A RESOURCE PERSPECTIVE ON ORGANIZATIONAL LEGITIMACY

This paper approaches legitimacy as an important resource contributing to organizational survival and impacting almost every aspect of organizational life. While the view of legitimacy as a resource or an asset that an organization needs for its activities is widely recognized, legitimacy has yet to receive adequate attention of researchers focusing on its properties as a resource. This view of legitimacy as a resource allows us to draw some parallels between legitimacy and more tangible, ‘material’ resources that organizations seek to acquire, accumulate and/or put to work. Legitimacy, thus, is believed to be in many respects similar to other resources that organizations need for their survival: legitimacy can be gained, lost, accumulated, used and transferred.

We argue that legitimacy as a resource possesses the following properties:

- Legitimacy is **perishable**, and therefore, requires constant efforts for its maintenance. Different forms of legitimacy (pragmatic, moral and cognitive - see Suchman, 1995) are shown to possess different ‘longevity’ properties. These properties have important implications for organizations’ legitimation strategies.

- Legitimacy is **multi-dimensional**. An organization is evaluated by its constituents on each of the criteria that are important to them, and for each of these criteria it is rated as meeting (or not meeting) their expectations/requirements/demands. These criteria can be viewed as “legitimacy variables” that may be assigned different values by different constituents of the organization.

- Legitimacy is **transferable** from one organization to another, though, due to the nature of legitimacy, the market for “legitimacy transactions” is minimal and inefficient.

- Legitimacy **has its cost** – both in terms of direct resource expenditures and indirect costs to the organization. The indirect costs are in effect the opportunity costs of foregone ‘illegitimate’ behaviors of the organization. Putting a cost tag on legitimation activities of organizations brings the legitimacy acquisition and maintenance under the scrutiny of traditional cost-benefit analysis. Some implications of using cost-benefit analysis in selection of legitimation strategies are considered.

The view of legitimacy as a resource or an asset may represent an interesting direction for further research. A lot of productive insights about the nature and properties of legitimacy can be drawn from studies in economics, management and organization theory dedicated to the analysis of other resources accumulated and used by organizations (cash, information, knowledge, inventory, etc.).