

How to Build and Secure Organizational Legitimacy in a Globalized World

Seminar Corporate Social Responsibility

Chair of Foundations of Business Administration and Theories of the Firm

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Agenda

Part I

- ▶ Definition and typologies of legitimacy
- ▶ Strategies to obtain and maintain legitimacy
- ▶ Deliberative Democracy

Part II

- ▶ Non-Governmental-Organizations (NGOs)
- ▶ Case study: *Greenpeace vs. Nestlé*
- ▶ Discussion

Definition of Legitimacy

„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.“

(Suchman, 1995, p.575)



Why Legitimacy

- ▶ In ideal free market economy complete separation between economic system and the state
 - ▶ Organizations don't need legitimacy
 - ▶ States need legitimacy

(Friedman, 1988, p. 223)

- ▶ Due to the process of globalization, MNCs become „political actors“, but are not legally elected by the people
 - ▶ Organizations need legitimacy
 - ▶ States need legitimacy

(Scherer & Palazzo, 2007, p. 1098)

Typologies of Legitimacy

Pragmatic Legitimacy

- ▶ „exchange legitimacy“
- ▶ materialistic power-dependence relations
- ▶ Based on *self-interest*

Cognitive Legitimacy

- ▶ Taken-for-granted assumptions
- ▶ Output perceived as desirable, proper or appropriate
- ▶ Based on *cognition*

Moral Legitimacy

- ▶ Positive normative evaluation of the organization
- ▶ Support of Societal welfare
- ▶ Based on *evaluation*

(Suchman, 1995, pp. 578)

Differences and Similarities Between the Typologies of Legitimacy

Moral and cognitive legitimacy

→ embedded in a broader social context

Pragmatic legitimacy

→ based on self-interest

Moral and pragmatic legitimacy

→ influenceable through open discourse

Cognitive legitimacy

→ based on taken-for-granted values

(Suchman, 1995, pp. 584)

Strategies to Gain and Maintain Legitimacy

Isomorphic adaption

→ cognitive legitimacy

Strategic manipulation

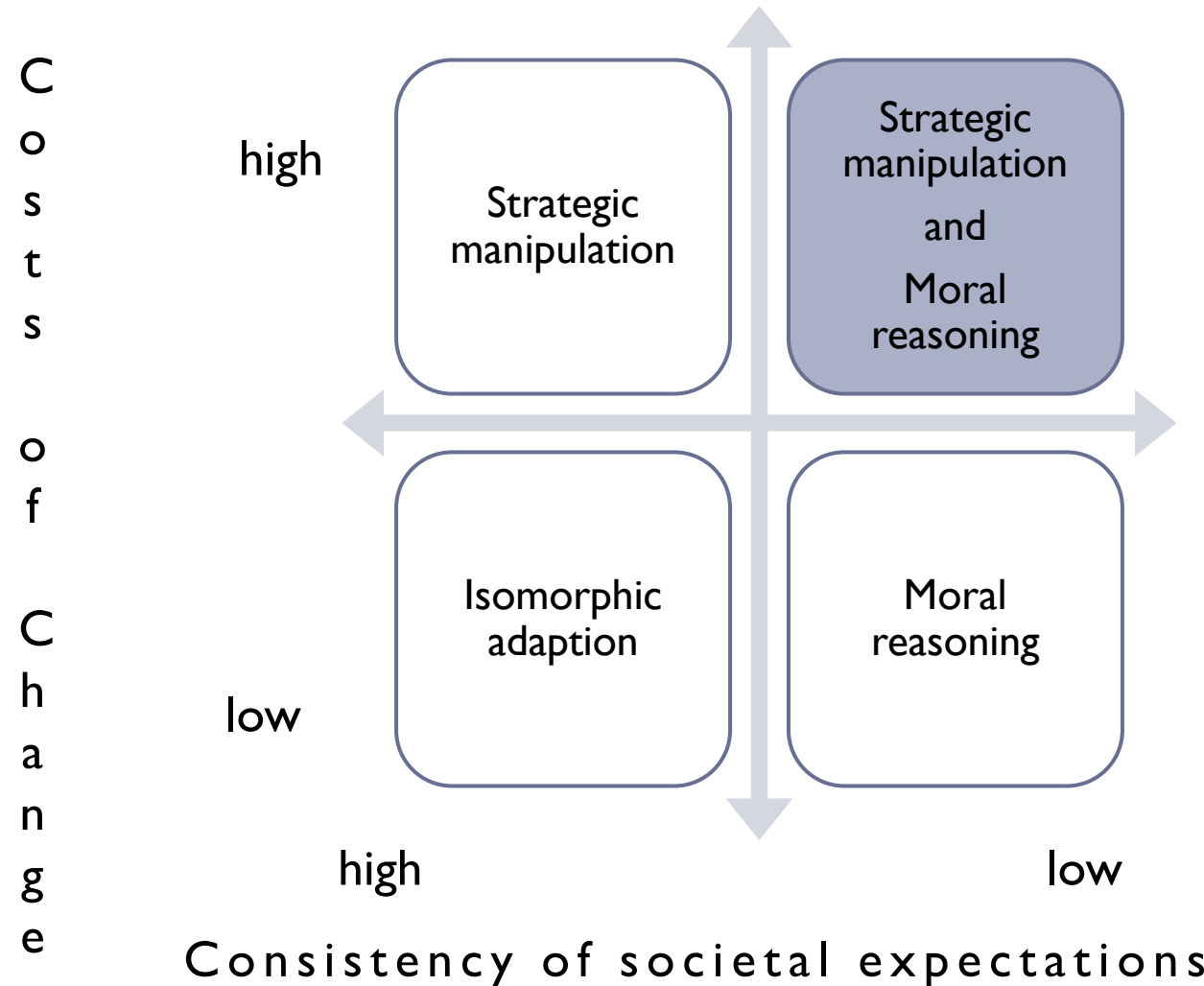
→ pragmatic legitimacy

Moral reasoning

→ moral legitimacy

(Scherer, Palazzo & Seidel, 2010, p. 5)

Strategies to Gain and Maintain Legitimacy



(Scherer, Palazzo & Seidel, 2010, p. 9)

Deliberative Democracy

“The process of carefully considering or discussing sth.”

(Oxford Advanced Learner’s Dictionary, 6th edition, 2000)



Preconditions of a Deliberative Democracy

- ▶ Equal rights for everybody to enter the debate
- ▶ Participants are open for critique
- ▶ Truthfulness of the participants
- ▶ No keeping back of new relevant information
- ▶ Only arguments are considered
- ▶ Discussion has to be goal-oriented
- ▶ “Absence of coercion”

➔ “forceless force of the better argument”

(Hurrelmann et al., 2002, p. 546)

Deliberative Democracy

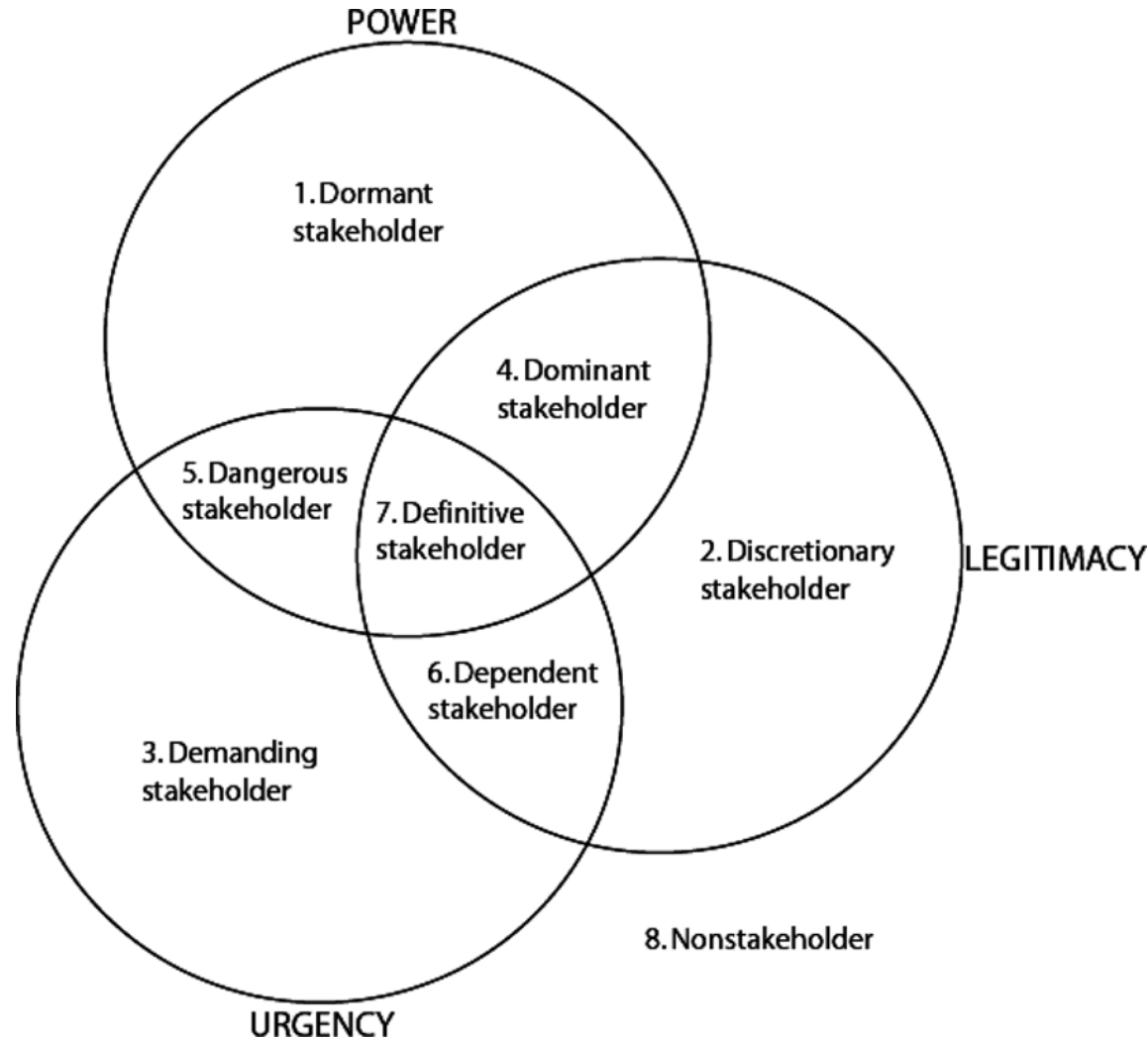
- ▶ Input orientation: Organizations have to justify their existence in an open public discourse in order to gain moral legitimacy
(Palazzo & Scherer, 2006, p. 81)
- ▶ Focusing on the decision-making-process
(Habermas, 1996, p. 85)
- ▶ Elucidation, adaption and shift of individual preferences through public discourse
(Peter, 2004, pp. 167)
- ▶ Agreements have to be justified in order to be considered legitimate
(Peter, 2004, pp. 167)

Part II

Interactions between MNCs and NGOs

Social Risk Process
and Normative Delegitimation Strategies

Stakeholder Typology by Mitchell, Agle & Wood (1997)



Non-Governmental-Organizations (NGOs)

- ▶ NGOs as intermediates between society and the economic system
- ▶ Cooperation between NGOs and corporations
 - ▶ Legitimacy for NGOs most crucial resource
 - ▶ Mistrust and danger of „selling out“
- ▶ NGOs have no power to change the law
 - ▶ Pressure on regulators
 - ▶ Pressure on the organizational level

(Rieth & Göbel, 2005)

(Den Hond & De Bakker, 2007)

Greenpeace's campaign against Nestlé



Greenpeace's Campaign against Nestlé

Demonstrations

Video on
YouTube

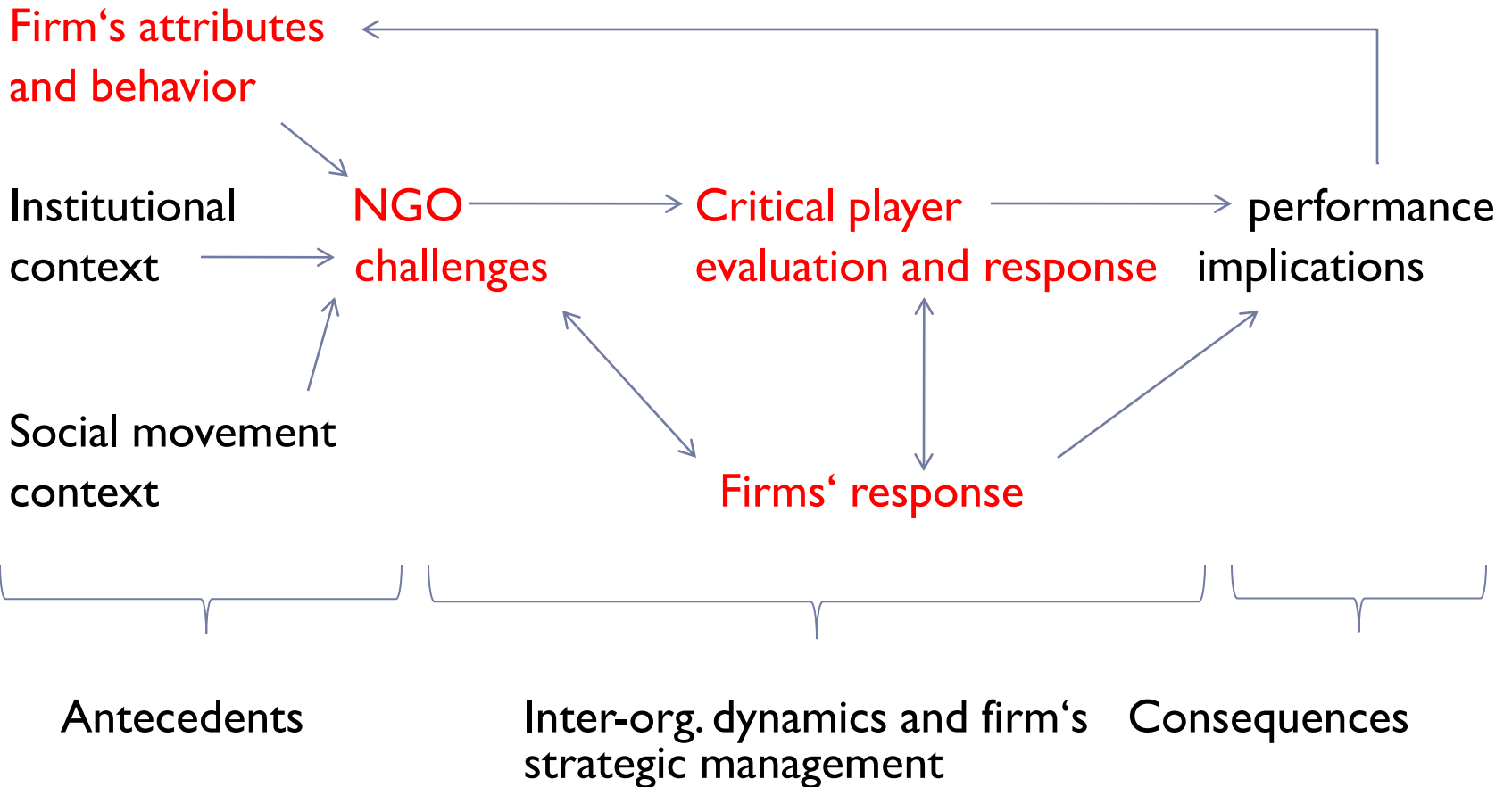
Nestlé
capitulates



Blocking
Facebook
General
assembly



Social Risk Process



(Yaziji & Doh, 2009, p. 60)

Greenpeace's campaign against *Nestlé*

Greenpeace's strategy

Prospective

- ▶ Strong emotionality
 - ▶ Symbolic images
 - ▶ Catchy slogan
 - ▶ Reduction of complexity

➔ Successful campaign, but some loss of reputation

Nestlé's strategy

Resistance

- ▶ Legal actions
- ▶ Blocking Facebookpage
- ▶ Blocking Twitter account
- ▶ Weak emotionality

➔ First resistance, then capitulation, due to refusal to communicate

Discussion

- ▶ “Processes of deliberation lead to better and broader accepted political decisions and a deeper mutual understanding of the involved stakeholders and thus contribute to sustaining moral legitimacy”

(Palazzo & Scherer, 2006, p. 80)

- ▶ What do you think of this citation?
- ▶ How far can NGOs go for the “good cause”?
 - ▶ E.g. terrorism
- ▶ Have you ever been part of a protest?
- ▶ How does the Web 2.0 influence the decision-making process of society?

Thank you for your attention and
participation



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