
Gaining legitimacy in contemporary world: environmental and social activities of organisations

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Abstract: This article investigates the links between environmental and social activities of organisations and organisational legitimacy. The recent overemphasis on the business case for voluntary environmental and social activities of organisations is undermining the attention to other drivers such as legitimacy concerns. Previous literature has discussed how the principle of legitimacy may underpin corporate environmental and social performance providing motives for managers to pursue corporate social responsibility (CSR) strategies. In this article, we tried to advance questions that relate more to how CSR activities could potentially influence legitimisation efforts of organisations. We focused on two main issues. The first is how CSR activities play into the different legitimisation efforts of organisations at cognitive and socio-political levels. The second issue identifies potential variations in organisational choices of CSR activities as legitimisation efforts and the conditions that influence these differences as constructs for further empirical research.

Keywords: businesses; CSR; corporate social responsibility; environmental and social licence to operate; establishing; legitimacy theory; maintaining and repairing legitimacy.

Reference to this paper should be made as follows: Emtairah, T. and Mont, O. (2008) 'Gaining legitimacy in contemporary world: environmental and social activities of organisations', *Int. J. Sustainable Society*, Vol. 1, No. 2, pp.134–148.

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1 Introduction

The notion of a 'social license to operate' for business organisations rests on the idea that there is collective set of societal expectations on organisations beyond what is legally prescribed. Such expectations for example relate to how the organisation treats its employees or how it manages the impacts on the natural environment in the course of business activities. In some sense, these expectations implicitly or explicitly define the terms of the social contract between the business organisation and the society in which it operates. Failure to meet such expectation can put the 'social license' at risk of revocation (Deegan and Rankin, 1996). The breach of the social contract may even jeopardise the very existence of the organisation. Therefore, organisations are seen to undertake different activities aimed at legitimising their position in the society in order to maintain the 'social license to operate' (Deegan, 2002).

In this article, we focus on (voluntary) social and environmental activities of organisations as legitimising activities in order to maintain or regain the 'social license to operate'. Environmental and social activities and impacts of organisations have been widely discussed in the last three decades. Some of the early studies in this field have dealt with the issue of stakeholders and why the organisation should pay attention to the interests of stakeholders (e.g. Donaldson and Preston, 1995; Mitchell, Agle and Wood, 1997). Proponents of the stakeholders' model would argue that there are societal stakeholders other than shareholders with legitimate interests in the organisation and that the organisation should attend to their interests. At the same time, the 1990s witnessed a growing body of prescriptive literature on environmental and social management and reporting of business organisations. More recently, attention is being paid to the institutional and socio-political context of corporate social and environmental activities. Hoffman's (2007) study on the history of corporate social responsibility (CSR) provides useful insights into how some of the institutional characteristics of modern corporations create opportunities and challenges in terms of gaining social legitimacy. Recent institutional perspectives on CSR offer additional insights into the institutional and social forces that set the standards of legitimate environmental and social practices and behaviour of organisations (e.g. Campbell, J. 2006). However, the study of how organisations use environmental and social activities including communication strategies as legitimising processes remains sporadic and limited.

By using legitimacy theory, this article advocates a closer link between the study of corporate environmental and social activities, corporate image and social legitimacy. In response to continuously evolving demands on the corporation by society, the corporation needs to engage in all types of legitimising activities to maintain the social license to operate. Companies employ different strategies. Some companies may try to gain, maintain or re-establish legitimacy by genuinely changing their practices to respond to the expectations of the society. However, there are also other ways of securing

legitimacy – through renegotiation of the definition of legitimacy and directly through manipulation of information about company's activities (Woodward, Edwards and Birkin, 2001).

We begin by briefly reviewing the literature on organisational legitimacy to show a spectrum of legitimation processes and the dynamic conditions that shape these processes. Then, with the help of selected examples, we propose a typology for examining the different environmental and social strategies of organisation as legitimation efforts. In this typology, we propose that organisations carry out specific environmental and social activities that are more likely to play into a specific type of legitimation strategy.

2 Organisational legitimacy

Legitimacy theory posits that business enterprises are bound by the social contract to undertake socially desired actions in return for approval of their existence, goals and rewards from their activities, thus safeguarding their continuous existence (Guthrie and Parker, 1989). In a way, legitimacy theory can be seen as a systems-based theory because organisations are seen as parts of a larger system, i.e. society, and therefore, for various parts of the system to operate they need to fit within the framework or setting of the larger system. Lindbolm (1994; p.2) defines organisational 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." He further elaborates that when a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy (Lindblom, 1994; p.2). In another definition by Dowling and Pfeffer (1975) legitimacy is interpreted again as "congruence between the social values associated with or implied by [organisational] activities and the norms of acceptable behaviour in the larger social system" (Dowling and Pfeffer, 1975). What these definitions hint to is the centrality of conformity and approval for the status of legitimacy. Implying that business enterprises seek to ensure that they continuously operate within the set boundaries – technical, regulatory, normative – of the society, and by conforming to these rules they gain the approval from society. On the other hand, society provides organisations with a social licence to operate – a sort of legitimacy status, with which they are welcomed to access for example resources and sell products and services.

However, studies in organisational legitimacy also point to the more complex dynamics at play between the status of organisational conformance and societal approval. Suchman (1995) provides an in-depth discussion on the definition of legitimisation, which helps understand the entire spectrum of issues involved in any study of legitimacy. According to him, legitimacy is a generalised perception about organisations: rather than being dependent on individual actions of organisations, it is shaped by the history of events. Legitimacy is created subjectively by a single organisation, but possessed objectively – it is perceived by the society and its multiple actors outside the organisation. Thus, an organisation may depart from the social code of conduct, but still retain legitimacy, because this diversion goes unnoticed. In addition, legitimacy is a social construct that represents a match or mismatch between the organisation and the shared beliefs of the society. Therefore, an organisation may retain legitimacy in case of mismatch with values and beliefs of individuals, if there is no public disapproval of

organisation's actions. In short, legitimacy reflects organisation's embeddedness into the system of institutionalised beliefs and organisations vary in whether they are actively seeking the approval of the society or they are passively accepting its consent (Suchman, 1995). This position largely depends on the kind of business the organisation is involved with, perceived business risks, as well as on recent events. For example, recent accidents or consumer boycotts may trigger the company from a comfortable place of being accepted by the society to the limelight of queries that question the very existence of the business, urging the organisation to take a very active stand in dealing with the situation.

The literature also recognises the evolving nature of legitimacy and link to power. As we may accept that a business organisation operates via a social contract, the survival and growth of the organisation depends on the "distribution of economic, social or political benefits to groups from which [the organisation] derives its powers" (Shocker 1973; p.97). In a dynamic society, neither the sources of institutional power nor the needs for its services are permanent. Therefore, an institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval (Shocker, 1973; p.97).

Recent studies of legitimacy tend to focus either at strategic managerial or institutional levels. The strategic studies investigate how organisations strategise and employ various instruments to gain societal approval and licence to operate, e.g. Ashforth and Gibbs, 1990. This focus stems from the proposition that one of the reasons for competition and conflicts between organisations is the differences in the system of organisational beliefs (Pfeffer, 1981). Organisations view legitimation as a resource, which they actively extract from their environment and which they employ in pursuit of their goals. Thus, in this view, managers have high level of control over legitimation and various tools, including symbols. In contrast to these tools, stakeholders are rather interested in more tangible indicators, which they can use to support the position of the organisation. It is this conflict between the means of reaching legitimation that is characteristic for the strategic school of legitimation studies (Ashforth and Gibbs, 1990).

In contrast, institutional studies analyse the emergence and dynamics of conditions that shape legitimation processes well beyond organisational level, most often at sectoral levels, e.g. Powell and DiMaggio, 1991. Legitimacy is not seen as something organisations extract from the environment; rather that legitimacy is created by external institutions and then penetrates the organisation. Environmental forces and institutions determine how organisations are built and managed, as well as how they are perceived and evaluated. In a way, this school of legitimation almost equates it with institutionalisation of organisations. Therefore, this school does not recognise the conflicts between stakeholders and managers of organisations, since both groups are shaped by external environmental forces (DiMaggio and Powell, 1983).

For our purpose here, we focus on the strategic managerial. We are concerned with how managers make use of various CSR related activities to help gain or maintain legitimacy in any given social context, i.e. CSR activities as a process of legitimation. However, the process of legitimation can take place at different levels. Aldrich and Fiol (1994) distinguish between two levels or dimensions: the cognitive and socio-political. Legitimation at the cognitive level is established through the spread of knowledge and ideas. Using an example from Aldrich and Fiol (1994), cognitive legitimacy for new products and services means that potential consumers are knowledgeable users of the product or service. An organisational strategy for legitimation in such a case could be the development of knowledge sharing linkages with established educational curricula

(Aldrich and Fiol, 1994). Legitimacy at the socio-political level may be achieved to the extent that external stakeholders such as government officials, key opinion leaders, and the general public accept organisational behaviour as appropriate and right (Aldrich and Fiol, 1994). Mobilising collective action or lobbying efforts for an industry in crisis would be the archetypical legitimisation strategy at the socio-political level. An example of this is the 'responsible care' initiative – the global and voluntary initiative developed by the chemical industry for improving health and safety and environmental performance of chemical companies (Berland and Loison, 2008).

3 Corporate social responsibility and organisational legitimacy

In a dynamic society, the factors affecting organisational legitimacy are not necessarily stable overtime. On one side, the dynamics at socio-political level creates new constraints on organisations or sets-in new expectations from stakeholders, the general public or governmental officials (Aldrich and Fiol, 1994). At the same time, changes in the institutional characteristics of organisations themselves provide new challenges and opportunities in terms of gaining social legitimacy (Hoffman, 2007). We can notice this clearly in the evolution of environmental demands on corporations over the last three decades and the expanding boundaries of CSR. Earlier, organisational responsibility and the way to legitimisation in the society for a business enterprise was mainly seen in terms of maximising profits for shareholders (Friedman, 1962). Later, the development of legislative framework and conformance to it was added as a way for a company to gain legitimacy. From the early 1970s and with the emergence of environmental conscience in industrial societies, business organisations have been facing an identity crisis (Habermas, 1985). From being seen as providers of jobs, income and happiness, corporations are increasingly being portrayed as culprits in the assault on the natural environment and peoples' health. Hence, managing the environmental and social impacts from business operations became an influential factor in the process of regaining the social license to operate for many organisations, at least for the ones operating in developed economies (Elkington, 1997).

In the 1990s, we witnessed the proliferation of 'greening' rhetoric from business organisations and the expansion of voluntary environmental and social communication efforts in the form of environmental, social and or sustainability reporting. Since then, business organisations have adopted all sorts of programs and activities governing dimensions of their environmental, social or human rights practices.¹ We acknowledge that there are many reasons why some companies choose to adopt and invest in any social or environmental agenda. Vogel (2006) in his comprehensive review of CSR departs from the thesis that the supply of CSR is mainly made possible by market forces and sets to make a case for this thesis, at the same time acknowledging that there are organisations that might be driven by a leadership committed to public and environmental goals.² Porter and Kramer (2006) on the other hand argues that the only consideration for CSR strategy is the ability to create shared values – advocating a strategic approach to investments in social and environmental activities. Here, our focus is not to get into this debate on why a company takes on CSR activities. Nor, we aim to separate legitimacy goals from other drivers of CSR. Instead, what we aim to explore in the analysis to follow is how these activities might shape the legitimisation process. The organisation might adopt all sort of environmental and social strategies. In some cases, the organisational

agenda behind CSR activities might all be about responding to stakeholder needs. In other cases, the organisation takes on a CSR agenda that will attempt to redefine or manipulate the definition of legitimation. In both situations, there is an implicit or explicit legitimation intent (Suchman, 1995).

The links between legitimacy and CSR has been invoked in previous literature. However, the emphasis has been on how legitimacy as a principle underpins the motives for CSR actions (Wood, 1991). Little has been discussed in terms of how organisational activities influence the legitimation process. This is what we will try to explore in the remaining sections of this article.

4 Corporate social responsibility activities and legitimation efforts

The types of environmental or social issues addressed by individual companies mimic the variety of social and environmental challenges facing industry sectors. For example, CSR efforts of energy producing companies, especially oil extracting industries, mostly focus on the carbon reduction strategies that are associated with their production sites. Other energy producing and selling companies diversify their portfolio by starting to produce wind-power stations and equipment for extracting geothermal energy. Tour operators mostly work with offsetting carbon emissions related to flights and, until recently, have rarely addressed social issues associated with working conditions in destinations when hotels are being built, or environmental impacts related to invasion of tourists in pristine areas (Dielemans, 2008). Textile industry has been working hard after a series of disclosures regarding the use of child labour in textile production; while construction companies find themselves under pressure for improving working conditions when building materials are being extracted in developing countries. Forestry companies are working on reducing impacts on rainforests, preserving biodiversity and through certifying their products with forest stewardship council label. And food producers, of especially some products, e.g. bananas and coffee, see the importance of obtaining third-party certified fair trade label. In addition to the specific nature of the sector, the definition of important environmental and social issues is shaped by media attention and the work of investigative journalists and various types of NGOs, e.g. Clean Cloth Campaign (Clean Clothes Campaign, 2005). In addition, this is confirmed by previous research of 111 Dutch companies that demonstrated that the moral motive of developing CSR strategies induces a stronger involvement with CSR work than the strategic motive of seeing CSR as the financial success of the company in the long run (Graafland and Eijffinger, 2004; Graafland and van de Ven, 2006.). We start by suggesting that most CSR activities encompass some legitimation objectives. In the following sections, we explore how these different activities work and at what level in the legitimation process.

4.1 Cognitive legitimation

Perceptions and evaluations of 'good' environmental and social practices of organisations are very diverse (Whitehouse, 2006). This is partly an issue of defining what a responsible corporation is and deciding on the boundaries of this responsibly. Firstly, there can be differences in the issues that stakeholders may prioritise as responsible behaviour depending on multitude of institutional factors and the socio-political context. These factors may include as examples: the relative power of social movement organisations that tend to frame issues, the relative independence of media outlets as

watchdogs and the perceived threat from the state in intervening in a social issue (Campbell, 2006). Secondly, agreeing on standards to compare organisations and distinguishing between the rhetoric and substantive behaviour of firms is still problematic (Campbell, 2006). Hence, the framing of an issue becomes important in producing and directing an image of 'responsible behaviour' in the absence of clear and objective standards (Aldrich and Fiol, 1994).

In this respect, we can say that cognitive legitimacy is mediated between the frames of references of corporations and competing societal actors in a given socio-political context. Here, we recognise the importance of using environmental and social reporting and communication strategies of organisation in issue framing and consequently responding to challenges of legitimacy. In the following, we look at possible CSR activities as potential cognitive legitimisation strategies.

In the range of possible CSR activities, we recognise three levels where such activities might be positioned. One level is at the product and service level, where companies undertake modifications in the design and marketing of products and services with the explicit inclusion of environmental or social attributes and claims. Another level targets operational issues such as resource efficiency, work conditions and labour practices. This can affect internal operations as well operations of trade partners. A third level where these activities might be situated is at the corporate communication and branding level, where companies might engage in various types of activities aimed at associating a company image with good corporate citizenship. These levels are not mutually exclusive and companies tend to link different levels in some type of overall strategy or policy. However, the issue here is that at any of these levels there are legitimacy challenges of a cognitive nature and where differences in the choice of CSR strategy or instrument among companies and sectors are apparent.

To start with, in Suchman's (1995) analysis, organisations try to conform to established models and standards in order to gain cognitive legitimacy. However in new sectors or activities, without established models or standards, organisations try to establish cognitive legitimacy by formalising new activities through new structures and procedures. The institution of CSR work through formal policies, new management functions and public reporting hence gained popularity as means of demonstrating conformance to increased demands of stakeholders. To what extent these policies and structures reflect real performance of companies is outside the scope of this discussion. What has become important is the ability of companies to demonstrate the existence of formal policies on a whole range of issues such as environment, human rights or child labour. Examining corporate social reports shows differences in the policy statements of companies and a varying degree of disclosure on environmental and social performance (Adams, Hill and Roberts, 1998). These differences mimic the challenges from the socio-political context to industry sectors and stakeholder's preferred agendas. In addition, organisations may work collectively to establish common standards for the new activities in cooperation with stakeholders. Typical in this case is the development of the global reporting initiative (GRI) guidelines for reporting on environmental and social performance to bring more coherence and credibility to the process of reporting.

Another strategy described by Suchman (1995) for gaining cognitive legitimacy is for the organisation to obtain the support or the recognition of formal external structures for its activities. In the 1990s, companies made all sort of claims about the environmental performance of products and services. However, much of it was viewed with great mistrust and scepticism from consumers and the general public (Salzman, 1997). Since

then what we notice is the emergence of two types of strategies. Established organisations wanting to place products or services with environmental or social claims often opt for a third party certificate or label. Often these certificates or labels are developed with the involvement of multi-stakeholders, scientific panel or a governmental agency (OECD, 1997). Fewer companies managed to build own brands that are associated with environmental or social claims, e.g. Patagonia (cloth), the Body Shop (care products) and Konsum and ICA (retailers). In such cases, the narrative of the product and company are intertwined.

Evaluating environmental and social performance is challenging for external audiences. Without clear guidelines for assessing performance, stakeholders find it difficult to differentiate between companies. Early in the development of life cycle assessment tool, some companies tried to make claims of superior performance of their products based on life cycle impacts. However, such claims were counter challenged leading to more confusion and mistrust in the eyes of consumers and the general public (ENDS, 2005a,b). Instead, what a company like Electrolux did is to offer already in 1999 professional customers and consumers a more visual approach to understanding the life cycle impacts through internet-based life cycle costing tool. The tool is called EcoEco Savings and it presents and calculates the reduced environmental impact and cost saving potential of Electrolux appliances as well as economic and ecological savings from replacing old appliances (Electrolux, 1999; Electrolux, 2008). Thus, what Electrolux did is to allow consumers to assess the life cycle costs of purchasing an expensive, but more energy efficient machine versus a less expensive, but high energy consuming machine. What Electrolux example may suggest in the context of cognitive legitimation is that companies are more likely to succeed in gaining legitimacy for new CSR claims by helping target audiences (customers in this case) understand and evaluate their own needs, than just merely telling a complex story (e.g. LCA). This is supporting the suggestion by Suchman (1995) that at cognitive level, legitimation efforts are best directed at explaining the line of business as being simple and natural, stimulating comprehensibility of company efforts to the outside world and employees.

Finally, we bring attention to the role of normative discourses in shaping cognitive legitimation. Organisations need to understand how moral discourses are changing and may choose to influence these through active participation in such normative discourses. Organisations tend to do it at a collective level such as the creation of the World Business Council for Sustainable Development (WBCSD) as a think tank for the voice of business on sustainability issues. Others do it through participation in conferences, public discussions and open panels on various issues. Companies may also engage in prospective analyses to scan for emerging outlooks and future prospects such as the global sustainability scenarios of WBCSD (WBCSD, 1997, 2004, 2005) which would help companies in framing of issues to take their point of view into consideration.

4.2 Socio-political legitimation

Socio-political legitimacy as a principle encapsulates the societal expectations and possible sanctions for corporate social and environmental performance (Wood, 1991). At the same time, socio-political approval for corporate environmental and social performance is not problem-free for a number of reasons. First, notions such as legitimate functions and social obligations are time and culture bound (Wood, 1991). Second, priorities of stakeholders might be very different and may create competing demands

(Hoffman, 2000). Third, many companies operate in multiple cultural contexts with varied intensities for shaping the social and environmental performance of companies (Campbell, 2006). A starting question for us is how organisations in such varied and dynamic socio-political contexts seek approval for their social and environmental performance?

Suchman (1995) describes several generic processes for addressing legitimacy challenges:

- 1 conformance
- 2 selection
- 3 manipulation.

In the first instance, organisations may find it just easier to conform or give the appearance of fit within an existing institutional order or logic. In the case of environmental and social aspects of organisational practices, conformance may signal the organisation willingness to adopt practices that are perceived to be right or proper by stakeholders, the general public or governmental officials in a given social context. We can identify several CSR activities that could service such an objective. Stakeholder dialogues or consultations for instance gained popularity in the 1990s, especially among companies in the extractive and mining sectors. Gaining legitimacy here is professed through the appeal to stakeholders needs by inviting them to the decision-making process or giving or appearing to respond to their concerns over certain practices of the organisations. This is characterised in Suchman (1995) as legitimisation efforts at a pragmatic or instrumental level. In other cases, companies may adopt conformist stances through signing on to principled ideals from institutions of moral authority. Examples include signing on statements of principles and conventions on environmental and social practices such as the UN Global Compact (UN, 2008) or UNEP financial statement (UNEP, 2001). Here, the legitimisation efforts can be characterised to be of normative nature. The challenge here is that a strategy of this sort on its own may not work without the ability to verify outcomes.

Legitimation efforts through selection as depicted by Suchman's (1995) involve the search for and targeting of audiences that will grant the organisation legitimacy without much changes in return. As we have highlighted earlier, in any given social context, the environmental and social demands on corporations may not be all that coherent. There tend to be competing logics in the institutional structures which would offer the organisation opportunities to exist in the gaps (Suchman 1995). Selection strategies maybe used by both: proactive organisations and lagging organisations in environmental and social performance. A case in point for the former is the development of the socially responsible investing (SRI) movement. The early pioneers in the socially responsible investment business appealed to religious foundations. They gained their legitimacy, for being in the business of money management, not from the finance industry and its institutions but from value motivated clients wanting to invest according to own values. Wide spread interest among the finance industry took-off only after the SRI movement was able to demonstrate performance and offer tools acceptable to the logic of the industry. Similarly, could be said of the later group using the climate debate as an example. In the early stages of the public discourse on climate change, companies in denial found legitimacy – for not wanting to do any thing about it – in alternative voices within the scientific community and in finding approval from selected centres of power,

i.e. political parties, trade partners, finance centres. Finally and in what Suchman's (1995) refers to as manipulation efforts, organisations sometimes attempt to intervene directly in the belief systems of the existing environment by actively offering new explanations of social reality. Hence, organisations try to gain legitimacy through changing and influencing the expectations and needs of stakeholders or convincing audiences of the organisation's view of reality.

Companies are often in better transactional positions with regard to information about their own operations or the impacts of products and services. This can be put to advantage in lobbying governmental officials for example to accept the views of industry on a particular issue. Countervailing this is also the ability of social actors to frame an issue to their advantages. One example is the Shell-Greenpeace confrontation regarding the fate of the Brent Spar oil rig in 1995. Despite four years of research by Shell, 30 studies and consultation with governmental agencies that came to the conclusion that the best option would be to sink the oil rig in the North Sea, Greenpeace managed to create a public uproar regarding this option and demanded that the rig was dismantled on land. It managed to destroy the reputation of Shell as being one of the most environmentally proactive companies and for a short period affected the company share price. Greenpeace has been more successful at framing the issue to its favour despite the fact that the impact analysis support Shell's proposal (Entine, 2002). A second possibility is to make use of advertising messages to affect the belief system or manipulate audiences to accept that company actions are in accordance with social or environmental sustainability. Often these messages tend to have the opposite effect. A recent case in point is Royal Dutch Shell's attempt to paint its oil sand operations in Canada as sustainable. The claims were challenged by the World Wide Fund (WWF) through the UK Advertising Standards Authority who ruled in favour of WWF (ASA, 2008).

The other question, we would like to put forward in exploring the linkages between CSR and socio-political legitimacy is on the variations in organisational approaches. Assuming there are variations in approaches due to differences in sector issues and in the legitimacy challenges from the socio-political context, it is worthwhile exploring the conditions that affect these differences among companies and sectors when seeking socio-political approval. First, we suggest that there could be differences among organisational approaches conditioned by the extent that a sector's own legitimacy comes into question. Typical in this case are the nuclear industry, chemical industry, mining industry, hydrocarbon industry and tobacco industry. These are industries that have faced numerous environmental and social challenges to the extent that the industry own existence came into questioning. Typical among the CSR activities of organisations in such sectors is to work through collective efforts that in some way aim at regaining legitimacy for the business. Examples include the Responsible Care Initiative of the chemical industry (Responsible Care, 2008) and the disaster insurance funds of the Nuclear Industry. Another strategy we commonly find among organisations of 'battered' sectors is to associate the company to what might be perceived as the more legitimate or approved-off business line. Typical example here is British Petroleum's claims to be the world leader in producing solar energy, while at the same time derive over 90% of its value from hydrocarbons. Another example is Vattenfall – an electricity generating company in Sweden, who generates close to 50% of its electricity from nuclear power, but portrays itself as a wind-energy company in a sponsored school book on the environment (Julander, 2008). A third pattern worth exploring is the degree of emphasis on operational efficiency and compliance compared to companies in other sectors.

Examination of the CSR reports in 'battered' sectors shows high degree of emphasis on demonstrating performance at the operational level while in fact it is the product that often comes into question. By showing compliance, organisations imply conformance to prevailing standards and norms. In some cases, companies would even emphasise beyond compliance performance, i.e. surpassing regulatory demands or common standards in performance.

A second line of exploration we would like to put forward on the choice of CSR activities for socio-political legitimisation relates to the extent that a company or a brand reputation is challenged on a particular issue. We suggest that companies that are brand sensitive are more likely to adopt rigorous and sometimes costly control systems as means of regaining legitimacy in light of issue crisis. These control systems are believed to bring back the confidence of stakeholders into how an organisation manages an issue through trusted third party audits and public disclosure practices. Typical examples here are the code of conducts that have become popular among brand companies for managing the child labour and human rights issues in supply chains (Vogel 2006; p.75).

While most of the efforts discussed above might emerge out of crisis conditions or incidental challenges, organisations also tend to engage in continuous legitimisation efforts in any social context. Looking at CSR activities, corporate donations and sponsorships may encompass such objectives. Examples include Microsoft engagement and promotion of lifelong learning and IT education, Merck and Co. development and free distribution of a special drug against river blindness in developing countries. However to what extent corporate citizenship and philanthropic activities shape the socio-political approval is not all that apparent. Different socio-political context value such activities differently. In a recent empirical investigation of the Saudi CSR context, it was apparent that corporate donations and sponsorships are considered important if not essential for gaining political approval (Emtairah, Al Ashaikh and Al-Badr, 2007).

On the same issue of legitimacy maintenance, Suchman (1995) describes two types of generic strategies: protect past accomplishments and perceive future changes. On the protection side, the organisation can monitor internal operations to prevent potential misconducts that may undermine long-term legitimisation efforts. The use and implementation of formal environmental management systems exemplify this strategy. On the one hand, these systems signal conformance to acceptable norms and standards, and on the other hand they provide a risk management framework to secure and monitor environmental performance.

A final remark in this section is on managing legitimacy in trying to innovate in the social and environmental arena. The social and environmental arena is also seen as an opportunity for new products and services. Innovating companies also face legitimacy challenges typical of the constraints facing entrepreneurs in emerging industries (Aldrich and Fiol 1994). A worthwhile question to ask here is to what extent the normative appeal of the new product or service may in fact ease the legitimacy constraints on new innovators? So far anecdotal examples suggest that this might not be the case. For instance access to venture finance in the clean technology sector has for a long while been the main constrains for entrepreneurs in this field. One reason offered is that the venture finance industry faced comprehensibility (cognitive legitimacy) to evaluate the potential of clean technology companies (Randjelovic, O'Rourke and Orsato, 2003).

5 Discussion and conclusions

The quest for the business case in CSR has dominated the recent management discourses on CSR. However, questions of legitimacy warrant more attention in seeking to justify corporate investments in social and environmental activities. In this article, we examine the links between CSR and organisational legitimacy. There are multiple levels where these links are situated. Previous literature has discussed how the principle of legitimacy may underpin corporate environmental and social performance (Wood, 1991) providing motives for managers to pursue CSR strategies. In this article, we tried to advance questions that relate more to how CSR activities could potentially influence legitimisation efforts of organisations. We focused on two main issues. The first is how CSR activities play into the different legitimisation efforts of organisations from cognitive to socio-political. The second issue is to identify potential variations in organisational choices of CSR activities as legitimisation efforts and the conditions that influence these differences as constructs for further empirical research.

In the previous analysis, we have highlighted examples of activities that implicitly or explicitly incorporate legitimisation objectives at both the cognitive level and socio-political level. At the cognitive level, organisations struggle with creating comprehensibly for their environmental and social performance claims as well as claims on the environmental attributes of products and services. Our examination suggests that by adopting formal structures and standards for environmental and social reporting such as the GRI guidelines companies are more likely to enhance their cognitive legitimisation efforts. We have also highlighted the difficulties stakeholders face in evaluating the environmental and social performance of both organisations and product claims. Simplicity is the key here. By bundling all these claims into recognised and trusted labels, companies are more likely to gain cognitive legitimacy for their new activities. In the case of environmental and social claims on product and services, our examples suggest that by using formal third party certifications and labels, companies are more likely to gain cognitive legitimacy than non-certified claims. In the very few cases, where companies have been successful in marketing own brands of products with environmental or social attributes, the organisation and product brand tend to be inseparable.

At the level of socio-political legitimacy, we have highlighted how CSR activities may play into the different legitimisation strategies of organisations. CSR activities can be positioned in terms of conformance strategies, selection strategies and manipulation strategies. However, the choice of a strategy may not exclude others. Companies invest in a whole range of CSR activities and these may not be deliberately modelled to fit into a particular strategy. However, sector issues and stakeholder dynamics in a given socio-political context seem to condition the choice of CSR activities in support of legitimisation efforts. We propose several lines of inquires into these differences. Our analysis implies that there are differences in the approaches of organisations in challenged sectors such as the chemical industry versus organisations that are issue challenged such as Nike on child labour for instance. We suggest that organisations in challenged sectors favour collective strategies to regain legitimacy for the industry as a whole at the same time emphasise operational fitness such as resource efficiency and compliance to regulation and norms. While issue challenged organisations try to regain legitimacy through new risk control structures auditable by external parties.

Finally, we point to the possible legitimacy challenges for organisations that want to be proactive in terms of innovating new products or business models to meet certain environmental or social needs. We suggest that social and environmental entrepreneurs trying to create new industries will face the same constraints typical of the ones facing entrepreneurs in emerging industries as identified in Aldrich and Fiol (1994).

6 Future research directions

This article builds on the proposition that CSR activities of organisations are to some extent motivated by legitimacy concerns. However, the empirical research on how and to what extent these activities actually shape organisational legitimacy is so far poorly developed. Isolating the impact of social and environmental practices from others that shape the overall legitimacy of organisations is in itself a challenge. In this article, we have suggested a number of constructs about the way CSR activities might be positioned to support legitimisation efforts and the conditions that favour one type of CSR strategy over others. A number of additional lines of inquiry emerge from these suggestions.

First, on the cognitive level, we need to understand to what extent the adoption of formalised standards on social reporting, such as the GRI, is actually addressing comprehensibility and performance evaluation concerns among stakeholders. Second, our suggestion for variations in CSR approaches, influenced by the intensity of a sector's socio-political challenges, needs further testing across different sectors and across different socio-political contexts. The examples we have used are mainly illustrative of a possible pattern and not an empirical confirmation. Third, concerning organisations that are proactive in advancing business models or new products and services based on environmental and social prerogatives, to what extent these prerogatives influence socio-political approval warrants more empirical testing. Finally, our discussion opens the door for more issue-specific questions, for example, demonstration of beyond compliance strategies and influence on socio-political approval.

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Notes

¹ See for example Vogel (2006) for a comprehensive review on the research of CSR activities.

² Examples include the Body Shop, Interface, Patagonia among others (Vogel 2006).