

A MARKETING STRATEGY LENS ON THE CONCEPT OF LEGITIMACY: AN
INTERPLAY OF PURPOSE VALUES OF ORGANIZATIONS AND LEGITIMACY
THEORY

By

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ABSTRACT

A MARKETING STRATEGY LENS ON THE CONCEPT OF LEGITIMACY: AN INTERPLAY OF PURPOSE VALUES OF ORGANIZATIONS AND LEGITIMACY THEORY

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Scholars and managers in the marketing field have been looking for ways to identify and explain why their business partners act a certain way, how they can influence the business partners' actions or decisions, and how to instill a value system within the organization that would allow for such influence. Although not labeled as "legitimacy," most of the studies within the marketing literature look for an answer that can satisfy the questions of how to control the exchange partner (either supplier or buyer), how to influence the exchange partner, how to overcome opportunistic behavior, how to communicate effectively within an exchange relationship, how to create trust, how to maintain trust, and many more questions that allow scholars and managers alike to ask and find a solution that benefits the firms.

Legitimacy helps firms establish credibility. Once established, it will allow others in the institutional environment to expect certain behavior patterns from the focal firm. Throughout the exchanges, the focal firm is likely to use different reference points in order to communicate why a certain action needs to be taken, which in turn will shape the expectations of the exchange partners. This concept becomes even more critical when the presence of trust comes into the play. Trust will likely emerge when firms act in accordance with the norms and expectations of their exchange partners however legitimizing actions will not likely create trust but presence of trust will strengthen the legitimacy and performance outcomes.

Thus, Essay 1 aims to uncover the link among the purpose values of organizations and how they lead to legitimacy strategy creation. Later, it links organizations' legitimacy strategies

to the market verification activities of the firm and consequently, firm performance. In order to provide a holistic picture, two dimensions of competitive environment have been introduced as moderating factors. In other words, six purpose values (dignity, plurality, solidarity, subsidiarity, reciprocity, and sustainability), four legitimacy strategies (authorization, rationalization, moralization, mythopoesis), two commonly studied verification actions (interfirm and market monitoring), and two competitive environment dimensions (competitive intensity and competitive hostility) have been identified and included in the conceptual model.

Secondly, Essay 2 focuses on the moderating effect of trust on the link between legitimacy actions and firm performance. By turning legitimacy strategies into actions, Essay 2 aims to uncover how interfirm trust can help strengthen or weaken the link between legitimizing behavior implemented by the firms and the consequent impact on the performance. In order to provide a complete picture, five different types of trust (affect-based, institutionalization-based, deterrence-based, competence-based, and intentional trust) have been identified between exchange partners in institutional environments. Inclusion of the different types of trust allows for a more complete picture on the legitimacy actions and firm performance because legitimacy actions are a collective approval of the behavior by exchange partners and trust will likely have an impact on the approval of the behavior and performance linkage.

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Essay 1

The Effects of Purpose Values of Organizations and Legitimacy Strategies on Market Verification Actions and Performance

Introduction

Marketing strategy literature has extensively focused on how different organizational cultures can have an impact on the actions taken by the organizations. These actions range from employing different market orientation cultures (Jaworski and Kohli 1993; Homburg and Pflesser 2000; Kirca et al 2005) to how marketing as a department can be more influential (Boyd, Chandy, and Cunha Jr. 2010; Nath and Mahajan 2011). Although marketing strategy scholars understand the effects of organizational culture on marketing strategy construction and effectiveness, firm level research has paid limited attention to how different organizational values can lead to the use of legitimacy strategies that firms may employ on the path to creating successful marketing strategies. Legitimacy strategy creation is important especially within a marketing strategy context because marketing managers need to explain and prove evidence of what they do is valuable for organizations (Boyd, Chandy, and Cunha Jr. 2010).

Legitimacy is one of the main topic areas that has been studied widely by scholars within the institutional theory framework (Scott 1995; Deephouse 1999; Aldrich and Fiol 1994; DiMaggio and Powell 1983). Additionally, political scientists, sociologists, and organizational population ecology scholars have looked into how legitimacy is created and used within an organizations environment (Johnson and Holub 2003). Specifically in the management literature, the legitimacy efforts and communicating legitimacy between business partners have found to be very useful when firms want to initiate change and reduce the resistance by others in exchange relationships (Vaara and Tienari 2011; Vaara and Monin 2010; Erkama and Vaara 2010). However, marketing literature lacks the sufficient evidence about how legitimacy impacts a

firm's decisions and how different legitimacy strategies can provide organizations with the needed support from their exchange partners. Although there are studies where scholars study the legitimacy of marketing departments within firms and legitimacy creation between channel partners (e.g. Grewal and Dharwadkar 2002), surprisingly, there is still a gap in the organizational level legitimacy creation in the marketing strategy literature.

It is important to pay attention and study the organizational values and cultures because these values will likely dictate the behaviors of organizations as well as the people within them (Hollensbe et al 2014). The purpose of an organization is the clear guideline in terms of how the firm should act and what is expected of the firm. Legitimacy concept is closely linked to the purposes of the organization because legitimacy of a firm is also conceptualized as the firm “acting the way others expect it to act,” or in other word, acting “appropriately,” or “in accordance with the societal expectations”. As the purpose values of organizations become clear, organizations will be able to form strategies that align with their values. Thus, examining the six distinct values of organizations - dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability – will allow for a deeper understanding of how organizational culture plays a role in formalizing distinct strategies.

Secondly, although legitimacy has been studied by different research streams, there is little understanding of how legitimacy can be applied to marketing strategy. This study employs the four distinct legitimating strategies that Leeuwen and Wodak (1999) identified and Vaara and Tienari (2008) brought to merger and acquisition literature – authorization, rationalization, moralization, and mythopoesis. Clarifying the distinct strategies used by organizations and applying a marketing strategy lens will provide fruitful conversation avenues for marketing

strategy scholars to recognize the different nuances within organizations, relating to legitimacy strategies.

Porter (1981) suggests that organizational culture leads to strategy and strategy leads to actions. Within the legitimacy framework, organizations will inherently need to communicate and influence the actions of those they engage in exchanges. Thus, organizational purpose and legitimating strategies outlined above prepare the grounds for verification actions – interfirm and market monitoring. Both of the monitoring actions need to be considered when studying legitimacy because in order to provide “legitimate” arguments, firms will need to analyze and interpret the marketplace so that they can present evidence and address the necessities of such strategies. This will allow organizations to recognize and efficiently use their resources and capabilities (Prahalad and Hamel 1990).

However, organizations are not alone in institutional their institutional environments. Bitekine and Haack (2015) suggest that legitimacy is not only at the micro-level but also at the macro-level, meaning an inclusion of the actors collectively. The relationship between legitimacy strategies and verification actions will likely be affected by how competitors act and react (Covin and Covin 1990). Therefore, this study aims to identify the boundary conditions through the moderating effect of competitive environment.

The rest of the paper is as follows: First, the purpose values of organizations, then the legitimacy strategies are defined and explained through a marketing strategy perspective. Next, verification actions are explained. Then, hypotheses are developed and the research method to be adopted and data collection procedures to be employed are described.

Theoretical Background

Purpose Values of Organizations

In institutional environments, organizations strive to establish legitimacy through explaining and identifying what they stand for and that they will behave the way they are expected to behave. Hollensbe et al (2014) suggest that organizations can be the creators of trust if they “redefine” their purpose. They identify six key dimensions of purpose values – dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability. McWilliams and Smart (1993) state that institutional environments include different elements such as buyers, suppliers, products, demands and so on. Six different purpose values will likely help define the overarching framework for businesses to be a part of the environment they operate in, and not apart from it (Hollensbe et al 2014).

Dignity. Organizations that have the value of dignity, engages in actions that treat their employees as someone, not something (Hollensbe et al 2014). Respecting all stakeholders are ‘who’ instead of ‘what’ will help organizations achieve the value of dignity that they can utilize when it comes to running their daily operations as well as achieving strategic goals. Strategic goals are usually thought to be competitive advantage in which scholars explore how differences in firms’ resources and capabilities allow them to gain edge in the marketplace (Rumelt, Schendel, and Teece 1991; Barney 1991). In order to pursue and achieve these goals, organizational leaders will need to pay attention to their employees. Literature on organizational support and employee dedication have shown positive links between employee satisfaction and employee performance and absenteeism, and a negative link with employee turnover (Mathieu and Zajac 1990; Meyer and Allen 1997; Mowday, Porter, and Steers 1982).

Additionally, leadership literature has also studied different styles of leadership and how different styles have affected the employee performance (Bono and Judge 2003). Leadership

styles also influence the organizational climate and organizational survival (Nasution, Mahargiono, and Soesatyo 2016). Social exchange literature also backs this point up, suggesting that when employees are treated with dignity, they will respond to the organization favorably (Rhoades and Eisenberger 2002). These favorable responses arise because according to organizational support theory, employees of the organization start to identify and perceive the organization to have human-like characteristics. This is also present in how different actors within a marketplace judge organizations: judging the firm based on its actions rather than singling out specific employees or individuals (Levinson 1965). When analyzed together, the link between the employee actions and the firm's actions become clearer in a way that shows, if an organization were to treat its employees as objects, then employees start to disassociate. This creates a little bubble, in which employees do not have the shared understanding which in turn inhibits engaging in good citizenship behaviors. This is problematic because when the perceptions of dignity is low in an organization, the mutual dependency or the mutual obligations based on shared humanity, or common good, starts to dissipate.

Solidarity. An organization is not mutually exclusive from its institutional environment. Other organizations, such as governmental bodies, suppliers, customers will all require and demand attention from the firm. Organizations that are high in solidarity value will likely overcome these hurdles because they will be able to communicate the underlying theme within the solidarity concept: “we are all in this together” (Hollensbe et al 2014). Solidarity, like dignity, has the fairness component within itself. Hollensbe et al (2014) state that solidarity includes fairness, honesty, and shared understanding between customers and suppliers that help them make better choices.

Theories of social and interpersonal justice in organizations have long studied how perceptions of fairness can impact the organization's operations as well as how it affects the perceived organization support by its employees. These aspects are especially important for organizations because if a firm is not perceived as a fair or honest entity, its stakeholders will start to question the morals and the ethics of the firm. Organizational support literature has identified two different types of justice – distributive and procedural. Distributive justice deals with how fair the actions are and procedural justice focuses on to how fair the process of taking those actions (Greenberg 1990). These concepts become important within the notion of solidarity because organizations need to realize and recognize that other parties that they interact with matter. Once this message is communicated clearly, it will help stakeholders identify what the organization brings to the table and what they offer in exchange (Mowday 1991). Once the solidarity value is achieved, through the perceptions of justice and fairness, organizations will likely to reap the benefits of having more satisfied stakeholders, and in turn strengthened relationships with these stakeholders (Moorman, Blakely, and Niehoff 1998).

Plurality. Within institutional environments, organizations follow a set of guidelines and rules, which then become the norm of the institutional environment (Deephouse 1996; Scott 1987). Following these norms and staying within the boundaries of these norms lead the organizations to start to become more and more alike. In turn, the diversity levels start to decrease. However in the strategy literature, scholars have long been studying how firms achieve competitive advantage (Rumelt, Schendel, and Teece 1991; Barney 1991). Firms need to be heterogeneous enough so that they can offer different value propositions and stay competitive.

Firms that rate high on the plurality value will likely be more responsive to the marketplace because plurality emphasizes relationships among entities rather than focusing on

transactions. Economically driven models assert that organizations are inherently untrustworthy thus use of contracts are a must. However, behavioral theorists argue that organizations *are trusting* (Barney and Hansen 1994). The plurality concept explains the side that behavioral theorists are arguing for: plurality encourages diversity, which allows innovation to take place. When organizations are innovative, they are more likely to be up-to-date with the latest trends. This allows them to be more responsive.

The level of responsiveness becomes very important within the context of understanding customers. With the increased globalization of the marketplace, firms need to strengthen their positions by creating “*a spirit of fraternity through clear, purpose-driven values that respect cultural differences*” (Hollensbe et al 2014, p. 1231). Communicating the message of plurality will allow them to strengthen the relationships between the firms and their customers, suppliers, and employees, which in turn will turn into favorable performance results (Palmatier et al 2006; Palmatier, Dant, and Grewal 2007).

Subsidiarity. Subsidiarity value of an organization is the notion of being able to promote accountability and delegating some of the decision making to the different levels of the organization (Hollensbe et al 2014); which promotes freedom with responsibility. Several theorists have proposed different definitions for the freedom, ranging from more negative views (absence of restraint) to more positive ones (opportunity to act in a certain way). Within an organizational value framework, when employees are given an opportunity to act in a certain way, it allows them to understand the process of the decision making within the organization, thus providing more depth to the understanding of what the organization stands for. Thus, it allows for employees not only not to feel alienated but also to provide a sense of belonging (Keeley 1987; Hollensbe et al 2014).

Reciprocity. Building relationships between organizations and their exchange partners rely on the reciprocity and the concept of reciprocity leads to certain expectations from an organizations different stakeholders. Baer et al (2015) argue that when organizations are trusted, employees of the organization also enter into a different state of mind, which in turn affect their overall performance and commitment to the firm. In addition to the employee performance, reciprocity will allow organizations to leverage knowledge, resources and capabilities, all of which are positively linked to performance outcomes of organizations. Within institutional environments, organizations that score high on the reciprocity scale will likely reap the benefits of being perceived as a stable organization that keeps its end of the bargain.

There are several views on how exchange partners do business together. Economic models insist on using legal and contractual protections as these models suggest that exchange partners are inherently untrustworthy. On the other hand, behaviorally oriented models criticize this notion and argue that exchange partner are inherently trustworthy therefore the contractual agreements are unnecessary and redundant (Barney and Hansen 1994). When organizations are high on the reciprocity value, the underlying expectation is that organization will conduct its operations for mutual benefits of the parties involved.

Sustainability. Vast amount of literature has been published in the marketing field about sustainability. Although not exhaustive, some of the prominent research streams focus on sustainable marketing practices, green marketing, and corporate social responsibility (Sharma et al 2010; Luchs et al 2010). There are five issues that most research have analyzed – sustainability drivers, management, outcomes, company, consumer aspects (Leonidou, Katsikeas, and Morgan 2013; Varadarajan 2014). Sustainability value is especially important for

organizations because Davis, Schoorman, and Donaldson (1997) argue that stewardship of people should be the guiding principle of the firm.

Organizations that are high on the sustainability value will likely take steps toward caring for their environment, employees, and other stakeholder groups. Despite of its challenges, organizations need to strive for minimizing the negative impact they may have on their environment through the pursuit of replenishing what is used and finding new ways to replace what has been consumed (Hollensbe et al 2014).

Legitimacy Strategies

Legitimacy concept has been studied within the marketing strategy literature in terms of the credibility of the focal firm as well as using this credibility in order to influence decisions (Payan and McFarland 2005). Vaara and Tienari (2008) have distinguished and applied Leeuwen and Wodak's (1999) 'grammar of legitimation' to an organizational level. In this study, four legitimacy strategies are described – authorization, rationalization, moralization, and mythopoesis- in order to provide a more comprehensive understanding of why companies may engage in certain strategies when dealing with interfirm exchanges.

Authorization. Deephouse (1999) states that regulatory forces are usually enforced through governments. A government can exert a certain power over the organization that could be costly for the organization if it ignores such rules. There are also other regulatory bodies, such as environmental agencies, that also impose specific rules on the organizations. In order to be accepted by the regulatory forces, an organization has to follow these rules and regulations in order to gain legitimacy from its regulatory environment.

Authorization inherently deals with how specific actors in power view the situation and suggest the courses of actions to be taken (Erkama and Vaara 2010). Legitimation of actions is a lengthy process and it deals with power and politics (Rojo and van Dijk 1997; van Leeuwen and

Wodak 1999). This inherent nature allows for the direct link between the actions taken and the power of the actors that employ them (Rojo and van Dijk 1997). When actors within institutions want to legitimize their positions they may make certain references to authorities and regulatory bodies (Vaara and Monin 2010). Planning for the use of these references to authority figures within institutions will likely help managers position their arguments as necessary, justifiable, or even inevitable.

Rationalization. Rationalization is a legitimation strategy that uses references within specific settings and debates, such as references to expectations of improved financial performance (Erkama and Vaara 2010; Varra and Monin 2010). Schuman (1995) posit that “organizational practices and policies need to be deemed ‘desirable, proper, or appropriate’ within the given context” (p. 574). van Dijk (1998) and van Leeuwen and Wodak (1999) argue that legitimacy is established over time and provides justification for actions taken in different contexts. Once established, legitimacy will help managers to explain their actions as necessary and acceptable in specific settings (van Dijk 1998; van Leeuwen and Wodak 1999; Vaara and Monin 2010).

Quantifying the expected benefits and providing scientific rationale managers can establish legitimacy when it comes to why they make certain decisions. Because providing evidence that future market will need the specific course of action to be taken and that there are no other beneficial alternatives can help strengthen their justification for the situation. Thus, legitimizing their actions and decisions to strategize differently in a given context would need the use of rationalization strategy (Erkama and Vaara 2010).

Scanning the environment and being aware of the changing institutional pressures, not every firm will react the same when it comes to their organizational responses (Oliver 1991). Although the general understanding of the institutional theory is that institutions arise and

operate within environments they conform to, institutions are not static. They evolve and with the changing conditions, institutions also change. DiMaggio and Powell (1983) touch upon this fact implicitly when they argue about a field-level approach, in which certain elements of the environment or market pressures can change and demand different things from organizations. All of a sudden, organizations can find themselves within an industry that starts to lose its well-defined borders. Thus, rationalization strategy can handle these possible changes within a marketplace by providing evidence of previous or present situations.

Moralization. Normative forces help with routinizing the actions taken and the routinization of the behavior will allow firms to be stable (Emery and Trist 1965; Terreberry 1968; Meyer and Rowan 1991) and will help firms with increasing efficiency and a general understanding of what is expected of them (Dowling and Pfeffer 1975). These forces allow managers to take a hands-off approach, which then leads to increased efficiencies because everyone knows what to do and what is expected in the end (Chang, Bai, and Li 2015; Granovetter 1985).

The moralization strategy entails taken for granted assumptions and actions. Scott (1995) identifies normative forces as the unwritten rules and norms. These implicit rules and norms also play a role in establishing legitimacy for organizations because most likely organizations will follow their counterparts and start to behave according to how they operate and behave in the given institutional environment. Cognitive forces entail the cultural influences that usually takes the form of taken-for-granted rules. They help firms control and coordinate its operations because society itself presents certain allowances and constraints for the organization. Zucker (1977) argues that these moral rules become factual through a cultural persistence process, transmission, maintenance, and resistance to change. This habitual form is foundational to moralization strategy and that managers need to act within specific norms and values because

managers need to gain approval of their institutional environments in order to be accepted by regulatory bodies as well as the society (Scott 1995; Deephouse 1999; Aldrich and Fiol 1994; DiMaggio and Powell 1983).

Mythopoesis. DiMaggio (1991) argues that institutionalization allows for firms to create a body of knowledge that is available in the professionals' minds. Through their networks, professionals also bring in different perspectives and attract other experts in the field which creates organization of professional associations. By having a set of rules and guidelines, professionals can take a hands-off approach and focus on the boundary-spanning activities (Day 1994). These activities can help managers to give examples of other firms when they want to legitimize their actions through mythopoesis. Mythopoesis refers to framing the decisions of managers through the use of examples of other firms, managers' tacit knowledge, and narratives of what has happened in the past or what is happening in the present (Vaara and Monin 2010; Erkama and Vaara 2010). Use of the narratives can help managers to present evidence within the marketplace in order to establish that the legitimacy of their actions. Organizations can survive by being aware of emerging trends and changes in their environment and through environmental scanning, professionals can keep the organizations up to date and meet the expectations of the social actors successfully.

Market Verification Actions

Verification actions by exchange partners are usually considered to be a result of the need to reduce information asymmetries between partners (Eisenhardt 1985). Gundlach and Cannon (2010) state that there are at least three verification strategies in order to safeguard one's operations – interfirm monitoring, information sharing, market monitoring. In this study, interfirm monitoring and market monitoring are included as the verification actions implemented by the firm. Information sharing is not included as a verification action because Yilmaz and

Kabadayi (2006) found that monitoring can also be an antecedent to information sharing between partners.

Interfirm Monitoring. Heide, Wathne, and Rokkan (2007) define monitoring “as an effort made by one party to measure or “meter” the performance of another (p. 426). Interfirm relationships require firms to actively control and coordinate their operations with that of their partners; in accordance with the regulatory and voluntary rules (Buchanan 1992; Frazier 1999; Yilmaz and Kabadayi 2006). Institutional theory states that organizations within an institutional environment respond and react to three distinct forces; regulatory, normative, and cognitive forces. These forces provide specific guidance to organizations in the form of regulations (Scott 1995), identify the unwritten rules and norms (Scott 2005), and entail the cultural influences that usually take the form of taken-for-granted rules (Zucker 1977). Thus, in this paper, interfirm monitoring refers to the degree to which exchange partners observe and control each other’s behavior in accordance with social rules and cues (Gould 1993; Snyder 1979; Graeff 1996).

Transaction cost and agency theories suggest that monitoring is used to reduce opportunistic behavior, where strategic alliance literature focuses on how monitoring could be utilized for partners to uncover the potential cooperative strategies as well as choice of relationships that they would like to build with each other (Stafford 1994). Interorganizational governance mechanisms, especially relational governance, have also been studied extensively in order to uncover how each firm can obtain competitive advantage (Bakos and Treacy 1986; Johnston and Vitale 1988; Venkatraman, Loh, and Koh 1994) and the effect of these governance mechanisms on the overall market activity (Volkoff, Chan, and Newson 1999). Interfirm monitoring is an essential component for firms to be competitive due to increasing interdependencies of the firms in the marketplace.

Market Monitoring. Market monitoring is an important concept for interorganizational partnerships because it allows firms to be up-to-date with the latest changes in the marketplace. The analysis of companies, competitors, as well as customers in marketplace is critical to a firm's strategy building activities. It allows firms to be flexible and quick to respond to changes within a market.

Volberda (1997) suggests that firms will be successful at being flexible if they can effectively respond to a competitive change in the marketplace with a proper managerial capability. He argues that organizations can be flexible in three areas: operational, structural, and strategic. Operational flexibility consists of being able to alter the routines, structural flexibility entails the alteration of current processes, and lastly strategic flexibility includes the way managers interpret the direct and indirect signals from the market and come up with the most responsive solution. In addition to these three areas, he identifies a third concept of metaflexibility, which "involves the processing of information to facilitate the continual adjustment of the composition of management's flexibility mix in line with changes in the environment. This requires the creation, integration and application of flexibility increasing capabilities." (p. 172).

Business networks literature has also studied how firms are related to one another in the marketplace. Ritter, Wilkinson, and Johnston (2004) argue that firms require well executed market monitoring practices because they are not always in control of all the relationships they have with the environment; they control and be controlled, influence and be influenced by other actors. At that point, market monitoring becomes a very important task for organizations because organizations need to be able to respond to the opportunities presented and created by other

actors in the marketplace (Ritter and Gemunden 2003). Otherwise, they may end up taking actions that produce undesirable outcomes (Tenbrunsel and Messick 1999).

Competitive Environment

Institutional environments, by nature, are hosts to multiple firms. Number of competitors and the aggressiveness of the competition need to be taken under consideration while trying to accomplish successfully integrating influence strategies and efficiently monitoring the exchange partners and the market because the competitive intensity will likely impact the relationship between the legitimacy strategies of a firm and its consequent impact on its market verification actions. Competitive intensity and hostility need to be considered together because intensity inherently deals with the strength of rivals (Barnett 1997) and hostility deals with how aggressive the rival is (Covin and Covin 1990). Thus, competitive intensity and hostility become critical components to identify the boundary conditions of such relationships.

Competitive Intensity. Barnett (1997) defines competitive intensity as “the magnitude of effect that an organization has on its rivals’ life chances.” (p. 130). According to Barnett (1997) competition becomes experience-based as organizations age. In turn, this will lead to a crowded institutional environment although the strength, as he defined it, may not be strong enough to shake off the rival. This is an interesting point because as institutions grow, they become stable and as competitive environments grow, they also become stable, as the forces cannot push rivals out of the competitive arena. Therefore, competitive intensity becomes one of the critical external element that impact a firm’s operations.

Competitive Hostility. In its most basic form, competitive hostility relates to how aggressive your competitors are. Marketing literature has studied offensive strategies taken by firms (Porter 1985), marketing warfare tactics (Kotler and Singh 1981), and the use of surprise when trying to gain an offensive edge (Rothschild 1984). All these strategies and actions taken by the firms

determine the level of hostility between rivals. Firms within an institutional environment can engage in any of the aforementioned aggressive behavior. If the level of hostility is high within an institutional market, then the exchange partners may retaliate with a counter-aggressive action, which could potentially increase the level of competitive hostility within the competitive environment.

Hypotheses

Scott (1995) defines institutions as “...cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers – culture, structure, and routines – and they operate at multiple levels of jurisdiction” (p. 33). Once a firm is born and starts to grow and interact with its environment, the institutionalization starts. When competitors increase in number and complexity, firms need to be able to adapt to their situational factors and act accordingly. In order to be able to survive in such environments, institutionalization helps greatly (Meyer and Rowan 1991). On the other side “organizations which have structural elements not institutionalized in their environments should be more likely to fail, as such unauthorized complexity must be justified by claims of efficiency and effectiveness” (Meyer and Rowan 1983, p. 53). Institutionalization requires firms to balance and respect all relations that it has with its internal and external environment.

Organizations need to gain approval of their institutional environments in order to be accepted by regulatory bodies as well as the society. Thus, this leads to organizational conformity to institutional norms, which then leads to legitimization of the focal organization (Scott 1995; Deephouse 1999; Aldrich and Fiol 1994; DiMaggio and Powell 1983). Normative forces help with routinizing the actions taken and the routinization of the behavior will allow firms to be stable (Emery and Trist 1965; Terreberry 1968; Meyer and Rowan 1991) and will help firms with increasing efficiency and a general understanding of what is expected of them

(Dowling and Pfeffer 1975; Meyer and Rowan 1977). These forces allow managers to take a hands-off approach, which then leads to increased efficiencies because everyone knows what to do and what is expected in the end (Chang, Bai, and Li 2015; Granovetter 1985). Additionally, Blau (1964) argues that norms of fair exchange also develops over time and they regulate and eliminate continuous negotiations or conflicts. Cook and Rice (2003) argue that the existing institutions lack credibility and legitimacy however, social exchange theory provides another framework for organizations to create appropriate organizational culture to utilize proper legitimacy strategies.

Dignity and Legitimacy Strategies.

Emerson (1972) argues that power processes create the institutional environments. He supports the notion where “the concept of an exchange relation, and the principles which surround it, provide a basis for studying the formation and change of social structures as enduring relations among specified actors, with the exchange relations as the structural unit” (p. 60). When the dignity value is emphasized and increased in an organization, it is likely that the organization will engage in legitimacy strategies that refer to more established counterparts in order to provide support for its actions (Anderson and Weitz 1992). These references will likely include the authority and power figures within the marketplace as well as humanizing the authority figure by portraying the governing body as the law-maker or regulatory agent. Humanizing these actors in the marketplace will likely increase the strength of their arguments, which in turn will lead to adoption of such legitimacy strategy.

H1_a: Higher levels of dignity value in an organization will increase the organization's attempt to engage in authorization strategies.

Rationalizing an action or a thought requires an individual to make certain connections between events. For example, if a company wants to increase its sales, it may decide to increase

its advertising, which in turn should lead to increased sales (Assmuss et al 1984; Mela et al 1997). Having high levels of dignity, will likely help a company to create these associations with more ease because there will be more humanesque connections between the actions and reactions. Rather than distancing itself by referring to actors in the marketplace by ‘somethings’, the organization will likely to perceive them to be its partners, more specifically exchange partners. This will also allow them to connect with others, which in turn will help the firm to communicate its goals and actions with more thorough explanations as to ‘why’ certain actions were or to be taken (Rindfleisch and Heide 1997). This line of thinking will also help operations within the firm. When managers perceives the board members as individuals and board members perceive the manager as ‘someone who is trying to do his/her job to the best of his/her abilities”, this will help managers’ job at explaining the actions of a firm through specific examples and consequences (Boyd, Chandy, and Cunha Jr.2010; Nath and Mahajan 2011)

H1_b: Higher levels of dignity value in an organization will increase the organization’s attempt to engage in rationalization strategies.

Dignity value of an organization allows marketplace actors to assign human-like characteristics to firms which in turn puts more pressure to organizations to act within the norms and values of the marketplace. Homans (1961) stated that “the actual social behavior of individuals is in direct contact with one another” (p. 3). Cook and Whitmeyer (1992) argued that Homans’ proposition is the basis of role-conforming behavior. When organizations do not have high levels of dignity, that is treating stakeholder as someone not something, mutual dependence and mutual obligations end up being lost. Higher levels of dignity value will likely encourage firms to engage in moralization strategies, because human-like characteristics will require firms to be in contact with one another, which in turn forces firms to conform to norms of the

institutional environment. Thus, taken together, when organizations have high levels of dignity values, they will likely to engage in moralization strategies in order to influence their exchange partners.

H1_c: Higher levels of dignity value in an organization will increase the organization's attempt to engage in moralization strategies.

Institutional environments are created by organizations and their interactions with one another. These interactions provide the basis for social construction, in which the theories of social construction are used to enhance the understanding of how actors within an institutional environment create and realize situations (Edvardsson, Tronvoll, and Gruber 2011). Berger and Luckmann (1967) argued that these actors create these situations in which the question of subjectivity arises. Within this concept, organizations that are high in dignity value will likely act as an individual and follow the pattern of learning as humans do; learn, adapt, and make choices (Hoffman 1990). Mythopoesis strategy entails firms' to rely on narratives and personal experiences. Firms that are high in dignity value will likely seem to possess more human like characteristics as well as attributing more human like characteristics to their exchange partners. They will listen to one another and plan effectively through their combined experiences and tacit knowledge. Thus, firms that are high in dignity value will likely to engage in mythopoesis strategies in order to influence their exchange partners because this legitimacy strategy is based on the personal narratives and managerial experiences.

H1_d: Higher levels of dignity value in an organization will increase the organization's attempt to engage in mythopoesis strategies.

Solidarity and Legitimacy Strategies.

Hollensbe et al (2014) state that solidarity entails the mindset of ‘we are all in this together’ as well as a shared understanding of all parties. Shared understanding, stability and trust among the key internal and external exchange partners are assumed when organizational conduct is discussed (Perry-Smith 2006). Organizations that are high in solidarity values will likely recognize the differing needs of different partners and try to take action that is mutually beneficial. One ways to accomplish the legitimacy of these actions is through referencing the regulatory bodies within the institutional environment. The use of the authorities for justification of actions will improve the perceptions of justice and fairness. This in turn will allow employees to feel as part of the organization (Webster 1993). Through a high level of solidarity value, the organization will likely be able to communicate the laws and regulation with ease because employees feel a part of the organization and that the organization is likely to be seen as considerate about the all stakeholders’ needs and wants.

H2_a: Higher levels of solidarity value in an organization will increase the organization’s attempt to engage in authorization strategies.

Legitimacy establishes certain frames for the exchange partners (Vaara and Monin 2010; van Dijk 1998; Leeuwen and Wodak 1999). This is especially true for firms that are high in the solidarity value because the solidarity value inherently forces firms to be aware of the surroundings and realizing the differences. When the solidarity value is established within an organization, the firm will likely increase its usage of rationalization strategy because rationalization strategy will likely help the organization establish the need for the necessary action. In order to communicate the fairness and the just act, the organization may need to use references that create the support needed for certain actions. These actions could include answers

to questions of why select one supplier over another, why do it a little more differently than others in the institutional environments. Sharma, Netemeyer, and Mahajan (1990) state that when organizations are able to establish the expectations from employees as a whole, solidarity value will likely increase, in turn will open way to successful creation of rationalization strategy.

H2_b: Higher levels of solidarity value in an organization will increase the organization's attempt to engage in rationalization strategies.

Institutional theory posits that organizations are embedded within the environments that they operate in (DiMaggio and Powell 1983) and they respond and react to normative forces. Scott (2005) identifies the normative forces as the unwritten rules and norms. Because the norms and values of the environment are unwritten, the rules and guidelines become unclear for organizations. However, if organizations have high levels of solidarity value, they can potentially communicate the fairness in their actions because there are certain expectations of the employees which in turn makes up of the norms within an organization (Heide and John 1992). Thus, higher levels of solidarity purpose will likely help the firm to establish successful moralization strategies.

H2_c: Higher levels of solidarity value in an organization will increase the organization's attempt to engage in moralization strategies.

DiMaggio (1991) states that structuration increases the density of interorganizational contacts and the flow of information. It helps with the emergence of a *center-periphery* structure and allows for a collective definition of the field. In addition to that, he also argues that institutionalization allows for firms to create a body of knowledge that is available in the professionals' minds. Through their networks, professionals also bring in different perspectives and attract other experts in the field which creates organization of professional associations.

Organizations that have higher levels of solidarity value will likely to engage in mythopoesis strategies because the knowledge that is present in managers' minds are very valuable to the actors in the institutional environment. This helps with the shared understanding of how managers bring in solutions to problems that benefit the interorganizational relationships as a whole rather than focusing on side (Heide and John 1992). When solidarity value is high, managers will likely recognize the others, in this case, exchange partners, and would likely use their experiences and tacit knowledge as a reference point.

H2_a: Higher levels of solidarity value in an organization will increase the organization's attempt to engage in mythopoesis strategies.

Plurality and Legitimacy Strategies.

Institutional change is thought to occur either individualistically or holistically (DiMaggio 1988; Beckert 1999; Fligstein 1997; Schiller-Merkens 2007). At the individualistic level, change is considered to be an outcome of the agent that has caused it, where at the holistic level, the change is caused by a shock from the environment. Organizations that are high in plurality value are likely to be high on their emphasis of holistic level which allows for the emphasis on diversity and relationships. When institutional changes are thought to occur at two different levels, plurality value will likely encourage organizations to engage in authorization strategies because mechanistic approaches can help alleviate some of the challenges that come with conformity and diversity (Davis and Marquis 2005). This is especially true for interorganizational relationships due to the nature of complex diverse relations between entities. Thus, increased levels of diversity will likely help firms plan for references to authority figures in order to communicate the need for certain actions.

H3_a: Higher levels of plurality value in an organization will increase the organization's attempt to engage in authorization strategies.

Within an institutional framework, firms aim to meet, not exceed, the expectations of “social actors” (Bansal and Clelland 2004). Although firms create habitual behaviors and processes, institutional theory also suggests that in order to survive in the market, firms need to be able to change with the changing conditions around them. Organizations that have high levels of plurality value likely to engage in rationalization strategies because a firm needs to focus on diversity but also conform to the norms within the institutional environment. Flexibility of organizations in changing market conditions is vital for survival but it can become complicated due to institutional pressures. When organizations increase the level of plurality purpose, exchange partners will likely feel appreciated and welcomed by business partners (Herche 1995). Thus, plurality values can lead to careful planning of rationalization strategies in order to gain the necessary resources in order to stay flexible and true to the plurality value of the organization.

H3_b: Higher levels of plurality value in an organization will increase the organization's attempt to engage in rationalization strategies.

Scanning the environment and being aware of the changing institutional pressures, not every firm will react the same when it comes to their organizational responses (Oliver 1991). Boiral (2007) suggests that firms could engage in “superficial or ceremonial conformity”. Superficial conformity happens because in order to strengthen and/or support their legitimacy within the institutional environment, organizations within an institution act in accordance to the institutional norms, whether these norms are embedded in the cognitive actions of actors or embedded in the history of the institutions (DiMaggio and Powell 1983). Organization with high levels of plurality value will likely emphasize the relationships within an institutional environment ((Herche 1995). Although there are specific norms to follow, plurality also favors

the diversity. This discrepancy between the plurality value and moralization strategy allows business partners to share themselves and accept one another (Deshpande and Webster 1989), in which the norms and values of both are communicated and expected. Therefore, in order to be able to bring in different concepts or act differently than the other actors, organizations that are high in plurality value will likely reference specific value systems that provide the moral basis for their actions.

H3c: Higher levels of plurality value in an organization will increase the organization's attempt to engage in moralization strategies.

The level of responsiveness and creativity becomes an interesting and complex issue within the context of institutional environment. Organizations need to stay true to the norms and values but at the same time differentiate itself and be competitive. Communicating the message of plurality will allow organizations through the narratives of managers' experiences and the past stories of success or failure will likely help the organization in terms of strengthening the position it is taking (Desphande and Webster 1989). When organizations feel appreciated and welcomed by their exchange partners, this will likely lead to more sharing of tacit knowledge and more sharing of the experiences (Herche 1995). Therefore, organizations that are high in plurality value will benefit from using the narratives to indicate how the issue can be resolved.

H3d: Higher levels of plurality value in an organization will increase the organization's attempt to engage in mythopoesis strategies.

Subsidiarity and Legitimacy Strategies.

Subsidiarity values include empowerment of employees and promoting accountability throughout the organization. Sleeter (1991) argues that submissive members of the groups will not be able to define empowerment because they have not experienced it. When it comes to empowerment, it should be done collectively. Through empowerment, organizations will be able

to create organization cultures that nurture employees' sense-making abilities. Haskins (1996) suggests that the organizational sense making is not as easy as it sounds. Different actors will interpret the same activity differently. Pacanowsky and O'Donnell-Trujillo (1982) adds to the organizational culture by bringing the interpretation aspect. They suggest that rather than focusing on explanations of why certain actions are being taken, firms need to understand how those actions are being interpreted. Successful interpretation of differing activities will likely result from increased empowerment rather than implementing laws. Therefore, an organization will be less likely to use authorization strategy in order to communicate its actions to its exchange partner within an institutional environment. The organization will likely create these relationships with the partners that both firms will likely interpret the actions similarly, thus diminishing the need to refer to regulatory bodies and law makers.

H4_a: Higher levels of subsidiarity value in an organization will decrease the organization's attempt to engage in authorization strategies.

Empowerment goes hand in hand with the freedom of speech in order to create an organizational culture that promotes subsidiarity value (Haskins 1996). When organizations are high in subsidiarity, the overall culture will likely promote free speech. Organizations will likely benefit from such freedom because within institutional environments, they are expected to act a certain way although they still need to differentiate themselves from competition (Barney 1991, Porter 1996). Freedom of speech comes in handy, as the era we are in, businesses expect a lot more from teamwork based activities. Teams that are able to communicate effectively will likely perform better (Haskins 1996), in turn, will be able to offer more creative solutions to the firm. In order to survive in their institutional environment, firms need to be able to change with the changing conditions around them. When firms possess high levels of subsidiarity value, they can

effectively create solutions and provide specific examples to their exchange partners as to why certain actions are taken. This stems from exchange partners' comfort level when it comes to raising opinions and being able to refer to specific contexts when taking action. Thus, rationalization strategy will likely be planned successfully in order to provide support for the creative solutions that arise from empowering the employees and allowing freedom of speech within organizations.

H4_b: Higher levels of subsidiarity value in an organization will increase the organization's attempt to engage in rationalization strategies.

Subsidiarity value inherently deals with the notion of sense of belonging. When employees are empowered and delegated authority, they will likely feel more connected to their organizations. Walter (1984) identified three different levels of moral judgment: moral value defined by punishment and reward, moral value resides in filling the correct roles, maintaining order, and meeting expectations of others, and lastly moral value resides in conformity to shared standards, rights, and duties (p. 425). When organizations establish the subsidiarity value, the basis of moral judgments will likely change and evolve into conforming to the shared understanding. This is especially important because organizations cannot succeed without improving the team performance (Walter 1984), in this case, the relations they have with their exchange partners. Thus, when organizations have high levels of subsidiarity value will likely emphasize the institutional norms and values in their communications with their exchange partners.

H4_c: Higher levels of subsidiarity value in an organization will increase the organization's attempt to engage in moralization strategies.

The professionals that are present in institutional environments will likely have advanced training and adopt professional codes of conduct (Aiken and Hage 1966). Similar to team-building activities, subsidiarity value will likely encourage these professionals to communicate and share their personal experiences and thoughts when a decision needs to be made. Higher subsidiarity values will likely encourage organizations to engage in more intrapersonal relations and communication (Webster 1993). This open communication would nurture and allow managers to communicate through narratives and personal experiences when dealing with exchange partners. Thus, it is likely that subsidiarity value will increase the level of communication and openness, which in turn, will likely increase the use of mythopoesis strategies by organizations.

H4d: Higher levels of subsidiarity value in an organization will increase the organization's attempt to engage in mythopoesis strategies.

Reciprocity and Legitimacy Strategies.

Organizations enter into series of contracts with their counterparts and these contracts could be formal, informal, or even unspoken (Cyert and March 1963; Keeley 1980; Keeley 1987). These contracts and agreements link two different actors to each other. When the link is created, the concept of reciprocity starts to emerge. When two separate organizations enter into an agreement, unless they have been in business long enough, both parties will be entering into a less stable and more uncertain environment. Both firms will be looking to identify where they stand and what to expect (Schaubroeck, Peng, and Hannah 2013). Regulations and rules within an institutional environment will provide a helpful guideline for these firms. When organizations are high in reciprocity value, they will likely engage in mutually beneficial activities. These could include acting responsibly and following the regulations imposed by the regulatory bodies.

Because if one of the partners do not act in accordance with the institutional laws, the other partner could be affected (Rojo and Dijk 1997).

H5_a: Higher levels of reciprocity value in an organization will increase the organization's attempt to engage in authorization strategies.

Organizations that are high in reciprocity value will likely reap the benefits of exchanging and leveraging resources with their exchange partners. Shaobroeck, Peng, and Hannah (2013) argue that high quality exchange relationships involve affect-based emotions between the parties. This connection will likely help firms obtain the necessary information and understand the institutional environment better. This, in turn, leads to an understanding of the specific context the firms are operating under. When an organization nurtures and supports the value of reciprocity within its culture, it is greatly helping itself to understand its surroundings and frame of references. Therefore, the higher levels of reciprocity value within an organization will allow organization to exchange more information and create a better understanding of the environment. When organizations understand the environment better, they can use information within the specific context to support their actions and decisions more thoroughly.

H5_b: Higher levels of reciprocity value in an organization will increase the organization's attempt to engage in rationalization strategies.

Organizations that are high in reciprocity value will likely increase their use of moralization strategies because interorganizational relationships are complex and multidimensional (Hitt et al 2000; Mesquita 2007), but at the same time in need of stability. Adhering to norms and values of the institutional environments become vital to these relationships in a way that, organizations expect the exchange partner to act in a certain way, which creates stability. When organizations emphasize the importance of reciprocity within

itself, the managers within an organizational body will likely be encouraged to use institutional norms and values when addressing the reasons for such reciprocal behavior (Meyer, Allen, and Smith 1993). Therefore, when organizations increase their reciprocity value, the level of planning for the moralization strategies should also be high.

H5_c: Higher levels of reciprocity value in an organization will increase the organization's attempt to engage in moralization strategies.

The interactions between exchange partners sometimes demand transfer of tacit knowledge, or in other words, hard to codify assets (Connelly, Miller, and Devers 2012). When organizations build and cultivate reciprocity value within organizations, the relationship between exchange partners grows stronger (Meyer, Allen, and Smith 1993) and leads to reduced need for formal agreements. This opens doors to more interpersonal communication and interpersonal exchanges between the organizations (Heide and John 1992). Thus, when the reciprocity value is high, the relationships between firms may evolve and prosper into more exchanges, which in turn will likely lead to more informal communication patterns. This would likely increase the use of tacit knowledge and managerial experience when providing support for an organizations' actions to its exchange partners.

H5_a: Higher levels of reciprocity value in an organization will increase the organization's attempt to engage in mythopoesis strategies.

Sustainability and Legitimacy Strategies.

Sustainability is one of the mostly studied concepts in marketing. The examples of some of the scholarly research include the effects of corporate environmentalism (Banerjee et al 2003) to sustainability marketing (Chabowski, Mena, and Gonzalez-Padron 2011; Varadarajan 2014), from green marketing (Sharma et al 2010; Luchs et al 2010) to corporate social responsibility (Peloza and Shang 2011). When organizations pursue and integrate the sustainability value into

their organizational cultures, they start to impact the overall environment around them. This environment is not only the marketplace they operate in, but also their employees, shareholders, customers, and other stakeholders. Sustainability becomes a very important concept because firms' exchange partners expect a degree of 'caring for the environment' from their counterparts (Leonidou, Katsikeas, and Morgan 2013). Organizations that value and actively consider the environment will likely be well-informed on the consequences of their actions (Wood 1991). Thus, it is likely that the organizations with higher levels of sustainability will do their homework and be more knowledgeable about their interactions with its environment. This increased knowledge will likely present itself as an increase in the planning of authorization strategy in order to justify their actions, whether they do it consciously or unconsciously.

H6a: Higher levels of sustainability value in an organization will increase the organization's attempt to engage in authorization strategies.

Organizations with higher levels of sustainability values will inherently be aware of their environments due to the "leave it the way you found it" mentality. They will be more aware of what is happening around them. Sustainability requires organizations to understand their environments as well as their impact on the environment. Wood (1991) argues that in order to be able to rank high on the sustainability value, organizations need to have social responsibility principles as motivating factors and how the environment that it operates in perceives these attempts at sustaining the environment (Leonidou, Katsikeas, and Morgan 2013). Chabowski, Mena, and Gonzalez-Padron (2011) states that organizations need to pay attention to issues such as community relations, education support, and charitable contributions. Thus, when organizations have higher levels of sustainability value, they will likely to refer to the contextual

cues present in their environments due to the built-in environmental scanner called; sustainability value.

H6_b: Higher levels of sustainability value in an organization will increase the organization's attempt to engage in rationalization strategies.

Maignan and Ferrell (2004) suggest that one of the conceptualizations of the corporate social responsibility actions is based on social obligations. Within that concept, firms need to make a decision based on what types of actions are desirable in a given social setting. In interorganizational relations, the organization with the higher sustainability value will likely be more aware of the surroundings and what is expected of the firms to do. Maignan and Ferrell (2004) propose that “organizations act in a socially responsible manner when they align their behaviors with the norms and demands embraced by their main stakeholders” (p. 6). Thus, when organizations are high on sustainability value, the planning use of norms and social values will likely increase in order to provide support for their actions.

H6_c: Higher levels of sustainability value in an organization will increase the organization's attempt to engage in moralization strategies.

“In the long run, those who do not use power in a manner which society considers responsible will tend to lose it” (Davis 1973, p. 314). In order to convey the message of why an organization is taking certain actions in the most possibly responsible way, the role of managers becomes vital. They can communicate the importance of sustainability to the organization's different stakeholders through their know-how (Leonidou, Katsikeas, and Morgan 2013). Managers' professionalism and experience will likely come in handy, when the organization would like to explain why they are doing what they are doing. With the increased emphasis placed on the sustainability value, organizations will be more aware of what stakeholders value

and expect. At that point, managers' knowledge becomes one of the critical components for interacting with its partners. Thus, increased levels of sustainability values will likely lead to increased use of a manager's know-how, expertise, and experiences.

H6d: Higher levels of sustainability value in an organization will increase the organization's attempt to engage in mythopoesis strategies.

Legitimacy Strategies and Verification Actions.

Legitimacy strategies allow firms to incorporate the necessary support mechanisms and resources in order to take convincing actions. For instance, authorization strategy bases its arguments on the authorities and already in place laws and regulations (Boyle et al 1992). Within specific contexts, managers can make the argument that a specified course of action is inevitable or is a necessity, which is supported through the rationalization strategy. When it comes to moralization strategy, firms communicate the message that the exchange partners need to act in accordance with what is expected of them in the marketplace. Institutional environments have inherent norms and values, which are respected and expected. These norms and values can be communicated to the organization and exchange partners through the experiences and narratives of the managers (Swasy 1979; Kohli and Zaltman 1988), as it is planned in the mythopoesis strategy. In its totality, legitimacy strategies are formed and formalized with the hopes that organizations take certain actions that are deemed appropriate and in accordance with the market. When organizations act "appropriately", the necessity of closely monitoring the exchange partners start to decrease.

With the changes in institutional markets, organizations evolve and this evolution leads to institutional changes. DiMaggio and Powell (1983) touch upon this fact implicitly when they argue about a field-level approach, in which certain elements of the environment or market pressures can change and demand different things from organizations. In order to reduce the

need for monitoring and allocating resources to other crucial areas within an organization – otherwise lost in monitoring activities of the partner – legitimacy strategies embedded within organizations can prove very useful and important. Therefore, organizations that formally strategize for legitimacy will likely decrease the need for interfirm monitoring.

When the increased use of legitimacy strategies are present, firms can allocate more time and resources to anticipate the market changes. They can keep a close eye on the competitors and the potential avenues for growth. It may also allow firms to allocate necessary resources to product development that can provide them with a competitive edge. Therefore, the increased employment of legitimacy strategies will likely increase the market monitoring activities of the firm by allowing firms to allocate the resources appropriately and more successfully to the necessary areas of the firm.

H7: Increased use of legitimacy strategies in an organization will (a) decrease the interfirm monitoring, and (b) increase the market monitoring.

Moderating Effects of Competitive Environment

As institutions grow and evolve, exchanges between partners become more mechanistic and within the expected norms. At the same time, when competitive environment grows, the overall nature of the competition will likely evolve and also become more stable (Barnett 1997). Although competitive, institutional environments will likely benefit from a mature and intense competitive environment because inherently, institutions favor stability. This will likely allow firms to capitalize on the allocation of resources (Martin and Javalgi 2016).

Competitive hostility on the other hand can throw off the balance within an institutional environment. Organizations may need to increase their efforts to either proactively attack or be

ready for a potential attack by a rival firm (Porter 1985; MacMillan 1983). All this effort may undermine the effective and efficient resource allocation of firms.

Through the formulation of legitimacy strategies, organizations aim to eliminate the need to constantly monitor exchange partners, thus enjoy the consequent scale and scope efficiencies. These efficiencies could range from reducing the use of redundant resources to leveraging the unused resources to better monitor the marketplace (Martin and Javalgi 2016; Romanelli 1987). With the increased levels of competitive intensity, the strength of rivals to influence one another will decrease. With the reduced levels of strength, organizations may not need to monitor their exchange partners as closely. Thus:

H8: Increased levels of competitive intensity will strengthen (a) the negative relationship between legitimacy strategies and interfirm monitoring (b) positive relationship between legitimacy strategies and market monitoring.

On the contrary, increased levels of competitive hostility will likely keep organizations on their feet, in which they need to constantly monitor their exchange partners as well as the market (Covin and Covin 1990). This is due to the increased levels of aggressiveness and potential retaliation by the rivals. Increased levels of aggressiveness could also push firms to focus their attentions on short term tactics such as focusing more on 4Ps instead of formulating legitimacy strategies in order to influence their exchange partners (Slater and Narver 1994). This shorter term emphasis will likely take away from the more long term focus on establishing legitimacy in the institutional environment. Overall, increased hostility will weaken an organization's attempts to leverage its legitimacy to control its resource allocation and efficiency measures. Thus:

H9: Increased levels of competitive hostility will (a) weaken the negative relationship between the legitimacy strategies and interfirm monitoring (b) strengthen the positive relationship between legitimacy strategies and market monitoring.

Verification Actions and Performance.

Verification actions of firms entail monitoring of one another as well as monitoring the market that they operate in. Interfirm monitoring entails regulatory and voluntary control and coordination of an exchange partners activities (Buchanan 1992; Heide, Wathne and Rokkan 2007). Stafford (1994) states that interfirm monitoring may uncover unrealized advantages for firms in terms of identifying necessary resource exchanges, learning from one another, and creating meaningful relationships that are hard to imitate. Identification and realization of these potential benefits will likely increase the performance of firms because it will likely reduce the redundant allocation of specific resources, finding new and novel ways to create competitive advantage, and the intangible and ambiguous nature of interfirm relationships that can prove useful when it comes to accomplishing certain tasks.

On the other hand, market monitoring will likely allow firms to be up to date with the latest market information. Being up to date with the changes in the marketplace will help firms to be flexible and ready for any necessary changes. This flexibility is important for a firm's performance because effectively responding to a change in the marketplace will likely determine the success of the firm (Volberda 1997). Without the necessary and vital knowledge of the marketplace, firms are likely to take slower actions and may lose out on opportunities that their fast-responding counterparts have benefited from (Ritter and Gemunden 2003). Therefore, when firms actively monitor each other as well as the marketplace, they will be more informed on what type of changes are out there and prepare them for necessary adjustments (e.g selection of different exchange partners) (Ittner et al 1999). Being able to respond to changes in a timely

manner will likely increase the firm's performance by being more responsive and providing the necessary products and services to a dynamic marketplace.

H10: Increased use of verification actions will increase firm performance.

Methodology

Data Collection

To empirically test the hypotheses, an online survey has been administered for the effects of organizational cultural values (dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability) on firm's use of legitimacy strategies (authorization, rationalization, moralization, and mythopoesis) and the impact of legitimacy strategies on organizations' verification strategies between exchange partners. The created Likert scale surveys were sent out to key informants in selected firms. The qualified firms had 100 or more employees, \$10 million in sales. Larger and older companies were selected for this study in order to have a better understanding of the effects of organizational culture on the strategies and activities of the firm.

Measures

The decisions on which measures to use for this study are twofold: first, where possible, the established scales were adapted based on the context of this study. Second, based on the key words used for the frameworks this study adapts, new measurements were created. For a more comprehensive review of the scales, the appendix includes the items used for each construct.

Measurement scales obtained for six types of purpose values of organizations (i.e. dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability), are based on frameworks of marketing and organizational culture (e.g. Webster 1993, 1994; Heide and John 1992; Desphande and Webster 1989), social values (e.g. Herche 1995), organizational commitment (e.g. Meyer, Allen, and Smith 1993), and attributes of excellence (Sharma, Netemeyer, and Mahajan 1990).

There are four legitimacy strategies in this study (i.e. authorization, rationalization, moralization, and mythopoesis). Measurement scales for these strategies are based on the frameworks of influence strategies in marketing channels (e.g. Boyle et al 1992), channel leadership (e.g. Schul, Pride, and Little 1983), social power (e.g. Swasy 1979), organizational buying (e.g. Bunn 1994), and buying influences (Kohli and Zaltman 1988).

Verification actions in exchange relationships are considered to include interfirm monitoring and market monitoring. The measurement scales are adapted from the ‘buyer behavior and output monitoring’ scales (e.g. Heide, Wathne, and Rokkan 2007) and monitoring practices (e.g. Ittner et al 1999).

For performance measures, five different performance measures in order to capture how purpose values and legitimacy strategies effect market verification actions and in the end, impact firm performance. Using performance with referents (Short and Palmer 2003) is viewed as the appropriate way to measure organizational outcomes and fits this study well due to the nature of legitimacy strategies outlined. Expected market share change and sales growth will be asked to the respondents based on the logic by Vorhies and Morgan (2005). Additionally, “return on” measures (ROA, ROI, ROS) are included in the study because “return-on measures reflect the efficiency with which profits are produced rather than the level of profits achieved” (Katsikeas et al 2016, p. 10).

Control Variables

Age and size of the organization are included as control variables within this study. Size of the firm is measured as the number of employees and the total sales of the firm. Size and age are controlled because older firms may have established cultures and larger firms may inherently have an organizational culture due to its size. Additionally, Covin and Covin (1990) find that smaller and younger firms benefit from more aggressive strategic moves therefore it is important

to include age and size of the organizations as control variables, so that we account for these differences.

Results

Measurement Results

Table 1 reports the means, standard deviations, correlation matrix, and shared variances for the nine study constructs. Table 2 summarizes the measurement analysis (i.e., composite reliabilities, average variances extracted, factor loadings, and fit statistics). All measures were subjected to reliability and validity assessments.

TABLE 1
Means, Standard Deviations, Correlations,
and Shared Variances

	Mean	Std. Dev.	DIG	SOL	PLU	SUB	REC	SUS	AUT	RAT	MOR	MYT	IM	MM	CH	CI
Dignity (DIG)	6.04	1.07	1.00	0.79	0.73	0.65	0.49	0.48	0.41	0.49	0.32	0.53	0.24	0.25	0.10	0.14
Solidarity (SOL)	5.96	1.03	0.89	1.00	0.75	0.72	0.55	0.51	0.45	0.52	0.36	0.60	0.23	0.22	0.12	0.16
Plurality (PLU)	5.86	1.17	0.86	0.86	1.00	0.72	0.56	0.47	0.47	0.54	0.37	0.60	0.21	0.25	0.14	0.20
Subsidiarity (SUB)	5.87	1.06	0.81	0.85	0.85	1.00	0.52	0.47	0.51	0.51	0.38	0.54	0.24	0.24	0.18	0.21
Reciprocity (REC)	5.51	1.36	0.70	0.74	0.75	0.72	1.00	0.54	0.42	0.42	0.38	0.42	0.24	0.22	0.21	0.18
Sustainability (SUS)	5.62	1.29	0.69	0.72	0.69	0.68	0.74	1.00	0.55	0.56	0.44	0.40	0.23	0.28	0.25	0.21
Authorization (AUT)	5.67	1.12	0.64	0.67	0.69	0.71	0.65	0.74	1.00	0.64	0.55	0.43	0.22	0.27	0.27	0.25
Rationalization (RAT)	5.83	0.95	0.70	0.72	0.73	0.71	0.65	0.75	0.80	1.00	0.63	0.55	0.21	0.33	0.25	0.26
Moralization (MOR)	5.74	1.01	0.56	0.60	0.61	0.62	0.62	0.66	0.74	0.79	1.00	0.44	0.16	0.23	0.30	0.27
Mythopoesis (MYT)	5.92	0.96	0.73	0.78	0.77	0.73	0.64	0.63	0.66	0.74	0.66	1.00	0.21	0.25	0.21	0.25
Interfirm Monitoring (IM)	5.86	1.06	0.49	0.48	0.46	0.49	0.49	0.48	0.47	0.46	0.41	0.46	1.00	0.47	0.13	0.12
Market Monitoring (MM)	6.00	1.04	0.50	0.46	0.50	0.49	0.47	0.53	0.52	0.57	0.48	0.50	0.69	1.00	0.15	0.14
Competitive Hostility (CH)	5.43	1.25	0.32	0.35	0.38	0.42	0.45	0.50	0.52	0.50	0.55	0.45	0.36	0.39	1.00	0.65
Competitive Intensity (CI)	5.55	1.16	0.37	0.40	0.44	0.45	0.43	0.45	0.50	0.51	0.52	0.50	0.35	0.38	0.81	1.00

Note: Correlations are included below the diagonal (each has $p < .01$). The shared variances are included above the diagonal.

Confirmatory Factor Analysis

We conducted a Confirmatory Factor Analysis (CFA) using the six purpose value scales. We conducted a CFA using a one-factor “purpose value” model and then a six-factor model including the six separate value constructs. In order to select between the one-factor “purpose value” model and the six-factor model, we compared the overall fit between the two models. It is noted that the six-factor model was a better fit ($\chi^2=737.358$, $df=284$, $RMSEA=.090$, $CFI=.916$) as compared to the one-factor model ($\chi^2=1440.280$, $df=299$, $RMSEA=.138$, $CFI=.788$). The difference in chi-square values between the two models was 702.922, favoring the six-factor model. Table 2 shows the six-factor model including each individual item factor loading, in addition to the correlation among the six purpose value constructs.

Next, we conducted a Confirmatory Factor Analysis (CFA) using the four legitimacy strategy scales. We conducted a CFA using a one-factor “legitimacy strategy” model and then a four-factor model including the four separate legitimacy strategy constructs. In order to select between the one-factor “legitimacy strategy” model and the four-factor model, we compared the overall fit between the two models. It is noted that the four-factor model was a better fit ($\chi^2=378.853$, $df=146$, $RMSEA=.090$, $CFI=.915$) as compared to the one-factor model ($\chi^2=590.712$, $df=152$, $RMSEA=.120$, $CFI=.841$). The difference in chi-square values between the two models was 211.859, favoring the four-factor model.

TABLE 2
Composite Reliabilities, Average Variances Extracted,
Factor Loadings, and Fit Statistics

Construct – Purpose Value of Organizations	Composite Reliability	Average Variance Extracted	Factor Loadings Range	Cronbach's Alpha	Number of Items
Dignity (DIG)	.93	.72	.83 - .87	.95	5
Solidarity (SOL)	.88	.60	.75 - .84	.89	5
Plurality (PLU)	.86	.68	.79 - .89	.87	3
Subsidiarity (SUB)	.83	.55	.64 - .86	.85	4
Reciprocity (REC)	.82	.53	.66 - .83	.90	4
Sustainability (SUS)	.86	.55	.71 - .76	.95	4

Fit Statistics:

$$\chi^2 = 737.358$$

Degrees of Freedom = 284

CFI = .92

RMSEA = .09

Construct – Legitimacy Strategies	Composite Reliability	Average Variance Extracted	Factor Loadings Range	Cronbach's Alpha	Number of Items
Authorization (AUT)	.89	.67	.71 - .89	.89	4
Rationalization (RAT)	.89	.62	.77 - .83	.89	5
Moralization (MOR)	.87	.58	.72 - .82	.87	5
Mythopoesis (MYT)	.87	.57	.66 - .82	.87	5

Fit Statistics:

$$\chi^2 = 378.853$$

Degrees of Freedom = 146

CFI = .92

RMSEA = .09

Construct – Market Verification Actions	Composite Reliability	Average Variance Extracted	Factor Loadings Range	Cronbach's Alpha	Number of Items
Interfirm Monitoring (IM)	.85	.54	.68 - .78	.84	5
Market Monitoring (MM)	.87	.62	.76 - .84	.87	4

Fit Statistics:

$$\chi^2 = 80.559$$

Degrees of Freedom = 26

CFI = .941

RMSEA = .103

Construct – Competition	Composite Reliability	Average Variance Extracted	Factor Loadings Range	Cronbach's Alpha	Number of Items
Competitive Hostility (CH)	.92	.68	.82 - .85	.91	5
Competitive Intensity (CI)	.91	.68	.77 - .83	.92	5

Fit Statistics:

$$\chi^2 = 127.056$$

Degrees of Freedom = 34

CFI = .94

RMSEA = .12

Structural Equation Modeling

To test the hypotheses, we used Stata software to run structural equation modeling, controlling for company age, company size in employee number and sales, and controlling for the market share this period. Controlling for market share in this period in order to create a more objective-natured performance measure as with primary data, the actual performance scores could not be obtained. All predictor variables were standardized by mean centering.

H1a-d state that the dignity value is positively associated with the legitimacy strategies. Unfortunately, none of the relationships were significant. Thus, H1a-d are not supported. H2a-d states that the solidarity value is positively associated with the legitimacy strategies. Solidarity value has a significant positive relationship only with the mythopoesis strategy. ($\beta_{2d} = .49$, $p < 0.05$). Thus, H2 is partially supported. Plurality value does not have a significant relationship with any of the legitimacy strategies in any of the models, thus H3a-d is not supported.

H4 states that the subsidiarity value has a negative relationship with the authorization strategy and have positive relationships with the rationalization, moralization, and mythopoesis strategies. Subsidiarity value has significant positive relationships with all the legitimacy strategies ($\beta_{4a,b,c,d} = .75, .83, .85, .60$, $p < 0.001$). H4 is partially supported. Reciprocity value has no significant relationship with the legitimacy strategies, thus H5a-d are not supported. Sustainability has positive significant relationships with authorization, rationalization, and moralization strategies ($\beta_{6a,b,c} = .51, .50, .31$, $p\text{-value} < 0.001$) however it does not have a significant relationship with the mythopoesis strategy. Thus, H6 is partially supported.

H7a states that the legitimacy strategies have a negative relationship with interfirm monitoring. Authorization and mythopoesis strategies did not have a significant relationship with the interfirm monitoring, however, rationalization strategy has a positive significant relationship with the interfirm monitoring ($\beta_{7ab} = 2.04$, $p\text{-value} < 0.001$). On the other hand, moralization

strategy has a negative significant relationship with the interfirm monitoring as hypothesized ($\beta_{7ac} = -1.3$, $p\text{-value} < 0.05$). Thus, H7a is partially supported. H7b states that there is a positive relationship between legitimacy strategies and market monitoring. Only rationalization strategy has a positive relationship with the market monitoring ($\beta_{7bb} = 2.27$, $p\text{-value} < 0.001$) and the rest of the strategies have negative significant relationships ($\beta_{7ba,c,d} = -.63, -1.1, -.33$ $p\text{-value} < 0.05$, respectively). Thus, H7b is partially supported.

H8a states that the negative relationship between legitimacy strategies and interfirm monitoring will be strengthened by competitive intensity. Competitive intensity strengthens the negative relationship between moralization ($\beta_{8ac} = -.47$, $p\text{-value} < 0.05$) but it also strengthens the positive relationship between the rationalization and the interfirm monitoring ($\beta_{8ab} = .80$, $p\text{-value} < 0.05$), thus H8a partially supported. Although there is not a direct relationship between mythopoesis strategy and the interfirm monitoring, there is a crossover interaction when the competitive intensity variable is included in the model. H8b states that the positive relationship between the legitimacy strategies and market monitoring will be strengthened by the competitive intensity. The relationship between authorization, moralization, and mythopoesis strategies and the market monitoring is weakened by the competitive intensity ($\beta_{8a,c,d} = -.47, -.45, -.75$ $p\text{-value} < 0.05$, $p\text{-value} < .05$, $p\text{-value} < 0.001$, respectively) however, the relationship between rationalization and the market monitoring is strengthened by the competitive intensity ($\beta_{8bb} = 1.02$, $p\text{-value} < 0.001$), thus H8b is partially supported.

H9a states that the negative relationship between legitimacy strategies and interfirm monitoring will be weakened by the competitive hostility. The relationship between mythopoesis strategy and the interfirm monitoring is weakened by the competitive hostility ($\beta_{9ad} = -.62$, $p\text{-value} < 0.001$) Thus, H9a is partially supported. H9b states that the positive relationship between

legitimacy strategies and marketing monitoring will be strengthened by the competitive hostility. The relationship between rationalization strategy and the market monitoring is weakened by the competitive hostility ($\beta_{9bb} = -83$, $p\text{-value} < 0.001$). The relationship between moralization and mythopoesis strategies and the market monitoring is strengthened by the competitive hostility ($\beta_{9bc} = .43$, $p\text{-value} < 0.05$; ($\beta_{9bd} = .57$, $p\text{-value} < 0.05$). Thus, H9b is partially supported.

Lastly, H10 states that the verification actions will be positively associated with the firm performance. There was a significant positive relationship between market monitoring and the market share. Therefore, H10 is partially supported.

Path Analysis

Due to the small sample size, path analysis method has also been implemented to in order to have a comprehensive understanding of the nature of these relationships. Table 3 shows the results of the path analysis results for the hypothesized relationships between the purpose values of the organizations and the legitimacy strategies.

TABLE 3
Path Analysis Results

	Authorization	Rationalization	Moralization	Mythopoesis
Dignity	-0.078 (-0.74)	-0.020 (-0.20)	-0.107 (-0.86)	-0.045 (-0.44)
Solidarity	-0.059 (-0.52)	0.107 (0.97)	0.009 (0.07)	0.360** (3.21)
Plurality	0.161 (1.55)	0.236* (2.36)	0.157 (1.29)	0.320** (3.15)
Subsidiarity	0.331*** (3.61)	0.145 (1.64)	0.200 (1.86)	0.099 (1.11)
Reciprocity	0.042 (0.56)	-0.015 (-0.21)	0.156 (1.79)	0.031 (0.43)
Sustainability	0.475*** (6.78)	0.440*** (6.52)	0.362*** (4.39)	0.100 (1.46)

The results of this analysis provided similar results but also provided different additional significant relationships. In the SEM model, the effect of solidarity value on the mythopoesis

strategy was not significant within the model where ROI was the dependent variable. In the PLS model, on the other hand, it provides a significant relationship between solidarity and mythopoesis strategy. Although most tested significant relationships are the same, some of the results differed when path analysis was conducted. In addition to what was found in the SEM model, path analysis provided support for the plurality value and its relationship with rationalization and mythopoesis ($\beta_{3b,d} = 0.24, 0.32, p < 0.05, p < 0.01$ respectively). Thus, based on the path analysis results, H3 is partially supported.

Additionally, in the SEM model, subsidiarity had all significant relationships with all the legitimacy strategies. However, in the path analysis, subsidiarity only had a significant relationship with the authorization strategy. Initial hypothesis was that subsidiarity would have a negative effect on the authorization strategy, therefore H4a is still not supported.

Even after the path analysis, H5 did not have any significant results, thus not supported. On the other hand, there was no difference between the results of H6 – sustainability has positive significant relationships with authorization, rationalization, and moralization; but no significant relationship with the mythopoesis strategy.

As for the verification actions, H7a states that the legitimacy strategies have a negative relationship with interfirm monitoring and H7b states that there is a positive relationship between legitimacy strategies and market monitoring. After the path analysis, H7a is not supported but H7b is partially supported where the positive significant relationship between rationalization and the market monitoring remained, but the rest of the relationships disappeared. The relationships and effect sizes are summarized in Table 4.

TABLE 4
Path Analysis Results

	Interfirm Monitoring	Market Monitoring
Authorization	0.126 (1.06)	0.092 (0.84)
Rationalization	0.185 (1.34)	0.431*** (3.39)
Moralization	-0.180 (-1.58)	-0.112 (-1.06)
Mythopoesis	0.204 (1.86)	0.069 (0.68)

When the interaction effects were added to the path analysis, the strengthening effect of competitive intensity between the mythopoesis and interfirm monitoring remained however all other significant results disappeared. Thus, H8a partially supported. As for H8b, the effect of competitive intensity on the relationships between legitimacy strategies and market monitoring, only the weakening effect on the relationship between mythopoesis and market monitoring and the strengthening effect on the relationship between rationalization and the market monitoring remained.

H9a hypothesized the moderating effect of competitive hostility on the relationship between legitimacy strategies and the verification actions. Based on the results of the path analysis, the effect of competitive hostility on the relationship between the moralization and the market monitoring disappeared, but the remaining significant relationships results stayed the same.

After the path analysis, the positive significant effect of market monitoring and the market share has disappeared. Table 5 provides a summary of the results of the interaction effects on the link between the legitimacy strategies and the interfirm monitoring and market monitoring.

TABLE 5
Path Analysis Results for Interaction Effects

	Interfirm Monitoring	Market Monitoring
Authorization x Competitive Intensity	-0.024 (-0.10)	-0.248 (-1.11)
Rationalization x Competitive Intensity	0.420 (1.66)	0.647** (2.76)
Moralization x Competitive Intensity	-0.207 (-0.94)	-0.374 (-1.85)
Mythopoesis x Competitive Intensity	-0.356* (-2.49)	-0.467*** (-3.54)
Authorization x Competitive Hostility	-0.219 (-0.92)	0.167 (0.76)
Rationalization x Competitive Hostility	-0.352 (-1.42)	-0.693** (-3.03)
Moralization x Competitive Hostility	-0.073 (-0.36)	0.344 (1.84)
Mythopoesis x Competitive Hostility	0.549*** (3.69)	0.438** (3.19)

Discussion and Implications

One of the main objectives of this paper is to study the legitimacy concept at the macro-strategy making level. Looking at what type of values a firm holds and how it relates to the strategy creation can establish a firm's success or failure in the marketplace. Drawing upon the institutional theory, this essay provides a theoretical lens at legitimacy concept and how it may be used within the research in marketing.

Identified legitimacy strategies are new to the marketing field and they provide fruitful avenues to study competitive environments, monitoring activities, and market share of firms.

This empirical analysis is based on 324 observations with 200 usable responses from

management level respondents. The study investigated how the organizational purpose values can lead to planning of different strategies and how these strategies may impact firms monitoring activities in the marketplace. Inherent within the institutional theory, the firms must analyze their environment, especially competitors to survive the shake-out period. Thus, this study also considers the impact of competitive environment on the relations of legitimacy strategies and firms' monitoring activities; and in the end the firm performance.

This study creates a different and a comprehensive framework that provides a novel perspective on how organizations evolve and survive within the institutional environments; as the survival of organizations within a marketplace is an important concept that cannot be overlooked. With that being said, organizational culture also plays an important role when it comes to determining the path a firm wishes to choose (Jaworski and Kohli 1993; Homburg and Pflesser 2000; Kirca et al 2005). The strategy a firm chooses to pursue will signal the underlying purpose of an organization and the inner-mechanisms within it. These inner workings are needed so that firms can establish legitimacy and use the appropriate legitimacy strategies in the marketplace. By using the framework suggested by Hollensbe et al (2014), this study incorporates the six purpose values of organizations (dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability) to uncover the linkages between organizational values and how they lead to four distinct legitimacy strategies (authorization, rationalization, moralization, and mythopoesis).

The results of this study uncover the importance of the solidarity value (being just and fair) has a positive direct effect on mythopoesis strategy (reference to tacit knowledge/prior experience). This study also finds support for the positive direct effects of subsidiarity value (delegation of decision making/accountability) on all the legitimacy strategies. Furthermore,

sustainability value (stewardship of people) has positive direct effects on legitimacy strategies with mythopoesis being one exception (no direct effects).

This study also investigates the links between legitimacy strategies and verification actions (interfirm and market monitoring). Rationalization strategy (reference to specific contexts/times) has a positive direct effect on the interfirm monitoring and the moralization strategy (reference to norms and values) has a negative direct effect on the interfirm monitoring. All four strategies have positive direct effects on the market monitoring activities. Additionally, as mentioned, the study includes competitive environment as the boundary condition. The study showed that the both competitive intensity (number of competitors) and hostility (aggressiveness of the competitors) play a role on some of the linkages between the legitimacy strategies and the interfirm monitoring but play a more major role on the relationship between the strategies and the market monitoring. Specifically, competitive intensity strengthens the negative relationship between the moralization strategy and the interfirm monitoring and strengthens the positive relationship between the rationalization strategy and the interfirm monitoring. Also, including competitive intensity results in a crossover interaction effect between the mythopoesis and interfirm monitoring activities (meaning that there was not a significant effect of mythopoesis on the interfirm monitoring, however there was a negative interaction effect when competitive intensity was introduced). Additionally, competitive intensity strengthens the negative relationships between authorization, moralization, and mythopoesis strategies and the market monitoring, separately. It also strengthens the positive relationship between rationalization and the market monitoring activities.

As for the competitive hostility, once included, the effect of authorization strategy on market monitoring, the effect of rationalization on interfirm monitoring, and the effect of

moralization strategy on the interfirm monitoring activities have disappeared. The competitive hostility has weakened the positive relationship between the rationalization strategy and the market monitoring, has weakened the negative relationship between the moralization and the market monitoring, and has weakened the negative relationship between the mythopoesis and the market monitoring activities. As with the other moderator variable, competitive hostility had a crossover interaction with the mythopoesis strategy. There was a negative interaction effect on the relationship between the mythopoesis and the interfirm monitoring although there was not a main effect between the mythopoesis and the interfirm monitoring. These findings have several important implications for theory and managerial implications.

First, this study introduces a more defined and narrowed down version of the legitimacy concept to the marketing research. It improves and adds to the existing research on organizational culture (Jaworski and Kohli 1993; Homburg and Pflesser 2000; Kirca et al 2005; Boyd, Chandy, and Cunha Jr. 2010; Nath and Mahajan 2011) that leads to distinct strategy creation. It brings a strategic marketing touch into the institutional theory as it brings market share as the performance measure and shows how the distinct legitimacy strategies may affect the firm performance in the end. Additionally, by adapting already established measures to study the legitimacy strategies, it opens a new way to test these relationships and avenues to fine-tune the concepts from a marketing research perspective.

This study distinguishes that if organizations were to instill a value system where the justice and fairness are emphasized and that the firm clearly communicates the shared understanding, ‘we are all in this together’ throughout, it increases the efficient use of tacit knowledge and the experiences of managers. On the other hand, delegation of responsibility reinforces the individuals to be more in-tune with the latest rules and regulations as, in the end

they would be held responsible. But this notion also supports the institutional theory view – as the institutions grow, they become efficient and start leaving the work to professionals (Meyer and Rowan 1983).

Delegation of responsibilities also help individuals to make more sense of the specific contexts, norms, and experiences as they will be more involved with the task at hand as well as more involved with the organization. Thus, it contributes to the organizational culture perspective. Barney (1986) states that “the firms with sustained superior performance typically are characterized by a strong set of core managerial values that they define the ways they conduct business” (p. 656). These core values mostly include the treatment of employees and the other stakeholders that are involved with the firm. However, this study provides a more holistic and complete picture in terms of how the delegation of responsibilities can help the organization move forward and create appropriate strategies.

This study also adds to the sustainability literature. Sustainability literature focuses on triple bottom line (social, environmental, and financial). These studies include sustainable products, ethical products, as well as social responsibility to stakeholders (Luo and Bhattacharya 2006; Sen and Bhattacharya 2001; Brown and Dacin 1997). Within the boundaries of this study, sustainability value of organizations specifically focuses on the “stewardship of people”. Thus, it refers to the notion that the sustainability value should be present and embedded within the organizations which in turn will impact the successful creation of appropriate planning of legitimacy strategies and their usage. This paper provides a different set of linkages for strategic marketing to consider in the future. This is important because sustainability research has mixed results (good or bad for the performance of the firm) (Luo and Bhattacharya 2006; Sen and Bhattacharya 2001; Brown and Dacin 1997) thus, this study offers the outlook on the

sustainability value as a purpose value of the organization rather than using it to signal that the “firm’s offerings are green or ethically produced/designed/marketed”. The finding of a non-existing relationship of the sustainability value with the mythopoesis strategy is interesting as stewardship of people value would need to be within an individual’s (in this case a manager’s mind). It was interesting to see that the sustainability value had significant relationships with regulatory, contextual, and normative strategies and not the experiential strategies.

This study incorporates the monitoring activities of firms and the relationship of these activities with the legitimacy strategies. It provides evidence that the context-based strategies increase the interfirm monitoring but normative strategies decrease the interfirm monitoring. Additionally, contrary to expectations, regulatory, normative, and experiential strategy reduced the need to level of market monitoring. Though as expected, the contextual strategies increased the market monitoring activities. These findings add to the monitoring literature by showing that with the right legitimacy strategies, the firms may be able to allocate their resources elsewhere instead of continuous effort for the monitoring activities they engage in (e.g. finding new target segments, investing in R&D, improving products or services, etc.). These efforts can then be turned into gaining and expanding the existing market share that the firm holds.

Furthermore, this study offers a different way to approach competitive intensity. Barnett (1997) argues that the competitive intensity becomes more experience-based as the number of competitors increase. With that in mind, from the institutional theory perspective, institutions favors stability for survival. As the organizations mature and gain more experiences in the marketplace, the competitor numbers will increase. This increase will likely force companies to pick and choose their battles. Therefore, this study gives another perspective to the competitive

environment research to consider rather than generalizing that as the intensity increases, the effects of competition will increase.

On the other hand, this paper shows that when the competitive hostility is present, organizations must be alert for any market movement and the actions of their counterparts. The findings show that with the level of competitive hostility increases, it reduces the reliance on the normative and experiential, (moralization and mythopoesis) strategies when it comes to market monitoring. Plus, it reduces the use of contextual (rationalization) strategies as the contexts and situational factors may be changing as the market becomes more hostile. The boundary condition of the hostility also uncovers the link between mythopoesis and interfirm monitoring and how it strengthens the negative relationship between the two, although there is no direct relationship between the two variables. This carries important implications for managers as it shows the need to be ready and prepared when they are operating in hostile institutions and marketplaces, since it is very important if the firms want to stay in their market, if not expand their market.

These results are helpful for practitioners because being able to differentiate the strategies for legitimizing themselves, organizations can plan the path they choose and communicate this path clearly to their counterparts. Especially when it comes to creating and communicating the organizational purpose to its own members, an organization will be able to take advantage of its employees better due to the messages it will likely convey to them; such as the just and fair characteristics of the organization, trusting the individuals by assigning and delegating responsibilities, and communicating that the organization is the stewards of its people.

This study uncovers the positive effect of referencing specific contexts and past times on the interfirm monitoring activities. One of the reasons for this relationship could be the fact that managers will likely compare the past actions with the recent developments. Thus, the increase

in the verifying behavior. On the other hand, when managers plan to use the institutional norms, the expected behavior of the firm's counterparts should be already determined, which in turn leads to lower levels of verifying behavior by the organizations. This implication is important because the resources to monitor their customers/suppliers could be used towards achieving and sustaining the competitive advantage more efficiently and effectively.

When it comes to market monitoring activities, this paper revealed that the plan to use laws and rules of the marketplace, to use norms of the institutional environment, and to use the personal experiences, reduces the need to monitor the market. One possible explanation to these relationships is that the actors in the marketplace must work within the boundaries of the law and regulations. This is also the case for the norms and values of the institutional environment as the actors within an institution is expected to act a certain way to be accepted by the others (Meyer and Rowan 1991). Additionally, as the experience levels of the managers increase, they are more likely to be able to gauge the market forces thus foresee the actions that will be taken by the other actors better than the managers with less experience. Therefore, the use of authorization, moralization, and mythopoesis strategies may have played a part in reducing the level of market monitoring activities. However, as hypothesized, rationalization strategy increase leads to an increased level of market monitoring. Rationalization strategy refers to the referencing specific time points, dealings, contexts to justify certain actions (van Dijk 1998; van Leeuwen and Wodak 1999; Vaara and Monin 2010). Thus, to be updated and to be reminded of the actions of their counterparts in specific situations and at specific times, managers must keep a close eye on the market, which explains the increase in the market monitoring activities.

This study also shows that when organizations follow the norms of the institutional environment they are in, having to focus on fewer major competitors reduce the need to

continuously monitor their competitors. This in turn can help the managers focus on different tasks as well as giving them opportunities to improve the organizational performance. In the same line of thinking, managers can also use their tacit knowledge and experiences in intense markets to reduce the monitoring. However, in such intense markets, managers need to know when organizations are involved in multiple dealings and take those as a basis for moving forward (e.g. looking at past sales, referencing a past dealing), this may require more verifying activities because the conditions of the previous actions and dealings may have changed. Basing the judgments and planning strategies by looking at the past and specific contexts will likely need more resources to be used, if not the same, for gauging the actions of their counterparts.

On the other hand, the aggressiveness of the marketplace and the competitors will require more reliance on the managers' expertise and experiences in researching and watching firms' partners in business. The competitive hostility magnifies the link between strategies of using the morals and norms of the institutions and the overall monitoring of the marketplace. This is useful for firms because it allows managers to understand the importance of the keeping up to date with the market changes when the competitive environment is hostile, even if the institutional environment has specific norms and values to follow. On the contrary however, the results of this study show that the boundaries of the competitive environment weaken the relationship between the use strategies about past performances and the market monitoring. One plausible explanation for this point could be the fact that, based on prior performances, the companies may already have an idea on what other firms can accomplish. These reputations may help managers to decipher the need to monitor one actor and not the other, depending on their work.

Future Research Directions and Limitations

As with every research study, this paper has its weakness. The nature of the data used in this study is cross-sectional thus gives us only a snapshot of the current state of the market.

Especially with the legitimacy concept, this point is a drawback as the legitimacy of firms increase throughout their life time. As the definition states as the firm “acting the way others expect it to act,” or in other word, acting “appropriately,” or “in accordance with the societal expectations”, it builds legitimacy (Meyer and Rowan 1983). Thus, future research should consider collecting data in waves to empirically test the changes in firm’s legitimacies within the institutional environments.

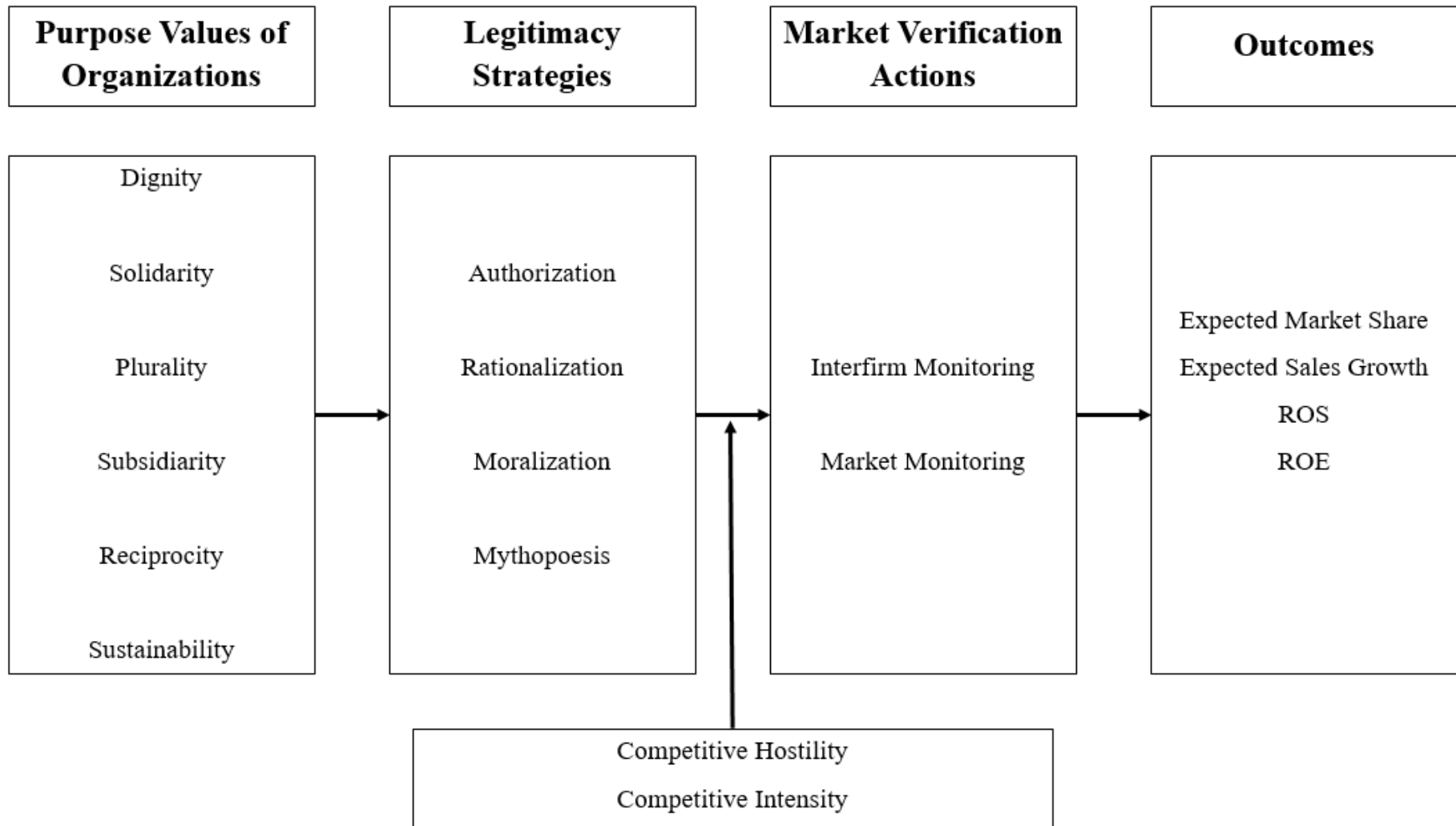
Secondly, this study uses variables and constructs that are new to the marketing field. The four distinct legitimacy strategies as well as the six distinct purpose values of organizations are rather new, thus there is no established scale to them. This study has adapted the already existing measures to check the linkages. Although the survey items were diligently picked to reflect the variable’s definition, creating a new scale and measurement for these constructs and re-analyzing this study would be a better way to study the outlined relationships.

Third, the survey was sent to manager level individuals and the individuals remained anonymous. Because of this reason, the performance measures had to be studied by controlling for this year’s performance measures in order to alleviate some of the objective data limitations. For future studies, the surveys could be sent out directly to companies that scholars work with and merge the answers with the objective performance numbers. This way, the study can provide more objective results based on the hypothesized relationships.

Lastly, the data was collected from key informants from firms. The data does not include specific business partners of firms, although the managers were asked about their customers/suppliers. Dyadic data and more preferably triangulation would be beneficial to understand and look at the phenomena from multiple perspectives. This would be a great way to study the legitimacy concept as per its definition, the actors in institutional environments act in

the expected and accepted way of institutions. The perspective of other actors within the institutions might reveal very interesting results.

Figure 1 Conceptual Model Essay 1



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Essay 2

The Moderating Effect of Interfirm Trust on Legitimacy and Performance

Introduction

Marketing strategy literature has paid a lot of attention to the role of trust between organizational partners. Most of the time, marketing scholars studied trust within different marketing exchanges (Moorman, Deshpande, Zaltman 1993; Morgan and Hunt 1994; Boulding et al 1993). This is an important concept because the power of interfirm relationships can provide firms with strategic advantages due to their intangible and ambiguous nature (Barney and Hansen 1994). Interorganizational relationships can be complex and multi-faceted (Hitt et al 2000; Mesquita 2007) however within the marketing strategy literature, few studies use different types of trust, within the same theoretical model, in order to uncover how it can impact the actions of the firms within institutional environments. Although central, strategic marketing needs to include multiple dimensions of trust in order to provide an in-depth analysis of legitimating activities between firms.

This study integrates institutional and social exchange theories and identifies how different types of legitimacy actions – authorization, rationalization, moralization, and mythopoesis- impact a firm's performance and how different types of trust provides more in-depth analysis of the effects of legitimacy on firm performance. This is an important void in the marketing strategy because legitimacy theory suggests that legitimacy exists in order to build trust and trust is needed between exchange partners in order to run the operations smoothly (Ashford and Gibbs 1990). But what is missing is that, legitimizing actions do not mean you are being trusted. Thus, identification of five different trust types and studying the presence and absence of trust will shed more light on the interplay between legitimacy and trust.

Legitimacy plays a key role within the institutional environments. Through establishing legitimacy, firms can have access to resources, which can help them leverage this access into better performance (Zimmerman and Zeitz 2002). In order to become legitimate, organizations strive to act in accordance with the regulatory environments and with the norms and values of the institutional environments (Suchman 1995). Marketing strategy literature has adopted the use of ‘legitimacy’ as a single construct, where in fact, legitimating actions could be based on different reference points. It is important to identify the multifaceted nature of the legitimacy because it would provide marketing strategists to delve deeper into the underlying mechanisms of how firms decide on choosing one action over another in exchange relationships in order to create legitimacy.

Trust has been defined and conceptualized through multiple definitions since it has a prominent place in multiple disciplines. Rousseau et al (1998) posit that trust is a long-held belief that the exchange partner will act in accordance to what is expected of it. Lioukas and Reuer (2015) identify that five different types of trust – institutionalization-based trust, affect-based trust, competence-based trust, intentional trust, and deterrence-based trust – are more common and prominent in exchange relations within institutional environments. It is important to identify the differences in trust within exchange partners because when coupled with legitimacy actions, they will provide a better understanding of the dynamics within exchange partners that are embedded within institutions.

Rest of the paper is as follows. First the different legitimating actions that firms may implement are discussed. Then, five different trust types are explained and hypotheses are presented. The paper discusses the method to be adopted and the intended data collection procedures.

Theoretical Background

Legitimacy Actions

Within institutional environments, firms will likely need to “abide by certain “rules” of exchange (Cropanzano and Mitchell 2005, p. 875). By following the rules and norms of a given context, firms engage in legitimating activities that help alleviate the potential problems that may occur when establishing credibility with exchange partners. Implementing authorization, rationalization, moralization, and mythopoesis strategies will allow firms to employ certain actions and tactics that will accomplish the goals for the intended improved performance (Martin and Javalgi 2016).

Authorization. Interfirm exchanges are likely to require certain actions to be taken in order to help relationships between partners to be strengthened and flourish. The strengthened relations will provide firms with inimitable benefits due to ambiguity of the nature of the exchange (Palmatier et al 2006; Reed and DeFillipi 1990) When partners explain the obligations of the exchange partner or communicate why certain actions are necessary, they may need to provide arguments that have legal enforcements (Shimp and Dyer 1978). In order to establish legitimacy, these legal enforcements may be grouped under the authorization behavior of the firms. Thus, for the purposes of this study, authorization actions refer to tactics that are based on laws and regulations within institutional environments that are used by firms in order to influence, communicate, and impact the legitimacy of their actions and those of their partners.

Institutions are embedded within the boundaries of their legal and regulatory environments. Firms need to follow a set of guidelines and rules that are established by governmental and regulatory bodies (Bushman and Piotroski 2006). Such examples may include emission laws, taxes to be charged, quotas of products, packaging requirements as well as granting intellectual property rights (McGahan and Silverman 2006; Su et al 2013; Panwar et al

2014; Chaudhry and Walsh 1995). Authorization actions may be based on the existing laws and regulations within the institutional environments as well as the actions listed on the contracts between exchange partners (Chelariu, Bello, and Gilliland 2014). These actions could range from establishing a set of guidelines that can be pursued by the partners. At the same time, these guidelines may need to be revisited due to the certain changes that governments may impose on a company's actions (e.g advertising contents) (Davidson et al 1996). These actions could be a form of safeguarding a firm's intended goals, meaning regulatory environments could dictate what partners can do or cannot do within a given transaction. Franchiser relations are a good example in terms of how laws and regulations would provide very good base for franchisers and franchisees relations and explaining why certain things require certain behaviors (Atwell and Buchan 2014).

Rationalization. Firms in exchange relationships need to communicate the end results to their partners. These arguments could include the positive and negative effects of the partners' action on the intended and needed end result. Chelariu, Bello, and Gilliland (2014) refer to the communication of the effects of these actions as the recommendations and warnings.

Rationalization actions taken by a firm could include using situation/ context specific arguments of choosing a certain action such as partner selections, employee selection (e.g. hiring based on education or set of skills required). Thus, for the purposes of this study, rationalization actions refer to tactics that are based on situation and context specific and are used by firms in order to influence, communicate, and impact the legitimacy of their actions and those of their partners.

Gupta, Vaatanen, and Khaneja (2016) apply this concept to appropriate partner selection. When a firm is looking for an exchange partner, whether it be one time transaction or a longer term partnership, executives within a firm need to explain the choice of partner through

providing evidence that the partnership will likely benefit both parties (Du, Bhattacharya, and Sen 2010; Panwar et al 2014). Once a partnership is created, firms may likely use incentive mechanisms in order to motivate the partner to act in certain ways. These actions could be communicated through providing evidence of how it impacted past performance and how it is likely that the trend will continue into the future.

Moralization. When it comes to influencing the actions of partners within an exchange relationships, firms may use tactics that are based on norms and values of the institutional environments (e.g. showing evidence of how other firms do a given action). This point also becomes critical when informal contracts between firms are present. Acting in accordance with how others perform certain actions is a natural way of doing things within the concept of legitimacy (Parsons 1960; Dowling and Pfeffer 1975). Firms are perceived legitimate when the expected actions are taken by them because organizations within institutional environments create their normative rules. These forces may limit the actions taken because through mimicking the other similar firms (Panwar et al 2014), there would be a set of appropriate actions that align with the norms of the institutional environments. Thus, for the purposes of this study, moralization actions refer to tactics that are based on norms and values of the institutional environments that are used by firms in order to influence, communicate, and impact the legitimacy of their actions and those of their partners.

Moralization actions will need to reflect the societal perceptions of the organizations and will likely provide evidence for how adequate the actions taken (Nasi et al 1997). This is especially important because norms and values of the institutional environment will dictate how firms in exchange relationships should act and these norms will influence how these firms communicate the actions to be taken. For example, CSR literature have mixed results but firms

still engage in CSR actions in order to fit in with the group of firms in their institutional environments, which help them provide evidence that their actions align with the sociocultural norms (Du and Vieira 2012; Palazzo and Scherer 2006; Panwar et al 2014). Thus, acting in accordance with the perceived norms and values will likely give firms a better ground for arguing for the specific actions to be taken.

Mythopoesis. Within institutional environments, professionals also play a vital role. The larger an organizations becomes, the more authority and responsibility need to be given to these individuals. One of the arguments for this concept includes how unlikely it is to micro-manage all aspects of an organization. Through the use of professionals, organizations benefit from their experiences and know-how (Chelariu, Bello, and Gilliland 2014). Thus, for the purposes of this study, mythopoesis actions refer to tactics that are based on narratives and unique experiences of the managers and/or professionals that are used by firms in order to influence, communicate, and impact the legitimacy of their actions and those of their partners.

Mythopoesis actions are embedded within the managers and their actions. The actions that are taken by them could provide evidence that the actions taken are based on the judgment and knowledge of the specific manager or professional. In addition to managers' experiences, hiring an employee with a specific skill set is also another example. People within a company expect a certain level of knowledge when individuals are hired for certain positions and this knowledge will likely help provide the necessary example to argue for a specific action be taken. Payan and McFarland (2005) state that narratives and experiences help managers to communicate the understanding of the obligations and that when managers verify, correct, or clarify these obligations, use of mythopoesis actions are useful tactics in order to influence a partner's actions and/or reduce some of the resistance for certain actions.

Trust

Interorganizational relations, although helpful, consist of very complex interactions (Mesquita 2007). Some scholars perceive legitimating actions as a concept that creates trust but legitimacy actually creates an overall approval of the firm's actions (Bitekine and Haack 2015). Trust between exchange partners will likely amplify the effects of approval of a firm's actions thus leading to an easy flow of operations for the focal firm. Combination of institutional and social exchange theories reveals five distinct trust types –institutionalization-based trust, affect-based trust, competence-based trust, intentional trust, and deterrence-based trust- (Lioukas and Reuer 2015) that can impact the relationship between legitimacy actions and performance of a firm.

Institutionalization-Based Trust. Institutionalization-based trust refers to the trust that is based on institutional norms and values (Lioukas and Reuer 2015). This type of trust between exchange partners provide the partners with a sense of security because it is expected that neither side will engage in opportunistic behaviors. The lower risk of opportunistic behavior is assumed because once firms are within an institutional environment, in which reciprocity is an important concept, they will likely be morally obligated to give something in return for anything they may receive (Cropanzano and Mitchell 2005). Therefore, it allows every organization to give and get at proportional levels (Molm 2003).

Institutionalization-based trust mechanisms can emerge from legal, social, and cultural systems that companies are embedded within (Rousseau et al 1998; Zucker 1986). Institutions arise in order to bring order to the marketplace and the environment that they operate in gives shape to this order. Regulatory, normative, and cognitive forces impact the way firms operate (Scott 2005) and the result is the creation of an institutional environment. One of the critical points within the institutional environment is that every firm within this environment is expected

to behave a certain way. Therefore, firms within an institutional environment expect a certain behavior or performance from their counterparts. This expectation provides the basis of the institutionalization-based trust (Nooteboom, Berger, and Noorderhaven 1997).

Affect-Based Trust. Affect-based trust is the trust that is inherent in emotional bonds (Lioukas and Reuer 2015). McAllister (1995) explains that emotional investments and genuine care for one another leads to reciprocity between individuals, which in turn creates the emotional ties that are the underlying basis of the trust. Affect-based trust also plays a role in the interorganizational exchanges because it leads to the emergence of deeply embedded relationships (Ring and Van de Ven 1994).

Affect-based trust is considered to have personal interaction, mutual respect, and personal friendship elements (Lioukas and Reuer 2015). These intrinsic characteristics also provide benefits to exchange partners through interpersonal care, which is a result of emotional attachments. Lawler (2001) states that relationships between exchange partners elicit positive emotions which are then attributed to the exchange partner. These attributions help build and strengthen the interorganizational relationships, in turn allow firms to be able to execute the tasks that they are responsible for easier; because the strengthen trust between partners will allow them to focus on the task at hand, rather than monitoring one another (Dekker and Van den Abbeele 2010). Thus, it will be energy well-spent.

Competence-Based Trust. Interorganizational relationships are built on reciprocity and reciprocity inherently deals with the concept of trust. Literature defines competence as technical skills that allow entities to perform a given task (Ferrin et al 2006). Especially within the trustworthiness literature, competence is thought to be one of the important dimensions that organizations use to evaluate their exchange partners (Barber 1983; Butler and Contrell 1984).

McAllister (1995) suggest that professional institutions, such as educational institutions, professional associations, and credentialing agencies, provide the organizations with the necessary professional equipment in order to communicate their competence to their counterparts. These could be in the form giving certifications or as well as providing credentials for the competence of the partner. This is especially important and interesting in the case of institutional environments, because organizations need to provide these guarantees and perform at a certain level in order to protect their professional standing (Zucker 1986). Once the professionalism and the competency is warranted, it will require less of an effort to build successful relations with exchange partners when it is about competency.

Intentional Trust. Barber (1983) suggests that intentional trust primarily focuses on an exchange partner's *intentions* to engage in self-interested behaviors. On the other hand, Nooteboom, Berger, and Noorderhaven (1997) argued that behavioral trust should be separated from intentional trust by noting that the behavioral trust is "the willingness to increase one's vulnerability to another whose behavior is not under one's control" (Zand 1972, p. 230) and the intentional trust is "the subjective probability that one assigns to benevolent action by another agent or group of agents" (p. 311). Thus, Nooteboom, Berger, and Noordehaven (1997) defined intentional trust as "X trusts Y to the extent that X chooses to cooperate with Y on the basis of a subjective probability that Y will choose not to employ opportunities for defection that X considers damaging, even if it is in the interest of Y to do so." (p. 315).

Intentional trust goes beyond the notion of formal and informal obligations. In other words, intentional trust also entails the possible contingencies (Nooteboom, Berger, and Noordehaven 1997). The extension of possible contingencies makes intentional trust critical for

exchange partners because it allows them to calculate for the self-interested behaviors, or lack thereof.

Deterrence-Based Trust. Shapiro, Sheppard, and Cheraskin (1992) noted that “a primary motivation for keeping one’s word is deterrence” (p. 366). Thus, deterrence-based trust exists because the benefits of keeping the relationship between exchange partners outweigh the negative consequences if one party were to act opportunistically or distrustfully. Furthermore, Shapiro, Sheppard, Cheraskin (1992) identify three types of interactions that provide the basis for deterrence-based trust: repeated and multifaceted interactions and reputation. Repeated interactions and multifaceted interactions share the basis of, if one organization were to act distrustfully, other interactions or business deals can be jeopardized due to repeat business deals or more than one deal at the same time.

Reputation is self-explanatory, in a sense that, if an organization were to act distrustfully, then it will be stigmatized; which can then lead to the potential loss of future relations with other firms. However, reputation is also closely linked to the institutional environment because institutional theory posits that organizations are embedded within the environments that they operate in (DiMaggio and Powell 1983). These organizations adapt the rules and the structures of their environment and this adaptation reduces the gap between actors and increases the efficiency of the boundary spanning activities because it allows for organizations to understand what each other is doing and what is expected (Meyer and Rowan 1991). If these firms do not act as they are expected to act, their reputation will be shattered and the actions will not be tolerated by other actors in the environment. Thus, deterrence based trust is and should be a critical component for interorganizational relationships.

Hypotheses

Within institutional environments, legitimacy is a critical concept for an organization's success. Suchman (1995) defined legitimacy as “*a general perception or assumption that the actions of an entity are appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (p. 547). Legitimacy has been predominantly studied in political science, sociology, organizational population ecology as well as other organizational studies (Palazzo and Scherer 2006). All these literature streams argue that legitimacy is important for the survival of the organization because organizations need to act in socially acceptable ways within the institutional environment. Johnson and Holub (2003) argue that legitimacy inherently has the concept of social contract that exists between exchange partners.

Legitimacy has three distinct components – pragmatic, cognitive, and normative. These different types allow organizations to influence the actions taken by the firm as well their exchange partners. Palazzo and Scherer (2006) argue that the legitimacy actions will allow organizations to communicate the need for certain actions more effectively, which in turn reduces the resistance from other actors in the institutional environments (Hannan and Carroll 1992). Additionally, social exchange theory suggests that the partners in an exchange relationships are expected to reciprocate and act in accordance with what the partner is expected to do. Blau (1964) argues that norms of fair exchange regulate and eliminate continuous negotiations or conflicts, which in turn allows for easy communication for actions and increased effectiveness of the influential arguments. Basically, social exchange theory provides an effective framework for the exchange partners in terms of explaining why certain actions and reactions are needed in order to employ certain tactics within a given exchange relationship (Meyer and Scott 1983, Cook and Rice 2003).

Legitimacy and Performance

Legitimacy literature has focused on the concept of legitimacy from the institutional environment stand point, suggesting that the organizations need to engage in certain actions that are compatible with the norms and values of the environment they are in (Oliver 1991). The underlying causes of why these organizations employ specific actions in order to increase their legitimacy could range from laws and regulations present in the environment to managerial expertise. However, Chelariu, Bello, and Gilliland (2014) posit that the literature stream in legitimacy mostly focus on the external legitimacy, which is a given because it is a concept within institutional environments. What is problematic in this view is that organizations could engage in legitimacy actions in order to create internal legitimacy between exchange partners as well.

Legitimacy actions will most likely be based on already existing laws, contracts, norms, as well as the examples of what has happened in the past but legitimacy actions can be employed in order to trigger changes in behavior of the exchange partners. Panwar et al (2014) argue that *“strategic approach involves an organization’s manipulation of evocative symbols to gain public support. Under this approach the organization deliberately and strategically seeks and creates legitimacy (p. 484).* In order to gain support of their counterparts as well as from the other actors in the institutional environment, firms may strategically argue for certain actions through the use of legitimacy actions.

Authorization approach allows firms to rely on the existing laws and specific clauses in contracts in order to influence the partnering firm and to argue for right to exist to pursue specific actions. Rationalization approach will likely increase the effectiveness of the influential communication employed by the firm with proof that past actions have proven to increase the performance. It can also communicate the incentives provided in order to lead to an expected

action taken by the firm (Boyle et al 1992). Moralization actions can reduced the resistance by providing examples of actions of other firms and players within an environment and the link between their actions and performance. Mythopoesis actions can help managers and firms provide tacit knowledge and know-how through their experiences, which can help them communicate why certain actions will lead to increased performance (Swasy 1979).

Overall, increased use of legitimacy actions will likely lead to increased performance because it can help shape a partner's behavior with ease, which then may allow firms to allocate more time to competitive advantage building activities. Legitimacy actions may allow for favorable policies to be created in order to receive higher levels of support from partners, which in turn allows for better relationships between partners. The creation of higher quality relationships will likely increase the performance (Palmatier et al 2006) because legitimacy of the exchange partner will help partners perceive the action taken as intended since Zimmerman and Zeitz (2002) imply that the legitimacy will be present only if the partner perceives it. Increased responsiveness of the partner will likely help firms to be more responsive to the changes in the market, which is a critical component when it comes to staying ahead of the competition and not being outdated. Managerial actions will likely impact the level of resources exchange between partners in order to accomplish shared goals and open communication will likely improve coordination of actions as well as reducing conflict between partners.

H1: Increased use of legitimacy actions will positively affect a firm's performance.

Moderating Role of Trust

Legitimacy actions taken by organizations and their direct influence on a firm's performance would be strengthened when there are high levels of institutionalization-based trust between exchange partners. In general terms, trust influences the success of interfirm relationships. Within institutionalization-based trust framework, firms are trusted to act within

the norms and values of the operating environment (Lioukas and Reuer 2015). It reduces the opportunistic behavior and it provides further support for firms' actions. Through identifying the underlying mechanisms of why certain actions are taken on the road to increased performance, institutionalization-based trust strengthens the link between the legitimacy actions and performance because the firms' actions are perceived to support and reinforce the actions expected by the firm.

H2: Higher levels of institutionalization-based trust will strengthen the relationship between legitimacy actions and firm performance.

Interfirm partnerships are strengthened when there are underlying emotional connections that tie partners together. These emotional attachments provide the grounds for trust, which in turn emphasize the importance of mutual respect and personal interactions between firms (McAllister 1995; Lioukas and Reuer 2015). When firms engage in legitimacy actions, which are based on the existing rules, past performances, norms, and experiences, the presence of the affect-based trust between firms strengthens the connection between the legitimacy actions and performance. This is in part due to ease of communication as to why certain actions are taken and why these actions are supposed to be taken (McAllister 1995). Presence of affect-based trust will likely allow interfirm partners to perceive each other's actions more favorable and question the actions taken less than if it is not present. This will allow firms to take timely action, which in turn can lead to favorable outcomes.

H3: Higher levels of affect-based trust will strengthen the relationship between legitimacy actions and firm performance.

When firms want to communicate the reasoning behind the actions taken, they will need to provide convincing support in order to influence their counterparts. Within an exchange

relationship, presence of competence-based trust will likely benefit the link between legitimacy actions taken and performance because the firm that engage in these actions will be perceived as competent (Cook and Wall 1980). Ferrin et al (2006) defines competence as the skills necessary to complete a certain task and when competence-based trust is high, the firm will be perceived as capable of completing a certain task, which could be through providing evidence of past performances or how it is done within an environment. Thus, presence of the competence-based trust will likely strengthen the relationship between the legitimacy actions and performance because the firms will face less resistance from their partners.

H4: Higher levels of competence-based trust will strengthen the relationship between legitimacy actions and firm performance.

Legitimacy actions taken by firms try to convey the “legitimacy” of the intended actions and why they are important for firms’ performances. Intentional trust inherently deals with the intentions of the exchange partners. It allows firms to be able to calculate for the benevolent action taken by the exchange partners (Noteboom et al 1997). Due to the nature of legitimacy actions, presence of the high levels of intentional trust will likely strengthen the legitimacy actions and performance linkage because if a firm trusts that the exchange partner will act in a mutually beneficial way, the partner will be more likely to believe and be influenced by the other partner’s legitimacy tactics. This is also in line with the legitimacy concept in which the actions of the firm is expected therefore intentions should not deviate from the expectations. This in turn will allow for a shared understanding and shared vision by both parties; thus leading to actions taken in a timely manner and faster response times to potential changes in the environment.

H5: Higher levels of intentional trust will strengthen the relationship between legitimacy actions and firm performance.

Within the deterrence-based trust literature, Shapiro, Sheppard, and Cheraskin (1992) argue that reputation is one of the facets of the deterring mechanisms for firms. Engaging in legitimacy action is a systematic way for firms engage in strategic manipulations in order to create the sense collective understanding as well as communicating the need for certain actions. Deterrence-based trust allows firms to focus on how their reputation is formed and how repeated interactions can help firms accomplish shared goals. When deterrence-based trust is present between firms, organizations will likely be more careful and emphasize the importance of their actions (Meyer and Scott 1983). If the organizations do not act in accordance with what is expected of them, then the level of deterrence-based trust decreases. Thus, when there are high levels of deterrence-based trust, the link between the legitimacy actions and performance will likely to be strengthened.

H6: Higher levels of deterrence-based trust will strengthen the relationship between legitimacy actions and firm performance.

Methodology

Data Collection

An online survey was constructed, using Qualtrics to assess the organizational purpose values and legitimacy strategies. The mailing list was provided through Qualtrics. Given the paper's focus on legitimacy activities and trust dimensions, participants were selected based on their rank within the organizations (i.e. managers).

Qualifiers in the survey included the initial questions of employee number in the firm and whether the respondent was in a managerial position. If no was selected to either of these questions, the respondent could not continue to complete the survey. A total of 324 managers have responded to the survey and 200 of these responses were usable, accounting for a 61.5% response rate.

Study Measures

The decisions on which measures to use for this study are twofold: first, where possible, the established scales were adapted based on the context of this study. Second, based on the key words used for the frameworks this study adapts, new measurements were created. For a more comprehensive review of the scales, the appendix includes the items used for each construct.

Authorization. The first legitimacy action, *authorization*, measure was created by adapting the measures in Boyle et al (1992) influence strategies and Schul, Pride, and Little's (1983) channel leadership behavior; just as the first study. But, the items were re-worded to reflect the legitimacy action rather than the strategy.

Rationalization. The second legitimacy action, *rationalization*, measure was created by adapting the relevant items outlined in Boyle et al (1992) influence strategies in marketing channels as well as some of the social power items that are in the Swasy's (1979) research paper, just as the first study. But, the items were re-worded to reflect the legitimacy action rather than the strategy.

Moralization. The third legitimacy action, *moralization*, measure was created by adapting a combination of the Swasy's (1979) social power items and Bunn's (1994) organizational buying items, just as the first study. But, the items were re-worded to reflect the legitimacy action rather than the strategy.

Mythopoesis. The last legitimacy action, *mythopoesis*, measure was adapted from the Kohli and Zaltman's (1988) work on buying influences, just as the first study. But, the items were re-worded to reflect the legitimacy action rather than the strategy.

Trust. Five different types of trust have been identified to be present in exchange relationships. Five types of trust (i.e affect-based trust, competence-based trust, intentional trust, deterrence-based trust, and institutionalization-based trust). Measurement scales for the types of trust are based on the frameworks of interpersonal cooperation (McAllister 1995), attitude measures of

trust (Cook and Wall 1980), organizational and managerial trust (Mayer, Davis, and Schoorman 1995; Zand 1972; Butler 1991), cooperative relationships and negotiations (Ring and Van de Ven 1992; Shapiro, Sheppard, and Cheraskin 1992).

Results

Measurement Results

Table 1 reports the means, standard deviations, correlation matrix, and shared variances for the nine study constructs. Table 2 summarizes the measurement analysis (i.e., composite reliabilities, average variances extracted, factor loadings, and fit statistics). All measures were subjected to reliability and validity assessments.

TABLE 6
 Essay 2 Means, Standard Deviations, Correlations,
 and Shared Variances

	Mean	Std. Dev.	AUT	RAT	MOR	MYT	AFF	COMP	DET	INTENT	INST
Authorization (AUT)	5.56	1.26	1.00	0.40	0.34	0.37	0.16	0.25	0.30	0.21	0.22
Rationalization (RAT)	5.71	1.02	0.63	1.00	0.50	0.55	0.42	0.41	0.35	0.32	0.25
Moralization (MOR)	5.80	1.04	0.58	0.71	1.00	0.61	0.45	0.54	0.52	0.46	0.44
Mythopoesis (MYT)	5.87	1.00	0.60	0.74	0.78	1.00	0.44	0.53	0.49	0.45	0.39
Affect-Based Trust (AFF)	5.58	1.04	0.40	0.65	0.67	0.67	1.00	0.59	0.51	0.49	0.38
Competence-Based Trust (COMP)	5.78	.93	0.50	0.64	0.74	0.73	0.77	1.00	0.64	0.59	0.57
Deterrence-Based Trust (DET)	5.86	.96	0.54	0.59	0.72	0.70	0.72	0.80	1.00	0.54	0.54
Intentional Trust (INTENT)	5.84	.90	0.46	0.57	0.68	0.67	0.70	0.77	0.73	1.00	0.53
Institutionalization-Based Trust (INST)	6.05	.92	0.47	0.50	0.66	0.62	0.62	0.76	0.73	0.73	1.00

Note: Correlations are included below the diagonal (each has $p < .01$). The shared variances are included above the diagonal.

Confirmatory Factor Analysis

We conducted a Confirmatory Factor Analysis (CFA) using the four legitimacy action scales. We conducted a CFA using a one-factor “legitimacy action” model and then a four-factor model including the four separate legitimacy action constructs. In order to select between the one-factor “legitimacy action” model and the four-factor model, we compared the overall fit between the two models. It is noted that the four-factor model was a better fit ($\chi^2=251.128$, $df=98$, $RMSEA=.09$, $CFI=.93$) as compared to the one-factor “legitimacy action” model ($\chi^2=515.894$, $df=104$, $RMSEA=.141$, $CFI=.806$). The difference in chi-square values between the two models was 264.766, favoring the four-factor model. Table 2 shows the four-factor model including each individual item factor loading, in addition to the correlation among the four legitimacy constructs.

Next, we conducted a Confirmatory Factor Analysis (CFA) using the five interfirm trust scales. We conducted a CFA using a one-factor “interfirm trust” model and then a five-factor model including the five separate trust constructs. In order to select between the one-factor “interfirm trust” model and the five-factor model, we compared the overall fit between the two models. It is noted that the four-factor model was a better fit ($\chi^2=298.733$, $df=142$, $RMSEA=.074$, $CFI=.942$) as compared to the one-factor “interfirm trust” model ($\chi^2=475.610$, $df=152$, $RMSEA=.103$, $CFI=.88$). The difference in chi-square values between the two models was 185.877, favoring the four-factor model. Table 2 shows the five-factor model including each individual item factor loading, in addition to the correlation among the five interfirm constructs.

TABLE 7
Composite Reliabilities, Average Variances Extracted,
Factor Loadings, and Fit Statistics

Construct – Legitimacy Actions	Composite Reliability	Average Variance Extracted	Factor Loadings Range	Cronbach's Alpha	Number of Items
Authorization (AUT)	.88	.65	.72 - .87	.88	4
Rationalization (RAT)	.89	.61	.71 - .82	.88	5
Moralization (MOR)	.84	.57	.61 - .83	.83	4
Mythopoesis (MYT)	.85	.66	.80 - .82	.85	3

Fit Statistics:

$\chi^2 = 251.128$
Degrees of Freedom = 98
CFI = .93
RMSEA = .09

Construct – Trust Dimensions	Composite Reliability	Average Variance Extracted	Factor Loadings Range	Cronbach's Alpha	Number of Items
Affect-Based Trust (AFF)	.87	.56	.70 - .82	.86	5
Competence-Based Trust (COMP)	.89	.62	.72 - .87	.89	5
Deterrence-Based Trust (DET)	.81	.59	.76 - .79	.84	3
Intentional Trust (INTENT)	.84	.63	.77 - .83	.83	3
Institutionalization-Based Trust (INST)	.88	.70	.82 - .87	.87	3

Fit Statistics:

$\chi^2 = 737.358$
Degrees of Freedom = 284
CFI = .92
RMSEA = .09

Structural Equation Modeling

To test the hypotheses, we used Stata software to run structural equation modeling, controlling for the company age, company size in employee number and sales, and for the market share for this period. Controlling for market share in this period is employed to create a more objective-natured performance measure as with primary data, the actual performance scores could not be obtained. All predictor variables were standardized by mean centering.

H1a-H1d state that the legitimacy actions have a positive relationship with the firm performance. H2a -H2d states that the institutionalization-based trust strengthens the relationship

between the legitimacy actions and the performance of the firm. H3a -H3d states the affect-based trust strengthens the relationship between legitimacy actions and the firm performance. H4a - H4d states that the competence-based trust strengthens the relationship between the legitimacy actions and the firm performance. H5a -H5d states that the intentional trust strengthens the relationship between the legitimacy actions and the firm performance. H6a -H6d states that the deterrence-based trust strengthens the relationship between the legitimacy actions and the firm performance.

H1 states that the legitimacy actions are positively related to firm performance. Authorization action has a significant positive relationship with the firm performance. ($\beta_{1a} = 0.14$, $p < 0.05$). Thus, H1 is partially supported.

H2 states the higher levels of institutionalization-based trust will strengthen the relationship between legitimacy actions and firm performance. None of the interaction effects were significant thus, H2 is not supported.

H3 states that the higher levels of affect-based trust will strengthen the relationship between legitimacy actions and firm performance. The affect-based trust moderates and strengthens the relationship between the rationalization and the firm performance ($\beta_{3b} = .30$, $p < 0.05$). Thus, H3 is partially supported.

H4 states that the higher levels of competence-based trust will strengthen the relationship between legitimacy actions and firm performance. Competence-based trust strengthens the relationship between moralization and the firm performance ($\beta_{4c} = .30$, $p < 0.05$), but weakens the relationship between authorization and the firm performance ($\beta_{4a} = -.41$, $p < 0.05$). Thus, H4 is partially supported.

H5 states that the higher levels of intentional trust will strengthen the relationship between legitimacy actions and firm performance. Intentional trust strengthens the relationship between rationalization and the firm performance as well as the relationship between mythopoesis and the firm performance ($\beta_{5b,d} = .34, .35, p < 0.05$, respectively). However, it weakens the relationship between the moralization and the firm performance ($\beta_{5c} = -.46, p < 0.001$). Thus, H5 is partially supported.

H6 states that the higher levels of deterrence-based trust will strengthen the relationship between legitimacy actions and the firm performance. Deterrence-based trust weakens the relationship between the mythopoesis and the firm performance ($\beta_{6d} = -.43, p < 0.05$). Therefore, H6 is not supported. A summary of the significant effects is provided in Table 3.

TABLE 8
Interaction Effects

	Market Share
Authorization	0.14**
Authorization x Competence-Based Trust	-0.41**
Rationalization x Affect-Based Trust	0.30**
Rationalization x Intentional Trust	0.34**
Moralization x Competence-Based Trust	0.40**
Moralization x Intentional Trust	-0.46***
Mythopoesis x Deterrence-Based Trust	-0.43**
Mythopoesis x Institutionalization-Based Trust	0.32*
Mythopoesis x Intentional Trust	0.35**

Path Analysis

Model fit for the SEM model fell short of the expected values. (CFI=.518, RMSEA=0.106, SRMR=0.307). In order to provide a more comprehensive and a thorough model, and due to the small sample size, path analysis was also conducted. Table 4 summarizes the hypothesized relationships between legitimacy actions and performance as well as the interaction effects. Path analysis improved the fit a bit better although the values are still not satisfactory (CFI=.0.683, RMSEA=.0.101, SRMR=.0280).

H1 is not supported, unlike the SEM model because the positive significant relationship between authorization and the firm performance has disappeared and instead, a negative significant relationship between rationalization and the firm performance appeared.

The results for H2 has not changed after our path analysis, this H2 is not supported. Additionally, the significant effect of the affect-based trust on the relationship between

rationalization and the firm performance has disappeared. Thus, H3 is not supported under the path analysis model.

The weakening effect of the competence-based trust on the relationship between authorization and the firm performance is also present. However, the strengthening effect of competence-based trust between moralization and the firm performance has disappeared. Thus, H4 is not supported.

The negative moderating effect of intentional trust has remained significant on the relationship between moralization and the firm performance, however its strengthening effects on the relationship between rationalization and the firm performance and mythopoesis and the firm performance has disappeared. Thus, H5 is not supported.

Lastly, H6 states that the higher the deterrence-based trust, the stronger the relationship between legitimacy actions and the firm performance. After conducting the path analysis, the weakening effect of the deterrence-based trust on the relationship between mythopoesis and the firm performance has disappeared. Thus, H6 is not supported.

TABLE 9
Path Analysis Results

	Market Share
Rationalization	-0.002***
Authorization x Competence-Based Trust	-0.003*
Moralization x Intentional Trust	-0.002*

Based on the results provided from the path analysis, there are less significant results and none of the hypotheses are supported since the hypothesized relationships were positive in nature.

Discussion and Implications

Main objective of this paper is to provide evidence that, unlike other studies in the marketing field, legitimacy may not automatically lead to trust but instead, if the trust is present, than it benefits the firms and their performance. This essay tries to provide support for the claim that legitimacy actions will improve firm performance and that the performance will improve further when trust is present. This essay also dissects the trust construct into different dimensions and types to provide a more complete and detailed analysis of the linkage of legitimacy and trust.

Different types of legitimacy actions have been studied through qualitative studies as these concepts are recently identified. Although the legitimacy construct itself has been around for a while, identifying the differences will help further the marketing strategy literature by providing a deeper and a better understanding of the institutional environment. This empirical analysis is based on 325 observations with 200 usable responses from management level respondents. The paper mainly investigates the importance of trust as a moderating mechanism since trust is an important concept when it comes to business partnerships and it is important to show that your

actions may not always lead to trust, thus increase in performance. But if trust is present, your actions and the performance link will be magnified.

This study provides a simple yet important framework that provides different perspectives of both the legitimacy concepts and the interaction of the legitimacy and trust. First of all, it is important to study and understand the mechanisms of trust in the marketplace because relationships in the institutional environments are complex (Mesquita 2007). The complex nature of such relationships make it harder to decipher the instruments that lead to, maintain, and nourish trust. This is especially important from an institutional theory stand-point because organizations within an institutional market need to act within the identified norms (Cropanzano and Mitchell 2005).

Although the norms of the institutions exist and known, the starting point is that when institutions evolve, there will be certain rules and regulations put in places. The results of this study provides evidence of the direct link between a legitimacy action and the firm performance; specifically authorization action taken by firms in order to establish legitimacy. Authorization action refers to the actions taken by the organizations that usually refer to laws, regulations, and specific clauses from business contracts. Obviously, the rules are set in the beginning and as the institutions live, they help guide firms and improve their performance by “keeping it short and to the point’. It eliminates the need to think in-detail about what to do and how to do it. instead, there are specific rules that firms follow and move on.

Although this paper argued for the strengthening effect of the competence-based trust on the authorization and performance link, based on the end result, this link is actually weakened when the competence-based trust becomes present. The initial argument was that competence would require the knowledge of the rules, regulations, the presence of skill needed to complete

task, and doing it correctly (Ferrin et al 2006) will likely emphasize the positive link on the authorizing activities and the performance. But probably, the presence of the competence-based trust may be masking the presence of references to the rule but instead it embeds the knowledge of the rules and regulations within itself.

This study has uncovered the strengthening effect of the affect-based trust on the rationalization and the market share link. Rationalizing allows firms to show past evidences, specific contexts which can then eliminate the “need to think a different way” aspect. Affect-based trust on the other hand, plays up on the emotions and the deeper, “softer” senses (McAllister 1995). It could be the case that when firms have had a relationship long enough to create these strong, emotional bonds, they may be able to use and rationalize their actions better. There will be more instances to remember (because the assumption is that the affect-based trust had been built over time) and show as an example.

In addition to the emotional bonds, this paper found evidence of a positive moderating effect of the intentional trust on rationalizing and the performance. When the actors in the marketplace act benevolently, they will likely have good reputation. Through the reputation, they will be able to show evidence of their past records and behavior. This becomes very important for the firms as there is that effect of the intentional trust, benevolence act, on their context and performance relations.

Institutions create needs for professionals within the institutional environments so that the organizations and firms can have efficient operations. These professionals are delegated to specific tasks that they are good at. These individuals bring their experiences and know-how with them and use this tacit knowledge to provide value to the organization. When the market has the institutionalization-based trust present, these mythopoetic actions and their effects on the

firm performance becomes magnified as the expectations for the institutional environment and for these professionals align. This is not only true for the institutionalization-based trust, but also true for the trust in these professionals' intentions.

Intentional trust allows firms to be able to calculate for the benevolent action taken by the exchange partners (Noteboom et al 1997). Once the trust for the good intentions are present, firms are likely to respond favorably, and in the end, return the favor. Thus, it will help the link between the use of the managers' tacit knowledge and the performance of the firm.

One thing to keep in mind is that, professionals and managers with high levels of know-how may not be appreciative of those tactics in which firms signal others not to engage in certain activities or tries to "prevent". By doing so, most likely it creates unnecessary tension and noise, which in turn is reflected on the mythopoetic actions and the firm performance.

Additionally, in this paper, it is hypothesized that the use of norms in the marketplace and its effect on the performance would be strengthened when the firm is trusted to act benevolently. However, based on the results, intentional trust negatively interacts with the moralization activities and the firm performance. Moralization activities by themselves do not have an effect on the firm performance, however this result shows us that when the intentional trust enters the mix, the firms see a drop in their performance if they were to engage in referencing the marketplace tactics. Therefore, when the benevolence of actors in the marketplace is established, it may be better to use rationalizing or referencing the tacit knowledge, rather than the norms of the institutional environment.

On the other hand, as hypothesized, the level of competence-based trust interacts with the moralization and the firm performance link. Competence-based trust, as mentioned, is the ability of the focal firm to complete a task. When the trust in these abilities is high, then the effect of the

use of norms and values of the marketplace on the firm performance becomes amplified. It is an important point because, it provides the explanation as to why it is not enough to be able to complete a task to perform better, but this ability should be recognized and be embedded within the institutional environment. Basically, only referencing norms and values of the institutional environment does not have an impact on the performance, but things change when there is a belief that the firm is also capable of implementing its resources to the task at hand.

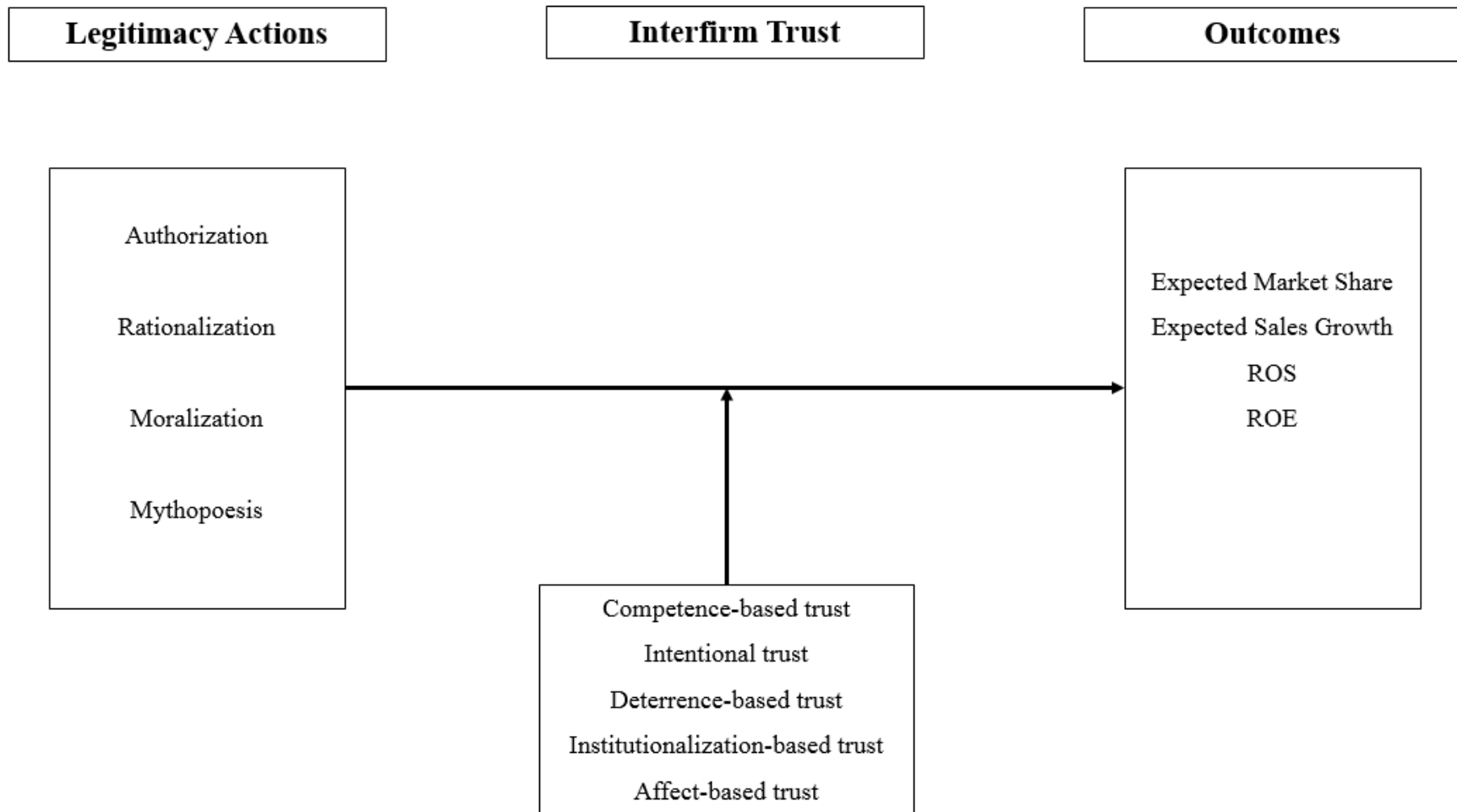
Future Research Directions and Limitations

Of course, as any other research paper, this study also has its weaknesses. Although theoretically strong, the data used is not up to par with that this paper tries to accomplish. Institutional and social exchange theories, inherently deal with the environment and the organizations' interactions with those environments. Collecting survey data from individuals at different firms, weakens the ability to fully capture the trust between firms. Although our survey questions were designed to capture the trust dimensions as comprehensive as possible, it will be beneficial to collect objective and dyadic data to replicate this study.

Secondly, the legitimacy actions were adapted from multiple literatures since there are no established measures for these variables. Although some of the trust dimensions had already established measures, some of these trust dimensions did not have already established measures, just like the legitimacy strategies. Future studies can work on creating measurement scales for these concepts, which can then be used and tested in various settings.

Thirdly, due to the collection style of the dataset, the respondents were anonymous. This study tried to capture the objective performance measures by asking the right questions but of course it will not and cannot replace the real objective data. Thus, in the future, it would be great to re-analyze these relationships with multiple objective performance measures. Of course in the hopes that managers at these firms can be contacted and survey data can also be collected.

Figure 2 Conceptual Model Essay 2



Conclusion

Marketing research has tried to find the answer to one question “how to establish legitimacy” through various different studies. These research streams either focused on the entire marketing channels, or specific to either buying or selling organizations. Although these studies have provide valuable implications for the field, scholars and managers alike, bringing the findings and concepts under the umbrella of “legitimacy” may help clarify why organization may need to opt in for specific actions.

Specifically, Essay 1 identified the organizational purpose values and four different types of legitimacy strategies and their impact on exchange partner monitoring activities. It identifies the six distinct purpose values in order to establish organizations not apart from the environment but a part of the environment. Studying these six different values (dignity, solidarity, plurality, subsidiarity, reciprocity, sustainability) provided depth to the strategy creation of firms. Specifically in Essay 1, these strategies are the four legitimacy strategies (authorization, rationalization, moralization, mythopoesis). By providing the evidence that these four strategies are distinct and they are used by firms, depending on the circumstances allow Essay 1 to contribute to meaningful findings for the marketing strategy field to pursue.

Essay 2 focused on the implementation of the legitimacy actions on firm performance and the importance of interfirm trust between exchange partners within institutional environments. It provides a clever way to include legitimacy actions in the study since aforementioned legitimacy strategies do not have already established measures. By adapting items to measure legitimacy strategies, Essay 2 benefited from Essay 1 measure creation. However, more importantly, Essay 2 incorporated institutional and social exchange theories to

uncover the linkages between legitimacy and the trust. Its main focus was to provide evidence that, contrary to the common assumption, the legitimacy actions of firms may not lead to trust but the presence of trust may magnify their effects on performance measures.

Overall, these two essays borrowed the concept of legitimacy from the management literature to show support for the conceptual models that the marketing strategy field aims to study. What is most promising is that, breakdown of the legitimacy construct helps clarify different links and thought processes. Instead of vaguely using the term in research studies, this dissertation is the start of something unique for the marketing strategy literature.

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