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Rhetorical View of Corporate Legitimacy

Mahadir Ladisma @ Awis[1], Hazman Shah Vijayan Abdullah[2], Norziana Lokman[3],

[1]Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM)
Kampus Seremban 3, 70300 Seremban, Negeri Sembilan, Malaysia
mahadir.ladisma@gmail.com Tel: +60179879797

[2 3] Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM)
40450 Shah Alam, Malaysia
hazman@salam.uitm.edu.my Tel: +60132060358
norzi716@salam.uitm.edu.my Tel: +60196795385

Abstract

Recent development in understanding corporate legitimacy has heightened the needs for corporate to believe that the corporation activities affect not only how stakeholder act towards organizations, but also how they understood them. It is also perceived that legitimate organization not only as worthier, but also as more meaningful, more predictable, and more trustworthy. This paper highlights an important element of corporate legitimacy. The term legitimacy itself indicates the credibility of corporations which giving them more privilege to gain access on their resources. However, the fluctuating demands, perception and complex expectations from the stakeholders greatly contributed to the chaotic status quo within the organization. Thus, it is imperative for the corporation to understand the different types of corporate legitimacy that will implicate their survival. The notion of legitimacy which claimed as gaining acceptance of society, compliance with norms, values, beliefs and definition is still an important standpoint in institutional and strategic approach. Clearly, legitimacy is socially constructed and that it reflects the congruence between the expectation and norms of significant social groups; thus, legitimacy is dependent upon a collective audience.

Keywords: *corporate legitimacy, regulative legitimacy, normative legitimacy, cognitive legitimacy, pragmatic legitimacy, institutional and strategic approach*

INTRODUCTION

As corporations are becoming more aware of the need to involve in corporate responsibility and also being compelled in that direction through coercive and normative forces, it is important for corporations to engage with their stakeholder to develop and create corporate responsibility values. In that sense, corporation must seek legitimacy to receive continuous support from their stakeholders. The term of legitimacy reflects the credibility of corporations and allow them to have access to the resources that are needed for survival and development. It is crucial to understand legitimacy because it may provide insights into how the corporation survives. The corporation must gain internal and external acknowledgment to achieve legitimacy. In other words, corporation requires both internal and external positive insights that acknowledged their institutional rights. Internal stakeholders consist of board members, owners, investors and employees, while external stakeholders are customers, community, suppliers, trade unions; special interest groups, government and many more. Both are equally important to determine the direction of the company.

Therefore, the aim of this paper is to explore the understanding of corporate legitimacy from the three perspective, namely; normative, cognitive and pragmatic. Furthermore, this paper is also an extension of the discussion on corporate legitimacy from institutional and strategic approach.

CORPORATE LEGITIMACY

The terms of corporate legitimacy are extensively used in the study of corporate social responsibility. Most of the studies focus more on political acceptability rather than institutional or corporate acceptability (Suchman, 1995; Deegan, 2002). This study proposes that corporate legitimacy can be analysed and evaluated through the organizational perspectives based on the corporate in relation to their stakeholders, whether the corporate bodies have the licence to operate or rejected by their stakeholders. The notion of the "license to operate" for corporations rest on the idea that there is a collective set of expectations on them beyond what is legally prescribed. Failure to meet such expectation can put the "license" at risk of revocation (Deegan & Rankin, 1996). The breach of expectation may even jeopardize the very existence of the corporate legitimacy. Therefore, the corporations are seen to undertake different activities aimed at legitimizing their position in the society in order to maintain the "license" (Deegan, 2002).

From the perspective of legitimacy theory, one could explain that corporations are bound by the social contract which is required for them to be socially involved with the society as a return for the approval of their existence, thus safeguarding their continuous existence (Emtairah & Mont, 2008; Ladisma, 2016). The corporations do not only gain more profits, but for social acceptance they need to be seen as contributing to the people. This situation is reflected in the definition provided by Lindbolm (1994) who defined organizational legitimacy as "… *a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part off"* (p.2). This definition runs parallel to the definition by Dowling and Pfeffer (1975) who noted that legitimacy is interpreted *as "congruence between the social values associated with or implied by [organizational] activities and the norms of acceptable behaviour in the larger social system"* (p.122).

In addition, Suchman (1995) also provided an in-depth definition of legitimization, which helped to understand the entire spectrum of issues;

> *" 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 (p.574)… Thus, constituents are likely to*

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accord legitimacy to those organizations that have their best interests at heart, share our values, honest, trustworthy, decent and wise" (p.578).

It is important for corporations to be relevant in the eyes of their stakeholders by meeting their expectations. Another vital component is that a legitimate organization is able to meet the individual norms, values, and expectation. Tyler (1997) argued the term legitimation from the perspective of psychology. According to him, legitimacy is judged by individualized social values, and it is not only guided by one's own behaviour but also expected to affect others, groups or authorities (Tyler, 1997). He further added that the feeling of obligation to defer or obey is labelled as "legitimacy" which is also known as voluntary deference behaviour (Tyler, 1997).

From the sociological perspective, Max Weber (1978) was the first scholar highlighting the importance of legitimation for government and private organization. He emphasized the importance of legitimacy in power structures. Starting off with his initial work, many scholars started to discuss and explain legitimacy from various perspectives. For instance, from the Political Sciences point of view. Under the political perspective, the government should be legitimated by wide public participation and ensure procedural regularity, especially provisions in dealing with majority rules, minority rights, and accountability in regular and frequent elections (Dahl, 1956). Then, legitimacy can be resourced to maintain the belief that existing political institutions are appropriate and proper for the society (Lipset, 1983). In other words, it is important that corporation, in order to develop and implement their activities, to address the interests of minority as well as majority.

Using Political Model, Eisenberg (1983) highlighted five issues from the perspective of economic, politic and social (p.1), there are;

- *First – What is the fundamental nature of the corporation as an institution within a large society?*
- *Second – How is the power of the corporation legitimated?*
- *Third – What should be the objective and what should be the conduct of the corporation?*
- *Fourth – What should be the role of management in the corporation?*
- *Fifth – What should be the role and the composition of the corporation's board of directors?*

From the perspective of Political Model, diverse issues can be evaluated when corporation is viewed as a political institution; they are representing the group that most directly affects its constituencies (first issues). Since the corporation is a political establishment, corporate legitimacy according to Robert Dahl (1956) refers to the idea *"the power can be legitimate – can be considered as acceptable authority – only if it issues from fully democratic processes"* (Eisenberg, 1983:2). Dahl (1956) viewed that corporation is lack of legitimacy. He added, in a rational society, people (employees, customers and general public) are connected through the economic activities done by corporation but the privilege of citizenship is being denied (second issues). Talking about the corporation, each and every corporation has set various objectives. It does not matter whether the objective based is on profit or people-oriented but, what matters is, the objective will drive the corporation to achieve something in a larger society

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(third issues). Each objective of the corporation is reflected in different parties, interest and purpose (fourth issues). And, lastly, the board of directors consist of representatives of salient constituency group to ensure that they can meet the objectives of these groups (fifth issues).

Although there are fundamental issues faced by the corporation, managing corporate legitimacy according to Ashforth and Gibbs (1990: 191) is a valued but problematic resource. Corporate legitimacy can give vast impact of legitimacy on the survival of organization (Zimmerman & Zeitz, 2002). Likewise, legitimacy is about the relationship between practices and the way of expression within the social system[1]. The social system played important roles in transforming input to output that indicated the stakeholders' demands. Nonetheless, social system contributed significant elements as external motivational for organizational environmental (Aldrich, 1995). That can lead the corporation to be legitimated and also provide the right and authority for decision-making. In accomplishing organization goal, social system evolves pre-arranged rules, norms, values and models when uncertainty occurs. When this happened, the organization refers back to keep them in track. In formal organizational structure, to reach a rational decision making is somehow a huge challenge. At this moment, legitimacy helps the stakeholders to face uncertainty through rules, norms, values and models as guide. Beyond the survival of organization is growth – measure the efficiency, growth, profit, size, liquidity, success or failure, market share and leverage. Conversely, this study suggests that, legitimacy is crucial for new organization to reflect the norms and values that signify the stakeholders' support and trust.

DEFINITION OF CORPORATE LEGITIMACY

The discussion below is about the definition of corporate legitimacy. There is a wide definition given by different scholars from different perspectives. However, this study focuses on corporate legitimacy from the corporate perspective. Brinkerhoff (2005) postulated that legitimacy has long been recognized as a core constituent that is applied in political and governance. It deals with the societal acceptance and institutions system relationship that allow their ability to exercise power and authority successfully (Ladisma, 2016).

The following discussion about the definition of corporate legitimacy shows the growth and trends of corporate legitimacy development. Definition by Meyer and Scott (1983, p.201), mentioned that "*corporate legitimacy refers to the degree of cultural support for an organization – the extent to which the array of established cultural accounts provides explanations for its existence, functioning, and jurisdiction...*" It shows the emphases on cultural aspect that support the existence of an organization. The next definition by Suchman (1995) had shown the element of norms, values, and beliefs that have attracted the development of an organization. All these elements must match and be appropriate with the perception of the society. As argued above, Suchman (1995:574) defined corporate legitimacy as *"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"*.

[1] According to Zimmerman and Zeitz (2002: 416), social system refer to *"meaning an interacting collective that has ongoing patterns of scripts, rules, norms, values, and models"*

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In early 2000, scholars in corporate legitimacy had recognized the roles of stakeholders. Clarkson (1995) argued the roles of stakeholders, although they are not engaged with the daily transactions, but they have the capacity to influence the corporation. Massey (2001) defined that *"legitimacy involves understanding that legitimacy is not something that can be claimed by organizations, but is instead something that is given by stakeholders"*.

As stakeholders are becoming the important players in corporate development, their roles have been viewed in a wider perspective based on the definition given by Zimmerman and Zeitz (2002: 414), who defined legitimacy as *"a social judgment of acceptance, appropriateness, and desirability, enables organizations to access other resources needed for survival and growth"*. This is parallel with Aldrich and Fiol (1994) who explained that organization are expected to be accepted, valued, taken for granted as right, appropriate and socially responsible in the eyes of the stakeholders. In fact, from the institutionalization context, the values of organization are related to the institution building and development. Institutional developments according to (Brinkerhoff, 2005) are "*links to the underlying principles that define and support a society's ongoing configuration of norms and values; and actions designed to induce change activity and behavior patterns in the society"* (p.2).

Clegg, Rhodes and Kornberger (2007) and Ladisma, Hazman, Shah and Lokman (2016), in another argument defined legitimacy as a formation that must be congruent with the organization's action and goals. The mission and vision of the organization must be achievable, reflect the norms development, values and beliefs and it must be desirable and proper or appropriate within a socially constructed (Suchman, 1995: 574). In moving forward to reach higher levels of legitimacy, organizations must be able utilize and manipulate symbolic language and behaviour for organizational survival (Aldrich & Fiol, 1994). This is in contrast with the definition given by Kuznetsov, Kuznetsova and Warren (2009). They defined legitimacy as core in society assumption, something with indefinable quality. More organizations are taking significant strategies for developing and portraying a caring image that can finally contribute to the development of an organization's reputation.

The definition of legitimacy was extended into different expressions as used by Levi, Sacks and Tyler (2009) and Ladisma (2016). They defined legitimacy as beliefs that improve self-adherence that derives from the trust among the people on the organizational structure, authority and practices. The sense of responsibility is convince from the authorities and rules that they believed that by being legitimate the society will be willing to accept as a normative appropriateness. Talcott Parsons's as cited by Carroll and Buchholtz (2012: 95) explained that *"organizations are legitimate to the extent that their activities are congruent with the goals and values of the social system within which they function"*.

Based on the above discussion, it can be concluded that there are two conditions for which corporation's operations, actions and decision will be considered legitimate. The conditions are: i) all the action shall be congruent with values and norms; and ii) meeting the expectation of the society (Ashforth & Gibbs, 1990). Although legitimacy is a dynamic process, but if over the period of time, norms, values and beliefs of society changes, the corporate body must adhere accordingly. Yet, the legitimacy of the corporate body depends on the acceptance of

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the society. Corporate exists exclusively just because the society has given them the right to be exist (Ladisma *et al.*, 2016 & Carroll & Buchholtz, 2012).

UNDERSTANDING CORPORATE LEGITIMACY

Prior studies have evidently noted the importance of corporate legitimacy. The next discussion further illustrates an assortment of views to understand corporate legitimacy. Suchman (1995) highlighted that corporate legitimacy is necessary to ensure access to the resources for the organization to survive. Although the organization resources can come from many ways, Gupta, Dirsmith and Fogarty (1994) suggested that it is necessary for the organizations to adopt and understand the norms of their wider environment and society. This is because the bigger organization that operates, the greater dependency for their survival through the support of external constituents surrounding them. At this stage, the norms and values of the society are being met. However, conformity to accept social norms can be a tricky challenge to tackle particularly when the organization and the external domain are in a constant state of flux.

Specifically, very few research has been conducted on organizational legitimacy (Ladisma, 2016, and Minahan, 2005). Study by Hager, Galaskiewicz, Bielefeld and Pins (1999), suggested that organizational legitimacy played a crucial role to understand the organizational survival. If the organization is perceived as unimportant or non-essential, it is considered as an important factor in deciding to close down its operation. Kostova and Zaheer (1999) supported that there is a need to study and understand the roles played by both internal and external stakeholders. Their roles are important to determine the direction of the organization that reflects the needs of the society (Selvarajh *et al.*, 2012; Rich & Weaver 1998; Smith & Deering, 1984; Schlozman & Tierney 1986). Most studies focussed on how the external and internal legitimacy is gained and maintained as both factors are equally important. Meyer, Scott and Strang (1987) included the analysis of the interaction between external funding and internal structures, and control systems in arts organizations. The findings showed a significant discovery on how internal and external factor shaped the legitimate organization.

Meanwhile, a study conducted by Ashforth and Gibbs (1990) ascertained that legitimacy is always challenging. There are issues beyond the control of the organization. The fluctuations demands, perception and complex expectations that come from stakeholders contribute to the chaotic status quo in the organization. In order to understand the challenges of legitimacy, Ashforth and Gibbs (1990) explained three reasons for the corporation to be legitimate in the eyes of the stakeholders. Table 1 explained briefly.

Table 1:
Legitimation as a Function of the Purpose of Legitimation

	Purpose of Legitimation		
	To Extend Legitimacy	To Maintain Legitimacy	To Defend Legitimacy
Legitimacy	Problematic	Nonproblematic	Problematic
Constituent scrutiny	High	Low	High
Intensity of legitimation	High	Low	High

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activities			
Mix of legitimation activities	Proactive: Substantive and symbolic	Routinized: Substantive and symbolic	Reactive: Primarily symbolic (at least in short-run)

Source: Ashforth & Gibbs (1990). The Double-Edge of Organizational Legitimation. p.182.

Firstly, the purpose known as *extending legitimacy* which occurred when new activities, structure or process was first introduced. The concept of "liability of newness" will be experienced by the corporation especially when little is known, cause-and-effect and whenever the society is doubtful. Secondly, *maintaining legitimacy* when the corporation has adequate activities that contribute to their existence, manipulating symbols and avoiding potential conflicts that may jeopardize the legitimation process. Thirdly, *defending legitimacy* which is practised when threatened from their external factors. At this phase, significant activities are crucial to be introduced to fight the conflicts from external challenges. To conclude Ashforth's and Gibbs' (1990) discussion, there are two main points that can be digested; first, the more challenging the organization's legitimacy, the more scrutiny and the lower expectations from the constituents; and the more dependent the organization is towards limited resources, the more complicated the legitimacy become.

In relation with Ashfort and Gibbs (1990) purpose of legitimation, Clarkson (1995) demonstrated the ideas to be legitimate in the eyes of the stakeholders through significant corporate activities. According to her, corporate responsibility is generated from outside the business. This is what Suchman (1995) mentioned as "*...actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions"* (p.574). However, some basic questions still need to be clarified and could probably require more explanations. The subject of discussion is centred on the potentially doubtful norms. The questions such as; "socially responsible to whom?", "socially responsive about what?", "social performance judged by whom and by what standards?" All those are legitimate questions that need to be answered and addressed accurately by the corporate people to satisfy their stakeholders. Although the corporation was trained to understand the meaning of responsibility, but to what extent can they fulfil the need and demand of their stakeholders? It is not only to meet the expectations from certain groups but the obligations can go beyond that. Understanding their roles by recognizing and giving priority to the stakeholder groups or the constituencies are more meaningful to secure the corporate survival (Maignan, Ferrell & Hult, 1999).

In tandem with the statement above, Heyder and Theuvsen (2008) agreed and gave the same opinion about corporate responsibility as a strategy and also as an extension of the organization to obtain their legitimacy. The effort to gain legitimacy may experience tremendous challenges and conflicts. They argued that legitimacy is subjectively perceived and ascribed to actions of institution by their stakeholders. It is mainly important as it is a prerequisite to ensure a continuous flow of their resources and to sustain support from the organization's constituents. Losing their "license to operate" could contribute to the difficulty in penetrating the society's needs, and in the long run the stakeholders may lose trust in their credibility. Illegitimate situation may jeopardise their existence in conquering their market. Actions are legitimated, if within a social system they are evaluated as being appropriate and right within a socially constructed system of norms, values, beliefs, and definition (Suchman, 1995). Corporate bodies

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are forced primarily to meet the expectations of the society without scrutinizing it (Scott & Meyer, 1994).

Corporate is seen to be legitimate if it follows *"socially acceptable goals in a socially acceptable manner"* (Ashforth & Gibbs, 1990). Ashforth and Gibbs (1990) conceded that the value orientation of an organization has to be based on overall societal values. Furthermore, corporate responsibility has been valued as a tool for legitimating business activities because corporate are increasingly forced to legitimate their activities due to direct disputes with their stakeholders. In other words, existing conflict lines provoke that successful management is adjusting the goals of corporations to the interest of the societal environment. In sum, the more corporations are in the focus of critical stakeholder groups or in the public attention due to scandals, the more corporate responsibility actions are seen as an appropriate means to regain legitimacy. Harmful corporate legitimacy may incur a lot of cost.

Repairing legitimacy means to accept the responsibility by acknowledging the mishap (instead of denial) based on Du and Vieira (2012). And then, corrective actions must be implemented to minimize damage and also to prevent similar situations from reoccurring in the future (Suchman, 1995). Finding an appropriate remedy to regain legitimacy would be a tougher process. Suddaby and Greenwood (2005) used rhetoric legitimacy approach to understand the different interpretations and manipulation to demonstrate their legitimacy, by using the language as a mechanism to promote the organization. They found that positive rhetoric approached can help to manipulate and maintain legitimacy. Another way of regaining legitimacy is proposed by Minkoff (1994). He suggested that by providing newly developed organization with a dominant and well-structured form, it will also contribute to achieving its legitimacy. However, less familiar structure can cause difficulty for survival.

Aldrich and Fiol (1994) in their paper highlighted the issues of legitimacy among newly-developed organization. Comparatively, a new organization will face more challenging issues to enter new market and new venture. The situation would be a bit different especially if the new organization that ventures into the new industry with existent organization is very small. They lack role models as example and this scenario leads the issues of legitimacy. Lack of legitimacy becomes a fundamental phenomenal to gain support from the new environment. The argument is how the new organization could be recognized and embraces the rules and standards. Furthermore, recognizing opportunity, managing resources, recruiting and training could become huge challenges during the early stages. Studies on legitimacy (Ladisma, 2016, Bansal & Clelland, 2004; Elsbach & Sutton, 1992; Massesy, 2001; Minkoff, 1994; Levi, Sacks & Tyler, 2009, Reimann, Ehrgott, Kaufmann & Carter, 2012; and Gifford, Kestler & Anand, 2010) proved that most of prior studies focussed on controversial activities that lead to question the ability of the organization to maintain their existence. In fact, Aldrich and Fiol (1994: 663) stated *that "new organizations are always vulnerable to the liabilities of newness, but never more so than when firms have few precedents for their actions"*. They suggested, during the initial stage, the organization must counterbalance their collective efforts to put trust and familiarity within the industry.

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NORMATIVE (MORAL), COGNITIVE AND PRAGMATIC LEGITIMACY - UNDERSTAND THE DIFFERENCES

The following discussion explains the different types of legitimacy. It is important to distinguish each type to get a clear picture of legitimacy. As stated earlier, this study defines legitimacy as a general perception or assumption that the organizational behaviours are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995). Studies by Ruef and Scott (1998), Zimmerman and Zeitz (2002), and Jee (2010) have agreed on three types of legitimacy based on the institutional theory: regulatory legitimacy, normative (moral) legitimacy, and cognitive legitimacy. Along with these types of legitimacy, Suchman (1995) added the pragmatic legitimacy. However, each type of legitimacy rests on somewhat different behavioural dynamics. Table 2 shows prior studies that had applied and examined the four types of legitimacy.

Table 3.3:
Types of Legitimacy

Types of Legitimacy	Operationalization	Applied
Regulatory Legitimacy	An organization is legitimated when it follows regulatory process, rules, standards, and expectations created by governments or professional associations.	Financial legitimacy (Deephouse & Carter, 2005)
Normative (Moral) Legitimacy	An organization is legitimated when it follows social values and standards in which the organization exists.	Managerial legitimacy & technical legitimacy (Reuf & Scott, 1998) Organizational legitimacy (Massey, 2001)
Cognitive Legitimacy	An organization is legitimated when it is perceived as taken-for-granted.	N/A
Pragmatic Legitimacy	An organization is legitimated when it satisfies an individual or the public's interests.	N/A

Aldrich and Fiol (1994) highlighted and distinguished between cognitive and socio-political, and divided them into two sub-legitimacy namely; moral and regulatory legitimacy. Scott (1995) discussed and applied three types of legitimacy, which are regulative, normative, and cognitive. Suchman (1995) had also identified three types of legitimacy and introduced pragmatic legitimacy together with moral and cognitive aspects. Another study is done by Breitsohl (2009) who employed the concept of organizational legitimacy in the four major type's namely pragmatic, moral, cognitive and regulative legitimacy. Although the terms were conceptually distinctive, all four types have unique criteria to be considered.

Regulative Legitimacy

The regulative legitimacy is basically associated with introducing rules, standards and process. Suchman (1995) and Zimmerman and Zeitz (2002) mentioned that the rules and standards are produced and enforced by the governmental body, professional or accredited bodies including some influential entities. Within a highly formal structure, they are able to provide coercive mechanisms to enforce such rules, laws and sanctions. The organization is legitimated when it is consistent with the laws by registering with governmental bodies such as Securities and Exchange Commission or obtaining professional certification (Zimmerman & Zeitz, 2002). This type is also important in the early stage of achieving legitimacy. The regulative component must be clear before other components can be introduced.

Normative (moral) Legitimacy

The normative is also known as moral legitimacy. This type emphasizes normative rules and values of the society (Zimmerman & Zeitz, 2002) as indication for the appropriate and desirable legitimacy before embarking on new ventures. At this level, the norms and values of the organization must represent the larger society. Contradiction between the norms and values hold by the society and the organisation will cost rejection. Accepting the organization means it reflects a positive moral evaluation of the organization and its activities (Aldrich and Fiol, 1994; Suchman, 1995). Scott (1995) on the other hand, viewed moral legitimacy as a social obligation or a sense of appropriateness where legitimacy is held through social morals rather than legislation. It is accorded to an organization when it reflects socially accepted or desirable norms, standards and values (Brinkerhoff, 2005). From the perspective of institutional theory, Reuf and Scott (1998) and Jee (2010) further explained that the moral legitimacy can be achieved by applying generalized social norms in terms of occupational and professional standards. Clearly, achieving this form of moral legitimacy is easier for organizations that generate tangible and measurable outputs. For those whose outcome measures are difficult to quantify, their legitimacy is sometimes hotly contested.

Therefore, the corporate is legitimated when it complies with norms and values such as a fair treatment of the employees which can be conferred upon the firms operating within them, industry's standards, norms, practices and technology (Zimmerman & Zeitz, 2002). Views from resource-dependence theory mentioned that the moral legitimacy is achieved by the "right things to do" that will be judged by the general public (Suchman, 1995). The corporation is considered legitimated when it does the right things, such as apologizing to the public for its operational mistakes (Jee, 2010). Moreover, moral legitimacy is also referred to as conscious moral judgments on the organization's output, procedures, structures and leaders. Suchman (1995) described the moral legitimacy of an organization as a result of explicit public discussions and in his view; corporate can win moral legitimacy only through their vigorous participation in these discussions. Besides, moral legitimacy also reflects a positive normative evaluation of the organization and its activities (Aldrich & Fiol, 1994).

In general, moral legitimacy takes one of three forms: evaluations of outputs and consequence, evaluations of techniques and procedures, and evaluations of categories and

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structures (Suchman, 1995; Scott & Meyer, 1991). There is also a fourth form which is known as the evaluations of leaders and representatives. Although it is rarely discussed, it is still conceptually important.

a) Consequential Legitimacy - It can be summarized as “doing the right things”. Meyer and Rowan (1991) explained that corporation should be judged by what they had accomplished. And, indeed, this is sometimes the case. Many industries sell their products in impersonal markets, where the consumers judge the quality and value – two obvious but important outcomes of production activity – determine the level of rewards to each producer. Furthermore, even in sectors with lack of marketing competition, super-ordinate regulatory audiences may apply essentially consequential measures of the organizational effectiveness.

b) Procedural Legitimacy – “Doing things right” is associated significantly for this type. In addition to producing socially valued consequences, organizations also can garner moral legitimacy by embracing socially accepted techniques and procedures (Scott, 1977). Such procedural legitimacy becomes most significant in the absence of clear outcome measures (Scott, 1992). Even when consequences are easily monitored it is still quite common that *“the proper means and procedures are given a positive moral value”* (Berger, Berger & Kellner, 1973, p. 53). As a case in point, a hospital is unlikely to lose legitimacy simply because some patients died.

c) Structural Legitimacy - The third type of moral legitimacy is termed structural (Scott, 1977) or categorical (Zucker, 1986). It also known as *“right”* for the job (Brinkerhoff, 2005: 4). In this case, audiences see the corporation as valuable and worthy of support because of its established structural characteristics had positioned it within a morally favoured taxonomic category. Thus, Scott (1992) described structures as indicators of an organization’s socially constructed its capacity to perform specific types of work, while Meyer and Rowan (1991) asserted that institutionally prescribed structure conveyed the message that an organization *“is acting on collectively valued purposes in a proper and adequate manner”* (p.50). The structurally legitimate organization becomes a repository of public confidence because it is “the right organization for the job”. For example, an educational organization demonstrates that they are “right for the job” by displaying the structural traits of a modern school, classrooms and so on – rather than by adopting specific pedagogical procedures or producing specific student’s outcome (Meyer, 1977).

d) Personal Legitimacy - The fourth and final types of moral legitimacy rests on the personal status, reputation and charisma of an individual organizational leader (Brinkerhoff, 2005). As a general matter, such personal legitimacy tends to be relatively transitory and idiosyncratic. According to Zucker (1991), “*acts performed by actors exercising personal influence are low in objectification and exteriority, and hence low in institutionalization”* (p.86), The perception that charismatic individuals can transcend and reorder established routines often allows the organizations to dodge potentially stigmatizing events through such strategies as blaming a scapegoat or replacing an executive. It is an essential legitimacy attribute to the organization not because of what it does or how, but as a functioning legitimacy as perceived by the representative and titular head of the organization.

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Cognitive Legitimacy

The cognitive legitimacy is produced when an organization pursues its objectives and activities that the society understands and values as appropriate, proper and desirable. Such understanding on the part of societal actors, and the legitimacy that results, is derived from the extent to which the organization is perceived as "making sense" (Brinkerhoff, 2005). An organization can "make sense" if the society accepts the organization, its structures, procedures, and activities as completely understandable and appropriate that no other option is imaginable. Thus, the organization enjoys its legitimacy based on being taken for granted. Scott (1995) discussed cognitive legitimacy as *"widely held beliefs and taken-for-granted assumptions that provide a framework for everyday routines, as well as a more specialized, explicit and codified knowledge and belief systems promulgated by various professionals and scientific bodies"* (p.18). He also explained that the social system provides roles and rules of actions so that actors learn who they are and what is expected of them within the system. Jee (2010) also added that the roles and rules preselected must be appropriate and instrumentally effective actions and those actions are taken-for-granted among publics. Suchman (1995) on the other hand argued that cognitive legitimacy does not involve the public's judgment, although the public's acceptance is necessary and inevitable, based on comprehensibility and taken-for-grantedness.

Clearly, cognitive elements are more basic, providing frameworks on which normative and regulative systems are constructed (Jee, 2010). Nevertheless, organizational cognitive legitimacy may collapse if subconscious acceptance is substituted by explicit considerations; it may also lead to rejection if practices are perceived to be unacceptable (Palazzo & Scherer, 2006). Aldrich and Fiol (1994), highlighted that when an activity is publicly known, there is a tendency of taken for grantedness. It is also an indication of whether the public knows about the latest activities introduced by the organization. High-cognitive legitimacy is conditioned when high dependency towards new products, process and services occur. Additionally, Suddaby and Greenwood (2005) mentioned that during the early stage of cognitive legitimacy, a particular organization is at the adoption process; the process to understand and accommodate the existing culture. As Zimmerman and Zeitz (2002) pointed out, there are two elements held by the organization, roles (what is expected from them) and identities (who they are). These two aspects must be synchronized to what their environment is expected of them. In a wider perspective, cognitive legitimacy is like a game where the actor or an organization needs to demonstrate the right roles and identities to be accepted in its operation.

Pragmatic Legitimacy

Finally, pragmatic legitimacy as a result of the calculations of self-interested individuals who are part of the organization's audience, e.g., the corporation's key stakeholders or the wider public (Suchman, 1995). In this context, the exchanged relationship between the organization and the constituent will affect less in specific benefits for an individual stakeholder, and more in responsiveness to the interests of the larger constituent's (Brinkerhoff, 2005). These individual will ascribe legitimacy to the corporation as long as they perceived that they will benefit from the corporation's activities (Castello & Lozano, 2011). Often, this immediacy involves direct exchanges between the organization and the audience; however, it also can involve broader

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political, economic, or social interdependencies well-being. Therefore, it represented a fundamental challenge for the organization to persuade their stakeholders about the benefits of their products, procedures and output (Castello & Lozano, 2011). Practically, this type of legitimacy closely resembles resource/power dependence models of organization-environment interactions, where outcomes relate to the survival and sustainability (Pfeffer & Salancik, 1978). The ability to offer (or withhold) legitimacy is one resource that stakeholders possess, which may contribute to the organizational survival and long-term sustainability.

As a conclusion, an organization is perceived as legitimate if it pursues *"socially acceptable goals in a socially acceptable manner"* (Ashforth & Gibbs, 1990, p. 177). However, this study attempts to use only three types of legitimacy namely; moral, cognitive and pragmatic legitimacy that involve a generalized perception or assumption of the organizational activities. This study does not include regulative legitimacy due to the very clear and precise roles and procedures enforced by the governmental bodies.

CORPORATE LEGITIMACY APPROACH: INSTITUTIONAL VS. STRATEGIC

This study used two different approaches; institutional approach and strategic approach. Each approach has a distinctive view on how a corporation operates in regular basis. Therefore, prior studies suggested that to understand legitimacy in a corporate world, it is vital to get a clear picture on the two major approaches which described the management of corporate legitimacy: Institutional approach (DiMaggio & Powell, 1983, Elsbach, 1994; Oliver, 1991) and Strategic approach (Asforth & Gibbs, 1990; Dowling & Pfeffer, 1975). Generally, the notion of legitimacy perceived as gaining acceptance of society, compliance with norms, values, beliefs and definition (Suchman, 1995) is still an important standpoint on both approaches. Meyer and Scott (1983) on the other hand, referred to legitimacy as the extent to which the array of established cultural accounts that will explain an organizational existence.

Institutional Approach

Institutional approach focused on how a corporate gain support by maintaining certain normative elements that constituted beliefs (Suchman, 1995) and broadly certified corporate characteristics (DiMaggio & Powell, 1983). This approach adopts the viewpoints of society looking "in" (Eslbach, 1994). In this case, the organizations may consciously or unconsciously apply the institutionalized structures or procedures to *"demonstrate the organization's worthiness and acceptability*" (Oliver 1991, p. 158). In line with that, the institutional approach is not only concern with the arrangement of the organization, but also focussed on the fulfilment of the expectation of the community depending on certain amount of social and environmental outcomes (Castello & Lozano, 2011). The outcome was referred to as the development of activities by which organizations were actively searching to comply with the community expectations (Waddock, 2004).

Furthermore, this approach also described organizational legitimacy as *"a continuous and often unconscious adaptation process in which the organization reacts to external*

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expectations" (Palazzo & Scherer, 2006, p.73). Therefore, the challenges may feasibly occur although the organizations could proactively manage their legitimacy even though limited (Suchman, 1995) and only under certain circumstances that the organizations can refuse to adapt (Oliver, 1991).

Institutional researchers like Meyer and Rowan (1991); DiMaggoi and Powell, (1983), Massey (2001), and Du and Vieira (2012) portrayed legitimacy not as an operational resource, but as a set of constitutive beliefs (Suchman, 1995). The beliefs come from the environment or external institutions construct that shift the organization in multiple ways. The roles of environment that influenced the organization will direct the manager's decision to construct the same belief systems as determined by the external influences. According to DiMaggio and Powell (1983), the circumstance is known as "collective structuration" which is classified as a legitimation effort strategy. On the other hand, Massey (2001) mentioned that as *"a focused attention on the cultural environment exerts on organizations to engage in expected, normative behaviours"* (pg. 155).

As other researchers investigated on institutional construct, Du and Vieira (2012) also viewed legitimacy as correspondence in developing a set of constitutive beliefs in an organization's institutional environment (Suchman, 1995). Furthermore, environmental forces have the capacity to develop unwritten rules of the social contract. The mutual agreements are generated from public judgment, educational system, professional bodies, philosophy and also authorization from accreditation bodies.

Studies pertaining to environmental influence towards organization by Peloza and Shang (2011) had identified important stakeholders that shifted and changed the conscious environment, such as government, non-governmental bodies, customers, employees, investor, local communities, media and professional bodies as socially responsible. Precisely, corporation were aware of the demand and impact of the stakeholders' influence. It depends on how or what strategies should be taken. Immediate actions on demand by their stakeholder will secure a long-term economic, social and environmental well-being. Through corporate responsibility actions, corporations actions and upholds on the social-cultural norms, reflect on values and beliefs of institutional environment to attain legitimacy (Peloza & Shang, 2011).

With regards to the institutional approach and by considering the outcome from the stakeholders and their willingness to shift their policies, the support for the corporation will lead towards the achievement of legitimacy (Luo & Bhattacharya, 2006). Through the consumer's perception, corporations with a positive record of corporate responsibility will ultimately foster the consumer's confidence towards the ends and eventually lead to an increase of their patronage (Du, Bhattacharya, & Sen, 2011). From the employment perception, socially responsible corporation will benefit from a significant advantage of attracting, motivating and retaining highly talented employees (Greening & Turban, 2000). And lastly from the investor's perception, a positive corporate responsibility record will attract investors who are socially responsible (Maignan & Ferrel, 2004).

However, for a long-term strategy, new corporations venture will need to establish the credibility of their corporate responsibility to build up trust and reliability to harvest legitimacy

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benefits (Aldrich & Fiol, 1994). Corporate responsibility credibility can be perceived through positive perceptions from their stakeholders in the preservation of the institutional norms as being socially responsible (Yoon, Gurhan-Canli & Schwarz, 2006).

Strategic Approach

In contrast, strategic approach can be clustered as an approach that adopts the viewpoint of corporation manager looking "out" (Eslbach, 1994). According to Pfeffer (1981), strategic approach begins with purpose that "*one of the elements of competition and conflict among social organizations involves the conflict between … systems of belief or points of view"* (p.9). On the other hand, Suchman (1995) illustrated strategic approach as a legitimacy-seeking behaviour through the outcome from limited operational resources that often lead to the competition in pursuit of their goals (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975, and Massey, 2001). However, strategic legitimacy researchers claimed that the managers hold a high level of control over the process of legitimation (Palazzo & Scherer, 2006; Suchman, 1995; and Du & Vieira, 2012). Swanson (1999) in his study highlighted that the strategic approach is not appropriate to be discussed in globalized societies. This is due to the nature of the legitimacy-seeking behaviour which actually is based on a coherent set of moral, norms and rules among the society. However, the corporations' social environments are easily influenced and adapted to *"broader community values"* (Swanson, 1999: p. 517) or its conformity with *"the basic rules of society"* (Friedman, 1970, p.218 as cited by Castello & Lozano, 2011). But, strategic approach does not depend on what the society believes but more likely is dominated by the manager's views to achieve legitimacy.

Additionally, this approach has some limitations. The strategic approach is overly focused on pragmatic legitimacy, with the assumption that corporations have the power to strategically influence their societal context and manipulate the process of legitimacy ascriptions (Castello & Lozano, 2011). This differs from institutional approach that takes cognitive legitimacy as a reference, strategic approach is defined in the out-of-date context with homogeneous cultural backgrounds and shared norms and beliefs. Du and Vieira (2012) in strategic legitimacy viewed the process of legitimation as instrumental, calculated and frequently oppositional (i.e., conflicts between managers and constituents).

Due to the globalization conditions, these forms of legitimacy are increasingly under pressure. Developing corporate responsibility activities or philanthropic donations and farming them as strategic activities are no longer sufficient to gain legitimacy from the stakeholders. The corporation are starting to search for a third form of legitimacy through their corporate responsibility activities; moral legitimacy (Castello & Lozano, 2011). Moral legitimacy is needed not only to get closer to new, salient stakeholders such as those coming from civil society but also to comply with new sustainable expectations among consumers, governments, stakeholders and shareholders.

All in all, the distinction between strategic and institutional approaches are a matter of perspective, with strategic theorists adopting the viewpoint of organizational managers looking "out", whereas institutional theorists adopt the viewpoint of society looking "in" (Elsbach,

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1994). These differences in perspective have real consequences. It is important to incorporate this duality into a larger picture that highlighted both ways in which legitimacy acted as a variable resource and the ways in which it acted like a taken-for-granted belief system (Swidler, 1986, & Ladisma, 2016).

CONCLUSION

If corporate legitimacy is based upon the characteristics of the societal environment, it can be assumed that profound environmental changes may have a significant influence on the social expectancies towards the organization, which again may lead to the alterations in the corporate behaviours (corporate social response) (Strand, 1983). Subsequently, this may have an impact on the process by which legitimacy is produced and the suitability for different strategies of managing legitimacy. The successful management of corporate legitimacy by both, passive compliance and active manipulation, contributes to corporate survival.

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