SECTION I

Foundational Themes
INTRODUCTION

Legitimacy is a central concept in organizational institutionalism. The term ‘legitimacy’ dates back to the dawn of organization theory; however, for most of the past century, research on legitimacy emerged only slowly and was fragmented across several distinct social science literatures. Since 1995, however, the body of relevant scholarship has grown rapidly and in a variety of directions. Much of this new literature (like much of the literature that preceded it) has been highly theoretical, invoking legitimacy as an explanatory concept rather than examining it as an empirical property. Empirical accounts, to date, have focused on exploratory case studies of legitimacy being gained or lost, while only a handful of investigations have employed legitimacy as a variable in hypothesis testing. Perhaps because of this heavy skew toward theory development versus theory testing, the legitimacy concept has exhibited substantial plasticity as it has evolved from its earliest institutionalist usages (e.g., Meyer & Rowan, 1977; Meyer & Scott, 1983). As Wright (1985: 292) has observed, ‘the process of concept formation is always simultaneously the process of concept transformation,’ and legitimacy has been no exception. Nonetheless, despite its diversity, the literature on legitimacy displays more than enough coherence and commonality to merit an integrative review.

This chapter is organized as follows. Our exploration begins with an overview of past theoretical and empirical research on legitimacy. This discussion includes some basic suggestions on the dimensions, sources, and subjects of legitimation, as well as on key legitimation processes, antecedents and consequences. Second, we consider the relationship between legitimacy and two other types of social evaluation that have recently gained prominence in organization studies, namely status and reputation. Finally, we conclude with several recommendations for advancing legitimacy research in the future.

THE EVOLUTION OF ORGANIZATIONAL LEGITIMACY

Over the years, the conceptualization and explication of organizational legitimacy has
displayed substantial elasticity. Taken as a whole, this elasticity has resulted in some productive conceptual evolution but more conceptual stretching (Osigweh, 1989). As a result, the existing literature offers a plethora of definitions, measures, and theoretical propositions, not all of which are fully compatible with one another. While some might argue that this intellectual thicket is overdue for a wholesale pruning, here we limit ourselves to the more modest task of mapping the underlying terrain, seeking to identify both the features that have become increasingly well established and widely accepted over time, and the features that have remained relatively ambiguous and contested.

The development of legitimacy theory in organizational institutionalism

Most reviewers credit Weber with introducing legitimacy into sociological theory and thus into organization studies (Johnson et al., 2006; Ruef & Scott, 1998; Suchman, 1995). Weber’s analysis of the legitimacy of different authority types is well known to many organization theorists. More generally, however, his writings also discuss the importance of social practice being oriented to ‘maxims’ or rules and suggest that legitimacy can result from conformity with both general social norms and formal laws (Weber, 1978). Parsons (1956, 1960) applied Weber’s ideas and viewed legitimacy as congruence of an organization with social laws, norms and values. This formulation was later embraced by many organization theorists, including Dowling and Pfeffer (1975), Pfeffer and Salancik (1978), and Czarniawska-Joerges (1989). Ironically, however, the early institutionalist literature was more enthusiastic in embracing Weber’s concept than in adopting his conceptualization. Meyer and Scott (1983: 201), for example, commented that the many references to Weber as a defining account of legitimacy were ‘unfortunate, given Weber’s lack of clarity on the point.’

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

In 1983, Meyer and Scott discussed legitimacy in much more depth, including offering a more thorough definition:

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

One noteworthy feature of this definition is its emphasis on legitimacy’s ‘cognitive’ aspects – explanation, theorization, and the incomprehensibility of alternatives. This focus continues to enjoy substantial currency, especially within neo-institutional sociology (cf. DiMaggio & Powell, 1991).

Some theorizing expanded on Meyer and Scott’s (1983) formulation, embracing the basic proposition that legitimacy can be conceptualized as the presence or absence of questioning, but suggesting that questioning is as likely to arise when a familiar organization is unsatisfactory as when a satisfactory organization is unfamiliar. Along these lines, Hirsch and Andrews (1984) considered two types of questions:

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

Pfeffer and Salancik’s foundational statement of resource-dependence theory (1978) adopted a similar ‘negative definition’ of legitimacy, asserting that ‘Legitimacy is known more readily when it is absent than when it is present. When activities of an organization are illegitimate, comments and attacks will occur’ (1978: 194). Knake (1985: 222) restated this in the affirmative, defining legitimacy (in the context of political associations and interest groups) as ‘the acceptance by the general public and by relevant elite organizations of an association’s right to exist and to pursue its affairs in its chosen manner.’ The ability to pursue its own affairs resonates with Child’s (1972) strategic choice perspective, which holds that legitimate organizations enjoy substantial latitude to choose their structures, products, markets, factors of production, etc. That is, a legitimate organization has largely unquestioned freedom to pursue its activities: ‘legitimate status is a sine qua non for easy access to resources, unrestricted access to markets, and long term survival’ (Brown, 1998: 35).

In addition to offering these foundational definitions, early legitimacy research also built on the work of Pfeffer and Salancik (1978) to examine how organizations gain or lose legitimacy. Galaskiewicz (1985) found that organizations often sought to enhance their legitimacy by donating to charities, forming director interlocks, and obtaining external endorsements. Ashforth and Gibbs (1990) proposed two general approaches, ‘substantive’ and ‘symbolic,’ and a total of ten specific actions, many drawn from impression management theory. They also highlighted three purposes for legitimation efforts: Gaining, maintaining, or defending legitimacy. Both of Ashforth and Gibbs’ contributions proved fertile: Elsbach (1994; Elsbach & Sutton, 1992) further integrated impression management and institutional theories in her studies of the Act Up, EarthFirst!, and the California cattle industry; and Suchman (1995) further explored the distinct purposes (or, as he relabeled them, ‘challenges’) of gaining, maintaining, and repairing legitimacy.

The year 1995 could be viewed as a pivotal point in the development of legitimacy theory. Scott published his review book Institutions and Organizations. He wrote: ‘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’ (1995: 45). And Suchman published his comprehensive ‘Managing legitimacy: Strategic and institutional approaches’ in the 1995 Academy of Management Review. He observed that legitimacy was
an anchor-point of a vastly expanded theoretical apparatus addressing the normative and cognitive forces that constrain, construct, and empower organizational actors,’ but he also cautioned that the existing literature provided ‘surprisingly fragile conceptual moorings. Many researchers employ the term legitimacy, but few define it. Further, most treatments cover only a limited aspect ...’ (1995: 571, italics in the original). To remedy these weaknesses, Suchman offered the following inclusive, broad-based definition: ‘Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (1995: 574). Within this scope, he delineated two basic perspectives, an institutional view emphasizing how constitutive societal beliefs become embedded in organizations, and a strategic perspective emphasizing how legitimacy can be managed to help achieve organizational goals.

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

**Dimensions of legitimacy**

The conceptual dimensions of legitimacy received much attention in the mid-1990s. Stryker (1994) distinguished between behavioral consent to rules, attitudinal approval of rules, and cognitive orientation to rules. Aldrich and Fiol (1994: 648) distinguished between cognitive and sociopolitical legitimacy. ‘Cognitive legitimation refers to the spread of knowledge about a new venture ... Sociopolitical legitimation refers to the process by which key stakeholders, the general public, key opinion leaders, or government officials accept a venture as appropriate and right, given existing norms and laws.’ Scott (1995), in effect, subdivided Aldrich and Fiol’s ‘sociopolitical’ category to arrive at three dimensions of legitimacy – regulative, normative, and cognitive – linked to his three pillars of institutions. Suchman (1995) proposed a broadly similar trichotomy using the labels ‘pragmatic,’ ‘moral’ and ‘cognitive’ legitimacy; however, he went on to combine this basic framework with two temporal textures (episodic versus continual) and two substantive foci (organizational actions versus organizational essences), in order to arrive at a typology containing twelve distinct legitimacy types: pragmatic legitimacy comprising exchange, influence, interest, and character; moral legitimacy comprising consequences, procedures, persons, and structures; and cognitive legitimacy comprising predictability, plausibility, inevitability, and permanence. Together, these efforts to explicate the various dimensions of legitimacy allowed more researchers to become involved in the development of institutional theory at both theoretical and empirical levels.

There has been some effort recently to reconsider these dimensions. Archibald (2004) equated sociopolitical legitimacy with regulative legitimacy and combined normative and cognitive legitimacy in a new category called cultural legitimacy. Cultural legitimacy accrued over time in professional
and cultural contexts, whereas sociopolitical legitimacy was more directly managed within political contexts. Bitekhtine (2006) began to disentangle the concepts by drawing on one of the fundamental tools of construct validity, the nomological network (Cronbach & Meehl, 1955). Bansal and Clelland (2004) brought forth a contextually focused dimension called corporate environmental legitimacy.

In surveying this terrain, we note two persistent sources of confusion. The first centers on the term ‘normative legitimacy.’ In general sociological usage, ‘normative culture’ connotes the shared value premises that structure collective assessments of the good and the bad, that which is to be desired and that which is to be shunned, right and wrong (Suchman, 1997). Norms, in this sense, are everywhere – within people, groups, organizations, and social systems. Congruence with such norms lies at the heart of legitimacy as conceptualized by early institutional sociologists (e.g., Weber, 1978; Parsons, 1956, 1960; see also DiMaggio & Powell, 1991); and such norms motivate most of the ‘value challenges’ identified by Hirsch and Andrews (1984). In contemporary organizational institutionalism, however, ‘normative legitimacy’ is often equated with DiMaggio and Powell’s (1983) concept of ‘normative isomorphism,’ which has come to connote not congruence with general social values, but rather congruence with the particular ethics and worldviews of formal professions.2 These competing usages are highly problematic. To restrict normative legitimacy to ‘professional endorsement’ marginalizes the sorts of broader societal norms and values that have been seen as important since Weber. At the same time, it also marginalizes the less normative, more instrumental and/or cognitive aspects of professionalization. Meyer and Scott (1983: 202), for example, argue that professional groups, such as ‘lawyers, accountants, intellectuals,’ convey legitimacy by virtue of their ‘collective authority over what is acceptable theory’; but ‘acceptable theory’ involves cause and effect relationships (pragmatic legitimacy), and fundamental meanings (cognitive legitimacy), as well as norms and values of the profession and the larger social system (moral legitimacy) (cf., Greenwood, Suddaby, & Hinings, 2002; Suchman, 1995). Perhaps for this reason, some recent institutional studies of professional associations (Greenwood et al., 2002; Jones & Manev, 2002) have avoided the term normative legitimacy, emphasizing instead that professions often seek to influence many different dimensions of legitimacy at once. We applaud this trend and propose that future researchers use professional legitimacy to refer to legitimacy conferred by professional endorsement (on any grounds), whereas normative legitimacy should refer to legitimacy conferred by any audience (including but not limited to professionals) on primarily normative grounds (cf., Suchman, 1995, 1997).

A second significant source of confusion in the current literature involves the nature and measurement of the ‘taken-for-granted’ component of cognitive legitimacy. As Aldrich and Fiol (1994: 648) note, ‘The highest form of cognitive legitimation is achieved when a new product, process, or service is taken for granted.’ Taken-for-grantedness – an absence of questioning – is not, however, easy to measure, especially because asking one’s research subjects about it is, in itself, a form of questioning. One increasingly popular measurement strategy involves counting the number of organizations or the number of media articles, with greater numbers indicating greater legitimacy (Archibald, 2004; Carroll & Hannan, 1989a; Hybels, Ryan, & Barley, 1994). Although promising in some contexts, this approach may be more appropriate for emerging industries, organizations, or practices, than for more established ones. There are fewer automobile companies and media articles about automobile quality today than there used to be (Abrahamson & Fairchild, 1999; Hannan, Dundon, Carroll, & Torres, 1995), but the automobile industry remains deeply taken-for-granted. Perhaps as
industries become increasingly established, population counts become decoupled from taken-for-grantedness, in part because the taken-for-grantedness of existing firms reduces the legitimacy of entrepreneurship more than it reduces the legitimacy of consolidation. Similarly, with regard to media articles, the taken-for-grantedness of a well-established activity may be reflected in the complete absence of press coverage, because the subject has blended into the cultural landscape and is no longer seen as requiring social scrutiny or as being ‘newsworthy’ according to prevailing journalistic practices (Itule & Anderson, 1994; Shoemaker, 1996).

Subjects of legitimation

‘Subjects of legitimation’ are those social entities, structures, actions, and ideas whose acceptability is being assessed. Alternative terms include ‘levels’ (Ruef & Scott, 1998), ‘foci’ (Suchman, 1995: 583), or ‘objects’ of legitimation (Johnson, 2004). Here, we use ‘subjects’ for several reasons. First, this term is both familiar and encompassing. Second, it reflects the idea that legitimacy is socially constructed and emerges out of the subject’s relation to other rules, laws, norms, values, and cognitive frameworks in a larger social system. Third, it serves as a reminder that legitimacy can be quite subjective at times, particularly when an organization is seeking to gain or defend legitimacy in the face of opposition (Ashforth & Gibbs, 1990; Suchman, 1995). Finally, subjects aren’t necessarily passive but instead may be active in creating legitimacy (Ashforth & Gibbs, 1990; Suchman, 1995); examples include the European business schools who created the legitimating agencies that would then accredit them (Durand & McGuire, 2005), and the Big 5 accounting firms who were actively legitimating the multidisciplinary practice at the same time that they were adapting it for use (Greenwood et al., 2002).

The possible subjects of legitimation are almost innumerable. Johnson (2004: 10–11) offers a partial list, including: ‘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).’ Two additional subjects of legitimation that have drawn attention in management research recently are company founders and top management teams (Certo, 2003; Cohen & Dean, 2005; Deeds, Mang, & Frandsen, 2004; Higgins & Gulati, 2003, 2006). Indeed, at this point, it appears that almost anything can be a subject of legitimation. In the future, researchers may face the challenge of aggregating lower-level subjects of legitimacy in order to assess legitimacy of a higher-level subject, such as evaluating the legitimacy of a new venture by the legitimacy of its products, structure, and top management team. Such an effort may run into the problem of aggregation, such as described in stakeholder research (Rowley & Berman, 2000; Wartick, 2002). Alternatively, researchers may decide that only a limited selection of attributes can be valid subjects of legitimation – that is, the research community might seek to specify legitimate subjects of legitimation. Given the real-world complexity and plasticity of legitimacy dynamics, however, we do not particularly advocate this latter, artificially exclusive strategy.

Sources of legitimacy

‘Sources of legitimacy’ are the internal and external audiences who observe organizations and make legitimacy assessments (Ruef & Scott, 1998: 880). Meyer and Scott (1983: 201–2) focused on those ‘who have the capacity to mobilize and confront the organization,’ not so much in terms of power but in authority over cultural theory. They classified these sources into two basic groups. The first
are those who ‘have standing and license, derived from the organization’s legitimating account of itself’, most commonly the State. The second are those who have collective authority over what is acceptable theory (e.g., lawyers, accountants, intellectuals). These may not be the only relevant sources, however. In Suchman’s definition (1995: 574), legitimacy implies congruence with ‘some socially constructed system of norms, values, beliefs, and definitions,’ but, as the word ‘some’ suggests, the possible sources of such legitimating accounts are not inherently restricted to any fixed set of gatekeepers. Thus, a central issue for legitimacy research is identifying who has collective authority over legitimation in any given setting. The answer depends to a large extent on the focus of the research question. For instance, when Suddaby and Greenwood (2005) examined the debate between the US law and accounting professions about what a professional services firm should be, the issue was fairly specialized and the social system narrowly drawn. In contrast, an examination of the legitimacy of the global energy industry after the Exxon Valdez oil spill would need to encompass popular opinion, state regulators, industry analysts, political activists, and expert ‘epistemic communities’ (Adler & Haas, 1992) throughout the world system.

Many researchers have finessed these distinctions by treating society-at-large as a source of legitimacy, especially over long periods of time. This approach is particularly common in institutional studies of diffusion (e.g., Strang & Soule, 1998; Tolbert & Zucker, 1983), which build on the linkage between cognitive legitimacy and mimetic isomorphism3 to argue that the more numerous the adopters of a practice, the more widespread its acceptance and the greater its legitimacy. Similarly, ‘density dependence’ research in organizational ecology has treated the number of organizations in a population as a determinant of the organizational form’s legitimacy within the external social environment. Empirical support for this relationship has been found in many organizational forms, such as newspapers, automobiles, and British motorcycle manufacturers (Carroll & Hannan, 1989a; Hannan & Carroll, 1992; Hannan et al., 1995; Wezel, 2005). Although some institutionalists (e.g., Zucker, 1989; Baum & Powell, 1995) argued that density fails to capture the richness of the institutional environment, Carroll and Hannan (1989a, b), Hannan and Carroll (1995) and Hannan et al. (1995) rebutted that density is a parsimonious indicator of legitimacy that enjoys predictive validity for a remarkably wide array of organizational populations.

Other researchers in both the institutionalist and ecological camps responded by incorporating additional indicators of society-wide legitimacy, most notably time-period variables based on institutional regime changes or stages of the adoption cycle (e.g., Arthur, 2003; Ruef & Scott, 1998). For further discussion of these developments, see the companion Chapter 2 by Boxenbaum and Jonsson and 24 by Haveman in this volume.

Somewhere between specific legitimacy-granting authorities and society-at-large as a source of legitimacy stand the media. As suggested by Baum and Powell (1995; see also Dowling & Pfeffer, 1975), the media are one institutionally rich indicator of society-wide legitimacy, and researchers have been working with media data since the 1990s. At the population level of analysis, Hybels, Ryan, and Barley (1994) measured the legitimacy of the US biotech population by counting newspaper articles about the population in each year. Concurrently, Deephouse (1996) used media data to measure the public legitimacy of individual organizations in the financial sector. Media reports were subsequently used to measure legitimacy by Lamertz and Baum (1998), Abrahamson and Fairchild (1999), Pollock and Rindova (2003), Bansal and Clelland (2004), and Deeds et al. (2004), etc. However, as Deephouse (1996) pointed out, evidence from journalism and mass communications strongly suggests that media
reports not only reflect but also influence the opinion of the general public (Fombrun & Shanley, 1990; McCombs & Shaw, 1972; Schramm, 1949). Thus, the media should rightfully play a dual role in legitimacy research, serving both as an indicator of legitimation by society-at-large and as a source of legitimacy in their own stead.

This duality is particularly noteworthy in the case of 'prestige media,' such as The New York Times or The Wall Street Journal, which have figured prominently in legitimacy studies. Empirically, prestige media provide appealing indicators of society-wide legitimacy because they are now readily available in electronic form, reducing the often prohibitive burden of selecting and coding a media sample (Carroll, 2004; Conway, 2006). Their presence in libraries makes them amenable to historical research (Mezias & Boyle, 2005). Theoretically, however, prestige media are particularly likely to influence that which they are taken as measuring, because they are produced by and for societal elites, aspirants to elite status, and other participants in the cultural mainstream. Prestige media often set the agenda for less prestigious media outlets (Boyle, 2001; Gans, 1979), and they are routinely targeted by organizations and institutional entrepreneurs seeking to build or repair legitimacy. Further, with a few significant exceptions, prestige media tend to be culturally conservative, acting as a stabilizing force in society, and perhaps exacerbating the disparities between legitimate and illegitimate actors (e.g., Gitlin, 1980).

Beyond society-at-large and the media, a third often-mentioned source of legitimacy derives from interorganizational relations: A subject becomes legitimate when it is connected to legitimate others (Galaskiewicz, 1985). Pfeffer and Salancik (1978), for example, explain how the American Institute for Foreign Study burnished its legitimacy by obtaining endorsements from prominent political figures. And in perhaps the first statistical study of organizational legitimacy, Singh, Tucker, and House (1986) measured the legitimacy of a voluntary social service organization by whether it was listed in the community directory of Metropolitan Toronto, registered as a bona fide charity with Revenue Canada, and endowed with a large (and therefore presumably interorganizational embedded) board of directors. Later papers enumerated similar connections to government, industry leaders, and other authorities in the institutional environment (Baum & Oliver, 1991; Baum & Oliver, 1992; D’Aunno, Sutton, & Price, 1991). Thus, charitable donations, interlocking directorships, and strategic alliances with prestigious partners have all been identified as important sources of legitimacy for the firms involved (Cohen & Dean, 2005; Deeds et al., 2004; Galaskiewicz, 1985; Higgins & Gulati, 2003, 2006; Miles, 1982; Oliver, 2001).

Three important interrelated issues emerge from this review of the sources of legitimacy. The first is a recognition that many common sources of legitimacy are themselves organizations. For instance, regulatory legitimacy results from rulemaking and enforcement activities within the agencies of the State. Legitimacy-enhancing interorganizational relationships, too, arise from decisions by other organizations to affiliate with the subject entity. And media stories, whether legitimating or de-legitimating, do not appear out of a vacuum, but instead are produced by organizations, as Hirsch (1977) reminded us thirty years ago. Thus, the granting of legitimacy is as amenable to organizational analysis as is the pursuit.

We frame the second issue as a question: Are there legitimate sources of legitimacy? This depends in part on the research question and the social system(s) of interest. Consider whether organized crime or official corruption is legitimate. Jepperson (1991: 149) stated that some elements, such as fraud, bribery, organized crime, and political corruption, can be institutionalized without being legitimate. Nonetheless, within some social systems, be they networks of organized criminals or particular national
polities, even these ‘social pathologies’ may in fact be accepted as legitimate – certainly in the pragmatic sense of being seen as useful and the cognitive sense of being taken-for-granted, and at least occasionally in the moral sense of being ethically permitted, as well. Thus, an individual might be willing to bribe a police officer in one nation but not another, and an organization might be willing to bribe a regulator in one nation but not another. The legitimacy of criminal punishment varies; for instance, many jurisdictions ban capital punishment. One group’s terrorist is often another group’s freedom fighter. Given this ‘legal pluralism’ (Merry, 1988), can researchers meaningfully distinguish between conventionally legitimate sources such as public authorities and formal professions (the two groups listed by Meyer and Scott, 1983) and unconventional but often potent competitors such as criminal underworlds, ethnic enclaves, and rejectionist sects?

The third issue is the nature of the assessments that sources make in determining whether to grant or withhold legitimacy. Most statistical studies focus on the presence, absence or intensity of support from any given source. But while it may be fairly clear that the presence of an endorsement or the occurrence of an adoption implies support (Galaskiewicz, 1985; Hannan & Carroll, 1992; Tolbert & Zucker, 1983), what does the absence of an endorsement or an adoption indicate? In some cases, such as charitable registration in an organizational field where non-profit status matters and registration is open to all, unregistered organizations would certainly appear to lack legitimacy (Baum & Oliver, 1991; Baum & Oliver, 1992; Singh et al., 1986). In contrast, the absence of a board interlock with a prestigious firm conveys much less information about whether the subject organization is acceptable, desirable, or culturally supported, except perhaps from the perspective of the prestigious firm.

Some researchers focus on negative assessments – questions, challenges, and rejections – rather than on positive accounts, endorsements and adoptions (Hirsch & Andrews, 1984; Meyer & Scott, 1983). Many case studies, for example, examine organizations such as Nike and Exxon that have faced legitimacy challenges. Deephouse (1996) was perhaps the first to apply this approach in statistical research by measuring the extent to which commercial banks were constrained by regulators and challenged in the media. One of his measures was the presence of a regulatory decision that explicitly limited the strategic choices of the bank in question. For this approach, the absence of legitimacy challenges is an indicator of whether the organization is ‘accepted’ in the sense of being left to pursue its activities without interference from cultural authorities. However, the presence of questioning may sometimes be as ambiguous as the absence of endorsement, given that in some domains (academic meetings and presidential press conferences come to mind) questioning can be a ritualized display of attentiveness rather than a genuine challenge to legitimacy.

We close our discussion of legitimacy sources with a statement from the resource-dependence perspective: ‘We suspect that legitimacy need not be conferred by a large segment of society for the organization (or subject) to prosper.’ (Pfeffer & Salancik, 1978: 194). The survival of many structures, organizations and organizational forms without ringing cultural endorsement suggests that there may be some truth to this. But in the absence of broad-based cultural support, the characteristics of those particular sources that do grant endorsement may matter quite a bit.

**Legitimation**

Generalizing from Maurer (1971), Ashforth and Gibbs (1990), and Walker and Zelditch (1993), (de-)legitimation is the process by which the legitimacy of a subject changes over time. Following Van de Ven (1992), we use the term process narrowly as the order or
sequence in which things happen. The more general use of the term process includes a set of explanations for explaining a variance theory and as a category of concepts; these are discussed elsewhere in this and other reviews.

Legitimation is closely related to diffusion and institutionalization, and there is sufficient research to specify a general process. For instance, Johnson et al. (2006) integrated research in social psychology and organizational sociology to develop a four-stage model of legitimation consisting of innovation, local validation, diffusion, and general validation. In general, we expect the dynamics of legitimation to parallel those of institutionalization (Lawrence, Winn, & Jennings, 2001), but exceptions to our expectations may make interesting case studies. Moreover, there is greater need for research on the order in which different sources confer legitimacy and the different dimensions of legitimacy are conferred. A notable example of this is by Greenwood et al. (2002). They offered a six-stage model of institutional change in highly professionalized fields. They proposed that moral and pragmatic legitimacy was theorized in stages four and five and cognitive legitimacy occurred in stage six.

**Antecedents of legitimacy**

Meyer and Rowan (1977) suggest that both technical efficiency and conformity to institutional myths can be precursors of legitimacy.4 Deephouse (1996) was perhaps the first to test these relationships directly. He found that conformity and efficiency increased banks’ legitimacy in the eyes of regulators, consistent with the regulators’ interest in the stability of the banking system; in contrast, he found that only conformity had a positive effect on legitimacy in the eyes of the media, assumed to be both a leader and a recorder of the public’s norms and values (Dowling & Pfeffer, 1975; Fombrun & Shanley, 1990). Similarly, Westphal et al. (1997) found that conformity to Total Quality Management practices enhanced the likelihood that a hospital would earn endorsement from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), a major source of legitimacy in the US healthcare sector. And Glynn and Abzug (2002) found that conformity in organizational names increased their understandability to a wide range of business and non-business audiences. Findings like these reinforce Suchman’s (1995: 587) prescription that the best way to gain legitimacy is often simply to ‘conform to environments.’

Suchman, however, also notes that organizations sometimes gain legitimacy by manipulating, rather than conforming to, environments. Along these lines, a large number of studies have examined how texts, generally construed, can be used to gain legitimacy for some subjects and challenge the legitimacy of other subjects (Phillips, Lawrence, & Hardy, 2004). In an early study of organizational impression management, for example, Elsbach (1994) found that accounts that acknowledge failings or make reference to the institutional environment are superior to accounts that deny responsibility or make reference to the technical environment. More recently, Suddaby and Greenwood (2005) examined the discursive struggle between proponents and opponents of multidisciplinary partnerships in professional services, and Vaara, Tienari, and Laurila (2006) identified five ‘discursive legitimation’ strategies, which they labeled normalization, authorization, rationalization, moralization, and narrativization.

**Consequences of legitimacy**

The consequences of legitimacy have also received considerable attention. At least since Meyer and Rowan (1977: 353), institutionalists have argued that legitimacy enhances organizational survival. Supportive evidence abounds: Legitimacy measured by endorsements and interorganizational
relationships increased survival rates among Toronto non-profits (Baum & Oliver, 1991, 1992; Singh et al., 1986), and both managerial and technical legitimacy reduced exit rates for US hospitals (Ruef & Scott, 1998). Organizational ecology, too, has lent support to this claim, finding that legitimacy (measured by the density of firms in an industry) increases survival rates across a wide range of organizational populations (Hannan & Carroll, 1992).

Other, more proximate consequences have been examined as well. The strategic view of legitimacy sees it as something that can be manipulated to achieve organizational goals (Suchman, 1995), and researchers have long posited that ‘[l]egitimacy affects the competition for resources,’ (Pfeffer & Salancik, 1978: 201; see also Parsons, 1960). More recently, as an interest in legitimacy has spread into the strategic management literature, researchers have developed and tested hypotheses predicting how various types of legitimacy would affect other performance measures, such as the value of initial public offerings (IPOs) (Cohen & Dean, 2005; Deeds et al., 2004; Higgins & Gulati, 2006; Pollock & Rindova, 2003), stock prices (Zuckerman, 2000), stock market risk (Bansal & Clelland, 2004), and stakeholder support (Choi & Shepherd, 2005).

Summary

As the preceding discussion demonstrates, research on legitimacy has expanded in many directions over the past three decades. Initial concern with the effect of legitimacy on survival has expanded to include effects on other types of organizational success. Legitimacy has been dimensionalized into as many as twelve types, and the recognized sources of legitimacy have been extended well beyond the two enumerated by Meyer and Scott (1983) – those with standing and license and those with authority over what constitutes acceptable theory. These developments have created opportunities for a wide variety of legitimacy studies. Legitimacy continues to appear most frequently in theoretical analyses; however, the number of descriptive case studies has increased substantially, and efforts at confirmatory hypothesis testing (although still relatively rare) seem to be on the rise.

LEGITIMACY AND OTHER SOCIAL EVALUATIONS

These developments have brought legitimacy research into overlap with a variety of other ways of describing the social evaluation of organizations. In recent years, the most prominent of these kindred concepts have been ‘status’ (e.g., Podolny, 1993; Phillips & Zuckerman, 2001) and ‘reputation’ (Fombrun & Shanley, 1990; Fombrun, 1996). Although a full synthesis of these largely independent literatures would go well beyond the scope of the present chapter, one might productively ponder to what extent and in what ways legitimacy, status, and reputation are either equivalent or distinct. In this section, we briefly compare and contrast what we see as the key connotations of each term.

Definitions and distinctions

The definitions of status and reputation are at least as diverse, ambiguous, and contested as the definition of legitimacy. We will explore some of the sources of this ambiguity and contestation below, but as provisional working definitions, we offer the following, adapted from the literature:

- **Status** is 'a socially constructed, intersubjectively agreed-upon and accepted ordering or ranking' of social actors (Washington & Zajac, 2005: 284), based on the esteem or deference that each actor can claim by virtue of the actor’s membership in a group or groups with distinctive practices, values, traits, capacities or inherent worth (cf., Benjamin & Podolny, 1999; Weber, 1946).5

- **Reputation** is a generalized expectation about a firm’s future behavior or performance based on
collective perceptions (either direct or, more often, vicarious) of past behavior or performance (cf., Ferguson, Deephouse, & Ferguson, 2000; Fombrun, 1996; Rindova et al., 2005). To illustrate the potential for overlap among legitimacy, status, and reputation, consider the following two examples from recent empirical research: Higgins and Gulati (2003) report that the prior job histories of a firm’s upper echelon employees, such as affiliations with certain prominent industries like pharmaceuticals, increase the likelihood that the firm can garner endorsements from leading investment banks; Deeds et al. (2004) similarly report that US high tech firms with founders or managers from top ten research universities and Master of Business Administration (MBA) programs receive higher IPO valuations. In both studies, the employee-background variables are characterized as measures of legitimacy – a plausible claim, given that past affiliations could indicate managerial competence and hence pragmatic legitimacy, managerial propriety and hence moral legitimacy, or managerial conventionality and hence cognitive legitimacy. But prominence and prestige are also often associated with status; and a track record of experience, training and visibility might easily foster reputation. Is the choice among these labels merely stylistic, or do their implications differ?

Certainly, the literatures on legitimacy, status, and reputation have many traits in common. They all focus on cultural factors in organizational life. They all suggest that organizations can garner resources by conforming to prevailing social norms. And they all emphasize that ‘objective’ performance criteria are not always salient or even evident, and that organizational behaviors may be social signals as well as technical operations. Thus, all three literatures depict social perceptions of conformity as being central determinants of organizational success. Moreover, all three recognize that organizations can create such ‘social perceptions of conformity’ in at least three different ways: by embracing and internalizing norms; by obeying norms instrumentally as long as the benefits of doing so exceed the costs; and by cynically displaying the outward indicia of conformity, while making as few substantive accommodations as possible. Thus, all three literatures also, at least implicitly, engage two central questions: (a) how successful can cynical displays of conformity be, absent internalization? and (b) to what extent does surface conformity lead over time to internalization, despite initial cynicism? Fundamentally, to what extent can legitimacy, status, or reputation, be feigned without either being internalized by organizational participants or being discovered by curious outsiders, such as competitors, the media, or the state?

The similarities between these literatures arise because legitimacy, status, and reputation share many antecedents, consequences, measures, and processes. Indeed, one could no doubt find instances in the prior literature where different authors use different mixes of the three terms for essentially the same empirical referents. Given this, any progress toward precision and parsimony will inevitably come at the cost of contradicting at least some prior usages; we doubt that anyone could prune this conceptual thicket while leaving every branch fully intact. Nonetheless, we believe that researchers throughout these intertwined literatures would benefit from clarifying and, where possible, disentangling the three focal concepts. Juxtaposing legitimacy, status, and reputation reveals important connotations of each that would remain largely invisible if the three were considered only in isolation.

Goring our own oxen first, we can begin by suggesting that legitimacy, in contrast to status and reputation, is fundamentally dichotomous. Despite some usages to the contrary (see below), legitimation is largely a question of ‘satisficing’ to an acceptable level, and the absence of negative ‘problems’ is more important than the presence of positive achievements. Legitimacy is also fundamentally non-rival: it is rarely a zero-sum game within any given
population; indeed, positive feedback loops and a ‘logic of confidence’ (Meyer & Rowan, 1977) tend to produce win-win ceremonies of mutual affirmation among legitimate actors. Further, legitimacy is fundamentally homogenizing, producing herd-like conformity along whichever dimensions the prevailing rational myths establish as legitimacy-defining. Further, precisely because legitimacy is non-rival and homogenizing, it paints with a broad brush and tends to attach to all entities that share a given form. Although firms, structures and even individuals can achieve legitimacy on their own, the more common pattern is for each instance to be legitimated by conformity with a collectively legitimated template.9 Finally, legitimacy is fundamentally political. Because it is linked to authority, legitimacy generally produces a taken-for-granted right to act and command within a particular sphere of activity. This political aspect is embedded within the etymological roots of legitimacy in the Latin lex or legis, meaning law. It is also consistent with the central place of the state – as both licensor and enforcer – in much legitimacy research. Indeed, state certification is arguably the core archetype of legitimation, to which most other legitimation mechanisms are linked by either implication or analogy.

Status reflects the relative position of social groups within a hierarchy of collective honour (cf., Weber, 1946). Consequently, in contrast to legitimacy, status is fundamentally ordinal and categorical, varying less within groups than across groups. This allows empirical distinctions between, for example, the upper-, middle-, and lower-status tiers in an industry (Podolny, 1993; Deephouse & Carter, 2005; Phillips & Zuckerman, 2001). Further, whereas legitimacy is fundamentally non-rival, status is fundamentally ‘group-rival.’ That is, status is positive sum within status groups, but negative sum across groups. Groups compete for status through solidarity displays, collective mobility projects, and out-group ostracism, and individuals move between groups primarily through sponsorship, not competitive performance. From this, it follows that, whereas legitimacy is fundamentally homogenizing, status is fundamentally segregating: Lower-status groups tend to imitate higher-status groups as a way of earning group honour; however, higher-status groups tend to jettison status markers as soon as those markers become contaminated by imitation. Significantly, because status is group-rival and segregating, it tends to attach to self-aware cliques or ‘status groups,’ rather than to individual social actors or entire populations. Entry into these cliques is usually based on a mixture of ascription and achievement (or, one might say, legitimacy and reputation), but entry is more a matter of favor than dessert – objective performance and legitimacy in the eyes of outsiders matter far less than acceptance by the status group itself. Finally, status is fundamentally honorific; it reflects cultural capital and habitus (Bourdieu, 1986), and it elicits deference and tribute: ‘Status generates social esteem and special, unearned (i.e., non-merit-based) benefits known as privileges, which are granted to and enjoyed by high-status actors in a social system’ (Washington & Zajac, 2005: 284). Status also implies an ability to valorize (or contaminate) by association – as illustrated by admission into an elite club, or rejection by the ‘in’ crowd.

More so than either legitimacy or status, reputation involves an explicit extrapolation from past to future behavior. Thus, strictly speaking, reputations can be as multidimensional and idiosyncratic as the behaviors that they summarize.10 Certainly, reputation can extend beyond product and service quality (the focus of most economic discussions of reputation), to include being a tough competitor, a good place to work, an environmentally sensitive manufacturer, etc. (e.g., Shapiro, 1983; Weigelt & Camerer, 1988; Benjamin & Podolny, 1999; Carter & Deephouse, 1999; Washington & Zajac, 2005; Rindova, Pollock, & Hayward, 2006).
Nonetheless, in contrast to both legitimacy and status, reputation is fundamentally a continuous measure, placing each actor on a continuum from best to worst—or, more often, on many such continua. As a ranking of actors, reputation is fundamentally rival: On any given continuum, reputation is contingent on relative standing, and hence a firm’s position can usually only increase at the expense of competitors. Reputation is also fundamentally differentiating: Reputation dynamics encourage organizations to distinguish themselves from their peers either substantively or by advancing claims to uniqueness, often despite minimal outward differences. Because reputation is rival and differentiating, it tends to attach to individual actors, ranking each firm even when the distinctions involved are substantively trivial. Finally, if legitimacy is political and status is honorific, reputation is fundamentally economic: In effect, reputation becomes an input into potential exchange partners’ expected utility functions. Given that boundedly rational actors can never know the actual outcomes of transactions in advance, would-be exchange partners must turn to reputation in order to map one another’s past performances onto present preferences. This means that favorable reputation is often a strategic resource that firms can exploit for competitive advantage (cf., Barney, 1991; Deephouse, 2000; Roberts & Dowling, 2002).

Confusions and conflations

Despite these differences in connotation, the prior literature frequently confuses and conflates legitimacy with both status and reputation. One common source of difficulty is reflected in the recurrence of phrases like ‘more (or less) legitimate’: In the past, researchers have often treated legitimacy as a continuous variable, obscuring an important distinction between legitimacy and both status and reputation. The sources of this usage are two-fold: First, despite being fundamentally dichotomous, legitimacy can appear continuous (or at least ordinal) by virtue of what might be termed ‘pointalism’: Because legitimacy is always assessed by multiple audiences and with respect to multiple activities, an organization can become ‘more legitimate’ by becoming legitimate to more audiences in more of its activities. Second, legitimacy can vary in its certainty and security. Thus, a firm can become ‘more legitimate’ by becoming more clearly legitimate, more firmly legitimate, or both.

Another source of confusion involves the assertion that legitimacy is fundamentally a property of forms or populations, rather than of self-defined groups (à la status) or individual firms (à la reputation). A casual perusal of the empirical literature would turn up many instances when this assertion seems not to hold, and when legitimacy, instead, appears quite similar to group-level status or firm-level reputation. Upon closer inspection, however, most of these counter-examples prove to be special cases, such as when a form has only one real-world instantiation (e.g., the United Nations) or when a group erects such high status barriers that it becomes virtually a population unto itself, incommensurable with other organizations in its domain (e.g., the ‘Big 8, 6, 5, or 4’ accounting firms). Moreover, even in these special cases, legitimacy’s underlying connotation of being a population-level property seeps through: One hallmark of legitimacy is the (mythological) assumption that legitimation arises from alignment with universal principles, rather than from the idiosyncratic, culturally-specific maneuverings of a particular firm or group of firms; hence, in claiming legitimacy, unique entities tend to present themselves as exemplars of an abstract form, even if they are the only exemplar in existence. (An attack on the UN becomes an attack on world government; an appeal for the international space station becomes a tribute to the human spirit of exploration.)

A third cause of confusion is the fact that observers (both academics and practitioners)
often rely on overlapping information inputs to assess legitimacy, reputation, and status. Sometimes these inputs are simply too generic and multivocal to be characterized as indicators of one form of social evaluation versus another. This, for example, is clearly true of charitable donations and directorship interlocks, two of the most common legitimacy/status/reputation measures in organization studies (Davis & Greve, 1997; Fombrun, 1996; Galaskiewicz, 1985). But even when well-established ‘reputational intermediaries’ purport to be distilling objective data about past performance (as is the case, for example, in the US News and World Report rankings of educational programs), conflation remains almost inevitable (cf., Sauder & Lancaster, 2006). Evaluators, like all social actors, have cognitive limitations (Simon, 1976), and as a result, unique, infinitely multidimensional reputations get reduced, in practice, to a small number of socially constructed ranking criteria. And significantly, both the choice of criteria and the methods of measurement are heavily shaped by the same institutional logics and honor-markers that determine legitimacy and status.

A fourth reason for confusion is that legitimacy, reputation, and status are all related to success. As discussed above, each of these favorable social evaluations can enhance performance: Legitimacy can be crucial to garnering resources from external audiences, to commanding the loyalty of internal participants, and (in its cognitive forms) to avoiding misunderstandings and miscues among external and internal constituencies alike. Copious evidence also links status to success. For instance, Benjamin and Podolny (1999) found that the status of a winery led to higher prices, even after controlling for the winery’s product quality.

And the impact of reputation on subsequent outcomes has been well-known, at least since Merton (1968) famously identified the ‘Matthew Effect’ in the sociology of science. In organizational studies, research on the resource-based view of the firm has frequently identified a favorable reputation as a resource that can yield significant competitive advantages (e.g., Barney, 1991; Deephouse, 2000; Roberts & Dowling, 2002).

The situation becomes more complicated, however, when one reverses the causal arrow, to make success an independent rather than a dependent variable. Reputation, legitimacy and status can each be bolstered by successful performance – but in decidedly different ways. Success enhances reputation directly, by demonstrating an ability to perform. Indeed, the link between past performance and future potential is arguably reputation’s defining element. Success enhances legitimacy, too, but mostly indirectly: Success often signals cultural acceptance and an ability to deliver on commitments, both of which affect whether an organization can sustain a self-confirming ‘logic of confidence’ (Meyer & Rowan, 1977). But success, in itself, is not enough. Legitimacy rarely attaches to organizational forms, such as criminal gangs or ‘pirate’ radio stations, that ‘succeed’ in culturally inappropriate endeavors or by taking short-cuts around culturally prescribed practices. Finally, while success may enhance status as well, it does so only obliquely at best. Success may provide currency (literal or figurative) for procuring the indicia of status-group membership; but status groups tend to be resistant to the success of arrivistes, interposing new bases of distinction (i.e., ‘moving the bar’) in order to maintain group boundaries (Weber, 1946). Given these different mechanisms, the relative impact of success on reputation, legitimacy, and status may vary. For instance, Deephouse and Carter (2005: 355) showed that financial performance had a stronger effect on reputation than it did on legitimacy.

Figure 1.1 depicts our nested conceptualization of legitimacy, reputation, and status, and their relationships to resource flows. Stakeholders (on the left) exchange resources with organizations in a focal industry, population, or sector (on the right); the lines
represent bi-directional resource flows of inducements and contributions, such as employee effort and compensation (Barnard, 1938: 94; March & Simon, 1958: 84). For illustrative purposes, we can group stakeholders dichotomously, although stakeholder research offers ample evidence of more fine-grained differentiation (Clarkson, 1995; Mitchell, Agle, & Wood, 1997). Consistent with our discussion above, organizations in the figure are grouped into two legitimacy classes (legitimate and illegitimate), and within each class organizations are clustered by status (high, medium, and low). In addition, each organization possesses a unique reputation, subscripted by the organization’s rank within its legitimacy and status cohort.

The essence of the figure is that certain stakeholders will exchange resources only with legitimate organizations and will not engage in transactions with others. In other words, no matter what the components of the marketing mix illegitimate organizations offer, a substantial group of stakeholders will not transact with them. Thus, as many authors have suggested in the past, legitimacy affects market access: ‘An organization which can convince relevant publics that its competitors are not legitimate can eliminate some competition’ (Pfeffer & Salancik, 1978: 194; see also Brown, 1994, 1998; Deephouse & Carter, 2005). A few examples may be enlightening: One is gambling, divided into state-sanctioned and other forms. Many customers who would happily buy a state lottery ticket would never consider placing wagers with a bookie, even at substantially more favorable odds. Another example is petroleum marketing. Certain stakeholders who are concerned about the environment may refuse to patronize Exxon and Shell in reaction to the Exxon Valdez and
Brent Spar incidents, although some of those same stakeholders may have forgotten less de-legitimating accidents caused by other producers. A third example comes from the British Columbia forestry industry, where the province recently decided to grant timber access only to contractors who could demonstrate acceptable safety standards, not only in their own operations but also in the operations of their sub-contractors. In announcing the new policy, the provincial Forests Minister nicely captured the importance of legitimacy for market access: ‘no one is going to get one of those tenders unless they have safety procedures applied through their operation … they are a safe company and they meet our standards.’ (Kennedy, 2006: S3).

As Figure 1.1 suggests, each legitimacy class may contain several status groups. For visual simplicity, we depict a simple ‘low,’ ‘medium,’ and ‘high’ division. This trichotomy is fairly common in the recent status literature, and for some industries, such as automobile manufacturing, these three broad status groups may suffice. In other industries, however, status distinctions are likely to be much more fine-grained; for instance, Benjamin and Podolny (1999: 574) identified 41 distinct status groups among California wineries. Although not illustrated in the figure, stakeholders may also be divided into status groups. When this is the case, and when organizations and stakeholders recognize one another’s status hierarchies, entities in each population may seek to avoid contamination by limiting their contact with lower status entities in the other. This dynamic tends to reproduce the status hierarchies on both sides of the exchange.

Within any given status group, each organization has a reputation based on many dimensions, such as product quality, workplace practices, community involvement, etc. (Fombrun, 1996). In the case of winemaking, such components might include a reputation for producing award-winning wine, for being a good place to work, for having great winery tours, or for donating generously to charities. (Home winemakers who sell their product outside of state-licensed facilities might exemplify an illegitimate group, with limited market access regardless of either reputation or status.) In general, within a legitimacy class and status group, stakeholders will favor those organizations with the strongest reputations. The literature suggests at least two noteworthy caveats, however: First, some stakeholders may have idiosyncratic preferences, leading them to weight certain aspects of reputation differently from the norm among stakeholders as a whole; this allows organizations to adopt niche strategies that cater to specific subsets of the stakeholder pool. Second, stakeholders will often give more credence to (or be more cognizant of) reputational hierarchies within ‘core’ versus ‘peripheral’ groups; this suggests that the impact of reputation may be moderated by legitimacy and status, such that legitimate, high-status actors will enjoy the greatest returns on their past achievements (cf., Phillips & Zuckerman, 2007; Beck, Horan, & Tolbert, 1978).

As the preceding paragraphs suggest, the interrelationships among legitimacy, status, and reputation offer numerous research opportunities. One empirical approach would be to cross-classify legitimacy classes (e.g., Yes/No), status groups (e.g., High/Middle/Low) and reputational ranks (e.g., High/Low), and then examine the size, characteristics, and consequences of each of the resulting 12 categories. Past research has adopted essentially this approach: For instance, studies of top business schools suggest that this sector possesses relatively clear status groupings (at least at the high end), many rankings systems, and a few legitimating agencies (Corley & Gioia, 2000; Durand & McGuire, 2005; Elsbach & Kramer, 1996; Gioia & Thomas, 1996; McKee, Mills, & Weatherbee, 2005; Wedlin, 2006). Looking at the California wine industry, Benjamin and Podolny (1999) attempt to differentiate the effect of product quality and status affiliations on success. And looking at architectural services, Jones and Manev
explore how legitimacy and status affect reputation.

At a theoretical level, much work remains to be done on how the processes of legitimation, reputation-building, and status-seeking intersect and overlap (Rao, 1994; Vidaver-Cohen, 2006). Figure 1.2 suggests a few of the most plausible interconnections: At their cores, legitimacy, status, and reputation stem from fundamentally different sources, with legitimacy reflecting conformity to various social guidelines, while status reflects ascription and group mobility, and reputation reflects achievement and self-presentation. However, the three also influence one another. Legitimacy affects status because a commitment to avoid illegitimate activities may be a criterion for status-group membership; and status affects legitimacy because membership in a high-status group may create presumptions of propriety that cushion the impact of minor rule violations – while at the same time increasing the penalty for breaches that are so egregious as to threaten the honor of the group as a whole. Legitimacy affects reputation because legitimate actors are often both more visible and more credible in their self-presentations; and reputation affects legitimacy because reputations are often taken into consideration (at least formally) when legitimacy sources make endorsement and affiliation decisions. Finally, as mentioned previously, status affects reputation by increasing the returns to past achievements; and reputation affects status both by determining an actor’s standing within a particular status group and by conditioning the likelihood of sponsored mobility from one status group to another.

At the risk of oversimplification, much of this discussion might be encapsulated in the following equation:

\[
\text{Prestige} = \text{Legitimacy} + \text{Legitimacy} \times (\text{Status} + \text{Reputation} + \text{Status} \times \text{Reputation})
\]

‘Prestige,’ here, denotes an organization’s capacity to achieve objectives by virtue of enjoying a favorable social evaluation. Without legitimacy, prestige will be low, regardless of the organization’s status or reputation. However, legitimacy alone is rarely enough to achieve much beyond the most mundane tasks. Rather, legitimacy empowers the organization to enunciate claims based on both status and reputation – and status and reputation further augment one another through the visibility, credibility, and mobility effects described above.

**Figure 1.2  The interrelation of legitimacy, reputation, and status**
Before closing, we should perhaps note that legitimacy, status and reputation are hardly the only social evaluations to appear in recent organizational literature. Others include accreditation, certification, credibility, and accountability, as well as the related concepts of the ‘exemplar’ and the ‘celebrity.’ To a large extent, these terms simply re-district and re-label the terrain that we have explored above. For instance, business school accreditation associations have been described as legitimating agencies (Durand & McGuire, 2005), and accountability and credibility are linked to trust, a central component of both legitimacy and reputation. Certification, too, could be incorporated into models of either legitimacy, status, or reputation (cf., Schnatterly, Ward, & Lee, 2006). Some of the most well-known certifications are those of the International Standards Organization (e.g., ISO 9000 and ISO 14000), which – consistent with our view of legitimacy – are open to any company that meets a set of predetermined criteria (Beck & Walgenbach, 2005; Boiral, 2003; cf., Guler, Guillen, & MacPherson, 2002; ISO 9000 News, 1996). This type of dichotomous, non-rival certification can be distinguished from a ‘certification contest,’ defined as ‘a competition in which actors in a given domain are ranked on the basis of performance criteria that key stakeholders accept as credible and legitimate’ (Rao, 1994; Wade, Porac, Pollock, & Graffin, 2006: 644). ‘Certification contests legitimate organizations, generate status orderings, and create favorable reputations’ (Rao, 1994: 29; Wade et al., 2006); however, whether they accomplish each of these tasks better or worse than other evaluation mechanisms largely remains to be determined.

Finally, exemplars and celebrities are migrating into organizational studies. An exemplar is a singular subject that sets the standard for a certain social act, form, or actor. For instance, Greenwood and Empson (2003) proposed that professional partnerships may be an exemplary governance mechanism; Rindova Petkova, and Kotha (2007) demonstrated that Amazon.com became the exemplar of e-commerce in the 1990s; and Bowen (2004) highlighted a US pharmaceutical firm as an exemplar of ethical decision making. Somewhat similarly, celebrities are entities ‘that attract a high level of public attention and generate positive emotional responses from stakeholder audiences’ (Rindova et al., 2006: 51; Hayward, Rindova, & Pollock, 2004). Celebrities (and possibly exemplars) benefit disproportionately from their position, based on the economics of superstars (Rosen, 1981). These benefits could be compared to the privileges of high-status actors, discussed above (Washington & Zajac, 2005).

**INTEGRATIVE DISCUSSION**

We conclude by presenting several integrative recommendations. The first is to recognize that legitimacy and its dimensions are analytic concepts, not fully separable empirical phenomena. The second is to further investigate the workings of various sources of legitimacy and the workings of legitimacy at multiple levels of analysis. The third is to embrace diverse perspectives, improving our understanding of organizational legitimacy by drawing on the work of other disciplines such as law, mass communications, and political science.

As a starting point, we urge legitimacy researchers not to become fixated on defending the purity and independence of the different dimensions of legitimacy. As suggested above, the assertion that a legitimate organization must offer an ‘acceptable theory’ of itself (Meyer & Scott, 1983: 202) is broad enough to encompass a variety of such legitimating accounts – from claims about cause and effect (pragmatic legitimacy), to invocations of collectively valued ends (moral legitimacy), to constitutive suppositions about definitions and meanings (cognitive legitimacy) (Greenwood et al., 2002; Meyer &
Scott, 1983; Stryker, 1994; Suchman, 1995). Early in the development of organizational institutionalism, Meyer and Scott (1983: 214) observed that 'the literature on legitimacy tends to distinguish sharply between its cognitive and normative aspects. This may overemphasize Western dualism.' More recently, Scott (1995: 143–4) has written that 'distinctions … among [the three pillars of institutions] are analytical in the sense that concrete institutional arrangements will be found to combine regulative, normative, and cognitive processes together in varying amounts.' As applied to legitimacy, any act of legitimation may operate on a variety of dimensions. For instance, regulatory approval of a new pharmaceutical not only confers regulatory legitimacy but also (a) enhances the 'cognitive' comprehensibility and taken-for-grantedness of the new compound, (b) indicates that the entity is consistent with the ‘moral’ value of good health, and (c) confirms the entity’s demonstrable ‘pragmatic’ benefits. Similarly, Rao (1994) reasoned that certification contests in the early days of automaking provided both normative justification and cognitive validation for the young industry – as well as pragmatic promotion for those fortunate firms that could demonstrate superior capabilities.

Instead of further reifying analytic distinctions among the various dimensions of legitimacy, researchers might do well to attend more closely to the workings of various sources of legitimacy. The sources and subjects of legitimacy are embedded in complex networks of social influence and communication (Carter & Deephouse, 1999; Granovetter, 1985; Rowley, 1997): Subjects seek endorsement from various sources and are pleased when they receive it, but certain sources may have a larger impact than others. For instance, regulatory approval of a new pharmaceutical usually means more than publication of a non-refereed research study funded by the drug’s developer. Meanwhile, subjects may not be the only entities seeking to affect a given source’s deliberations: Social movements often actively advocate for the legitimation of certain subjects and the de-legitimation of others (Elsbach & Sutton, 1992; Rao, Morrill, & Zald, 2000; Strang & Soule, 1998). These efforts and counter-efforts are often adjudicated (albeit not always fully resolved) by courts and other public authorities as a corollary of the state’s ostensible monopoly of legitimate force (Edelman & Suchman, 1997; Suddaby & Greenwood, 2005).

Overall, then, we see a growing role for research on institutional politics, which Stryker (2000: 190) defined as the ‘strategic mobilization and counter-mobilization of diverse institutional logics.’ Without prejudging the findings of such research, the literature to date suggests a central position for rhetorical, discursive, and technical struggles over what is legitimate and who is authorized to theorize and certify (e.g., Hensmans, 2003; Lounsbury, 2007; Phillips et al., 2004; Suddaby & Greenwood, 2005; Vaara et al., 2006). Future research might also consider the evolution and ecology of entire populations of legitimacy sources. Given that concepts from legitimacy research have been used to study the births and deaths of organizations, future research could examine the births and deaths of legitimating agencies or rule systems (Jennings, Schulz, Patient, Gravel, & Yuan, 2005). Along these lines, Durand and McGuire (2005), McKee, Mills, and Weatherbee (2005), and Wedlin (2006) examined the creation and expansion of business school accreditation agencies, and one could imagine a similar approach to studying the proliferation of business-school reputation rankings. In this way, one might arrive at a ‘community ecology’ of legitimacy, in which the legitimacy, competition, and population density of subjects and sources – as well as of advocates and activists – might interact and coevolve.

We also believe that future research should examine legitimation at multiple levels – within organizations, among organizations, and within organizational fields – and that these investigations should include the interactions...
among the levels.\textsuperscript{17} For example, Holm (1995) presented a ‘nested systems’ view, to examine how various sources contributed to the legitimation and de-legitimation of mandated sales organization in Norwegian fisheries. More recently, Rubtsova and Dowd (2004) examined cultural capital at the macro-, meso-, and micro-levels, Sine, David, and Mitsuhashi (2007) examined the effects of firm and sector legitimacy on new ventures, and Crumley, Lounsbury, and Greenwood (2006) examined how social actors attempted to legitimate and delegitimate the role of acupuncture within the institutionalized western healthcare system. Such cross-level studies are still in their infancy; however, eventually research on how individuals within groups within organizations grapple with particular subjects of legitimation, such as equal employment opportunity guidelines (Edelman, 1992), may yield useful insights into the legitimation of authority systems in general, a central topic in social psychology (Berger, Cohen, & Zelditch, 1972; Johnson et al., 2006).

As researchers begin to explore the workings of various sources of legitimacy, important differences in kind are likely to emerge. To facilitate productive dialog, we propose the following tentative distinctions: Legitimacy agents\textsuperscript{ agents are those organizations, such as accreditors and regulators, specifically established to confer legitimacy on a certain set of subjects (Durand & McGuire, 2005). Legitimacy mediators\textsuperscript{ mediators are other social actors, such as the media, who make or convey implicit or explicit legitimacy assessments as a side-effect of their routine operations. And legitimacy guidelines\textsuperscript{ guidelines are abstract legitimacy-relevant constructs embedded in society at large, such as language, values, norms, social rules, etc. We use the term ‘guidelines’ to highlight the fact that these constructs may be in flux, may vary according to local conditions, and may not be enforced as strictly, as consistently, or as formally as might be implied by the more commonly used phrase ‘social rules.’

In an early review, Galaskiewicz (1985: 298) stated ‘this literature [on legitimacy] lacks an overarching theory of legitimation to guide inquiry.’ Since that time, researchers have made progress in developing not a single overarching theory, but multiple theories matched to particular dimensions and sources of legitimation. Increasingly these theories have drawn on other disciplines, a trend which we believe will and should continue. For instance, Stryker (1994), Suchman and Edelman (1996), Edelman and Suchman (1997) and Edelman, Fuller, & MaraDrita (2001) have extended arguments from the ‘law and society’ tradition to explore the impact of institutional ambiguity and contestation. Analogously, Carter and Deephouse (1999), Deephouse (1996), Deephouse & Carter (2005), Kennedy (2005), and others have adapted mass communication theory to explore the role of the media and public opinion. In the future, borrowings from political science and public administration may similarly enrich the legitimacy literature’s depiction of regulators and other public sector legitimation sources. Equally important, though, will be exchanges with other branches of organization theory itself. After all, many sources of legitimation are organizations in their own right (Hirsch, 1977; Scott, 1987), and their actions need to be understood in organizational terms.

The development of an overarching theory of legitimation remains unfinished business. More than a decade after Suchman’s 1995 review, we still find that ‘most treatments cover only a limited aspect’ (1995: 571) of this complex but crucial subject. A more adequate formulation would contain careful, widely-accepted definitions, would examine more aspects of the concept, and would incorporate both strategic and institutional views. One practical challenge on the road to this destination arises from the norms of the business school world, in which many legitimacy researchers now work. Rewards there increasingly favor journal publications over longer works, arguably impeding the construction of comprehensive explanations for phenomena that are too complex to be explicated in the space of 30–40 pages.
Nonetheless, recent years have seen the arrival of several exemplary books, such as Scott et al.’s (2000) examination of healthcare organizations and Wedlin’s (2006) examination of European business schools. And other research programs have yielded impressively cumulative sequences of journal articles, such as the work on professional service firms conducted by scholars at the University of Alberta (e.g., Sudabby & Greenwood, 2005; Greenwood et al., 2002; Hinings, Brown, & Greenwood, 1991). These efforts represent a solid start, but whether they will lead to a more comprehensive and holistic understanding remains to be seen. Hinings (2006) has advocated the pursuit of ambitious, large-scale research programs to reach new heights in our understanding of complex organizational phenomena. Legitimacy is clearly one of those complex phenomena, and we agree that a large-scale research program may be in order. We note, however, that this program would require the efforts of many people over many years. Can such concerted endeavors become legitimate again?

NOTES

1 Given the large volume of relevant research, our coverage here is necessarily only partial. Other informative reviews of legitimacy scholarship include recent essays by Stryker (1994, 2000), Suchman (1995), Ruef and Scott (1998), and Johnson, Dowd, and Ridgeway (2006).

2 Arguably, DiMaggio and Powell, themselves, may have intended their arguments about professionals merely to illustrate one way in which any norms, whether general or specific, might generate isomorphism in an organizational field. Be this as it may, the linkage between normative isomorphism and professionalization has now become so firmly rooted in the organizational literature as to be virtually a matter of definition.

3 DiMaggio (1995) has expressed caution about the facile assumption that cognitive legitimacy and mimetic isomorphism necessarily go hand in hand. However, few others in this tradition have taken his concerns to heart.

4 One might argue that prevailing definitions of efficiency are, themselves, institutional myths. Most institutionalist scholarship, however, treats technical efficiency and institutional conformity as two largely distinct attributes.

5 Here, we focus on organizational status. Thus, the ‘ranked social actors’ in question are organizations, and the ‘groups’ are, for example, the upper, middle and lower tiers of an industry or the federal, state, and local levels of a government.

6 This definition is consistent with reputation’s etymological roots in Latin as re-putare, ‘to think back upon.’ In managerial and economic usages, however, this ‘thinking backward’ is often associated with ‘acting forward.’ For instance, if a company has a reputation for product quality, then customers are more likely to pay extra for its products; if a company has a reputation for being a bad place to work, then recruits will avoid it and employees will seek new jobs elsewhere (Fombrun, 1996; Weigelt & Camerer, 1988).

7 For obvious reasons, questions like this link all three literature to a fourth literature (not reviewed here) on organization impression management (e.g. Elsbach, 1994; Elsbach & Sutton, 1992).

8 Readers who quail at constraining their favorite term should take comfort from our focus on connotations rather than denotations. We see no need to narrow the permissible usages of any particular term at this time; however, much can be learned from exploring how legitimacy, status, and reputation may carry differing overtones even when applied to similar phenomena.

9 This is self-fulfilling to some extent: Entities that manage to achieve legitimacy on their own often become the templates for legitimate forms. As the original instance is imitated, its initially idiosyncratic claim to legitimacy becomes reinstitutionalized at the level of the form as a whole.

10 In this sense, organizational reputation is quite close to organizational identity – with the caveat that reputation emphasizes identity as assessed by transaction partners, rather than identity as internalized by representatives of the organization itself.

11 Reputation can also apply to groups of firms (Ferguson, Deephouse, & Ferguson, 2000; Wry, Deephouse, & McNamara, 2006). But the strategic groups that sometimes appear in reputation research are not necessarily equivalent to status groups, since the former are united by shared performance profiles, while the latter are united by collective honor claims.

12 Here, we confine ourselves to addressing overlaps between legitimacy and status and between legitimacy and reputation. Overlaps between status and reputation, although equally common, are left for another day.

13 The label refers to a verse from the biblical Book of Matthew: ‘For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken away even that which he hath’ (Matthew XXV: 29, King James Version).
14 Here, the size of the boxes is arbitrary; however, future research might empirically assess the relative magnitudes of various sub-groups.

15 Over 127,000 firms worldwide had met ISO 9000 targets by 1996.

16 These two endeavors are not mutually exclusive, of course. We mean merely to indicate which of the two we would give priority.

17 Stryker (2000: 187, 191) and Scott (1995) have both noted that despite the potential for both top-down and bottom-up approaches to institutions, most cross-level work to date has taken a top-down approach.

REFERENCES


