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### Through the looking glass

*The emergence, evolution and embedding of sustainability accounting in a family business*

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## **Chapter 3: Theoretical Framework**

### **3.1 Introduction**

Organisational identity (OI) and internal legitimacy theory were used to frame the findings of the case study. Chapter Four describes, in detail, the iterative approach to data analysis, literature review and theoretical development used in this study. As part of this process, the themes of identity and legitimacy emerged from the first phase of data coding, analysis and discussion. The literature on identity and legitimacy was then reviewed and the concepts of OI and internal legitimacy proved insightful and useful for thinking about the data. Neither concept in its own right seemed to provide a sufficient frame for understanding the case data; however, an integrated theoretical perspective seemed to allow for a more cohesive and complete account (Bansal and Roth, 2000) of the CC Group's engagement with sustainability. A nascent theoretical framework using both concepts was then used to inform subsequent data collection and in the drafting of descriptions, narratives, working papers and ultimately this dissertation. Thus, the theoretical framework was informed by, and also shaped, the empirical side of the study.

The chapter is divided broadly into three sections. The first section explores the concept of OI and its influence on organisational responses to external or internal strategic changes and events. The next section provides a brief description of the broad concept of legitimacy, types of legitimacy and strategies for legitimacy building, before focusing on internal legitimacy and in particular internal programme- and activity-level legitimacy. The final section discusses the relationship between OI and internal legitimacy in the context of new organisational processes.

### **3.2 Organisational Identity**

In recent decades, the use of the concept of identity, both individual and collective, to explain and provide insight into the character and behaviour of organisations and their members has become prevalent as it is seen as being helpful at both a macro (group or organisation) and micro (individual) level and across disciplines (Albert, 1998; Dutton and Dukerich, 1991; Albert et al., 2000; Gioia et al., 2000; Oliver and Roos, 2008). Numerous OI studies suggest that it is an important construct in understanding the direction and persistence of both individual and organisational action (see, for example, Dutton and Dukerich, 1991; Gioia and

Chittipeddi, 1991; Gioia and Thomas, 1996; Albert et al., 2000; Ravasi and Schultz, 2006; Brickson, 2007; Nag et al., 2007; Basu and Palazzo, 2008). However, despite considerable academic attention being devoted to this area (Oliver and Roos, 2008), there is still debate over the definition of OI (Moingeon and Ramanantsoa, 1997; Albert et al., 2000; Hogg and Terry, 2000). OI has been viewed from a variety of different perspectives, for example: as shared beliefs or institutionalised claims; as a process, a metaphor, a narrative; as a social fact or reality; as a macro or micro phenomenon; and as a social construction or core essence (Oliver and Roos, 2008). To further complicate the debate, OI is seen as overlapping with organisational image, reputation, culture, personality and character (Moingeon and Ramanantsoa, 1997; van Riel and Balmer, 1997) and has been used in multiple disciplinary domains and literatures (Cornelissen et al., 2007). Section 3.2.1 reviews the literature on OI starting with the foundational work of Albert and Whetten (1985) and the ensuing debate around the nature of OI. Section 3.2.2 discusses more recent work proposing a process perspective on identity (Schultz et al. 2014). Finally Section 3.2.2 focuses on the mobilisation of OI within the framework for this study.

### **3.2.1 Conceptualising Organisational Identity**

Albert and Whetten's (1985) seminal definition conceptualises OI as organisation members' beliefs about their organisation's central, distinctive and stable characteristics. Most subsequent conceptions of OI draw on these definitional pillars (Gioia et al., 2000) of centrality, distinctiveness and stability. For example, Ashford and Mael's (1989, p. 27) definition of OI draws on these concepts but also provides a more explicit recognition of the collective aspect of identity as "a shared understanding of the central, distinctive, and enduring character or essence of the organisation among its members." This conception of OI as a collective construct is also reflected in Hatch and Schultz's (1997) definition of OI as a collective, commonly shared understanding of an organisation's distinctive values and characteristics.

Although Albert and Whetten's (1985) conception of OI as a collective understanding of the central, enduring and distinctive characteristics of an organisation is the seminal definition in this area of the literature and has been used in a wide range of organisational studies (Gioia et al., 2000; Oliver and Roos, 2008), aspects of the definition are subject to extensive debate and discussion. Early work on identity suggested that the more salient, stable, internally consistent and enduring the identity of an organisation is, the greater the influence it will have

on individual members' behaviour (Ashford and Mael, 1989). However, subsequent work suggests that contemporary organisations may be more fragmented and malleable than this conception would intimate, particularly in a dynamic environment (Alvesson and Empson, 2008). Sections 3.2.1.1, 3.2.1.2 and 3.2.1.3 consider the “central”, “distinctive” and “stable” or “enduring” aspects of the definition respectively.

### **3.2.1.1 Central Characteristics**

The nuances in the collective and central aspects of the definition of OI are explored in some of the early work in the area. Although OI is portrayed as a collective construct, not all groups within an organisation may share the same perceptions about their organisation (Ashford and Mael, 1989). A strong and internally consistent OI is more likely to unify and influence organisation members. However, the notion of a single identity for a complex organisation is problematic (Ashford and Mael, 1989, p. 22). An organisation may encompass two or more disparate or loosely coupled identities (Albert and Whetten, 1985; Ravasi and Schultz, 2006) and may focus to varying degrees on different central characteristics of these identities depending on the context or audience involved (Gioia, 1998, p. 19). These alternative statements of identity may be compatible, complementary, unrelated or contradictory (Albert and Whetten, 1985). Inherent conflicts between the demands of these identities are typically not resolved by cognitively integrating the identities, but by ordering, separating, or buffering them. This compartmentalisation of identities allows for the possibility of double standards, apparent hypocrisy and selective forgetting (Ashford and Mael, 1989, p. 30).

### **3.2.1.2 Distinctive Characteristics**

The distinctiveness or uniqueness of an organisation's characteristics is recognised as a claim by, or perception of, its members rather than a verifiable proposition (Albert and Whetten, 1985). Organisational histories, stories and cultures often carry a claim to uniqueness, but actually share common elements and express common concerns (Martin et al., 1983). Martin et al. (1983) found that organisational stories with a tacit claim to uniqueness actually occurred in virtually identical forms in a wide range of organisations. They suggest that this uniqueness paradox persists in part because these stories enable employees to perceive and identify with their organisation as distinctive and unique. The empirical validity of these claims of uniqueness is less important than the fact that it is common practice for powerful

organisation members to articulate these claims as part of an effort to create a collective OI (Dutton et al., 1994, p. 243).

### **3.2.1.3 Stability versus Continuity of Characteristics**

Early work on OI drew on the literature on individual identity (Gioia, 1998), which suggests that the temporal stability of identity is important to an individual's health (Albert and Whetten, 1985, p. 272). Thus, OI was seen as resistant to change over time. The central tenets of an organisation's identity were usually taken to be resistant to alteration because of their ties to an organisation's history (Gioia et al., 2000). More recently, the idea of OI as an enduring construct has been challenged, for example by the work of Gioia and Thomas (1996) and Gioia et al. (2000), who suggest that OI is somewhat malleable and that the apparent stability of identity is to some extent illusory. Gioia et al. (2000, p. 65) distinguish between an enduring OI and an OI having continuity. Enduring implies that OI remains the same over time, whereas an OI having continuity is one that changes in its interpretation and meaning, but the labels for core beliefs and values remain stable over time and context. Identity durability relates to the stability of the labels used by members of the organisation to express their conception of its identity, but the meaning of these labels can change over time. Hence, it is suggested that OI is actually dynamic and mutable and tends towards adaptive instability (Gioia et al., 2000, p. 64). Organisation members can be proactive in seeking to alter an organisation's identity in order to facilitate strategic change (Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Gioia et al., 2000), or external pressures and environmental changes may trigger an assessment of, and changes to, an organisation's identity (Albert and Whetten, 1985; Dutton and Dukerich, 1991; Ravasi and Schultz, 2006). Feedback from outside sources about the impression an organisation has made on them can trigger an explicit or implicit comparison between identity and constructed external image (Dutton et al., 1994). Gioia et al. (2000) argue that, if these comparisons show a pronounced and consequential difference between internal and (construed) external perceptions, then organisation members may reassess, and seek to change aspects, of the organisation's identity. As part of this process, top management may project a desirable future image ("who do we want to be?") while also presenting a revised or reinterpreted account of the organisation's history so that the change seems somehow to relate to "who we have been" as an organisation (Gioia et al., 2000, p. 71).

Scott and Lane (2000a, 2000b) contest the view that OI is fluid and adaptively unstable (Gioia et al., 2000) and suggest that it is instead inherently sticky. They suggest that OI is contested and negotiated through complex and iterative interactions between managers, organisation members and other stakeholders (Scott and Lane, 2000b, p. 44). Consequently, they alter the definition of OI, suggesting that it is a set of shared beliefs between *top managers* and *stakeholders* (emphasis added) about the central, distinctive and enduring characteristics of an organisation, and shift the focus from an internal–external (identity or image) view to a manager–stakeholder view (Scott and Lane, 2000b, p. 44). They attribute identity stickiness to power dynamics and argue that top managers’ self-identities are intermingled with their organisation’s identity and that the organisation will seek to deny admission to, pressure, or extradite, those who challenge this identity (Scott and Lane, 2000a, p. 143). As a result of this exclusion process, OI stagnates, even in the face of stakeholder discontent. However, powerful and legitimate stakeholders can generate sufficient pressure to overcome identity stickiness and trigger a renegotiation of the organisation’s identity. This revised identity persists until one or both groups signal discontent with that conception of the organisation. Thus, both identity change and identity endurance are responses to an organisation’s powerful and legitimate stakeholders, with an enduring or stable identity the result of an enduring organisation and stakeholder relationship (Scott and Lane, 2000a, 2000b). If attempted, identity change and reconstruction may or may not be successful as multiple voices contribute a variety of divergent views of the organisation (Chriem, 2005; Humphreys and Brown, 2008). For example, organisation members are likely to reject new conceptualisations that they perceive as inconsistent with organisation history, tradition, and their sense of self (Humphreys and Brown, 2008). Overall, there has been little consensus in the OI literature in relation to both the collective and the enduring aspects of OI.

Underlying much of the debate surrounding the conceptualisation of OI are differing epistemological and ontological perspectives (Cornelissen et al., 2007; Oliver and Roos, 2008). These different views of the phenomenon have led to a range of interpretations of dynamism and change in OI (Ravasi and Schultz, 2006 p. 434). Studies of OI emanate from two main ontological/epistemological perspectives: functionalist or social actor perspectives (e.g., Elsbach and Kramer, 1996; Smith, 2011) and social constructivist perspectives (e.g., Scott and Lane, 2000b; Oliver and Roos, 2008). Studies with a social actor focus view OI as a set of institutional claims, which are explicitly stated views of what an organisation is and

represents (Ravasi and Schultz, 2006, pp. 434–5). These institutional claims then provide a guide for how the organisation and its members (social actors) should act and how stakeholders and other organisations should relate to them (Ravasi and Schultz, 2006; Smith, 2011). Through these claims about what the organisation stands for, and where it intends to go (Elsbach and Kramer, 1996; Albert et al., 2000), organisational leaders attempt to influence how internal and external audiences define and interpret the organisation (Ravasi and Schultz, 2006, p. 435). When an organisation is subject to external or internal pressures, its members can use OI to filter and mould the organisation’s interpretation of, and action on, the issue (Dutton and Dukerich 1991). An issue is an event, development or trend that organisation members collectively recognise as having some consequence to the organisation (Dutton and Dukerich, 1991, p. 518) and can include changes within an organisation such as employee strike action or externally based changes such as a demographic trend, a supply shortage, regulatory changes or collective stakeholder action (Dutton and Dukerich, 1991; Dutton et al., 1994). Such issues can cause an organisation’s collective identity to surface (Dutton and Dukerich; 1991 Dutton et al., 1994). In this way, OI claims can act as a rudder for navigating dynamic and complex environments (Albert et al., 2000, p. 13). From this perspective, although OI is intangible, it is still *something* that exists and is available for study (Gioia and Patvardham, 2012).

A social construction perspective focuses on OI as a collective understanding or interpretative scheme constructed by the members of an organisation (Ravasi and Schultz, 2006, pp. 434–5). Thus, studies in this tradition focus on the *process* of construction and reconstruction of OI, albeit with an implicit assumption that OI is something that changes over time (Gioia and Patvardham, 2012). These identity processes are often termed identity construction or identity work. Identity construction is generally used to refer to how OI is formed, and identity work is concerned with the ongoing maintenance, reconstruction or regulation of OI in mature organisations (Gioia et al., 2010; Pratt, 2012). Identity work can involve identity regulation attempts and identity talk (Mueller and Whittle, 2012; Pratt, 2012). *Identity regulation* is a process whereby employees are enjoined to include managerial discourses and objectives in their self-identity work (Alvesson and Wilmott, 2002). *Identity talk* involves both explicit identity talk (“We are an ambitious business”, “He is an honest person”) and implicit identity talk involving descriptions of what happened (memories of events) and why (attributions of cause) (Mueller and Whittle, 2012 p.169). Identity work, as well as OI claims, can be relevant

to an organisation's response to external or internal pressures as organisation members may reinterpret an organisation's identity in order to make sense of the change (Dutton and Dukerich, 1991; Fiol, 1991; Gioia and Chittipeddi, 1991; Ravasi and Schultz, 2006).

### **3.2.2 Identity as Process and Claims**

More recent work on OI has sought both to bridge the gap between these two perspectives (Ravasi and Schultz, 2006; Gioia et al., 2010) and to introduce a more explicit consideration of time and process to the study of OI (Schultz et al., 2012). Ravasi and Schultz (2006) argue that the social actor and social construction perspectives on OI can be seen as complementary, whereas Gioia et al. (2010) argue that these perspectives are not just complementary but are mutually constitutive. Each set of processes recursively influences and helps construct the other, albeit with social construction processes likely to initially produce the claims made by and for the organisation (Gioia and Patvardham, 2012, p. 54). Thus OI can be seen as both some sort of *thing* (a set of identity claims) and also always in *process*. OI has both a snapshot quality and a motion-picture quality: although we can stop, and are predisposed to stopping, the motion picture and looking at the still as if it is a photograph of a static thing, the motion picture continues as we do so (Gioia and Patvardham, 2012, p. 52–3).

Following this view of identity as both claims and process, Kroezen and Heugens (2012, p.98) divide OI into two intertwined parts: *enacted* OI and an *identity reservoir*. Enacted OI consists of the claims employed by an organisation in social interaction and can vary over time and with the audience and organisation member involved (Kroezen and Heugens, 2012, p.98). Thus, this aspect of their conceptualisation of OI draws on a social constructionist perspective with a focus on the relational and dynamic aspects of OI. However, these OI claims are not enacted by drawing on all available claims in an organisational field, rather, they are drawn from an identity reservoir. This reservoir is a storage bin of identity claims established through an identity imprinting process during the formation of the organisation. Authoritative organisation members, selected audiences (in this case consumers) and peer organisations provide the identity sources for the imprinting process. This identity reservoir then encompasses claims about the organisation's fundamentals and activities (such as its mission, business model and personnel) that form the formal and symbolic core of the organisation (Kroezen and Heugens 2012, p.99–116). Organisation members can reference this set of identity claims when attempting to interpret and construct their organisation's



identity as part of the identity enactment process. Hence, this aspect of their conceptualisation of OI is consistent with a social actor perspective. Drawing on these conceptualisations of OI as both process and a set of (bounded) claims, the following section discusses the mobilisation of OI for this study.

### **3.2.3 Mobilisation of Organisational Identity for this Study**

OI is mobilised within this study as one part of an interpretive guide to capture and understand how a new process can emerge and embed within an organisation. Incorporating both social actor and social construction perspectives of OI, and in particular the work of Kroezen and Heugens (2012), OI is conceived of as encompassing a set of identity claims, an enacted identity and ongoing identity work to establish or maintain these claims. Given that the CC Group is a family-owned company, it is likely that family members play a significant role in the identity work (Dyer Jr. and Whetten, 2006; Zellweger et al., 2010, 2013) along with non-family, authoritative, organisation members (i.e., the managers and directors of the Group). This conceptualisation of identity as both some sort of *thing* (made up of two intertwined parts) and also always in *process* is helpful in understanding how and why a new organisational process such as a sustainability programme emerges and embeds within an organisation. Initially, OI claims are used by organisation members to filter and respond to internal or external issues (Dutton and Dukerich, 1991; Dutton et al., 1994). In conjunction with this, OI work can be used to relate the new process to “who we are, who we have been and who we wish to become” as an organisation which can be highly motivating for organisation members (Gioia et al., 2000; Gioia and Patvardham, 2012; Pratt, 2012; Kodeih and Greenwood, 2014). In addition, OI work is consequential in that it can make certain courses of action seem more plausible, justified or acceptable (Mueller and Whittle, 2012). Thus it has the potential to contribute to the ongoing legitimation work around new organisational activities and processes. The following section discusses the concept of legitimacy.

## **3.3 Legitimacy**

Suchman’s (1995) seminal definition of legitimacy suggests that it is “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs and definitions” (p.574). In unpacking this broadly based and inclusive concept of legitimacy (Suchman, 1995), there

are a number of conceptual and measurement dimensions to consider (Ruef and Scott, 1998). These elements include: the level of the entity seeking legitimacy; the constituents (an audience or set of interviewees) who construct a collective perception of legitimacy; the constituents' evaluation framework (a socially constructed system of norms, values and beliefs); the types of legitimacy being sought; and the strategies for acquiring legitimacy. Each of these elements can be viewed from a number of levels or perspectives (Ruef and Scott, 1998; Johnson et al., 2006). Suchman's work (1995) suggests three dimensions of legitimacy (pragmatic, moral and cognitive) (see Section 3.3.1) and a continuum of legitimation strategies that range from passive conformity to relatively active manipulation of the audience and their requirements (see Section 3.3.2). Suchman's definition focuses on conceptualising a state of legitimacy, but there is also recognition that this state is dynamic and temporal. Legitimacy can be seen as both a state and a process as organisations seek to gain, repair and maintain their legitimacy on an ongoing basis using legitimation strategies (Suchman, 1995; Deephouse, 1996). The entity subject to the legitimacy perception has been considered at the level of: a class of organisations (institutional level); an organisation (strategic level); an organisational sub-unit, function or process (Suchman, 1995; Kostova and Zaheer, 1999; Maclean and Behnam, 2010). The sources of legitimacy are most commonly viewed as either external audiences (such as regulatory agencies, the media, consumers, financial market interviewees, organisational stakeholders and the general public) or internal organisation members (directors, managers and staff) (Elsbach and Sutton, 1992; Kostova and Zaheer, 1999; Human and Provan, 2000; Lu and Xu, 2006; Kumar and Das, 2007; Schaefer, 2007). The framework of values, norms, rules and meanings can be constructed at a societal (Golant and Sillince, 2007), organisational (Bridwell-Mitchell and Mezas, 2012) or individual level (Brown and Toyoki, 2013). Section 3.3.1 provides a review of the types of legitimacy, Section 3.3.2 briefly discusses legitimation strategies and the existing literature on internal legitimacy is considered in Section 3.3.

### **3.3.1 Types of Legitimacy**

This section draws on Suchman's (1995) typology of legitimacy; in this model, three types of legitimacy are defined: pragmatic, moral and cognitive. Pragmatic and moral legitimacy are evaluative types of legitimacy that are secured when an audience recognises the specific or generic contribution of an organisation to their well-being or accepts claims for the appropriateness of the organisation's results given their link to societal values or institutional

standards (Golant and Sillience, 2007 p. 1149). Cognitive legitimacy is based on a shared understanding rather than an evaluation of means and ends. Cognitively legitimate organisations are seen as being normal and part of the natural order within their social context (Golant and Sillience, 2007 p. 1150).

Pragmatic legitimacy is concerned with the self-interest of the relevant audience. At its most basic level, pragmatic legitimacy is a sort of exchange legitimacy based on the perceived benefits or value of the practice to a set of constituents (Suchman, 1995; Kumar and Das, 2007). Related to this is influence legitimacy, a more socially constructed concept. In this case, the exchange relationship is based on constituents' belief that the practice is responsive to their larger interest, rather than the specific benefits provided by the practice (Brinkerhoff, 2005). This responsiveness may take the form of allowing certain constituents an opportunity to contribute to the development of the practice (Palazzo and Scherer, 2006) or adopting the constituents' standards of performance (Suchman, 1995). A third form of pragmatic legitimacy is dispositional legitimacy; in this case constituents attribute certain positive characteristics to the practice and perceive it as inherently "trustworthy" or "honest" and "having our best interests at heart" (Suchman, 1995, p.578).

Moral legitimacy centres on judgements about whether a practice is the right thing to do (Suchman, 1995; Brinkerhoff, 2005). Unlike pragmatic legitimacy, which is based on the value or benefit of a particular practice to the evaluator, moral legitimacy is based on a normative evaluation of the practice. Again, there are several variants of moral legitimacy. Consequential legitimacy involves judging a practice by what it accomplishes. In other words, is the practice perceived by key constituents as "doing things right" by achieving valued and desired results (Brinkerhoff, 2005, p. 3)? In some cases, it can be difficult to detect or measure the outcomes from a practice, and in these circumstance practices can gain legitimacy by following socially valued, validated or mandated practices (Brinkerhoff, 2005, p. 3). This procedural or technical legitimacy is derived from "doing things the right way" (Suchman, 1995; Brinkerhoff, 2005). Procedural legitimacy is particularly important in the absence of measurable outcomes, but, even when outputs are easily measured, positive moral value may still be accorded to practices that are perceived as employing the proper means and procedures (Suchman, 1995, p. 580). Structural legitimacy is based on the perception that the practice as a whole has the capacity to perform specific types of work (Suchman, 1995, p. 581). The practice is perceived as "right for the job" (Brinkerhoff, 2005, p. 3). The final, less

common, variant of moral legitimacy is personal legitimacy, which involves the charisma of individual organisational leaders (Suchman, 1995, p. 580). Constituents attribute moral legitimacy to a practice not because of its outcomes or the procedures it employs but because of the perceived personal legitimacy of the representative promoting the practice (Brinkerhoff, 2005; O'Dwyer et al., 2011).

Cognitive legitimacy is based on cognition rather than on self-interest or moral evaluation (Suchman, 1995, p. 582). This type of legitimacy derives from the practice “making sense” to the audience (Brinkerhoff, 2005, p. 4). There are two variants of cognitive legitimacy: comprehensibility and taken-for-grantedness. Comprehensibility stems from the availability of a cultural framework that provides a plausible explanation for the existence of the practice and its outcomes (Suchman, 1995; Brinkerhoff, 2005). To gain this type of legitimacy, a practice must accord with both a larger belief system and with the experienced reality of the audience’s daily life (Suchman, 1995, p. 582). Taken-for-granted legitimacy means that the practice is seen as a “fact of life” (Zucker, 1991, p. 86). This is the most subtle, most powerful and most difficult to achieve form of legitimacy (Suchman, 1995, p. 583).

In practice, there are “fuzzy boundaries” (Brinkerhoff, 2005, p. 10) between the three types of legitimacy. Although analytical distinction can be made between each type, in most real-world settings they co-exist (Suchman, 1995, p. 584). Further, although all three types are often mutually reinforcing, they may also come into conflict. Appeals to constituents’ self-interest can negate moral claims, and hollow moral platitudes may signify the evasion of pragmatic exchanges (Suchman, 1995). There is also a relationship between the ease with which a particular form of legitimacy is attained and its longevity. Pragmatic legitimacy can be the easiest form of legitimacy to attain, but it is the least durable due to its focus on short-term material incentives and its vulnerability to changes in the perceptions of key constituents (Kumar and Das, 2007). As cognitive legitimacy is the most difficult to achieve, it is also the most durable. The following section discusses the strategies that can be employed to build each type of legitimacy.

### **3.3.2 Legitimation Strategies**

Suchman (1995) identifies three broad strategies for gaining, repairing or maintaining legitimacy. Each strategy involves a mixture of actual change to a practice and persuasive communication about the practice. They fall along a continuum of relatively passive

conformity to relatively active manipulation of constituents and their requirements (Suchman, 1995, p. 587). The strategies include: efforts to conform to the requirements of existing audiences within the organisational environment; efforts to select among multiple environments to find a supportive audience; and efforts to create new audiences and new legitimating beliefs. Conforming to the requirements of existing audiences entails making the practice seem desirable, proper and appropriate within the existing organisational environment. Environmental selection involves seeking an environment where the constituents will support the practice as it is (Suchman, 1995). Whereas most practices will gain legitimacy primarily through conformity and environmental selection, for some, these strategies will not suffice (Suchman, 1995, p. 591). In such cases, proponents of the practice must create new explanations for the practice. This requires the creation of new audiences and new legitimating beliefs (O'Dwyer et al., 2011). Table 3.1, (p.34) adopted from O'Dwyer et al. (2011, p. 37), summarises Suchman's typology of legitimacy.

These legitimisation strategies emphasise the role of organisations, and in particular managers, within organisations, seeking to persuade external audiences with discretionary control over material or symbolic resources (Golant and Sillince, 2007, p.2007) to accord legitimacy to the organisation. Less has been said about how internal legitimacy is conferred or withheld by internal audiences (Maclean and Behnam, 2010, p.1501)

Table 3.1 Summary of Suchman's Typology of Legitimacy

Type of legitimacy	PRAGMATIC	MORAL	COGNITIVE
Sub-types of legitimacy	Exchange; influence; dispositional	Consequential; procedural; personal; structural	Comprehensibility; taken-for-grantedness
Values addressed	Audiences' specific or broader self-interest	Audiences' views on welfare of society	Subconscious attitudes of what is appropriate, proper and desirable
Durability	Low ←		→ High
Ease and speed of establishment	Easy / Fast ←		→ Difficult / Slow
<i>Broad strategies of legitimation for new practices</i>			
<b>Conform:</b> Conform to requirements of existing audiences	Show how the new practices meet instrumental demands of key audiences; offer influence over shape of new practices; trade on organisation's strong reputation in related fields	Show how new practices produce socially desirable outcomes; associate new practices with respected entities	Show that new practices conform to established models or standards
<b>Select:</b> Pitch practices at new audiences who will support proposed practices	Identify and attract key audiences whose instrumental interests are addressed by the new practices	Identify new audiences whose moral values accord with the new practices	Appropriate a set of standards already accepted in a related area and apply to the new practices
<b>Manipulate:</b> Create new audiences and new legitimating beliefs	Strategic communication to persuade key audiences to value, and to believe they can influence, the new practices	Collective action by many organisations to socially construct an honourable image for the outputs of the new practices; establishing a record of technical success for the new practices indicating how they embrace socially accepted techniques and procedures	Encouraging isomorphism through the standardisation of practice; actions to enhance comprehensibility of new practices (through lobbying, research, etc.)

### 3.3.3 Conceptualising Internal Legitimacy

Although legitimacy is most extensively theorised and studied as a resource to be acquired from external audiences (governments, regulatory agencies, shareholders and so forth), for an individual organisation or class of organisations (Kostova and Zaheer, 1999; Kumar and Das, 2007; Maclean and Behnam, 2010) internal legitimacy has an important role to play in the acceptance of new activities and processes within an individual organisation. Internal organisation members (directors, managers and employees) make their own legitimacy

evaluations about their organisation and its activities that affect their level of commitment to that organisation or practice (Elsbach, 1994; Ruef and Scott, 1998, p. 880). A smaller but growing body of work has established internal audiences as a source of legitimacy (Elsbach and Sutton, 1992; Kostova and Zaheer, 1999; Human and Provan, 2000; Lu and Xu, 2006; Kumar and Das, 2007; Schaefer, 2007), has provided insight into internal legitimization processes (Drori and Honig, 2013) and has explored the role of internally sourced legitimacy in the success or failure of new organisations or organisational processes (Maclean and Behnam, 2010; O'Dwyer et al., 2011; Drori and Honig, 2013).

At an organisational level, Drori and Honig (2013, p. 347) suggest that internal legitimacy is “the acceptance or normative validation of an organisational strategy through the consensus of its participants, which acts as a tool that reinforces organisational activities and mobilises organisation members around a common ethical, strategic or ideological vision.” Again at the organisational level, Brown and Toyoki (2013, p. 875) define internal legitimacy as “an ongoing set of individual and social processes manifested in an apparent collective acceptance by its members that their organisation is, to some extent, desirable, proper or appropriate” and at the process-level Maclean and Behnam (2010) conceptualise internal process legitimacy “as organisation members’ perceptions of the appropriateness or acceptance of a particular function, subunit or process of their organisation.” Drawing on the work of Suchman (1995), Maclean and Behnam (2010, p. 1501) and Brown and Toyoki, (2013) for the purpose of this study internal process or programme legitimacy is seen as an ongoing set of individual and social processes that manifests in an apparent collective acceptance by organisation members that an organisational process or practice is, to some extent, desirable, proper or appropriate within the organisation’s framework of norms, values and beliefs.

New organisational activities often face a deficit of legitimacy or a liability of newness (Aldrich and Fiol, 1994, p. 663) while organisation members such as employees, managers, and directors evaluate the legitimacy of these activities (Elsbach, 1994; Ruef and Scott, 1998; Maclean and Behnam, 2010; Drori and Honig, 2013). These internal legitimacy evaluations affect organisation members’ level of commitment to that activity (Weaver et al., 1999; Maclean and Behnam, 2010). Gaining internal legitimacy (Brown and Toyoki, 2013) is crucial in integrating a new organisational activity or process (a set of related activities) within an organisation and developing routinized activities that contribute to the temporal

stability of that process (Weaver et al., 1999; Human and Provan, 2000; Basu and Palazzo, 2008; Maclean and Behnam, 2010; Thomas and Lamm, 2012). Some new activities are likely to be more easily legitimated within an organisation than others, as they are established in response to issues that are routine and expected. Routine issues are easily understood and categorised by organisation members and trigger well-known responses (Dutton and Dukerick, 1991). Hence, the resulting activities may be perceived as new, but they are not unfamiliar. Other issues are not as easily interpreted or processed because they are non-traditional or hot issues. Non-traditional issues are ones that have not been encountered in the past and thus do not easily fit well-used categorisation schemes. A hot issue is one which can evoke strong emotions (Dutton and Dukerick, 1991, p. 519).

Arguably, sustainability is a non-traditional issue that can evoke strong emotions. The concept of sustainability encompasses a morass of potential conflicts of interests and information and can be viewed from multiple levels: global or regional ecologies, societies, communities and most problematically at an organisational level (Gray, 2010). Accounting for sustainability is equally problematic and at an organisational level may not even be possible (Gray, 2010). Given the complex, multileveled and contested nature of the concept of sustainability and accounting for sustainability (Gray, 2010), it is a problematic issue and one which is not easy for organisations to interpret, process and respond to. Organisations that voluntarily engage with sustainability struggle to understand: what it means in the context of their organisation; how to balance competing sustainability and economic pressures; how it can be integrated into day-to-day activities and decision making; and how to account for sustainability (Thomas and Lamm, 2012; Frandsen et al., 2013).

In addition to the nature of the underlying issue, new sustainability activities require *active* internal support from both managers and staff (Thomas and Lamm, 2012; Frandsen et al., 2013). The level of support required for a practice also influences the level of difficulty involved in gaining legitimacy. The legitimacy threshold for passive acquiescence can be quite low, whereas for active support the legitimacy demands are more stringent (Suchman, 1995). Thus, new corporate sustainability activities and processes are likely to be susceptible to internal legitimacy deficits. Prior research has highlighted what the hallmarks of successful corporate engagement might look like (for example, an environmental management system and reporting, CEO involvement and openness to engagement with stakeholders) but



internally legitimating and embedding an organisational sustainability programme is a challenging, complex and under-researched process (Thomas and Lamm, 2012; Frandsen et al., 2013). The following section discusses legitimation strategies and the interactions between an organisation's identity and internal legitimation work for a new organisational process or practice.

### **3.3.4 The Relationship between Organisational Identity and Internal Legitimacy**

Work on the external legitimation of new practices has suggested that, during the early stages of the development of a new practice, the focus is likely to be on building the moral and pragmatic legitimacy of the practice at a local level through accounts of how the practice addresses the immediate needs of local constituents (Johnson et al., 2006). A secondary function of these accounts is to increase the comprehensibility of the practice by linking it to more widely established sets of practices (Aldrich and Fiol, 1994; Suchman, 1995; Golant and Sillince, 2007) and the existing widely accepted societal framework of beliefs, values and norms (Johnson et al., 2006, p. 60). However, cognitive legitimacy, in particular comprehensibility, may play a more important role in the emergence of new activities *within* an organisation than previously considered. In relation to the process of internal legitimation, the two variants of cognitive legitimacy — comprehensibility and taken-for-grantedness — need to be considered separately (Bridwell-Mitchell and Mezas, 2012). Comprehensibility relates to having a plausible explanation for the existences of the practice and its outcomes that accords with the audience's framework of norms, values and beliefs (Suchman, 1995; Brinkerhoff, 2005). Taken-for-granted legitimacy means that for “things to be otherwise is literally unthinkable” (Zucker 1983, p. 25). A particular technology (for example, medical treatment for acute appendicitis) or policy may gain this type of taken-for-granted legitimacy, but it is unlikely that an individual organisation, organisational process, practice or practitioner can achieve this status (Suchman, 1995, p. 583). Given modern organisations propensity for continual change (Brown and Eisenhardt, 1997), an individual organisational process is also unlikely to achieve this type of legitimacy. Instead, comprehensibility is the initial cognitive hurdle that a new process or practice must surmount in order to gain internal support (Dutton and Dukerich, 1991; Bridwell-Mitchell and Mezas, 2012).

Bridwell-Mitchell and Mezas (2012) argue that by providing a collective set of claims about the organisation's central distinctive and enduring characteristics, OI is the cognitive context for comprehensibility. OI claims are what allow a new organisational process to make sense

(Dutton and Dukerich, 1991; Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Bridwell-Mitchell and Mezas, 2012) to organisation members and can be employed in narratives that provide a plausible explanation (Suchman, 1995; Brinkerhoff, 2005) for the existence of new activities and their outcomes. If an organisational practice is perceived by members as inconsistent with their organisation's identity it will be seen not just as inappropriate but also as incomprehensible (Dutton and Dukerich, 1991; Bridwell-Mitchell and Mezas, 2012, p. 192,). OI claims may also have a role in members' assessments of moral and pragmatic legitimacy (Bridwell-Mitchell and Mezas, 2012). To mobilise organisation members' commitment to an organisational practice, the practice must not only make sense but also have value (Suchman, 1995). An organisation's identity claims may encompass characteristics relating to its ethical or instrumental value to stakeholders (Elsbach and Sutton, 1992; Elsbach and Kramer, 1996; Scott and Lane, 2000b), and this can be used by members in their assessments of the pragmatic and moral value of a process and its outcomes.

The mechanisms through which organisational members employ OI claims when according legitimacy to, or withholding legitimacy from, new activities are not well studied. However, work by Brown and Toyoki (2013) provides insight into how some types of identity talk can also be a form of internal legitimacy work. On the basis of their case study of prisoners in a Helsinki prison, Brown and Toyoki (2013) suggest that in constructing valued, if arguably fantasised, self-identities the prisoners also affirmed or contested the prison's pragmatic, moral or cognitive legitimacy. For example, when talking about their self-development activities, the prisoners talked about the prison as an organisation that afforded them opportunities to work on their preferred version of themselves and in doing so affirmed the pragmatic legitimacy of prison based on their self-interest criteria. The prisoners' identity talk could also contest the prison's legitimacy; prisoners also constructed themselves as long-suffering and unfairly treated and in doing so contested the prison's moral and pragmatic legitimacy. The authors suggest that, in order to understand the dynamics of legitimacy, attention needs to be focused on identity talk in which the legitimacy of organisations is constructed. This study seeks to extend the work of Brown and Toyoki (2013) by examining how (organisational rather than self) identity talk may also be a mechanism for individual organisational actors to construct legitimacy for, or withhold legitimacy from, a new organisational practice or programme. In this respect, talk centred on an organisation's history, culture, key events, strategies, significant individuals and their actions may be

important (Elsbach and Kramer, 1996; Kroezen and Heugens, 2012; Mueller and Whittle, 2012).

This study seeks to evidence, understand and explain the emergence, evolution and (partial) embedding of new organisational activities and their evolution into a new organisational programme between 1998 and 2012. The concepts of legitimacy and OI provide the foundations for a useful interpretative framework (modelled in Figure 4.2, p.60) to capture the complex nature of this unfolding process. This is discussed in detail in the case narrative (Chapters Six to Nine).

### **3.4 Chapter Summary**

This chapter provides an in-depth examination of the two key theoretical concepts, OI and internal legitimacy, applied in analysing and interpreting the case data. The extensive literatures relating to both concepts are discussed, and the relationship between the two concepts is explored. The chapter is divided into three parts. The first section is concerned with discussing how the concept of OI has been defined and understood in the literature. It provides an overview of the definitions of OI from a social actor and a social construction perspectives and criticisms of each perspective. The second section explores the concept of legitimacy and, in particular, internal legitimacy for a new organisational process. The literature concerning the broad concept of legitimacy, types of legitimacy and strategies for building legitimacy is reviewed, followed by a discussion of the concept of internal process legitimacy.

The third and final section of the chapter considers the relationship between OI and internal legitimacy and their role in the emergence and embedding of a new organisational process. This section suggests that establishing cognitive legitimacy, in particular comprehensibility, may play a more important role in the emergence and legitimation of new organisational activities than previously considered (Bridwell-Mitchell and Mezias 2012). This section also highlights the need for an explicit consideration of the role of OI when seeking to understand both *why* and *how* internal legitimacy is established. Arguably, OI claims need to be considered when seeking to understand *why* internal legitimacy, in particular, comprehensibility, is or is not established as these claims provide an organisational level cognitive framework for internal audiences to evaluate a new organisational activity.

Potentially, these claims can also be used to provide explanations for the new practices when seeking legitimacy from key internal audiences. In addition, (organisational) identity talk (Brown and Toyoki, 2013) also needs to be considered when seeking to understand *how* internal legitimacy is established as it offers a mechanism through which individual organisational actors can construct legitimacy for, or withhold legitimacy from, a new organisational activity. Thus mobilising these two theoretical concepts has the potential to provide a robust yet nuanced framework to understand and explain the emergence, evolution and embedding of new organisational activities.