciding with the countries with the highest frequency of citations. However, the passage of time has led these countries to lose centrality to the benefit of new ones, whose research has enabled to connect papers in the field of organizational legitimacy (see Table 3.1). In the 2005–2009 period, China, Jordan and New Zealand stood out due to their centrality, whereas during the 2010–2014 period, Switzerland, Italy and England are the countries with the highest centrality. In this last period, countries such as the USA, Canada or Australia do not appear among the top 10 with the highest centrality.

Unlike the first two study periods, since 2005, countries such as Australia and Canada do not share lines of research in legitimacy with other countries, despite maintaining a high number of citations. For example, from 2005 to 2009 the lines of research of Australian researchers were fundamentally similar to those of researchers in China. The lines of researchers in Spain resembled mainly those of researchers of Colombia or Denmark. On the other hand, the lines of researchers of New Zealand had a relatively broader similarity with other countries, such as China, Germany, Jordan, New Ireland or Sweden. This suggests that research teams in countries like Canada are strong enough to carry out independent research or to generate systems with autonomous lines of research.

The evolution of a research field needs to be based on the accumulation of knowledge. At this point, it is possible to know the main clusters of countries in which similar lines of research are developed. Table 3.2 shows the evolution of the organizational legitimacy clusters by country. We can observe that during the 1995–1999 period, there were two groups of countries, formed by four and two countries, respectively, with similar lines of research of their members. The mean silhouette value is over 0.8. Generally speaking, the values of mean silhouette should be between 1 and 1. Values close to 1 mean that the cluster is consistent and similar in content terms. This indicates a high-quality cluster analysis of organizational legitimacy. One of the clusters formed in this period shows a mean silhouette equal to 1, indicating that the cluster is hardly representative, so it was removed from the results. The section title term by LLR shows the lines of research that make up the cluster.

The evolution of the concept of organizational legitimacy has led to the emergence of a greater number of contributing countries in this area, as well as the emergence of new lines of research. While in the beginning, the research area had two clusters of countries with similar research; during the 2009–2014 period, we found up to six clusters. However, clusters of countries are not maintained over time, showing that countries alternate their lines of research.

Table 3.2 Evolution of the organizational legitimacy clusters by country

Period	Cluster	Size	Silhouette	Title term by LLR	Members
1995–1999	0	4	0.835	Making sense (26.46, 1.0E-4); risk society (26.46, 1.0E-4); new franchisor mortality (19.45, 1.0E-4); institutional explanation (19.45, 1.0E-4); new firm survival (19.45, 1.0E-4)	USA; South Korea; Singapore; France;
1995–1999	1	4	1	Low representative	…
1995–1999	2	2	0.842	Organization theory (45.78, 1.0E-4); marketing action (10.92, 0.001); institutional environment (10.92, 0.001)	Canada; Netherlands;
2000–2004	0	6	0.925	Corporate greening (21.01, 1.0E-4); middle manager (17.44, 1.0E-4); new venture (7.22, 0.01); new organizational form (6.4, 0.05); institutional change (6, 0.05)	USA; France; P.R. China; Spain; South Korea; Sweden; Japan; India;
2000–2004	1	4	0.904	Middle manager (23.52, 1.0E-4); management modernizer (18.73, 1.0E-4); new venture (3.88, 0.05); organizing activities (3.88, 0.05)	England; Scotland; Wales; Greece;
2000–2004	2	2	0.747	Discourse analysis (9.71, 0.005); expatriate (9.71, 0.005); public administration (9.71, 0.005); new organizational form (0.29, 1.0); institutional change (0.27, 1.0)	Canada; Australia;
2005–2009	0	7	0.766	Collaborative management (81.61, 1.0E-4); general public interest (66.57, 1.0E-4); institutional theory perspective (59.08, 1.0E-4); private finance initiative (59.08, 1.0E-4); accounting standard (59.08, 1.0E-4)	Canada; Netherlands; France; Belgium; Peru; North Ireland; Turkey;
2005–2009	1	6	0.724	Isomorphic pressure (92.29, 1.0E-4); shielding idiosyncrasy (92.29, 1.0E-4); multinational enterprise (59.23, 1.0E-4);	Spain; Germany; Switzerland; Denmark; Italy; Jordan
2005–2009	2	6	0.896	Network view (57.09, 1.0E-4); socio-political behaviour (57.09, 1.0E-4); multinational retailer (50.65, 1.0E-4); unsuccessful internationalization attempt (50.65, 1.0E-4); social institution (44.23, 1.0E-4)	Sweden; New Zealand; Portugal; Norway; Chile; South Korea
2005–2009	3	6	0.582	Particularistic relationships in business group performance (61.22, 1.0E-4); institutional transition (61.22, 1.0E-4); collaborative management (38.82, 1.0E-4); eastern Europe (34.69, 1.0E-4); international business (34.69, 1.0E-4); institutional development (34.69, 1.0E-4)	USA; Finland; Singapore; Japan; Lithuania; India
2005–2009	4	5	0.940	Market-level information (60.62, 1.0E-4); exploratory analysis (60.62, 1.0E-4); competing technologies (60.62, 1.0E-4); local practice (51.19, 1.0E-4);	England; Scotland; Wales; Austria; Greece;

(continued)

Table 3.2 (continued)

Period	Cluster	Size	Silhouette	Title term by LLR	Members
2005–2009	5	4	0.853	CSR reporting (51.11, 1.0E-4); stakeholder influence strategy model (43.69, 1.0E-4); organizational change (21.67, 1.0E-4); presenting identity (21.67, 1.0E-4)	Australia; P.R. China; Taiwan; Slovenia;
2010–2014	0	12	0.878	Foreign affiliate performance (173.33, 1.0E-4); managing supplier-retailer relationship (166.4, 1.0E-4); New Zealand biotechnology (158.31, 1.0E-4); network dynamics (124.87, 1.0E-4)	USA; P.R. China; New Zealand; Taiwan; Singapore; South Africa; South Korea; U Arab Emirates; Japan; Russia; Kuwait; Qatar
2010–2014	1	10	0.947	New form (161.48, 1.0E-4); institutional theory perspective (156.07, 1.0E-4); religious discourse (150.66, 1.0E-4); organizational change (150.66, 1.0E-4); stakeholder perspective (150.66, 1.0E-4); relational perspective (145.26, 1.0E-4)	France; Spain; Finland; Turkey; Brazil; Portugal; Greece; Chile; Lebanon; Philippines;
2010–2014	2	9	0.844	Corporate governance (232.28, 1.0E-4); emerging economy (219.29, 1.0E-4); resource allocation (167.44, 1.0E-4); rhetorical resource (150.19, 1.0E-4)	England; Scotland; Wales; Malaysia; Pakistan; Iran; Mauritius; Argentina; Romania
2010–2014	3	8	0.846	South Africa (261.96, 1.0E-4); strategic commitment (261.96, 1.0E-4); emerging market (261.96, 1.0E-4); issue field (194.22, 1.0E-4); shareholder value (194.22, 1.0E-4)	Germany; Sweden; Denmark; Norway; Austria; Israel; India; Mexico;
2010–2014	4	8	0.808	Multinational industrial firm (231.87, 1.0E-4); transition environment (119.29, 1.0E-4); controversial industry policy (110.7, 1.0E-4); supply chain (93.56, 1.0E-4)	Netherlands; Switzerland; Italy; Belgium; Luxembourg; Lithuania; Cyprus; Ukraine;
2010–2014	5	7	0.885	Market governance system (154, 1.0E-4); high-performance human resource practice (150.71, 1.0E-4); strategic human resource management (150.71, 1.0E-4); societal institution (147.42, 1.0E-4); HRM practice (147.42, 1.0E-4)	Australia; Canada; Ireland; North Ireland; Kazakhstan; Indonesia; Jordan

Organizational Legitimacy Knowledge Structure by Institution

Figures 3.5, 3.6, 3.7 and 3.8 show the network of institutions that contributed to the study of organizational legitimacy from 1995 to 2014. During the 1995–1999 period, Emory Univ. and Victoria Univ. were the institutions that generated the highest frequency of citations (three citations) in the field of organizational legitimacy. The institution with the most frequent citations from 2000 to 2004 was Univ. Nottingham (7 citations), while the leader during the following two periods (2005–2009; 2010–2014) was Univ. of Alberta with 12 and 16 citations. Table 3.3 shows the ten institutions that produced the most frequent citations in the field of organizational legitimacy for each of the four study periods. No institution reaches the top 10 of contributing institutions during all study periods. Only two institutions are in the top 10 for three periods: Penn State Univ. and Erasmus Univ., while there are four universities in the top 10 for two periods: Univ. of Alberta, Harvard Univ., York Univ. and Warwick Univ. The universities that produced the highest frequency of citations in the field of organizational legitimacy are Penn State Univ., Erasmus Univ., Univ. of Alberta, Harvard Univ., York Univ. and Warwick University. These six universities are in the top 10 during 2005–2009 and 2010–2014 and form the core knowledge structure in the field of organizational legitimacy. Taking into account the period between 1995 and 2014, the university with the highest frequency of citations was Univ. of Alberta (Canada) followed by Penn State University (USA) and Erasmus University (the Netherlands), respectively.

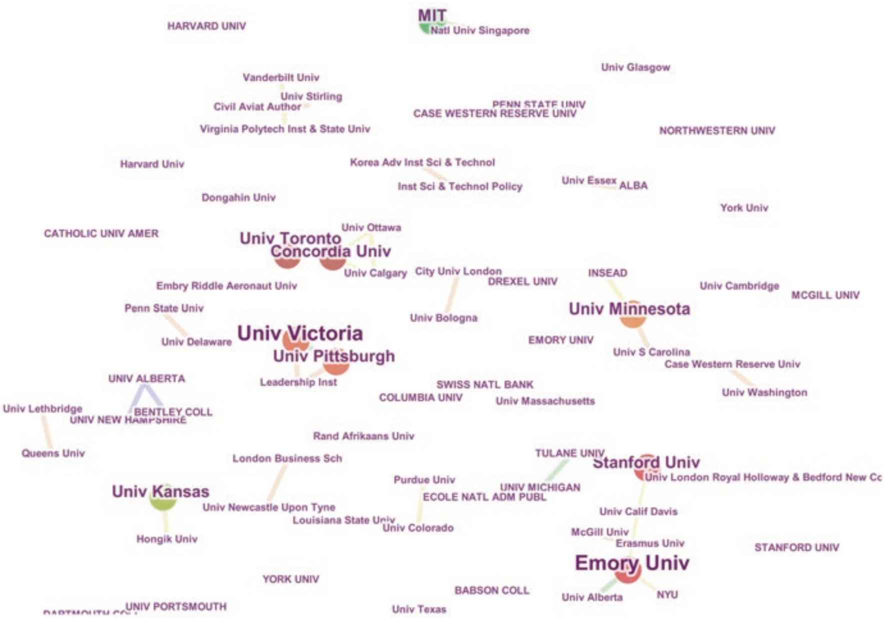

Fig. 3.5 The network of institutions for organizational legitimacy: 1995–1999

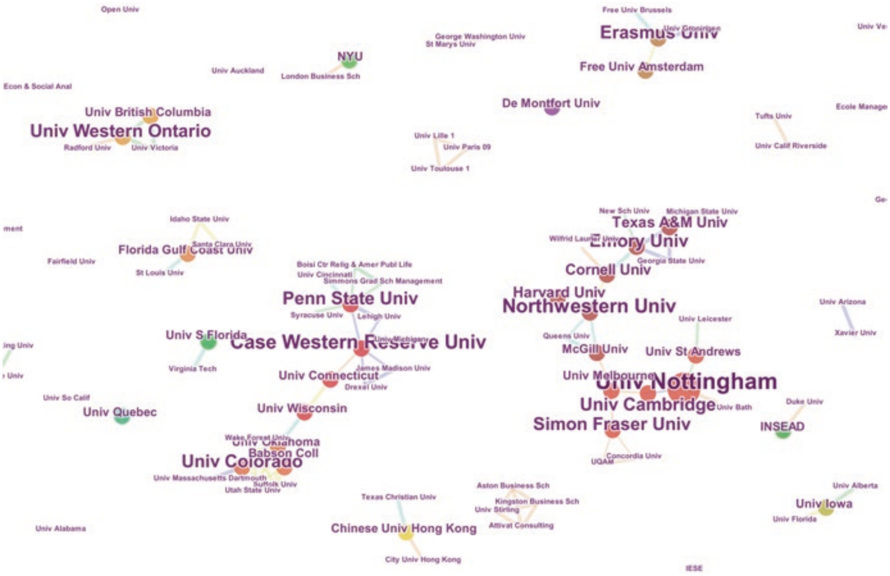

Fig. 3.6 The network of institutions for organizational legitimacy: 2000–2004

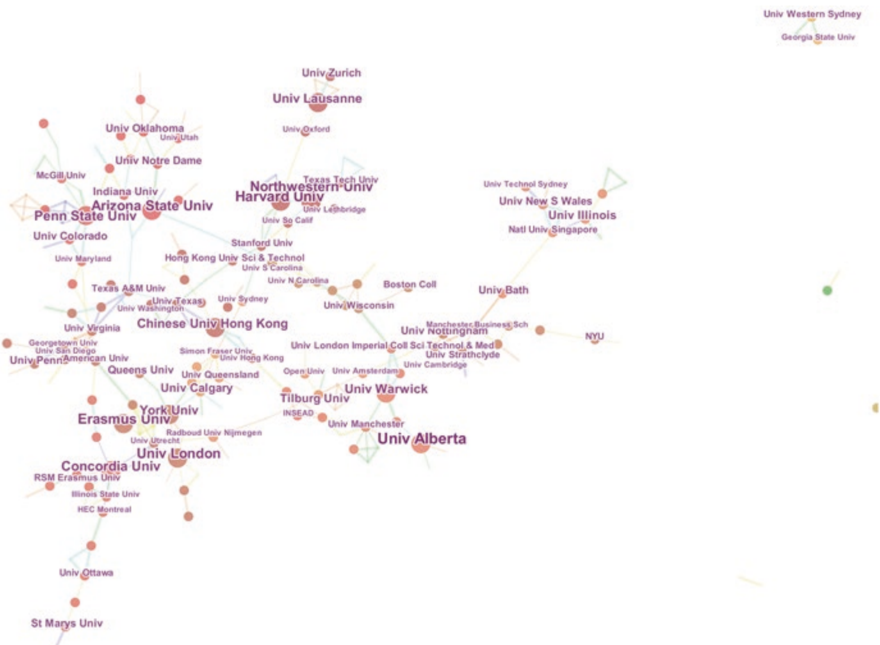

Fig. 3.7 The network of institutions for organizational legitimacy: 2005–2009

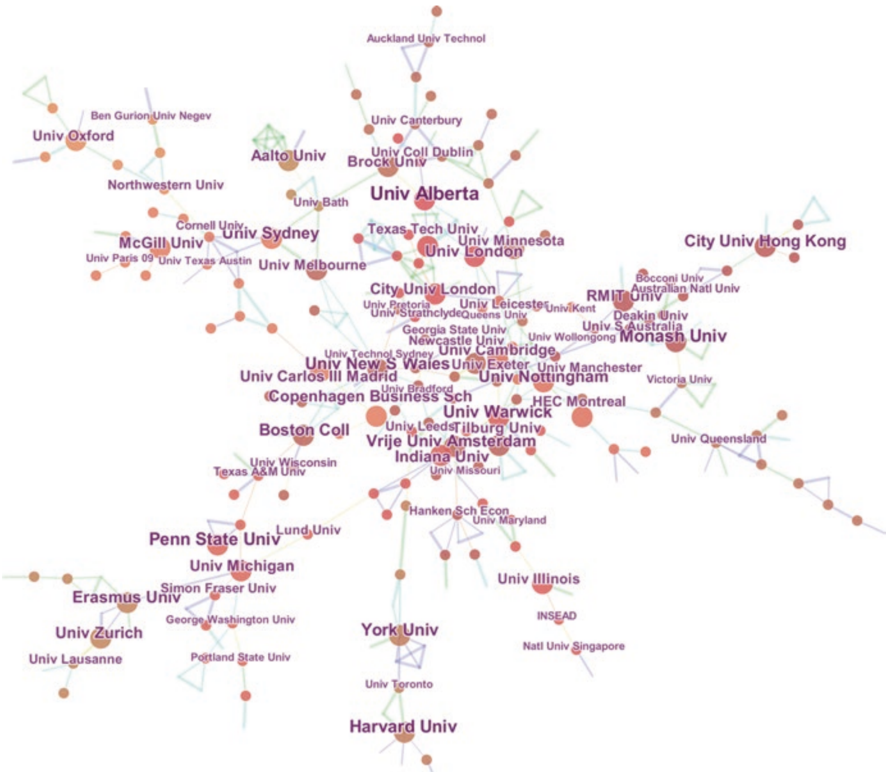

Fig. 3.8 The network of institutions for organizational legitimacy: 2010–2014

Table 3.3 Top 10 organizational legitimacy research distribution by institution

Period	Institution	Frequency >1	Cluster ID
1995–1999	Emory Univ	3	0
1995–1999	Univ Victoria	3	2
1995–1999	Univ Minnesota	2	4
1995–1999	Stanford Univ	2	0
1995–1999	MIT	2	20
1995–1999	Univ Kansas	2	11
1995–1999	Univ Toronto	2	1
1995–1999	Concordia Univ	2	1
1995–1999	Univ Pittsburgh	2	2
2000–2004	Univ Nottingham	7	2
2000–2004	Northwestern Univ	5	1
2000–2004	Case Western Reserve Univ	5	0
2000–2004	Univ Western Ontario	4	8
2000–2004	Univ Colorado	4	4
2000–2004	Univ Cambridge	4	2

(continued)

Table 3.3 (continued)

Period	Institution	Frequency >1	Cluster ID
2000–2004	Simon Fraser Univ	4	2
2000–2004	Penn State Univ.	4	0
2000–2004	Erasmus Univ	4	7
2000–2004	Emory Univ	4	1
2005–2009	Univ. of Alberta	12	6
2005–2009	Harvard Univ	10	1
2005–2009	Erasmus Univ	9	7
2005–2009	Univ London	9	7
2005–2009	Northwestern Univ	9	1
2005–2009	Arizona State Univ	9	0
2005–2009	Concordia Univ	8	4
2005–2009	Penn State Univ.	8	2
2005–2009	York Univ	7	7
2005–2009	Warwick Univ.	7	6
2010–2014	Univ. of Alberta	16	0
2010–2014	Penn State Univ.	13	4
2010–2014	Monash Univ	13	1
2010–2014	Harvard Univ	13	11
2010–2014	Warwick Univ.	12	2
2010–2014	York Univ	12	11
2010–2014	Univ New S Wales	12	5
2010–2014	Boston Coll	11	5
2010–2014	Vrije Univ Amsterdam	11	3
2010–2014	Erasmus Univ	11	13

Centrality >0.10 for each institution

A more detailed analysis of the centrality of each institution will enable to identify the inflection points that involve changes in the field of organizational legitimacy, more specifically, those institutions that have acted as bridges, connecting different research trends. However, no institution shows a centrality higher than 0.10. Therefore, it is not possible to claim the existence of institutions that play a critical role, which the research network structure on organizational legitimacy depends on.

Table 3.4 shows the evolution of the organizational legitimacy clusters by institutions. We can observe that during the 1995–1999 period, those institutions where organizational legitimacy was studied followed different lines of research. However, during the 2000–2004 period, the existence of institutions with similar lines of research can be observed. Thus, in this period we find up to 4 broad lines of research grouped into clusters between 12 and 7 institutions (mean silhouette>0.8 and <1). The evolution of the research field led to the emergence of new lines of research, as observed during 2005–2009, where we found 13 clusters with mean silhouette >0.8 and <1 and during 2010–2014, with 14 clusters with mean silhouette >0.8 and <1. The cluster size also increases with time. The section title term by LLR shows the lines of research that make up the cluster.

Table 3.4 Evolution of the organizational legitimacy clusters by institution

Period	Cluster	Size	Silhouette	Title term by LLR	Members
1995–1999	…	…	1	Low representative	…
2000–2004	0	12	0,882	Social construction (88.99, 1.0E-4); new product development (74.39, 1.0E-4); high technology venture (74.39, 1.0E-4); empirical analysis (74.39, 1.0E-4); dynamic capabilities (74.39, 1.0E-4)	Univ Wisconsin; Univ Michigan; Univ Connecticut; Univ Cincinnati; Syracuse Univ; Simmons Grad Sch Management; Penn State Univ.; Lehigh Univ; James Madison Univ; Drexel Univ; Case Western Reserve Univ; Boisi Ctr for Relig and Amer Publ Life
2000–2004	1	11	0,954	Hometown ideology (86.9, 1.0E-4); institutional semiotics (86.9, 1.0E-4); Walmart flyer (86.9, 1.0E-4); institutionalizing identity (54.24, 1.0E-4); symbolic isomorphism (54.24, 1.0E-4)	Texas A&M Univ; Queens Univ; Northwestern Univ; New Sch Univ; Michigan State Univ; McGill Univ; Harvard Univ; Georgia State Univ; Emory Univ; Cornell Univ; Wilfrid Laurier Univ;
2000–2004	2	9	0,955	Corporate environmental disclosure (112.11, 1.0E-4); contrasting managements perception (112.11, 1.0E-4); management modernizer (72.71, 1.0E-4); long march (72.71, 1.0E-4); emerging field (59.81, 1.0E-4)	Univ St Andrews; Univ Nottingham; Univ Melbourne; Univ Leicester; Univ Cambridge; Univ Bath; UQAM; Simon Fraser Univ; Concordia Univ
2000–2004	3	8	1	Low representative	…
2000–2004	4	7	0,981	Entrepreneurship research (124.38, 1.0E-4); stakeholder approach (36.53, 1.0E-4); organizational identity (24.75, 1.0E-4)	Wake Forest Univ; Utah State Univ; Univ Oklahoma; Univ Massachusetts; Dartmouth Coll; Univ Colorado; Suffolk Univ; Babson Coll
2005–2009	0	21	0,958	Lockup period (172.45, 1.0E-4); initial public offering (172.45, 1.0E-4); maintaining institutional control (168.1, 1.0E-4); international joint venture (137.67, 1.0E-4)	Univ Alabama; Singapore Management Univ; Kansas State Univ; Arizona State Univ; Univ Utah; Univ Oklahoma; Univ Notre Dame; Indiana Univ; Washington State Univ; Univ Waterloo; Univ Missouri; Strategyn Inc.; Peking Univ; N Carolina State Univ; Louisiana Tech Univ; Indian Inst Management Calcutta; IESE Business Sch; Garvin Sch of Int Management; Florida Atlantic Univ; EM Lyon; CEIBS; ALBA Grad Business Sch

(continued)

Table 3.4 (continued)

Period	Cluster	Size	Silhouette	Title term by LLR	Members
2005–2009	1	20	0,984	Outdoor recreation (217.98, 1.0E-4); managing natural location (217.98, 1.0E-4); consulting firm (172.88, 1.0E-4); organizational social capital (172.88, 1.0E-4)	Harvard Univ; Univ So Calif; Univ Lausanne; Univ Zurich; Univ Lethbridge; Texas Tech Univ; Stanford Univ; Northwestern Univ; Western Michigan Univ; W Texas A&M Univ; Univ Ulster; Univ Strasbourg; Univ Oxford; Univ Adelaide; Texas So Univ; Monash Univ; IMD; IBM Corp; Emory Univ; Calif State Univ Northridge
2005–2009	2	18	0,965	Few good women (230.46, 1.0E-4); industrial research (230.46, 1.0E-4); recent increase (201.87, 1.0E-4); managerial discretion (201.87, 1.0E-4); institutional theory (201.87, 1.0E-4);	Rutgers State Univ; Penn State Univ.; Univ Maryland; Univ Colorado; Univ Victoria; Univ Tsukuba; Univ Melbourne; Univ Massachusetts; Univ Denver; New Jersey Inst Technol; McGill Univ; Lehigh Univ; Jackson Leadership Syst Inc.; Dartmouth Coll; Cornell Univ; Calif State Univ Fullerton; Aston Univ
2005–2009	3	18	0,925	Geographic scope (161.59, 1.0E-4); insider ownership (161.59, 1.0E-4); institutional persistence (147.61, 1.0E-4); cognitive underpinning (147.61, 1.0E-4)	Natl Sun Yat Sen Univ; Chinese Univ Hong Kong; Univ Texas; Univ Texas Dallas; Univ Texas Arlington; Univ Hong Kong; Hong Kong Univ Sci and Technol; Univ Wyoming; Univ Washington; Univ Dayton; Texas Christian Univ; San Francisco State Univ; Ohio State Univ; McMaster Univ; Kobe Univ; Indiana Univ Penn; Duke Univ; Australian Grad Sch Management
2005–2009	4	17	0,860	Measurement selection via (179.85, 1.0E-4); ownership-efficiency relationship (179.85, 1.0E-4); Canadian business school (132.97, 1.0E-4); research note (127.13, 1.0E-4); corporate charitable contribution (115.47, 1.0E-4)	St Marys Univ; Univ Ghent; Univ Delaware; Illinois State Univ; HEC Montreal; Concordia Univ; Univ Quebec; Univ Ottawa; Univ Cent Florida; RSM Erasmus Univ; HEC Sch Management; Vlerick Leuven Ghent Management Sch; St Francis Xavier Univ; Laurentian Univ; GAN Assurances; Brigham Young Univ Hawaii; Acadia Univ
2005–2009	5	16	0,973	Stakeholder responsibility (252.76, 1.0E-4); private security companies (252.76, 1.0E-4); organizational identity characteristics (113.7, 1.0E-4); negative evaluation (113.7, 1.0E-4); organizational response (113.7, 1.0E-4);	Univ Virginia; Univ Penn; Villanova Univ; Univ San Diego; Univ Montana; Texas A&M Univ; Georgetown Univ; American Univ; Univ St Thomas; Univ Richmond; Univ Penn Wharton; Univ Oregon; Seinajoki Univ Appl Sci; San Diego State Univ; SUNY Binghamton; Cheung Kong Grad Sch Business

2005–2009	6	16	0,930	Theoretical triangulation (269.61, 1.0E-4); extending institutional analysis (269.61, 1.0E-4); network view (159.3, 1.0E-4); socio-political behaviour (159.3, 1.0E-4)	Warwick Univ.; Univ London Imperial Coll Sci Technol and Med; Univ. of Alberta; Stockholm Sch Econ; Kingston Univ; Uppsala Univ; Univ Manchester; Univ Cardiff Wales; Keio Univ; Victoria Univ Wellington; Staffordshire Univ; Natl Inst Nanotechnol; Middle E Tech Univ; Inje Univ; ISCTE Escola Gestao; INSEAD
2005–2009	7	16	0,940	Corporate social responsibility (249.73, 1.0E-4); international context (190.81, 1.0E-4); resource-based advantage (190.81, 1.0E-4); green narrative (112.86, 1.0E-4); employee representation (102.53, 1.0E-4); strategic alliance (92.21, 1.0E-4)	Univ Utrecht; Virginia Tech; Erasmus Univ; York Univ; Univ Houston; Queens Univ; Int Solut Grp; Univ Trier; Univ Texas El Paso; Univ St Gallen; Univ London; Univ Gloucestershire; Univ Fed Armed Forces; Univ China; Mem Univ Newfoundland; Brown Univ
2005–2009	8	14	0,946	Postcrisis communication (239.74, 1.0E-4); postcrisis discourse (239.74, 1.0E-4); ecological interdependence (85.39, 1.0E-4); unstable identities (85.39, 1.0E-4); organizational ecology (78.77, 1.0E-4)	Univ New S Wales; Univ Illinois; Univ Bath; Natl Univ Singapore; Univ Technol Sydney; N Dakota State Univ; Wayne State Univ; Univ Wollongong; Univ W England; Univ Chicago; Univ Arkansas; Fed Reserve Bank Atlanta; Cleveland State Univ; BILD
2005–2009	9	13	0,946	Exit rate (142.53, 1.0E-4); film producer organization (142.53, 1.0E-4); network ties (142.53, 1.0E-4); long-term incentive pay decision (124.54, 1.0E-4); UK remuneration committee (124.54, 1.0E-4); executive pay (124.54, 1.0E-4)	Univ Strathclyde; Univ Nottingham; NYU; Manchester Business Sch; Manchester Metropolitan Univ; Univ Sheffield; Univ Durham; Univ Cent Lancashire; Univ Cambridge; Univ Bologna; Seattle Univ; City Univ London; Bournemouth Univ
2005–2009	10	12	0,892	Knowledge spillover (219.22, 1.0E-4); Basel II (101.64, 1.0E-4); poor countries (101.64, 1.0E-4); political economy (101.64, 1.0E-4); reflective cycle (87.97, 1.0E-4); design knowledge development (87.97, 1.0E-4)	Open Univ; Tilburg Univ; Radboud Univ Nijmegen; ZEW Ctr European Econ Res; Van de Geijin Partners; Univ Hamburg; Univ Amsterdam; Kings Coll London; Int Monetary Fund; Eindhoven Univ Technol; Deutsch Bundesbank; Cap Gemini

(continued)

Table 3.4 (continued)

Period	Cluster	Size	Silhouette	Title term by LLR	Members
2005–2009	11	12	0,932	Accounting information expenditure (172.52, 1.0E-4); occupational dirty work (105.53, 1.0E-4); integrating social identity (105.53, 1.0E-4); identity dynamics (105.53, 1.0E-4); system justification perspective (105.53, 1.0E-4)	Univ Wisconsin; Univ N Carolina; Boston Coll; Univ No Colorado; Wright State Univ; Michigan State Univ; Utah State Univ; Univ S Carolina; Univ Memphis; Univ Cincinnati; Univ Arizona; Simmons Coll
2005–2009	12	9	0,932	Social norm (86.51, 1.0E-4); Internet-based case (86.51, 1.0E-4); governance paradox (86.51, 1.0E-4); technological turbulence (86.51, 1.0E-4)	Univ Queensland; Univ Toronto; Univ Calgary; Simon Fraser Univ; Univ Sydney; Univ Manitoba; Univ Exeter; Real Estate Dev Inst; Dalhousie Univ
2010–2014	0	30	0,958	Corporate governance (443.87, 1.0E-4); strategic commitment (303.57, 1.0E-4); foreign IPO capital market choice (286.57, 1.0E-4); emerging market (285.69, 1.0E-4); corporate reputation (248.37, 1.0E-4)	Univ. of Alberta; Univ London; City Univ London; Texas Tech Univ; Univ Coll Dublin; Univ Strathclyde; Univ Texas Arlington; Bangor Univ; Ramon Llull Univ; Vienna Univ Econ and Business; San Diego State Univ; Bournemouth Univ; Univ Stirling; Univ Dallas; Nielsen Co; BSH Bosch and Siemens Hausgeraete GmbH; Brigham Young Univ; Vienna Univ Econ Business; Dublin City Univ; Louisiana State Univ; IPADE; Aberystwyth Univ; No Illinois Univ; Univ Ballarat; Aston Univ; Edinburgh Napier Univ; Mississippi State Univ; Univ Cape Town; IIM Bangalore; Univ Glasgow
2010–2014	1	23	0,963	Established firm (368.94, 1.0E-4); entrepreneurial orientation (358.45, 1.0E-4); new venture (271.37, 1.0E-4); product innovation (266.17, 1.0E-4); project management approach (266.17, 1.0E-4)	Monash Univ; City Univ Hong Kong; RMIT Univ; Univ S Australia; Deakin Univ; Australian Natl Univ; Bocconi Univ; Univ Wollongong; Shanghai Jiao Tong Univ; Bond Univ; China Univ Min and Technol; Univ Western Sydney; Harbin Inst Technol; Victoria Univ Wellington; Nanjing Univ; Xi An Jiao Tong Univ; Willamette Univ; Hong Kong Univ Sci and Technol; Univ New Mexico; CQ Univ; Univ Jember; Swinburne Univ Technol; Univ Adelaide

2010–2014	2	23	0,941	Web technologies (454.25, 1.0E-4); financial indicator (308.29, 1.0E-4); process model (225.49, 1.0E-4); multinational corporation (179.11, 1.0E-4); emerging economy (165.04, 1.0E-4)	Warwick Univ.; Indiana Univ; Univ Illinois; Georgia State Univ; Natl Univ Singapore; Univ Missouri; INSEAD; Univ Maryland; Rice Univ; Jonkoping Int Business Sch; Wilfrid Laurier Univ; Univ Georgia; Syracuse Univ; Univ E Anglia; Singapore Management Univ; N Carolina State Univ; Univ Essex; Brunel Univ; Univ Kansas; Univ Hull; United Arab Emirates Univ; Claremont Mckenna Coll; Fundacao Getulio Vargas
2010–2014	3	22	0,944	Organizational action (287.39, 1.0E-4); recursive perspective (287.39, 1.0E-4); global organizational restructuring (281.69, 1.0E-4); rhetorical perspective (281.69, 1.0E-4)	Vrije Univ Amsterdam; Tilburg Univ; Univ Leeds; Hanken Sch Econ; Univ Bradford; Radboud Univ Nijmegen; Mid Sweden Univ; Univ Liverpool; Univ Amsterdam; EMLYON Business Sch; IESEG Sch Management LEM CNRS; Univ Sains Malaysia; Bergamo Univ; Payame Noor Univ; European Univ Inst Florence; Univ Lugano; Euromed Management Toulon; Ecol Management Lyon; EM Lyon Business Sch; Dalarna Univ; Vrije Univ; Helsinki Sch Econ
2010–2014	4	21	0,926	Strategic alliance (384.71, 1.0E-4); new venture growth (354.89, 1.0E-4); enterprise systems software industry (278.1, 1.0E-4); crowded market (278.1, 1.0E-4); exploring cultural misfit (265.61, 1.0E-4)	Penn State Univ.; Univ Michigan; Lund Univ; Simon Fraser Univ; Texas A&M Univ; Portland State Univ; George Washington Univ; Oklahoma State Univ; Michigan State Univ; Univ S Carolina; Bilkent Univ; Univ New Hampshire; Univ Connecticut; Amer Univ Kuwait; Ball State Univ; Univ Calif Davis; Univ Louisville; Emory Univ; Univ Tennessee Knoxville; Baylor Univ; Univ Texas San Antonio
2010–2014	5	21	0,873	International accountability standard (484.6, 1.0E-4); prologue stability (392.12, 1.0E-4); global economy (369.1, 1.0E-4); knowledge production (208.95, 1.0E-4); consulting team (208.95, 1.0E-4); sustainability report (157.85, 1.0E-4)	Univ New S Wales; Boston Coll; Univ Exeter; Univ Melbourne; Newcastle Univ; Univ Wisconsin; Univ Pretoria; Univ Technol Sydney; European Business Sch; Chapman Univ; Strathclyde Business Sch; Suffolk Univ; Massey Univ; Purdue Univ; QUT Business Sch; Leuphana Univ Luneburg; Warwick Business Sch; Western New England Univ; Australian Sch Business; Curtin Univ; Univ Erlangen Nurnberg

(continued)

Table 3.4 (continued)

Period	Cluster	Size	Silhouette	Title term by LLR	Members
2010–2014	6	20	0,886	Network picture (644.3, 1.0E-4); industrial marketing research (319, 1.0E-4); consultancy output (207.14, 1.0E-4); accounting technologies (207.14, 1.0E-4)	Univ Nottingham; Univ Cambridge; HEC Montreal; Univ Leicester; Queens Univ; Univ Kent; Nottingham Trent Univ; Univ Sheffield; Univ London Imperial Coll Sci Technol and Med; Copenhagen Sch Econ and Business Adm; MINES ParisTech; Univ Western Australia; So Cross Univ; Swansea Univ; Kingston Univ; Univ Plymouth; WU Vienna Univ Econ and Business; Aspire Fdn; Natl Univ Ireland; Dingwall Enterprises
2010–2014	7	20	0,932	Employment system (292.24, 1.0E-4); national adoption (184.78, 1.0E-4); task environment perspective (179.15, 1.0E-4); managing supplier-retailer relationship (179.15, 1.0E-4); international accounting standard (175.89, 1.0E-4)	Brock Univ; Univ Minnesota; Univ Canterbury; Auckland Univ Technol; Yonsei Univ; Florida Atlantic Univ; Northeastern Univ; Univ S Florida; Stockholm Sch Econ; Univ Penn; Univ Auckland; Lincoln Univ; Old Dominion Univ; McMaster Univ; Nankai Univ; Thunderbird Sch Global Management; Univ Int Business and Econ; Qatar Univ; China Europe Int Business Sch; Univ Nottingham Business Sch China
2010–2014	8	20	0,86	Director power (389.84, 1.0E-4); rising tension (389.84, 1.0E-4); common law world (389.84, 1.0E-4); choosing product (302.95, 1.0E-4); new marketing myopia (243.75, 1.0E-4)	Univ Sydney; Copenhagen Business Sch; Univ Carlos III Madrid; McGill Univ; Cornell Univ; Univ Paris 09; Univ Texas Austin; CUNY; Univ Virginia; Rutgers State Univ; Griffith Univ; Duke Univ; Univ Waterloo; Univ Arkansas; Univ Toulouse; IESE Business Sch; Univ So Calif; Babson Coll; Catholic Univ Portugal; Sydney Law Sch
2010–2014	9	18	0,962	Foreign affiliate performance (297.1, 1.0E-4); subnational region matter (297.1, 1.0E-4); large unlisted companies (243.14, 1.0E-4); international financial reporting standard (243.14, 1.0E-4)	Univ Manchester; Univ Queensland; Victoria Univ; La Trobe Univ; Chinese Univ Hong Kong; Univ Birmingham; Florida State Univ; Univ Hong Kong; World Bank; Texas Christian Univ; Keio Univ; Univ Padua; Univ Oregon; Univ Minho; Polytech Inst Viana do Castelo; Natl Chiao Tung Univ; Georgetown Univ; Queensland Univ Technol

2010–2014	10	15	1	Low representative	…
2010–2014	11	15	0,978	Fair trade (415.7, 1.0E-4); research agenda (288.48, 1.0E-4); elite actor (176.42, 1.0E-4); emerging position (176.42, 1.0E-4); institutional work (152.88, 1.0E-4); financial crisis (139.4, 1.0E-4)	Harvard Univ; York Univ; Univ Toronto; Univ Windsor; Univ Massachusetts; Univ Pacific; Univ Manitoba; TransFair Canada; Massachusetts Gen Hosp; Columbia Business Sch; Equiterre; Canadian Students Fair Trade Network; Univ Ontario; Peking Univ; Univ Witten/Herdecke
2010–2014	12	14	0,988	Cell hype (328.65, 1.0E-4); resource accumulation (197.35, 1.0E-4); strategic response (165.73, 1.0E-4); international business research (159.08, 1.0E-4)	Univ Oxford; Northwestern Univ; Ben-Gurion Univ Negev; Univ Twente; Natl Tsing Hua Univ; Univ Chicago; Stanford Univ; Holinger Int Consultants GmbH; Natl Taiwan Univ Sci and Technol; Harris Manchester Coll; Tel Aviv Univ; Eawag; Univ Lancaster; Mt. Assoc Community Econ Dev
2010–2014	13	13	0,942	Contingency fit (290.83, 1.0E-4); organization-environment relationship (290.83, 1.0E-4); online gambling (186.1, 1.0E-4); norm-conforming behaviour (158.33, 1.0E-4); firm reputation (158.33, 1.0E-4)	Erasmus Univ; Univ Zurich; Univ Lausanne; Queens Univ Belfast; Univ St Gallen; Cardiff Univ; Miguel Hernandez Univ; Fed Univ Minas Gerais; HEC Sch Management; CIIT Ctr Hlth Res; Univ Constance; Open Univ Netherlands; INSCOPE Res Innovat
2010–2014	14	10	1	Low representative	…
2010–2014	15	9	0,984	Assembling charisma (132.44, 1.0E-4); retail luxury strategy (132.44, 1.0E-4); cross-cultural perspective (95.62, 1.0E-4); international management research (95.62, 1.0E-4); economic performance (35.46, 1.0E-4)	Aalto Univ; Univ Bath; Univ So Denmark; Univ Paris 01; EU DG JRC IPTS; San Jose State Univ; Impetu Solut; ZHAW Zurich Univ Appl Sci; Ctr Strateg Studies and Management CGEE

3.4 Discussions and Conclusions

This paper is useful to reveal the structure formed by the countries and institutions that contribute to research on organizational legitimacy. The development and evolution of organizational legitimacy as a field of study over four different periods was shown by a bibliometric study.

The first study period was between 1995 and 1999. It was the beginning of the period of research on organization legitimacy, in which the basis of this field of research is provided through studies by Suchman (1995) or Scott (1995). During this period, there were few countries and institutions that opted for this field of research. This suggests that the discipline was not appealing for most researchers at that time. Some of the countries and institutions that contributed most in the beginning were the USA, Canada and England, as well as Emory Univ. or Univ. Victoria. The lines of research in organizational legitimacy were scarce, and at the same time, they were hardly shared between institutions. The great reference, acting as a broker in the dissemination of this knowledge, was the USA.

During the 2000–2004 period, the USA, Canada and England are still the countries that contribute with more citations. With regard to institutions, contributions increase and new actors appear in the production of citations. Dissemination is fundamentally through the USA, Canada and England, in addition to Australia. The lines of research experience a considerable increase, being possible to recognize up to four large research groups at institutional level: corporate environmental disclosure, entrepreneurship research, institutionalizing identity and high-technology venture.

There was a great increase in contributions in this field during the 2005–2009 period. The number of countries with a citation frequency greater than ten is tripled, and the average frequency of institutions with the most citations doubles. The countries with the most citations are the USA, Canada and England. While in the institutional field, the leading institutions are relatively recent in organizational legitimacy studies (Univ. of Alberta, Harvard Univ.). Regarding the key of dissemination, it ceases to be exclusive of a few countries. In this period, the number of countries that act as a knowledge link triples. In addition, many of the countries that generate more citations are not among the countries that contribute to greater dissemination and understanding of organizational legitimacy (e.g. Canada, Australia, the Netherlands or Spain). There are nine more lines of research compared to the previous period, related to institutional theory, ecology theory, initial public offering or corporate social responsibility.

Finally, during 2010–2014, in addition to continuing increase of contributions in the area, the structure of contributing countries and institutions starts to stabilize. Nine of the top 10 countries with the highest frequency of citations during 2005–2009 repeat in the top 10 of the 2010–2014 ranking. Similarly, six of the top ten institutions with the most frequent citations also repeat from 2010 to 2014: Univ. of Alberta; Penn State Univ.; Harvard Univ.; Warwick Univ. York Univ. and Erasmus Univ. In this period, knowledge generation poles in organizational legitimacy start to be established. However, in terms of dissemination, there are still countries with a large capacity for generating citations, which are not among the countries that contribute to greater dissemination and understanding of organizational legitimacy (e.g. the USA, Canada, Australia). As for the lines of research that emerged in this period, there are 14 lines, one more than the previous period.

The analysis of these four periods has been useful to understand better the countries and institutions that contribute to research in the field of organizational legitimacy, as well as the evolution and dissemination of this field of research. This study provides a comprehensive review of contributors to the discipline of organizational legitimacy, different schools and lines of research, as well as a starting point for future researchers to continue building a sound theoretical basis.

The results of this research have several limitations. On the one hand, although one of the best-known scientific databases (Web of Science) was used for the study, there are, however, numerous publications in the field of organizational legitimacy that are not found in this database. Future research could complete these results by combining the data from several information bases, such as Scopus. On the other hand, research in English has been analysed, so countries and institutions whose mother tongue is English can benefit from the review of citations. Another limitation is that the results of the bibliometric analysis depend on the thresholds defined in the methodology used. In this study, although we varied the thresholds widely without observing significant changes in the network structures, the final results partly depended on technical decisions that we had to make.

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Chapter 4
Organizational Legitimacy: Study of Academic Publications in Scientific Journals

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Abstract The purpose of this research is to develop a study to observe the evolution in the generation of knowledge in the thematic on organizational legitimacy and delimit the areas of knowledge from which scientific production developed so far has been addressed. A bibliometric study of quantitative-descriptive character was carried out of the bibliographic material that addresses the study of organizational legitimacy, considering the scientific article as a unit of analysis. The database object of analysis is developed from an advanced search for terms in the international database Scopus of Elsevier Science. As a result of the search terms, 300 articles were obtained which were collected and processed using Microsoft Office Excel software. The first article was published in 1975, but it is in 2013 and 2014 when a significant growth is observed in the number of publications. The United States and the United Kingdom are identified as the two countries with more affiliations of authors, authorship, and centers, although the most productive authors belong to Spain. This research work provides information to researchers on the current state which the research is in and defines the areas of knowledge from which the study of organizational legitimacy has been approached—information that allows the academic community to assess the degree of maturity of research in this thematic area, as well as those areas of knowledge or approaches which have not been sufficiently addressed by the scientific literature.

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Keywords Organizational legitimacy · Business legitimacy · Legitimacy theory · Institutional theory · Corporate governance

4.1 Introduction

In recent years, the level of trust that people have in companies has changed, largely due to the different economic crises that the world population has experienced (De Villiers, 2014, p. 2512). Consumers currently value more the investments they make to meet their needs, so it becomes important for them to perceive an image of commitment by companies with the social environment that surrounds them.

This phenomenon is studied by researchers in the academic field, which categorize it as the search for legitimacy of the organization within society, becoming a key intangible asset in the strategic management of any organization, as it determines the ability of organizations to raise capital (Baum & Oliver, 1991), to attract staff and have better access to clients, and thus to influence the survival of organizations (Dowling & Pfeffer, 1975; Hannan & Freeman, 1984; Pfeffer & Salancik, 1978) and achieve success (Alcántara, Mitsuhashi, & Hoshino, 2006; Tornikoski & Newbert, 2007). This is also seen by Meyer and Rowan (1977), Zucker (1987), and Zimmerman and Zeitz (2002), who consider that legitimacy plays a fundamental role in understanding the growth and survival of organizations.

The first definition of organizational legitimacy (OL) is the one developed by Dowling and Pfeffer (1975, p. 122). These authors delimit legitimacy as a congruence between the values of the organization and the values of the social system in which it is immersed, being necessary to obtain a high synchrony between both parties.

This synchrony reaches such a point of influence that many organizations are affected or benefited by it in terms of their position or survival level within the market (Zimmerman & Zeitz, 2002. p. 414), but how is the perception that people have about an organization measured? The answer to this question has been dealt with since 1960 by analyzing the different actors that make up the social system in which the company is located, which are considered legitimacy sources and the different dimensions of the concept of organizational legitimacy.

In this sense, social actors have mechanisms of influence to get a company to achieve a position in their minds or simply go unnoticed; although this power is in their hands, the vast majority are unaware of their potentiality, giving rise to each actor using legitimacy sources with different approaches (Suchman, 1995). Taking into account that each society has different behaviors and objectives, the classification of the actors according to their level of influence is very extensive, so that many researchers have chosen to group these approaches into three main types of legitimacy: pragmatic, moral, and cognitive (Díez-Martín, Blanco-González, & Prado Román, 2010; Suchman, 1995; Zimmerman & Zeitz, 2002).

If one considers the interest that building a good relationship between the company, its customers, and stakeholders has at present for organizations and their workers, as well as the interest of the scientific community in relation to organizational legitimacy in the last decade, the objective of this research is to carry out a study that allows to observe the evolution in the generation of knowledge in the Organizational Legitimacy subject and delimit the areas of knowledge from which the scientific production developed so far has been approached. The originality of this work is that it is the first bibliometric study that addresses the thematic area "organizational legitimacy."

The methodology used is a descriptive-quantitative bibliometric study of the bibliographical material that deals with the study of organizational legitimacy. This technique allows the integration and application of a series of mathematical and statistical processes (Spinak, 1996, p. 2) and uses a set of scientometric indicators that reinforce the evaluation of scientific production (Spinak, 1996, p. 35). The search for bibliographical material was carried out in the Scopus database of the Elsevier Science publishing group, identifying it as one of the top references in multidisciplinary bases and, on the other hand, for including more than 9810 titles in the field of *Arts and Humanities, Business, Economics, and Psychology*, areas in which further research on organizational legitimacy is developed.

This chapter is organized into five sections. After the introduction, a review of the literature is made with the objective of formulating an adequate conceptualization of organizational legitimacy. The third section presents the methodology used to carry out the study. In the fourth section, the results are collected, and in the last section the conclusions are presented together with the limitations of the work and future lines of research.

4.2 Literature Review

The study of organizational legitimacy arises from a first approach developed by Parsons (1956, p. 64), which analyzes the relationship and role of organizations and social systems. This author considers that an organization is largely defined as a social system whose purpose is the achievement of an objective, which must be in accordance with what is determined by the society that surrounds it (broader social system). This approach is the starting point for the scientific community to initiate studies which enable to understand the relationship of influence that society has within the objectives of organizations.

As a result of this first work, many sociologists begin to work on this new line of research: the legitimacy of relationships between organizations and their social environments (Dowling & Pfeffer, 1975, p. 131).

At first, Clark (1956) establishes legitimacy as the dynamics between systems, which can modify the values and norms that govern the behavior of organizations. However, 10 years later Thompson (1967, p. XXVI) points out that the main function of society is not the transformation of values but that of legitimating the enterprise within the social system as one more element of it.

Although this concept was the most relevant for the development of the current definitions of legitimacy, for Terreberry (1968, p. 609) legitimacy is focused on the exchange of resources, so if society acquires the products of the organization, it is gaining legitimacy within them. For many members of the scientific community, this statement does not define everything that integrates the legitimacy process.

In this sense, legitimacy is not only limited to the capacity to obtain economic resources but also integrates values and norms that come to question whether it is legal or illegal, based on the fact that society tends to support and resort to organizations that are perceived by them as right or appropriate (Parsons, 1960). This is also seen by Suchman (1995, p. 574), who defines legitimacy "*as a generalized perception that the actions of an entity are desirable, convenient or appropriate within a socially structured system of norms, values, beliefs and definitions.*"

Based on all this, it is established that for the existence of organizational legitimacy, cohesion between the social values linked to the activities developed by the company and the values, norms, actions, and beliefs that the social system determines as acceptable behavior is crucial (Díez-Martín et al., 2010a; Dowling & Pfeffer, 1975; Parsons, 1960).

Based on the definitions used so far, it can be seen how the actors that make up the social system have different behaviors, which have given rise to three aspects of the legitimacy analysis. In the scientific literature regarding this, it is clear that legitimacy is a multidimensional concept, which according to Suchman (1995) is composed of three dimensions: pragmatic, moral, and cognitive. For Scott (2013, p. 71), they are the regulatory, normative, and cognitive dimensions. After the analysis of the scientific production, the most used is the one provided by Suchman (1995), being this the classification that will be followed for the analysis of legitimacy in this research work.

Pragmatic legitimacy is defined as the influence or interaction between society and the organization (Botetzagias & Koutiva, 2014); the social actor that mainly influences this interaction is the different forms of government that society has. In this case, when society perceives that the organization takes into account the interests of these social actors (Díez-Martín et al., 2010a, p. 132), it is determined as legitimate. The purpose of this type of legitimacy is to reduce the tensions that exist between the market, public policies, and society (Buchholz & Rosenthal, 1995), all through compliance with the rules and regulations that governments, public agencies, organizations, or associations impose for the activity to be legal. When the company manages to develop this type, it is covering the first phase for granting organizational legitimacy (Hornsby, Bloodgood, Hayton, & Kuratko, 2013).

As for moral legitimacy, it focuses on assessing whether the company's actions are aimed at the social welfare (Maruyama & Wu, 2015, p. 202) of the actors that surround it, so the positive evaluation of the norm which the organization has is the primary objective for senior management (Melé & Armengou, 2016). The main difference between pragmatics and morality is that the former is based on developing a judgment, while the latter focuses on determining the action that benefits the actors (Díez-Martín, Prado-Roman, & Blanco-González, 2013).

A company may have moral legitimacy when the ways of treating its employees and the clients that use its services are shown as adequate by the social system in which it is found (Salmi, 2008, p. 69). This type of legitimacy is less malleable than the pragmatic one and therefore is a strong step for the organization, and when it is achieved, the company reaches the second phase for organizational legitimacy.

With respect to cognitive legitimacy, it is established when the organization takes the system of belief of the social actors as its own (Scott, 2013), integrating it in the making and in the form of execution of its decisions, seeking the application to be the most effective and efficient and technically the best (Cruz-Suarez, Prado-Roman, & Prado-Roman, 2014, p. 576). This type of legitimacy is based on implicit and explicit systems of knowledge and belief both for the organization (employees, bosses, managers) and actors (society in general) (Aldrich & Fiol, 1994; Wang, Song, & Zhao, 2014). It is evident that it is based on the work of the two previous typologies, but the difference lies in its capacity for rapid modification, since knowledge can be integrated, modified, and obtained from multiple resources more easily. Therefore, achieving cognitive legitimacy is the last of the phases necessary for integral organizational legitimacy.

As a summary, a graphical representation which is constructed from the modification of the outlines created by Zimmerman and Zeitz (2002, p. 415) and Hornsby et al. (2013, p. 313) is shown (Fig. 4.1).

In research on organizational legitimacy, one should not only take into account the dimensions of the concept but also the legitimacy sources, that is, where does legitimacy come from? According to Ruef and Scott (1998, p. 880), "*the legitimacy of an organization is determined by those who observe it, and evaluate its conformity with respect to specific standards or models.*" Therefore, for any company it is necessary to identify and know those who evaluate it, so that they can establish strategic actions aimed at gaining, maintaining, or recovering their legitimacy. In this sense, the study by Díez-Martín, Blanco-González, and Prado-Román (2010b) shows that not all legitimacy sources have the same effect on enterprises.

The research carried out in this thematic area covers different aspects of legitimacy in the field of organizations. According to Suárez, Martín, González, and Román (2014, pp. 10–11), "*strategic actions that improve its legitimacy have been identified*

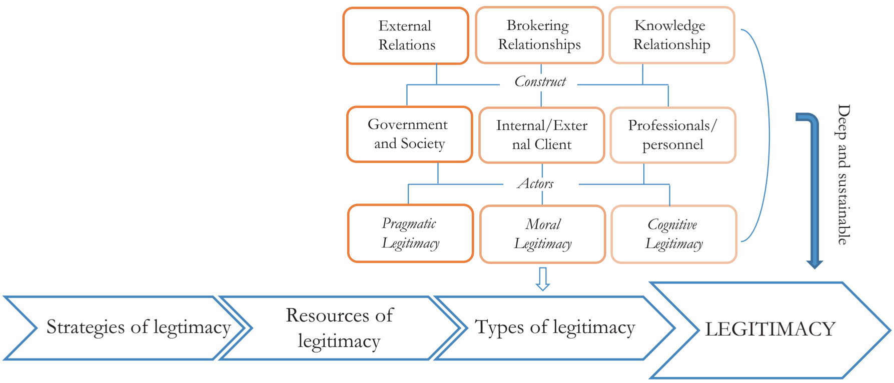

Fig. 4.1 Process for obtaining organizational legitimacy. (Source: Own elaboration by Cruz-Suarez et al., 2014 and Hornsby et al., 2013)

(Suchman, 1995; Zimmerman & Zeitz, 2002)*; it has also theorized on the different dimensions that make it up* (Aldrich & Fiol, 1994; DiMaggio & Powell, 1983; Greenwood, Suddaby, & Hinings, 2002; Meyer & Rowan, 1977; Rutherford & Buller, 2007; Scott, 1995; Suchman, 1995)*; other studies have analyzed the relationship between legitimacy strategies and survival* (Bansal & Clelland, 2004; Barreto & Baden-Fuller, 2006; Low & Johnston, 2008; Tornikoski & Newbert, 2007)*, as well as the relationship between the dimensions of legitimacy and survival* (Deephouse, 1996; Díez-Martín et al., 2013; Li, Yang, & Yue, 2007; Ruef & Scott, 1998)*.”*

4.3 Methodology

In order to fulfill the objective proposed in this study, bibliographical material on organizational legitimacy should be analyzed, being the bibliometric study one of the most widely used tools (Bar-ILan, 2008; Bjork, Offer, & Söderberg, 2014; Broadus, 1987). The depth and quality of the analysis depends on the indicators selected for the evaluation of the bibliographical material (Bonilla, Merigó, & Torres-Abad, 2015). However, there is currently no widespread agreement on what the optimal indicators are, with a long list of them. Their use will depend on the approach followed in the research (Alonso, Cabrerizo, Herrera-Viedma, & Herrera, 2009; Merigó, Mas-Tur, Tierno-Roig, & Ribeiro-Soriano, 2015). This study will use production indicators (productivity per year and institutions, coauthorship), collaboration indicators, and indicators to analyze the journals in which the publications have been published together with the dispersion of publications.

The first step in the study was to select the database, since the validity of bibliometric analyzes of scientific production depends to a great extent on the representativeness of the scientific activity in it (Bonilla et al., 2015). In this sense, taking into account the wide variety of bases available for selection, four aspects were taken into account: (a) ease of access to information, (b) number of articles indexed within the area of knowledge studied, (c) number of scientific journals, and (d) relevance within the scientific community. The selected database is Scopus (created in 2004 by the Elsevier publishing group, where citations since 1996 can be obtained), considered the largest multidisciplinary database of citations and abstracts. With 12 years of creation, it has become a reference within the academic and scientific community around the world (Cañedo Andalia, Nodarse Rodríguez, & Labañino Mulet, 2015).

At present, this database has 53 million references published in more than 21,000 scientific journals, which are classified among 295 categories, that are grouped into 27 areas, that in turn make up the four large knowledge groups managed by this editorial group, which are Physical Sciences (29%), Health Sciences (32%), Social Sciences (24%), and Life Sciences (15%) (Elsevier, 2016, p. 21). In this context, Scopus becomes the best tool for the development of bibliometric studies that evaluate scientific production, as Elsevier (2008) mentions it has unmatched content quality available, as well as being incomparable in the variety of tools it uses, such as author profile, institution profile, citation tracking, h-index, and an analyzer of scientific journals.

The tracking of articles is done by means of an advanced search of terms, within the field of “Article Title, Abstract, and Keywords.” The search focuses more closely on evaluating articles published in scientific journals. The selection of this type of documentation is based on the fact that this typology is the means of transmission of results with greater representativeness and updating speed (Martín Vega, 1995).

The search resulted in a total of 2546 items. A cleansing process was carried out eliminating those that did not fit in with the area studied, organizational legitimacy. Finally, the database developed to perform the bibliometric analysis is structured into 300 articles published in 165 journals. This information was dealt with based on the creation of an analysis matrix within the Microsoft Office Excel software.

4.4 Results

Documents

As already mentioned, the article was selected as the unit of analysis. The first article on legitimacy was published in 1975, and until 2016, 300 articles were published. The production growth in this subject was slow until 2007, when 11 articles were published, but publications increased significantly since that year. In subsequent years (2007–2016), scientific production was very prolific with 248 articles out of the total of 300. The polynomial trend curve, which shows a good fit with $R^2 = 0.902$, allows to observe a significant growth trend in the following 5 years (Fig. 4.2).

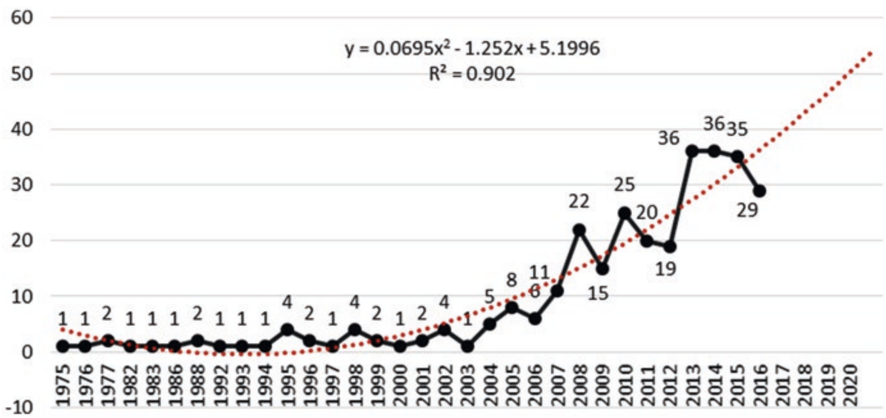

Fig. 4.2 Trend of publications in Scopus. (Source: Own elaboration)

Author Productivity and Coauthoring

A total of 560 authors are identified, of which 93% have only published a single article within the period 1975–2016, indicating that they have not followed this line of research. With regard to the productivity index (number of publications produced by each author), it is 1.09 articles per author. The most prolific authors have been identified as Blanco González A.; Díez-Martín F.; Prado Román C., affiliated to the Rey Juan Carlos University (Spain); and Roberts R.W. (University of Central Florida, United States) with four articles each.

The “h-index” created by Hirsch (2005), which indicates the production relevance of each author and its main objective, is to quantify the average number of citations that each writer receives (h will take a value equal to or greater than zero, after dividing the number of articles produced by the number of citations received until the moment of calculation), so the author with the most relevance is Boiral O. with an $h = 20$ index, followed by Roberts R.W. ($h = 15$). The calculation of the Lotka index (decimal logarithm of the number of publications) allows to group the authors into three levels: (1) small producers, those with only one publication or productivity index equal to 0; (2) medium producers, those authors who have between two and nine papers and a productivity index greater than 0 or less than 1; and (3) large producers with ten or more papers and a productivity index equal to or greater than 1. All authors listed in Table 4.1 belong to the medium producers group, which is made up of 38 authors; 522 authors with a single article are small producers and in this study area there are no large producers.

The coauthorship analysis shows that 91 articles are published with a single author, 123 articles with 2 authorships, 71 articles with 3 authorships, and 14 with 4 authorships, and only 1 article was found with 5 authors. The coauthorship index (average number of authors per document) is 2.04 authors, sustaining this value by having 41% of articles signed by two authors.

Table 4.1 Most productive authors

Scopus			
Authors	No. articles	Lotka index	H-index
Blanco González A.	4	0.6021	3
Díez-Martín F.	4	0.6021	3
Prado Román C.	4	0.6021	3
Roberts R.W.	4	0.6021	15
Castellano S.	3	0.4741	3
Boiral O.	3	0.4741	20
Ivanova O.	3	0.4741	3

Source: Own elaboration

Productivity by Type of Institution and Country

With respect to the affiliation per country to which the authors belong to, Table 4.2 shows that the United States is first place in the ranking with 163 authors, 176 authorships, and 102 research centers, followed by the United Kingdom with 44 authors, 50 authorships, and 27 centers.

If we compare the ranking of the most productive authors with the affiliation by country ranking, it is observed that within the first one, Spanish affiliation predominates, but within the second one, Spain is in the fifth position with 31 authors, 42 authorships, and 15 research centers.

On the other hand, in the case of institutional affiliation, 333 institutions were identified with different types of coverage, but it is the universities that lead the

Table 4.2 Number of centers, authors, and authorships by their country of affiliation

Scopus							
Country	Authors	Authorships	No. centers	Country	Authors	Authorships	No. centers
United States	163	176	102	Ireland	3	3	1
United Kingdom	44	50	27	Japan	3	3	2
	39	40	17	Portugal	3	3	2
Australia	35	41	21	Russia	3	3	1
Canada	31	42	15	Saudi Arabia	3	3	2
Spain	24	26	19	South Korea	3	3	2
France	19	19	7	United Arab	3	3	2
Netherlands	19	19	9	Emirates	2	2	2
Sweden	17	18	7	Chile	2	2	1
Malaysia	17	17	9	Greece	2	3	2
Switzerland	16	18	8	Israel	2	4	1
China	16	16	6	Mauritius	2	2	2
Finland	13	13	9	Taiwan	1	1	1
Norway	12	12	9	India	1	3	1
Brazil	12	13	6	Luxembourg	1	1	1
New Zealand	11	12	6	Mexico	1	1	1
Denmark	11	11	9	Morocco	1	1	1
Germany	9	9	8	Nigeria	1	2	1
Italy	6	8	5	South Africa	1	1	1
Hong Kong	4	4	3	Sri Lanka	1	1	1
Singapore	3	3	3	Thailand			
Belgium							
Totals							
Country	41	Authors	560	Authorships	612	Centers	333

Source: Own elaboration

Table 4.3 Most productive institutions

Scopus			
Institution	Authors	Authorships	Country
Universidad Rey Juan Carlos	10	20	Spain
Monash University	6	6	Australia
Universiti Sains Malaysia	6	6	Malaysia
Griffith University	5	5	Australia
Indiana State University	5	6	EU
Lund University	5	5	Sweden
University of Amsterdam	5	5	Holland
University of Zurich	5	5	Switzerland
Vrije Universiteit Amsterdam	5	5	Holland

Source*:* Own elaboration

ranking with 94% of the authors. Among the universities with the highest number of affiliated authors is the Rey Juan Carlos University (Madrid – Spain) with ten affiliated authors (Table 4.3).

Journals

Another analysis included is the study of the journals where publications on this theme are developed. It was found that the 300 articles identified were published in 165 journals. Of the total number of journals, 114 published one article (69%). The *Journal of Business Ethics* found in the first quartile is the one with the largest number of publications (42). In the SCImago Journal & Country Rank (site which includes the journals and country scientific indicators developed from the information contained in the Scopus® database Elsevier B.V.) is in the first quartile with a value of 1.36, and its country of publication is Holland.

The relative quality indexes establish a series of criteria that allow to establish the quality and impact generated by each resource. In the case of Scopus, it is measured by means of the SCImago Journal Rank (SJR) index, which establishes that 49.4% of publications in this subject area are in quartile Q1. Only 1.2% of journals do not have a quality index (Table 4.4).

As for the Bradford Law, which considers the existence of a concentration phenomenon by establishing that most articles are published in a limited number of journals (Bradford, 1934), its compliance can be observed by establishing that the greatest number of articles (185 publications) was published in less than one-third of all journals (51 resources), i.e., on average 3.63 articles are concentrated per journal.

Additionally, by means of the Lorenz curve, the analysis is deepened in order to identify which group of journals constitutes the core of the subject studied, and by means of its calculation, it is established that five journals group 54% of citations (16,506 accumulated citations).

Table 4.4 Most productive journals

Scopus				
Journals	Area	No. articles	%	Quartile
Journal of Business Ethics	AH	42	14.05	Q1
Journal of International Business Studies	BAM	8	2.68	Q1
Accounting, Auditing and Accountability Journal	BAM	7	2.34	Q1
Journal of Business Research	BAM	6	2.01	Q1
Organization Studies	BAM	5	1.67	Q1
Business & Society	BAM	4	1.34	Q1
Business Ethics Quarterly	AH	4	1.34	Q1
Corporate Social Responsibility and Environmental Management	BAM	4	1.34	Q1
Human Relations	AH	4	1.34	Q1
International Entrepreneurship and Management Journal	BAM	4	1.34	Q2
Public Relations Review	BAM	4	1.34	Q1

Source*:* Own elaboration
AH arts and humanities*, BMA* business, management, and accounting

Table 4.5 Number of journals and articles by area of knowledge

Knowledge areas	No. journals	No. articles	%
Business, management, and accounting	123	204	68.0
Social sciences	18	25	8.3
Economics, econometrics, and finance	12	12	4.0
Arts and humanities	7	52	17.3
Environmental science	3	4	1.3
Psychology	1	2	0.7
Medicine	1	1	0.3
Totals	165	300	100

Source*:* Own elaboration

Areas and Thematic Categories

The Scopus databases use about 27 areas and more than 300 classification categories for journals (Elsevier, 2016, p. 21). In this organizational legitimacy study, it is observed that the total number of journals (165) where articles are published on this thematic area is grouped into 7 areas and 26 categories.

In terms of knowledge areas, business, management, and accounting predominate, accounting for 74.5% of published articles, followed by social sciences with 10.9%. It is important to mention that other areas such as economics, econometrics and finance, arts and humanities, and environmental sciences, among others (Table 4.5), were found.

With regard to categories, it can be mentioned that the theme of “organizational legitimacy” is multidisciplinary due to the great variety of categories identified,

Table 4.6 Keywords

Scopus			
Keywords	No. articles	Keywords	No. articles
Legitimacy	84	Stakeholder	9
Corporate social responsibility	41	Disclosure	7
Institutional theory	26	Accountability	6
Legitimacy theory	19	Business ethics	6
Organizational legitimacy	16	Global governance	6
Corporate governance	12	Social responsibility	6
Sustainability	10	Stakeholder theory	6

Source*:* Own elaboration

predominating business and international management with 24.2%, followed by business, management, and accounting with 17.6% and strategy and management with 8.5%.

Keywords

Establishing a reference framework for the development of advanced searches per term was one of the keys to a successful study, and based on them the identification of terms of greater use for indexing articles is one of the greatest contributions that can be made. Among the keywords that were mostly used in the analyzed articles, we found that legitimacy was used in 84 articles, followed by corporate social responsibility in 41 and institutional theory in 26 of them (Table 4.6).

4.5 Discussion and Conclusions

The bibliometric study of descriptive-quantitative nature carried out to identify the research structure and dynamics followed until now by the scientific community in the thematic area of organizational legitimacy has allowed to obtain two profiles, one of content and a quantitative one of the scientific production.

The content profile determines that organizations that have a consolidated legitimacy have a greater possibility of access to resources (financing, investments, or expansions), and access to these leads to better positioning with greater benefits for the owners and their clients. On the other hand, the territorial location of organizations determines the legitimacy they can have, since beliefs, customs, and perceptions of what is legal or illegal are established by the social dynamics that the territory has. The greater the work to balance the integration of organizations with the social system to which they belong to and the existence of three dimensions of legitimacy (pragmatic, moral, and cognitive), the more solid, deep, and sustainable the organizational legitimacy will be.

In relation to young companies and to entrepreneurial processes, legitimacy becomes one of the best strategies for its consolidation within society. So the survival of organizations is determined by the quality of the different relationships they build (actors in the legitimacy process graph). Their lack or deterioration causes them to fail.

As for the quantitative profile of scientific production, it can be observed that the Scopus database is a relevant database for the search of research in this thematic area, since 300 indexed articles are in the search process. In the last decade (2007–2016), the interest of researchers in this subject has grown, and it is observed that this interest is increasing. As a summary of the bibliometric analysis, we can draw the following conclusions:

– Ninety-three percent of the identified authors have only published a single article, which indicates that they have not continued with this line of research or that they have just started it or do not publish their research in high impact journals such as those collected in Scopus and in the ranking of the SCImago Journal & Country Rank. This observation is corroborated by the Lotka index, which shows that in this thematic area, there are no large producers, the majority (522) are small producers, and the group of medium producers is made up of 38 authors.
– A small number of authors have been identified as the most prolific in this thematic area belonging to (1) Universidad Rey Juan Carlos, Spain (Blanco González A., Díez-Martín F., Prado Román C.); (2) University of Central Florida, United States (Roberts RW with an index $h = 15$); (3) Université Laval, Quebec, Canada (Boiral O., with an index $h = 20$, appears as the only author in the articles); and (4) ESG Management School, France (Castellano, S.) and INC Business School, France (Ivanova O.), working together on two of the three articles collected in the Scopus database.
– The authorship analysis shows that there is the tendency to work and therefore publish as a team, and only in 91 articles is there a single authorship. The coauthorship index is 2.04 authors.
– Leading the productivity ranking by country is the United States with 163 authors, 176 authorships, and 102 research centers, followed by the United Kingdom with 44 authors, 50 authorships, and 27 centers.
– The 300 articles identified were published in 165 journals, and 114 journals published a single article, which shows a concentration in the publication of articles in a small number of journals; 185 of the 300 publications were published in less than a third of the total number of journals (51 resources), that is, on average, 3.63 articles per journal.
– The *Journal of Business Ethics* in the first quartile of the SCImago Journal & Country Rank is the one with the largest number of publications (42), followed very closely by the *Journal of International Business Studies* with eight articles.
– The selection of journals in the first quartile (49.4% of the total resources) is preferred by the authors. These selected journals focus on the general group of social sciences, where business, management, and accounting and the business and international management category predominate.

The originality of this study is that it is the first bibliometric study that addresses the thematic area "organizational legitimacy." This research work provides information to researchers about the current state in which research is in and defines the areas of knowledge from which the study of organizational legitimacy is approached. Information allows the academic community to assess the degree of maturity of research in this thematic area, as well as which areas of knowledge or approaches have been addressed by scientific literature.

However, like any study of this type, it has limitations. The main limitation of this study refers to the use of a single database (Scopus), not considering others in the national field like WoS or national or regional, so that not all literature is collected.

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Chapter 5
Political Segmentation of State Legitimacy: The Case of Spain

Alicia Blanco-González, Gregory Payne, and Camilo Prado-Román

Abstract The state legitimacy is the degree of citizen support to its institutions. However, does every citizen of the country give the same legitimacy scores to the State? Is there any political variable that determines significant differences? In this sense, this research introduces political segmentation variables of state legitimacy such as political interest, political representativeness, political ideology, national identity, or behavioral control. Source data for this study is derived from the last round of European Social Survey (ESS) for Spain in 2014. With a sample of 1.925 citizens, it is proved that political variables have influence in state legitimacy and determine different scores in this metric. These results are very relevant for government because it can establish which are the most sensitive groups and develop effective social politics and communication campaigns. Moreover, the final objective of the state is obtaining the trust within its institutions and the citizen satisfaction, and an analysis depending on the membership group offers more detailed information.

Keywords State legitimacy · Segmentation · Political variables · Spain

5.1 Introduction

State legitimacy is the degree of civil support for the exercise of political power (Beetham, 1991; Easton, 1975; Gilley, 2006). The dimensions of state legitimacy (legality, justification and consent) are key elements for the social, political, and economic equilibrium in a country, the strength of the economy, and the competitiveness and growth of the state. The analysis of the state legitimacy permits to

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establish effective political strategies, develop efficient social politics, and apply relevant communication actions. Moreover, a state with this information could have a more robust intelligence system and could approve more accurate politics.

States must find competitive advantages (Porter, 2002) and adjust to the social and economic demands of its environment (Blanco-González, Díez-Martín, & Prado-Román, 2015; Díez-Martín, Prado-Román, & Blanco-González, 2013) to survive and gain access to necessary resources. Institutions, same as states, need to create an impression of legitimacy to receive support from their stakeholders and be competitive (Cruz-Suarez, Prado-Román, & Díez-Martín, 2014; Grigoli & Mills, 2014). Achieving this source of competitive advantage is the main reason states must pay attention to their legitimacy (Blanco-González et al., 2015; Díez-Martín, Blanco-González, & Prado-Román, 2016). States with low legitimacy spend most of their efforts on staying in power rather than on effectively managing their institutions. This makes them more vulnerable to citizen unrest and economic turbulence (Baum & Oliver, 1991; Gilley, 2012).

However, it is necessary to consider the differences among social groups because there are social, economic, and demographic disparities in the population. According to the la Caixa Social Observatory (2016), the progress of the Spanish economy at the macro level shows a weak recovery. GDP is growing at a rate of around 0.8%, and although the unemployment rate is 21%, employment grew around 0.7% in the second quarter. The Consumer Confidence Indicator or the Business Confidence Index is being positive. This improvement does not seem to be reflected in a greater welfare of the citizens or in a decrease of the inequality. Social protection rates are declining, and the distribution of wealth is changing in a way that increases the inequality between the individuals with the highest income levels and those with the lowest.

The academic literature collects techniques that incorporate many segment-defining characteristics, including attitude, behavior, demographic, geographic, and psychographic. Although this literature has applied, adopted, and extended many of these techniques to the field of elections and voting (Baines, 1999; Baines, Harris, & Lewis, 2002; Baines, Worcester, Jarrett, & Mortimore, 2003; Newman, 1994, 1999; O'Shaughnessy, 1987; Phillips, Reynolds, & Reynods, 2010; Reid, 1988; Schiffman, Sherman, & Kirpalani, 2002; Smith & Hirst, 2001; Smith & Saunders, 1990; Yorke & Meehan, 1986), it has not been applied in the research of legitimacy in general or state legitimacy. Following Baines et al. (2003), developing political messages that affect voter decision-making and choice entails a segmentation approach that not only describes what issues, positions, and traits are important to a given segment of voters but that also identifies the reasons for it. In this research, the focus is on variables of a political nature, such as the national identity, political interest, representativeness, political ideology, and behavioral control.

The objective of this paper is to test a state legitimacy index based on the political characteristics of social groups. In this line, we first define the concept of state legitimacy and political segmentation. After that, we explain the sample used and methodology. We then present the results broken down by segments. Finally, we explain how to interpret the specific indexes vs global index, and how countries can use this data to approve and implement policies that do not affect their legitimacy.

5.2 State Legitimacy

State legitimacy refers to how different uses of power influence its conscious acceptance by its constituents (Beetham, 1991; Easton, 1975; Gilley, 2006). It is a determinant factor for a country's structure and its operations. Countries must dedicate their resources to effective governance and not to maintain the control. The countries without state legitimacy present lower levels of social support and are more sensitive to social instability or economic crisis (Blanco-González et al., 2015; Gilley, 2006).

This state legitimacy is formed by three dimensions (Beetham, 1991; Blanco-González et al., 2017; Gilley, 2006): legality, justification, and consent (Fig. 5.1). Firstly, the dimension of legality or acceptance of legal authority refers to manage the political power in concordance with the citizen's views on laws, rules, and customs. This is relevant because these ideas are generally applied and predictable. Rules create predictability in social life, which is a moral good. An example of this dimension is how citizens perceive corruption and the rule of law or the actions followed by the police.

Secondly, the dimension of normative justifiability looks at shared principles in a specific society: its ideas and values. Citizens react to the moral reasons given by the state to act in a certain way. Legitimacy arises from the degree of synchrony with the shared moral values in the discourse of its citizens (Nevitte & Kanji, 2002). There is a set of shared beliefs that intermediate power relationships (Beetham, 1991). The notion of moral congruency between state and society is the basis of the literature on comparative politics and sociology (Nevitte & Kanji, 2002). Some indicators of this dimension are trust in political leadership or opinions on the effectiveness of political institutions.

Thirdly, dimension of consent or political support provides a complementary explanation for state legitimacy, citizen support, and participation that does not have a normative root as the two previous dimensions. At any given time, a citizen can

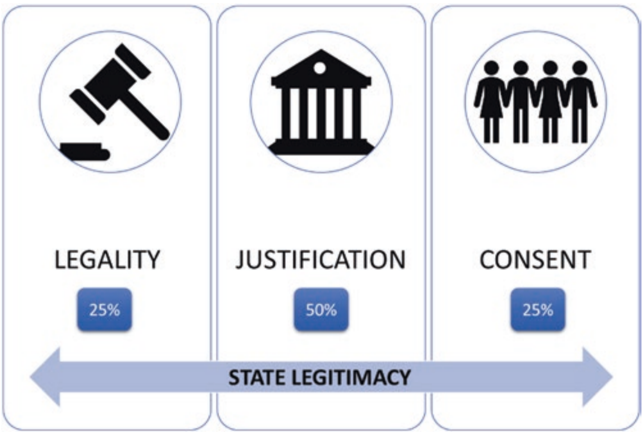

Fig. 5.1 Dimensions of state legitimacy. (Source: Own elaboration)

only evaluate the legality or justification of a small fraction of the entire system regulated by political power. To fill this legitimacy gap, "acts of expressed consent" are those positive actions that express the acknowledgment by a citizen that the state possesses overarching political authority and that he or she must follow the resulting decisions. Examples of acts of expressed consent would be voter turnout, level of participation in associations, or membership in political parties.

Following Beetham (1991), Gilley (2012), Prado-Román, Blanco-González, Díez-Martín, and Payne (2016), Power and Cyr (2009), and Seligson and Booth (2009), these three dimensions should have different weights. For these authors, legality represents 25% of the importance in determining political legitimacy, acts of expressed consent 25%, and normative justifiability the remaining 50%. A country will most effectively improve its legitimacy by carrying out actions that improve its normative justifiability.

But the legitimacy can be lost, maintained, or acquired. For this reason, institutions should actively manage it (Deeds, Mang, & Frandsen, 2004; Suchman, 1995). Various academic studies have analyzed how certain actions can help obtain, or lose, this legitimacy (e.g., Phillips, Lawrence, & Hardy, 2004). Their findings confirm Suchman (1995), who noted that oftentimes the best course of action is simply to adjust to what the environment is asking for. The legitimacy admits degrees because it is a metric of the situation (Walzer, 2002) and can have varying degrees of intensity (Gurr, 1971).

Legitimacy is studied in different contexts: institutions, processes, or individual actors. In this research paper, we focus on the state context, because the state is the basic institutional and ideological structure of a political community (Gilley, 2006). In democratic countries, citizens distinguish between their views on the state and its political parties. A state's stability is guaranteed by citizen participation and good governance (Lillbacka, 1999; Muller, Jukam, & Seligson, 1982) but is "threatened" by a lack of trust in their institutions. Aspects, such as corruption, citizen participation, and trust in the law, weaken legitimacy (Blanco-González et al., 2017).

In this sense, there is a necessary distinction between the legitimacy of the state as an institution and other political sciences concepts like democratic legitimacy, effectiveness, or satisfaction. This research studies how much the state as an institution is socially accepted, but not how much social or other type of support exists for democracy (Dahl, 1971; Easton, 1975; Gunther, Diamandouros, & Phle, 1995; Inglehart, 1997; Linz, 1988; Torcal & Montero, 2006).

5.3 Political Segmentation of State Legitimacy

It is necessary to quantify the differences in state legitimacy among social groups. The academic literature has identified many segments and its characteristics (attitude, behavior, benefit, demographic, geographic, and psychographic). The segmentation in political markets has been previously outlined (O'Shaughnessy, 1987; Reid, 1988). Much of the academic literature on market segmentation has been analyzed from a product marketing perspective, including political markets, which have been segmented using geographic, behavioral, psychographic, and demographic methods (Smith & Saunders, 1990). For example, Baines et al. (2003) suggested that developing political messages that affect voter decision-making and choice entails a segmentation approach that not only describes what issues, positions, and traits are important to a given segment of voters but that also identifies the reasons for it.

Although this literature has applied, adopted, and extended many of these techniques to the field of elections and voting (Baines, 1999; Baines et al., 2002, 2003; Newman, 1994, 1999; O'Shaughnessy, 1987; Phillips et al., 2010; Reid, 1988; Schiffman et al., 2002; Smith & Hirst, 2001; Smith & Saunders, 1990; Yorke & Meehan, 1986), it has not been applied in the research of state legitimacy.

In relation to variables of a political nature, a long tradition in comparative politics has argued that it is the ability of the political system to hold together or remain on rival social organizations in the face of socioeconomic change, the greatest virtue of any state (Fukuyama, 2005) (Fig. 5.2). Other authors have focused on quality of governance, control of corruption, rule of law, effective bureaucracy, decentralization, and federalism or perceived representativeness of those responsible for running the country (Anderson & Tverdova, 2003; Henderson & Arzaghi, 2005; Huntington, 1968; Seligson & Booth, 2009).

Snyder (2000) argues that higher levels of national identity help states to be more legitimate because they can get involved in the national halo effect. A part of the academic literature about state legitimacy has focused on the influence of specific political attitudes and has argued that legitimacy depends on the underlying individual attitudes of political interest, the degree of ease in participating in the public sphere, and the effectiveness. That is, the more committed they are to politics, the more likely they are to see the State as legitimate. Weatherford (1992) confirms that the political interest of individuals and the sense of civic duty in the United States strongly influenced their willingness to participate in the system, which was a close predictor of legitimacy assessments.

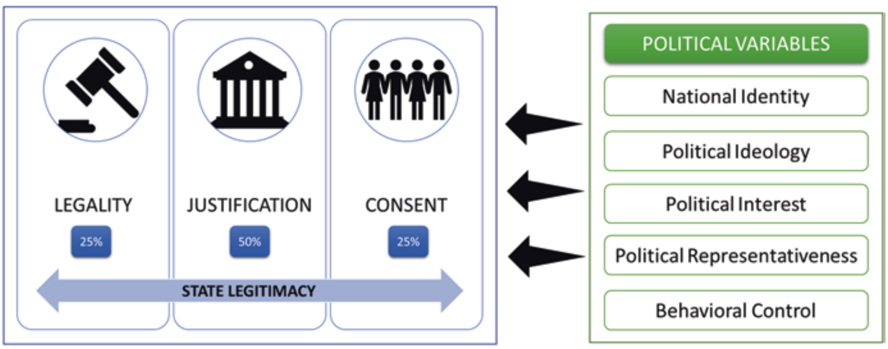

Fig. 5.2 Political segmentation of state legitimacy. (Source: Own elaboration)

A pessimistic view of attitudes holds that they reflect the social deference caused by ideological hegemony, which is the key cause of legitimacy. Blanco-González, Prado-Román, and Díez-Martín (2017) determine that the political ideology generates changes in the legitimacy of the State and that citizens whose political party is in power give greater values to legitimacy than citizens whose political party is in opposition.

In authoritarian states the overlap of the legitimacy of the government and the legitimacy of the State is tautological. However, in democratic states where the two are separate, overlap is an empirical issue. In some cases, it seems that state legitimacy may be greater when government support is greater (Rose, 1994; Weatherford, 1987). In other cases, citizens of liberal countries make a clear separation between the two (Lillbacka, 1999; Muller et al., 1982).

Finally, it is necessary to insist on the overall political performance of each State since its legitimacy depends on how well the states fulfill their obligations to the rest of the world. Among these obligations, foreign economic assistance (Pogge, 2002) and environmental governance may appear as the largest (Frickel & Davidson, 2004).

5.4 Sample and Methodology

To measure the state legitimacy, we have followed the guidelines used by other well-regarded indexes in high impact publications, such as the University of Michigan Consumer Sentiment Index (MCSI). This index measures consumer attitudes on the business climate, personal finance, and spending (Vosen & Schmidt, 2011). Another index we studied, the Consumer Confidence Index (CCI), is designed to measure overall consumer confidence, relative financial health, and purchasing power of the average US consumer (Kwan & Cotsomitis, 2006; Tsalikis & Seaton, 2007). It achieves this by providing a score between 0 and 1 that is modified by positive, negative, and neutral indicators, allowing us to analyze change over time (Prado-Román et al., 2016).

Every 2 years, the Standing Committee for the Social Sciences (SCSS) of the European Science Foundation leads the European Social Survey (ESS). This represents an effort to measure change in the attitudes, beliefs, and behavior patterns of the various populations in Europe, improve the quality of quantitative measures, and establish a set of solid social indicators to evaluate well-being in European countries.

To quantify state legitimacy, we have adapted the indicators proposed by Prado-Román et al. (2016) and Gilley (2006). It is possible to use the results of social surveys to build a state legitimacy measure as they contain indicators of social and political nature (Gilley, 2012; Grimes, 2008).

We have collected the biannual ESS data for Spain in 2014 and select 20 items (identified in Table 5.1) that measure legitimacy by referring to citizen's acceptance,

Table 5.1 State legitimacy items

Dimensions	Item
Legality	Trust in the legal system
	Trust in justice
Justification	Satisfaction with your country's democracy
	Satisfaction with your country's economic situation
	Sate of education in your country
	Satisfaction with your country' government
	Trust in parliament
	Trust in political parties
	Trust in politicians
	State of health services
Consent	Participation in an election in the last 12 months
	Boycotted a product in the last 12 months
	Feeling of closeness with a specific political party
	Contact with public administration in the last 12 months
	Member of a political party
	Participated in a lawful public demonstration in the last 12 months
	Signed a petition in the last 12 months
	Voted during the last general elections
	Worked in an organization or association in the last 12 months
	Worked in a political party or action group in the last 12 months

Source: Own elaboration by Blanco-González et al. (2017) and European Social Survey (2014)

trust, and a public participation in the countries analyzed (two items for legality, eight for normative justifiability, and ten for expressed consent).

Some additional data homogenization is necessary to allow us to compare the different measures. As shown in Table 5.1, the scales of the items in the ESS are not homogeneous. Some of them receive values between 1 and 10, others between 1 and 2, and some data cleansing was also necessary. Scales are converted to 0–100 by applying base 10 logarithms (0 = minimum legitimacy; 100 = maximum legitimacy), and variables on the 1–2 scale are recoded by reversing the values (2 = no legitimacy; 1 = full legitimacy). Following these transformations, we weight, calculate the average values, and attribute the value of each dimension to the building of a weighted state legitimacy. This allows us to compare items and obtain a robust index (Hair, Black, Babin, & Anderson, 2009).

Commonsense segmentation requires the researcher to first choose the variables of interest and then to classify these segments in accordance with those variables (Pulido-Fernández & Sánchez-Rivero, 2010). The choice of these variables is based on European Social Survey indicators and proposals found in the literature for similar cases (Baines et al., 2003, among others).

With respect to the segmentation criteria, there are basically five types of variables (Table 5.2): religion, political orientation, discrimination group, citizenship, and demographics.

Table 5.2 Segmentation variables

Political variable	Item
National identity	Feel close to country
Pol. ideology	Placement on left-right scale
Pol. interest	How interested in politics
Pol. representativeness	Political system allows people to have a say in what government does
	Politicians care what people think
Behavioral control	Able to take active role in political group
	Confident in own ability to participate in politics
	Easy to take part in politics

Source: Own elaboration

Table 5.3 Anova analysis

Type	Spain
National identity	0.000***
Political ideology	0.000***
Political interest	0.000***
Political representativeness	0.000***
Behavioral control	0.017***

$^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

5.5 Results

First, we proceed to calculate the legitimacy of the State following the indications of Blanco-González et al. (2017) that develop a measurement that allows comparing countries in similar contexts such as the EU. In the case of Spain, it is confirmed that the legitimacy of the State is 49.7 (on a scale of 0–100 points). This value indicates an average legitimacy of Spanish institutions, but not adequate, which indicates that it is necessary to identify which variables influence this index and the most sensitive groups.

Second, Anova analysis for the variable of state legitimacy showed differences across political variables (Table 5.3). If the level of significance is less than 0.05, it means that there are differences which depend of the political segmentation criteria. Therefore, it is confirmed that it is necessary to build specific state legitimacy indexes.

Third, specific indexes of state legitimacy are constructed, and the variation with respect to the general index is calculated (Table 5.4 and Fig. 5.3). When the global legitimacy index varies less than 5%, it is considered to be stable; when the index varies between 6% and 10%, an up or down arrow is incorporated depending on the increase or decrease of the index; when the index varies between 11% and 25%, a double arrow is incorporated; and when the index varies more than 25%, that is, segment of greater sensitivity, it is identified with a triple arrow.

With respect to national identity, the results show that those individuals who do not feel close to their country penalize state institutions with a downward variation of 66% and a tremendously low legitimacy index (17.1). This segmentation variable is the one that registers greater differences with respect to global legitimacy.

Table 5.4 Results of global state legitimacy index vs specific indexes

Variables	Global legitimacy	49.7	Variation	
National identity	Very close	54.0	9%	↑
	Close	48.4	−2%	≈
	Not very close	39.6	−20%	↓↓
	Not close at all	17.1	**−66%**	↓↓↓
Political ideology	Left	36.8	**−26%**	↓↓↓
	Left – moderate	43.8	−12%	↓↓
	Neutral	51.8	4%	≈
	Right – moderate	60.8	23%	↑↑
	Right	57.9	17%	↑↑
Political interest	Very close	47.1	−5%	≈
	Quite close	50.8	2%	≈
	Not close	51.6	4%	≈
	Not at all close	39.4	−21%	↓↓
Political representativeness	Strongly disagree	38.5	−22%	↓↓
	Disagree	51.8	4%	↑
	Neutral	61.5	24%	↑↑
	Agree	68.3	**38%**	↑↑↑
	Strongly agree	65.9	**33%**	↑↑↑
Behavioral control	Strongly disagree	44.8	−10%	↓↓
	Disagree	49.8	0%	≈
	Neutral	52.2	5%	≈
	Agree	55.6	12%	↑↑
	Strongly agree	50.7	2%	≈

↑↑↑= Var. > 25%; ↑↑ = Var. > 10%; ↑↑ = Var. > 5%;
↓↓↓= Var. > −25%; ↓↓= Var. > −10%; ↓= Var. > −5%;

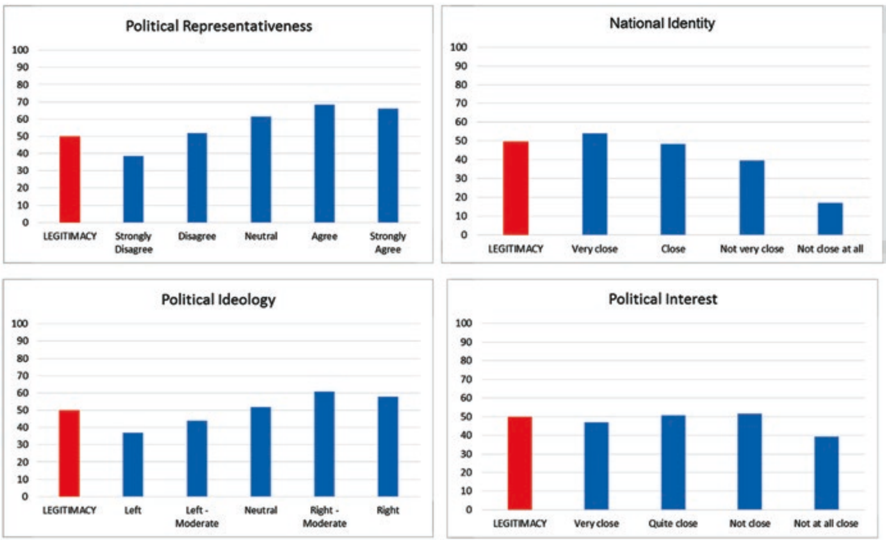

Fig. 5.3 Graphic representation specific indexes vs global index

With respect to political ideology (left–right), the results show that those with a left ideology give lower values (36.8), while those with a right ideology give values higher than legitimacy (57.9). In addition, a difference of more than 20 points between the right end and the left end is checked.

About political interest, it is found that those who have no interest in politics register a fall in the index of 21%. With respect to the representativeness of politicians, it is confirmed that the gap between the politicians and city is clear. Individuals who believe that politicians do not represent them register a value of 38.5 (with a downward variation of 22%), those who feel represented have a value of 68.3, and those who feel strongly represented have a value of 65.9.

Finally, regarding behavioral control, it is confirmed that the variations are slight and that those who do not feel with this capacity see their legitimacy diminished (−10%).

5.6 Implications and Discussion

This study establishes a state legitimacy index adapted to the particularities of the Spanish population clusters. It evidences the link between the state legitimacy and political variables. These specific indexes reflect more detailed information inside the country. This type of information permits to establish effective political strategies, develop efficient social politics, and apply relevant communication actions. In this line, a government with this information could have a more robust intelligence system and could approve more accurate politics.

This study shows which variables of a political nature influence the legitimacy of the State in Spain and what is the variation generated in this metric. The variable that registers the greatest variation in legitimacy is national identity. Those who do not feel linked to the country place a tremendously low value on the legitimacy of their state institutions. It is necessary that the State implements communication policies to inform of the actions it carries out and to highlight the importance of belonging to a country, for example, to do business abroad. This result can also be interpreted as an indicator of the current situation in Spain and its autonomous communities.

It also shows that those who do not feel represented by political leaders give low values to the legitimacy of the State. But those who feel represented give values superior to global legitimacy. These results highlight the gap between citizens and politicians and that citizens do not differentiate between politicians and state institutions (an aspect deeply discussed in political science when analyzing the democratic maturity of countries). In this line, it also shows that there are divergences between the values granted by citizens who feel right and citizens who feel left. It is important to know that in 2014 Spain was going through a deep economic crisis and that the government was of the right (PP). Results that agree with those found in the previous variable and suggest that individuals do not divide between politicians and state institutions.

Finally, it is proven that the less interest individuals have in the political sphere and the fewer skills they believe they have to operate in this area, the less legitimacy they will confer on institutions.

These results should be interpreted with caution. Although representativeness of the sample is adequate, it is necessary to increase this study to all EU member countries in future lines of research. Likewise, it is necessary to extend the time horizon, with the objective of confirming the effect of economic crisis and deepening in the evolution of these variables and the legitimacy of the state.

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Chapter 6
Increasing Legitimacy and Donations: A Call to Apply Institutional Theory to Nonprofit Fundraising

Louis Diez

Abstract Why do people donate to some organizations but not others? Why do different countries consider different causes to be worthy of their philanthropy? In the United States, donations from individuals sum up to 71% of total philanthropic contributions to nonprofit organizations. Research on strategies to increase individual giving has identified techniques that provide incremental growth, but do not explain the large differences in support to different types of nonprofits or specific programs within nonprofits (i.e., educational vs. religious, established vs. startup, unrestricted vs. restricted support). While the link between legitimacy and fundraising results is widely acknowledged (Fogal, 2005; Gronbjerg, 1993). *Understanding nonprofit funding*. San Francisco: Jossey-Bass), the study of legitimacy by institutional theory scholars provides a promising framework from which to study these differences and posit interventions to increase legitimacy. Conversely, nonprofit fundraising presents an ideal field in which to test some of the assumptions of legitimacy theory. This essay is meant as a call to action for cross-pollination among researchers in both fields.

Keywords Legitimacy · Donations · Institutional theory · Fundraising
Nonprofit · NPO · Alumni giving

6.1 Introduction

As an active fundraiser specializing in individual giving, much of the current advice in the field seems either lacking empirical validation or of incremental rather than transformational scope (UK Behavioural Insights Team, 2013).

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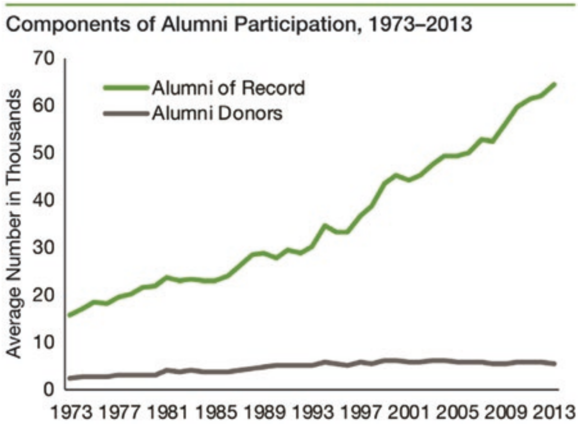

Fig. 6.1 Alumni giving. (Source: Council for Aid to Education, 2014)

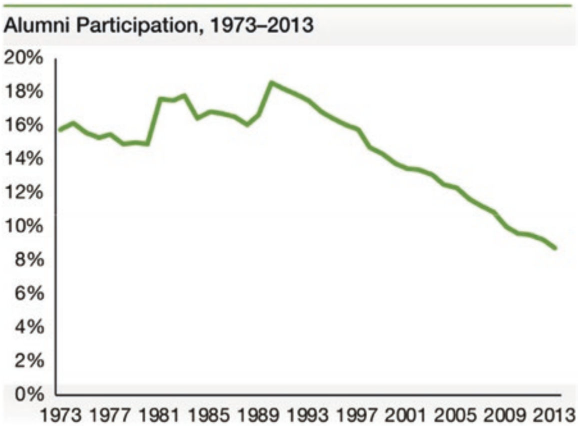

Fig. 6.2 Alumni participation. (Source: Council for Aid to Education, 2014)

While understanding individual triggers that make donations more likely (text with photo vs. non-photo; adding information on giving by peers) is helpful, it seems obvious that the main locus of the decision to give to a nonprofit depends mainly on other factors. In the higher education fundraising context, this is evidenced by the fixed or declining participation rates seen across the industry since 1973 (Figs. 6.1 and 6.2).

Given that philanthropic behavior is high and fairly constant over the last 30 years, with household giving participation between 68.5% and 89.9% (Ottoni-Wilhelm, 2002) and total dollars given at roughly 2% of the GDP (Giving USA, 2017), it is apparent that the problem is not that these non-donors are non-philanthropic. Rather, they are more likely choosing a different investment venue for their philanthropic dollars. No amount of storytelling, photos in direct mail pieces, or donor wall recognition will address the root cause of their decision to not donate.

The field of fundraising is missing a decision-making framework that helps understand why some individuals will give to a certain philanthropic project but not another. In this context, institutional theory provides a rigorous theoretical backing that could sustain practical insights.

From this perspective, donors could be seen as evaluators assessing the legitimacy, reputation, and status of the prospective donation recipient (Bitektine, 2011). Under this lens, the philanthropy marketplace might be interpreted as a legitimacy marketplace where the role of the fundraiser is to design structures that increase the perceived legitimacy of their organization.

6.2 Legitimacy and Fundraising

When distinguished fundraiser Reynold Levy (2017) states that "fundraising is a physiological, confidence building process, and the more you are able to say. Please join us, the better off you are." He is essentially advocating for the importance of cognitive legitimacy, especially in the beginning stages of a fundraising effort.

The importance given to planning donor benefits (VIP seating, networking opportunities), which is often seen to be effective for newer and less engaged donors, is a practical application of techniques to gain pragmatic legitimacy.

Others have noted that factors that affect the individual decision-maker may influence the types of legitimacy they use to evaluate the potential donation recipient (Díez-Martín, Prado-Román, & Blanco-González, 2016) (Fig. 6.3).

Applying this framework from a fundraising perspective could potentially be both versatile and powerful. A couple of ideas that would be helpful from a practical standpoint are listed as follows:

– New- or non-donors (who are making their decision from a situation of high economic stakes and low trust) evaluate their donation decisions by asking different questions from the organization: what is in it for me (pragmatic legitimacy)? Do I have confidence in their fundraising efforts?

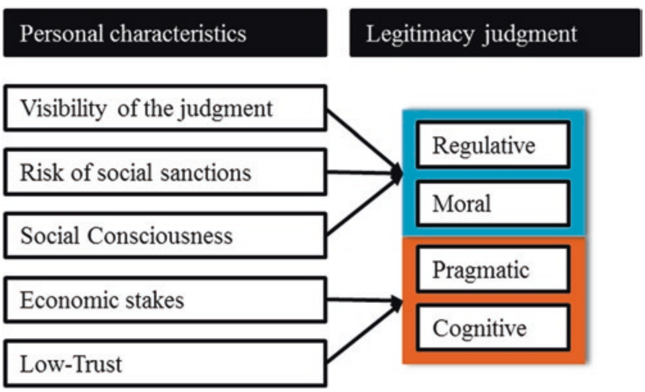

Fig. 6.3 Factors affecting decisions based on business legitimacy. (Source: Díez-Martín et al., 2016)

– Conversely, would arguments about the righteousness of the cause (moral legitimacy) or meeting state/federal regulations (regulative legitimacy) be less effective or even have an adverse impact?
– Increasing the visibility of the donation decision (and the fundraising profession has time-honored methods to do this through a multitude of honor rolls, donor displays, and other recognition venues) will make the donor more susceptible to whether the nonprofit is in compliance with legal regulations and whether the cause they are supporting is seen as "the right thing to do" by its stakeholders.

Finally, measuring legitimacy's influence as an "essential resource for business survival" (Zimmerman & Zeitz, 2002) is challenging, as numerous authors have mentioned (Bozeman, 1993; Low & Johnston, 2008; Suchman, 1995). Past approaches have converged around using media content analysis (Bansal & Clelland, 2004; Deephouse, 1996; Deephouse & Carter, 2005; Ruef & Scott, 1998; Vergne, 2011) or semi-structured interview analysis (Human & Provan, 2000; Low & Johnston, 2008; Rutherford & Buller, 2007).

The common denominator, and a potential overarching methodological limitation, is that these studies consider legitimacy as something fixed that cannot be modified at the decision-maker level. Being able to tie dollar fundraising outcomes to interventions that modify perceptions of legitimacy might prove to be a relatively clean methodological technique to advance knowledge in the field.

6.3 Conclusions

In conclusion, the goal of this essay was to highlight opportunities for collaboration among researchers of legitimacy's role in the decision-making process and those wanting to further understand how individual donors make philanthropic decisions. It seems like they are concrete benefits to be gained by both fields: in fundraising, by developing better models of philanthropic choices, and in institutional theory, by being able to design experiments that modify perceptions of legitimacy and have an output tied directly to these perceptions.

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Chapter 7
Neuromarketing as a Subject of Legitimacy

María-Ángeles Revilla-Camacho, Francisco-José Cossío-Silva, and Carmelo Mercado-Idoeta

Abstract Even though the concept of neuromarketing is relatively new, it already has numerous opponents. They stress that its interest in the consumer's subconscious is a clear example of manipulation and an invasion of individual privacy. Yet other authors postulate the countless advantages stemming from a better understanding of the consumers' wishes enabling organizations to design offers which are more adapted to their private and innermost desires. Due to the controversy that its development and application have created, the need to legitimize this new stream of marketing is therefore evident. However, there are no studies in this field, given the difficulty of appropriately measuring the legitimacy construct and the lack of consensus regarding the term neuromarketing. This work carries out a first approximation to this matter, analyzing the concept of neuromarketing and its evolution regarding its degree of acceptance and dissemination in the scientific community. The ultimate purpose is to determine if neuromarketing is a concept that needs to be legitimized. The results obtained will provide a basis for an in-depth study which will allow the establishing of neuromarketing's profile of legitimacy and tackle its legitimization in terms of the weaknesses and strengths of each of the dimensions and for each of the sources of legitimacy.

Keywords Legitimacy · Neuromarketing · Institutional theory · Measurement · Spain

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7.1 Introduction

Neuromarketing is a concept that has appeared recently, based on the application of neuroscientific techniques and physiological measurement devices to the study of consumer behavior (Bigné, 2015). Since its origins in 2002, it has sparked off a great controversy both in the academic world and in the area of research institutions. Its repercussion is such that it has gone beyond the field of the profession, and it has established itself in the appropriate debates of society in general. The mass media has made documentaries, and there are numerous general interest articles and information in the popular press which attempt to create a mind-set about this discipline. Everyone appears to have an idea about neuromarketing. There are many adepts capable of wielding compelling reasons which assure the usefulness and pertinence of neuromarketing. There is also a multitude of detractors who contribute solid arguments about its manipulative and privacy invasive character and about the need to regulate and restrict this application of neuroscience.

It is true that its beginnings were complicated. From 2002, the year in which Ale Schmidts, professor of Rotterdam School of Management, first used the term neuromarketing and two North American firms (Sales Brain and BrightHouse) started to apply the techniques of neuroscience to its commercial activities (Fisher, Chin, & Klitzman, 2010), neuromarketing has been continuously questioned. Its birth generated a great expectation, and firms of a different nature emerged which offered their knowledge in this field. Some were small firms with scant technological resources, very limited as to their scope and capacity. Others were small entrepreneurs without enough knowledge of neuroscience who only contributed to the generation of mistrust in the discipline (de Balanzo, 2015). Large companies did not back neuromarketing and in their majority tried to discredit it in comparison to established techniques and procedures. This scenario caused neuromarketing to be accused of having little transparency, a lack of ethics, and a minimum of rigor. So much so that the term started to be associated with a negative image. This led to its being gradually substituted by consumer neurosciences (de Balanzo, 2015).

The authors who maintain its defense allege that it contributes long-term benefits for both consumers and for firms. Bigné (2015) refers to some of them, such as its capacity to reveal unconscious reactions, the objectiveness of its measurement, and the immediacy of the results. It hence enables us to know, with noninvasive methods and without the need to ask people, the behavior of consumers from different contexts. All this also leads to an increase in the efficiency of marketing campaigns (Gang, 2012), thanks to the use of technologies based on obtaining images by RMI, eye tracking, or EEG, among others. Neuromarketing thus assists decision-making and can be applied to any marketing variable from advertising to the development of products, packaging or brands, and price fixing (Bigné, 2015; Eser, Bahar, & Metehan, 2011).

There are clearly also problems which can call into question its efficacy. For example, the brain activity registered with neuromarketing tools in a place of tests and experiments may not exist in reality when it is not under evaluation (Voicu, 2012). Moreover, the investigations require high budgets and may not be profitable

(Gang, 2012). Henrich, Heine, and Norenzayan (2010) determine the impossibility of drawing significant conclusions without the adequate samples. However, these difficulties are not the great dilemma which hinders the consolidation of neuromarketing. The main problem stems from the effect that an inappropriate use of these techniques may cause in consumers. The possibility of manipulation, through knowledge of people's conscience, may affect their freedom, and those who catalog neuromarketing as potentially immoral or illicit express themselves in this sense (Rozan Fortunato et al., 2014).

This last aspect is currently relevant, due to the importance that consumers and social groups are acquiring in the fight against behaviors and decisions which they consider inappropriate or harmful to society. These movements of social pressure, mainly driven by social networks, even lead to those in charge of firms and public institutions changing their stance, as they reconsider decision-making based on public opinion. Therefore, we can understand that the continued existence or success of a social innovation depends to a great extent on "social approval." This social acceptance is the essence of the concept of "legitimacy" and such is its importance that it influences the decisions and results of what is evaluated. In this way, if the general public perceives an innovation as desirable, correct, and appropriate in the framework of a socially constructed system of norms, values, beliefs, and definitions, its possibilities of development and future success will increase.

Based on the previous considerations, we propose an investigation which means to find out the main elements which will enable the legitimization of neuromarketing to be tackled. To do so, we begin with a review of the literature in which the state of play is shown. Then, we analyze the dimensions, the sources, and the subjects of legitimacy in the case of neuromarketing, and we propose a questionnaire to quantify legitimacy in this field. Finally, we discuss the study's implications and comment on the main lines of future research.

7.2 Legitimacy in Social Organization

Legitimacy is considered to be a fundamental process for social organization. The relevant literature in the field of social sciences has centered on two sociological streams: (a) studies focused on social psychology, centered on the legitimacy of social groups and the characteristics related with status, hierarchy, structures, and group practices, and (b) studies based on institutional theory, which spotlight the legitimacy of organizations and their practices (Johnson, Dowd, & Ridgeway, 2006). The first of these approaches attempts to understand the processes which lead to legitimizing inequalities within organizations and the labor market with the aim of modifying that legitimacy. The second approach centers on demonstrating that the survival and success of organizations depend to a great extent on their legitimacy (Scott, Ruef, Mendel, & Caronna, 2000). Within the institutional approach, to which this investigation adheres, there are both studies focused on organizations as entities and those which analyze processes, methods, theories, and concepts which can be developed or used by these organizations.

Concept and Dimensions of Legitimacy

In the first investigations in the framework of institutional theory, legitimacy is considered as the intersection between the norms, values, and expectations of a corporation and its activity and results (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975). The relation between a firm's legitimacy and its capacity to obtain the necessary resources was already then posited (Starr & MacMillan, 1990). In this line, Baum and Oliver (1991) state that legitimacy leads to more easily obtaining customers and suppliers and that it improves relations with social agents in general.

In 1995, legitimacy is defined as a concept depending on the culture, norms, and laws of States (Scott, 1995). Scott places legitimacy in three dimensions called normative, cognitive, and regulatory legitimacy, thus encompassing the different branches which can influence an organization and postulates that an organization's or a procedure's legitimacy is obtained from the authorization or approval of specific actors of the environment in which the subject to legitimize is to be found.

In this same year, legitimacy is defined by Suchman as "a generalized perception or assumption that the activities of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p.574). In turn, Suchman defines three dimensions of legitimacy which he calls pragmatic, moral, and cognitive. Pragmatic legitimacy refers to the environment closest to the organization – that is to say, the stakeholders or interest groups – in such a way that pragmatic legitimacy is achieved when the aims of the organization are in consonance with the aims of the main groups of interest. Moral legitimacy covers value judgments of an organization and its activities (Aldrich & Fiol, 1994; Parsons, 1960), based on the correctness of their actions. Normally the outputs and the methodology of the organization are evaluated based on their experience and capacity. It should be noted that these judgment values are less manipulatable than the evaluations in pragmatic legitimacy, although they are more difficult to achieve (Suchman, 1995). Lastly, cognitive legitimacy entails all those actions which support and simplify the solving of problems or accompany decision-making. Cognitive legitimacy comes from the systems of beliefs of scientists and professionals. It seeks a rationalization of the activities through looking to improve them. To sum up, this legitimacy is not upheld by evaluation or interest but by knowledge (Aldrich & Fiol, 1994). This way, it focuses on what is the best possible way to carry out an action, system, procedure, or resource management. The aim of cognitive legitimacy is to facilitate decision processes by seeking the optimum level. Legitimacy is thus characterized according to the degree of difficulty in obtaining it (from more difficult to more easy) and according to its usefulness and sustainability (from more useful and sustainable to less). It thus moves from pragmatic legitimacy to moral legitimacy and from moral legitimacy to cognitive legitimacy.

Institutional theory relates legitimacy with the search for the acceptance of the stakeholders and their desirability of the organization's activities. According to this theory, social exclusion can be explained by the maintaining of behaviors diverging from those socially accepted. In this way, organizations maintain behaviors similar to those of the leaders to obtain the legitimacy bestowed by doing things in accordance with the established know-how (Díez de Castro, Díez Martín, & Vázquez Sánchez, 2015). When a firm achieves the creating of a perception of the legitimacy of its activities, these are considered as more reliable, balanced, and predictable (Suchman, 1995). An affinity between the norms, beliefs, values, and principles of the system to which these activities belong is thus obtained. Furthermore, legitimacy facilitates the access to resources within the interest groups and is able to achieve a feeling of commitment in people, enabling the organizations to obtain the consent of the agents which make up their environment (Tyler, 2006). It even contributes to the compression of growth and the organization's survival (Diez-Martin, Blanco-González, & Prado-Román, 2010a, 2010b; Zimmerman & Zeitz, 2002). Although it is a concept which is still being built, various studies have shown the direct relation between the strategies of achieving legitimacy and the success of firms (Alcántara, Mitsuhashi, & Hoshino, 2006; Tornikoski & Newbert, 2007), and it has even been proved that the lack of or deterioration of legitimacy leads to the organization's failure (Ahlstrom & Bruton, 2001; Bianchi & Ostale, 2006; Chen, Griffith, & Hu, 2006).

Subjects, Sources, and Measures of Legitimacy

The subjects of legitimization are all those in which its acceptance is evaluated, such as structures, social entities, or actions. Johnson (2004, pp. 19–21) provides a list in which we find "an act, a rule, a procedure, a routine, a distribution, a position, a group or team, a group's status structure, teamwork, a system of positions, an authority structure, an organization, organizational symbols, an organization's form, practices, services, programs, a regime, a system of power, and a system of inequality (to name a few)." The founders of firms and top management teams can be added to them (Certo, 2003; Cohen & Dean, 2005; Deeds, Mang, & Frandsen, 2004; Higgins & Gulati, 2006). The importance of the media for its capacity to influence public opinion should also be mentioned (Fombrun & Shanley, 1990). To sum up, the subjects of legitimacy are of a very diverse nature and there is not a closed list; rather we may state that anything could become a subject of legitimacy.

The sources of legitimacy are the external or internal groups which observe organizations, and they evaluate them as to their legitimacy (Ruef & Scott, 1998, p. 880). According to Meyer and Scott (1983, pp. 201–202), the sources of legitimacy are "those groups who have the capacity to mobilize and confront the organization." The external groups have the collective authority regarding what is acceptable as auditors, experts in the matter, or lawyers, while the internal groups, such as the government, have the legal control over norms. Many researchers consider society in general as a source of legitimacy (Cruz Suárez, 2012), in such a way that they condition the legitimacy to the number of followers. The basis of their arguments is mimetic isomorphism, which relates the dissemination of a practice with its social acceptance (Hannan & Carroll, 1992; Hannan, Dundon, Carroll, & Torres, 1995;

Wezel, 2005). Baum and Powell (1995), on the other hand, consider that the media also exercises a source of legitimacy. Finally, Suchman (1995) mentions that the sources are not restricted to any specific group; therefore it is necessary to investigate who has the authority concerning legitimization in each specific case and for each subject of legitimacy.

In the study of the measurement instruments, it should be noted that different ways of measurement have been proposed for each dimension of legitimacy. Thus, regulatory legitimacy can be measured via financial ratios and the number of sanctions received from the public administrations (Deephouse, 1996). It is possible to apply a supplementary evaluation for the press, valuing the acceptance of people (Deephouse, 1996; Hybels, Ryan, & Barley, 1994). On the other hand, Ruef and Scott (1998) contribute another measurement system: the accreditations and certifications of standards coming from external agents or the market. Environmental legitimacy, contributed by Bansal and Clelland (2004) and understood to be the perception of what environmental actions are accepted or desirable within society, can be evaluated via the public opinions and perceptions published in some social media.

To finish, we need to stress the existence of a debate about the dichotomic or continuous character of legitimacy. Different authors treat legitimacy as a dichotomic concept, that is to say, as a variable or decision-making term in which there is legitimacy or there is not (Aldrich, 1995; Scott, 1995). On the other hand, other authors, such as Deeds, Mang, and Frandsen (1997), propose that it is a continuous variable in which there can be lower or higher values of legitimacy. Some authors (Bansal & Clelland, 2004; Deephouse, 1996; Ruef & Scott, 1998) establish the methods of measurement for each one of them in general terms. For the pragmatic, moral, and cognitive dimensions, the contribution of Cruz Suárez (2012) stands out. She develops a questionnaire based on the three dimensions proposed by Suchman (1995) and applies it to the study of the legitimacy of the European Higher Education Area in the Community of Madrid (Spain).

7.3 The Legitimization of Neuromarketing

As we have pointed out in the Introduction, neuromarketing is in the experimental stage. It is still relatively novel in our society and needs legitimacy to consolidate itself as a discipline. But how is a social object legitimized, whether it be an organization, a procedure, or a new stream of thought? Johnson et al. (2006) develop a four-stage model – innovation, validation at the local level, dissemination, and general validation – which we will explain applying it to neuromarketing as a new discipline.

1. In the first stage, a social innovation is developed at the local scale to satisfy some proposal or aim. That is to say, the new concept is born to respond to a specific problematic. In the case of neuromarketing, innovation emerges in the professional area of research agencies. The research institutes are the ones who are beginning to apply the techniques of neuroscience to market research with the goal of offering their customers, large North American companies, more

objective and precise information. The area is localized exclusively in the sector of market research firms. These firms are clear about the proposal and aim to attain and disseminate neuromarketing as a discipline oriented toward knowing brain processes and their changes throughout the decision-making process. These brain activities explain the behavior and decisions of people in the fields of action of marketing: market intelligence, product and services design, commercial communication, price fixing, branding, positioning, targeting, channels, and sales. These firms' main goal is to understand the result of the driving, sensitive, and affective behavior of human beings in the face of all the stimuli brought about by marketing. They will then be able to plan more efficient and appropriate strategies for the different markets and consumers.

2. In a second stage, a validation of the innovation must be produced at the local level. To do so, the new discipline has to adapt itself to the cultural and social system of the community in which it is inserted (Walker, 2004; Zelditch, 2001). This involves those in charge of it having to be capable of explaining and justifying its value and its concordance with the established system of norms and beliefs. The local character must not be interpreted, in our point of view, as a geographical requirement, but local can be considered all that which is circumscribed in or focused on a community. This is either at the geographical level, the position in the value delivery chain, or sectoral. In the case of neuromarketing, the legitimacy of the community of commercial research professionals has not been obtained. Those in charge of the innovation fail as regards the necessary adaptation to the cultural and social system of the community in which they are inserted, as they introduce the innovation in the sector without "finding any anchoring with traditional research" (de Balanzo, 2015, p.14). This lack of familiarity with the elements of traditional research, with the established status quo, brings about a rejection by the local community, which sees neuromarketing more as a threat than as a supplement to traditional research.
3. The third stage of legitimization requires a dissemination of the innovation. This dissemination involves its introduction into other local environments which will tend to adopt it more easily if it is coherent with generally accepted aims. In this point, all the constituents of the marketing system should have information about neuromarketing. It is necessary for all the agents involved, customers, suppliers, consumer associations, academics, students, social media, and, in general, any person or organization which can be a player in the supply chain to accept the innovation of neuromarketing. In this phase, there still remains a long way to go. Though it is true that the concept is beginning to be disseminated, it continues to be far from being known and accepted by all the actors involved. Regarding the dissemination via publications, it is worth pointing out that a quick search in the ABI Inform (Proquest) database for the term neuromarketing shows only 932 hits. As Table 7.1 shows, 26% of the studies are scientific. The rest are publications that are professional (35%) and of general interest (39%).

Also noteworthy is that in a search for the term neuromarketing in the study plans of the nine public universities of Andalusia (Spain), only four of them introduce the concept in their teaching programs and in all the cases do so in

Table 7.1 References in ABI inform 2002–2016

Type of source	Number of references	Percentage of the total (%)
Professional journals	300	32.19
Scientific journals	218	23.39
Press services, newspapers, and general interest magazines	364	39.06
PhDs and dissertations	15	1.61
Congress presentations and proceedings	9	0.97
Reports, work documents, and other sources	26	2.79
Total references	932	

passing. None of them has a specific subject about neuromarketing, either at the degree, PhD or Master's level.

4. As the innovation is accepted, the need to justify its suitability in the environment decreases, and it is this social acceptance itself that generates a spreading out which facilitates dissemination at a global level. The first adopters base their decision on objective and technical criteria, while the followers are guided by the legitimacy which stems from the imitation of the behavior of other actors. Once the innovation becomes an integral part of the status quo, the processes of legitimization maintain it relatively stable. The commitment of the organizations which incorporate it into their usual praxis endows it with a general validity which is not questioned. The authorization and the social and business backing, that is to say, the explicit or implicit support of actors who have posts of responsibility and social relevance, contribute to generating this validity. In this way, if the authorities, professionals, and social agents support them, social innovations become legitimate and are included in the social and cultural systems.

Therefore, and has been set out, neuromarketing as a discipline, as a procedure, or as a concept is in the initial phases of legitimization. Its future development and its consolidation will depend on its capacity to obtain legitimacy. To do so, it will still have to justify its usefulness and its fittingness with the norms and procedures of the organizations of the market research sector, and be disseminated among professionals, academics, the media, and society in general, and finally achieve general acceptance. It is this need of legitimacy which leads to defining the main elements to consider in the process of legitimization: the sources and dimensions of legitimacy for the case of neuromarketing.

7.4 Toward a Profile of Legitimacy of Neuromarketing

Legitimacy is not directly observable but must be quantified based on the valuations obtained from the different sources of legitimacy. To do so, the legitimization of a subject must begin by the clear and precise definition of the sources of legitimacy and the variables or dimensions which are going to be considered in the analysis. Once these are defined, we will proceed to create a measurement instrument which will be given to the actors who have to judge the subject's legitimacy. Having obtained the information, it will be possible to draw the relevant conclusions and elaborate, where appropriate, the profile or profiles of legitimacy of the subject analyzed.

Basing ourselves on these considerations, we propose as an aim of this research the initial characterization of neuromarketing as a subject of legitimacy, defining the sources and dimensions of analysis. To this effect, we will base ourselves on the model proposed by Cruz Suárez (2012), according to which legitimacy is determined by the different dimensions which form it, in our case those proposed by Suchman (1995): pragmatic, moral, and cognitive legitimacy.

Subject of Legitimacy

Neuromarketing, as a new concept, process or research method is coming across significant barriers for its implementation. The research agencies doubt about the convenience of investing in the development of the techniques of this new application of neuroscience. The requirements as to appliances and equipment as well as qualified staff are high, yet the doubts do not arise so much from the investment necessary but from the validity that society grants to the results obtained. It is undeniable that to understand the emotions which guide people's shopping behavior can contribute value to the offers of firms to develop products and services adapted to these consumers. Neuromarketing also helps to fix more appropriate prices and enables a greater efficacy and efficiency of commercial communication, in this way improving the productivity of the marketing of firms and increasing the value which is offered to the customers. What, then, is the reason for not disseminating the innovation of neuromarketing in a more accelerated manner? According to our proposal, the motive is the lack of legitimacy which has not yet allowed neuromarketing to be accepted by the experts in the matter and society in general.

Sources of Legitimacy

The sources of legitimacy of neuromarketing must be selected from among the internal and external groups (see Table 7.2). All those actors who develop or apply the techniques of neuromarketing are considered as internal, in other words, the professionals of the sector. At this level appear both firms and institutions of commercial research and all the professionals who work in them, either consultants or experts in neuroscience. They are the first who must accept and support neuromarketing.

At the external level, and in a first phase, it is worth indicating the scientific and educational community in general. Researchers, by going deeper into the concept and the knowledge of the techniques, can help to solve the doubts that neuromarketing

Table 7.2 Sources of legitimacy of neuromarketing

	Internal	External
Firms, institutes, and in general any member of the market research sector	x	
Professionals of the field of neuroscience in charge of the technical procedures of neuromarketing	x	
Scientific and academic community		x
Consumers in general		x
Those in charge of firms and assimilated entities		x
Sectoral and consumer associations		x
Regulatory agencies		x
Media		x

generates in society, which bestows them with the credibility of experts in the matter. Likewise, if they incorporate the discipline into their teaching programs and transmit their knowledge about it, they will contribute to a great extent to the dissemination of neuromarketing. At the second level of external legitimacy, it is necessary to include those in charge of firms who can request studies carried out applying neuroscience, as well as the regulatory agencies and the social media. If firms demand it and apply it responsibly, if the press and the mass media accept the advantages it entails for society, and if the regulatory agencies defend the honest, transparent, and reliable use of neuromarketing, legitimacy will be practically attained. It will only remain to seek the acceptance of the consumers through their associations and ultimately society, in general, which will finish up by accepting it as something desirable, appropriate, and positive.

Dimensions of Legitimacy

To measure legitimacy is not an easy task. This explains the scarcity of empirical studies in the reference literature. One of the methods which have been used is the analysis of the content of newspapers (Bansal & Clelland, 2004; Barreto & Baden-Fuller, 2006; Li, Yang, & Yue, 2007). However, it is a method which requires the presence in the press of the subject to legitimize, and not all organizations obtain media coverage in the press. This matter has called into question the validity of this research method due to the difficulty of generalizing the results and the comparison between subjects when some of them do not appear in the contents of newspapers. Other authors have backed a combination of recruitment methods based on secondary sources, mainly databases and primary sources in the form of questionnaires or semi-structured interviews (Cruz Suárez, 2012; Human & Provan, 2000; Low & Johnston, 2008; Rutherford & Buller, 2007).

In this research, and following the postulates of Cruz Suárez (2012), we back the development of an ad hoc questionnaire using a 7-point Likert scale. On the other hand, the dimensions of legitimacy will be determined by the acceptability and desirability of the aims of neuromarketing, taking note of the different dynamics of society's behavior. That is to say, the acceptability of the aims from a pragmatic dynamic will mean the evaluation of the pragmatic dimension of neuromarketing. In the same way, the evaluation of the aims from a moral or cognitive dynamic will enable the analysis of these dimensions (Cruz Suárez, 2012, p. 110).

To elaborate the list of aims, we base ourselves on the literature review of neuromarketing, as well as on preliminary conversations with experts in the matter, coming from both the academic area and professionals of the sector. As a fruit of this search, we propose the following variables to characterize the three dimensions of the legitimacy of the subject of neuromarketing.

Block 1: Pragmatic
What is the current degree of fulfillment of each of these aims of neuromarketing? Value your degree of agreement or disagreement on a scale where 1 signifies that the aim has not been fulfilled and 7 implies that it has been completely attained.

Block 2: Moral
Do you consider that neuromarketing must pursue each of these aims, although they do not yield a specific usefulness?

Block 3: Cognitive
Do you consider that the aims of neuromarketing could be attained more correctly, that is to say, that the way in which people work to attain them could be improved?

1. To guarantee the efficacy of organizations, contributing to attaining their aims
2. To maximize efficiency, reducing the consumption of financial, human, and material resources
3. To improve the welfare of society
4. To create value for people as customers
5. To create value for people as citizens
6. To know the functioning of the different *brain areas* when exposed to external stimuli
7. To contribute precise and reliable information for decision-making in marketing
8. To determine areas of improvement in marketing management
9. To help the choice of the best distribution channels and/or sales form
10. To know the unconscious desires of the individual as a consumer
11. To know the best way to connect with the individual's emotions as a consumer
12. To choose the advertising messages which most impact a person
13. To select the advertising media appropriate for each segment of consumers
14. To foster impulse shopping
15. To establish emotional connections with brands
16. To help the development of products and services adapted to the consumer's demands
17. To contribute information about the prices that the consumer considers appropriate for each product or service
18. To improve the atmosphere of establishments to foster an attitude favorable to shopping

19. To teach sales agents new ways of connecting with people to improve the number of transactions carried out
20. To know the exact opinion of consumers about the value offers which are presented to them
21. To improve satisfaction
22. To know the way in which shopping decisions are made
23. To create opinion leaders and brand ambassadors able to influence people's decisions thanks to the improvement in the comprehension of their desires and longings

In order to have a global valuation of the legitimacy of neuromarketing and of each of its dimensions, we propose including the following block of indicators in the questionnaire.

Block 4: Evaluate the Following Questions Regarding Neuromarketing

1. Do you consider neuromarketing useful?
2. Do you consider that neuromarketing should continue being applied and developed regardless of its usefulness?
3. Do you consider that the activities of neuromarketing could be done better?
4. Do you consider neuromarketing desirable, correct, and appropriate?

7.5 Conclusions

The study's main conclusions stem from the aims proposed. Firstly, the need to legitimize neuromarketing has been shown in order for it to thus become a subject of legitimacy. The process of disseminating innovations involves obtaining local and global acceptance as a requirement sine qua non to consolidate any innovation in society. But, as has been demonstrated in the preceding paragraphs, neuromarketing has not yet become accepted at the local level in the framework of the very organizations who have introduced it: the research agencies and institutes. There is, then, a problem of legitimacy which limits and conditions the possibilities of this discipline's survival and future development. Neuromarketing, therefore, must put into action strategies channeled at gaining legitimacy (Suchman, 1995). This involves enhancing all those efforts working toward acceptance by the environment. These are known as actions of compliance. It is a question of fulfilling the demands and expectations of the environment with which it interacts (Meyer & Rowan, 1977; Suchman, 1995), that is to say, to follow the norms of society without debating them, changing them, or infringing them.

Secondly, we have analyzed the sources from which neuromarketing must obtain its legitimacy. As the literature analyzed indicates, these have to be both external and internal. All of them have to accept the innovation that neuromarketing entails. This makes a work of information, communication, social awareness, and even education necessary for the different agents involved to accept the techniques of neuroscience in their application to marketing as safe, desirable, useful, and appropriate.

As Suchman (1995) postulates, it is a question of selecting the external agents which support neuromarketing, either in one environment or another.

Thirdly, we have developed a questionnaire model based on the three dimensions proposed by Suchman (1995) to measure the legitimacy of neuromarketing. Once it is validated by experts, it can be used to elaborate the profiles of legitimacy of neuromarketing, detect the areas which require improvement, and try to bolster a greater acceptance of the discipline in each and every one of its sources of legitimacy consulted: professionals, experts, the media, social agents, and society in general.

Finally, we point out that this investigation is a starting point in the search for the legitimization and future viability of neuromarketing. It does not pretend to contribute solutions or question research based on the techniques of neuroscience but to open the debate which leads to its acceptance and development within the scientific community.

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Chapter 8
Legitimacy as Competitive Advantage: A US Airline Case Study

Gregory Payne, Ana Cruz-Suarez, and Alberto Prado-Román

Abstract This study seeks to achieve a better understanding of how legitimacy-gaining initiatives become a source of competitive advantage through the mediation of customer satisfaction. Through a case study of five major US airlines (American Airlines, Delta Air Lines, Southwest Airlines, United Continental, and US Airways), the authors analyze the links between legitimacy and customer satisfaction along with the effect of corporate abilities on these variables. Results suggest that more legitimate organizations provide more satisfaction to their customers. Simultaneously, the results show that corporate abilities can also influence this relationship. There was a positive relationship between corporate abilities and legitimacy-building initiatives, as well as between corporate abilities and customer satisfaction. Finally, firm performance is also positively related to the three previous variables: legitimacy, customer satisfaction, and corporate abilities. The primary managerial implication of this study is that not managing legitimacy is putting oneself at risk of losing it. Secondly is that legitimacy could also be used as a leading indicator of customer satisfaction. The present work's contribution in the nascent field of legitimacy management is to link legitimacy to customer satisfaction, a key variable for firm performance. This begins to fill in the gaps in understanding how legitimacy leads to business results. Furthermore, it also provides a confirmation of previous studies that propose that organizations are not passive receivers of legitimacy but can actively manage it.

Keywords Legitimacy · Customer satisfaction · Corporate abilities · Firm performance · Airlines · Organizational legitimacy · Service quality · Innovativeness capability · Leading indicator · Manage legitimacy

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8.1 Introduction

Firms operate in a highly competitive business environment. Survival depends on finding a competitive advantage that will lead to improved performance. The search for competitive advantage is one of the reasons impelling organizations to become institutionalized (Cruz-Suárez, Prado-Román, & Díez-Martín, 2014a). Recently, research has shown that there is a growing number of firms that develop legitimacy initiatives—such as corporate social responsibility programs (e.g., Bachmann & Ingenhoff, 2016)—because they believe that this is a source of competitive advantage that will help them create new business opportunities, protect their company from regulation, or satisfy their shareholders (Simcic & Vidaver-Cohen, 2009). It is increasingly important for organizations to adjust to social expectations in order to have better access to resources.

Resource development allows businesses to obtain competitive advantage (Barney, 1991). "Firms with superior resources will earn rents" (Peteraf, 1993, p. 180). Researchers such as Starr and MacMillan (1990) write that organizations must create an image of viability and legitimacy before being able to receive support. This is why an institutionalized organization is able to garner greater support from its stakeholders (Choi & Shepherd, 2005), establish beneficial relationships with its suppliers, and obtain access to investors and clients (Calic & Mosakowski, 2016). In a nutshell, an institutionalized organization has increased access to critical resources (Baum & Oliver, 1991).

Institutionalization has also effected improvements on organizations' internal processes. For instance, those that have worked to adapt to societal norms and standards through environmental actions have seen that the pressure to achieve sustainability has led them to develop better systems and technology (Bansal & Roth, 2000).

Legitimacy is the conduit through which firms become institutionalized (Díez-de-Castro, Díez-Martín, & Vázquez-Sánchez, 2015). It is "a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws" (Scott, 1995, p. 45). Its importance lies in the fact that the desirability and acceptance of an organization's activities allow it to gain access to other resources that are necessary for survival and growth (Zimmerman & Zeitz, 2002). Many organizations have failed because of a lack or loss of legitimacy, rather than lack of resources or inferior products (Chen, Cotsakos, Griffith, & Hu, 2006).

A small number of authors have analyzed the relationship between strategies to gain legitimacy and organizational survival (Bansal & Clelland, 2004; Low & Johnston, 2008; Tornikoski & Newbert, 2007), but not much has been written to explain the links between the two variables. One explanation that has been proposed has been that customer satisfaction acts as a mediator between legitimacy and business results (Chaney, Lunardo, & Bressolles, 2016; Luo & Bhattacharya, 2006). Fornell, Mithas, Morgeson, and Krishnan (2006) observe that customer satisfaction is a fundamental variable to explain business results.

Figure 8.1 illustrates the relationship between legitimacy and customer satisfaction. On the one hand, studies of legitimacy establish that initiatives geared toward

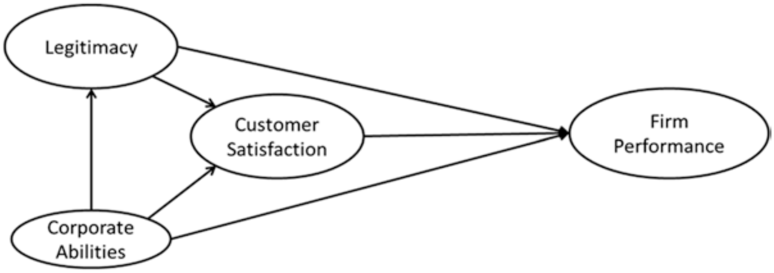

Fig. 8.1 Relationship between legitimacy and customer satisfaction

gaining or maintaining organizational legitimacy increase firm performance (Zimmerman & Zeitz, 2002). On the other hand, the literature suggests that initiatives to improve organizational legitimacy can increase customer satisfaction (Chaney et al., 2016; Hsu, 2012; Luo & Bhattacharya, 2006). As a consequence, customer satisfaction would function as a partial mediator between legitimacy initiatives and performance. At the same time, various authors point out that organizational abilities positively influence organizational legitimacy, customer satisfaction, and firm performance (Buzzell, Gale & Sultan, 1975; Chen & Tsou, 2012; Mittal, Anderson, Sayrak, & Tadikamalla, 2005).

Thus, the present study's goal is to achieve a better understanding of how legitimacy-gaining initiatives become a source of competitive advantage through the mediation of customer satisfaction. This is done through the analysis of the following questions: (1) Does customer satisfaction matter in the legitimacy process? and (2) How do corporate abilities affect this process? The issues are explored through a case study of the five main US airlines.

8.2 Theoretical Framework

Legitimacy and Customer Satisfaction

Suchman (1995, p. 574) defines legitimacy as "the 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." During the last 20 years, interest in the study of legitimacy has extended to the literature on strategic management because of the links between legitimacy and organizational survival (Meyer & Rowan, 1977; Zimmerman & Zeitz, 2002). Brown (1998, p. 35) suggests that "legitimate status is a sine qua non for easy access to resources, unrestricted access to markets, and long term survival." Numerous empirical studies support this assertion (Chen, Haga, & Fong, 2016; Cruz-Suárez, Prado-Román, & Prado-Román, 2014b; Díez-Martín, Prado-Roman, & Blanco-González, 2013; Li, Yang, & Yue, 2007).

There are specific actions that organizations can implement to gain legitimacy (see Suchman, 1995). According to institutional theory (Meyer & Rowan, 1977), these actions affect the entire community around the firm, including its consumers. Previous research has argued that certain actions oriented toward improving legitimacy perceptions, such as corporate social responsibility programs, positively influence consumer's perceptions of a firm's products (Brown & Dacin, 1997). In this way, legitimacy-developing programs would favor a greater sense of identification between customers and a firm and/or its products. This could encourage behaviors that would improve performance, such as entrepreneurship activity (Díez-Martín, Blanco-González, & Prado-Román, 2016) customer loyalty (Bhattacharya & Sen, 2004), or shopping intentions (Chaney et al., 2016). For instance, to develop legitimacy improvement programs, an organization would have to study its clients, which would facilitate customer satisfaction (Jayachandran, Sharma, Kaufman, & Raman, 2005). Furthermore, clients are more satisfied with a product or service that comes from an organization with greater legitimacy because they offer a greater perceived value. Fornell, Johnson, and Anderson (1996), Khan and Kadir (2011), and Mithas, Krishnan, and Fornell (2005) have proposed that perceived value positively influences customer satisfaction. Similarly, greater moral or normative legitimacy is linked to a positive corporative image (see DiMaggio & Powell, 1983; Suchman, 1995).

Customer Satisfaction and Firm Performance

Customer satisfaction has been identified as an important component of corporate strategy (Fornell et al., 2006) and a key factor for long-term firm profitability and market value (Gruca & Rego, 2005).

The influence of customer satisfaction on profits has been studied often, to the point that it has become a fundamental variable of corporate strategy (Fornell et al., 2006), because of its effect on firm results (Chen & Tsou, 2012; Gruca & Rego, 2005). Following this idea, businesses with high customer satisfaction have been shown to have better cash flows (i.e., Gruca & Rego, 2005; Mittal et al., 2005), higher market values (i.e., Fornell et al., 2006), and more brand equity (Hsu, 2012). Possible explanations for this phenomenon are that satisfied clients will pay higher prices (Homburg, Koschate, & Hoyer, 2005), be more loyal to the company (e.g., Bolton & Drew, 1991), and spread positive word-of-mouth messages (Szymanski & Henard, 2001).

For these reasons, Luo and Bhattacharya (2006) propose that customer satisfaction exercises a mediatory role between corporate social responsibility and performance as measured by a firm's market value. The present authors suggest that this linking role could be extended to all legitimacy-developing initiatives. Legitimacy actions would affect customer satisfaction, which in its turn would affect performance.

A differing factor is that legitimacy impacts not only a firm's clients but also other members of the community that may hold a stake in its performance (Choi & Shepherd, 2005). For instance, organizations with greater legitimacy attract more investors to their initial public offerings (Jia & Zhang, 2014; Khoury, Junkunc, & Deeds, 2013).

Corporate Abilities, Customer Satisfaction, and Firm Performance

A review of the literature suggests that the link between legitimacy-building initiatives and performance would also be influenced by other variables, such as corporate abilities (Luo & Bhattacharya, 2006). In this case, corporate abilities are defined as the ability to improve product/service quality and the ability to innovatively generate new products/services. Other authors use a similar terminology (Gatignon & Xuereb, 1997). Numerous studies have empirically confirmed the links between performance and the capability to generate quality products/services (i.e., Buzzell, Gale, & Sultan, 1975; Mittal et al., 2005) as well as the capability to innovate (Gatignon & Xuereb, 1997).

Following Luo and Bhattacharya (2006), the authors consider that a firm with a comparatively low level of corporate abilities would not obtain satisfactory results from its legitimacy programs. In other words, legitimacy programs in a firm with few corporate skills could reduce buying intentions. It could also favor a negative image, if clients believe that investment in developing legitimacy is carried out in detriment of corporate abilities. Sen and Bhattacharya (2001) have proven that this occurs in companies that implement social corporate responsibility programs. Even worse, negative word of mouth from discontent clients could generate an unattractive corporate identity and led to performance losses (Brown, 1998; Varadarajan & Menon, 1988). On the opposite end of the spectrum, organizations with high corporate skills could obtain even more support from their clients and improve performance results (Chen & Tsou, 2012.

8.3 Methodology

The authors employed an inductive methodology, adequate for cases in which the theory used is empirically grounded (Yin, 2009). In a similar manner to Lamberti and Lettieri (2011), who analyze legitimacy strategies in converging industries, our study adopts an explanation-building approach. Based on this, we decided for a multiple case design.

Sample

A list of Fortune 500 (2011) companies was used as a starting point to study the relationship between customer satisfaction and the legitimacy process. This was because of the international relevance these businesses have achieved as well as easy access to secondary information on them. Of these, a subsector of airline companies was selected. This industry is highly institutionalized because of strong

Table 8.1 Company profiles

	American Airlines	Delta Air Lines	Southwest Airlines	United Continental	US Airways
Year of establishment	1930	1920	1971	1926	1939
Location	Fort Worth, Texas	Atlanta, Georgia	Dallas, Texas	Chicago, Illinois	Tempe, Arizona
Alliance	Oneworld	SkyTeam	Volaris (Mexico)	Star Alliance	Star Alliance
Destination	Worldwide	Worldwide	USA and six nearby countries	Worldwide	Worldwide
Fleet	617	700	575	701	338
Employees	87,897	78,400	46,000	87,000	31,500
Domestic market share	13.1%	16.2%	14.9%	13.4%	8.0%
Passenger M	106,013	163,838	135,274	141,799	60,854
Total assets $ B	23,850	43,499	18,068	37,990	8340
Sales growth %	8160	10,770	29,360	59,300	9630
EBITDA growth %	−70,310	−19,080	2290	23,020	−32,260

Data from 2011, based on MarketWatch Inc., IATA, and individual companies
B Billion, *M* Million

government regulation and high entrance barriers. Therefore, a group of legitimated organizations was selected. The Fortune 500 list includes 12 airlines, of which 5 belong to the USA. Choosing these five was justified based on the following criteria: (a) there is a homogenous index to measure customer satisfaction among US companies; (b) there is a similar competitive environment, at least concerning the federal regulations they are subject to; and (c) the five airlines offer a cross-sample of business models and strategies in the airline industry. The following firms were selected: American Airlines (AA), Delta Airlines (DA), Southwest Airlines (SA), United Continental (UC), and US Airways (UA). Our cases were selected to highlight theoretical issues and to challenge the theory being tested (Eisenhardt, 1989; Pettigrew, 1990). Table 8.1 shows the profile of the firms under study.

Data Collection and Variable Measurement

Legitimacy

Print media accounts of the above companies were analyzed to determine their legitimacy levels. Dowling and Pfeffer (1975) state that media include commentary and attacks on illegitimate organizations, which reflects current social values. This technique has been used successfully in similar studies (e.g., Bansal & Clelland, 2004; Deephouse, 1996; Díez-Martín et al., 2013).

The Wall Street Journal was utilized as the news source. This publication covers all sizable firms of US origin or interest. Only one news source was used to avoid duplicate coverage. News items for the five airlines were obtained from the ABI/INFORM Complete database. Search terms used consisted of each company's name followed by the word "airline"; 140 articles were found for 2011. Of these, 50 were duplicate entries, and 9 were unrelated news items. The final number of articles found was 81. It was deemed that this number was enough, since it provided a ratio of 16.2 news items per firm—an above average quantity for previous research (i.e., 14.14 in Deephouse, 1996; 10.49 in Bansal & Clelland, 2004).

Each article was codified with the same methodology used in Bansal and Clelland (2004), with three possible values for each article based on its impact on a company's legitimacy (0 = neutral, 1 = negative, and 2 = positive). Intercoder reliability check was completed for 40 randomly selected articles. The three raters agreed on 36 of the 40 cases (90%), suggesting high levels of intercoder reliability (Weber, 1991).

Legitimacy was calculated using the Janis–Fadner coefficient.

$$\text{Janis}-\text{Fadner coefficient} = \begin{cases} \left(e^2 - \text{ec}\right)/t^2, & \text{if } e > c \\ \left(\text{ec} - c^2\right)/t^2, & \text{if } c > e \\ 0, & \text{if } e = c \end{cases}$$

where e is the annual number of favorable legitimacy articles, c is the annual number of unfavorable legitimacy articles, and t is $e + c$.

Firm Performance

Return on investment has historically been one of the most used indicators of firm performance (e.g., Staw & Epstein, 2000). Nonetheless, it is a retrospective measure that analyzes a firm's historical performance (Kaplan & Norton, 1996). On the other hand, "the market value of firms hinges on growth prospects and sustainability of profits, or the expected performance in the future" (Rust, Lemon, & Zeithaml, 2004, p. 79). For this reason, the present study uses market value as a measure of firm performance. Various scholars have used this indicator in studies related to customer satisfaction (Fornell et al., 2006). Market value was obtained by calculating average stock price changes for 2011. Stock prices were obtained from Yahoo Finance.

Customer Satisfaction

Customer satisfaction was obtained from the American Customer Satisfaction Index (ACSI) database. Other studies also use this measurement of customer satisfaction (i.e., Fornell et al., 2006; O'Sullivan & McCallig, 2012). The index's validity and reliability have been proven in the past (see Fornell et al., 1996). Average customer satisfaction ratings for the five firms in the simple were obtained for 2011.

Because of the ongoing merger, United and Continental were still shown as separate entities in the ACSI. The authors decided to average customer satisfaction ratings among both organizations. The scale used goes from 0 to 100 points.

Corporate Abilities

As in Luo and Bhattacharya (2006), two types of corporate abilities were considered: (a) the ability to improve product/service quality and (b) the ability to innovatively generate new products/services. To measure them we used the ratios of quality of products/services and innovation from Fortune America's Most Admired Corporations (FAMAC) 2011 data. Other studies have also used these ratios (i.e., Musteen, Datta, & Kemmerer, 2010). The scale used is from 1 to 12 points. Each point represents one of the 12 firms in the sector that are listed on Fortune 500. In this way, 12 is the best firm in this category and 1 the worst.

8.4 Findings

The authors followed the suggestions of Andrews, Netemeyer, Burton, Moberg, and Christiansen (2004), who proposed that to analyze the mediating effects of one variable on another, it is necessary to analyze all possible relations. The main findings that have been collected are shown in Table 8.2.

Legitimacy vs. Customer Satisfaction

The data shows that SA was the airline with a greater legitimacy in 2011, followed closely by DA. These values are far in advance of those from the other airlines. On the opposite end, UA has the lowest legitimacy with a negative rating. This could be interpreted as meaning that during 2011, UA has not only been unable to maintain its legitimacy levels but has lost ground. Suchman (1995) mentions this possibility when he describes strategies to recover lost legitimacy. In this specific case, the loss of legitimacy could be explained by the lack of legitimacy-developing techniques during the first half of the year and to the continuous confrontation between employees and management during the second half of the year.

AA did not ameliorate its legitimacy in 2011 but was able to maintain it. Specifically, AA carried out cost reduction programs during that first half of the year that were evaluated positively. Nevertheless, it presented cash flow problems and bankruptcy during the last trimester. This could have caused a loss of pragmatic legitimacy from its stakeholders. Bankruptcy issues could have reflected a loss of cognitive legitimacy, showing that their way of doing things is not the best (see Bitektine, 2011; Díez-Martín, Blanco González, & Prado Román, 2010a; and Suchman, 1995, for an expla-

Table 8.2 Legitimacy process, customer satisfaction, and corporate abilities

	AA	DA	SA	UC	UA	Mean	s.d
Legitimacy	0.00	0.38	0.48	0.06	−0.22	0.14	0.29
Customer satisfaction	63.00	63.00	76.08	61.08	60.83	64.80	6.39
Service quality	11.00	7.00	5.00	10.00	12.00	9.00	2.92
Innovativeness capability	12.00	2.00	3.00	7.00	11.00	7.00	4.53
Firm performance	−0.959	−0.362	−0.354	−0.223	−0.487	−0.48	0.29

AA American Airlines, *UC* United Continental, *SA* Southwest Airlines, *DA* Delta Air Lines, *UA* US Airways

nation of the different types of legitimacy). Finally, UC initiated a series of activities that had, on average, a positive impact throughout the year. Despite the problematic merger process initiated in 2010 between United and Continental, it was able to develop initiatives that were perceived as desirable, proper, or appropriate.

On the customer satisfaction scale, SA obtained the best results (76.08 points). This rating is far over the others. Average customer satisfaction was 64.8/100. Standard deviation is high, because of SA's results. In descending order of customer satisfaction, the next firms are DA and AA, with a 13.08 point difference. UC obtained 60.83 and, finally, UA has the lowest customer satisfaction. These last two firms faced in 2011 critical processes that affected their survival: a merger and labor relations problems. Both these processes led to organizational restructuring, affecting personnel routines, processes, and engagement. It is possible that these events distracted attention away from their customers and thus influenced negatively on customer satisfaction (Salanova, Agut, & Peiró, 2005).

Figure 8.2 shows the relationship between legitimacy and customer satisfaction.

A positive tendency is observed between organizational legitimacy and customer satisfaction. This data is consistent with institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), as well as with previous studies linking legitimacy programs and customer satisfaction (Luo & Bhattacharya, 2006). It is also not surprising that SA shows such high results in legitimacy and customer satisfaction. In recent years, it has become a role model in these areas (Klein, 2012). Therefore, we posit the following:

Proposition 1: Legitimacy-developing initiatives are positively related to customer satisfaction.

Corporate Abilities vs. Legitimacy and Customer Satisfaction

Two types of corporate abilities are measured: service quality and innovativeness capability. While SA is only the fifth in service quality among all airlines of the Fortune 500 list, it is the best in our sample. In order of descending service quality, it is followed by DA. The last spots in the ranking are assigned to UC, AA, and UA,

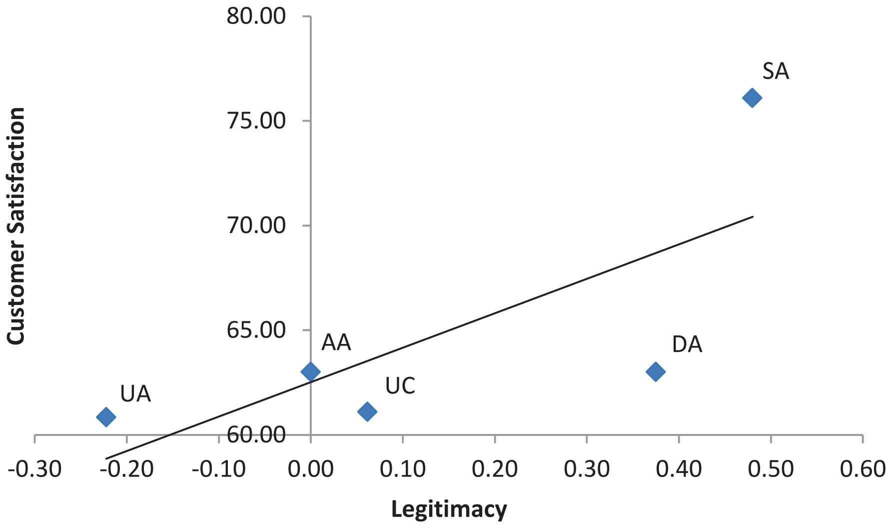

Fig. 8.2 Legitimacy and customer satisfaction

respectively. With respect to their innovativeness capability, DA obtained the highest ranking in the sample, followed closely by SA. UC, UA, and AA are the airlines with lower innovativeness capability. Airline performance in these two rankings shows two groups: those that have well-developed corporate abilities (SA and DA) and those that have less well-developed corporate abilities (UC, UA, and AA).

Figures 8.3, 8.4, 8.5, and 8.6 show the relationship between corporate abilities, legitimacy, and customer satisfaction.

Figures 8.3, 8.4, 8.5, and 8.6 show what appears to be a positive tendency between legitimacy and corporate abilities, both for service quality and innovativeness capability. In both cases, firms with greater legitimacy also show better corporate abilities. Thus, we posit the following:

Proposition 2: Corporate abilities are positively related to legitimacy-developing initiatives.

Proposition 2.1: Service quality is positively related to legitimacy-developing initiatives.

Proposition 2.2: Innovativeness capability is positively related to legitimacy-developing initiatives.

Previous research has shown the existence of a link between corporate abilities and customer satisfaction in the airline industries (An & Noh, 2009), in the IT industries (Chen & Tsou, 2012), or in a cross-sectional sample (Luo & Bhattacharya, 2006). In the current study, it is also possible to observe a positive tendency between corporate abilities and customer satisfaction. SA and DA are the airlines that obtain the greatest customer satisfaction and service quality ratings. Conversely, UA and

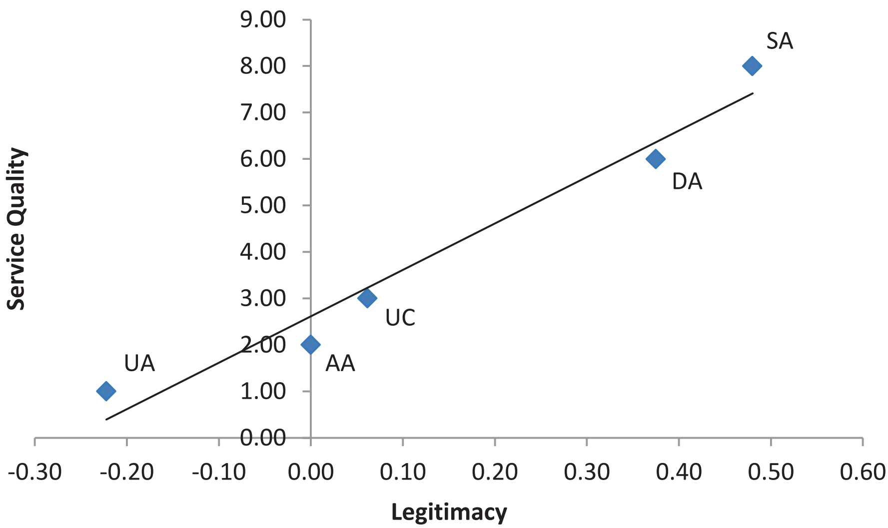

Fig. 8.3 Legitimacy and service quality

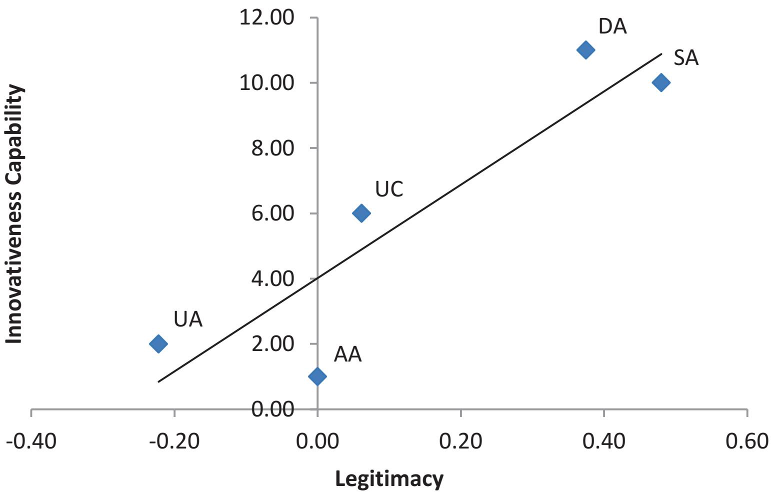

Fig. 8.4 Legitimacy and innovativeness capability

UC have both low customer satisfaction and service quality ratings. Similar links are found between innovativeness capability and customer satisfaction. In both analyses, AA seems to be an exception to this relationship. AA has customer satisfaction ratings similar to those of DA but service quality and innovativeness capability ratings at the level of the weakest airlines in these areas. These results could be explained by inadequately implemented internal processes (i.e., cash flow problems, fuel cost increase management) throughout the bankruptcy process in the second

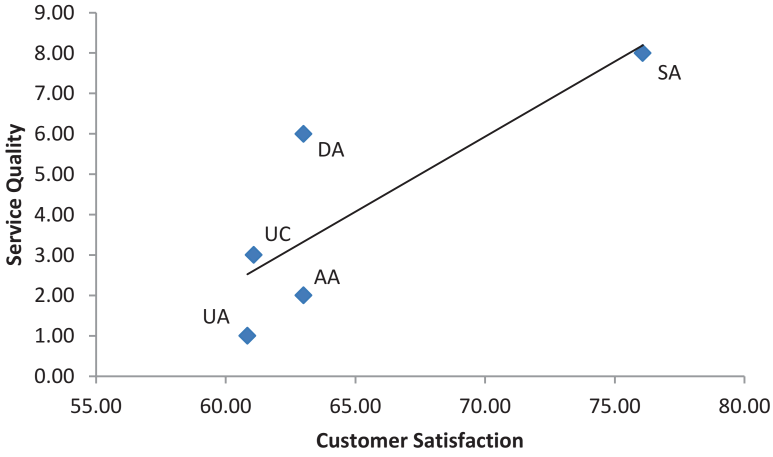

Fig. 8.5 Service quality and customer satisfaction

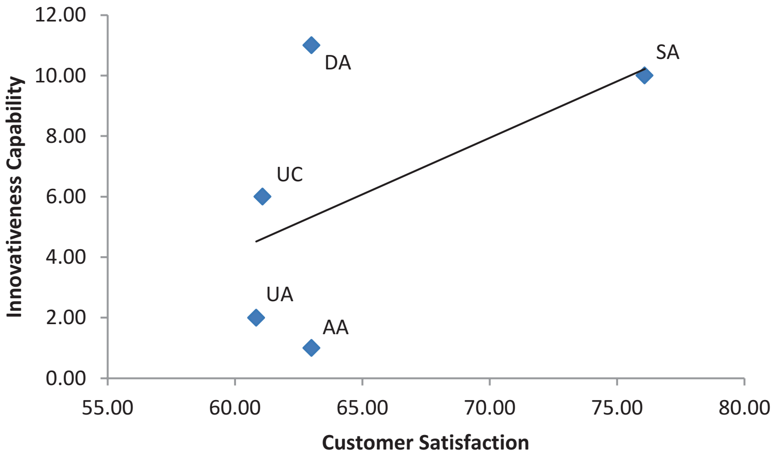

Fig. 8.6 Innovativeness capability and customer satisfaction

half of 2011 that had not yet been reflected in the customer satisfaction surveys. In light of these facts, we propose the following:

Proposition 3: Corporate abilities are positively related to customer satisfaction.

Proposition 3.1: Service quality is positively related to customer satisfaction.

Proposition 3.2: Innovativeness capability is positively related to customer satisfaction.

Firm Performance vs. Legitimacy, Customer Satisfaction, and Corporate Abilities

Market value for all firms in the simple came down during 2011. All the airlines had to manage similar issues related to fuel cost (Brent crude reached $124.94 in April 2011, historic maximum and sharp rise from just $34.45 in 2008). The average stock price was reduced 22.3% for UC, 35.4% and 36.2% for SA and DA. UA's stock price fell even more ($48.7%). AA's bankruptcy caused a variation of 95.9% its stock prices throughout the year.

Figures 8.7, 8.8, 8.9, and 8.10 show tendencies between firm performance, legitimacy, customer satisfaction, and corporate abilities.

A tendency toward a positive relationship between firm performance and legitimacy is evident, as well as between firm performance and customer satisfaction. In both links, four out of five cases show that the firms with the smallest fall in market value during 2011 were those with the greatest increases in legitimacy or higher customer

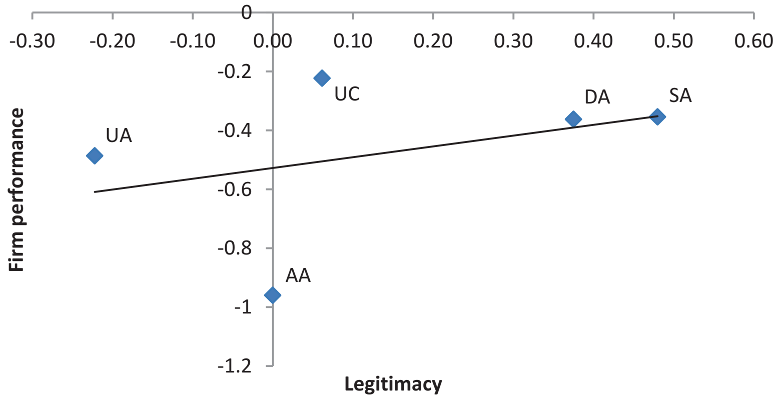

Fig. 8.7 Firm performance and legitimacy

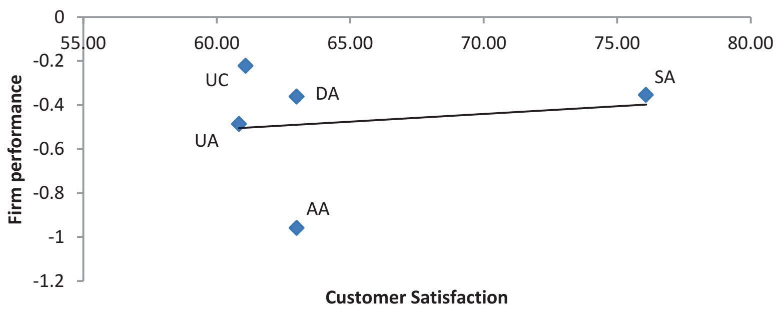

Fig. 8.8 Firm performance and customer satisfaction

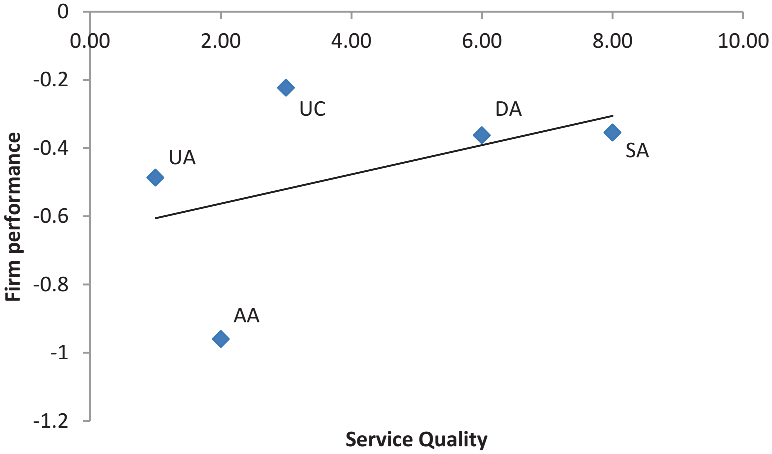

Fig. 8.9 Firm performance and service quality

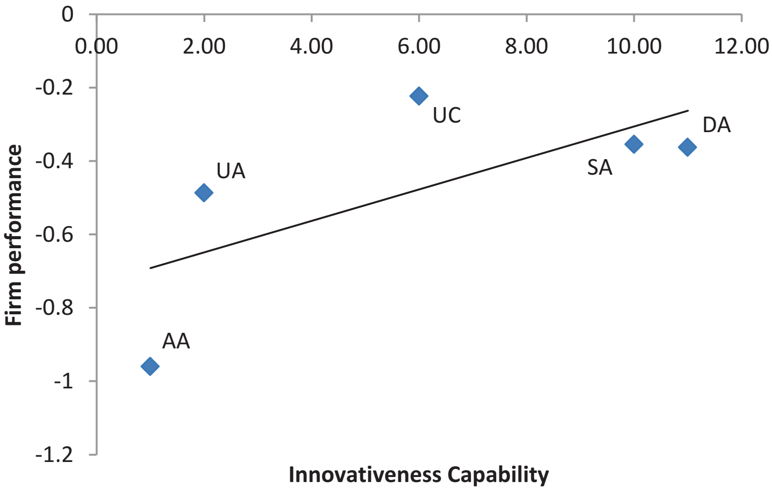

Fig. 8.10 Firm performance and innovativeness capability

satisfaction rankings. AA and UC do not fully follow this relationship. Regarding AA, the metric utilized to measure performance was obviously disrupted by the bankruptcy process. It is also notable that UC had the lowest reduction in firm performance without being the firm that most increased its legitimacy. It is possible that UC's legitimacy level is so high that it can scarcely improve year to year. In the light of these discoveries, along with observations found in the literature (e.g., Deephouse, 1996; Luo & Bhattacharya, 2006), we propose the following:

Proposition 4: Legitimacy-developing initiatives are positively related to firm performance.

Proposition 5: Customer satisfaction is positively related to firm performance.

Finally, a positive relation was also observed between corporate abilities and firm performance. Firms that had better service quality also showed increased firm performance. Once again, both UC and AA seem to be outliers in this relationship. Similarly, four out of five cases showed firms with superior firm performance and innovativeness capability, with UC being the only exception.

Proposition 6: Corporate abilities are positively related to firm performance.
Proposition 6.1: Service quality is positively related to firm performance.
Proposition 6.2: Innovativeness capability is positively related to firm performance.

8.5 Implications and Conclusion

Overview and Contributions

The present study's goal is to gain a better understanding of how legitimacy-building initiatives can become a source of competitive advantage through the mediating effect of customer satisfaction. To do so, the links between legitimacy and customer satisfaction were studied along with the effect of corporate abilities on these variables.

Results from the study of the five main airlines suggest that there is a positive relationship between initiatives to build legitimacy and customer satisfaction. More legitimate organizations provide more satisfaction to their customers and thus obtain competitive advantages (Woodruff, 1997). Previous work suggests that this type of competitiveness can flow from design and service characteristics of offerings (Bryson & Taylor, 2010). In the sample under study, Southwest Airlines' inimitability resides within its legitimacy rather than a low-cost strategy. Suchman (1995) acknowledges that some types of legitimacy may be more difficult to imitate than others (i.e., cognitive legitimacy is more difficult to copy than pragmatic legitimacy). Southwest Airlines has been successful in having its low-cost strategy perceived as the most appropriate. In other words, its interest groups consider that it executes its strategy in the best possible way, with the best systems, procedures, and resources. This would be a primarily cognitive type of legitimacy.

Simultaneously, the results show that corporate abilities can also influence this relationship. There was a positive relationship between corporate abilities and legitimacy-building initiatives, as well as between corporate abilities and customer satisfaction. Finally, firm performance is also positively related to the three previous variables: legitimacy, customer satisfaction, and corporate abilities. These findings are consistent with previous research (Chaney et al., 2016; Chen & Tsou, 2012; Deephouse, 1996; Luo & Bhattacharya, 2006).

The present work's contribution in the nascent field of legitimacy management is to link legitimacy to customer satisfaction, a key variable for firm performance. This begins to fill in the gaps in understanding of how legitimacy leads to business results. Furthermore, it also provides a confirmation of previous studies that propose that organizations are not passive receivers of legitimacy but can actively manage it (Blanco-González, Cruz-Suárez, & Díez-Martín, 2015; Oliver, 1991; Vourvachis, Woodward, Woodward, & Patten, 2016).

Managerial Implications

The primary implication of this study is that not managing legitimacy is putting oneself at risk of losing it. Airlines with the worst legitimacy ratings were those with personnel problems or unsatisfied clients. It would thus be recommendable to set legitimacy as a strategic goal. Actual legitimacy management could follow the blueprint set forth by Suchman (1995), with a compendium of strategies, to earn, maintain, and recover lost legitimacy. Success in applying these strategies has been documented in the probiotic market (Lamberti & Lettieri, 2011) and nascent organizations (Tornikoski & Newbert, 2007). Legitimacy could also be used as a leading indicator of customer satisfaction. Niven (2005, p.105) suggests that organizational management should contain a mix of lag and lead indicators.

Furthermore, managers should not disregard the importance of corporate abilities on legitimacy, customer satisfaction, and firm performance. Corporate abilities are a valuable resource that must also be managed to obtain a sustainable competitive advantage (Barney, 1991). "Only human and organizational resources, not physical resources, can provide a firm with a sustained competitive advantage" (Wright, Ferris, Hiller, & Kroll, 1995, p. 272).

Future Directions and Limitations

Future research in this area should start by testing the propositions put forward in this paper. A larger sample size—with international airlines or other industries—would facilitate the use of quantitative analysis techniques such as regression analysis.

The legitimacy measurement methodology used could be broadened with the use of different news media sources, both internal and external, for instance, company personnel communications, consumers, and stockholders (Díez-Martín, Blanco-González, & Prado-Román, 2010b). Different components of legitimacy could also be introduced in the study (Blanco-González, Prado-Román, & Díez-Martín, 2017; Deephouse & Suchman, 2008) to measure what type of legitimacy has a greater effect on customer satisfaction and provide a greater competitive advantage. It would even be possible to create a sectorial legitimacy ranking. A similar idea was proposed by Suchman (1995).

Another element to be tested is whether customer satisfaction meets the requirements set forth by Andrews et al. (2004) for a mediator variable: (1) the predictor variable (legitimacy) should significantly influence the mediator variable (customer satisfaction); (2) the mediator should significantly influence the dependent variable (firm performance); (3) the predictor (legitimacy) variable should significantly influence the dependent variable (firm performance); and (4) after we control for the mediator variable (customer satisfaction), the impact of the predictor (legitimacy) on the dependent variable (firm performance) should no longer be significant (for full mediation) or should be reduced in strength (for partial mediation) (Baron & Kenny, 1986, p. 1177).

Another methodological issue is the use of FAMAC to measure corporate abilities. It would be worthwhile to remove the financial performance halo because "Fortune's annual ratings of America's largest corporations are shown to be heavily influenced by previous financial results" (Brown & Perry, 1994, p. 1347).

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Chapter 9
Legitimacy and Reputation of Organizations: Their Relationship with Management Systems and Financial Performance

Natalia Orviz Martínez, Tatiana Cuervo Carabel, and Cristina del Castillo Feito

Abstract Legitimacy and reputation are intangible assets of growing importance for the survival of organizations, so it is very important to develop strategies that improve these assets. In addition, the implementation of management systems based on ISO standards has had a strong development worldwide since their emergence. The main objective of this research is to analyse whether the adherence to ISO 9001 and ISO 14001 and the implementation of an integrated management system (IMS) of both standards can have a positive effect on the legitimacy and reputation of organizations. On the other hand, a complementary objective is to contrast the influence of these intangible assets on their financial performance. For this purpose, the companies of the IBEX-35 stock index were selected, using structural modelling with PLS through SmartPLS software. The results obtained show that the certification in these ISO standards has a positive influence on the legitimacy and reputation of the organizations that implement them; on the other hand, the establishment of an IMS for both standards has a positive effect on the legitimacy of companies, but it does not have this effect on their reputation. There is also a positive relationship of the two intangible assets on the financial performance of organizations.

Keywords Legitimacy · Reputation · Financial performance · Management systems · 9001 standard · 14001 standard · Integrated management system (IMS) · Quality · Environment

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9.1 Introduction

In an increasingly competitive and global environment, the importance of intangible assets in business management is growing steadily. Today, most of the creation of value and competitive advantages of organizations are explained precisely by the contribution of these intangible assets (Cruz-Suárez, Prado-Román, & Díez-Martín, 2014; Sriram, 2008), being legitimacy and corporate reputation two of these intangible assets, representing aspects which are important for the growth of organizations and for improving financial and business results (Deephouse & Carter, 2005).

Legitimacy is now a key element for understanding survival and growth (Zucker, 1987), since legitimized organizations are more predictable, reliable and balanced (Suchman, 1995), allowing them to access the resources needed to survive and grow more easily (Meyer & Rowan, 1977). Reputation is also an intangible asset that can provide a clear competitive advantage (Deephouse, 2000), due to its imitation difficulty (Roberts & Dowling, 2002), which differentiates organizations and creates possible entry barriers for new competitors (Feldman, Bahamonde, & Bellido, 2014).

Therefore, companies need to implement strategies that can improve their legitimacy and reputation. Voluntary implementation of management systems based on ISO standards in organizations may be one of them. This practice is becoming increasingly common, according to the results of the annual reports of the International Organization for Standardization (ISO), which show that at the end of 2015, there were 1,519,952 certificates in the world (ISO, 2015). Out of these standards, those of greater importance were ISO 9001 in relation to quality management (1,033,936 certificates) and ISO 14001 for environmental management (319,324 certificates).

On the other hand, according to the majority of previous investigations, a higher level of these intangible assets should lead to improving the profitability of companies (Roberts & Dowling, 2002; Zimmerman & Zeitz, 2002). However, sometimes the search for greater legitimacy and/or reputation may lead to adopting decisions, which at least in the short-term may lead to a decrease in the performance of organizations (Barreto & Baden-Fuller, 2006; Fisher-Vanden & Thorburn, 2011).

In short, the main objective of this research is to study the impact on the legitimacy and reputation of organizations, both from adherence to management systems based on ISO 9001 and ISO 14001 and from the implementation of an IMS for them. On the other hand, a complementary objective is to contrast the influence of legitimacy and reputation on the financial performance of companies. For this purpose, the companies of the IBEX-35 stock index will be analysed, using structural modelling with PLS through SmartPLS software.

9.2 Literature Review

Intangible Assets in Companies: Legitimacy and Reputation

The current dynamic, changing and highly competitive environment causes companies to build and strengthen their relationships with their stakeholders, making them more favourable in both directions. Therefore, the role of intangible assets to generate competitive advantages and future benefits for organizations, in order to create value in them, is increasingly relevant, with legitimacy and reputation being two of these important intangible assets (Ruiz-Rodríguez, 2016).

Legitimacy is the key element of the institutional theory (Haveman & David, 2008), whose search has served to analyse survival, access to necessary resources and growth of companies (Suchman, 1995; Zimmerman & Zeitz, 2002), as it reflects that they have some values and perform procedures, activities or processes that are desired and accepted by the social environment in which they operate (Suchman, 1995). The importance of this study is that it is a key that can lead to success (Meyer & Rowan, 1977; Zucker, 1987) or otherwise to the organization's failure if it does not conform to social norms and values (Diez-Martin, Blanco-González, & Prado-Román, 2010a), which directly conditions its survival (Diez-Martin, Blanco-Gonzalez, & Prado-Roman, 2010b; Díez-Martín, Prado-Roman, & Blanco-González, 2013; Zimmerman & Zeitz, 2002).

On the other hand, reputation is also a very important intangible asset for companies, since it is a clear indicator of their success (Fombrun & Van Riel, 2004). A strong reputation is key for an organization to differentiate itself from its competitors, improve its market prospects with new client contracts (Rhee & Haunschild, 2006) and improve its financial performance (Bergh, Ketchen, Boyd, & Bergh, 2010), as well as its survival (Iwu-Egwuonwu & Chibuike, 2011). In short, reputation would be the degree to which a company seems good, that is, it is the set of ratings of each interest group (Luoma-Aho, 2007), sustained over time (Rhee & Haunschild, 2006), in a stable way (Walker, 2010).

Relationship Between Management Systems and Legitimacy

The importance today of legitimacy implies that organizations must develop strategies to improve it (Suchman, 1995). One of these strategies could be the implementation of management systems, based on standards such as ISO 9001 and/or ISO 14001. A company will increase its legitimacy by adopting one of these standards if its environment perceives it as a desirable and socially adequate instrument (Boiral, 2011; Zeng, Tam, & Le, 2010).

Based on previous studies, adherence to management systems, based on standards such as ISO 9001 and/or ISO 14001, can produce positive internal and external effects for organizations, with the internal aspects related to their internal efficiency and effectiveness while the external ones refer to commercialization or the markets, as well as to the relationship with different stakeholders (Bernardo, Simón, Tarí, & Molina-Azorín, 2015; Prajogo, 2011; Qi, Zeng, Yin, & Lin, 2013; Sampaio, Saraiva, & Rodrigues, 2009; Wu & Jang, 2014). The achievement of these positive effects is related to the companies' motivations to implement these standards, which, like the benefits, are classified into internal ones (improvements in performance, productivity, process performance, internal communication, etc. of the organization) and external ones such as customer, market and other stakeholder pressures, as well as improvement of the image, business figures, etc. (Del Castillo-Peces, Mercado-Idoeta, & Prado-Román, 2017; Tarí, Molina-Azorín, & Heras, 2012).

Given the objective of this research, external motivations will be studied in more detail, that is, related to any interest group that may influence the decision to implement these management systems, either by imitation of other organizations (DiMaggio & Powell, 1983), to meet stakeholder requirements (Boiral, 2007) or to improve their image and reputation in society (Jiang & Bansal, 2003). Prajogo, Tang, and Lai (2012) and Qi et al. (2013) conclude that one of the main reasons for adopting these standards was institutional pressure and the search for organizational visibility through certification, which is motivated by the desire to obtain institutional legitimacy. Based on all of the above, the following proposition is formulated:

Proposition 1: The certification of management system standards is positively related to legitimacy.

On the other hand, another decision to be considered by organizations is whether to adopt an IMS, that is, a tool that unifies the functions of different management systems of a company into one, in order to make it more effective (Beckmerhagen, Berg, Karapetrovic, & Willborn, 2003). There is research that supports the suitability of integrating the different management systems of the company, since the benefits obtained were greater than in those organizations that had them independently (Casadesús, Karapetrovic, & Heras, 2011; Karapetrovic, 2003).

Cost savings, employee motivation, simplification of documentation, optimization of resources, improvement in the external image and satisfaction of customers and the different interest groups are included as some of the positive effects that could be obtained from such integration, as well as an increase in the legitimacy level of the organization (Simon, Karapetrovic, & Casadesús, 2012; Zeng et al., 2010). Therefore, based on the above, the following proposition is formulated:

Proposition 2: The implementation of an IMS is positively related to legitimacy.

Relationship Between Management Systems and Reputation

Among the external motivations of a company to implement a management system are those related to customer and market pressures, which would improve the reputation of the organization, since certification implies that an independent external entity shows compliance with certain requirements established in the different standards, which gives a greater reputation to those organizations that are not publicly committed (Prajogo, 2011).

In this same line, several investigations show that the implementation of management systems, in an increasingly global environment, can produce a series of positive effects, including improvement of image and reputation (Singh, 2008; Tarí et al.; Wu & Jang, 2014), which constitutes a clear competitive advantage (Tarí et al., 2012). This improvement in the company's image and reputation is due to the fact that certification responds to pressures from different stakeholders (Jiang & Bansal, 2003; King, Lenox, & Terlaak, 2005), in many cases being a key aspect for implementing the management standard. Based on the above, the following proposition is raised:

Proposition 3: The certification of management system standards is positively related to reputation.

In the same way as for legitimacy, the integration of the management of these standards can lead to a series of internal and external improvements, highlighting within the external ones, the improvement of the organization's image (Simon et al., 2012; Zeng et al., 2010). In previous studies, the concept of image sometimes appears as a synonym of reputation (Furman, 2010), others as a completely independent concept (Gotsi & Wilson, 2001), or related (Akdag & Zineldin, 2011). In this research, like Gray and Balmer (1998), both concepts are considered to be related to external perception, that is, what the external agents think of a company (Rhee & Haunschild, 2006), as the reputation would be the result of keeping a positive image over a long time (Ruiz, Gutiérrez, & Esteban, 2012). This approach shows a high relationship level between both constructs, so the following proposition is formulated:

Proposition 4: The implementation of an IMS is positively related to reputation.

Relationship Between Legitimacy and Financial Performance

The institutional theory has argued that the forces that drive legitimacy can lead companies to make inadequate resource decisions. This is because, on the one hand, acquiring legitimacy allows companies to increase their probability of survival (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Zimmerman & Zeitz, 2002), while on the other hand, this increase of the probability of survival can be obtained at the expense of performance (Henderson, 1999). In this same line, Westphal, Gulati, and Shortell (1997) detected a negative impact on the organizational efficiency of a sample of hospitals that adjusted to the required isomorphic pressures. In addition, Barreto and Baden-Fuller (2006) showed that imitation by companies to achieve legitimacy can contribute negatively to their profitability.

However, most researchers contrast that legitimacy can positively affect financial performance, either through the value of public offerings of securities (Higgins & Gulati, 2006), share prices (Zuckerman, 2000), through economic profitability (Bansal & Clelland, 2004) or market value (Díez-Martín et al., 2013). Zimmerman and Zeitz (2002) mention that an organization gains access to financial resources when it shows its commitment to the rules, norms and values socially accepted by the environment, that is, its improvement of legitimacy and its financial performance can also do it, since it generates confidence to increase the productivity of its assets. In this line, the following proposition is formulated:

Proposition 5: Organizations with higher legitimacy will have higher financial performance.

Relationship Between Reputation and Financial Performance

The relationship between reputation and financial performance has been studied extensively, with a minority of studies finding no relationship between these constructs (Inglis, Morley, & Sammut, 2006), or a negative relationship (Fisher-Vanden & Thorburn, 2011).

Roberts and Dowling (2002) show a positive relationship between a good reputation and an organization's ability to achieve higher results than its competitors over time. Deephouse (2000) finds a significant relationship between reputation and financial performance based on a favourable presence in the media, and Costa, Lawrence, Castelo, and Dias (2014) prove that the financial market gives a higher rating to the best reputed companies, improving the market value of their shares. Other investigations (Fernández-Sanchez, Luna-Sotorrío, & Barabiar-Díez, 2012; Flanagan, O'Shaughnessy, & Palmer, 2011; Sabate & Puente, 2003) also show the same positive relationship between reputation and financial performance, taking reputation as the independent variable. Based on the above, the following proposition is raised:

Proposition 6: Organizations with a higher reputation will have higher financial performance.

9.3 Methodology

Sample

The selected population was formed by IBEX-35 companies in December 2014. A questionnaire was sent to the 35 companies, requesting information on their possible adherence to ISO 9001 and/or 14001 standards, being completed by 29 of them, which made up the first research sample, initiating the process of obtaining information about their legitimacy and reputation, through secondary sources (the media for legitimacy, and the MERCO index for reputation). The final sample consisted of 21 of these companies, which fulfilled the double condition of belonging to the IBEX-35, and being included in the MERCO index, accounting for 77.5% of the turnover of the total number of companies included in the stock market indicator.

Procedure and Information Collection Instruments

Regarding management systems, as in the majority of previous investigations related to these systems (Sampaio et al., 2009), a questionnaire was sent by e-mail to those responsible for the management and/or social responsibility systems of each of the 35 companies that made up the IBEX 35, completing the information received from 29 of them through the data available on their corporate website.

Regarding legitimacy, it was measured globally, that is, without differentiating its dimensions. For this, the content analysis in written press was used, since it is considered an adequate instrument to identify the opinion of the social environment, because it influences and reflects the values of a culture (Dowling & Pfeffer, 1975) and was considered in previous studies (Bansal & Clelland, 2004; Deephouse, 1996; Li, Yang, & Yue, 2007). As a source of information, a single newspaper was used to avoid duplication of news. In particular, the digital edition of the newspaper *El País* was used for two main reasons: firstly, according to data from the General Media Survey (EGM) from October 2014 to May 2015, prepared by the Association of Media Research (AIMC), it is second in the ranking readership/day, only below *Marca*, a sports newspaper; secondly in the ranking of Internet sites, the digital edition of *El País* is in the third place (behind *YouTube* and *Marca*), with 5195 visitors in the last 30 days, being the first generalist newspaper in the ranking; the major national newspaper of general information is in the third place, according to the Office of Justification of Diffusion (OJD). The analysis of the different articles was done through the database provided by *elpais.com./tag* Web.

In relation to reputation, the MERCO index (corporate monitor of corporate reputation) was the information source, since it is one of the reference monitors in the world and it has been chosen by several empirical publications in Spain (Fernández-Sánchez & Luna-Sotorrío, 2007; Delgado-García, Quevedo-Puente, & Díez-Esteban, 2013).

Finally, two databases of great relevance were used for the measurement of financial performance due to the financial information provided: SABI and *Bankscope*. Return on assets (ROA) was chosen, since it was a very recurrent indicator in previous research related to management systems, legitimacy and reputation (Bansal & Clelland, 2004; De Jong, Paulraj, & Blome, 2014; Gallego, Prado, Rodríguez, & García, 2010).

Measurement of Variables

Regarding the management systems considered (ISO 9001 and 14001), the following variables were used:

(a) Certified company: following other authors (De Sena Portugal Días & Heras-Saizarbitoria, 2013; González-Benito, Lannelongue & Queiruga, 2011), this variable was considered as independent, being assigned the value 1 if the company is certified in ISO 9001, 2 if the company is ISO 14001 certified, 3 if the company has both ISO 9001 and ISO 14001 certificates and 0 if it is not certified in any of these standards.

(b) Enterprise with integrated management systems: a dichotomous variable was considered, which takes the value 1 if the company has an IMS of the implemented management standards and the value 0 if it does not have it.

Regarding legitimacy, each of the news items identified for the companies in the sample was coded based on the methodology used by Bansal and Clelland (2004). The procedure is to code the news according to its impact on the legitimacy of the company, which can be neutral (code 0), negative (code 1) or positive (code 2). In addition, to calculate the value of legitimacy on an annual basis, the Janis-Fadner coefficient is applied.

As for reputation, and according to previous studies (Brammer & Pavelin, 2006; Fombrun & Shanley, 1990), a scale of 1–100 points is designed, where each point represents the position of each of the 100 companies placed in the MERCO ranking, that is, the value 100 represents the organization with the worst reputation and 1 the best.

Finally, in terms of financial performance, the ROA values were collected from the SABI and *Bankscope* database.

Information Processing Techniques

In order to analyse the relationships and contrast the propositions raised, structural modelling with PLS was used with the software SmartPLS (beta), version 3.2.3. This technique was chosen because it is a powerful method of analysis (Chin, Marcolin, & Newsted, 2003), presenting adequate advantages for the research to be carried out. The table below describes the technical file of the study (Table 9.1).

Table 9.1 Technical research file

Universe and field of research	Companies included in the IBEX 35
Sample size	21 companies
Sample turnover	77.5% of total IBEX 35
Information sources	Enterprise questionnaires-corporate websites (management systems)
	Media (legitimacy)
	MERCO index (reputation)
	SABI and *Bankscope* databases (financial performance)
Study years	From 2005 to 2014 at 3-year intervals
Confidence level	95%
Sample error	13.7%
Methodology	SEM-PLS
Period of field work	December 2014–June 2015

9.4 Results

For the contrast of the causal correlations between the latent variables of the described model, and having a basis to confirm or reject the propositions raised, the SmartPLS3 software was used. For the study of the relationships between variables, the research model was decomposed into four sub-models, related to the values of the different variables obtained in 2005, 2008, 2011 and 2014.

Subsequently, we proceeded to validate the model jointly based on fixed criteria, depending on the years in which significant relationships were obtained. For setting these criteria, this research was based on the division made by other authors, including Díez-Martín, Blanco-González, and Prado-Román (2016) (Table 9.2).

Sub-model Year 2005 (Table 9.3)

The statistic of all relationships (except reputation-ROA) corresponds to a value above t (99.9%) = 3.090 in absolute value, so there is more than a 99.9% probability that the data used are statistically significant. For the case of the reputation-ROA relationship, the statistic is above t (97.5%) = 1.960, so it is also accepted.

The R^2 coefficient reaches values above the established limit of 0.1 for the three endogenous variables (R^2legitimacy = 0.137, R^2reputation = 0.262, R^2ROA = 0.245). According to Chin (1998), it can be deduced that a weak part of the legitimacy variable and a moderate part of the reputation and financial performance variables are being explained with the proposed model.

Table 9.2 Criteria for validation through the PLS model

Significant relationship	Degree of acceptance
4 years	High
3 years	Moderate
2 years	Low
1 year	Rejected

Table 9.3 Structural relationships for 2005

Proposition	Relationship			Standard coefficients (β)	T-value
P1	**Certification**	→	**Legitimacy**	0.362***	3.482
P2	Integration	→	Legitimacy	0.021	0.223
P3	**Certification**	→	**Reputation**	0.437***	5.821
P4	Integration	→	Reputation	−0.478***	−4.116
P5	**Legitimacy**	→	**ROA**	0.374***	3.036
P6	**Reputation**	→	**ROA**	0.231*	2.011

R^2 (legitimacy) = 0.137; R^2 (reputation) = 0.262; R^2 (ROA) = 0.245
*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

Table 9.4 Structural relationships for 2008

Proposition	Relationship			Standard coefficients (β)	T-value
P1	**Certification**	→	**Legitimacy**	0.330*	2.559
P2	Integration	→	Legitimacy	0.064	0.635
P3	**Certification**	→	**Reputation**	0.334***	3.193
P4	Integration	→	Reputation	−0.332**	−2.973
P5	Legitimacy	→	ROA	0.154	1.667
P6	**Reputation**	→	**ROA**	0.488***	3.426

R^2 (legitimacy) = 0.321; R^2 (reputation) = 0.141; R^2 (ROA) = 0.310
*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

The positive βs that imply the confirmation of the propositions raised correspond to P1, P3, P5 and P6. For the case of the integration-reputation relationship (P4), it would be in the opposite sense, which would imply the non-fulfilment of the proposal initially raised.

Sub-model Year 2008 (Table 9.4)

The values of the T-value obtained are above 1.96 for the relationships certification-reputation, reputation-ROA, integration-reputation and certification-legitimacy. All this implies that assuming the propositions whose value is equal to or greater than 1.960 are valid, there is a risk of being wrong in 5% or less. In these cases, the stability of the relationships is adequate.

The explanatory relationship of legitimacy reaches a regression coefficient of 0.321, reputation of 0.141 and financial performance of 0.310, values which indicate a predictive level of the appropriate model.

There is a strong construct connection in the case of the relationships certification-legitimacy, certification-reputation and reputation-ROA (β > 0.2). The rest of the relationships are weak, reaching results of less than 0.2 or negative results.

All this makes it possible to accept the propositions that relate the variables certification-legitimacy (P1), certification-reputation (P3) and reputation-ROA (P6), rejecting the rest.

Sub-model Year 2011 (Table 9.5)

The results obtained are not very representative. On the one hand, the causal relationship between the constructs is adequate only for the case of the integration-legitimacy relationship with a value of 0.511. In the case of the legitimacy-ROA relationship, a representative coefficient is reached, but as it is negative, it proves the inverse proposition raised.

Table 9.5 Structural relationships for 2011

Proposition	Relationship			Standard coefficients (β)	T-value
P1	Certification	→	Legitimacy	−0.033	−0.390
P2	**Integration**	→	**Legitimacy**	0.511***	3.982
P3	Certification	→	Reputation	−0.144	1.275
P4	Integration	→	Reputation	−0.106	−1.032
P5	Legitimacy	→	ROA	−0.243***	−2.982
P6	Reputation	→	ROA	−0.145	−1.404

R^2 (legitimacy) = 0.247; R^2 (reputation) = 0.046; R^2 (ROA) = 0.060
$*p < 0.05$; $**p < 0.01$; $***p < 0.001$

Table 9.6 Structural relationships for 2014

Proposition	Relationship			Standard coefficients (β)	T- Value
P1	Certification	→	Legitimacy	−0.030	−0.298
P2	**Integration**	→	**Legitimacy**	0.447***	3.349
P3	Certification	→	Reputation	0.094	0.779
P4	Integration	→	Reputation	−0.207	−1.707
P5	**Legitimacy**	→	**ROA**	0.320***	3.463
P6	Reputation	→	ROA	0.130	1.369

R^2 (legitimacy) = 0.187; R^2 (reputation) = 0.032; R^2 (ROA) = 0.107
$*p < 0.05$; $**p < 0.01$; $***p < 0.001$

24.7% of the dependent legitimacy variable can be explained based on the variables that precede it. In contrast, for the other two endogenous constructs, R^2 is less than 0.1, so the relationships formed by this variable are rejected.

On the other hand, the T-value statistics were adequate only in the case of the integration-legitimacy and legitimacy-ROA relationships.

In short, for this year, only the connection between the integration of management systems and legitimacy (P2) can be validated.

Sub-model Year 2014 (Table 9.6)

Significant relationships between the integration-legitimacy and legitimacy-ROA variables are shown. All of this implies, assuming that propositions whose value is equal to or greater than 3.09 are valid, that there is a risk of being wrong in 0.1% or less, so the stability of the previous relationships is adequate.

There is a strong construct connection for the integration-legitimacy and legitimacy-ROA relationships. The rest of the relationships are weak (values lower than 0.2).

Only the legitimacy and financial performance variables can be explained by the variables that precede them, with 18.7% and 10.7%, respectively.

Consequently, once all the requirements have been analysed, the propositions relating integration-legitimacy (P2) and legitimacy-ROA (P5) variables are confirmed, with the rest being discarded.

Discussion and Global Analysis

Once the relevant analyses and interpretations are made through the application of the structural model with PLS (using the SmartPLS beta 3.2.3 software) for each of the study years (2005, 2008, 2011 and 2014), the results obtained are shown.

First, we compile the results obtained in each of the years analysed, to verify the compliance or not of the different proposals presented in this research. Then, considering the criteria previously defined in Table 9.2, the degree of acceptance of each of the propositions is marked, depending on the relationship of significance in the different years studied. That is, it is indicated which are confirmed and their degree of acceptance within the model proposed in the work.

Therefore, Table 9.7 presents the results obtained after the application of the PLS-SEM method for each year analysed, and Table 9.8 indicates the degree of acceptance of each proposal made, according to the number of years in which there is a significant relationship.

Once all the results have been grouped together, five of the six proposals initially formulated can be corroborated, as there is a positive relationship between the

Table 9.7 Global results structural relationships of the model

Proposition	Relationship			Significance			
				2005	2008	2011	2014
P1	Certification	→	Legitimacy	**SI**	**SI**	NO	NO
P2	Integration	→	Legitimacy	NO	NO	**SI**	**SI**
P3	Certification	→	Reputation	**SI**	**SI**	NO	NO
P4	Integration	→	Reputation	NO	NO	NO	NO
P5	Legitimacy	→	ROA	**SI**	NO	NO	**SI**
P6	Reputation	→	ROA	**SI**	**SI**	NO	NO

Table 9.8 Research propositions contrast

Proposition	Relationship			Significatividad	
				Significant relationship	Degree of acceptance
P1	Certification	→	Legitimacy	2 years	Low
P2	Integration	→	Legitimacy	2 years	Low
P3	Certification	→	Reputation	2 years	Low
P4	Integration	→	Reputation	0 years	Rejected
P5	Legitimacy	→	ROA	2 years	Low
P6	Reputation	→	ROA	2 years	Low

certification of management system standards and legitimacy (P1) and reputation (P3), between the integration of management systems and legitimacy (P2), and finally between legitimacy and reputation and financial performance (P5 and P6, respectively). The proposition concerning a relationship between the integration of management systems and reputation (P4) has been excluded. In addition, the degree of acceptance for all the confirmed propositions was low, having been fulfilled in two of the 4 years studied, so these results must be interpreted with caution, until new empirical investigations confirm or explain them.

9.5 Conclusions

Companies are currently subject to an increasingly competitive, dynamic and global environment, so intangible assets, such as their legitimacy and reputation, are increasingly relevant for their survival and achieving competitive advantages, which is giving rise to greater attention to establishing strategies to improve these intangible assets.

Therefore, the main objective of this research was to analyse the possible impact on the legitimacy and reputation of the IBEX-35 companies, both from the implementation of management systems based on ISO 9001 and/or ISO 14001 standards and from establishing an IMS for the management of their adherence. In addition, the complementary objective was to contrast the positive impact of these intangible assets on the financial performance of organizations.

According to the results described above, the work carried out reveals that the implementation of the ISO 9001 and/or IS0 14001 standards has had a positive low-level influence on the legitimacy of the IBEX-35 companies participating in the research. These results are in line with previous studies (Jiang & Bansal, 2003; Prajogo et al., 2012; Qi et al., 2013), concluding that the main reasons for adopting these standards were institutional pressure and the search for organizational visibility through certification.

Moreover, the results also show that establishing an IMS to manage the implemented standards has a positive low-level influence on the legitimacy of these companies. These results are also in line with the conclusions of previous studies cited in the theoretical framework (Simon et al., 2012; Zeng et al., 2010).

Regarding the reputation of the IBEX-35 companies, the results show a positive low-level influence, as a result of their adherence to ISO 9001 and/or 14001 standards, as was also true for their legitimacy. These results follow those obtained in previous research in this area (Jiang & Bansal, 2003; King et al., 2005; Singh, 2008; Tarí et al., 2012; Wu & Jang, 2014).

However, with regard to the possible positive influence of establishing an IMS to manage the standards implemented, on the reputation of these companies, the results obtained do not reveal it, unlike the legitimacy case, and in contrast to the conclusions of previous studies on brand image (Simon et al., 2012; Zeng et al., 2010). These results may be motivated by the fact that the beneficial effects of establishing such an integrated system may be more internal, and therefore be less influential on a better positioning regarding competition, which is a distinctive element of reputation compared to legitimacy.

With respect to the relationship between the two intangible assets (legitimacy and reputation), and the financial performance of companies, the results show a positive relationship in both cases. In terms of legitimacy, the results are in line with previous studies, which show that it positively affects various indicators related to financial performance (Bansal & Clelland, 2004; Díez-Martín et al., 2013; Higgins & Gulati, 2006; Zimmerman & Zeitz, 2002; Zuckerman, 2000). On the other hand, in relation to reputation, this positive relationship was also verified in previous studies cited (Costa et al., 2014; Deephouse, 2000; Fernández-Sanchez et al., 2012; Flanagan et al., 2011; Roberts & Dowling, 2002; Sabate & Puente, 2003).

On the other hand, it is necessary to indicate that this research has limitations, which makes it advisable to be cautious when extrapolating its results, until new empirical studies that confirm or explain them are carried out. In the first place, the size of the sample (21 companies from a population of 35) causes the sample error to be 13.7%, despite the fact that the sample turnover is very high (77.5% of the total of the stock market indicator). Secondly, the positive influence detected for the first three propositions is low, that is to say, it takes place only in two of the four periods considered, and also concerning the relationship between certification and both legitimacy and reputation, this low positive influence is only seen in the first two periods.

In view of all this, it is proposed to carry out further future research, which can confirm the results achieved, firstly by increasing the size of the sample and secondly by considering possible reasons for the proposals raised having only been confirmed for two of the periods considered. Furthermore, other future studies could be carried out by expanding the scope of the selected population (other countries, stock-listed companies but smaller, etc.), adding new variables to the model (image, corporate social responsibility, etc.) or using other methodologies (use of other secondary sources to measure intangible assets or other primary sources such as structured surveys and/or interviews, application of the case method, etc.).

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Chapter 10
Legitimizing and Delegitimizing Factors of Firms in Society: Is It a Problem of Communication or Strategic? An Approach Based on the Distributed Social Value as the Key Factor for the Organizations' Social Legitimacy

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Abstract There is an increasing concern about the value contributed by firms to the society as a whole. Transnational companies are particularly being questioned; therefore, legitimation for this kind of corporations is demanded. This chapter analyses four delegitimizing factors: negative added value, negative equity, tax evasion and moral hazard associated to potential situations of bankruptcy. Three legitimizing factors will also be analysed: added value distributed to stakeholders, value distributed by "non-market" mechanisms and emotional value generated to different stakeholders of the entity. Since the lack of legitimation affects large companies to a greater degree, two hypotheses related to the size of the firms have been tested. The first has to do with a larger presence of delegitimizing factors in large firms. The second analyses a smaller distribution in this sort of firms of value generated to stakeholders that are not shareholders assessed by means of the social efficiency ratio (SER). The obtained results allow for identifying whether the criticism towards large firms is supported by objective factors (confirmed hypothesis) or subjective ones (rejected hypothesis) and consequently whether the transnational companies should base their action plans of social legitimation on strategy or on communication.

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10.1 Introduction

According to the neoclassical economic paradigm, economic results are a good indicator of the value contributed by companies to the society[1] (Colander, Holt, & Rosser, 2004; Weintraub, 2002). This approach has had full force in the last decade of the twentieth century and in the early years of the twenty-first century. However, the crisis of 2008 has led many citizens to question the legitimacy of companies, especially TNCs (Korten, 2015) which are often associated with financial engineering and tax avoidance (Dowling, 2014; Hasseldine & Morris, 2013; Sikka & Willmott, 2010). The change that technological innovation is having in the productive models with the consequent reduction of employment, for example, the "Internet of things" (Manyika, 2015) and "fintech" (Shaikh, 2016; Waupsh, 2016), seems to go even deeper into the divergence between economic and social outcomes.

In this context, classical financial indicators may not be adequate to capture the value that a company generates or destroys for the whole of the society. So it is not surprising that large companies announce an increase in profits in parallel with a reduction in employment or that the increase of its stock market value is perfectly compatible with a reduction of the taxes paid. We even come across indicators that seem to evolve in opposite directions. In line with this dual directionality, the objective of the present study is directed towards a dual objective, on the one hand, to identify the delegitimizing factors of companies, among which three highly significant ones have been selected: (1) negative equity (Urionabarrenetxea, San-Jose, & Retolaza, 2016), (2) tax evasion (Donohoe, 2015) and (3) moral risk associated with potential bankruptcy situations (Retolaza, San-Jose, Urionabarrenetxea, & Garcia-Merino, 2016b). In this line, the study analyses the impact of these factors on the set of companies with registered offices in Spain and makes a proposal on the ratios from which these variables begin to act as delegitimizing factors. On the other hand, the article identifies three complementary mechanisms of a positive nature that can contribute to the legitimacy of companies: (1) the value added and distributed to the different stakeholders that make up both the concrete ecosystem of each company and society in which they are integrated, (2) the value distributed through "non-market" mechanisms and (3) the emotional value generated to the various stake-

[1] In the economy of well-being, there are two essential theorems: the first one declares that any competitive balance (Walsarian) leads to an efficient situation in Pareto's sense. This theorem is generally considered as the analytic confirmation to Adam Smith hypothesis of the "invisible hand". The second one, less important in our case, is counter-reciprocal to the first one and declares that any efficient assignation (optimal Paretian) can be obtained by means of a competitive balance.

holders of the entity (Retolaza, San-Jose, & Ruíz-Roqueñi, 2015a, 2016a). Given the complexity of accessing non-market data, the empirical work has been centred on the first of the three delegitimizing factors, since the other two require additional information as secondary data but cannot be obtained at this time.

On the other hand, it seems that the lack of legitimation affects the large companies to a greater extent especially those that are listed. Therefore, based on the obtained indicators, two hypotheses related to the size of the companies have been contrasted. The first one makes reference to a greater presence of delegitimizing factors in listed companies. It could be formulated as: (H1) The delegitimizing factors are significantly higher in listed companies subdivided into three sub-hypotheses (H1.1, H1.2 and H1.3) dependent on the three identified delegitimizing factors. The second refers to a lesser distribution of value by the listed companies to the stakeholders that are not shareholders, mainly employees and public administrations (Retolaza, San-Jose, & Pruñonosa, 2015b). Taking that the comprehension of the added value demands a certain correlation with variables related to the size and sector, we have opted to use efficiency measures taken from previous studies (Gutierrez-Goiria, San-Jose, & Retolaza, 2017; San-Jose, Retolaza, & Pruñonosa, 2014). It can be formulated as follows: (H2) The listed companies are less efficient in the distribution of social value among stakeholders that are not shareholders which in turn would be decided on two sub-hypotheses (H2.1 and H2.2) relative to the generation and distribution of value.

The results obtained allow us to identify the extent to which criticism of listed companies is based on objective or subjective factors and consequently what the strategies of these types of companies should be in order to advance in social legitimation. If the assumptions (H1 or H2) were confirmed in whole or in part, it would appear that companies should focus their search for legitimacy on objective factors and should therefore incorporate it into their strategy. On the contrary, if the established hypotheses (H1 and H2) were totally rejected, that is to say, if they were at least as efficient as the rest of the companies in relation to the distribution of value to society as a whole and that there were no more or less delegitimizing factors, it would seem that the problem of delegitimating would be primarily of communication and that this would be the priority area of response on the part of the companies.

10.2 Theoretical Framework

Until the end of the twentieth century, legitimacy was exclusively studied from organizational theories; however, at that time the interest in this concept and its diffusion on the part of the social sciences increased exponentially (Deephouse & Suchman, 2008). At this point Suchman (1995, 574) defines legitimacy as follows: “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”. And Scott (1995: 45) points out: “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”. Both defend the more normative position of the theory of legitimacy. Some authors such as Nicholls (2010) analyse the legitimacy of social enterprises as such highlighting the latent isomorphism, and Martín, González, and Román (2010) describe in this line legitimacy as a key factor for its success.

However, all the studies are based on theories (stakeholder, institutional, agency and social, among others) that defend the existence of companies moving away from the understanding of the firm as a body of transformation of inputs into outputs as if it were a machine. Among them we have the theory of business legitimacy that consists in arguing the existence of a contract between society and the company which benefits both parties, even when the activity of the company or organizations in general must be legitimized by society as a whole making it subject to limits and constraints Magness (2006). "Contrary to the economic postulates that circumscribe the role of the associated companies exclusively to obtain the maximum benefit for the shareholder, there is a doctrine that envisages an alternative vision: they operate in society by virtue of a social contract" (Pahlen, Campo, & Romano, 2014: 10). Which means that they owe society and therefore, they must respond to its needs and take into account the norms and behaviours that society itself considers appropriate at that time (Martín et al., 2010).

Thus, the theory of legitimacy focuses on the type of externalized information and the message that the organization intends to transmit to society. However, despite its concern for social interests, the stakeholder theory is mainly based on integrating the groups of interest and on taking into account each and every one of their interests that affect and are affected by the organization (Freeman, 1984). Hence, the company can be analysed under the legitimacy taking into account the information that it transmits such as financial-accounting information or social reporting.

Particularly, although the studies have focused on different characteristics from purely informative subjects (socio-economic and environmental) (O'Donovan, 2002) to reputation-related behaviour (Bitektine, 2011), some legitimating factors are detected as keys. Among them are those related to its characteristics and its actions as its financial structure, its market or the regulation that protects them (Kostova & Zaheer, 1999). It is what has been named as conforming legitimacy (Tornikoski & Newbert, 2007).

10.3 Hypotheses

In order to test it empirically, the distinguishing degree in which both the delegitimizing and the legitimating factors occur in relation to smaller companies, as an alternative hypothesis, we have established the assumption of their lower efficiency even though this assumption is based to a greater extent on social perception more than on theoretical reflection (Kostova & Zaheer, 1999; among others).

In relation to the proposed delegitimizing factors, the following sub-hypotheses can be formulated:

(H1.1) *Listed companies have more negative equity than small firms* (Urionabarrenetxea et al., 2016).

Given that listed companies are required to have a high degree of transparency and of standardization in management, together with the fact that the mechanism of the stock market allows the direct visualization of investors' confidence or distrust, it would be expected that such companies could coexist with a situation of negative equity. Thus it would be expected that among the listed companies we would find a significantly lower number of entities with negative equity.

(H1.2) *Listed companies implement tax evasion strategies to a greater extent than small firms* (Donohoe, 2015).

The pressure to generate better results for shareholders along with the size synergies would seem to suggest that tax evasion significantly affects larger companies in comparison with small ones. However, the fact that small companies have a lower demand for transparency and management and a particular less visibility, it could lead them to a higher tax evasion. As a consequence, the expected results of the empirical contrast are not clear in this sub-hypothesis.

(H1.3) *The listed companies generate moral risk associated with potential bankruptcies to a greater extent than small companies* (Retolaza, San-Jose, Urionabarrenetxea, & Garcia-Merino, 2016b).

Given the transparency (transparency of information) and control required in the stock market, it would be expected that the number of bankruptcies would be smaller and so the moral hazard associated with them.

If most of the alternative hypotheses were confirmed, we could accept (H1), that is, that *the delegitimizing factors are significantly higher in the large companies*; although based on the current theoretical framework, this should not happen since the only sub-hypothesis for which there is not a clear prediction is the H1.2.

In relation to the legitimating factors, we could state the following hypothesis:

(H2) *Listed companies are more efficient in the creation of economic value in comparison with small companies.*

This second hypothesis could be subdivided into two sub-hypotheses: one relative to the generation of value and another to its distribution.

(H2.1) Listed companies are more efficient in generating economic value in comparison with small companies.

The whole theory about volume synergies points out that listed companies should be much more efficient in relation to the generation of added value.

(H2.2) Listed companies are more efficient in the distribution of economic value to the whole of stakeholders that are not shareholders in comparison with small companies.

If the previous hypothesis is confirmed, it would be expected as a result that the listed companies would distribute greater value among their stakeholders: mainly shareholders, employees and public administration.

Consequently it would be expected that the hypothesis (H2) would be falsifiable. *Listed companies are less efficient in the distribution of social value among stakeholders that are not shareholders* since the theoretical reasoning leads us to consider that they should be more efficient in the distribution of value to all stakeholders.

10.4 Methodology and Empirical Contrast

In relation to empirical contrast, the companies listed on the stock exchange have been considered as an *experimental group*. Of the 3041 companies listed and active in Spain (SABI database: revised on February 3, 2017), those mainly financial companies of which there were no data relating to the staff or of less than ten employees were omitted. An additional requirement was that companies have data from the last 5 years (2010–2015) in the Commercial Register, leaving a total of 104 companies.

As a *control group*, SMEs which meet two of the following criteria have been taken as reference (see European Commission Regulation (EU) No 651/2014):

1. Less than 250 employees
2. Less than 43 million of assets according to their balance sheets
3. Less than 50 million of revenues

Additionally, there must have data from the last 5 years (2010–2015) in the Commercial Register. A clean-up has been carried out to eliminate those companies with errors, after which the total number of companies identified was 19,499. The data was taken from the last financial year 2015.

On the other hand, the empirical contrast of the variables to be analysed has been made based on the following indicators:

1. H1.1. Number of companies with negative equity[2]/volume of negative equity of the set of companies of each group, both divided by the number of companies in each group
2. H1.2. Average volume of accrued tax in each of the groups[3]
3. H1.3. Equity divided by total liabilities

The contrasts related to results (legitimating factors) cannot be absolute given the difference in size of the organizations requiring an efficiency analysis. In this case we have chosen to consider the efficiency per worker which is widely used in literature (Blomström & Persson, 1983). Complementarily, in the cases we thought it would be appropriate, we have also resorted to efficiency based on equity, sales or assets.

In relation to the considered outputs, the sum of the accrued taxes plus the personnel cost, which in turn includes payments to social security, the consequent tax and the generation of purchasing power by the employees, has been taken into account (Retolaza, San-Jose, & Ruíz-Roqueñi, 2016a). Since we wanted to focus on the added value by the companies and not simply on the value by means of revenues, the impact generated by the purchase from suppliers has not been taken into account. This could be one of the limitations of the work.

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[2] Number of companies with negative equity/volume of negative equity (Urionabarrenetxea et al., 2016).

[3] Taxes/number of companies (Gutierrez-Goiria et al., 2017).

4. H2.1. Added value, divided by the number of employees
5. H2.2. Generated social value as the sum of taxes directly paid and the personnel cost divided by the number of employees

To test whether the score difference between the two groups is significant, we resorted to a hypothesis using the non-parametric Mann-Whitney U Test. The adequacy of this statistical is given by the important difference in the number of subjects of both populations.

10.5 Results

In relation to the first delegitimizing factor (H1.1), the percentage of companies with negative equity in companies with more than ten employees is 2.88%, while in SMEs this percentage is 4.83%. So regardless of whether this difference is significant or not, it is clear that the percentage of companies listed with negative equity does not exceed that of SMEs in the same situation. Thus, we should at least maintain the null hypothesis and consider that this variable does not justify the delegitimization of the listed companies against the SMEs.

Regarding the second delegitimizing factor, the sum of taxes paid by listed companies is 635,424 (thousands of euros), while SMEs pay a total of 1,071,802. Although the number of SMEs is much higher, they seem to contribute more fully to the payment of taxes. If the tax credit is taken into account, both groups are negative: −3,024,907 and −298,229, respectively. As can be seen, the contribution of listed companies is significantly lower. These data, without being conclusive, lead us to question that listed companies make a correlative tax contribution to their volume. In this sense, tax evasion, regardless of whether the reasons are economic or fiscal, seems to be a clear delegitimizing factor of listed companies. This is reinforced by the fact that 46.15% of the listed companies have a negative corporate income tax, compared to 11.73% in the case of the SMEs. Since larger firms are synergistic in size, it seems difficult to understand the previous descriptive data (see Table 10.1).

If we perform a hypothesis test as shown in the above table (Table 10.1), the difference in means in favour of SMEs is significant ($0.002 < 0.05$). So it can be concluded that relatively SMEs contribute more taxes than listed companies. This can also be seen intuitively bearing in mind that in the listed companies, the mean is negative. Undoubtedly, we can confirm that there are significant differences in the

Table 10.1 Tax analysis on the number of employees as a factor of legitimacy: means comparison between listed vs. SMEs

		N	Mean	Standard deviation	Sig.
Taxes/number of employees	Listed	104	−74.756735	499.367052	
	SMEs	19.499	3.31777793	9.15848910	0.002
	Total	19.603	2.90356840	37.7613543	

Table 10.2 Determinants of value creation as legitimating factors: listed companies vs. SMEs

		N	Mean	Standard deviation	Sig.	Decision
Added value/employees	Listed	104	809.5238	3069.94075		
	SMEs	19,499	58.2002	45.39621	0.000	Reject Ho
	Total	19,603	62.1862	233.56107		
Added value/total assets	Listed	104	0.1577	0.28112		
	SMEs	19,499	0.3611	0.26946	0.000	Reject Ho
	Total	19,603	0.3600	0.26992		
Added value/equity	Listed	104	0.8384	3.98709		
	SMEs	19,499	1.3232	13.46679	0.000	Reject Ho
	Total	19,603	1.3206	13.43417		

tax payment between listed companies and SMEs in favour of the latter, an aspect that can easily act to delegitimize from a social standpoint.

In relation to the third delegitimizing factor, we can see that there is no difference between listed companies and small companies in relation to the equity percentage or, in other words, to the debt in relation to the asset. Thus, with a significance level of 0.072 (Mann-Whitney U Test), we can determine that the distribution of equity over total assets is the same for type 1 companies (listed on the stock exchange) as for type 2 companies (SMEs).

Therefore, we must dismiss the idea that it can be an objective factor of delegitimization of listed companies in relation to SMEs.

As regards hypothesis H2.1 referred to the added value and taking as reference the value added per worker, we can see that the average value creation in listed companies is much higher: € 809,524 compared to € 58,200 and that this difference is significant. We should then reject the null hypothesis, concluding that the added value generated by each worker of the large companies is much higher than the one generated by the small ones. The obtained result falsifies hypothesis H2.1 (see Table 10.2). On the other hand, the efficiency ratio of the added value in relation to the total assets is coherent with the synergies of volume or size. However, the lower efficiency (36,63%) of equity in relation to value adding, which is hardly an expected value, opens an interesting line of research.

In relation to the verified hypothesis H2.2, as can be seen in Table 10.3, the distribution of value through taxes and personnel cost is significantly higher in small companies than in listed companies which confirms Hypothesis H2.2 in relation to large companies distributing less value than the small ones among the group of its stakeholders.

Other complementary data seem to corroborate the amplitude of Hypothesis H2, that is, that the listed companies distribute less value than the small companies. Thus, as can be seen in Table 10.4, there are significant differences in favour of small companies both in the efficiency of the social distribution of added value and in relation to the payment of taxes per worker as well as per added value. In both cases, we find that the listed companies generate negative values, that is, as a whole they not only pay taxes but also generate tax debt, should they ever be required to pay.

Table 10.3 Distribution of economic value through taxes and personnel costs: comparison of means of listed companies vs. SMEs

		N	Mean	Standard deviation	Sig.	Decision
Social value (tax+personnel cost)/no. employees	Listed	104	30.0106	475.82229		
	SMEs	19,499	39.4591	21.35594	0.000	Reject Ho
	Total	19,603	39.409	40.54377		
Social value (tax+personnel cost)/total assets	Listed	104	0.0953138	0.15693965		
	SMEs	19,499	0.2727171	0.23851699	0.000	Reject Ho
	Total	19,603	0.2717759	0.23850373		
Social value (tax+personnel cost)/equity	Listed	104	0.4080895	1.53722796		
	SMEs	19,499	1.0661354	11.34835742	0.000	Reject Ho
	Total	19,603	1.0626442	11.31886204		

Table 10.4 Distribution of economic value to shareholders that are stakeholders: comparison of means

		N	Mean	Standard deviation	Sig.
Social value (tax + personnel cost)/added value	Listed	104	0.5138368	3.3860291	
	SMEs	19,499	0.7595941	1.70130067	0.000
	Total	19,603	0.7582903	1.71453513	
Taxes/added value	Listed	104	−0.0394208	0.89539367	
	SMEs	19,499	0.0280346	0.80283512	0.000
	Total	19,603	0.0276767	0.80334383	
Taxes/number of. employees	Listed	104	−74.75673518	499.3670522	
	SMEs	19,499	3.317777937	9.15848911	0.000
	Total	19,603	2.90356840	37.7613543	

10.6 Conclusions, Limitations and Future Research Lines

Table 10.5 synthesizes the results obtained in relation to the hypothesis tested

From the data obtained, we can conclude that in two of the hypotheses, there is a significant difference against listed companies: the one related to the payment of taxes and the one related to the distribution of value for the group of stakeholders that are not shareholders. Based on these data, we can objectively consider that listed companies do not pose a greater risk neither to the economy nor to the group of stakeholders – society – and that they optimize synergies as far as value generation is concerned. However, the refund of that generated value to society by the payment of direct taxes or of salaries and indirect taxes connected to them is lower than the refund made by SMEs.

Table 10.5 Significance of hypotheses

Hypothesis	Contrast	Significance
H1.1	False	The listed companies having negative equity are smaller than SMEs in a similar situation
H1.2	True	The listed companies significantly pay less taxes than SMEs
H1.3	False	The risk with third parties against any insolvency situation is similar in listed companies to SMEs
H2.1	False	The listed companies are more efficient in value addition than the small ones
H2.2	True	The listed companies distribute less value among the group of stakeholders that are not shareholders than the SMEs

In this sense, it can be concluded that the possible delegitimization of listed companies in relation to their financial structure and risk to society is not based on objective factors and could, therefore, be considered as a communication problem. On the other hand, the delegitimization related to the low social refund of the generated value would be justified in objective data, which are both delegitimizing: tax evasion as well as negativity in the legitimizers and distribution of less added value to the group of stakeholders in particular and to society in general. The delegitimization based on these factors cannot be solved by means of communication policies but need to be solved strategically by increasing the percentage of added value distributed through the payment of taxes and salaries. Thus, a contribution to the criteria used as legitimizers that allow to understand the existing social contract with organizations is made, including them in the organizational legalization analysis used.

The work has two fundamental limitations which, in a positive note should be transformed into future lines of research. On the one hand, the fact that there are only listed companies and SMEs reflected in this work, leaving aside the rest of the companies. On the other hand, that only data from one exercise has been used, when it would have been interesting to integrate data from several other years.

Likewise, with regard to future lines of research, it would be interesting to test whether the relative situation between listed companies and SMEs has changed since the crisis and inquire about the unexpected result obtained in relation to the fact that the profitability of equity is greater in the SMEs than in the listed companies.

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Chapter 11
Relationship Between Legitimacy and Organizational Success

Serge Miranda, Ana Cruz-Suarez, and Miguel Prado-Román

Abstract This article explores the relationship between legitimacy and success in the high education sector. To do so the relationship between legitimacy and organizational results is analysed as well as the relationship between legitimacy and the access to resources. Eight hypotheses related to the legitimacy of the European Higher Education Area in the public universities of Madrid (Spain) are proposed. Hypotheses are tested by using data from students (783 questionnaires), teachers (761 questionnaires) and other publicly available secondary data. Results suggest differences according to the source and the type of legitimacy analysed. There is no appreciable relation between teacher's legitimacy and their results. However, universities with high teacher's legitimacy show better access to resources. Regarding student's legitimacy, we found that universities with high legitimacy obtain a little more better result. Furthermore, high student's legitimacy leads to better access to resources. This research provides answers to some gaps of the legitimacy literature. Do greatest legitimacy organizations obtain better results? Do they get better access to resources? What type of legitimacy lead to better organizational results?

Keywords Legitimacy · Organizations · University legitimacy · Public administration · Universities · Madrid · Public institutions · Organizational legitimacy · Manage legitimacy · Pragmatic legitimacy · Moral legitimacy · Cognitive legitimacy · Stakeholders · Organizational results · Organizational resources · Access to resources

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11.1 Introduction

Legitimacy consists of a state that reflects cultural alignment, normative support or conforming with relevant rules and laws (Scott, 1995). It represents a key factor to understand the survival and growth of organizations (Meyer & Rowan, 1977; Zucker, 1987). Its importance lies in the fact that the acceptance and desirability of the activities of an organization, due to its environment and social groups, will allow it to access the resources required to survive and grow (Baum & Oliver, 1991; Überbacher, 2014): “the state of legitimacy represents a *sine qua non condition* for improving access to resources, markets with access restrictions and long-term survival” (Brown, 1998, p. 35).

According to the literature, the legitimacy process can be defined as the set of actions whose development enables to obtain and maintain legitimacy. This process favours the access to strategic resources, essential for organizations, enabling their growth and survival (Zimmerman & Zeitz, 2002). Recent research has analysed different aspects and causes of the legitimacy process (Díez-de-Castro, Díez-Martín, & Vázquez-Sánchez, 2015). Some studies have identified strategic actions that favour the legitimacy of organizations (Lamin & Zaheer, 2012; Pollack, Rutherford, & Nagy, 2012; Suchman, 1995; Zimmerman & Zeitz, 2002). Others have theorized about the different dimensions that make up legitimacy (Aldrich & Fiol, 1994; Dimaggio & Powell, 1983; Greenwood, Suddaby, & Hinings, 2002; Scott, 1995; Suchman, 1995; Zimmerman & Zeitz, 2002). The relationship between legitimacy strategies and organizational results has also been analysed (Alcantara, Mitsuhashi, & Hoshino, 2006; Bansal & Clelland, 2004; Barreto & Baden-Fuller, 2006; Cruz-Suárez, Prado-Román, & Prado-Román, 2014; Low & Johnston, 2008; Tornikoski & Newbert, 2007) and the relationship between legitimacy dimensions and organizational results (Deephouse, 1996; Díez-Martín, Prado-Roman, & Blanco-González, 2013; Li, Yang, & Yue, 2007; Ruef & Scott, 1998).

Most of these studies have analysed different aspects of the concept of legitimacy. However, there are still gaps for some issues. Do the organizations with the greatest legitimacy get better results? Do they have better access to the resources needed to survive? What legitimacy dimensions lead to better organizational results? We aim to respond to the issues raised above.

The main purpose of the paper is to analyse empirically the relationship between legitimacy and organizational success. Specifically, we will analyse the relationship between (a) legitimacy and organizational results and (b) legitimacy and access to strategic resources that enable the growth and survival of organizations. For this, eight hypotheses were formulated. We believe that legitimacy is crucial for any type of organization. Thus, those organizations with the highest level of legitimacy will find themselves in a better position to obtain better results. In addition, a high level of legitimacy will also enable those organizations that perform desirable activities, in line with socially established values and norms, to have more opportunities to survive thanks to having better access to the necessary resources.

In order to achieve the objectives previously proposed, we conducted our study on the legitimacy of the European Higher Education Area. We considered that the

EHEA represented an excellent scenario for studying legitimacy, since it is an institutional process that can be legitimized. It is the materialization of the institutionalization of education in Europe.

11.2 Theoretical Development and Hypotheses

Legitimacy: Critical Success Factor

Numerous authors have used the term legitimacy but few have defined it (Bitektine, 2011). Suchman (1995: 574) broadly defines the concept of legitimacy as "the generalized perception or assumption that the activities of an entity are desirable, correct, or appropriate within a socially constructed system of norms, values, beliefs, and definitions".

The core principle of the institutional theory was that organizations need to gain and maintain their legitimacy in order to survive. Some authors consider that organizations comply with the rules and belief systems of their environment because this isomorphism allows them to gain and maintain their legitimacy (Deephouse, 1996; Dimaggio & Powell, 1983; Suchman, 1995). When the objectives pursued by organizations are consistent with the values of society, we say that they are legitimizing themselves. According to Parsons (1960), the central point of an organization's value system "must be the legitimacy of these objectives". The organizations that survive the longest are those that adapt better to the pressures of the environment, performing according to socially established norms and values. Those organizations that do not adapt to the environment do not survive (Zaheer, 1995).

Often, when an organization is deprived of legitimacy or shows its insufficiency, it is in a situation of social eviction, usually without solution (Vanhonacker, 2000). Numerous organizations have failed not because their products were bad or because they lacked resources but because of their lack or deterioration of legitimacy (Ahlstrom & Bruton, 2001; Chen, Griffith, & Hu, 2006).

The importance of the study of legitimacy is that it is regarded as a key factor that can lead to success or otherwise to organizational failure (Diez-Martin, Blanco-Gonzalez, & Prado-Roman, 2010a). According to the institutional theory, survival and organizational success are related to legitimacy (Meyer & Rowan, 1977). Organizational survival depends on the degree of support an organization receives from its stakeholders, that is, on its legitimacy, defined as the consistency between organizational results and institutional norms (Arnold, Handelman, & Tigert, 1996). On the contrary, lack of legitimacy or the perception that the organization does not perform in accordance with social norms and values may cause it to be a failure (e.g. Bianchi & Ostale, 2006).

Hypothesis 1a: Organizations with greater legitimacy obtain better results.

In addition, legitimacy allows organizations to generate a basis for decision-making different from other rational means. People are influenced because they believe that decisions made by other legitimized individuals or organizations are correct or appropriate and should be followed (Zelditch, 2001). Legitimacy is able to create a feeling of obligation in people allowing the most legitimate organizations to gain the voluntary consent of external agents (Tyler, 2006).

Limited rationality is particularly challenging and paradoxical when applied to business organizations because they are generally regarded as agencies that perform rational activities. Zimmerman and Zeitz (2002) suggest that according to the economic model, an organization gains access to financial resources when it demonstrates, with appropriate arguments and evidence, that it can achieve return on investment (ROI). Thus, investors will make contributions to organizations based on rational expectations for ROI or other financial indicators. However, these judgements are faced with uncertainty, just because they refer to the unknown future. Following the above example, legitimacy helps investors to decide. A legitimate organization shows that the organization is committed to socially accepted rules, norms, values and models, uses appropriate means and pursues rational objectives. All this indicates that it would be appropriate to invest in the organization, despite the current uncertainty about the future of financial results.

Legitimacy improves the stability and comprehensibility of organizational activities. It shows the degree of inclusion of the organization within an institutionalized system of beliefs and values. Thanks to legitimacy, many organizations can influence people (Kannan-Narasimhan, 2014), not only from a possession of power but by demonstrating the exemplarity and desirability of their actions. Thus, it is a factor that improves the opportunities to acquire the necessary resources for survival and growth, such as capital, technology, management teams, people, customers and networks (Aldrich & Fiol, 1994; Díez-Martín, Blanco-González, & Prado-Román, 2016; Meyer & Rowan, 1977; Scott, 1995; Zucker, 1987).

Those organizations that seem desirable, correct or appropriate to stakeholders, legitimate organizations, will have a better chance of continuing with the activities they do, and therefore, more possibilities to survive. In this way, legitimacy would lead to the continuity of organizational activities because stakeholders are more likely to support organizations that they find desirable, correct or appropriate (Parsons, 1960).

Hypothesis 1b: Organizations with greater legitimacy have access to a higher number of resources.

Dimensions of Organizational Legitimacy

The conceptual dimensions of legitimacy have been broadly studied (Bitektine, 2011; Deephouse & Suchman, 2008). Aldrich and Fiol (1994) distinguish between cognitive and socio-political legitimacy. Scott (1995), however, subdivides the socio-political dimension of Aldrich and Fiol and proposes three legitimacy dimensions, which are called regulatory, normative and cognitive. Other authors have developed similar schemes (Greenwood et al., 2002). We follow the one proposed by Suchman (1995). This author proposed a reference framework that includes three legitimacy dimensions: pragmatic, moral and cognitive.

By itself, each legitimacy dimension (pragmatic, moral and cognitive) assumes a generalized perception that organizational activities are desirable, appropriate and correct within a social system of norms, values, beliefs and definitions. However, each of these dimensions lies in different behavioural dynamics.

Pragmatic legitimacy is based on the interests of the organization's specific environment. Organizations maintain direct relationships with their direct environment. These relationships can become genuine power relationships, in which some groups can achieve great power on the organization (Suchman, 1995) and its objectives. From a pragmatic point of view, pressure groups will show their support for the organization, not because it achieves great goals, such as a high turnover, but because they observe that the organization is being receptive to the own interests of their group. In this case, the organization will try to ensure that its policies and objectives are evaluated positively by the specific environment, especially by its pressure groups, generating a materialistic relationship of power and dependence. For this type of audience, the receptivity of the organization to their interests is more important than obtaining great benefits. They support the actions of the organization because they consider it as someone who shows and shares their interests, values and beliefs and that is honest, desirable, authentic and reliable. This confidence can come from compliance with rules, standards and expectations generated by governments, professional groups, associations or the industry itself.

Hypothesis 2a: Organizations with greater pragmatic legitimacy obtain better results.

Hypothesis 2b: Organizations with greater pragmatic legitimacy have access to a higher number of resources.

Moral legitimacy implies a positive normative evaluation of the organization and its activities (Aldrich & Fiol, 1994; Parsons, 1960). Unlike pragmatic legitimacy, moral legitimacy is not based on judgements about whether a particular type of action benefits the evaluator but rather on whether a particular type of action is what should be done from a moral point of view. Moral legitimacy is usually analysed by evaluating the appropriateness of the outputs, techniques, procedures and organizational structure used to achieve the objectives (Scott, 1977; Scott & Meyer, 1991). An organization demonstrates that it is desirable from a moral point of view when it deals with employees or clients as expected within the social system where it operates.

Hypothesis 3a: Organizations with greater moral legitimacy obtain better results.

Hypothesis 3b: Organizations with greater moral legitimacy have access to a higher number of resources.

Regarding cognitive legitimacy, it corresponds to actions that simplify or help to give meaning to decision-making by solving problems. Cognitive legitimacy results from taking the belief system formulated by professionals and scientists as its own, where knowledge is specified and codified, assuming cases that provide a framework for action for daily routines and also for more specialized ones (Scott, 1994). In a broad sense, cognitive legitimacy indicates how to see the world and what actions are effective. Sometimes it is difficult to distinguish clearly the differences between cognitive and moral legitimacy (Zeitz, Mittal, & Mcaulay, 1999). An organization demonstrates its desirability and acceptance by engaging and developing methods, models, practices, assumptions, knowledge, ideas, realities, concepts, thoughts and others that are widely accepted and considered useful and desirable by the professional bodies and scientific experts where it operates (Aldrich & Fiol, 1994; Hunt & Aldrich, 1996; Scott, 1995; Suchman, 1995; Zimmerman & Zeitz, 2002), that is to say, it develops activities that help to simplify decision processes, achieving better and more rational decisions. It is a type of legitimacy based on knowledge, rather than interest or evaluation (Aldrich & Fiol, 1994).

Hypothesis 4a: Organizations with greater cognitive legitimacy obtain better results.

Hypothesis 4b: Organizations with greater cognitive legitimacy have access to a higher number of resources.

11.3 Methodology

Sample

We contrast the hypotheses using data from the legitimacy of the EHEA in the public universities of the Autonomous Community of Madrid (UPCAM), namely, Complutense University, Autónoma University, University of Alcalá, Politécnica University, Carlos III University and Rey Juan Carlos University. There are numerous studies of legitimacy among business sectors with the need to increase their social recognition (Li et al., 2007; Rutherford & Buller, 2007; Tornikoski & Newbert, 2007; Ahlstrom, Bruton, & Yeh, 2008; Díez-Martin et al., 2010a; Déniz Déniz & García Cabrera, 2011). Therefore, we consider that this population is adequate for the purpose of the research. The population universe is made up of the of the six UPCAM university community.

Variables

Legitimacy: Pragmatic, Moral y Cognitive

Figure 11.1 shows the model used to measure legitimacy. Legitimacy can be identified as a multidimensional construct (Ruef & Scott, 1998), formed by two dimensions: referential locus and types or dimensions of legitimacy (Thomas, 2005). The first dimension is related to the referential locus of the legitimacy imperative, either internal or external to the person. This dimension is achieved through a combination of *correction* and *validity* (Dornbush & Scott, 1975). Correction refers to the perception or belief that an action is desirable, correct and appropriate according to

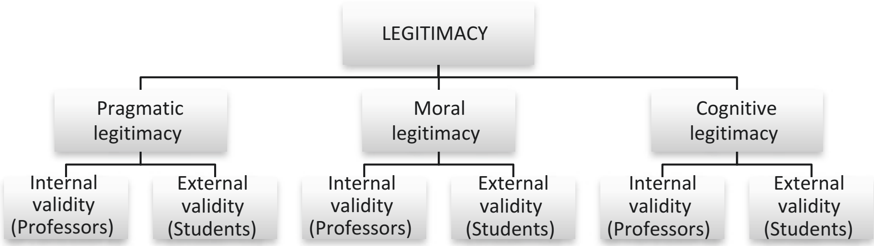

Fig. 11.1 Legitimacy measurement model

individual evaluation criteria. In turn, validity refers to the belief that each individual has to respond to social pressure, through actions consistent with the policies and norms established in society, even in the absence of a personal sense of correction (Thomas, 2005). Thus, to evaluate the legitimacy of an organization, both personal attitudes to the appropriateness of its activities, i.e. its correction and internal validity, should be considered, as well as perceptions of peer attitudes and authority figures, that is, its external validity. Ruef and Scott (1998) argue that the legitimacy sources are the internal and external public that observe organizations and evaluate their legitimacy (Blanco-González, Prado-Román, & Díez-Martín, 2017). The second dimension is the evaluation criteria or *legitimacy dimensions* (pragmatic, moral and cognitive) that contribute, consciously or unconsciously, to the emergence of different legitimacy perceptions (Suchman, 1995). We measure legitimacy from this construct formed by two dimensions.

Information collection was done through a personal questionnaire, between 01/10/2011 and 22/12/2011. The survey was conducted to students and professors of the UPCAM. The same questionnaire was used for the entire university community. Neither students of master's nor personnel of administration and services (PAS) participated in the measurement of legitimacy. A 5-point Likert scale was used.

Organizational Results

The results of the UPCAM were measured according to: (1) number of students enrolled in the degree, (2) number of total students enrolled in the university and (3) number of degrees obtained by the university.

The total number of students and official degrees was obtained from the study of the admission and enrolment process at the UPCAM for the years 2008–2009, 2009–2010 and 2010–2011. To date we have not found any official data following these years.

The economic resources of the universities come mainly from two income items: current account revenues (about 80%) from transfers from the Community of Madrid (CAM) and public fees paid by students and capital account income (around 20%), which comes mainly from R & D activities financed competitively by European programmes (EU framework programme), national programmes (National R & D Plan), community programmes (PRICYT) and others (Ortega Castro, Pérez Esparrells, & Morales Sequera, 2008).

We measured the economic resources with the total revenue budget item, published in the Official Bulletin of the Community of Madrid (BOCM), between 2008 and 2011, of the six universities under study. The data for 2012 were not used because some universities had not yet published them in the BOCM.

At the same time, the university personnel are also part of the resources necessary for its performance. In this sense we consider it relevant to take into account two indicators about the university personnel: the number of professors as well as the number of personnel of administration and services. These data were obtained from the statistical tables of the Ministry of Education on University Personnel for the years 2008–2009 and 2009–2010.

Data Analysis

The case study was used to analyse the relationship between legitimacy and organizational success. This methodology enables to obtain knowledge about organizational processes (Yin, 1994). Studies such as those by Bianchi and Ostale (2006) or Ahlstrom et al. (2008) analyse legitimacy problems in Chile and the construction of legitimacy in China, using case studies.

11.4 Results

Results of Public Universities in Madrid

The legitimacy data were developed taking into account the differences between the internal and external groups of the university. These differences were confirmed by the analysis of the variances of the results between professors and students. In model 1, cognitive legitimacy is equal to zero because it is a nonsignificant legitimacy dimension for professors, although it was significant for students (Table 11.1).

Analysis of the Success and Legitimacy of the Public Universities in Madrid

In order to analyse the relationships between the variables (legitimacy and results) and to contrast the hypotheses, we used descriptive statistics. Another methodology would not have given greater reliability due to the population size. Studies such as

Table 11.1 Legitimacy of the EHEA and organizational results of the two UPCAM models

	Universities	TL	PL	ML	CL	GS	TS	D	Budget/P	Budget/PAS
Model 1 (professors)	U. Alcalá	0.178	0.181	0.174	0	0.057	−0.001	0.170	0.095	0.211
	U. Autónoma de Madrid	0.168	0.168	0.167	0	0.050	0.000	0.140	0.118	0.289
	U. Carlos III	0.166	0.165	0.166	0	0.027	−0.031	0.110	0.104	0.225
	U. Complutense	0.163	0.161	0.167	0	0.055	0.023	0.220	0.095	0.143
	U. Politécnica de Madrid	0.162	0.167	0.156	0	0.076	0.015	0.250	0.119	0.169
	U. Rey Juan Carlos	0.163	0.159	0.17	0	0.046	0.116	0.280	0.077	0.226
Model 2 (students)	U. Alcalá	0.172	0.178	0.171	0.143	0.057	−0.001	0.170	0.095	0.211
	U. Autónoma de Madrid	0.175	0.178	0.163	0.183	0.050	0.000	0.140	0.118	0.289
	U. Carlos III	0.171	0.168	0.176	0.171	0.027	−0.31	0.110	0.104	0.225
	U. Complutense	0.155	0.151	0.165	0.15	0.055	0.023	0.220	0.095	0.143
	U. Politécnica de Madrid	0.173	0.177	0.16	0.183	0.076	0.015	0.250	0.119	0.169
	U. Rey Juan Carlos	0.155	0.148	0.165	0.171	0.076	0.116	0.280	0.077	0.226

TL total legitimacy, *PL* pragmatic legitimacy, *ML* moral legitimacy, *CL* cognitive legitimacy, *GS* graduate students, *TS* total students, *D* degrees, *Budget/P* budget/professors, *Budget/PAS* budget/PAS those by Blair and Zinkhan (2006) have shown that the richness of the sample is more important than the size itself. All the organizations of higher education of the public sector of the Community of Madrid are represented in our research.

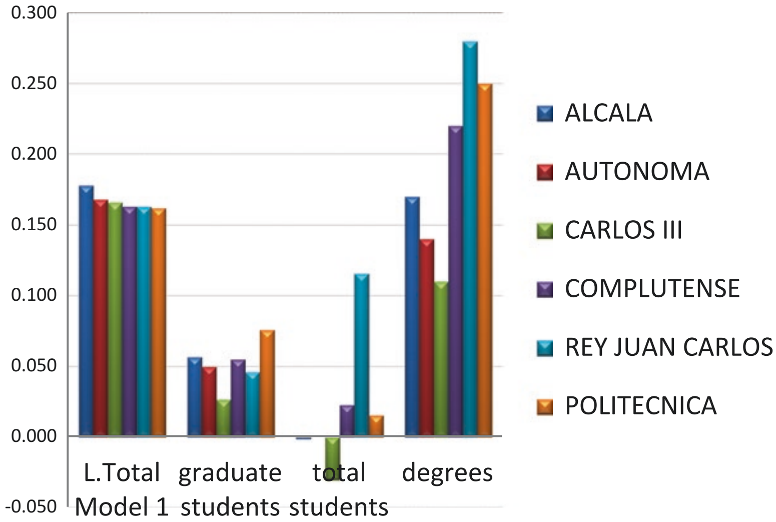

Fig. 11.2 Relationship between the legitimacy of the EHEA and organizational results (M1-Professors)

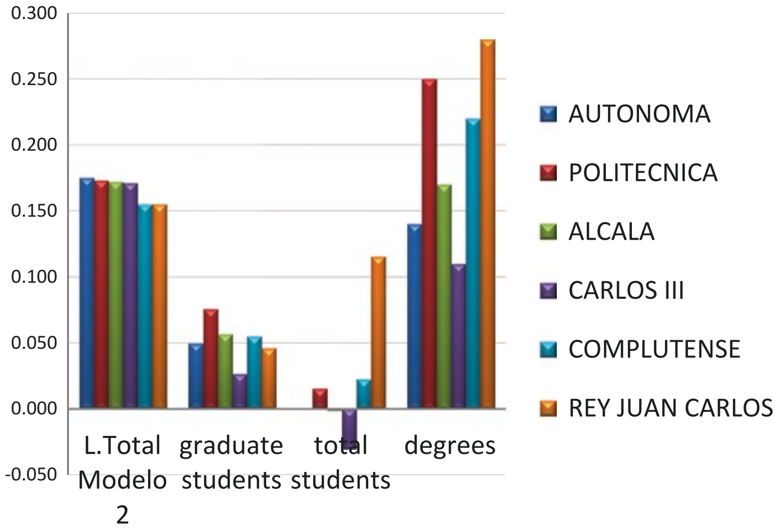

Fig. 11.3 Relationship between the legitimacy of the EHEA and organizational results (M2-Students)

The relationship between the total legitimacy of the EHEA and the organizational results of the UPCAM are shown in Figs. 11.2 and 11.3.

The indicator "graduate students" represents the evolution of the total number of students between the periods 2009–2010 and 2010–2011. This indicator was divided by 10 to standardize the results with those of the other indicators. The "total students" were also standardized and represent the evolution of the number of students enrolled in each university between the periods 2009–2010 and 2010–2011. Finally, the "degrees" indicator represents the evolution of the number of degrees between the periods 2009–2010 and 2010–2011. Like the graduate students indicator, it was also divided by 100 to standardize the results with those of the other indicators.

The results shown in Fig. 11.2 do not support Hypothesis 1a according to the evaluation to professors (Model 1). No trend in relation to the legitimacy of the EHEA and the evolution of the number of graduate students is observed. However, it can be observed that in the universities with less legitimacy of the EHEA (Complutense, Rey Juan Carlos and Politécnica), the evolution of the total number of students enrolled was greater. In this case there would be a negative trend. Finally, it can be seen that the evolution of the number of degrees in universities with less legitimacy in the EHEA was greater than in those where there was greater legitimacy.

The data of Fig. 11.3 support Hypothesis 1a slightly, according to the evaluation to students (Model 2). The Politécnica, Alcalá, Complutense and Rey Juan Carlos universities follow a positive trend, where the greater the legitimacy is, the greater the increase in the number of graduate students is. There is no trend in relation to the evolution of the number of students enrolled and legitimacy. However, as for Model 1, there is a negative trend between the legitimacy of the EHEA and the evolution of the number of degrees in the Autónoma, Alcalá, Complutense and Rey Juan Carlos universities.

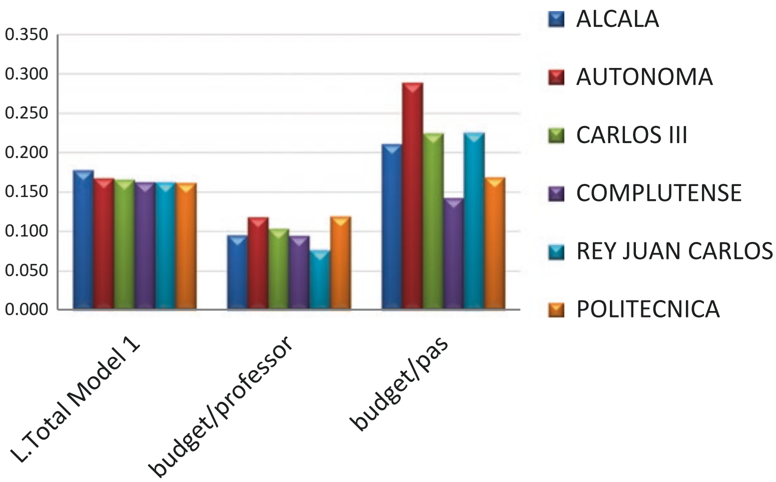

Fig. 11.4 Relationship between the legitimacy of the EHEA and organizational resources (M1-Professors)

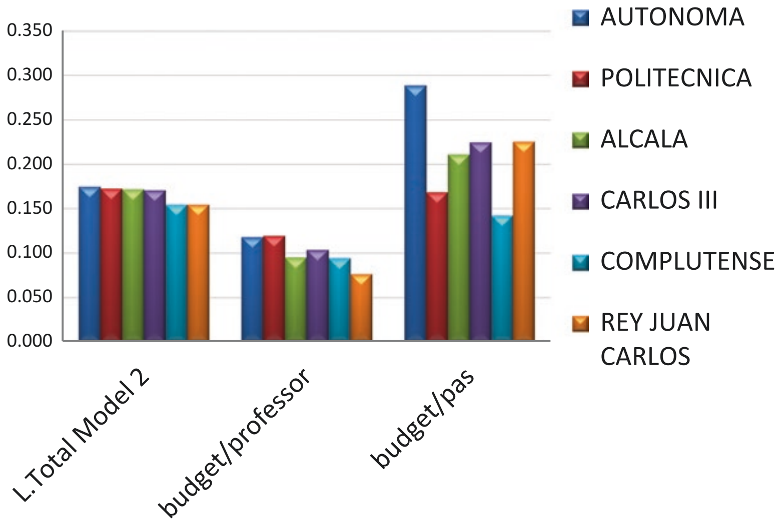

Fig. 11.5 Relationship between the legitimacy of the EHEA and organizational resources (M2-Students)

The relationship between the total legitimacy of the EHEA and the organizational resources of the UPCAM are shown in Figs. 11.4 and 11.5. Universities have been classified according to the degree of legitimacy of the EHEA. The budget/professor and budget/pas ratios are in millions of Euros. This standardization allowed a better comparison between indicators. For the budget we used the data for 2011 and for the professors and pas, the data for 2009–2010.

The results shown in Fig. 11.4 support Hypothesis 1b. In the Autónoma, Carlos III, Complutense and Rey Juan Carlos universities, there is a positive trend, where the higher the legitimacy of the EHEA is, the higher the budget/professor is. This trend also appears in four other universities, in relation to the budget/pas ratio.

The results shown in Fig. 11.5 support Hypothesis 1b. At the Politécnica, Carlos III, Complutense and Rey Juan Carlos universities, there is a positive trend, where the higher the EHEA legitimacy is, the higher the budget/professor ratio is. This trend also appears in three other universities, in relation to the budget/pas ratio but not so clearly.

The results of Figs. 11.6 and 11.7 show the relationship between the pragmatic legitimacy of the EHEA and the results of the UPCAM.

The results of Fig. 11.6 only slightly support Hypothesis 2a. Only one of the three variables analysed would confirm this hypothesis. In this sense, the evolution of graduate students of universities where the EHEA has more pragmatic legitimacy (Alcalá, Autónoma and Politécnica) is greater than in universities with less pragmatic legitimacy (Carlos III, Complutense, Rey Juan Carlos). Regarding the relationship between pragmatic legitimacy and the evolution of the total number of students and degrees, there is a negative trend, where the universities with greater pragmatic legitimacy of the EHEA would have smaller increases in the total number of students.

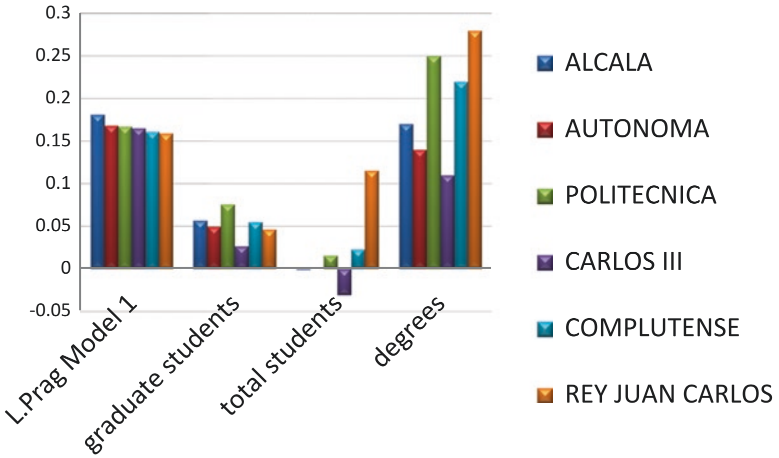

Fig. 11.6 Relationship between the pragmatic legitimacy of the EHEA and organizational results (M1-Professors)

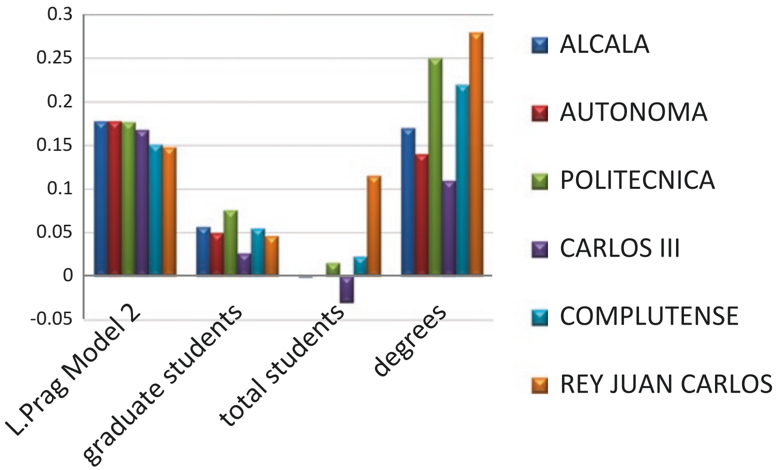

Fig. 11.7 Relationship between the pragmatic legitimacy of the EHEA and organizational results (M2-Students)

The data of Fig. 11.7 only slightly support Hypothesis 2a. Only one of the three variables analysed would confirm this hypothesis. In this sense, there is a positive trend in the Politécnica, Complutense and Rey Juan Carlos universities regarding the evolution of graduate students and pragmatic legitimacy. Regarding the relationship between pragmatic legitimacy and the evolution of the total number of students and degrees, as in model 1, there is also a negative trend, where the universities with greater pragmatic legitimacy of the EHEA would have smaller increases in the total number of students and degrees.

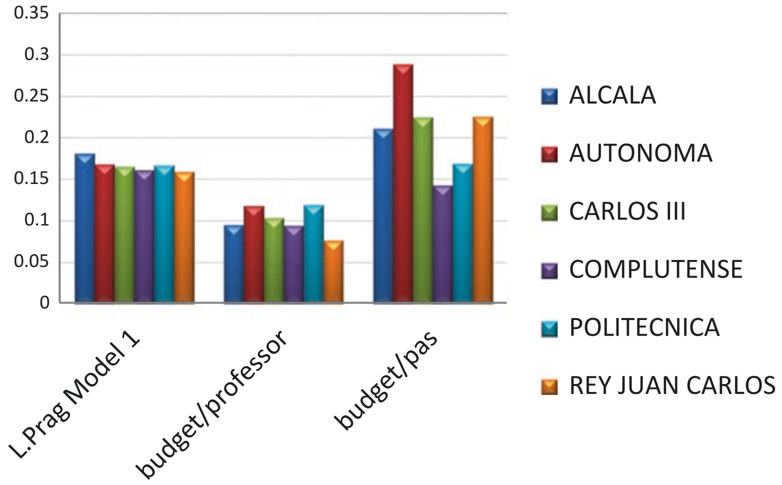

Fig. 11.8 Relationship between the pragmatic legitimacy of EHEA and organizational resources (Professors)

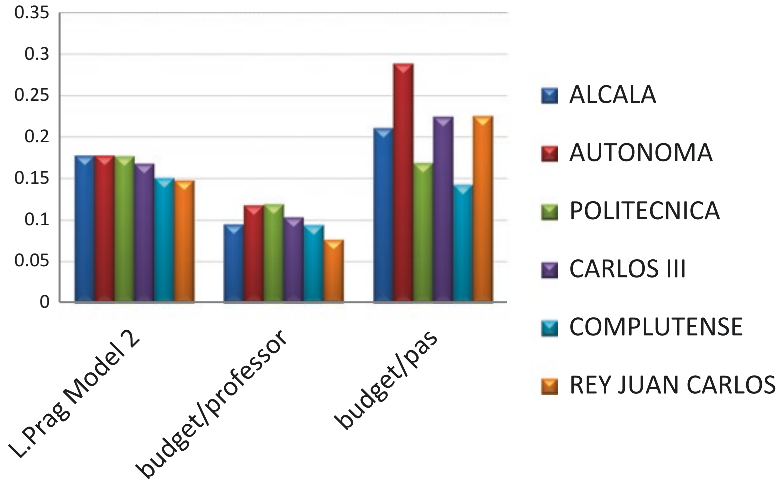

Fig. 11.9 Relationship between the pragmatic legitimacy of the EHEA and organizational resources (Students)

The relationship between the pragmatic legitimacy of the EHEA and the organizational resources of the UPCAM are shown in Figs. 11.8 and 11.9.

In the Autónoma, Carlos III, Complutense and Rey Juan Carlos universities, there is a positive trend, where the greater the pragmatic legitimacy of the EHEA is, the greater the budget/professor ratio is. This trend can also be seen in relation to the budget/pas ratio, where the three universities with the highest pragmatic legitimacy, Alcalá, Autónoma and Carlos III are the ones that obtain a better budget ratio.

The results of Fig. 11.9 support Hypothesis 2b. At the Politécnica, Carlos III, Complutense and Rey Juan Carlos universities there is a positive trend, where the higher the EHEA legitimacy is, the higher the budget/professor ratio is. This trend also appears, in pairs, in three other universities (1 Alcalá, Politécnica and Complutense, 2 Autónoma, Carlos III, Rey Juan Carlos), in relation to the budget/pas ratio, although not so clearly.

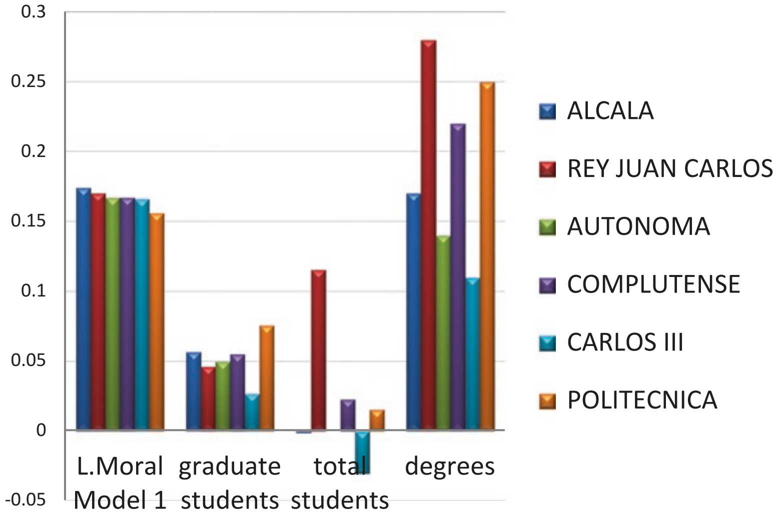

Fig. 11.10 Relationship between the moral legitimacy of the EHEA and organizational results (Professors)

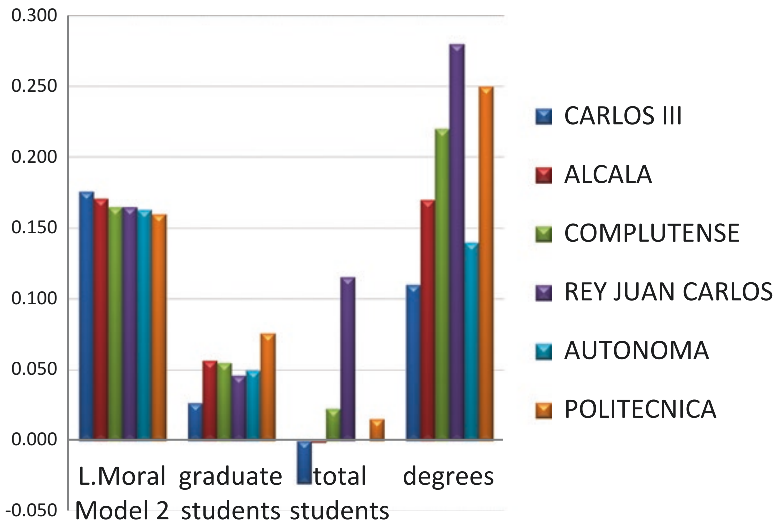

Fig. 11.11 Relationship between the moral legitimacy of the EHEA and organizational results (Students)

The results of Figs. 11.10 and 11.11 show the relationship between the moral legitimacy of the EHEA and the results of the UPCAM.

The data of both figures do not enable to see any clear trend in this relationship, so we reject Hypothesis 3a both for model 1 and 2. No clear trend with respect to graduate students and the total is seen. We can see a negative trend in the evolution of the number of degrees.

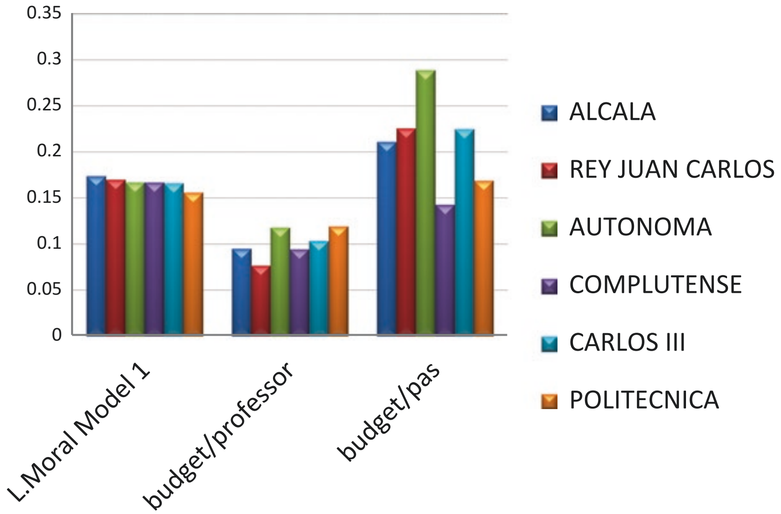

Fig. 11.12 Relationship between the moral legitimacy of the EHEA and organizational resources (Professors)

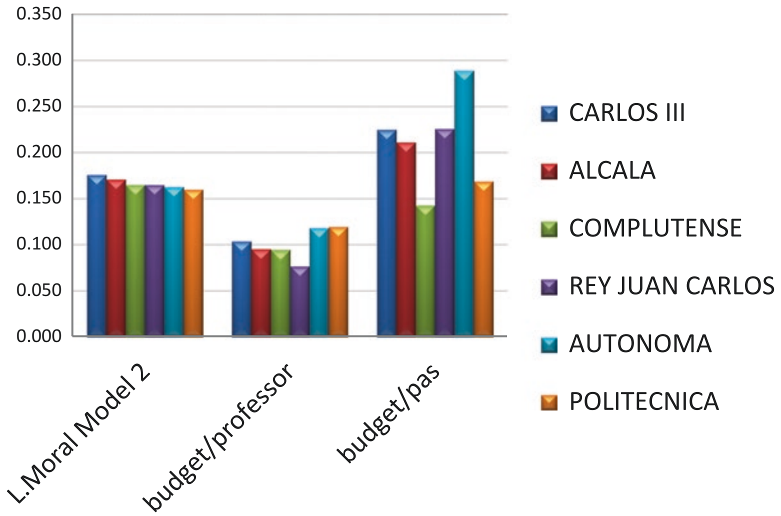

Fig. 11.13 Relationship between the moral legitimacy of the EHEA and organizational resources (Students)

The relationship between the moral legitimacy of the EHEA and the organizational resources of UPCAM are shown in Fig. 11.12 and 11.13.

The results of Fig. 11.12 support Hypothesis 3b moderately. The universities with higher moral legitimacy of the EHEA would have fewer resources regarding the budget/professor ratio than those with less moral legitimacy. However, we can see a positive trend in the Autónoma, Carlos III and Complutense universities in relation to the budget/pas ratio, where the higher the moral legitimacy is, the better the budget/pas ratio is.

The results of Fig. 11.13 do not support Hypothesis 3b. At the Carlos III, Alcalá, Complutense and Rey Juan Carlos universities there is a negative trend, where the greater the moral legitimacy of the EHEA is, the lower the budget/professor ratio is. This trend also appears in the Carlos III, Alcalá and Complutense universities in relation to the budget/pas ratio.

Contrast of Hypothesis 4a: Organizations with Greater Cognitive Legitimacy Obtain Better Results

The results of Fig. 11.14 show the relationship between the cognitive legitimacy of the EHEA and the results of the UPCAM, taking into account students' evaluations (Model 2). This analysis was not done for professors' evaluations (Model 1) because the cognitive legitimacy of the EHEA evaluated by this group is not significant for the EHEA's legitimacy. A negative trend is seen in the Carlos III, Rey Juan Carlos, Complutense and Alcalá Universities for the relationship with graduate students.

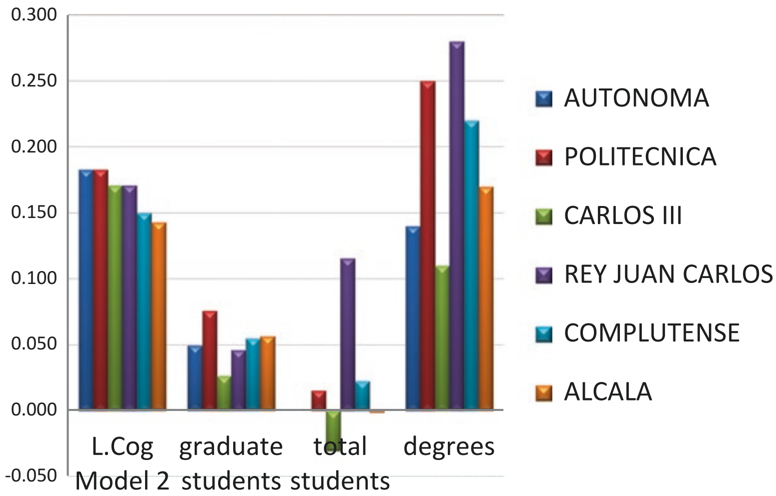

Fig. 11.14 Relationship between the cognitive legitimacy of the EHEA and organizational results (Students)

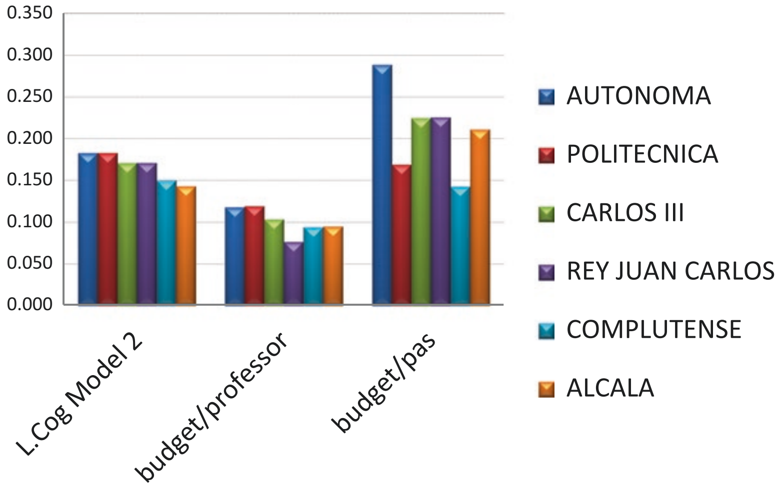

Fig. 11.15 Relationship between the cognitive legitimacy of the EHEA and organizational resources (Students)

Regarding the relationship between cognitive legitimacy and the total number of students, we do not observe any kind of relationship. However, for the Rey Juan Carlos, Complutense and Alcalá universities, the greater the cognitive legitimacy of the EHEA is, the greater the evolution of the number of degrees is. Therefore, Hypothesis 4a is slightly accepted.

The relationship between the cognitive legitimacy of the EHEA (Model 2: students' evaluations) and the organizational resources of the CAM Universities are shown in Fig. 11.15. This analysis was not done for professors' evaluations (Model 1) because the cognitive legitimacy of the EHEA evaluated by this group is not significant for the EHEA's legitimacy. The results support Hypothesis 4b. The universities with greater cognitive legitimacy of the EHEA have a better budget/professor ratio. In addition, there is a positive trend in the Autónoma, Carlos III, Rey Juan Carlos and Alcalá universities, regarding the relationship between cognitive legitimacy and the budget/pas ratio.

11.5 Discussion and Conclusions

Summary and Contributions

This research was carried out with the purpose of analysing the relationship between legitimacy and organizational success in the field of institutional theory (Meyer & Rowan, 1977). There is little empirical research in this field. This fact is possibly motivated by one of the continuous problems of legitimacy, its measurement (Bozeman, 1993; Suchman, 1995). We measured the organizational legitimacy of the EHEA in the UPCAM with a methodology similar to that previously used by Diez-Martin, Blanco-Gonzalez, and Prado-Roman (2010b).

Table 11.2 summarizes the confirmed and rejected hypotheses of this research. Within the EHEA sector in the UPCAM, the results of the research do not generally support the existence of the relationship between legitimacy and organizational results (Hypothesis 1a). We only find a slight support for this relationship in students' evaluations. These results are the opposite to those obtained by Deephouse (1996), who pointed out the existence of a relationship between the legitimacy granted by government agents and the results obtained by the Minneapolis banking system. This may be due to the fact that the higher education sector is different from the banking one and that in this research, the analysis of legitimacy has not only taken into account the legitimacy granted by external agents, in the form of validity, but also the legitimacy coming from internal agents, in the form of correction.

It does not seem that the legitimacy of the EHEA in the university influences first-time student enrolments. We consider that this may be due to lack of communication and publicity of the EHEA by universities. New students do not really know what the EHEA consists of until they experience it in their early years of university. It seems that other aspects are what determine the university choice for students. On the other hand, we have not detected that the legitimacy of the EHEA influences obtaining new degrees.

Bansal and Clelland (2004) show that organizations with greater legitimacy experience a lower specific risk. Consequently, the environment that surrounds them prefers to invest in them, hoping for them to be the beneficiaries of their resources. These organizations will have better business opportunities and access to resources. Our results support this relationship (Hypothesis 1b). Entities with higher levels of legitimacy have better access to resources.

Previous research suggests that it is possible to achieve high levels of legitimacy without taking into account its typology (Diez-Martin et al., 2010b; Suchman, 1995). That is, two organizations can have the same level of legitimacy, where one of them only has pragmatic legitimacy and the other one, moral legitimacy. The results of our research support this line of thought. Furthermore, following the reference framework proposed by Suchman (1995), who considers three legitimacy dimensions (pragmatic, moral and cognitive), we have been able to analyse the relationship between different types of legitimacy and organizational success.

Our study has analysed the relationship between pragmatic legitimacy and organizational success through hypotheses 2a and 2b. Hypothesis 2b is confirmed, and Hypothesis 2a is slightly confirmed. The universities where the EHEA obtains higher levels of pragmatic legitimacy gain access to a greater number of resources and a greater increase of the number of graduate students, which is the opposite of what happens to organizations with lower levels of this type of legitimacy. These hypotheses demonstrate that legitimacy does not only consist of a matter of image but also of identifying oneself and being receptive to the interests of the stakeholders.

The research results do not support Hypothesis 3a. We have not been able to confirm the existence of a relationship between the moral legitimacy of the EHEA

Table 11.2 Summary of confirmed and rejected hypotheses

	Hypothesis					Hypothesis				
	Type of confirmation	1a	2a	3a	4a	Type of confirmation	1b	2b	3b	4b
Professor	General	No	Yes, very slight	No		General	Yes	Yes	Yes, moderate	
	Graduate students	No, with no significant trend	Yes, 3 and 3	No, with no significant trend		Budget/ professor	Yes, 4/6	Yes, 4/6	Yes, 4/6	
	Total students	No, negative trend	No, tendencia negative	No, with no significant trend		Budget/pas	Yes, 4/6	Yes, 3 y 3	No, negative trend	
	Degrees	No, tendencia negative	No, negative trend	No, with no significant trend						
Students	General	Yes, very slight	Yes, very slight	No	Yes, very slight	General	Yes	Yes	No	Yes
	Graduate students	Yes, 4/6	Yes, 3/6 by groups 3 and 3	No, with no significant trend	Yes, 4/6	Budget/ professor	Yes, 4/6	Yes, 4/6	No, negative trend	Yes, 3 y 3
	Total students	No, with no significant trend	No, negative trend	No, with no significant trend	No, with no significant trend	Budget/pas	Yes, 3/6	Yes, 3/6	No, negative trend	Yes, 4/6
	Degrees	No, negative trend	No, negative trend	No, negative trend	No, negative trend					

in universities and organizational results. These results may be similar to those obtained by other analyses, which show that there is no relationship between socially responsible organizations and the results they obtain (Aupperle, Carroll, & Hatfield, 1985; Balabanis, Phillips, & Lyall, 1998). Socially responsible organizations enjoy moral legitimacy as they develop socially accepted and desirable activities. However, this type of activity does not have to be related to organizational results. In a way, these results make sense when moral legitimacy considers that organizations obtain this type of legitimacy when they carry out activities that must be performed, even if they do not generate economic benefits for the organization.

However, Hypothesis 3b is supported by the research results although moderately. This hypothesis considers that the universities where the EHEA has greater moral legitimacy will gain access to a greater number of resources. In this sense, this typology of legitimacy aims to obtain results beyond those of a financial nature. The success would consist of developing activities included within the moral parameters of society. When this happens, access to resources is a fact.

Finally, it seems logical that organizations that do the best things should be more successful. This fact has been demonstrated to some extent by our research. Our results have supported Hypothesis 4a slightly and also Hypothesis 4b. There is a positive relationship between the cognitive legitimacy of the EHEA and the evolution of the number of graduate students, as well as organizational resources. Students are interested in the way in which the results are achieved, that is, they are concerned with the processes and working methods used. In turn, it also seems that the way of doing things is important to access resources.

Managerial Implications

There are several managerial implications that emerge from this research. First, given that the universities where the EHEA has greater legitimacy obtain greater access to resources, it would be advisable for managers to take legitimacy as a necessary objective for the organization in developing its planning (Díez-Martín et al., 2016). This attitude has been widely supported by the institutional theory. Several authors consider legitimacy a critical success factor to be taken into account by all organizations (Brown, 1998; Hunt & Aldrich, 1996; Meyer & Rowan, 1977; Suchman, 1995; Zimmerman & Zeitz, 2002; Zucker, 1987).

As Suchman (1995) and Oliver (1991) proposed and Elsbach and Sutton (1992), Alcantara et al. (2006) and Tornikoski and Newbert (2007) have shown, organizations are not simply passive elements in the process of legitimization but can work actively to influence and manipulate the perceptions of their environment. In this sense, business management could develop specific strategies aimed at achieving this goal (Blanco-González, Cruz-Suárez, & Díez-Martín, 2015; Patriotta, Gond, & Schultz, 2011). The proposals of Suchman (1995) could be used to plan a strategy of these characteristics. This author proposes three typologies of organizational strategies, along the same lines as Ashforth and Gibbs (1990), both aimed at gaining legitimacy, maintaining and even recovering it. The benefits of developing action strategies to gain legitimacy have been demonstrated by Tornikoski and Newbert (2007), who observe a positive relationship with organizational results in new organizations.

Secondly, this research suggests that not all legitimacy dimensions lead to better organizational results or better access to the necessary resources. Thus, we believe that managers should perform an analysis of the legitimacy of their activity sector in order to detect those legitimacy dimensions that are the most useful to the organization.

In the specific case of UPCAM, on the one hand, the most beneficial strategic actions to achieve better organizational results would be those aimed at obtaining pragmatic and cognitive legitimacy, which are more receptive actions to the interests of the stakeholders (pragmatic legitimacy) and to the way things are done (cognitive legitimacy) regardless of the morality of those actions (moral legitimacy).

On the other hand, if the objective of universities is to obtain greater access to resources, managers should develop strategic actions aimed at achieving legitimacy, fundamentally pragmatic and cognitive legitimacy. In this sense, Suchman (1995) considers that actions that serve to obtain pragmatic legitimacy may require less effort and therefore, would be easier to perform. However, he also states that actions that serve to acquire cognitive legitimacy would be less manipulative and more lasting over time, although they would require more effort to be performed. Thus, if what is important for the organization is to obtain greater access to resources quickly, the most advisable would be to develop actions to achieve pragmatic legitimacy. However, if the objective is to obtain greater access to resources in a sustainable manner over time, it would be more advisable to use the efforts of the organization to develop actions to gain cognitive legitimacy.

Limitations and Future Lines of Research

This study aims to analyse the relationship between the legitimacy of the EHEA and the access to strategic resources that allow the growth and survival of organizations. However, the results should be interpreted with caution and considered as approximations, until they can be confirmed with new empirical studies. Despite the results achieved and the usefulness of their implications, the study presents several limitations that suggest areas for future research.

In the first place, our study has analysed the case of a type of organization, of the same activity sector, that shows special peculiarities. Our results should only be applied to this type of organizations, especially those with activity in Spain. In the future, new research could compare the assumptions made here in other types of organizations, belonging to different activity sectors. In this way, it is possible to analyse the divergences that there may be between different environments when considering the desirability of organizational activities and their relationship with organizational success. This would allow for better organizational strategies.

As for the methodology used for the measurement of legitimacy, determined by the study population, a non-parametric methodology (AHP) was used. However, other statistical techniques could be used for the analysis of larger populations. We consider it convenient to use both parametric and non-parametric models to measure legitimacy, which would allow us to observe possible divergences and generate new theoretical advances.

In turn, the data used to analyse the legitimacy of the EHEA in the public universities of the CAM come from the responses given by the university community. The Pas did not participate in the study and neither did the master's students. In this sense it would be convenient to take data from this part of the community. Future studies should analyse the legitimacy of the EHEA in universities using data from the entire university community.

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Chapter 12
The Business Legitimacy and Its Relationship with the Corporate Social Responsibility: Analysis of Mexico and Spain Through the Case Method

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Abstract The main objective of this research is to analyze the relationship between corporate social responsibility and social legitimacy. This is to fill the existing gap in the literature on legitimacy, in relation to the lack of empirical studies linking social responsibility with legitimacy. In order to analyze the relationships raised, we use an inductive methodology, for it will carry out a case study on the eight companies, three Mexican and five Spanish, included in the Fortune World's Most Admired Companies for the period 2011–2012. The main finding that can be drawn is that it shows that there is a positive relationship between CSR and social legitimacy to business results. Also given the limited literature and research in Spanish companies, this study has demonstrated that Spanish companies also support these relationships, that is, both the social legitimacy as CSR can bring value to the results of the company. From a strategic point of view, managers might consider legitimacy within its strategic objectives. Managers must realize that not being able to manage legitimacy could involve the loss of it. It is no coincidence that companies with greater decreases of legitimacy are those with more internal and external problems. The main contribution of the study is to fill the gap in literature on legitimacy that relates to CSR as well as the lack of empirical studies in this field.

Keywords Legitimacy · Corporate social responsibility · Market value · Spain · Mexico · Case method · World's most admired companies

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12.1 Introduction

Companies move in highly competitive markets. Surviving involves to find a competitive advantage (Porter, 1985), as this leads to better business results (Newbert, 2008). This search has become one of the reasons that lead to the institutionalization of organizations. In recent years, it has been shown that many companies are developing initiatives of legitimacy, such as corporate social responsibility programs, because they believe that they can achieve a competitive advantage, create new business opportunities, protect the company from a serious regulation, or get the company to comply with its shareholders (Brønn & Vidaver-Cohen, 2008). Adjusting to social expectations is increasingly more important for organizations, because they gain greater access to resources.

Resource exploitation is what allows companies to gain competitive advantage (Barney, 1991). Starr and MacMillan (1990) point out that organizations must create an image of viability and legitimacy before they receive any support. In this way, an institutionalized organization can gain greater support from its stakeholders (Choi & Shepherd, 2005), establish relationships with suppliers, and gain better access to investors (Cohen & Dean, 2005; Deeds, Mang, & Frandsen, 2004) and clients (Higgins & Gulati, 2006). In summary, increasing access to resources is critical to success.

Institutionalization has allowed improvements in the internal processes of organizations through adaptation to the norms and standards of society and through environmental actions with improvements in the systems and technology used (Bansal & Roth, 2000; Hart, 1995).

Nowadays companies can institutionalize through legitimacy. Legitimacy consists of a state that reflects cultural alignment, normative support, or consonance with relevant rules and laws (Scott, 1995). Its importance lies in the fact that the acceptance and desirability of the activities of an organization by its environment and social groups will allow it to access the resources necessary to survive and grow (Zimmerman & Zeitz, 2002). Many organizations have failed not because their products were bad or lacking resources but because of their lack or deterioration of legitimacy (Ahlstrom & Bruton, 2001; Chen, Cotsakos, Griffith, & Hu, 2006).

Porter and Kramer (2011) argue that the legitimacy of firms has fallen to levels not seen in recent history. To do so, they describe a paradoxical phenomenon "at the same time that more companies are beginning to adopt socially responsible practices, they are also accused of failing society" (Porter & Kramer, 2011, 64). This observation emphasizes an aspect that, so far, has not received much attention from the academic world: how does corporate social responsibility (CSR) affect the legitimacy of companies? Although it is commonly agreed that CSR engagement has a positive influence on the legitimacy of companies, there are only a few empirical studies to demonstrate this relationship (Claasen & Roloff, 2012; Rao, Chandy, & Prabhu, 2008). Thus, the objective of this research is to analyze the relationship between corporate social responsibility and social legitimacy. This is intended to occupy an existing gap in the literature of legitimacy, in relation to the lack of empirical studies that relate social responsibility to legitimacy. With this goal, a case study will be carried out on eight companies (three Mexican and five Spanish companies) included in the Fortune World's Most Admired Companies for the period 2011–2013.

12.2 Social Legitimacy and Business Results

Concept

In the field of business, the concept of legitimacy began to take shape from the mid-1990s, when the most precise definitions of the concept of legitimacy began to appear. Scott (1995: 45) published that "legitimacy is not a commodity that can be exchanged but a state that reflects cultural alignment, normative support, or consonance with relevant rules and laws." Suchman (1995: 574) published one of the most widespread definitions of the concept of legitimacy "*the generalized perception or assumption that an entity's activities are desirable, right, or appropriate within a socially constructed system of norms, values, beliefs, and definitions*." From these two publications began the interest on the legitimacy. Aldrich and Fiol (1994) had already pointed out the importance of legitimacy for entrepreneurs, and sometime later, Kostova and Zaheer (1999) analyzed legitimacy in the context of multinational corporations. Oliver (1991) also used the legitimacy to integrate institutional theory with the theory of resource dependence, while Deephouse and Suchman (2008) on strategic management. All of this contributes to a series of significant improvements for the understanding of the dimensions and sources of legitimacy, as well as the process of legitimation.

Sources of Legitimacy

A central theme about the concept of legitimacy is to identify where the legitimacy of an organization comes from. Suchman (1995) considers that the possible sources of legitimacy are not restricted to a group of people. The answer depends on the focus of the research.

For some researchers the main source of legitimacy has been society in general (Hannan & Carroll, 1995). Others have considered the media, used data from them to measure legitimacy in organizations (Abrahamson & Fairchild, 1999; Bansal & Clelland, 2004; Deephouse, 1996; Lamertz & Baum, 2009; Pollock & Rindova, 2003).

Perhaps they are one of the most complete approaches to distinguishing the sources of legitimacy of an organization: "The legitimacy of an organization will be determined by those who observe it and evaluate its conformity with respect to some Standards or specific models."

Fig. 12.1 Legitimation process

The Process of Legitimation and Its Impact on Organizations

Legitimation is the process by which the legitimacy of an object changes over time (Ashforth & Gibbs, 1990). Zimmerman and Zeitz (2002) point out that the process of legitimacy can be defined as the set of actions whose development allows for the attainment and maintenance of legitimacy (Fig. 12.1). This process would favor the access to strategic resources, indispensable for the organizations, allowing their growth and survival.

Some authors consider legitimacy as a key success factor for organizational survival (Meyer & Rowan, 1977; Zimmerman & Zeitz, 2002; Zucker, 1987). Brown (1998: 35) suggests that having legitimacy is "the status of legitimacy is a sine qua non for easy access to resources, restricted markets and long-term survival." There are several researches that support this relationship (Hannan & Carroll, 1992; Singh, Tucker, & House, 1986).

In addition, legitimacy may affect other measures of performance, such as the value of Public Offerings of Securities (Cohen & Dean, 2005; Deeds et al., 2004; Higgins & Gulati, 2006; Pollock & Rindova, 2003), stock prices (Zuckerman, 2000), stock market risk (Bansal & Clelland, 2004), or stakeholder support (Choi & Shepherd, 2005). Table 12.1 summarizes the results analyzed by researchers in recent decades on the effect of legitimacy on business results.

The lack or insufficiency of legitimacy means that one does not act according to social norms and values, which can lead to organizational failure. In this way, a key point to be considered by organizations, especially SMEs, is to demonstrate consistency with the social system where they operate. Organizations cannot be consistent with all the social systems they face, so they must be clear about the social factors relevant to their survival (Zimmerman & Zeitz, 2002). Adjusting to social expectations is becoming increasingly important for organizations to gain and maintain their legitimacy in the eyes of the public (Brønn & Vidaver-Cohen, 2008). When the objectives pursued by organizations are congruent with the values of society, they are legitimizing themselves to access scarce resources. The organizations that survive the longest are those that best fit the pressures of the environment acting according to socially established norms and values. Organizations that do not fit the environment do not survive (Zaheer, 1995).

H1: Business legitimacy is positively related to business results.

Table 12.1 The effect of legitimacy on business results

Author	Effects of legitimacy
Singh et al. (1986)	Survival non-governmental organizations
Hannan and Carroll (1992)	Survival companies
Deephouse (1996)	On the ROA of the banks from the perspective of the regulative legitimacy
Zuckerman (1999, 2000)	It reduces the probability of suffering the "discount of illegitimacy" in the stock price
Ahlstrom and Bruton (2001)	Improves success in demanding environments
Pollock and Rindova (2003)	Attraction resources for initial public offering (IPO)
Higgins and Gulati (2003, 2006)	
Deeds et al. (2004)	
Shepherd and Zacharakis (2003)	Influences consumer choice of purchase
Bansal and Clelland (2004)	Reduces a company's specific risk
Cohen and Dean (2005)	
Choi and Shepherd (2005)	Increases stakeholder support
Deephouse and Carter (2005)	Improves ROA of the company
Barreto and Baden-Fuller (2006)	If legitimacy is based on imitation, it can reduce the profits of the company
Alcantara, Mitsuhashi, and Hoshino (2006)	Facilitates the penetration of foreign companies into new local markets
Chen et al. (2006)	Affects the strategy of entering a new market
Bianchi and Ostale (2006)	Improves the internationalization of retail companies
Halgin (2006)	Improves the likelihood of career advancement
Tornikoski and Newbert (2007)	Promotes the survival of emerging companies
	Promotes to obtain the first sale
	Promotes employee recruitment
	Promotes the obtaining of external financial resources
	Promotes the perception of an operating business
Lin, Lin, and Lin (2010)	Helps overcoming the initial obstacles faced by new organizations
Pollack, Rutherford, and Nagy (2012)	Increases the possibilities of financing for new venture

12.3 Corporate Social Responsibility and Business Results

In today's competitive environment, corporate social responsibility (CSR) has become a strategic issue for many companies. In fact, most Fortune 500 companies develop CSR activities. Thus, some researchers have observed that companies consider CSR as a business strategy because it contributes to financial results (Barnett, 2007; Orlitzky, Schmidt, & Rynes, 2003) or to market value (Mackey, Mackey, & Barney, 2007). Thus, if it is incorporated into the company's decision-making process, it can become a competitive advantage (Escamilla, Plaza, & Flores, 2016; Maxfield, 2008).

The study of CSR can be divided into two main points of view: stakeholder orientation and economic orientation (Driver, 2006; Godfrey & Hatch, 2007). The first of these orientations is manifested in Freeman's stakeholder theory (Freeman, 1984), which suggests that interest groups are allies of the firm (Godfrey & Hatch, 2007; Kleinrichert, 2008). Under this approach, CSR would represent an act of reciprocity, between business and stakeholders, based on going beyond what is legally required (Kleinrichert, 2008). That is, CSR actions would be a response of the company to the demands of stakeholders. Without such actions, these groups could withdraw support from the company (Freeman, 1984; Mcwilliams, Siegel, & Wright, 2006).

Economic orientation considers the relationship between CSR and business performance. In this sense, the literature has developed different models to measure the relationship between CSR and economic performance (Godfrey, 2005; McWilliams & Siegel, 2001).

It has also been observed that CSR helps to differentiate the products and services of a company, creating a positive brand image, safeguarding its reputation (Fombrun, 2005). Brickley, Smithjr, and Zimmerman (2002) and Lai, Chiu, Yang, and Pai (2010) demonstrated the existence of a relationship between CSR activities, the company's reputation, and even the value of the brand. Barnett (2007) demonstrated that CSR was related to improving stakeholder relationships. Mackey et al. (2007) developed a mathematical model demonstrating how CSR can improve the market value of a company. It has also been demonstrated that CSR helps customer adaptation to negative information (Bhattacharya & Sen, 2004) and risk management (Husted, 2005).

H2: CSR is positively related to business results.

12.4 Legal Relationship and Corporate Social Responsibility

Although legitimacy is not a good that can be bought, it is possible to manage it. Hence his interest in the field of strategic management. Studies such as Alcantara et al. (2006) and Tornikoski and Newbert (2007) demonstrated the existence of a positive relationship between strategic actions aimed at gaining legitimacy and organizational success. From these studies it is clear that organizations with greater legitimacy are more likely to succeed. Thus, the first to study institutional theory suggested that organizations achieved legitimacy by complying with norms, beliefs, and general rules (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995).

However, a new approach to legitimacy suggests that organizations can develop strategies to modify the type and amount of legitimacy they possess (Scott, 1995; Suchman, 1995). There are several authors who have identified strategic actions that improve the legitimacy of organizations (Beelitz & Merkl-Davies, 2011; Deephouse, 1996; Díez-Martín, Prado-Román, & Blanco-González, 2013; Lamberti & Lettieri, 2011; Suchman, 1995; Zimmerman & Zeitz, 2002). Those strategies were grouped by Suchman (1995) in three lines of action: (a) strategies to gain legitimacy, (b) strategies to maintain legitimacy, and (c) strategies to recover lost legitimacy. From this perspective, we assume that organizations can take proactive steps to acquire, preserve, or even repair their legitimacy, for example, by modifying the business model according to new social beliefs, by using advertising to pressure and change regulations, or by monitoring and assimilating changes in the environment.

CSR can play a key role in business legitimacy. Johnson and Smith (1999) believe that companies must develop CSR activities to earn the right to exist. In fact, interest groups grant legitimacy to firms when they believe that they will maintain certain standards of behavior (Kostova & Zaheer, 1999). For this reason, Lamberti and Lettieri (2011) recommend to the executives the development of plans that mix activities of legitimacy, CSR, and corporate strategy.

H3: CSR is positively related to business legitimacy.

12.5 Methodology

To analyze the relations proposed, we use an inductive methodology (Yin, 2009). Like Lamberti and Lettieri (2011), who analyze strategies of legitimacy in convergent industries, our study also adopts an explanatory approach. So we will carry out a multiple case analysis.

Sample

It was decided to analyze the relationship between legitimacy and CSR among companies included in the Fortune World's Most Admired Companies list. Due to the global relevance of the companies included in this ranking, as well as the better access to the secondary information that they offer. Among them, the research did not consider a single sector of activity, but those Spanish and Mexican companies that were part of this list for the period 2011–2012, making sure that the organizations under study were legitimate organizations. The Fortune World's Most Admired Companies list includes three Mexican companies and five Spanish companies, during the years under study, belonging to different sectors of activity. The study focused on these eight companies, due to several reasons: (a) to use an index, to measure corporate social responsibility, homogeneous, reliable, and accessible for Spanish companies, and (b) to collect business models and strategies developed in different sectors. The selected companies were, by Mexico, América Móvil, Pemex, and Femsa and, by Spain, Telefónica, Ferrovial, Gas Natural Fenosa, Fomento de Construcciones (FCC), and Mapfre.

Data Collection and Measurement of Variables

Legitimacy

To evaluate legitimacy, we use news from the press. Dowling and Pfeffer (1975) mention that the media reports on the comments and attacks received by illegitimate organizations, reflecting the values of society. This way of assessing legitimacy has been used previously (Bansal & Clelland, 2004; Deephouse, 1996).

As a source of information, we use for Mexico the newspaper El Economista and for Spain the newspaper Expansión. A single source is used to avoid duplication of news. They are economic newspapers covering large companies. The choice of Expansión for Spain was because it is the newspaper with greatest diffusion according the Office of Justification of the Diffusion (OJD). The election of the newspaper El Economista for Mexico was because it is the business newspaper with the largest number of readers (SCT) for Mexico City D.F.

The analysis of the articles was done through the database, facilitated in the web expansion.com, through its search engine that offers all the historical news of the newspaper. The search terms were the name of each company, filtered by degree of relevance (80%), section "companies," and the sector of activity of each company. For Mexican companies the search for news has been made through Google search using the following search: economista.com.mx (company name).

We found 1495 news items with more than 80% relevance, during the years 2011 and 2012. After the application of the filters "companies" and "activity sector," 592 news items were finally analyzed for the five companies. Of the 592 news items, 74 were discarded. Some consisted of duplicate news (six news), and others were news unrelated to the companies in our sample (68 news). The high number of news from other companies is explained because the company Gas Natural has the same name as an industrial product, so, when this company is analyzed, we find many news about the product but not about the company. The final number of news items analyzed was 518 (Table 12.2). This number seemed enough because it represented a ratio of 64:75 news per company, over that used by previous authors (e.g.. 14:14 in Deephouse, 1996; 10:49 in Bansal & Clelland, 2004) (Table 12.3).

Each new item was coded according to the methodology used by Bansal and Clelland (2004). That is, the coding was performed according to its impact on the legitimacy of the company (0 = neutral, 1 = negative, and 2 = positive). In addition,

Table 12.2 Research on CSR – results

Author	Result
Porter and Kramer (2006)	+
Bhattacharya and Sen (2004)	+
Margolis and Walsh (2003)	No relation
Orlitzky et al. (2003)	+
McWilliams and Siegel (2001)	Neutral
Varadarajan and Menon (1988)	+

Table 12.3 Sample of news analyzed

	Type of new						Sample
	Year	Neutral	Negative	Positive	Duplicate	Other company	N
Telefónica	2012	7	28	42	1	8	77
	2011	1	15	29	2	5	45
Ferrovial	2012	0	10	22	1	1	32
	2011	2	7	29	0	2	38
Gas Natural	2012	3	12	22	1	25	37
	2011	4	20	22	0	23	46
FCC	2012	5	12	31	1	1	48
	2011	3	7	31	0	0	41
Mapfre	2012	1	5	9	0	1	15
	2011	4	3	9	0	2	16
América Móvil	2012	0	3	13	0	0	16
	2011	0	4	14	0	0	18
Pemex	2012	3	3	9	0	0	15
	2011	6	7	17	0	0	30
Femsa	2012	0	4	24	0	0	28
	2011	0	1	15	0	0	16
Total		39	141	338	6	68	518

a check was carried out by three external investigators on the coding of a random selection of 60 news items. The three coders agreed on 56 of the 60 cases analyzed (93.33%), suggesting a high degree of reliability (Weber, 1990).

Like Deephouse (1996), we calculate legitimacy by means of the Janis–Fadner coefficient.

$$\text{Janis}-\text{Fadner coefficient} = \begin{cases} \left(e^2 - \text{ec}\right)/t^2, & \text{if } e > c \\ \left(\text{ec} - c^2\right)/t^2, & \text{if } c > e \\ 0, & \text{if } e = c \end{cases}$$

Where e is the annual number of favorable legitimacy news, c is the annual number of unfavorable legitimacy news, and t is e + c.

Corporate Social Responsibility

One way to measure a company's CSR is to analyze CSR investments announced in the company's annual report. However, there are several doubts about the reliability of ads for this type of investments. For example, the lack of consensus on what should be included or excluded as an investment in CSR (Margolis & Walsh, 2003; Orlitzky et al., 2003). Thus, some companies may exaggerate their investments in CSR, while others may stop announcing some investments considered as such initiatives.

One of the most internationally recognized and trusted CSR rankings is Fortune America's Most Admired Corporations (FAMAC), which surveys more than 10,000 Wall Street analysts, senior executives, and investors. FAMAC uses ten indicators, one of which is the CSR of companies. Like Luo and Bhattacharya (2006), CSR information was obtained from the FAMAC database. We analyze the years 2011 and 2012. The scale used is from 1 to 20 points. Each point represents 1 of the 20 companies of the sector that appear in the list of Fortune America's Most Admired Corporations. So, the 20 means the company in the sector with the worst CSR index and the 1 best.

Business Result

One of the indicators historically used to measure business performance has been the return on investment (Staw & Epstein, 2000). However, this is a retrospective measure. That is, it analyzes the historical results of a company (Kaplan & Norton, 1996). On the contrary, "the market value of a company depends on the expectations of growth and sustainability of the profits, or the expected future results" (Rust, Lemon, & Zeithaml, 2004: 79). Therefore, in this article the business result is analyzed by market value (Fornell, Mithas, Morgeson, & Krishnan, 2006; Ngobo, Casta, & Ramond, 2011). The market value was obtained by calculating the variation of the share price between 2011 and 2012 through the quotes published in Bolsas y Mercados Españoles and the Mexico IPC Index, published on the Mexican Stock Exchange.

12.6 Results

Table 12.4 shows the results of CSR, legitimacy, and market value of the five companies under study during the years 2011 and 2012. In addition, it shows the variation (var) obtained by each company in each indicator analyzed between these companies' years. This last indicator is the one used to develop a comparative analysis between companies. It is an indicator that allows to homogenize the results of disparate companies in resources.

Legitimacy, CSR, and Business Outcome

Hypotheses 1 and 2 relate legitimacy and CSR to business results. The results show that the change in market value during 2011–2012 was positive for Ferrovial, Gas Natural, and Femsa. The other companies in the study experienced negative variations during this period (except Pemex, which is not listed in any market).

Table 12.4 CSR results, legitimacy, and market value

	CSR			Legitimacy				Market value			
	2012	2011	var	2012	2011	var	var%	2012	2011	var	var %
Telefónica	5	1	−4	0.120	0.210	−0.090	−43%	10.190	13.385	−3195	−24%
Ferrovial	6	1	−5	0.258	0.492	−0.234	−48%	11.200	9325	1875	20%
Gas Natural	8	13	5	0.190	0.025	0.165	663%	13.580	13.265	0.315	2%
FCC	10	6	−4	0.319	0.515	−0.197	−38%	9370	20.040	−10.670	−53%
Mapfre	14	13	−1	0.184	0.375	−0.191	−51%	2315	2455	−0.140	−6%
América Móvil	16	10	−6	0.508	0.432	0.076	18%	15.000	16.000	−1000	−6%
Pemex		12		0.375	0.295	0.080	27%			0.000	
Femsa	5			0.612	0.820	−0.208	−25%	129.310	98.000	31.310	32%
Media	9143	8000	−2500	0.321	0.396	−0.075	0.628	27.281	24.639	2642	21.996
s.d	4413	5354	4037	0.170	0.235	0.159	2443	45.172	32.813	12.359	20.454

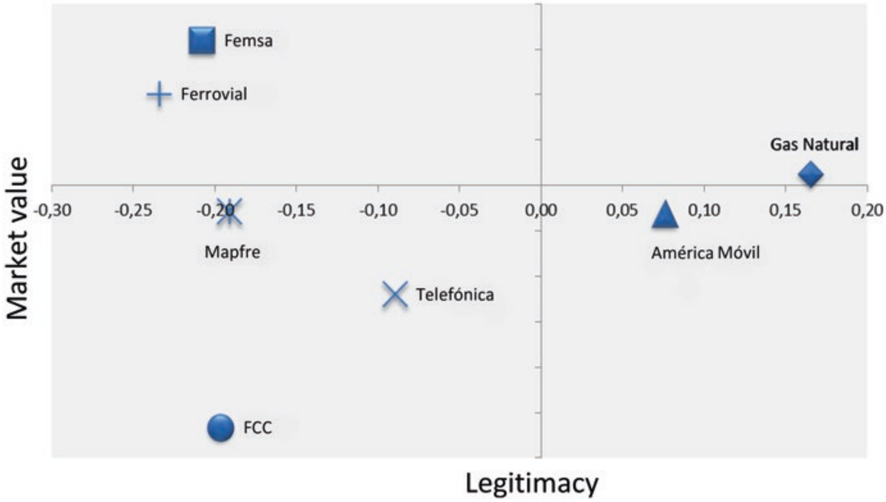

Fig. 12.2 Relation between legitimacy and market value

Figures 12.2 and 12.3 show the relationship between legitimacy, CSR, and market value, observing that in five of the seven companies analyzed, the hypothesis 1 is fulfilled. With the exception of Ferrovial and Femsa, a positive relationship exists in the other companies between the variation of legitimacy experienced during 2011–2012 and the change in the market value of the company. Thus, Gas Natural experienced positive changes, while Telefónica, Mapfre, and FCC experienced negative variations, both in terms of legitimacy and market value. In the case of América Móvil, the variation is negative for legitimacy and positive in the case of its market malora. These results confirm the hypothesis 1.

At the same time, it can also be observed that in five of the six companies, the hypothesis 2 is fulfilled. Likewise, except for Ferrovial in the other companies analyzed, a positive relationship exists between the variation of CSR experienced during 2011–2012 and the change in the market value of the company. Thus, Gas Natural experienced positive changes, while América Móvil, Telefónica, Mapfre and FCC experienced negative variations in both CSR and market value. These results confirm the hypothesis 2.

The case of the positive changes in the market value of Ferrovial could be explained by the fact that at the end of 2012, the shareholder remuneration was increased due to the capital gains from the sale of part of its stake in British Airports (BAA). So, the dividend, because of the results of 2012 in relation to the distribution last year, almost triples. This fact would explain the lack of relationship between market value and CSR or legitimacy. Although they have had extraordinary benefits, this has not affected the way this company acts about the legitimacy of its actions or CSR.

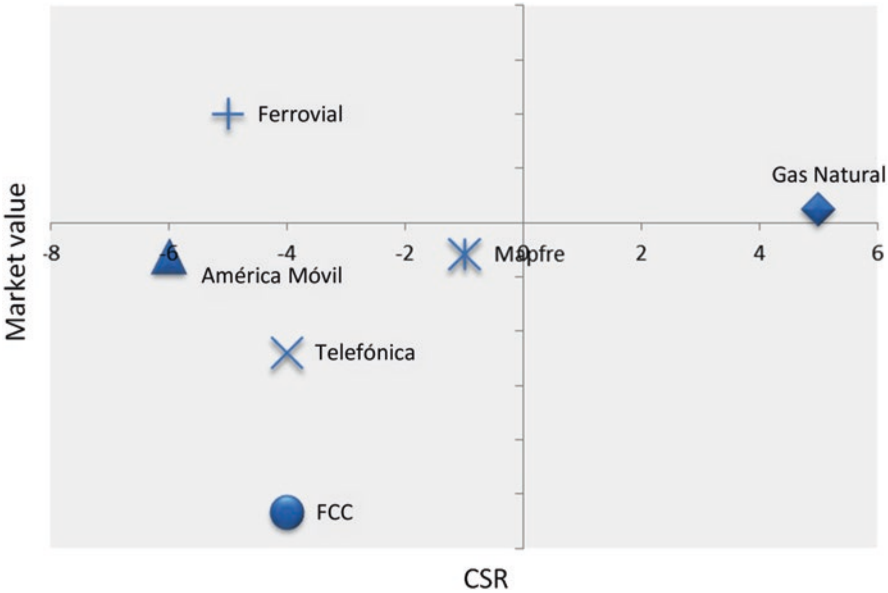

Fig. 12.3 Relation between CSR and market value

CSR and Legitimacy

The data obtained indicate that Gas Natural is the company with the most positive variation in CSR, between 2011 and 2012. This company has managed to move from the 13th position (2011), to become the company number 8 (2012) with the best CSR in its sector, obtaining a positive variation of five positions compared to the previous year. On the opposite, the variation obtained by the other companies analyzed was negative. None of them has improved their RS rating compared to 2011. In these cases, except for Mapfre, which only lost one position, the other companies have seen their position deteriorate from four to six places. This large loss of CSR in Telefónica and Ferrovial, which were in position number 1 (2011), is noteworthy.

Regarding the results obtained in legitimacy, Gas Natural and América Móvil have been the companies that have obtained a positive variation between 2011 and 2012. The rest of companies have seen their degree of legitimacy worsen during this period. The reduction of legitimacy of Ferrovial was linked to the problems in its investments in England, where they suffered several clashes with the justice, in relation to the antitrust laws that were applied on the control of BAA and its subsequent consequences. Perhaps its loss of legitimacy is more grounded in the loss of cognitive legitimacy, by demonstrating that the way of doing things, by this company, was not correct. As for FCC, its legitimacy was impaired, as it suffered significant reductions in profit, due to the fall in activity, and faced severe divestments.

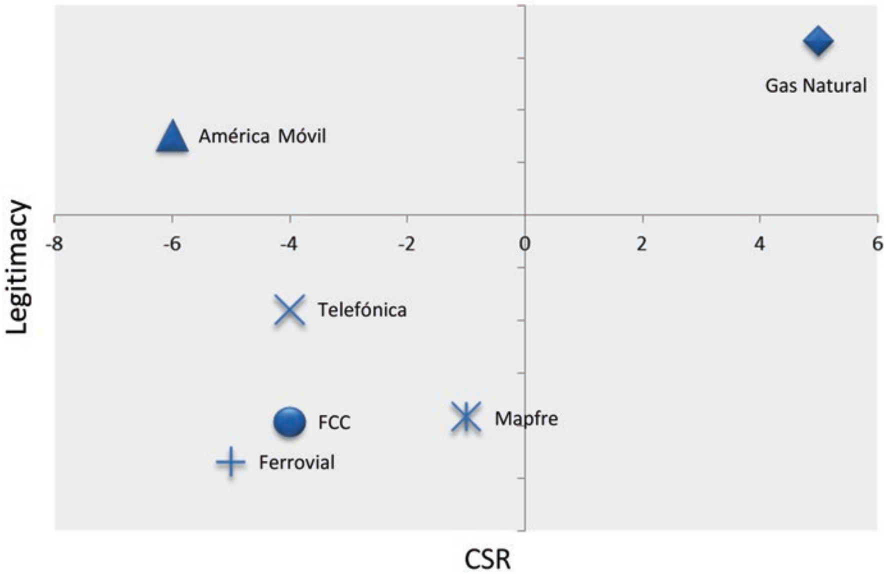

Fig. 12.4 Relation between legitimacy and CSR

A similar situation suffered Mapfre, who came to undergo a significant reduction in the rating of its debt. These companies faced fundamentally a loss of pragmatic legitimacy (Díez-Martín, Blanco-González, & Prado-Román, 2010, Suchman, 1995, for a better clarification on the types of legitimacy).

Figure 12.4 shows the relationship between legitimacy and CSR, observing a positive relationship between both variables of the companies analyzed. The companies that have suffered negative variations, regarding their legitimacy between 2011 and 2012, have also suffered negative variations in their CSR, for the same period. In contrast, the company Gas Natural has experienced positive variations with respect to legitimacy and in relation to CSR. América Móvil experienced positive variations regarding legitimacy and negatives in relation to CSR. These results confirm the hypothesis 3.

12.7 Implications, Limitations, and Future Research

The purpose of this study has been to contribute to the literature on the relationship between CSR and social legitimacy. At the same time, the impact of both variables on business performance has also been studied. For this, the five Spanish companies included in the FAMAC ranking were analyzed during 2012.

The results have confirmed hypotheses 1 and 2, which suggest the existence of a positive relationship between social legitimacy and CSR with business results.

The results obtained are like those achieved by previous research in the field of legitimacy (Cohen & Dean, 2005; Luo & Bhattacharya, 2006; Zuckerman, 2000) as well as in the CSR field (Luo & Bhattacharya, 2006; Mackey et al., 2007; Orlitzky et al., 2003). However, few studies have been able to demonstrate these hypotheses about Spanish companies. Most studies in this area have been conducted on US companies. In this research, we have verified that Spanish companies also support these relationships. Thus, it seems that both social legitimacy and CSR contribute value to companies that makes them improve their results, possibly because that added value is perceived by their users, allowing them to enjoy a competitive advantage (Woodruff, 1997). At the same time, the results have shown a positive relationship between CSR and social legitimacy. Those organizations that obtain positive variations of CSR also manage to improve their legitimacy. That is, organizations can develop strategies to alter the type and amount of legitimacy they possess (Deeds et al., 2004; Scott, 1995; Suchman, 1995). One strategy that positively influences legitimacy is CSR. This result is an advance in the field of legitimacy management, since it has been directly related to a type of action that can represent a key element of competitive advantage (Porter & Kramer, 2006; Smith, 2003). In this way, the existing gap in the legitimization process, between initiatives of legitimacy and business results, is beginning to be filled. In addition, this study also confirms previous studies such as Oliver (1991), Alcantara et al. (2006), Díez-Martín et al. (2013), Elsbach & Sutton (1992), and Tornikoski and Newbert (2007) who assert that organizations are not simply passive elements in the process of legitimation but can actively work to influence and manipulate the perceptions of their environment.

There are several managerial implications that emerge from this research. Considering the results and implications described above, managers need to realize that failure to manage legitimacy could lead to the loss of legitimacy. It is no coincidence that the companies with the greatest declines in legitimacy are those with more internal and external problems. Legitimacy represents a resource that must be managed in order not to lose it. From a strategic point of view, managers could consider legitimacy within their strategic objectives. The management of legitimacy could be developed considering the proposals of Suchman (1995), who establishes a set of strategies to win, maintain, and recover legitimacy lost. The benefits of these strategies have been proven in the Italian market for probiotic foods (Lamberti & Lettieri, 2011) and among newly created companies (Tornikoski & Newbert, 2007). They could also use CSR as an indicator to guide legitimacy. Niven (2005, p. 105) suggests that a proper organizational management should contain a mix of outcome and guidance indicators.

Future research could begin by expanding the sample to a greater number of national and international companies. In this way, the data could be analyzed using quantitative research techniques such as regression analysis. At the same time, measuring legitimacy could be improved by expanding the data obtained from the media with those of other sources of information, internal and external: the company's staff and consumers, among others (Díez-Martín et al., 2010). In this sense, the analysis of legitimacy could be completed considering the different dimensions that make up legitimacy (Deephouse & Suchman, 2008). Thus one could examine what dimension of legitimacy has a greater effect on business outcomes or on what dimension of legitimacy CSR policies have a greater effect. At this point, as well as reputation rankings, a ranking of legitimacy by sector could also be created. Something similar was proposed by Suchman (1995).

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Chapter 13
Corporate Image as an Element of Legitimacy of Chinese Steel Companies

Duojiezhaxi, Arta Antonovica, and Javier de Esteban Curiel

Abstract The main objective of this article is to make a diagnosis about the connection between relationship marketing and corporate image through the Chinese steel companies. Corporate image has a strong effect on relationship marketing, because a good corporate image eases the achievement of confidence, influences the purchasing decision and is an essential factor in the virtual transactions when the companies catch customer's interest. Relationship marketing is also linked with corporate image because it is a good tool to create and improve corporate image. By this way, an online survey technique has been applied to 302 units: the steel sellers/dealers from different Chinese iron and steel companies. The main findings of this research paper are based on statistical analysis (univariate, bivariate and multivariate techniques). Hence, this research paper achieves understanding about corporate image and relationship marketing from the perspective that they complement each other and can make a mutual support. Therefore, by taking into account the obtained survey results, it can be provided some practical suggestions not only for the quality, performance and attraction, as a part of myriad of the concept of corporate image, but also for some important parts of the relationship marketing, like satisfaction, trust, loyalty and social networks.

13.1 Introduction

Corporate image can be identified by the quality, the performance, the responsibility and the attraction and, mainly, by the good use of online trade techniques and the good use of the relationship marketing by the supplier that can influence the quality of the corporate image. This is due to the fact that the relationship marketing includes more than two objects and easy strategies. It is understood mainly as an opportunity for companies. Our research suggests that the fact of using well the relationship marketing can help clients to remember their corporate image; by this

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way, they can reduce the hazards and improve the opportunities with current and future clients, while they compete with other companies of the field.

It is essential for companies to have a positive corporate image, especially under the economic crisis. The pressure and the products devaluation have encouraged the iron and steel Chinese companies to make decisions and to use intelligent and urgent strategies with regard to virtual trade, and the steel industry is not an exception. However, there are iron and steel Chinese companies which are not conscious that different uses of the relationship marketing have a connection with corporate image. We propose practical ways to look after corporate image and use better the relationship marketing in order to have a relationship with the consumers. This is related to the client's attraction and the maintenance because we are in a society that is very developed in many aspects and mainly on virtual ones.

As the steel is very used and has a lot of competence in the market, the challenge means that the relationship marketing in that industry helps to improve and develop corporate image. We would like to say that the good use of the combination of a good corporate image and relationship marketing allows that many companies negotiate if they wish. The main objective of that article is to make a diagnosis of the connection between relationship marketing and the corporate image through iron and steel Chinese companies.

In the research, we try to answer the following questions: How does the corporate image influence the relationship marketing in the case of the iron and steel Chinese industry? Have the iron and steel companies in their management the prominence of trade techniques of relationship marketing as a support to improve the corporate image? By this way, it is foreseen to do a survey to 302 steel sellers of different iron and steel Chinese companies in the context of the online sale of steel, for the purpose of achieving the desired aim and obtaining conclusions based on the analysed topic.

The reason of this study is based on the exploitation of a good use of the relationship marketing. It is important to have a positive corporate long-term image: the clients prefer to purchase to suppliers who have a good corporate image because it gives security and trust. For this reason, the scope of our research ends with the following picture (Fig. 13.1).

After having seen the mentioned considerations, it is possible to formulate the hypothesis in order to be verified (please see Table 13.1).

Academic Reasons

In the business field, there are many researches undertaken that pretend to explain the trade techniques of relationship marketing and corporate image separately and individually. However, few authors have dealt with the importance of the combination of corporate image and its connection with the relationship marketing of the steel industry of China and give a new fresh air for communication and marketing professionals.

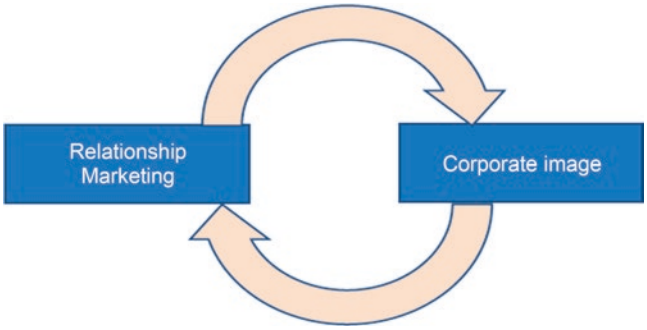


Fig. 13.1 Scope of this research. (Source: Own elaboration (2016))

Table 13.1 Hypothesis

H1	The corporate image influences the relationship marketing
H2	The relationship marketing has influence on the corporate image

Source: Own elaboration (2016)

13.2 Conceptual Framework

Corporate Image

Our professional experience has taught us that an important number of service companies based on the trust and security (finances, insurances, medicine, health services, etc.) are very motivated to attract new clients and their loyalty. It is their corporate image.

There are some short-term strategies that require their communicative tactics according to their own aims. In addition, there are also global and long-term objectives. If the first ones come from the department management, the second arises from an institutional view. Moreover, the new and important thing in this globalised era is that we understand the existence of this "complementary difference", this "ambivalent synergy", where the individual, punctual and short-term and middle-term objectives come from a company department structure, it will join in a more coherent, synergic actions, both oriented to middle and long terms and that they arise from the highest integrated by the image vector, support both objectives and at the same time, they generate positive synergies that are beyond of achieving such objectives (Costa, 2001:68).

The corporate image is very important to achieve a most permanent place in the consumers' mind and to create most permanent relationships, and it is made up of certain tangible elements and other intangible ones (Carballo, 2001). The corporate image is made up of daily life company processes. For this reason, it is essential that each action is taken and should be assessed because it is related to the corporate image (Villafañe, 1999: 31).

The Relationship Marketing

The relationship marketing is usually defined by Alet when he states that "it is the social and managerial process for establishing and cultivating relationship with the clients, where benefits for each party are created, such as, the sellers, product advisors, suppliers and each of the main interlocutors in charge of maintaining and taking advantage of the relationship" (Mentioned in De Salas, 2002:80). The relationship marketing decreases the costs and the time of the transactions, and in some cases, it allows to change the negotiated transaction to the simple routine (Kotler et al., 2000). The relationship marketing is a combination between direct marketing and the important relationships between the client and the management through the network (Guzmán, 2013). The relationship marketing is near to the scope of the markets through the networks; it is generic, and it becomes in a network (Mentioned in Guzmán, 2013:55).

The user's trust grows when the system is useful for the user, and there is no important increase in the loyalty of the website. As they state, the consumers' security when they buy online is one of the most important obstacles for developing the transactions in the Internet. In that aspect, the clients' positive experience in the network strengthens the relationships. Trust is an essential element for managing the transactions with the clients of Internet (Guzmán, 2013). In the electronic trade, the security and the reliability refer to the positive trust of the consistence and the guarantee of the trade partner's word and his/her behaviours (Mentioned in Guzmán, 2013:66).

The Relationship Between the Corporate Image and Relationship Marketing

The image has exceptional conditions that cross all the company's long-term dynamics because the corporate image is the only one that provides a true value to all the activities that the company does, executes and communicates. In addition, it is the only one that differentiates a company globally from the others (not only in the services but also in the products). The people do not buy for themselves, or for the trademark, but they buy for the image. This image provides a meaning and values (Costa, 2001:66).

Our professional experience has taught us that an important number of service companies based on the trust and security (finances, insurances, medicines, health services, etc.) have a powerful motivation for acquiring new clients and the loyalty. It is the corporate image (Costa, 2001: 68–77). The consumers' trust allows the online supplier who uses the virtual image to reduce the purchase risk threshold. Moreover, there are more interactions and transactions to generate and maintain relationships (Mentioned in Guzmán, 2013:66).

The marketing objective is to explore the construction of links with the main interested parties of the quality of the relationship: agreement, satisfaction and trust (Mentioned in Guzmán, 2013:55). The opportunities of new transactions depend mainly on the quality of the relationship, both the trust and the satisfaction (Guzmán, 2013).

With regard to the considerations, it seems to deduce that the relationship marketing determines the quality of the corporate image and the corporate image has influenced on the client's trust towards the transaction. For this reason, the corporate image and the relationship are influenced between themselves.

13.3 Sample and Methodology

Techniques used for this research is the "online" survey. For our research work, we use the online survey with sale assistants of iron and steel Chinese companies because the way of the surveys has changed forever due to the Internet (McDaniel & Gates Reoger, 2005:162). The main sales belong to online surveys against other techniques, and these are the following (McDaniel & Gates, 2005:162):

- Quick deployment, report in real time
- Very reduced costs
- Easy personification
- High indexes of answers
- Ability to be in contract with people who have difficulties to communicate
- Simplified and improved management of the panel
- Attractive performance for research companies

Particularly, it is used a survey for this research process, and it is carried out with 302 steel sellers of different steel and iron Chinese companies in the trade context of online steel sale, for the purpose of achieving the mentioned aim and obtaining conclusions related to the analysed topic. The questionnaire used for this survey was filtered by a pilot test. The questionnaire is a combination of questions (please see Table 13.2) to obtain information about the survey respondents, and the main objective is to translate researchers' information needs in a combination of specific questions that the survey respondents want and are capable to answer.

For carrying out the research questionnaire, several pilot tests were carried out previously. Now, we will show the results of trust of the pilot test (please see Tables 13.3 and 13.4).

Table 13.2 Questionnaire design used for this research

Block 1	Sociodemographic profile of the survey respondents
Block 2	The corporate image
Block 3	The relationship marketing
Block 4	The relationship between the corporate image and the relationship marketing

Source: Own elaboration (2016)

Table 13.3 Summary of the pilot test processing

	N	%
Valid cases	12	80.0
[a]Excluded cases	3	20.0
Total	15	100.0

Source: Own elaboration
[a]Elimination by a list based on all the variables of the procedure

Table 13.4 Reliability of the pilot test statistics

Cronbach's alpha	Number of elements
0.851	57

Source: Own elaboration

With the results of the pilot test with Cronbach's alpha of 0.851 (the reliability of the questionnaire is very appropriate), they verify that the codes for recording the information are correct, and we modify some words of the questions in easy words for removing ambiguities. Moreover, we reduced the repeated and unnecessary questions. Our questionnaire is made up of structured dichotomous and scale questions. Most of the structured questions that we have chosen for our research are similar to those of the Likert's scale.

Technical Datasheet

After that, all the measures taken related to the methodology for this research will be summarised in the following table (please see Table 13.5):

13.4 Results

In the following lines, we cover the main results of the research related to univariate, bivariate and multivariate analysis.

Table 13.5 Technical datasheet of online survey

Population	According to the census of Chinese iron and steel companies from the biggest digital platform of reading "www.docin.com", which was published by the iron and steel Chinese association, there are 3582 iron and steel Chinese companies
Sample	302 iron and steel Chinese companies (for each company, we choose a sale assistant or a person linked to the marketing and communication department of these companies)
Unit of the sample	302 sale assistants or people linked to the communication of iron and steel Chinese companies
Dimensions	The steel industry in China; the corporate image and the relationship marketing
Technique for recording the information	Online survey
Sampling method	Probabilistic method: simple random sampling
Sampling error	5.4%
Level of reliability	95% p=q = 0.5
Average time to fulfil the questionnaire	9 minutes
Period of sample recording	15th November 2015–21st December 2015
Rate of no answers	0% (all the questions have to be answered to validate the online questionnaire)
Negativity rate	1.7% (62 companies)
Programme to analyse the computer information	IBM/ SPSS V.20

Source: Own elaboration

Univariate Analysis

As it is seen in Table 13.6, the valid surveys have been 302 of a total of 302. The average of this variable is 4.39, and this percentage indicates that most of the survey respondents "agree" or "strongly agree" and that a good corporate image gives security, significance and values to the client in the transactions. In this case, the variance has been 0.625 and it expresses the heterogeneity of the variable.

In Table 13.6, it is seen that the more important result is that the 55.3% (167 of 302 units) of the survey respondents state that they strongly agree, that is, that a good corporate image provides security, significance and values to the client in the transaction. The rest of the results of this variable are the following: 31.8% (96 of 302 units) of the survey respondents agree; 10.3% (31 of 302 units) of the survey respondents are undecided; 2.3% (7 of the 302 units) of the survey respondents disagree; and, lastly, 0.3% (1 of 302 units) of the survey respondents strongly disagree relatively.

As it is seen in Table 13.7, the valid surveys have been 302 of a total of 302. For this variable, the average is 4.32, and this percentage indicates that most of the survey respondents "agree" or "strongly agree". In addition, the communicative

Table 13.6 Does a good image give security, significance and values to the client in the transaction?

N	Valid	302			
	Lost	0			
Measure		4.39			
Variance		0.625			
		Frequency	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid	Strongly disagree	1	0.3	0.3	0.3
	Disagree	7	2.3	2.3	2.6
	Undecided	31	10.3	10.3	12.9
	Agree	96	31.8	31.8	44.7
	Strongly agree	167	55.3	55.3	100.0
	Total	302	100.0	100.0	

Source: Own elaboration

Table 13.7 The relationship marketing reduces the costs and the time of the transactions

N	Valid	302			
	Lost	0			
Average		3.95			
Variance		0.822			
		Frequency	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid	Strongly disagree	4	1.3	1.3	1.3
	Disagree	11	3.6	3.6	5.0
	Undecided	74	24.5	24.5	29.5
	Agree	119	39.4	39.4	68.9
	Strongly disagree	94	31.1	31.1	100.0
	Total	302	100.0	100.0	

Source: Own elaboration

actions of marketing influence the corporate image of the company. In this case, the variance has been 0.585 and it expresses the variable heterogeneity.

As it is seen in Table 13.7, the valid surveys have been 302 of a total of 302. The average of this variable is 3.95, and this percentage points out that most of the survey respondents are "undecided" or "agree". Moreover, the relationship marketing reduces the costs and the time of the transactions. In this case, the variance has been 0.822 and it expresses the variable heterogeneity.

In Table 13.7, it is seen the most meaningful results: 39.4% (119 of 302 units) of the survey respondents agree that the relationship marketing reduces the costs and the time of the transactions. The rest of the results of this variable are the following: 31.1% (94 of 302 units) of the survey respondents strongly agree; 24.5% (74 of the 302 units) of the survey respondents are undecided; 3.6% (11 of 302 units) of the survey respondents disagree; and, lastly, 1.3% (4 of 302 units) of the survey respondents strongly disagree.

Table 13.8 Summary of the analysis of the Pearson's correlation

		A good corporate image provides security, meaning and values to the client in the transaction	The communicative marketing actions influence on the corporate image of the company	The trust is an essential factor for virtual transactions	The corporate image influences on the client's purchasing decision
A good corporate image provides security, meaning and values to the clients in the transaction	Pearson's correlation	1	0.496[a]	0.463[a]	0.465[a]
	Sig. (bilateral)		0.000	0.000	0.000
	N	302	302	302	302
The communicative marketing actions influence on the corporate image of the company	Pearson's correlation	0.496[a]	1	0.516[a]	0.575[a]
	Sig. (bilateral)	0.000		0.000	0.000
	N	302	302	302	302
The trust is an essential factor for virtual transactions	Pearson's correlation	0.463[a]	0.516[a]	1	0.473[a]
	Sig. (bilateral)	0.000	0.000		0.000
	N	302	302	302	302
The corporate image influences on the client's purchasing decision	Pearson's correlation	0.465[a]	0.575[a]	0.473[a]	1
	Sig. (bilateral)	0.000	0.000	0.000	
	N	302	302	302	302

[a]The correlation is meaningful to a level 0.01 (bilateral). Source: Own elaboration

Bivariate Analysis

It can be proved (please see Table 13.8) that the variable "A good corporate image provides security, meaning and values for the clients in the transaction" has a positive correlation with the variable (1) "The communicative actions of the relationship marketing influences on the corporate image of the company", with a Pearson's coefficient of 0.496 (**), (2) "The trust is an essential factor in virtual transactions" that got a Pearson's coefficient of 0.463 (**) and (3) "The corporate image influences on the client's purchasing decision" that got a Pearson's coefficient of 0.465 (**). In Table 13.8, it is shown that the variable "The communicative actions of the relationship marketing influence on the corporate image of the company" has a positive correlation with the variable (1) "The trust is an essential value for virtual transactions" where it got a Pearson's coefficient of 0.516 (**), and (2) "The corporate image influences on the client's purchasing decision" where it got a Pearson's coefficient of 0.575 (**).

As it can be seen in Table 13.8, the variable "The trust is an essential factor for virtual transactions" has a positive correlation with the variable (1) "A good corporate image provides security, meaning and values to the client in the transaction". It got a Pearson's coefficient of 0.463 (**). The variable (2) "The communicative marketing actions influence on the corporate image of the company" got a Pearson's coefficient of 0.516 (**). The variable (3) "The corporate image influences on the client's purchasing decision" got a Pearson's coefficient of 0.473 (**). In Table 13.8, it can also be observed that the variable "The corporate image influences on the client's purchasing decision" has a positive correlation with the variable (1) "A good corporate image provides security, meaning and values to the client in the transaction". It got a Pearson's coefficient of 0.465 (**). The variable (2) "The communicative actions of the relationship marketing influence on the corporate image of the company" got a Pearson's coefficient of 0.575 (**). The variable (3) "The trust is an essential factor for virtual transactions" got a Pearson's coefficient of 0.473 (**).

Multivariate Analysis

Based on Table 13.9, it is foreseen that the dependent variable "The corporate image influences on the client's trust" will be influenced by (1) The trust is an essential factor for virtual transactions; (2) A good corporate image gives security, meaning and values to the client in the transaction; (3) The corporate image influences on the client's purchasing decision (with a statistical meaning lower than 0. 05).

13.5 Discussion and Conclusion

The corporate image and the relationship marketing influence themselves because a corporate image provides security, meaning and values to the clients in virtual transaction. In addition, a good corporate image eases the trust achievement and it influences on the purchasing decision. Moreover, it is essential in the virtual transactions in order to catch the client's interest. The construction of satisfactory relationships is the aim of the relationship marketing, and all of these aspects can reduce the costs and the time of transactions.

The relationship marketing is linked with the corporate image. The communicative marketing actions influence on the corporate image, but the trust is an essential factor in virtual transactions. By this way, the basis for selling in online transaction is to keep clients satisfied and maintain durable relationships with them.

The main results of the research project show that using relationship marketing in a correct way can help diverse companies to create and improve corporate image before the clients' eyes. In this sense, the use of relational marketing can reduce

Table 13.9 The forecast of the dependent variable "The corporate image influences on the client's trust"

Summary of the model[a]

Model	R	Squared R	Corrected square R	Standard error of the estimation
1	.552[b]	0.305	0.298	0.682

[a]Dependent variable: The corporate image influences on the client's trust

[b]Predictor variable: (Constant), The trust is an essential factor in virtual transactions. A good image provides security, meaning and values to the client in the transaction. The corporate image influences on the client's purchasing decision

ANOVA[a]

Model		Sum of squares	Gl	Quadratic average	F	Sig.
1	Regression	60.794	3	20.265	43.534	.000[b]
	Residual	138.716	298	0.465		
	Total	199.510	301			

[a]Dependent variable: The corporate image influences on the client's trust

[b]Predictor variable (Constant): The trust is an important factor in virtual transactions. A good corporate image provides security, meaning and values to the clients in the transaction. The corporate image influences on the client's purchasing decision

Coefficient[a]

Model		Non standardised coefficient		Typified coefficient	t	Sig.
		B	Standard error	Beta		
1	(Constant)	1.287	0.267		4.817	0.000
	The corporate image influences on the client's purchasing decision	0.226	0.059	0.222	3.847	0.000
	A good corporate image provides security, meaning and values to the clients in the transaction	0.194	0.059	0.188	3.280	0.001
	The trust is an essential factor for virtual transactions	0.266	0.056	0.275	4.758	0.000

[a]Dependent variable: The corporate image influences on the client's trust

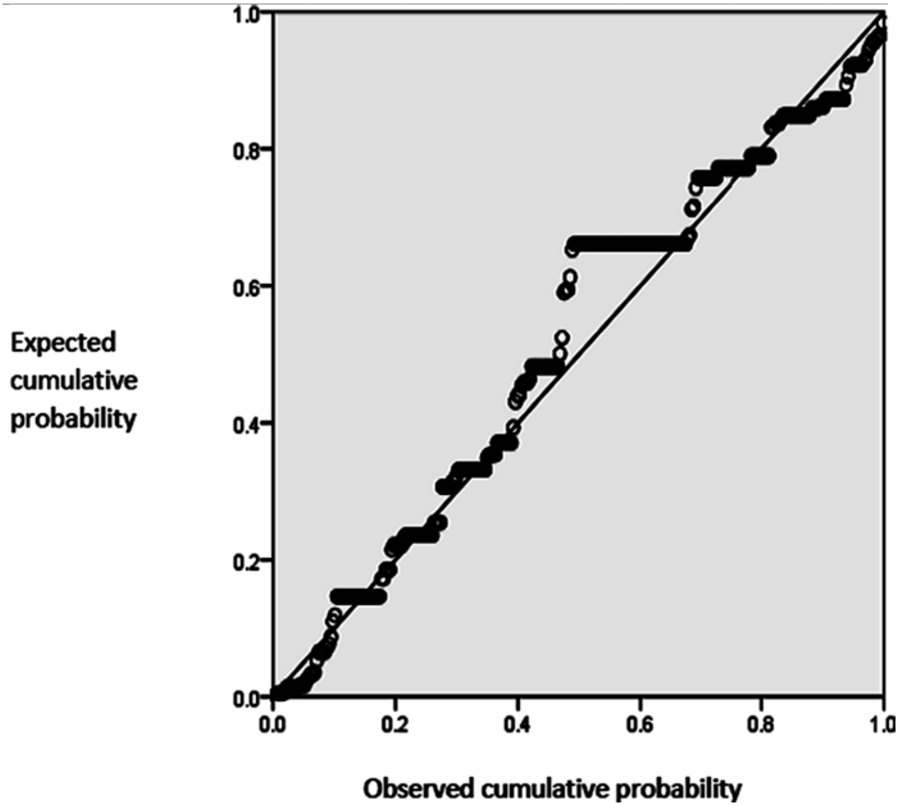
Statistics about the remainders[a]

	Minimum	Maximum	Average	Standard deviation	N
Predicted value	1.97	4.72	4.28	0.449	302
Residual	−2.071	1.461	0.000	0.679	302
Typified predicted value	−5.143	0.962	0.000	1.000	302
Typified remainder	−3.036	2.141	0.000	0.995	302

[a]Dependent variable: The corporate image influences on the client's trust

(continued)

Table 13.9 (continued)



Graphics P-P standard regression. Typified remainder
Dependent variable: The corporate image influences on the client's trust.
[On the left side: Expected cumulative probability]
Observed cumulative probability

Source: Own elaboration

potential threats and maximise opportunities with existing and future customers, while it is possible to compete with other companies in the industry. In addition, the corporate image can also be identified by quality, performance, responsibility and attraction and above all by the good use of relationship marketing by the supplier's side.

13.6 Hypothesis Acknowledgement

In the following table, the hypothesis validation from the analysis of three techniques in research samples is explained (Table 13.10).

Table 13.10 Acknowledgement of the hypothesis of this research

	Hypotheses	Contrasts (accepted or rejected)
H1	The corporate image influences the relationship marketing	It is detected that the relationship marketing is influenced by the corporate image. It is proved by the univariant analysis (please see Tables 13.6 and 13.7), bivariant analysis (please see Table 13.8) and the multivariant analysis (please see Table 13.9). For this reason, the proposed hypothesis is accepted
H2	The relationship marketing has influenced the corporate image	This hypothesis is agreed. Proofs of this hypothesis can be the following: the univariate analysis (please see Tables 13.6 and 13.7), bivariate analysis (please see Table 13.8) and multivariate analysis (please see Table 13.9). By this way, it is proved that the proposed hypothesis is agreed

Source: Own elaboration (2016)

13.7 Contributions

This research provides a description of the features of the production of the steel Chinese industry and the good performance of the relationship marketing. They are important tools to show the corporate images and they favour the company transactions. By this way, the creation of a good corporate image can improve the company's productivity. The results of the research can be the starting point for future research lines, such as studies focused on the relationship between the corporate image and the relationship marketing.

13.8 Research Limitations/Implications

Certainly, this research project has some limitations that should be mentioned for the final findings interpretations. First of all, this investigation is only focused (obtained primary data) on steel manufacturers of China, and it is neither focused on its final users nor other country's steel manufacturer included in this study. Secondly, the representativeness of sampling units is limited (only 302 companies have participated in a survey technique). Therefore, the future investigations could be developed by enlarging the amount of sampling units from other countries and the analysis of steel customers.

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Chapter 14
Informal Economy and Legitimacy. The Spanish Case

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Abstract The existence of an informal economy is a phenomenon that affects all countries. The amount of the informal economy in Spain in 2013 was estimated to be 196,000 euro millions (18.6% of the gross domestic product; GDP). Although there are several academic studies about the informal economy and its scope, definition, quantification, and positive and negative impacts, the methods used to reduce the impact of the informal economy are not sufficient, and there is an increasing gap between government administration measures and public opinion. For this reason, before adopting a measure to combat the informal economy, it is necessary to analyze the legitimacy of the measure. Lack of, or inadequate, legitimacy means that the measure does not accord with social norms and values, and this could lead to its failure. We carried out research to rationally search for solutions that would end the existence of the informal economy; the research employed previous analyses of the legitimacy of the problem, the effectiveness of measures to combat it, and the relationship between legitimacy and effectiveness. To meet this objective, an empirical online study was carried out between November 2013 and January 2014, via questionnaire; the questionnaire was answered by 745 people and the data were statistically analyzed.

Keywords Informal economy · Public administration · Economic distortions · Effectiveness · Pragmatic legitimacy · Moral legitimacy · Cognitive legitimacy · Negative effects · Government · Economic balance · Payment · Underground economy

14.1 Introduction

The existence of an informal economy is a phenomenon that affects all societies, but its weight varies from one country to another. According to recent research (Schneider, 2013), in Europe the size of the informal economy could be nearly 2.5 trillion euro,

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which is 18.5% of the gross domestic product (GDP). In Spain the size of the informal economy could be 196.000 million euro; (18.6% of the GDP). A phenomenon of this magnitude has generated several studies, but these are characterized by their heterogeneity. Definition of the concept was explored in studies by Capecchi (1983); the European Commission, Employment and Social Affairs (2004); Feige (1990); Gallego (1995); Ruesga and Montero (1998); Schneider (2005); *Undeclared Work in an Enlarged Union*, Brussels: Círculo de Empresarios, (2010); and the European Commission (2004). The resources used to quantify the informal economy were investigated by Anghel and Vázquez (2010).

This context becomes more complex The study of this phenomenon, in regard to finding solutions to eradicate it and avoid its impact, has shown that informal economies increase societal inequality and lead to economic distortions; lead to problems in measuring economic variables; and lead to incorrect ratings of countries as members of the G7, G20, etc. For these reasons efforts have been made to eradicate the informal economy (Rajeev & Sayan, 2012).

Despite the efforts made to combat informal economies, not only have the measures used failed, but there is also a clear gap between the actions taken by administrations to eradicate the informal economy and the opinions of citizens on these measures. In this sense, taking as an example the Spanish case, according to data from the Center for Sociological Research of Spain (CIS, 2007), the perception that the administration has increased their efforts in the fight against fraud has risen (2007, 44.7%; 2003, 41.5%; 1999, 40.1%. However, this improvement seems insufficient. But 40% of the citizens understand that the administration devotes little or very little effort to this issue.

This leads to a need to find solutions to this problem, because the techniques employed have not been adequate to eradicate fraud (Vera, 2008). One possible solution, proposed by different authors, is to place a limit on cash, because it is a means of payment characterized by anonymity (Bernal, 2001), and it is used for the settlement of transactions in the informal economy (Quirós, 1990). It is necessary to consider the possibility of replacing cash by electronic payments, which are characterized by their lower cost (De Grauwe, Rinaldi, & Van Cayseele, 2006; Trigo, 2012).

However, before adopting a measure, it is necessary to analyze its legitimacy, because lack of legitimacy or inadequate legitimacy means that the measure does not accord with community norms and values, and this can lead to failure (Díez, Blanco, & Prado, 2010). The rational search for solutions to a problem (the existence of the informal economy), with previous analysis of the legitimacy of the problem, the effectiveness of measures employed to combat it, and the relationship between legitimacy and effectiveness, justifies the relevance of the present study. Although various measures to combat this problem have been established in recent years, the informal economy has not been eradicated, and in Spain the informal economy has accounted for close to 20% of the official economy for the past 20 years (Arrazola, De Hevia, Mauleón, & Sánchez, 2011). This forces us to seek solutions that are not based on negative effects. The solutions need to be based on the study and previous analysis of this phenomenon; specifically, study of the legitimacy of the proposed solutions.

14.2 Conceptual Framework

As Tanzi (2002) details, the consequences of the informal economy representing a high proportion of the economy are as follows:

- Inequality: although there are people who do not pay taxes and there are others who do so, all of them receive the same services.
- Economic distortions: because it follows logically that a reduction of state incomes through non-payment of taxes will inevitably result in trouble financing government services, or in reductions in the quality of these services.
- Problems in measuring economic variables: a clear example would be the unemployment rate, because the data with which the government works will possibly be erroneous, and actions taken, based on this indicator, to try to solve the problem will also be erroneous.
- Incorrect ratings for countries as members of the G7, G20, etc.

These factors pointed out by Tanzi (2002) are similar to those noted by Schneider (2007). Schneider argues that these are powerful reasons why politicians in many countries in Western Europe should worry about the informal economy, as it affects the size as much as the growth of the economy.

Although several studies point to positive effects of the informal economy (Círculo de Empresarios, 2010) – especially from a short-term perspective, e.g., ease in obtaining salary for employees; lower costs for the employer; and the perception of reduced need for unemployment benefits and other social support measures, reality points to several negative effects that, according to our present study, are seen by society:

- The informal economy affects the price level of the legal market. Reducing an employer's costs of complying with regulations can lead to products being offered at a lower price than the prices offered by those who do incur such expenses. We found that 75.7% of our respondents agreed/strongly agreed that the informal economy affects the level of market prices.
- The informal economy affects the level of wages in the legal market. The existence of cheaper labor forces jobseekers to reduce their wage claims (an employer's saving on social costs and tax would mean that regular workers could be dismissed); 82.2% of our respondents agreed/strongly agreed that the underground economy affects the level of wages in the legal market.
- The underground economy affects the official unemployment rate. As there is no regularized employment, there will be a distortion between the official unemployment rate and the actual number of unemployed people; 86.4% of our respondents agreed/strongly agreed that the underground economy affects the official unemployment rate.
- The informal economy affects the income of the State. The "Closing the European Tax Gap" report (Murphy, 2012) figures the amount that Spain no longer enter the year as a result of fraud arising from the irregular economy 72,700 million euros (data for 2009). This represents 16.6% of total public expenditure and 70.5% of health spending; 92.3% of our respondents agreed/strongly agreed that the underground economy affects the income of the State.

Based on these data, the perception that the existence of the informal economy produces negative economic effects was confirmed.

We looked at whether there was a relationship between this degree of knowledge of the negative effects of the informal economy and the present intention of the respondents to change their attitudes to undeclared income. However, the result was negative, meaning that, in general, although respondents knew the negative effects of the existence of the informal economy, this did not cause them to change their intention to comply with fiscal regulations.

In this sense, Jiménez and Martinez (2013) state, after analyzing various statistics about opinions and fiscal attitudes of Spaniards in 2011 (IEF, 2012), that these data could reflect two situations. First, the data indicate that the authorities may have some room to act more decisively in the fight against tax fraud, given that the citizens support this action. Secondly, the data demonstrate the existence of a double standard in Spanish society in relation to this topic: two-thirds of the population find no justification for tax evasion, but studies indicate that fraud is widespread and accepted by our citizens.

This double standard was confirmed by our finding that, after analyzing the relationship between the effects of the informal economy and intent to pay, we observed that the decision on whether to pay tax was affected in a negative way by the fact that the informal economy affected the price level of the legal market. In this sense, as one of the effects of the informal economy is lower prices for consumers, this effect would encourage wanting to comply with tax regulations through payment if prices were competitive. However, the reality indicates that consumers continue to make informal payments.

The existence of a phenomenon such as the informal economy, about we have already shown various negative effects, makes it necessary to adopt measures to combat it. Jiménez and Martinez (2013) reported on the classification established by the Eurofound (2013), according to which we can distinguish two types of actions. First, dissuasive measures, which are based on the detection and punishment of a breach. Second, incentive measures, which focus on promoting the declaration of income, increasing the social commitment to the official economy (tax morality). These two measures each consist of three types: preventive, curative, and those that promote greater engagement of citizens.

For controlling the existence of the shadow economy, the traditional administrative control model in Spain includes two types of actions:

- Automated checks, using software tools, based on information Cross-checking systems and systems created by the tax management department.
- Checks carried out by entities of the intensive inspection department.
- On balance, the measures taken by the Spanish Tax Agency (AEAT) in the investigation of tax fraud are inadequate, and therefore new measures have been adopted to improve the system. The following defects have been identified by Vera (2008):
- The control model based on intensive administrative inspection procedures is inappropriate for addressing new types of fraud.
- The Spanish Tax Agency (AEAT) has tried to combat increasingly organized and complex phenomena with traditional management solutions that were designed to address simpler situations of personal failure; these solutions almost always lack the structured nature needed to combat existing fraud networks.

- Although there have been significant advances in the past 4 years, following the fraud prevention plan, the Spanish Tax Agency (AEAT) still lacks a stable research model that is sufficiently defined.
- The traditional model of criminal charges related to tax fraud is inadequate.
- The penal response regarding criminal activities related to tax fraud is highly unsatisfactory.

The central principle of institutional theory is based on the concept that organizations need to gain and maintain legitimacy to survive (Deephouse, 1996; DiMaggio and Powell, 1983; Suchman, 1995). As pointed out by Zaheer (1995), the organizations that survive for long periods are those that are best adapted to environmental pressures, acting in accordance with established standards and social values. Many organizations have failed not because their products were bad or because they lacked resources, but because they lacked legitimacy or their legitimacy had deteriorated (Ahlstrom and Bruton, 2001; Chen et al., 2006).

Thus, there is a relationship between legitimacy and effectiveness. In the academic literature on legitimacy, different research studies show a direct relationship between the legitimacy of an organization and its effectiveness. According to Cruz et al. (2014), legitimacy improves the stability and comprehensibility of organizational activities, and shows that the organization exists within an institutionalized system of beliefs and values. Legitimacy is a factor that serves to improve opportunities when an organization acquires the resources necessary for survival and growth, such as capital, technology, management teams, other staff, customers, and ? (Aldrich and Fiol, 1994; Meyer and Rowan, 1977; Scott, 1995; Zucker, 1987).

The organizations that seem desirable, right, or appropriate for their stakeholders are more likely to continue with their activities, and are therefore more likely to survive (Díez et al., 2013). Although some organizations may try to access resources by unethical or illegal actions, over time this approach can create problems for the organizations, limiting their survival and growth, and even hindering future attempts to increase their legitimacy and achieve their objectives (Díez et al., 2010). Interest groups require that organizations comply with certain rules of socially acceptable behavior. Legitimacy leads to the continuity of organizational activities, because stakeholders are more likely to support those organizations that seem desirable, right, or appropriate (Parsons, 1960). In addition, legitimacy improves the results of organizations, and it has been shown that it is necessary for an organization to adopt a process of legitimacy, considered as a set of actions whose development allows both the obtaining and the maintaining of legitimacy (Diez, Blanco, & Prado, 2013, 2014).

Analysis of the legitimacy of the shadow economy and the effectiveness of measures to combat it can be considered according to two points of view. First, the legitimacy of this phenomenon must be considered, in which, as pointed out above, greater legitimacy of the shadow economy hinders the effectiveness of measures that were approved to combat the phenomenon. Second, the legitimacy of the measures used to combat the phenomenon must be considered, so that if, in implementing these measures, the administration shows an interest in reinvigorating these measures through the provision of legitimacy, there will be a greater chance of success.

The development of the theory of legitimacy has three dimensions. First, pragmatic legitimacy, which is limited to the interests of the environment (Cruz et al., 2014).

Organizations that maintain direct relationships with their environment can have authentic power relationships. Stakeholders show their support for such an organization not because it aims for great goals, such as high profits, but because they observe that the organization is responsive to their interests. In this case, the organization tries to ensure that its policies and goals are positively related to their environment, especially their stakeholders, generating a materialistic relationship of power and dependency. For this group, the responsiveness of the organization to its interests is more important than the obtaining of large profits. Support for the actions of the organization will be considered to come from a person who demonstrates and shares their interests, values, and beliefs, and who is honest, desirable, authentic, and reliable (Suchman, 1995). This support can be derived from compliance with rules, standards, and expectations generated by governments, professional groups, other associations, or the organization itself.

This support can be analyzed from the perspective of the informal economy, which interacts with citizens. In an economic context where there is an informal economy that responds to what the citizens demand, we speak of the existence of pragmatic legitimacy, since the interests of the citizens are incorporated. Thus, in those countries where the sectors favored by the existence of an underground economy have greater weight, measures to combat the underground economy are complex.

Second, we can speak of moral legitimacy, which, unlike pragmatic legitimacy, does not rest on judgments about whether the evaluated objective benefits the evaluator, but rather on whether the evaluator believes that the evaluated objective is the right thing to do, regardless of whether they benefit from it. A system in which there is an informal economy shows moral legitimacy when its stakeholders (citizens) consider the objectives and the actions developed to achieve these objectives are desirable. Moral legitimacy is usually analyzed by evaluating the desirability of the outputs, techniques, and procedures used to achieve the objectives (Scott, 1977; Scott & Meyer, 1991). As established by Suchman (1995), moral concerns are more resistant to external manipulation than merely pragmatic considerations.

Moral legitimacy of the underground economy is achieved when a society perceives that the positive effects of this economy outweigh the negative effects (understanding these positive effects from a global perspective is not particularly useful). It is in this context that the effective implementation of measures to combat the underground economy is more complex than when the underground economy is perceived to lack moral legitimacy.

Third, cognitive legitimacy refers to the adequacy of techniques and procedures used to achieve an organization's objectives. The desirability of the target, or the actions taken to achieve the target, is not as important as the adequacy of the technique used in the actions leading to the achievement of the target. The difference between moral and cognitive legitimacy has been discussed by several authors (Zeitz et al., 1999), with differentiation considered in regard to the use of methods, models, practices, assumptions, knowledge, ideas, realities, and concepts that are widely accepted and considered useful and desirable by the body of professionals and scientific experts under which an organization operates (Aldrich & Fiol, 1994; Hunt & Aldrich, 1996; Scott, 1995; Suchman, 1995; Zimmermann & Zeit, 2002). Thus, cognitive legitimacy is a kind of legitimacy based on knowledge rather than on interest or evaluation (Aldrich and Fiol, 1994). The informal economy has cognitive legitimacy in contexts where its economic activity is perceived as the best way to achieve socioeconomic stability.

14.3 Sample and Methodology

The universe of this research is specified in people residing in Spanish territory, following the approach used in other surveys about the informal economy (CIS, 1997). Before we measured the variables, we described the methodology used in the selection of the sample.

At this point, part of the tax fraudster indirectly clear from the data presented annually by the Ministry of Finance (AEAT, 2013) profile as well as that of other organizations that analyze the impact of specific measures such as, for example, made by the union of technicians of Finance after the end of the campaign "tax amnesty" (GESTHA, 2012). It is seen to large enterprises, whose turnover exceeds 100 million per year, the largest tax fraudster. It is responsible for 26% of detected fraud. This difference in attitudes toward effective compliance with tax obligations justifies our decision not to restrict the selection of the sample to a specific respondent profile; thus, random sampling was applied.

Table 14.1 summarizes the characteristics of the study to achieve the objectives from a theoretical point of view.

After reviewing various methods, we used a survey as the research strategy for the collection of information. Before we used the survey interviews, we confirmed them with experts in the field. The scales used to measure each of the considered variables were the Likert-7 type, in which '1' means 'strongly disagree' and '7' means 'totally agree'. We selected this scale after considering several alternative options.

14.4 Results

The first analysis of the results (Table 14.2) seemed to reflect direct opposition to the informal economy by society, with the majority of respondents believing that:

- It is not justifiable to declare only part of your income to pay less tax or to provide false information to obtain benefits to which you are not entitled (moral legitimacy)
- You should not charge for a service without declaring the income, and you should not use lower-price services when you know that the income will not be declared (pragmatic legitimacy)

Table 14.1 Characteristics of the study

Universe	Spanish population over 18 years old
Sample	Spanish population over 18 years old
Geographic area	National (Spain)
Method of collecting information	Online questionnaire
Sample error	3,59%
Confidence level	95%; $Z = 2$; $P = Q = 0.50$
Sampling procedure	Random sampling
Number of surveys	745
Period of information collection	November 8, 2013 to January 28, 2014

Table 14.2 Results for legitimacy, shown on Likert scale, where '1' means 'strongly disagree' and '7' means 'totally agree'

Dimension	Item	1	2	3	4	5	6	7
Moral	It is justifiable to declare only part of the income to pay less tax	42.1	16.8	9.0	8.9	9.4	7.7	6.2
Moral	It is justifiable to provide erroneous information to obtain benefits to which you are not entitled	66.0	14.6	4.7	5.1	3.2	3.0	3.4
Pragmatic	I am interested in being able to charge for a service without declaring the income	47.8	15.3	8.9	10.2	7.2	5.1	5.5
Pragmatic	I am interested in having services at a lower price, even though I know that these revenues will not be declared	35.3	17.2	9.7	12.1	8.3	9.0	8.5
Moral	The underground economy is an efficient way to achieve economic and social balance	49.9	21.5	10.1	7.7	4.4	2.7	3.8
Moral	An economic system in which there is no underground economy would be impracticable	38.5	20.4	11.8	12.9	6.4	4.3	5.6
Effectiveness	The measures that are approved to combat the underground economy will be rejected socially	13.2	16.4	20.3	19.2	10.3	11.0	9.7
Effectiveness	Ways will be sought to avoid compliance with measures adopted to combat the underground economy	27.4	24.2	19.3	13.7	5.5	5.2	4.7

- The informal economy is not an efficient way to achieve economic and social balance, and an economic system in which there is no informal economy would be viable (cognitive legitimacy).

Also, the majority of respondents said they declared 100% of their income and did not make payments to people knowing that the amount would not be declared.

Thus, we see that, in principle, the informal economy would not be legitimate from the perspective of the three dimensions of legitimacy targeted by Suchman (1995). Pragmatic legitimacy, according to which organizations maintain direct relationships with their immediate surroundings, can turn into real power relations, where some groups are able to achieve great power over the organization. Stakeholders show their support for the organization because it does not aim for big goals, including high turnover, but because they observe that the organization is being responsive to the interests of the stakeholders. In economies where there is an underground economy that responds to what citizens demand, we speak of the existence of pragmatic legitimacy, which incorporates the interests of the stakeholders. Thus, in those countries in which sectors that are favored by the existence of the underground economy have greater weight, measures that are successful in combating the underground economy will be complex.

Moral legitimacy, unlike pragmatic legitimacy, does not rest on judgments about whether the evaluated objective benefits the evaluator, but rather on whether the evaluator believes that the evaluated objective is the right thing to do, regardless of whether they benefit from it. Thus, a system in which there is an underground economy shows moral legitimacy when its stakeholders (citizens) consider that the objectives and the actions developed to achieve them are desirable.

Cognitive legitimacy, unlike moral legitimacy, corresponds to the fact that the techniques and procedures used to achieve the objectives are perceived to be appropriate. The desirability of the target, or the actions taken to achieve the target, is not as important as the adequacy of the technique used in the actions leading to the achievement of the target. Thus, the informal economy would have cognitive legitimacy in contexts where shadow economic activity is perceived by different social sectors to be the best way to achieve socioeconomic stability.

But personal rejection of the informal economy by the respondents is not valid, as it was observed that the majority of respondents (70.9%) believe that they will try to avoid compliance with measures adopted to combat the informal economy. And 80.1% of the respondents stated that they did make payments knowing that the person receiving the payment would not declare this income.

It has been observed that, regarding the effectiveness of measures to combat the black economy, there is a positive relationship between the effectiveness of these measures and inspections of finance records in sectors with high rates of a shadow economy (Table 14.3). In past years, there has been a negative relationship between the effectiveness of these measures and the approval of tax amnesties to regularize undeclared money.

With these data it can be concluded that, although most of the measures approved in the Law 7/2012, 29th October, Intensification of Actions in the Prevention and Fight against Fraud have been regarded as useful (except for the extraordinary regularization, in the form of a tax amnesty, which has been controversial since its announcement), the carrying out of inspections only in sectors with high rates of a shadow economy is an effective measure.

Our research must be related to the finding of the CIS study (2013) that 66.9% of respondents believed that the means used to combat the informal economy were few or very few. Currently, however, measures to combat the perceived existence of the informal economy are seen to be insufficient. Increased inspections in sectors such as would help to reduce the informal economy.

The responses in our study have to be contextualized, considering that society perceives that large organizations do not practice fraud (the respondents perceived that there was greater compliance with tax obligations on the part of companies (62.7%) than by individuals (44.7%). It is this perceived lack of compliance by certain sectors which allows a social majority to feel legitimized by not complying with tax law, as detailed below.

Table 14.3 Relationship between legitimacy and effectiveness

Relationship	Beta	T-value
Moral legitimacy → Effectiveness	0.021	0.239
Pragmatic legitimacy → Effectiveness	0.069	0.824
Cognitive legitimacy → Effectiveness	**−0.356**	**−6.341**
R^2 = 0.104		

14.5 Discussion, Conclusion, and Implications

The existence of a phenomenon such as the informal economy, with negative effects, has led to a reaction from the Spanish government in that they have adopted different measures to combat this phenomenon. A first analysis of our study's results shows a direct rejection of the informal economy by society. The majority of respondents believe that:

- It is not justifiable to declare only part of their income to pay less tax, or to provide misinformation to obtain benefits to which they have no right (moral legitimacy)
- It is not justifiable to pay for a service when the service provider does not declare the income, or knowing that there are services for which they can pay a lower price, it is not justifiable to use these services when they know that these earnings will not be declared (pragmatic legitimacy)
- The underground economy is not an efficient way to achieve economic and social balance, and an economic system in which there is no underground economy would be viable (cognitive legitimacy).

In addition, most of the respondents say they declare 100% of their income and make payments not knowing that whoever comes will not testify. However, this personal rejection of the underground economy by the respondents seemed to be invalid, as the majority of the respondents (70.9%) believe that ways should be sought to avoid compliance with measures adopted to combat the underground economy, and most respondents say they have made payments, on occasion, knowing that the recipient would not declare this income.

The information above matches the data presented in this chapter on the level of the shadow economy in Spain (18.6% of GDP). The data from our study, together with data already reported by other authors, e.g., Anghel and Vázquez (2010), identifies difficulties in measuring the informal economy by direct methods. Schneider (1994, 1997, 1998) have reported that it is exactly because of the lack of cooperation by agents that it is difficult to obtain estimates of the size of the informal economy, because respondents rarely reveal fraudulent behavior, or else they provide lower or imprecise estimates of such behavior.

It has been confirmed that society perceives the underground economy to be an efficient way of achieving economic and social balance, and society also perceives that an economic system in which there is no underground economy is not viable. For these reasons, the measures approved to combat the underground economy will be rejected by society and ways will be sought to avoid compliance with such measures.

Moreover, the data obtained in our study shows that the weight of the cognitive dimension of legitimacy is diluted by the measurement of overall legitimacy. Thus, the weight of other dimensions of legitimacy means that legitimacy in general has no influence on the effectiveness of the measures taken to combat the underground economy.

In conclusion, it is necessary to reorientate the fight against tax fraud in Spain, focusing on efforts to eradicate the perceived legitimacy of the underground economy in Spanish society. For this purpose, it is necessary to encourage compliance with taxation laws (especially by promoting the use of electronic invoices, to prevent payments for goods and services being made on the black market.). It is also necessary to eliminate existing facilities that allow fraud to be committed (by the gradual replacement of cash payments by electronic payments).

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Chapter 15
Public Interest and the Legitimacy of Media

Santiago Justel, Josep-Lluís Micó, Gregory Payne, and Enric Ordeix-Rigo

Abstract A fundamental requirement of any democracy is dialogue on the day-to-day affairs of society among its citizens. Such dialogue is a prerequisite for political engagement. How citizens receive information as well as what they receive impacts this dialogue. This essay explores this process by examining agenda setting, framing, and other components of messaging in the democratic process through traditional media as well as social media.

A major focus of this essay is that how such "mediated realities" presented by the press to publics are created and the mediation role of the press and web analytics in this process. This chapter introduces the reader into this new media scenario today and focuses on the challenges created by the contributors of today's mediated realities. Specifically by legitimizing audience preferences as a criteria for relevant news, has traditional media lost a major function of its role to engage the public with what trained journalists would earmark as relevant issues necessary for informed civic engagement?

Keywords Public interest forums · Media influence · Social legitimacy · Public debate · Power monitoring · Web analytics · Agenda setting · Framing · Mediated reality · Democracy · Civic engagement · Dialogue · Political communication · Public relations · Journalism · Advertising

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15.1 The Media as Intermediary of the General Interest

The association that exists between the common words community and communication is pervasive. (Dewey, 1916). Men live in a community by virtue of what they have in common; communication is a mode, and its currency is how they share such commonality. Communication creates community, both on a small scale and on a large scale, through the media utilized from intrapersonal, mass media, and to social media (Burke, 1969).

Ahead of its role in the monitoring of power, the press is required to carry out some of the requisites established by Dahl (2000) for a society to be considered a democracy. A democracy inevitably requires dialogue about issues of general interest and therefore needs and depends on the kind of press that contributes to cultivating a forum for public debate (Croteau & Hoynes, 2001).

Journalism has been guided toward consolidation through the performance of its role of mediation, a task that has over the years become institutionalized and professionalized. It is the press, through its function, that produces our mediated realities, which oftentimes differ, based on the ideologies of the media sources. Despite obvious failings in the completion of this task, centuries after its creation, the media continues to be the principal mediator in modern societies and the principal intermediary of the general interest. This continues to be the case even when considering the possibilities of scale opened up by the Internet.

Blogs and social media have generated new dynamics, but the function of providing the principal points of daily discussion remains practically intact and continues to rest on the shoulders of the traditional media due to its well-established professional practices (Meraz, 2011, p. 110).

In mediation, journalism constructs reality, and the professional journalist is the main protagonist of the media-driven construction process (Casero, 2008). Sunstein (2001) recognizes some of the deficiencies and weaknesses manifested by the press in the performance of its functions, but he also considers that many of these issues might be of secondary importance, as the media does fulfill many other public forum functions, such as the promotion of shared experiences, exposing individuals to information and opinions that have not been selected in advance (Sunstein, 2001). News organizations construct reality through mediation. A reality that is constructed from the collection of "a series of inputs, facts or phenomena, with which a series of outputs are created, made up of the messages generated among which information stands out, first and foremost" (Casero, 2008, p. 66).

As a result of this mediation, the media occupies a central place in society. If community is formed in words and their meaning, it is formed as a function of this communication process of which media play a central role. Given this fundamental role in society of the media, it is important to continue to examine the media's evergrowing function. How does this influence materialize? The answer to this question brings us to the territory of agenda setting.

15.2 Setting the Agenda

Throughout the twentieth century, "reality" has become increasingly defined by the mass media, which has to a greater or lesser extent usurped the traditional role family, friends, and religion have had in influencing citizens at the time of making sense of day-to-day experiences. So much so that "we risk thinking of our mediated existence – and the particular form it has taken under capitalism – as somehow natural or inevitable" (Bettig & Hall, 2003, p. 1).

The media does not tell us what to think, but it does establish the issues about which we think. McCombs maintains that it is due to statements like this that Lippmann (1995) is considered to be the intellectual father of the theory of agenda setting. For it was Lippmann who spoke for the first time about the media as a window onto the world that exists beyond our direct experience and which shapes the mental images that we create of this world (Lippmann, 1997). In this way the weight carried by the news media is decisive in the process of the formation of public opinion. This does not correspond directly with reality but rather with that which Lippmann (1997) calls a pseudo-environment constructed through mediation.

It is necessary, however, to point out that the media are not the only social entities with the facility to construct reality; "on the one hand we find ourselves faced with a news reality that has arisen principally from the action of journalism professionals, and on the other a reality configured by individuals in the context of their daily lives" (Casero, 2008, pp. 64, 70). From their fusion emerges social reality in its "widest sense."

The greater or lesser dependency of the individual on news organizations will depend on the level of direct experience of reality that the individual might have. Basing his arguments on Wolf (1994, p. 113), Casero (2008, p. 70) states that when such experience is scarce, "the communicative representations of social phenomena constitute resources for their subjects, who recur to them in order to orientate themselves, to understand and to align themselves in their own daily exchanges."

If Lippmann's thoughts laid down the basis for what would later become a comprehensive theory with an established academic trajectory, McCombs is its principal advocate. McCombs, a North American academic, summarized a large part of the academic tradition in his book *Setting the Agenda*. Newspapers, television, and news websites constantly provide the public with cues as to the relevance of different issues. And they do so in various ways, for example, by means of the size of the headlines, of the space dedicated to each news item, by the prominence of one item of news in the group, or by its duration in the case of the radio or television broadcasts. The presence of these cues assists the public to create its own agenda defining which issues are the most important. With time, those issues on which the news has focused also become those most important in terms of public consideration. As a consequence the agenda of the news media becomes, to a considerable degree, the agenda of the public (McCombs, 2004).

The theory of agenda setting affirms these suppositions. McCombs reviews the investigative tradition, studying how this transfer of relevance from the media agenda to the public agenda is produced. This is not a deliberate or premeditated influence, explains McCombs (2004), but rather an inadvertent influence resulting from the necessity of the news media to select and highlight a few topics in their reports as the most salient news of the moment.

This vision connects with the idea of an agenda without *framing*. This is an unintentional agenda, centered on the day to day and with little perspective. It is one that distances the media from the responsibility of giving shape to events of greater significance to the community and offers a framework constructed from the will to make the functioning of democracy possible. If the press is to assume the role of public service and that of community creation, they require the independence to perform these roles and the will to carry them out.

The media influence in society is a real influence, one that is demonstrable, if nuanced, that pays attention to the factors that reinforce or reduce the effects of this agenda setting. It presents a perspective that distances itself from the theories of communication that focuses on the all-powerful effect of the media on the citizens.

Thus, there are psychological and sociological factors that might enhance or inhibit the degree of media influence, and we should not overlook that the media do not determine their own agenda with total professional detachment from the world about them (McCombs, 2004). Examples exist of agenda setting in reverse, examples in which the concerns of the public influence the media agenda.

The following discussion takes this statement as its starting point to reflect on the way in which an increasingly active public, about which there is greater knowledge thanks to the audience data and metrics offered by web analytics, is having a greater influence over the media agenda. With data at hand about the number of readers for each news item, the media are able to attend more closely to audience preferences. "Understanding what audiences want and what they do with news content – an important task for a journalism that is responsive to the public it serves – has gone a long way" (Tandoc & Thomas, 2014, p. 1).

During the second decade of the twenty-first century, this phenomenon has acquired a greater dimension than it previously had throughout the history of the media. With digitalization, web analytics has opened up the possibility of data collection by the commercial side of the media, which has converted the public from citizens into consumers, thereby giving the public a significant, if unintentional, influence on the agenda. As Tandoc and Thomas (2014, p. 2) note, although web analytics are useful for business, their application to journalism is more complex. While in the field of marketing its objectives are clear, in journalism the concept becomes "muddy and contentious," becoming an element that can unbalance the scale in which the profession moves that of maintaining the balance between its public service role and its function as a forum for publicity.

Different more general questions are posed about the construction of the news agenda. If, resuming the function of agenda setting, "citizens succeed in forming a personal opinion about what is important in the public life of their country as the result of the degree of coverage that certain issues and people have in the news" (Martínez-Albertos, 1989, p. 229), the selection of such issues is a decisive question. On accepting that the public agenda is conditioned to a greater or lesser extent by the media agenda, the responsibility for decisions regarding that which is relevant to society is transferred to the journalistic selection process. If community is created by communication (Dewey, 1916), the health of the former will depend on the health of the latter.

To accept a greater presence of a misrepresentation of what the public is interested in resulting from web analytics compiled from the numbers of clicks a news item receives might lead to a media agency dominated by banal issues. A result of this would be an impoverished public debate also dominated by banal issues.

"There is a growing consensus among media scholars and analysts that the news has 'gone soft'" (Boczkowski & Peer, 2011, p. 859). By legitimizing the public's preferences, creating news items with the traffic that they will generate in mind, the media might paradoxically be losing part of their legitimacy by failing to carry out that which is their raison d'être: to serve as a forum in which issues of public interest are raised.

At this point it would be pertinent to review what is meant by public interest and in this way clearly mark the difference between this notion and that of what the public is interested in.

15.3 Public Interest

McQuail (1992) notes that according to academics such as Barry (1965), the expression "public interest" has been used in such an imprecise way for so long and has been so misused that it would be better to abandon it altogether, while others such as Held (1970) hold that even when we were to abandon the concept, we would be unable to evade the problems and complexities associated with it.

Another associated term, that of the "common good," has suffered the same fate, ending up conceptually disorientated and empty. A broken educational system and a mainstream press disconnected from public life might be possible causes for this (Christians, 1999, p. 67). This disorientation, this emptiness of significance, has implications. Concepts such as citizenship, civic discourse, community activism, and participation are reduced to mere moralistic considerations if they are not based on a defendable notion of the common good. Although there is no definitive consensus about what the "common good" entails, nor is there consensus about how to promote it, there is a central current that frames it in the idea that the well-being of all citizens, more than any of their factions or special interests, should be served with impartiality (Durham, 1999, p. 68). It is not a notion that can be understood "statistically," but it is a "fundamental concept of social morality."

The public interest and the common good are closely related. Christians (1999, p. 81), citing the work of authors such as Diggs (1973) and Held (1970), makes reference to the common opinion that the literature on the public interest covers the same ground as that which focuses on the idea of the common good. The difference being that the former distances the notion of the public interest from the field of ethics (in which the tradition of the common good is submerged) and argues in more positivist terms. The concept is considered to be more objectifiable. For this reason, as much as it may appear that there is general consensus about its meaning, it would be advisable to stop and consider its definition.

McQuail (1992) returns to the origins of the concept, situated in the field of economic regulation, basing his arguments on Mitnick (1980), who traced the term back to medieval social theory. The notion of the public interest gave the idea of economic justice the necessary legal framework to justify collective control over the forces of free market, as much as to do the opposite. The defense of the idea that there were some services that were essential to the community that should be maintained at the margin of the usual rules of commerce implied the defense of the existence of a general interest. Several of the professions subject to specific laws and regulations were related to communication (in the form of transport services) (McQuail, 1992). Centuries later, confidence in regulation would lead to confidence in the laissez-faire approach and in the "invisible hand" of the free market. But the idea of the existence of a "public good" was not denied by Adam Smith or by other principal classic economists and founders of the new economic policy. The market "would safeguard the greatest good of the greatest number of people." With the years, its at least partial failure was converted into a reaffirmation of the regulation of many economic activities (McQuail, 1992).

McQuail (1992) speaks of the different meanings that can be attributed to the concept and, after citing Downs (1962), opts to follow a classification system similar to that proposed by Held (1970) articulated around three theories: the preponderance approach, that of the common interest and the Unitarian. The first of these understands the public interest to be defined as the sum of individual interests, that is, to say, "by the majority." The second that of the common interest explores the concept as one that encompasses those interests "that presumably all members have in common, with a small margin for disputes over preferences." It is understood as a more objectifiable concept. Rousseau's notion of the general can provide a philosophical basis for the assumptions about what is in the common interest, although its definition becomes more complex when a significant proportion of its supposed beneficiaries do not accept its validity (McQuail, 1992).

The third category, the Unitarian approach, is the assertion of an "absolute normative principle." According to this theory, the public interest is even more objectifiable and corresponds with that which concurs most closely with a single-ordered and coherent schema, according to the principal that what is valid for one is valid for all. Held cites Plato, Aristotle, Aquinas, Hegel, and Marx as having led in this direction, all sharing some notion of an ultimate good, toward which all should aspire in their own ultimate best interest (McQuail, 1992).

As McQuail (1992) notes, when tackling issues of communication, it is more common to encounter positions which focus on the concept from the perspective of the second theory, that of the common interest, occupying as it does intermediate position between the other two theories. It presupposes the existence of a collective interest while offering a certain margin. "The public interest comes from the political condition of the person as part of a community in which individual interests have to adapt, in some measure, to a common interest" (Núñez Ladevèze, 1991, p. 40).

Núñez Ladevèze (1991), distancing himself from many of the more typical aspects of political philosophy outlined in the previous paragraphs, explores the difference between public interest and what the public is interested in. In the same way that there is a strong link between community and communication, there is also a strong link between the concepts of public interest, society, and democracy. “The common good is the axis around which communities and politics become a social organism” (Christians, 1999, p. 71).

Many questions and policy decisions commit people’s lives independently of whether they are, or are not, of interest to them. Núñez Ladevèze (1991) notes that in formal democracies not only is this interest presumed but that coexistence is organized on the basis of the supposition that this interest exists to such a degree that the political will is the expression of the majority’s social will. News of public interest will be those in which this “ingredient” prevails over any other. This public interest in “the broadcast of events of a specific type is different from the interest of the public in events that generically move the majority of people for generically psychological reasons” (Núñez Ladevèze, 1991, p. 41).

Núñez Ladevèze points out, however, that the term “human interest news” is a common expression in journalism used to distinguish it from political news. Bilbeny (2012, p. 109) also alludes to the contrast between the two concepts. Public interest is not the same as that which interests the public, what the public is interested in.

The first presupposes a public that is not uniform or resembles “a mass of spectators” but rather one that is akin to an integrated and participatory community. Whereas at the core of what the public is interested in is a customer conceived of as a mass or multitude. This process occurs “by social demand, which acts following the barometer of audience data of the print run numbers” (Bilbeny, 2012, p. 109). As a consequence of this, “the media look for and highlight that which is appealing in the news, although this may not always be what deserves to be reported” (Bilbeny, 2012, p. 109).

Núñez Ladevèze (1991) differentiates between the two concepts by associating them with two different models of journalism: “the concept which takes greater account of the public interest would be closer to ‘quality journalism,’ and that which opts for what the public is interested in will be closer to ‘sensationalist journalism,’ that taken to extremes, is sensationalism.”

It is important to avoid assimilating human interest and sensationalism. In the same way that not everything that is not strictly of public interest is irrelevant. The public interest is more easily objectifiable when it is connected to the issues of relevance to collective governance.

15.4 The Emergence of Web Analytics

We live in the data-rich environment, an environment where numbers, data, math, and analysis should be the foundation of our decisions (Kaushik, 2010). Audience data has reached news organizations and is here to stay. Following the flood of changes that were introduced at the beginning of the millennium, the Internet still retains some surprises. Web analytics has become a central activity in newsrooms. It consists of all those software tools whose purpose is the collection, storage, and presentation of audience data sourced by a specific organization from the interaction between audiences, clients or users, and the World Wide Web (Maldonado, 2009, p. 27). Professionals themselves recognize that weight has been given to this relevant and determining data, one that has been consolidated since the start of the decade, and that, although secondary to the selection of news items, is a weight that affects their position in the hierarchy and their organization on the front page.

The Internet has transformed the press; it has challenged the traditional business model, created a new multimedia language, altered the process of selection of sources, and has granted a new power to the audience. On the one hand, it has given the audience a voice, with the relationship between the readers and the newspapers becoming much more bidirectional. While on the other hand, the readership has unintentionally become much more influential. The opportunity to communicate with the information producer that the Internet offers the audience confers on them an influence that was very much more limited in the past in the traditional mass media. It consists of an influence over the way in which broadcasters respond and in the content that they will create in the future (Marwick & Boyd, 2011, p. 129).

The data from web analytics, the statistics that depict the behavior of the audience, carry a weight in digital newsrooms that begins with the selection of news items. The feedback that reaches the newsrooms conditions the newspapers' agenda, and this in turn conditions the public agenda.

As stated earlier, the theory of agenda setting investigates the way in which the media agenda becomes the agenda of society (McCombs, 2004). This influence will continue to be in force in the digital scenario, for example, in the measure in which the media continues to be the source of the majority of the content that circulates in the new news environment in which social networks are the protagonists. But there has been a change, and the direction of influence has reversed with the public conditioning also the media agenda. While in the past this influence has been much less significant, a minor cog in the news machine, marked by other professional practices and by relationships with social and institutional business stakeholders, it has now increased as a result of this feedback of data detailing audience behavior.

The newspapers that influence the public are at the same time influenced by the feedback that reaches them from this public in the form of quantitative information.

15.5 Legitimizing What the Public Is Interested In

In their book *The Elements of Journalism*, Kovach and Rosentiel reflect on the impact of the minute-to-minute North American television audience ratings that permit the construction of news tailored to the preferences of the public. Nevertheless such strategies have done little to stop the decline in audience numbers.

Kovach and Rosentiel (2007) refer to this as the paradox of giving people the kind of news they ask for. Sensationalism wins the battle for attention but weakens the product. Even more importantly: if journalism only offers the public the information that they, in advance, have said that they prefer, journalism will only speak to them about that part of the community that they already know. The totally irrelevant and the sensationalist might make a bad bet in the long run. Beyond that which might prove to be a good or bad strategy, it is necessary to reflect on the crucial question that has been dealt with in this chapter: "journalists need to be responsive to the public they serve, but they also should serve the higher goal of public interest" (Tandoc & Thomas, 2014, p. 253).

The press' function, ultimately, is to articulate the public debate and promote the functioning of democracy. "If journalism simply views itself as the conduit through which transient audience preferences are satisfied, then it is no journalism worth bearing the name" (Tandoc & Thomas, 2014, p. 12).

By giving space to news items and irrelevant issues or anecdotes (on occasion of dubious veracity) whose only criterion of newsworthiness is the possibility that they might generate a large number of clicks, that they might manage to attract a large number of readers, the media is legitimizing what the public is interested in over public interest.

Kovach and Rosentiel (2007) ask how to resist sensationalism and do not think that the solution lies in journalists isolating themselves from the world and ignoring the realities of the market. It is not a question of devaluing the techniques of market research or the data they provide about the audience but rather research that helps journalists makes judgments, not research that replaces their judgment. Put another way, Kovach and Rosentiel (2007) consider that we need to stop using market research that treats our audience as customers, asking them which products they prefer. We need to create a journalism market research that approaches people as citizens and tells us more about their lives.

The key would be to use market research, that which Kovach and Rosentiel refer to, or web analytics (which we can accept as a marketing tool) to apply professional criteria with greater judgment and not to replace it. The objective is to make use of audience data and metrics to improve journalism (Justel-Vázquez, Micó-Sanz, & Sánchez-Marín, 2016). These new tools should help to provide the key to designing news, which is more exhaustive and proportionate, news that attracts new audiences instead of alienating them.

The media has become a crucial institution in modern democracies (in parallel to its consolidation as a forum for publicity and commercial activity) as a result of its role as mediator, its central role of providing a forum for the discussion of public issues.

By moving away from the notion of public interest to answer to that which the public is interested in, the media undermines the basis of their legitimacy, blurring their raison d'être.

15.6 In Search of Equilibrium

Public interest or what the public is interested in? Thus the journalist's task is to find the way to make the significant interesting in each story and to find the right mix of the serious and the less serious that offers an account of the day (Kovach & Rosentiel, 2007). But a large gulf exists between the less serious news, human interest or soft news with relevance (a large proportion of news items), and the anecdotal and irrelevant.

This chapter does not focus on content that, although not closely linked to the public interest, are relevant and have been produced with rigor and professionalism but rather on that irrelevant content that has worked its way into the agenda of the digital versions of the quality press (Justel-Vázquez et al., 2016).

On the one hand, journalists believe in their role of providing the public with the information they require, while on the other hand, news organizations need to attract an audience in order to survive (Tandoc, 2014). But between the audience being all-important and turning their backs on the statistics, there is a full range of intermediary positions. The importance of the news item should be of greater consideration than the audience it generates. Ways of giving greater significance to that which at first sight is more interesting than important should be sought, aiming to adhere to the journalistic maxim of trying to make important issues interesting.

Tandoc's (2014, p. 570) research deals with the balance between gambling on generating quick income, by employing a model designed to obtain maximum audience figures and behaving like a respected news organization. He concludes that this equilibrium is frequently tipped toward the goal of increasing traffic using web analytics to propose stories that will draw a large number of clicks. The tension that exists between commercial and journalistic branches is not new and has a long history (Sparrow, 1999). In the digital sphere and during times of economic crisis, it rears its head again. With the emergence of the Internet and the huge increase in the amount of information available, newspapers have begun to see their income diminish at the same time as their principal source of finance, advertising investment, is falling. A substitute for this income has yet to be found to balance the books.

In an attempt to transfer the old model to new times, the newspapers are clinging to what they know, advertising. That, despite reports of much lower incomes on the Internet, is currently their most secure source of income. Advertising on the Internet pays much less than it does in the print press and is measured, generally for now, by weight or volume of potential impact. In this way the influence of the quantitative, of the numbers of readers that each item attracts and the numbers of visitors that visit the web in 1 day or in 1 month, is inevitable. The sector recognizes the existence of the problem and believes that this will continue to be the case until an alternative model of business has been developed.

It may be that the strategy does not focus solely on volume of traffic but rather that the volume of traffic is being focused on because currently it brings business to the digital press while other alternative methods are being sought to ensure profitability, at the same time, maintaining the hope that the printed press will take the longest time possible to die.

Years ago, with the arrival of the Internet, some voices rushed to predict the end of newspapers. Today it is known that in the new news environment, the majority of the news that circulates continues to have its origins in the media. According to a study by the Pew Research Center (2010), taken up by Pariser (2011, p. 51), 99% of stories linked to in blogs come from large media organizations. A study by the Reuters Institute confirms that the news consumed on social networks comes mostly from the media or is backed by journalists from the media, and, above all, such news is awarded greater credibility and greater value.

Newspapers have a future, although it is not yet known how they will be financed. This is something that is directly linked with the section on media systems developed within the theoretical framework. Is it possible to guarantee good journalism in the context of the free market, in which in addition to providing citizens with the information they need to live in a democratic society, it must above all be profitable?

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Chapter 16
A Study on External and Internal Motivations and Its Influence on the Results of Implementing EN 9100 Standard

Camilo Prado-Román, Carlos del-Castillo-Peces, and Carmelo Mercado-Idoeta

Abstract EN 9100 is a quality management system standard for the aerospace industry derived from the ISO 9000 standard. The aerospace industry is economically prominent, both worldwide and in Spain. The goals of this paper are (a) to analyze the motivations of Spanish aerospace firms in adhering to EN 9100 standard and (b) to examine whether the type of motivation affects the results of implementing this standard. To accomplish this, both ANOVA and a simple linear regression model were applied to data from the 122 aerospace industry valid survey responses. The results demonstrate that most firms adhere to EN 9100 in the Spanish aerospace industry due to "external" motivations, such as to increase their institutional legitimacy and reputation. Nevertheless, firms, where "internal" motivations such as to improve their operational execution or organizational processes are predominant, showed superior benefits as a result of implementing the standards. The conclusions of this article may be of interest both for academic and professional spheres of activity.

Keywords Quality management · Quality assurance standards · EN 9100 · ISO 9000 · Spanish aerospace industry · Legitimacy

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16.1 Introduction

Currently, the high level of competition in most markets in developed economies is forcing companies to strong development of quality as a way to implement the new competitive strategy based on the “differentiation” (Fernandes, Lourenço & Silva, 2014). In this context, the management systems of quality allow companies to acquire management tools to set policies and responsibilities, allocate resources, and identify key activities (Criado & Calvo, 2009), so that these practices of quality management, being focused on continuous improvement, can lead to improvements in key business performance (García, Del Río, & Alonso, 2014).

The aerospace industry is one of the principal economic sectors worldwide. In 2012, the top 100 firms worldwide had revenues of 665,970 million dollars, which is the equivalent to 5% of the global GDP (PwC, 2013). In Spain, the aerospace industry is also significant. In 2012, it was ranked as the fifth in size in Europe (DBK, 2013) both in number of employees (40,200 workers) and revenue (6715 million euros). Exports are one of the industry’s main markets and represent 75% of revenues.

Indeed, due to the increasing complexity of the sector, there are no manufacturers that can develop a final product (airplane, helicopter, satellite, etc.) in its entirety from beginning to end. In fact, final goods in this industry are the product of a collaborative process between many system and subsystem manufacturers and other specialist firms. This originates a dense network of contractors and has led to the progressive internationalization of the manufacturing and development functions (TEDAE, 2010).

As in other global industries, externalization and delocalization are common strategic elements. In addition, security has always been the main prerequisite for any product in this industry. Therefore, it became indispensable to establish normalization and quality control protocols for the management systems of these global supply chains (Del Río & Martínez, 2008). Standardization is a mechanism that facilitates exchanges and international commerce in a global economy by eliminating the barriers derived from each country’s individual practices (Heras & Boiral, 2013). In consequence, quality standards in the aerospace industry have always been superior to those in other industrial sectors with the exception perhaps of the automotive industry (Grijalbo & Prida, 2005a; Gutierrez, 2008).

Among these quality assurance standards, the ISO 9000 is a series of norms that strive to standardize processes, functions, and roles but do not necessarily prescribe goals or results (Braun, 2005; Guler, Guillen, & MacPherson, 2002). Implementing quality assurance standards requires time, financial, and organizational investments, both at the beginning of implementation and for maintenance (Pires, Cociorva, Saraiva, Novas, & Rosa, 2013), that are expected to maximize their return, with the different perceived benefits which directly or indirectly lead to better business performance (Alic, 2014; Magd, 2008; Rusjan & Alic, 2010). Nevertheless, these investments do not always have positive returns (Psomas, Fotopoulos, & Kafetzopoulos, 2010), and negative effects—such as increased bureaucracy, extra work, etc.—appear and sometimes prevail over the positive ones (Delic, Radlovacki, Kamberovic, Maksimovic, & Pecujlija, 2014), which may partially account for the stagnation or even reduction of the number of certificates that has been occurring since 2010 (Alic, 2014; Dahlgaard-Park, Chen, Jang, & Dahlgaard, 2013). This would seem to indicate that it is not enough to meet criteria for certification in these standards but that there are other factors that determine a positive result (Zelnika, Maletic, Maletic, & Gomiscek, 2012).

One of these factors could be the motivations that impelled the organization to implement these standards (Boiral, 2011; Criado & Calvo, 2009; Heras, Casadesús, & Marimón, 2011; Lee, To, & Yu, 2009; Psomas et al., 2010; Sampaio, Saraiva, & Rodrigues, 2010). These motivations can be classified in two groups: (a) external, due to the pressure of the different stakeholders, related to the institutional theory from a theoretical perspective, and (b) internal, with the objective of improving the organizational processes (Nair & Prajogo, 2009).

The EN 9100 standard family (AS 9100 in America and SIAC 9100 in Asia) was originated by IAQG (International Aeroespacial Quality Group) as an adaptation of the ISO 9000 standards to the aerospace industry, with 83 additional requirements specifically adapted to the aerospace industry in areas that directly impact reliability and security of aerospace products such as design, purchasing, process control, inspection and testing, and nonconformity control. In December 2012, the OASIS database of IAQG—a registry of firms that adhere to these standards—counted 14,300 business headquarters worldwide. Logically, implementation of these standards has superior costs in comparison to the more generic ISO 9000 since it has additional requirements for the aerospace sector. In theory, the cost of adhering to the more stringent set of standards should be compensated by their increased benefits.

This paper aims to start filling the research void on the implementation of quality assurance standards in the aerospace industry. The goals of the current investigation are (a) to analyze the motivations of Spanish aerospace firms in adhering to EN 9100 standard as well as their relative importance and (b) to find out whether the type of motivation affects the "internal" or "external" benefits resulting from implementing this standard. To this end, a survey was sent to the 306 firms in the sector in 2011 since this was the latest complete fiscal year when research was initiated (October 2012). With the data collected from 122 valid responses, the authors applied ANOVA testing and a simple linear regression model.

16.2 Literature Review

Studies on the EN 9100 standard are scarce. Some focus on its general characteristics and the differences with ISO 9000 standards (Beltrán, 2002; Grijalbo & Prida, 2005b; Gutierrez, 2008; Juny, 2005). Others study how commonplace its implementation is among first-tier manufacturers and suppliers (it is widespread) versus second and third tiers where implementation is uneven (Grijalbo & Prida, 2005a, 2005c). Another cohort of studies examines models and recommended procedures to adhere to these standards (IAT, 2003). A final group describes how EN 9100 has been implemented in specific aerospace firms (Mugarra, 2003; Murga, 2002; Vilar, 2003). Nevertheless, none of these papers analyze the areas targeted by this study. For this reason, the authors extended their literature review to works that examine the ISO 9000 standard. The ISO 9000 is the predecessor of EN 9100 and has been widely studied in industries outside the aerospace sector.

Research on motivation to adhere ISO 9000 standards shows that unless required by specific regulation (Rodriguez-Escobar, Gonzalez-Benito, & Martínez-Lorente, 2006), implementation is usually originated by the firm itself based on positive result expectations attributed to the standards (Alic, 2014; Magd, 2008; Rusjan & Alic, 2010).

Given that in the Spanish aerospace industry it is not compulsory to adhere to EN 9100, motivation to implement must have a proactive component. Examining studies on motivation in ISO 9000 firms, there are two main types of benefit expectations: those of "external" nature (institutional legitimacy, image and market positioning, financial or marketing issues, customer relations) along with "internal" motivators such as organizational and operational process improvements or human resource management (Boiral & Amara, 2009; Corbett, Montes & Kirsch, 2005; Gotzamani & Tsiotras, 2002; Sampaio et al., 2010). From a theoretical standpoint, these two types of motivations—internal and external—correspond with two views of organizational decision-making: institutional theory and resource- and capability-based theories (Martínez-Costa, Martínez-Lorente, & Choi, 2008; Prajogo, 2011).

Most previous research identifies external motivators as primary (Bhuiyan & Alam, 2005; Heras & Arana, 2006; Kammoun & Aouni, 2013; Martínez-Costa et al., 2008; Melao & Guia, 2013; Poksinska, Dahlgaard, & Antoni, 2002; Rodriguez-Escobar et al., 2006; Terziovski, Power, & Sohal, 2003), although there are those that defend the opposing view or that, at the very least, both internal and external motivators are equally important (Chang & Lo, 2005; Del Río, Alvárez, & Fraiz, 2012; Fotopoulos & Psomas, 2010; Gotzamani & Tsiotras, 2002; Heras et al., 2011; Yeung, Lee, & Chan, 2003).

Regarding the benefits of implementing ISO 9000, some authors do not find any or find that they are limited in scope (Boiral & Amara, 2009; Delic et al., 2014; Martinez-Costa, Choi, Martínez, & Martinez-Lorente, 2009; Martínez-Costa & Martínez-Lorente, 2003; Quazi, Hong, & Meng, 2002; Wilson, Walsh, & Needy, 2003), but most researchers agree that implementing ISO 9000 standards has positive effects on firms. There are mainly two types of benefits to be derived from implementation: those that pertain to "internal aspects" (organizational, operational, or human resource management) and those related to "external aspects" (financial, marketing, and stakeholders relations) (Casadesus, Karapetrovic, & Heras, 2004; Gotzamani & Tsiotras, 2002; Gutierrez, Torres, & Molina, 2010; Sampaio et al., 2010; Tari, Molina-Azorín, & Heras, 2012).

Comparing the relative importance of each type of benefit, some authors prioritize the positive effects of internal benefits (Bhuiyan & Alam, 2005; Heras et al., 2011; Lo, Yeung, & Cheng, 2009; Martínez-Costa et al., 2008; Melao & Guia, 2013; Terziovski & Power, 2007; Wahid & Corner, 2009), while others emphasize external ones (Benner & Veloso, 2008; Corbett, Montes, & Kirsch, 2005; Dick, Heras, & Casadesús, 2008; Karapetrovic, Casadesus, & Heras, 2010; Martínez-Costa & Martínez-Lorente, 2007; Wayhan, Kirche, & Khumawala, 2002). Nevertheless, most studies identify both internal and external positive effects (Calisir, 2007; Feng, Terziovski, & Samson, 2008; Gotzamani & Tsiotras, 2002; Lo & Chang, 2007; Rodriguez-Escobar et al., 2006). Furthermore, Karapetrovic et al. (2010) confirm that the ISO 9000 benefits and costs decrease over time, but benefits remain important, at least the ones referred to the first objective of the ISO 9001:2000 standard: customer satisfaction.

Finally, previous research on the relation between the different types of motivation to implement ISO 9000 standards (internal or external) and resulting benefits points to a consensus regarding the greater results of implementing the standards because of internal motivators rather than external pressures of different stakeholders or to improve external aspects (legitimacy/reputation and image improvement/following a trend) (Boiral & Roy, 2007; Casadesus, Heras, & Marimon, 2011; Feng et al., 2008; Gotzamani & Tsiotras, 2002; Heras et al., 2011; Lee et al., 2009; Martínez-Costa et al., 2008; Prajogo, 2011; Rodriguez-Escobar et al., 2006; Sampaio et al., 2010). Assertions to the contrary are an exception to the norm (Bhuiyan & Alam, 2005).

16.3 Methodology

Sample

The present study targeted firms in the Spanish aerospace industry: all those involved in developing, manufacturing, or maintaining aerospace products. This industry is made up of a wide variety of concerns. For this reason, the authors compiled multiple industry-specific databases, as shown in Table 16.1.

Table 16.1 Survey population breakdown according to census

	Firms in aerospace industry			
Census	Aviation subsector	Aerospace subsector	Ancillary businesses	Total
TEDAE	34	6	12	52
OASIS	96	7	57	160
Other	78	5	11	94
Total	208	18	80	306

Table 16.2 Question areas under study

Internal aspects	
Related to organizational processes	Production management control, definition of responsibilities and rules, process documentation, etc.
Related to operational execution	Efficient use of resources, inspection and logistic cost decrease, decline in nonconformity, etc.
Related to HR	Job satisfaction, work team dynamics, employee suggestion systems, etc.
External aspects	
Related to finance and marketing	Sales volume, market quota, sales-per-employee ratio, etc.
Related to stakeholders relations	Legitimacy and public image and reputation, client retention, number of complaints, etc.

Table 16.3 Technical specifications of the survey

Universe	Spanish firms in the aerospace industry
Sampling technique	Random: the survey was sent to all entities in the universe
Methodology	Mail and online survey
Individuals receiving the survey	Director of quality assurance or equivalent
Population	306
Sample size	122
Confidence level	95% ($z = 1.96$; $p = q = 0.5$)
Sampling error	6.9%
Time period	From October 1, 2012 to January 31, 2013

Methodology

Data for the study was obtained from a survey sent to all firms in the census. The questions in the survey were derived from previous studies on ISO 9000 standards (Casadesus et al., 2004; Gotzamani & Tsiotras, 2002; Mercado, Castillo, & Mateo, 2005). Based on the literature review, questions were included to ascertain both the motivations to implement EN 9100 standard and the results of the process. The main areas and their typology are shown in Table 16.2:

One hundred twenty-two valid survey responses were received or 39.9% of the population (306 firms). The EN 9100 standard has been widely adopted among survey participants (74.6% or 91 firms). Ninety percent of those implemented the standard at least 3 years ago, and 76% of them has adhered all its processes to the standard. Both the longevity and the level of implementation reinforce the validity of the data obtained from the survey. Based on this information, Table 16.3 offers the technical specifications of the survey:

Proposed Model

To deepen our understanding on the influence of each type of predominant motivation (internal/external) on each of the internal (organizational, operational, human resources) or external (financial and marketing, human resource management) positive effects, the authors developed a simple linear regression model with the following variables:

Dependent Y variables: Positive effects as a result of implementing EN 9100 standard, as defined in Table 16.1. These variables can adopt five possible values: (1) very low, (2) low, (3) average, (4) high, and (5) very high:

y_1 variable: positive effects related to organizational processes (OrgEN)
y_2 variable: positive effects related to operational execution (EjecEN)
y_3 variable: positive effects related to human resources (RrhhEN)
y_4 variable: positive effects related to finance and marketing (FinComEN)
y_5 variable: positive effects related to stakeholders relations (StakeEN)

Independent X variable:

x_1 variable: Main motivation type (internal/external) for implementation (*TipoMot*). Using data collected in the survey distributed among participating firms, this value can be either 1, if external motivations are the main type, or 2, if internal motivations are predominant.

Utilizing these variables a simple linear regression model was built:

$$y_i = \beta_0 + \beta_1^* x_{1,i} + u_i$$

$$\text{Effect}_I = \beta_0 + \beta_1^* \text{MotType}_{1,i} + u_i$$

Table 16.4 Importance of "internal" motivators to adhere to EN 9100

	Importance level of internal motives (% of firms that chooses each option)				
Types of internal motives	Very low	Low	Average	High	Very high
Related to organizational processes	2%	7%	16%	48%	27%
Related to operational execution	8%	19%	26%	26%	21%
Related to HR	17%	21%	26%	28%	8%

Table 16.5 Importance of "external" motivators to adhere to EN 9100

	Importance level of external motives (% of firms that chooses each option)				
Types of external motives	Very low	Low	Average	High	Very high
Related to finance and marketing	0%	4%	14%	43%	39%
Related to stakeholders relations	0%	2%	10%	41%	47%

Table 16.6 Influence level of EN 9100 in obtaining positive internal effects

	Influence level of EN 9100 in obtaining positive internal effects (% of firms that choose each option)				
Types of positive internal effects	Very low	Low	Average	High	Very high
Related to organizational processes	0%	6%	20%	46%	28%
Related to operational execution	2%	15%	22%	40%	21%
Related to HR	10%	18%	30%	30%	12%

Table 16.7 Influence level of EN 9100 in obtaining positive external effects

	Influence level of EN 9100 in obtaining positive external effects (% of firms that choose each option)				
Types of positive external effects	Very low	Low	Average	High	Very high
Related to finance and marketing	2%	4%	17%	42%	35%
Related to stakeholders relations	0%	1%	12%	44%	43%

16.4 Results

With regard to the paper's first goal, *to analyze the motivations of Spanish aerospace firms in adhering to EN 9100 standard and the relative importance of each motivation type*, Tables 16.4 and 16.5 present the importance levels assigned to each "internal" or "external" motivating factor.

The above tables show that firms assign high importance to external motivators. A high percentage of firms state that marketing, finance (82%), and stakeholders relations (88%) motives were of high or very high importance in their decision to implement EN 9100.

On the other hand, firms assign less importance to internal motivators. Organizational improvement is the primary motivator (75% responded that it was of high or very high importance), while operational execution and HR lag behind (47% and 36%, respectively).

Regarding the paper's second objective, *to analyze the possible relation between types of motivation to implement EN 9100 in the Spanish aerospace industry and the resulting positive internal or external effects*, the information collected is shown in Tables 16.6 and 16.7. These tables show how much of an influence participating firms consider exists between adhering to EN 9100 and the existence of positive internal or external effects as described in Table 16.2.

Tables 16.6 and 16.7 demonstrate that adhering to EN 9100 has both internal and external positive effects. Among internal results, organizational improvements are the most frequently reported. Seventy-four percent of the surveyed firms responded that the EN 9100 had a high or very high influence on improving these areas, followed by improvements in operational execution (61%) and human resources to a lesser extent (42%). Among the types of positive external results, firms report high or very high benefits in improving stakeholders relations (87%), followed by benefits in the marketing and financial functions (77%). Overall, positive external effects

Table 16.8 ANOVA for the positive effects derived from implementing EN 9100, according to the predominant internal or external motivation to the standard

Variables	Sig.
Internal organizational effect	0.015
Internal operational execution effect	0.000
Internal HR effect	0.000
External finance and marketing effect	0.080
External stakeholders relations effect	0.021

Factor: Internal or external motivation type
$p < 0.05$ is significant at 95% confidence level

Table 16.9 Independent variable coefficients for model

Dependent variable	Independent variable	Nonstandardized coefficients		Standardized coefficients		
		Beta	Standard error	Beta	*t*	Sig.
OrgEN	(Constant)	2.481	0.265		9.358	0.000
	Motivation type	0.444	0.188	0.258	2.370	0.020
ExecEN	(Constant)	1.815	0.284		6.391	0.000
	Motivation type	0.778	0.201	0.400	3.873	0.000
HrEN	(Constant)	1.519	0.258		5.881	0.000
	Motivation type	0.815	0.183	0.449	4.463	0.000
FinMkEN	(Constant)	3.148	0.221		14.223	0.000
	Motivation type	0.278	0.157	0.196	1.775	0.080
StaketEN	(Constant)	2.963	0.211		14.044	0.000
	Motivation type	0.352	0.149	0.256	2.358	0.021

derived from implementing the EN 9100 standard clearly outweigh any positive internal effects with a minimum high or very high external effect importance rating of 77% versus a maximum of 74% for internal effects.

To analyze how the different types of motivation to adhere to EN 9100 relate to the benefits derived from implementation, two groups were defined. In the first, external motivation to adhere to EN 9100 was stronger than internal. In the second, internal motives were at the very least balanced with external ones.

An analysis of variance (ANOVA) test was then applied to both groups. The analysis shows significant differences in positive internal and stakeholders relations effects among the two groups. The relationship with positive external financial and marketing effects did not surpass the significance threshold. ANOVA results are shown in Tables 16.7 and 16.8.

Furthermore, to deepen our understanding on the influence of each type of predominant motivation (internal/external) on each of the internal (organizational, operational, human resources management) or external (financial and marketing, stakeholders relations) positive effects, the authors developed a simple linear regression model. Table 16.9 shows the results obtained by this model. Specifically, it contains the coefficients for the independent variable (main type of motivation) in relation to the dependent variable (each of the effects).

Thus, the final model would be:

Table 16.10 Coefficient of determination

Dependent variable	R^2 (%)
OrgEN	16.60
ExecEN	16.00
HrEN	20.10
FinMkEN	3.80
StakeEN	16.60

$$\mathrm{OrgEN} = 2.481 + 0.444\left(\mathrm{TipoMot}\right) + u,$$
$$\mathrm{EjecEN} = 1.815 + 0.778\left(\mathrm{TipoMot}\right) + u,$$
$$\mathrm{RrhhEN} = 1.519 + 0.815\left(\mathrm{TipoMot}\right) + u,$$
$$\mathrm{FinComEN} = 3.148 + 0.278\left(\mathrm{TipoMot}\right) + u,$$
$$\mathrm{StakeEN} = 2.963 + 0.352\left(\mathrm{TipoMot}\right) + u,$$

Based on the data in Table 16.9, the "main motivation-type" variable is proven as significant—with $t > 2$—for each of the internal positive effects (organizational, operational, and human resources) as well as for the external positive effect on stakeholders relations. Since it is positive, an increase in the independent variable will cause an increase in the dependent variables, all other things being equal. Therefore, if the "main motivation type" increases by 1 unit, "OrgEN" will increase by 44.40%, "EjecEN" will increase by 77.80%, "RrhhEN" will increase by 81.50%, and "StakeEN" will increase by 35.20%. As the "main type of motivation" variable's value increases (which means that internal motivations are more important), so do the internal and external positive effects.

On the contrary, the "main motivation type" is a variable with $t < 2$ ($t = 1.775$) for positive financial and marketing effects from implementing the standards. Therefore, "FinComEN" is discarded as nonsignificant.

Table 16.10 includes the coefficient of determination (R^2) for each dependent variable. It shows an R^2 value between 16% and 20% (for significant values). This means that the independent variable ("main motivation type") explains between 16% and 20% of the changes in the dependent variables.

16.5 Discussion and Conclusions

This study contributes to filling a gap in the literature. Previous studies have focused predominantly on generic aspects of the EN 9100 standard and on formal processes to implement the standard. The literature therefore lacks studies on motivations and results derived from the implementation of EN 9100 in the aerospace sector. Thus, this study contributes in two key areas: (a) it provides analysis of the main motivations for aerospace firms to adhere to EN 9100 and (b) it investigates the relationship between type of motivation and type of improvement derived from adhering to the standard.

The first objective of this research was to identify motivations to implement the EN 9100 standard in the Spanish aerospace sector. Empirical data show that each external motivation received a greater number of “high” or “very high” importance ratings from firms than any internal motivation received. These findings are consistent with research by Poksinska et al. (2002), Terziovski et al. (2003), Bhuiyan and Alam (2005), Rodriguez-Escobar et al. (2006), Heras et al. (2006), Martínez-Costa et al. (2008), Melao and Guia (2013), Kammoun and Aouni (2013). These authors all found that external motivations were enough to ensure firms adhered to this standard.

The second objective of this research was to analyze relationships between aerospace firms’ type of motivation (internal or external) to implement EN 9100 and internal and external positive effects of adhering to the standard. ANOVA of firms’ survey responses showed that positive effects of adhering to EN 9100 differed significantly as a function of motivation type. These differences were observed for all types of positive internal and external effects, with the exception of financial and marketing effects (external).

Simple linear regression analysis confirmed that *type of predominant motivation (external or internal) to adhere to the EN 9100 standard* was a significant variable for all positive internal effects (i.e., improvements in organizational processes, operations, and human resources management). This variable was also significant for external effects on stakeholders relationship management, such us the level of institutional legitimacy. Effects were greater when predominant motivations for implementing EN 9100 were internal.

This finding is consistent with those reported by Gotzamani and Tsiotras (2002), Rodriguez-Escobar et al. (2006), Boiral and Roy (2007), Feng et al. (2008), Martínez-Costa et al. (2008), Lee et al. (2009), Sampaio et al. (2010), Prajogo (2011), Casadesus et al. (2011), and Heras et al. (2011). These authors concluded that if the only motivations for adhering to this standard were external (e.g., a petition from clients or improving the level of legitimacy and market image), then firms suffered a high risk of achieving the desired external result, but achieving this result, however, does not mean that the standard is really improving the firm’s quality and internal operations: The firm is neither acquiring new capabilities nor gaining sustainable competitive advantage, except by not being excluded from the market.

Results provide guidance to managers of aerospace firms so that they may successfully achieve the goals (i.e., the external and internal benefits derived from EN 9100) associated with implementing this standard. Firms can thus maximize their return from initial and ongoing investment in implementing the standard.

This research found that aerospace firms adhered to the EN 9100 standard mainly because they were seeking external benefits. Such motivations are understandable in the aerospace sector. Work is often subcontracted, and customers enjoy great negotiating power because of their size and the complexity of the work. Hence, aerospace firms should focus on obtaining internal positive effects derived from the EN 9100 standard (i.e., improvements in organizational processes, operations, and human resources management). These internal motivations can cause more successful integration of the standard’s principles in firms’ daily practices. Likewise, establishing a set of requisites (general involvement of managers and employees, training, etc.) can initially yield operational and organizational improvements in processes, products, and services and can subsequently yield sustainable improvements in quality level and stakeholders satisfaction, which ultimately yield long-term financial improvements.

Like all research, this study has some limitations. First, the nature of the research and the sampling error (6.9%) mean that results must be interpreted with caution. Results should be considered approximations until they can be confirmed by new empirical research. Second, the questionnaire collected has been completed by quality managers in aerospace firms. Therefore, respondents' opinions could suffer from some bias derived from mangers' direct involvement in decisions to implement the EN 9100 standard.

Future research should address these limitations by performing studies that confirm or extend the conclusions of the current study. To do so, future research should use new methods or should increase the sample size. Likewise, researchers should collect data from other actors in the implementation process such as employees and even customers.

In addition, given the increasingly global nature of the aerospace sector, a second future line of research would be to extend the geographic scope of this study to other continents such as America or Asia. Scholars could thereby compare results with the present study to determine whether region is a determinant factor in the implementation of the EN 9100 standard and verify whether positive effects derived from this implementation appear. Finally, a third line of research would be to identify the reasons why type of predominant motivation (external or internal) is a nonsignificant variable for obtaining positive financial and marketing (external) effects.

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Chapter 17
Explanation of the Relation Between Organizational Legitimacy and Firms' Price

Raúl Gómez-Martínez, Loarre Andreu, and Francisco Díez-Martín

Abstract This research's objective is to define what is the effect of organizational legitimacy on the price of a company's stock. To meet the objective, researchers studied both stock index and legitimacy of IBEX 35 in 19 mass media, during a 15-month period of time. Natural language processing (NLP) was used to process data, which was modeled using Bayesian networks. Results show how the probability of increase of firm's stock prices depends on the legitimacy variation obtained by the firm the day before. Also, they highlight the importance of legitimacy management through mass media, principally social media and specialized media.

Keywords Ibex 35 · Organizational legitimacy · Gain legitimacy · Stock price · Natural language processing · Bayesian networks · Mass media · Social media · Short-term analysis · Finance · Institutional theory · dVelox · Legitimacy measurement

17.1 Introduction

Literature has widely discussed the role played by legitimacy in enterprises (Deephouse & Suchman, 2008). Numerous scholars have given specific responses about aspects related to the ways to obtain legitimacy (e.g., Suddaby & Greenwood, 2005). Those reach the conclusion that legitimacy represents a necessary source for enterprises' survival (Zimmerman & Zeitz, 2002). Both "institutionalists" and organizational ecology scholars have proven it. That way, the existence of a higher

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survival rate among organizations with higher legitimacy has been proved. Examples of this are hospitals (Ruef & Scott, 1998), nonprofit organizations (Baum & Oliver, 1991), new ventures (Hannan & Carroll, 1992), and start-ups (Rao, 1994).

From the same perspective, firms that own more resources, in this case legitimacy, obtain better results. Having legitimacy permits enterprises improving their relationships with stakeholders (Cho & Pucik, 2005), the value of initial public offerings (IPOs) (Bell, Filatotchev, & Aguilera, 2014; Higgins & Gulati, 2006), or the purchase intention of their consumers (Chaney, Lunardo, & Bressolles, 2016). One of the firms' main objectives is to obtain positive financial performance. It is expected that organizational legitimacy plays an important role to achieve those results. After Deephouse (1996), research has focused on the relationship between organizational legitimacy and return on assets (ROA) (e.g., Aerts & Cormier, 2009) or unsystematic risk (Bansal & Clelland, 2004). There is a small amount of work that focuses on the relationship between organizational legitimacy and market price of business' stock. There is an explanation which can be found among the problems to measure organizational legitimacy (Díez-Martín, Blanco-González, & Prado-Román, 2010). Nevertheless, stock price composes one of the key results to investors and analysts. In this study, we ask: What is the effect that organizational legitimacy has on private stock price?

A great amount of studies uses content analysis of mass media news stories to measure organizational legitimacy (Bansal & Clelland, 2004; Deephouse, 1996; Lamin & Zaheer, 2012), mostly written media. This means that there are many limitations to develop an analysis of businesses' legitimacy. Among others, it is a problem to find a reliable sample to validate the results of this relationship in a short term. Previous studies' results are valid for long-term analysis; however, they do not seem useful to determine the impact of organizational legitimacy in a short term.

This research's objective is to determine the effect of organizational legitimacy on the price of business stock in the short term. To obtain it, the concept of legitimacy is described, as well as its relationship with enterprises' outcome. Methodology is explained in the following sections. The study is carried out using the main stock market index of reference in the Spanish stock market (IBEX 35). Bayesian networks are applied to obtain these results. Results are detailed below. Those strengthen the idea that enterprises must and can manage their legitimacy to improve their financial outcome. Last, limitations and future research guidelines are included.

17.2 Literature Review

Institutional theory suggests that organizations get more institutionalized to survive (Cruz-Suárez, Prado-Román, & Díez-Martín, 2014; Díez-de-Castro, Díez-Martín, & Vázquez-Sánchez, 2015). Probability to survive increases as the more society accepts organizations (DiMaggio & Powell, 1983). This happens when they exhibit a behavior related to the social rationality. Since it shows an adaptation to society, developing an expected behavior is the key to get institutionalized. For Suchman (1995), organizations' institutionalization and legitimation are synonym concepts. Organizational legitimacy has been defined as the perception that an organization's activities are adequate to society (Deephouse, Bundy, Tost, & Suchman, 2017). This perception is the central concept of the institutional theory (Haveman & David, 2008). Organizations are very legitimized and are very institutionalized, with less need of their acts' justification (Barley, 2008).

Enterprise outcomes could be explained by their legitimacy. This occurs mainly because the organizations whose activities are perceived as adequate and desired will receive greater support from society.

Society's behavior and values do not exactly follow a rational process, always directed toward the maximization of benefits. Generally, people do not have a clear and complete evidence that a determinate action is the only way to achieve an objective or that an objective is better than the other one. Facing uncertainties, social systems gather socially reinforced as legitimate and accepted rules, norms, values, and models by social agents. When we face uncertain decisions, individuals review these norms, rules, values, and models, so that they are able to proceed.

Limited rationality is especially challenging and paradoxical when applied to business organizations. Generally, they are considered bodies that develop rational activities. According to the economic model, an organization gets access to financial sources when it shows it can get the return on investment (ROI). That sign is showed with reasoning and appropriate evidence. Investors provide contributions looking at the rational expectations for ROI and other financial indicators (Zimmerman & Zeitz, 2002). However, their judgment is immersed in an uncertainty status, just because they are referred to an unknown future.

Following the previous example, legitimacy helps motivating investors by pointing out the organization is correctly incorporated, compromised with socially accepted rules, norms, values, and models, using appropriate tools, and looking forward acceptable objectives (Bansal & Clelland, 2004). All of this shows it is appropriate to invest on the organization, no matter what the current uncertainty about the future financial outcome is. Legitimacy improves stability and understanding of organization's activities showing its inclusion in an institutionalized system of beliefs.

Organizations follow the rule and belief systems of their environment to survive (DiMaggio & Powell, 1983), because that isomorphism makes them increase legitimacy (Deephouse, 1996). Many organizations have been unsuccessful not because their products were bad or because they did not have sources but for their lack of legitimacy (Ahlstrom & Bruton, 2001). Once an organization is labeled deprived of legitimacy, that organization is often found in a situation with no solution (e.g., Arthur-Andersen LLP).

To get adapted to social expectations is becoming more and more important for the enterprises (Simcic Brønn & Vidaver-Cohen, 2009). The organizations that survive the longest are those better adapted to pressures of the environment, which acted according to socially established norms and values. Organizations that do not get adapted to their environment do not survive (Zaheer, 1995).

Legitimacy provides a base for decision-making, which is different from other rational means. People are influenced because they think decisions made by other people or legitimate organizations are correct or appropriate, and they should be followed (Zelditch, 2001). The feeling of obligation allows legitimate organizations to gain the voluntary consent of external agents (Tyler, 2006). Many organizations can make influence on people due to legitimacy. It is not only a possession of power; they show action desirability and exemplariness.

Legitimacy improves the opportunities to acquire necessary sources to survive and grow, like capital, technology, management team, people, clients, and networks (Scott, 1995). This comes as a consequence of interest group's desires. They want organization to adapt to socially accepted norms of behavior. In this way, legitimacy leads to the continuity of organizations, because interest groups are more willing to support those organizations, which seem to be desirable, correct, or appropriate (Parsons, 1960). The importance of legitimacy comes from the acceptation and desirability of an organization's activities in their environment and social groups which will let it have access to those needed sources to survive and grow (Zimmerman & Zeitz, 2002).

Singh, Tucker, and House (1986) analyze how the youngest enterprises often perish before than older ones; one of the reasons is their lack of legitimacy. There is an explanation for this; young enterprises need to learn new routines, ways to behave, etc., to get adapted to the environment requests. At the same time, they compete against mature organizations that already have a certain level of legitimacy. That is, they have a competitive advantage. The lack of legitimacy does not let the access to needed sources to grow, not only young organizations but to all of them. Other studies have given proof that the search of competitive advantage through the development of socially accepted initiatives improves organizational legitimacy and also generates other advantages like process improvement, systems, or technology used in the organization (Bansal & Roth, 2000).

Legitimacy is a source of competitive advantage (Blanco-González, Díez-Martín, & Prado-Román, 2015), since it allows the enterprises to get more support from interest groups, to establish relationships with providers, to get better access to investors and clients, and in conclusion to increase the access to critical sources to be successful (Baum & Oliver, 1991; Díez-Martín, Prado-Roman, & Blanco-González, 2013).

Firms have developed actions, so they could maintain and increase their legitimacy, for example, the acquirement of quality certificates (Blanco-González, Cruz-Suárez, & Díez-Martín, 2015; Zammuto, 2008), the development of SCR actions (Simcic Brønn & Vidaver-Cohen, 2009), and the change of norms and behaviors through promotion campaigns, lobbying, proselytism, or generation of innovations others desire (Suchman, 1995). Organizations like *WhatsApp* have modified the way to communicate in our society, establishing socially accepted criteria, making other organizations copy their way of acting.

On the technical field, organizations get rewards in relation to their efficiency and efficacy. On the institutional field, however, organizations get adapted to norms and regulations to obtain support and legitimacy. This circumstance allows institutions to get more continuity. Despite the efficacy or efficiency level achieved, society's support and legitimacy will favor their continuity in the future.

Because of all these characteristics exposed before, we understand that a positive relation should exist between enterprises' legitimacy and their value, reflected on the firms' stock market prices. Previous studies have pointed out this relation. For example, a positive relation between organizational legitimacy and unsystematic risk on firms within heavy polluting industrial sectors (Bansal & Clelland, 2004) has been accepted. The relation between strategies to obtain legitimacy and stock price reactions (Lamin & Zaheer, 2012) has also been analyzed.

A firm's stock price depends on investors and the quantity of shares they buy and sell. This process starts with the evaluation of the firm's information in relation to the exchange. That way, investors analyze information coming from every available source, including mass media. They are able to know how desired are the activities developed by the analyzed firms by doing that.

17.3 Methods

Researchers have used multiple tools to measure organization's legitimacy. Mainly, there have been quantitative content analysis studies (Bansal & Clelland, 2004; Deephouse, 1996), interviews, and case studies (Low & Johnston, 2008; Rutherford & Buller, 2007). Questionnaires have also had an important function to measure legitimacy (Chaney et al., 2016). However, the greatest part of the measurement has been done for specific fields or activities (Deephouse et al., 2017). Some scales has been built (Chung, Berger, & DeCoster, 2015) and measurement models (Finch, Deephouse, & Varella, 2015) with secondary information (Díez-Martín, Blanco-González, & Prado-Román, 2016).

Legitimacy is a perception. It can be found within social actors' behaviors. Then, to evaluate an organization's legitimacy, it is vital to determine what is its origin. Previous research has highlighted that organizational legitimacy comes from audience, both internal and external, which observes organizations and develops evaluations about their actions (Ruef & Scott, 1998). Interest groups (clients, employees, partners, society in general) evaluate firms' legitimacy according to norms of the society they are immersed in. This organizational legitimacy evaluation process can change depending on each individual and the social context of each (Suchman, 1995). In some societies, legitimacy judgments are based on pragmatic aspects (e.g., quality-price relation), which could be more important than those based on morality (e.g., use of recycled materials).

One of the most used legitimacy sources by researchers is mass media (Bansal & Clelland, 2004; Lamin & Zaheer, 2012). Mass media inform about comments and attacks on organizations. They reflect society's values and opinion (Dowling & Pfeffer, 1975). Most studies analyzing this kind of legitimacy source have been done so by analyzing prestige media, such us *The Wall Street Journal*.

This research studies the stock market index IBEX 35 legitimacy. It is the referential index of the Spanish stock market, formed with the 35 most liquid quoted assets. Data for the IBEX 35 legitimacy analysis were withdrawn from news stories from 19 Spanish digital mass media. There was a total of 330 observations between September 11, 2015, and December 15, 2016. Multiple media were used because "different types of media are connected to different stakeholders and their different interests" (Deephouse et al., 2017, p. 15). Media used to collect data were:

- Newspapers: *20 minutos*, *ABC*, *eldiario.es*, *El Mundo*, *El País*, *El Periódico*, *La Razón y La Vanguardia*
- Specialized newspapers: *Cinco Días y Expansión*
- News agencies: Europa Press
- Radio and television: Antena 3, laSexta, RTVE, Tele 5, Telemadrid y Cadena Ser
- Social networks: Twitter

Every media analyzed is Spanish since the stock market index is from the same country. That is why all of the results will reference IBEX 35 legitimacy in Spain.

News stories were processed with natural language processing (NLP). Natural language processing is a technique coming from computation, artificial intelligence, and linguistic fields. It studies the interactions between computers and human language. To carry out this study, we developed a system of communication classification. Its objective is to label each communication as "good," "bad," or "neutral." To do so, probabilistic classifiers based on supervised learning algorithms were used. Models were trained with manually labeled corpus, so that each word that will appear later on in the study's communications has assigned points used to measure if the communication was good, bad, or neither of them. Training texts are treated previously with natural language processing techniques to extract from them those relevant characteristics for the classification. Once the system is trained and valid, it has been applied to those communications as part of the study's sample. This totally automatized communication classification system has been created by the firm Sigma Technologies. This classification tool to determine legitimacy has been used previously (Deephouse, 1996; Lamin & Zaheer, 2012).

The analysis of the relation between IBEX 35 legitimacy and its price was done using Bayesian networks (Pearl, 1988). This is a probabilistic graphical model that represents a set of random variables and their conditional dependencies via a directed acyclic graph. This method was used previously in the financial field (Neapolitan & Jiang, 2007). We use it to represent the relation of probability between legitimacy and firm's outcome. Given a determinate type of legitimacy for IBEX35, the network makes calculations about the probability to obtain an increment or reduction of the price. Created models based on Bayesian networks have been made using dVelox. dVelox is a data mining platform for decision-making in business using the best algorithms for Bayesian networks. It is a software of the firm Apara. It is also capable of displaying Bayesian networks 3D to help understand the relationship between exogenous variables (explanatory variables) and endogenous variable (target variable) to find the causes that explain the behavior of the endogenous variable. dVelox finds dependencies directly from the data and summarizes all the knowledge in an easily understandable intelligent network.

The methods used in this study in order to measure Ibex firms' legitimacy focused on social media, written media, and radio; therefore, our explicative variables are the feelings showed in each medium mentioned before. Bayesian networks work in an excellent way in this kind of scenarios where all the exogenous variables and the endogenous variables present discrete values such us "good," "bad," or "neutral" and "increases" or "decreases." In this scenario, the training of the Bayesian network will learn how was the past feeling and what happened when this feeling was giving among all of the variables, to apply the probability of going up or down on the Ibex price.

Other algorithms are not used because of the focus of this study. Temporary series use numeric data of the past, but our variables measure sentiment through categorical estates (good, bad, or neutral); therefore they are not applied. In the case of regressions, their biggest strength can be found on explicative variables being all numerical, but ours are categorical, and then we do not use regressions. Last, the use of decision trees was discarded because there are not many variables' values, so there would not be many levels.

17.4 Results

Figure 17.1 shows a Bayesian network created between IBEX 35 legitimacy and the stock exchange for this index.

Figure 17.1 shows the probabilistic graphic created after the training with the Bayesian network. The variable identified with the color green is the objective variable, in this case, if the Ibex price goes up or down in the next trading session. Variables in color blue are explicative variables, in our case, IBE X35 legitimacy given by the analyzed media. Lines show the probabilistic relation between explicative variables and the objective variable, as well as the relation between explicative variables.

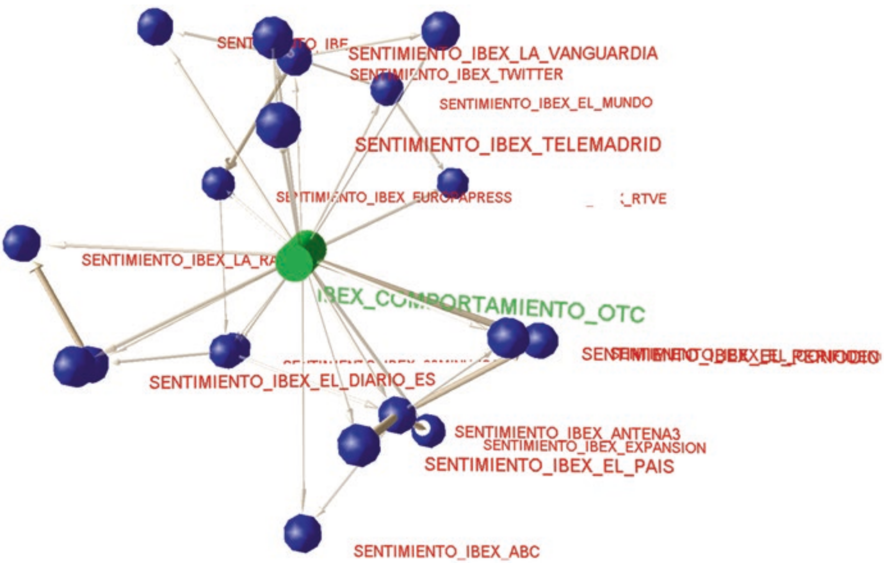

Fig. 17.1 Bayesian network

Table 17.1 Probabilities between legitimacy and IBEX 35 price

		Good		Bad		Neutral	
Media	Peso	% up	% down	% up	% down	% up	% down
Twitter	0.1355	67.21%	32.79%	46.58%	53.42%	41.18%	58.82%
Expansion	0.1122	**45.95%**	54.05%	37.10%	62.90%	53.72%	46.28%
Cinco Dias	0.1088	59.15%	40.85%	50.00%	50.00%	41.18%	58.82%
La Vanguardia	0.0924	56.84%	43.16%	48.75%	51.25%	43.62%	56.38%
La Razon	0.0869	48.42%	51.58%	41.11%	58.89%	53.96%	46.04%
Europa Press	0.0713	52.56%	47.44%	45.45%	54.55%	44.83%	55.17%
RTVE	0.0588	52.94%	47.06%	43.33%	56.67%	50.00%	50.00%
ABC	0.0583	57.14%	42.86%	39.62%	60.38%	49.58%	50.42%
El Confidencial	0.0554	50.00%	50.00%	**53.75%**	46.25%	46.39%	53.61%
El Periodico	0.0393	63.63%	36.37%	31.58%	68.42%	49.32%	50.68%
El Pais	0.0334	50.00%	50.00%	33.34%	66.66%	49.66%	50.34%
Telemadrid	0.0246	99.93%	0.07%	25.04%	74.96%	48.42%	51.58%
El diario es	0.0229	99.93%	0.07%	25.01%	74.99%	48.88%	51.12%
20 minutos	0.0070	33.37%	66.63%	57.14%	42.86%	48.73%	51.27%
El Mundo	0.0064	n.a.	n.a.	66.63%	33.37%	48.60%	51.40%
Antena 3	0.0061	n.a.	n.a.	99.70%	0.30%	48.61%	51.39%
Tele 5	0.0041	50.00%	50.00%	50.00%	50.00%	48.65%	51.35%
laSexta	0	n.a.	n.a.	n.a.	n.a.	48.77%	51.23%

The thickness of the line measures the strength of the causality relation, which the Bayesian network is found between those variables. Very thin lines show that there is almost no relation between variables.

The probability of IBE X35 experiencing upward or downward trends related to the legitimacy given by each media appears in Table 17.1. The medium that shows a stronger relation is Twitter (13.55%), followed by *Expansion* (11.22%) and *Cinco Dias* (10.88%). Specialized media have a stronger relation of probability. For example, in the case of Twitter, when IBEX 35 legitimacy given by Twitter increases, there is 67.21% probability that the stock exchange index increases the day after. In addition, when legitimacy decreases, the probability of decreasing the price is 53.42%. Generally, results suggest that legitimacy of IBEX 35 is positively correlated with its price. This happens in 99 out of 106 cases (combination of media legitimacy and price) that we could analyze. There are eight cases with no data and seven cases that showed an inverse probability to the expected result.

17.5 Discussion

Institutional theory has showed that legitimacy is a source which management can drive firms to better results. There are multiple kinds of corporate outcome; however, this research focuses on financial outcome. The relation between legitimacy and ROI has been widely explained in several researches. However, there are not many studies which have related it to one of the most important corporate kinds of outcome, the firm's stock market price. At this point, we ask: What is the effect that organizational legitimacy has on the price of a corporation's share?

Results have shown that the probability of price increase of an enterprise depends on the variation of legitimacy obtained the day before. Thus, when legitimacy increases, the price increases too. These results are expected, since enterprises with higher legitimacy show less unsystematic risk (Bansal & Clelland, 2004) and they are able to get greater resources in the market for initial public offerings (Pollock & Rindova, 2003).

To obtain these results, we have used tools to measure legitimacy, which have not been used in this field. Generally news stories were studied using work groups that read each news piece. This research used natural language processing (NLP) to classify news stories. This procedure enables the analysis of more information, including multiple sources such as social networks. Doing this, we reply to how emergent and diverse sources have effects on organizational legitimacy (Deephouse et al., 2017). The study explains that specialized media and social media have more influences on the probability of variations of firms' prices.

Since media are able to create public opinion, agents should understand that it is possible to have influence on individuals using mass media. Communication management is vital for enterprises because the legitimacy given by media produces value variations. Some communication management tools to gain legitimacy have been studied by impression management theories (Gegenhuber & Dobusch, 2016; Lounsbury & Glynn, 2001).

Last, the study presents some limitations, as well as future study suggestions. There is an amount of mass media content analyzed that could be broader, choosing international media. Studying different countries and comparing those results could be interesting (Blanco-González, Prado-Román, & Díez-Martín, 2017). This would let multinational firms improve their legitimacy policies. It would also be convenient to analyze legitimacy according to legitimacy typologies (Bitektine, 2011; Cruz-Suárez et al., 2014), which would let know what characteristics (pragmatic, cognitive, moral, etc.) have deeper effects on price variation. Finally, the use of different information sources would get more complete and reliable measures of legitimacy.

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Chapter 18
Organizational Legitimacy and Stakeholder Trust in the Organization: A Feed-Forward Relationship

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Abstract The main goal of this study is to enlarge the understanding of the concept of legitimacy. In recent decades, organizational legitimacy has received a great deal of attention from researchers who have tried to establish how organizations acquire, manage, and use it. However, there is still no conceptual agreement on how organizational legitimacy should be understood and how it can be measured. This reflects the complexity in the literature about understanding this phenomenon and suggests research opportunities. This chapter aims to strengthen the understanding of the role legitimacy plays in organizations by reviewing the related literature and analyzing the relationship between legitimacy and trust. Our findings suggest that there is a positive relationship between these two concepts. Moreover, we conclude that legitimacy can be achieved in two different ways: the first via trust and the second via control. In the first instance, we found a double-loop relationship between legitimacy and trust, generating a feed-forward relationship, given that both of these concepts mutually reinforce each other. In the second instance, there is a single-loop relationship because legitimacy based on control improves stakeholders' trust in the organization. However, there is no reciprocal impact given that the legalistic remedies used are, in fact, the substitutes of trust.

Keywords Organizational legitimacy · Institutional theory · Trust · Legitimacy based on trust · Legitimacy based on control · Stakeholders

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18.1 Introduction

Legitimacy has been considered as an important factor for organizational survival (Greenwood, Oliver, Suddaby, & Sahlin-Andersson, 2008). Organizational legitimacy, in particular, has received significant attention from researchers of institutional theory (Meyer & Rowan, 1977) and has become a fundamental issue in the field of business management. Recognizing legitimacy is essential for organizations because it facilitates access to the resources required for organizational growth and survival.

In recent decades, researchers have tried to understand how organizations use legitimacy and how this affects organizational results. However, there is still no agreement on how to understand legitimacy, how to measure it, and how to achieve it in the organization. Several investigations have aimed to delve deeper into the concept by analyzing different dimensions, such as regulatory, normative, and cognitive legitimacy, as well as pragmatic, moral, and cognitive legitimacy (Bitektine, 2011). However, this dimensionality has made understanding organizational legitimacy more difficult due to the existence of a variety of dimensions reflecting even greater complexity.

How organizations obtain legitimacy is of great interest in the field of social sciences (Stryker, 1994), and much research has addressed this phenomenon in management, entrepreneurship, and sociology, considering legitimacy as the way resource-holding audiences judge the acceptability, desirability, and appropriateness of an organization (Bitektine, 2011; Suchman, 1995). Although interest in this topic began with the seminal works of Suchman (1995) and Scott (1995), publications in high impact journals have increased over the last decade. Yet there are still several research opportunities available about organizational legitimacy, given that existing research is fragmented and contradictory (Überbacher, 2014). For example, many of the studies found in the literature have focused on successful organizations, suggesting they have legitimacy because they achieve sustainable benefits (Zimmerman & Zeitz, 2002). However, legitimacy is fundamental for any organization because it is related to society's perception of the actions it carries out.

The present chapter suggests a connection between trust and legitimacy, since trust is recognized as the lubricant of society, and through it the organization is legitimized. Therefore, trust is seen to be a key enabler of organizational success. We propose that legitimacy can be achieved in two different ways: the first via trust and the second via control. In the first instance, when referring to legitimacy built on trust, there is a double-loop relationship between the two concepts. Therefore, good communication and an environment of trust are essential if it is to be successful. In the second instance, when referring to legitimacy based on control, there will only be a single loop between legitimacy and trust, and this will be built on exhaustive compliance with the norms of the organization.

Therefore, the main purpose of this work is to improve the understanding of the concept of legitimacy, as well as to provide a set of arguments that contribute to its theoretical development. We reviewed the literature related to organizational legitimacy and established new connections between legitimacy and organizational trust. This chapter is structured as follows: (1) the concept of organizational legitimacy, (2) types of legitimacy, (3) strategies of legitimacy, (4) how legitimacy is measured, (5) the impact of legitimacy on organizations, (6) the role of organizational trust, (7) the relationship between trust and legitimacy types and strategies, (8) legitimacy based on trust and control, and (9) final discussion and conclusions.

18.2 The Concept of Organizational Legitimacy

Organizational legitimacy has been analyzed using different theories, such as resource dependence, organizational ecology, and institutional theory. This study focuses on understanding the concept from the perspective of institutional theory, given that it has been used frequently to explain legitimacy. The experts have studied different aspects of legitimacy, such as how legitimacy benefits organizations (Baum & Oliver, 1991; Zimmerman & Zeitz, 2002), how organizations can achieve legitimacy (Golant & Sillince, 2007; Suddaby & Greenwood, 2005), how organizations can maintain their legitimacy in crisis situations (Elsbach, 1994; Suchman, 1995), and how they can lose legitimacy in crisis situations (Sine & David, 2003). Some of the most widely used definitions of organizational legitimacy are set out in Table 18.1. They show that legitimacy can be understood in the organization as actors' perceptions, as a judgment, or as the behavioral consequences of perception and judgment (Bitektine, 2011).

Legitimacy is a fundamental factor for organizations that need to respond to demands within their environment (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Meyer & Rowan, 1977). Conversely, a lack of legitimacy impedes access to resources and decreases the support of important stakeholders (Ashforth & Gibbs, 1990). The basic idea of legitimacy centers on the social and legal system

Table 18.1 Definitions of legitimacy

Definition	Definition scope
"Appraisal of action in terms of shared or common values in the context of the involvement of the action in the social system." Parsons (1960, p. 175)	Judgment
Implied congruence with the cultural environment, with "the norms of acceptable behavior in the larger social system." Dowling and Pfeffer (1975, p. 122)	Judgment and behavioral consequences
A generalized perception of organizational actions as "desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions." Suchman (1995, p. 574)	Perception and judgment
"The degree to which broader publics view a company's activities as socially acceptable and desirable because its practices comply with industry norms and broader societal expectations." Rindova, Pollock, and Hayward (2006, p. 55)	Perception and judgment

Source: Adapted from Bitektine (2011)

and cultural expectations, which regulate people's behavior. According to Tang (2017), Weber was the first academic to introduce legitimacy to sociological research, arguing that legitimacy was consistent with organizational rules and structures and stemmed from the coherence between organizational goals and social rules, norms, and laws.

The legitimacy of formal structures is one of the theories that predominates over an alternative source consisting of a formal Weberian structure. Affirmations about bureaucratization are based on the assumption of norms of rationality (Thompson, 1967). These norms of rationality exist more specifically in rules, understanding, and institutionalized social structures. Norms play causal roles in the theories of bureaucratization because they are incorporated into modern societies as highly general values, which facilitate formal organization (Meyer & Rowan, 1977).

Institutional rules provide rational and legitimate explanations, and the organizations that have them are oriented toward collective goals. Organizations that omit the environmental legitimacy of structure are more vulnerable to claims that they are negligent, irrational, or unnecessary (Meyer & Rowan, 1977). Organizational legitimacy is desirable and accepted in any environment, since it guarantees that activities are carried out in accordance with the norms, beliefs, values, and principles that make up the social system to which they belong. Therefore, legitimacy plays an essential role in organizational growth and survival (Zimmerman & Zeitz, 2002). Next, we study the types of legitimacy, which are fundamental to understanding their relationship with other concepts.

18.3 Types of Legitimacy

Legitimacy is present in the behavior of social actors, who are aware of its role when making business decisions. Table 18.2 shows some of the types of legitimacy found in the literary review.

Although these types of legitimacy seem to have points in common with each other, they reside in different behavioral dynamics and imply a perception that activities within the organization are correct in a social system of norms, values, and beliefs. In particular, the literature shows that the types of legitimacy that are most widely accepted are those proposed by Suchman (1995). Accordingly, a brief explanation of these types is set out below (Table 18.3).

Pragmatic legitimacy is based on "the self-interested calculations of an organization's most immediate audiences" (Suchman, 1995, p. 578). On the other hand, moral legitimacy is based on the normative evaluation systems of the organization. This kind of legitimacy is granted if the behavior of the organization is correct. Finally, cognitive legitimacy refers to the "mere acceptance of the organization as necessary or inevitable based on some taken-for-granted cultural account" (Suchman, 1995, p. 582). If an organization bases its legitimacy on a pragmatic, moral, or cognitive dimension, it can become more sustainable. To achieve legitimacy, general rules must be met and strategies must be developed. Therefore, this study centers on the actions or strategies that organizations follow to achieve legitimacy.

Table 18.2 Types of legitimacy

Authors	Types of legitimacy
Singh, Tucker, and House (1986)	Internal legitimacy
	External legitimacy
Aldrich and Fiol (1994)	Social and political legitimacy
	Cognitive legitimacy
Scott (1995)	Regulatory legitimacy
	Normative legitimacy
	Cognitive legitimacy
Suchman (1995)	Pragmatic legitimacy
	Moral legitimacy
	Cognitive legitimacy
Hunt and Aldrich (1996)	Regulatory sociopolitical legitimacy
	Normative sociopolitical legitimacy
	Cognitive sociopolitical legitimacy
Greenwood , Suddaby & Hinnings (2002)	Expert legitimacy
	General specification legitimacy
Archibald (2004)	Regulatory legitimacy
	Cultural legitimacy

Source: Adapted from Díez-Martín, Blanco-González, and Prado-Román (2010b) and Tang (2017)

Table 18.3 Types of legitimacy proposed by Suchman (1995)

Type of legitimacy	Characteristics
Pragmatic legitimacy	Interest in the organization's environment
	Relationship between an organization and its environment can become a power relationship
	There is a materialistic relationship between power and dependence
	The organization's receptivity to its own interests is more important than obtaining major benefits
	The actions of the organization are supported, since people share their interests, values, and beliefs, and they are considered honest and reliable
	Trust is derived from compliance with rules and expectations generated by the industry
Moral legitimacy	This is analyzed by assessing the suitability of the outputs, procedures, and structure that the organization uses to achieve its objectives
	It rests on judgments about whether a specific type of action is what really needs to be done
	In this dimension, the organization is desirable when stakeholders are treated in the way that is expected in the social system in which they operate
	It is more difficult to achieve, is easier to manipulate, and is stronger than pragmatic legitimacy
Cognitive legitimacy	It belongs to actions that help make sense of decision-making
	It helps to solve problems, making sense of decision- making
	It is based on knowledge, rather than interest or evaluation
	It results from taking the belief system as its own, specifying and codifying knowledge
	It includes activities that simplify decision-making processes, making them more rational

18.4 Legitimacy Strategies

The first academics who studied legitimacy through the institutional theory suggested that, to achieve legitimacy, organizations should comply with norms, beliefs, and general rules (Meyer & Rowan, 1977; Scott, 1995). Over the years, it was determined that strategies could be developed to manage legitimacy. They were grouped by Suchman (1995) into three areas: (1) strategies to gain legitimacy, (2) strategies to maintain legitimacy, and (3) strategies to recover lost legitimacy. Accordingly, organizations can acquire, preserve, or repair their legitimacy. A brief description of each strategy is set out below:

As shown in Table 18.4, three types of legitimacy strategies have been identified. Strategies to gain legitimacy might be more appropriate for new organizations, since they need to acquire legitimacy quickly. Strategies for maintaining and recovering legitimacy seem to be more appropriate for established organizations (Zimmerman & Zeitz, 2002).

Up until now, different researchers have tried to improve the understanding of the concept of legitimacy by defining dimensions and strategies to try to accurately measure legitimacy. However, its quantification continues to be a controversial issue.

18.5 How to Measure Organizational Legitimacy

Although institutional theory has identified legitimacy as a key factor of organizational success, there is little empirical research that supports the importance of legitimacy, given the problems involved in its quantification. In general, the ways of measuring legitimacy have been very controversial.

On the one hand, researchers have traditionally treated legitimacy as a dichotomous variable, that is, organizations can be legitimized or not (Scott, 1995). Other studies have analyzed legitimacy as a continuous variable (Deeds, Mang, & Frandsen, 1997).

On the other hand, researchers who consider that legitimacy resides in the behavior of social actors have tried to measure legitimacy using several measures, either indirectly or through approximations related to sources of legitimacy (Hunt & Aldrich, 1996; Scott, 1995; Suchman, 1995). Various methodologies have also been used based on interviews, such as case study methods (Low & Johnston, 2008; Rutherford & Buller, 2007) and a few quantitative content methods (Bansal & Clelland, 2004; Deephouse & Carter, 2005; Ruef & Scott, 1998) which have employed specific indicators that have been appropriate for establishing measures for organizations belonging to the same sector. However, these could not be transferred to other sectors. It should be noted that this type of measurement provides a more tangible form of how an organization functions in relation to the values of the society in which it operates.

Although different authors have produced measurements of legitimacy, they have not established a methodology capable of measuring legitimacy in organizations

Table 18.4 Strategies of legitimacy

Strategies	Definitions	Types of strategies
Gaining legitimacy	This occurs in proactive organizations, where managers have advanced knowledge of their plans and the need for legitimacy. In this environment, there is usually a construction of legitimacy	There are three types of strategies to gain legitimacy:
		1. Conforming to environments. This involves "efforts to conform to the dictates of preexisting audiences within the organization's current environment." Suchman (1995, p. 587)
		2. Selecting among environments. This involves "efforts to select among multiple environments in pursuit of an audience that will support current practices." Suchman (1995, p. 587)
		3. Manipulating environments. This involves "efforts to manipulate environmental structure by creating new audiences and new legitimating beliefs." Suchman (1995, p. 587)
Maintaining legitimacy	Legitimacy must be maintained once it is obtained, since problems can arise that threaten the legitimacy of organizations. To maintain legitimacy it is necessary to have a perception of future changes and to protect past achievements	There are two types of strategies to maintain legitimacy:
		1. Perceiving change. This "focuses on enhancing the organization's ability to recognize audience reactions and to foresee emerging challenges." Suchman (1995, p. 594)
		2. Protecting accomplishments. "In addition to guarding against unforeseen challenges, organizations may seek to buttress the legitimacy they have already acquired." Suchman (1995, p. 594)
Repairing legitimacy	This is similar to gaining legitimacy. It represents a reactive response to the appearance of differences between the actions of the organization and the beliefs of the social system	There are three types of strategies to repair legitimacy:
		1. Normalizing accounts. This "separates the threatening revelation from larger assessments of the organization as a whole." Suchman (1995, p. 598)
		2. Restructuring. "Narrowly tailored changes that mesh with equally focused normalizing accounts can serve as effective damage-containment techniques." Suchman (1995, p. 598)
		3. Avoid panic. "Managers facing a legitimacy crisis should avoid panic" (Suchman, 1995, p. 599), to prevent threats that affect decision-making and organizational failure

Source: Adapted from Suchman (1995)

belonging to different environments. Díez-Martín et al. (2010b) suggested a way to operationalize legitimacy using a model proposed by Thomas (2005), who set out a measure for legitimacy based on the studies of Harris (1994), Dornbush and Scott (1975), and Suchman (1995), which quantified legitimacy using a dimension of a referential locus and a dimension of an evaluation criteria, stating that this characterization could include indicators which were applicable in any organization.

However, this has not been widely accepted. Therefore, there is still a gap in the literature about how to measure organizational legitimacy.

According to the above, different evaluation techniques, such as interviews, surveys, and simulations, can be used to measure the dimensions of legitimacy. Yet it is important to progress in qualitative and quantitative research that will empirically support the relationships between legitimacy and different organizational characteristics.

18.6 The Effect of Legitimacy on the Organization

According to the institutional theory, legitimacy considers the relationship between values, norms, and the expectations of society and the activities and results of the organization (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975). Similarly, legitimacy reflects cultural alignment, normative support, and consonance with relevant rules and laws (Scott, 1995). For many decades, the institutional theory has been mainly used to study the adoption of organizational strategies, with one of its central principles being that organizations need to gain and maintain their legitimacy in order to survive. It can be concluded that organizations comply with existing systems of norms, rules, and beliefs because these systems enable them to gain legitimacy (Suchman, 1995).

The institutional theory indicates that organizational legitimacy must exist to ensure that activities inside the company are appropriate and desirable and are recognized and accepted by stakeholders (such as customers and suppliers). The perception of high legitimacy is important for organizations, given that they are considered to be more predictable, reliable, and balanced as a result (Suchman, 1995). Therefore, by increasing the perception of legitimacy among stakeholders, organizations can find clients more easily, interact with suppliers, and increase their access to critical resources, which are necessary conditions to achieve success (Baum & Oliver, 1991). Therefore, legitimacy is considered to be a critical factor for organizational survival.

On one hand, several organizations have failed because of their lack of legitimacy or because their legitimacy has deteriorated. When an organization has no legitimacy, or this is insufficient, it moves into a situation of social eviction (Vanhonacker, 2000). This lack of legitimacy means that the organization does not act according to social norms and values, thus leading to organizational failure. Therefore, it is evident in the literature that legitimacy is a key factor that can lead to success or failure. According to Zaheer (1995), organizations survive longer if they can adjust to the pressures of the environment, acting in accordance with socially established norms and values. Organizational legitimacy indicates that an organization is committed to rules, norms, values, and accepting social models, thus implying that they pursue rational objectives. Legitimacy also improves the stability and understanding of organizational activities, revealing inclusion in an institutionalized system of beliefs and actions (Díez-Martín, Blanco-González, & Prado-Román, 2010a).

On the other hand, legitimacy can also be considered as a slippery organizational condition. Social values and expectations are often contradictory, difficult to implement, and evolutionary (Shocker & Sethi, 1974). Moreover, large organizations have relationship with a bigger number of stakeholders, where some organizational factors (such as a lack of clear technologies) can lead an organization to not reach values and expectations (Ashforth & Gibbs, 1990).

Therefore, we believe that trust plays an important role in positively strengthening legitimacy. The next section introduces the concept of trust, and its ontological levels are defined in an attempt to understand the relationship between trust and legitimacy.

18.7 The Role of Organizational Trust

Organizational literature on trust is extensive and includes key articles such as those by Mayer, Davis, and Schoorman (1995), Robinson (1996), Whitener (1997), and Kramer (1999). It has also been the focal point of several special issues in journals such as *The Academy of Management Review*, *Organization Studies*, *Organization Science*, *The International Journal of Human Resource Management*, and *Personnel Review* (Dietz & Den Hartog, 2006).

There is an abundance of works on trust, which analyze it from different perspectives. However, the definitions of Mayer et al. (1995) and Rousseau, Sitkin, Burt, and Camerer (1998) have been widely cited and accepted in the literature.

> The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. Mayer et al. (1995, p. 712)

> Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another. Rousseau et al. (1998, p. 395)

As shown in Fig. 18.1, trust can be presented at different ontological levels: interpersonal, group, interdepartmental, organizational, and interorganizational (Moorman, Deshpande, & Zaltman, 1993).

Interpersonal trust is when expectations are based on personal experience; group trust is when expectations are based on experiences between groups; interdepart-

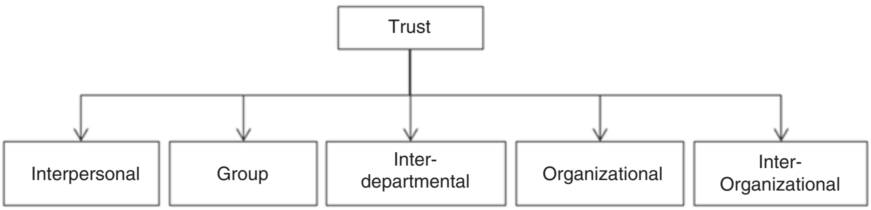

Fig. 18.1 Ontological levels of trust. (Source: Adapted from Moorman et al., 1993)

mental trust is based on experiences between the different departments in an organization; organizational trust is when expectations are based on latent experience within the organization; and interorganizational trust is based on experience between organizations (Moorman et al., 1993).

Our analysis focuses on the trust that stakeholders have in the organization because it has important benefits for both the organization and its members. Under this perspective, communication, conflict management, negotiation processes, satisfaction, and performance are strengthened by organizational and interorganizational trust, creating and improving different factors in the organization (McEvily, Perrone, & Zaheer, 2003).

Following Mayer et al. (1995), trust means that a person is willing to become vulnerable to another party or to a trustee, be it an individual, a group, or an organization. This is why trust can be distinguished as the lubricant of society (Luhmann, 1979), because it legitimizes the organization and is recognized as a key enabler of organizational success (Davis, Schoorman, Mayer, & Tan, 2000; Jensen, 2003; Pirson, Martin, & Parmar, 2017). Trust can be a source of competitive advantage for the organization because it can contribute to open ways of communication and simplified forms of coordination (Kovač & Jesenko, 2010). A climate of trust in organizations facilitates experimentation, decision-making, openness, the expression of opinions and ideas, and the acceptance of risks (Argyris, 1964; Costigan, Iiter, & Berman, 1998). Therefore, when there is trust in the organization, risks are accepted, fears are lost, and there is more willingness to delegate, participate, and cooperate (Guinot, Chiva, & Mallén, 2013).

As trust is difficult to build, some authors have suggested legalistic remedies to protect organizations from opportunistic behavior (Argyris, 1994). Consequently, opportunistic behaviors are prevented by legitimacy, that is, legitimacy promotes trust because it prevents or helps to avoid opportunistic behaviors that will be harmful to the development of trust. Organizational legitimacy ensures that activities take place in accordance with the norms, beliefs, values, and principles of the social system to which they belong. Therefore, employees are committed to organizational goals and have a greater willingness to achieve organizational objectives. Therefore, we propose that legitimacy reinforces organizational trust and vice versa.

18.8 The Relationship Between Trust and Legitimacy Types and Strategies

Liu, Luo, and Liu (2009) argued that relational norms and trust govern individual behavior to foster a cooperative atmosphere. Formal contracts, relational norms, and trust are important to mitigate opportunistic behavior and improve performance. Ariño, Torre, and Ring (2005) point out that relational norms and trust share a common goal, which is to improve relational quality among partners.

Organizations have a relationship with internal and external stakeholders, trusting each other in order to survive. The management of legitimacy is a cultural process through which organizations try to obtain, maintain, and, when required, recover stakeholder support to carry out specific actions (Massey, 2001). Therefore, legitimacy depends on communication and trust between the organization and its stakeholders.

As mentioned above, the literature defines different types of legitimacy, as well as different strategies that can be followed to gain, maintain, and recover it. As legitimacy resides in social actors' behaviors, it can be intuited that each typology (pragmatic, moral, and cognitive) also implies the stakeholder perception that organizational activities are appropriate within the social system of norms, values, and beliefs. We believe that although each of these dimensions has different behavioral dynamics, they can all be influenced by organizational trust.

In the case of the pragmatic dimension, stakeholders support the organization given the receptivity of their interests, and this aspect is more important than obtaining great benefits. In this dimension, organizations try to be positively evaluated by their environment through their policies and objectives, considering that stakeholders share their values and beliefs and that these values are authentic and reliable. Therefore, trust between organizations and stakeholders is key to achieving this kind of legitimacy, given that it is more difficult to share common interests and goals if there is a lack of trust. At the same time, trust comes from compliance with rules and standards and from expectations generated by stakeholders or the industry itself (Díez-Martín et al., 2010a), so legitimacy also reinforces the level of trust between organizations and stakeholders.

As occurs in the pragmatic dimension, moral dimension organizations try to be positively evaluated. However, in this dimension, organizations use evaluated techniques, procedures, and structures to achieve their objectives. In this dimension, trust is very important, since it generates benefits for the activities carried out between organizations and stakeholders. Therefore, techniques, procedures, and structures will be evaluated correctly.

Finally, in cognitive legitimacy, the belief system corresponds to actions that give meaning to the decision-making that helps to solve problems. In this dimension, stakeholders believe that organizational behavior is appropriate, so they trust the actions taken by the organization. In addition, the activities simplify the decision-making processes, which is why decisions are better and more rational when taken through trust.

Although these three dimensions are difficult to manipulate, organizations can manage them through actions and strategies, which can focus on gaining, maintaining, or recovering lost legitimacy. Accordingly, organizations can acquire, preserve, or repair their legitimacy. We considered the different effects that trust has on each strategy: (1) construction, where trust is formed or reformed; (2) stability, where trust already exists; and (3) dissolution, where trust decreases.

In the strategic search to gain legitimacy, work on the social environment follows, where organizational actions must adhere to society, acting in accordance with its values and principles. Therefore, the constructs of trust and legitimacy are the result of coherence between organizational actions and societal demands and mutually reinforce each other. When an organization acquires a degree of legitimacy, it must be maintained, as this is easier than gaining or recovering it. Unfortunately, the rigidity caused by long periods of stability can be a problem. One form of protection against this rigidity is monitoring strategic objectives and continuously improving trust between the organization and stakeholders. This enables organizations to anticipate new changes in the environment and enables them to maintain their legitimacy. Finally, lost legitimacy can also be regained. The loss of legitimacy occurs when control and surveillance systems fail. Usually, managers do not detect this until legitimacy has already been discredited and trust has already diminished. Organizations can recover lost legitimacy through restructuring strategies where, instead of putting a strain on trust by solely reporting problems that have occurred, they can act decisively to remedy them, demonstrating their commitment to the interests of the stakeholders.

18.9 Legitimacy Based on Trust and Control

Following the previously established connections, we propose that legitimacy can be achieved in two different ways: the first via trust and the second via control. In the first, there is a double loop between legitimacy and trust, while in the second, there is only a single loop between legitimacy and trust.

Legitimacy Based on Trust This legitimacy depends on good communication and an environment of trust for its success. We also believe that legitimacy promotes trust, because it helps prevent opportunistic behaviors that would be harmful to the organization. Thus, trust can be considered as the basis and the effect of legitimacy. The extension of both legitimacy and trust in close relationships with employees, managers, shareholders, and competitors is an important factor for the stability and potential growth of the organization in the long term. Therefore, legitimacy and trust reinforce each other.

Trust among stakeholders helps coordinate actions in organizations, improve cross-functional cooperation, and make organizational decisions. It also facilitates informal cooperation and social interaction, making it easier to monitor and adapt the organization's actions to social norms, rules, and beliefs. Organizations can influence people thanks to legitimacy, both from a power perspective and also by demonstrating the exemplary nature of their actions. We propose to go beyond a traditional definition of legitimacy as a perception that the organization's activities are correct within a system of norms. Legitimacy also represents the fact that the organization inspires trust in its stakeholders. Therefore, there is a double loop between trust and legitimacy, generating a feed-forward relationship which results in greater stability and growth potential, depending on other factors such as the economic sector and their capacity for innovation.

Legitimacy Based on Control Legitimacy based on control is built on exhaustive compliance with the rules of the organization. Some organizations adopt control mechanisms as substitutes for trust, when there are no interpersonal relationships. Such legalistic remedies – i.e., mechanisms that are institutionalized, imitate legal forms, and exceed legal requirements – are adopted to facilitate administrative coordination and to obtain symbolic legitimacy in the use of institutionalized procedures to restore the necessary levels of trust. Accordingly, when trust is interrupted, organizations often rely on legalistic remedies to restore it, using bureaucratic techniques such as formalization and standardization. Under such conditions, legalistic remedies serve as substitutes for the ability to directly supervise organizational activities (Sitkin & Roth, 1993).

Legalistic remedies can promote trust in several ways. They promote coordination and control to minimize problems related to implementation and use standards to reduce discrimination, ensuring equal treatment for all employees. Deutsch (1958) argued that it is essential to use legalistic remedies (such as procedures or sanctions) to encourage cooperative behavior. Therefore, legitimacy can be achieved by using control mechanisms that align the organization's actions with society's norms, rules, and beliefs, resulting in legitimacy based on control that prevents opportunistic behavior, which improves trust. Figure 18.2 shows the relationships discussed.

18.10 Discussion and Conclusions

The present chapter highlights the importance of legitimacy in organizations and has described the legitimacy framework. In particular, we have studied the impact of legitimacy on the organization; strategies that the organization uses to gain, maintain, and recover legitimacy; types of legitimacy; and how legitimacy can be measured. Moreover, we have theorized a relationship between trust and legitimacy, expanding the current knowledge about legitimacy and building a better understanding of the concept.

Legitimacy has become an important factor for organizations because it can be used strategically to increase access to the resources that the organization needs to grow and survive. In particular, institutional theory argues that organizational success and survival depend on legitimacy (Meyer & Rowan, 1977), and these, in turn, depend on the support that an organization receives from stakeholders and the congruence between organizational results and social norms, rules, and beliefs. Hence, legitimacy has been studied as a critical factor, which should be considered by all organizations. Researchers have defined strategies that allow organizations to gain, maintain, and recover legitimacy. However, there is very little empirical research that supports the generality of these strategies due to the difficulties of measuring legitimacy in different environments.

We believe that legitimacy has a strong connection with trust and control. Hence, we propose to make a distinction between legitimacy based on trust and legitimacy based on control.

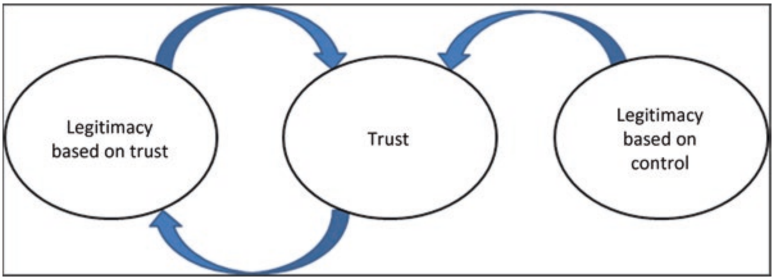

Fig. 18.2 Loops of legitimacy with trust

On one hand, legitimacy based on trust depends on good communication and on an environment of trust for its success. We also propose that legitimacy promotes trust because it helps prevent opportunistic behaviors that would be harmful to the organization. Therefore, trust can improve legitimacy and vice versa. In addition, the extension of both legitimacy and trust in close relationships with employees, managers, shareholders, and competitors is an important factor for the stability and potential growth of the organization in the long term.

On the other hand, legitimacy based on control is built on exhaustive compliance with the norms of the organization. Some organizations adopt control mechanisms as substitutes for trust. These legalistic remedies are adopted to facilitate administrative coordination and to obtain symbolic legitimacy in the use of institutionalized procedures to restore the necessary levels of trust.

Therefore, we found a double-loop relationship between legitimacy via trust and trust itself in terms of the perception that the organization inspires in its stakeholders, given that these two concepts mutually reinforce each other. Conversely, we found a one-way impact of legitimacy via control on trust, as this way of achieving legitimacy is built on exhaustive compliance with the norms of the organization and it uses legalistic remedies to generate trust. However, there is no reciprocal impact given that the legalistic remedies used are, in fact, the substitutes of trust (see Fig. 18.2). Future research could test empirically these double- and single-loop relationships between these two ways of achieving legitimacy and trust.

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