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Discursive strategies for internal legitimacy: Narrating the alternative organizational form

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Introduction

Organizations seek legitimacy from various sources to justify their existence (Scott, 2014). Established as one of the fundamental ideas underpinning institutional theory, societal approval is considered key to the viability of organizations (DiMaggio and Powell, 1991). Institutional theory predicts that organizations need to appeal to sufficiently sized and powerful groups of stakeholders to successfully lay claim to resources. It also predicts that, over time, organizations need to adapt to changing societal patterns of value and cultural significance to remain legitimate (Angeli and Jaiswal, 2015; Stucchi et al., 2015).

Although few theorists have provided a precise definition (Deepphouse and Suchman, 2008), legitimacy can be defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed system of norms, beliefs and definitions” (Suchman, 1995, p. 574). This definition suggests that legitimacy is particularly about cognitive credibility – it highlights how organizational narratives may or may not sufficiently explain the existence of the organization and its appeals to outside audiences (Deepphouse and Suchman, 2008). Most research is aimed at the legitimacy of the organization vis-a-vis the broader norms and beliefs of external stakeholders and society at large, whereas internal legitimacy is considered “underexplored and undertheorized” (Sapir, 2020, p. 2; see also Balogun et al., 2019; Brown and Toyoki, 2013).

Internal legitimacy can be defined as “the acceptance and approval of an organizational unit by the other units within the firm” (Kostova and Zaheer, 1999, p. 72). The achievement of internal legitimacy is important for organizational stability and the effectiveness of its governance (Argyriades, 2010; Brown and Toyoki, 2013; Ciabuschi et al., 2017; Courpasson, 2000; Pratt and Foreman, 2000). Internal legitimacy can be conferred through external audiences, but it also evolves endogenously through “emergent ‘bottom up’ practices accorded through individual agency” (Drori and Honig, 2013, p. 347). Researchers have sought to explain how units seek to secure a legitimate intra-organizational position, a process which can be referred to as internal legitimacy work – i.e., the efforts to shape, reinforce, or suppress internal legitimacy judgments (Bitektine and Haack, 2015; see also Balogun et al., 2019; Suddaby et al., 2017).

Internal legitimacy work is mostly discursive in nature (Kostova and Roth, 2002). It involves conscious discursive strategizing (Brown and Thompson, 2013; Vaara and Monin, 2010) and in their struggle for intra-organizational resources and influence, organizational units can use discursive strategies to legitimate their existence and the controversial decisions they take (Erkama and Vaara, 2010). In this way, organizational members create narratives to persuade others to adopt, evaluate or reject the organizational unit (Hoefler and Green, 2016; Pälli, 2018) and its strategic actions (Mueller et al., 2013). Discursive strategies of internal legitimation depend particularly on the persuasiveness of organizational storytelling and the realization of a narrative structure through which these stories are conveyed (Carter, 2013; Golant and Sillince, 2007). Such discursive strategies are not limited to

attempts to secure the legitimacy of the internal unit but extend to the legitimacy of the strategies it generates and espouses – its episodes of strategy making (Balogun et al., 2014; Carter, 2013). In this vein, Paroutis et al. (2013) highlight how strategists generate a variety of discourses to shape strategic conversations and to legitimize their strategic agendas. More generally, strategists can draw on a variety of discourses, seeking to legitimize strategic discussions and their outcomes at the level of individual employees (Kwon et al., 2014) and the organization (Brown and Thompson, 2013). In doing so, the strategy-as-practice literature highlights how discourse is constitutive of ‘circuits of power’ – power as it circulates through the organization at multiple levels (Mueller et al., 2013; Vaara et al., 2005). As Hardy and Thomas (2014) show, discursive practices can be mobilized by individuals to support, alter or resist strategic narratives. In this vein, strategic discourse can be a sufficiently powerful resource to legitimize the actions and the identities of professional groups (Paroutis and Heracleous, 2013). Thus, the strategy-as-practice perspective aligns with the institutional literature to highlight the substantive influence of discursive practices on the constitution of organizations and their processes of organizing.

Internal legitimacy work has been examined particularly in multinational firms (Angeli and Jaiswal, 2015; Balogun et al., 2019; Ciabuschi et al., 2017), but it is salient in a much broader set of organizations. Especially in organizations which do not adhere to Weberian ideals of rational-bureaucratic governance as a basis for internal legitimacy, internal units need to compete for their own internal legitimacy (Balogun et al., 2019; Johnson, 2004). For example, in network organizations (Huybrechts and Haugh, 2018), knowledge organizations (Levay and Waks, 2009; Waring and Currie, 2009) and so-called ‘soft-bureaucracies’ (Courpasson, 2000), the internal legitimacy of units and the strategies they pursue rely particularly on the discursive strategies they deploy.

Discursive strategies for internal legitimation are ‘ideologically laden’ – they draw on particular institutional logics in attempts to legitimize the actions of organizational units (Drori and Honig, 2013; Suddaby and Greenwood, 2005). These logics – the socially constructed sets of material practices, assumptions, values, and beliefs that shape cognition and behavior (Thornton et al., 2012) – provide the backdrop against which discursive legitimation strategies are rendered sensible (Vaara and Tienari, 2008). Hence, to some extent, discursive legitimacy work needs to align with the institutional logics espoused by the organization, which are at the basis of the legitimacy judgments of its internal audiences (Bitektine and Haack, 2015). For this reason, internal legitimacy work is particularly complicated in so-called hybrid organizations, which combine distinct institutional logics (Battilana et al., 2017). Hybrid organizations incorporate multiple logics in their attempts to address conflicting demands of a variety of audiences (Pache and Santos, 2010, 2013). The literature has identified several ways in which organizational units in hybrid organizations can draw upon these multiple logics to address conflicting stakeholder demands. For example, Beddewela (2019) notes how internal units can ceremonially endorse practices which are consistent with specific logics, while simultaneously enacting competing practices. Oliver (1991) notes how organizations can alter practices to make them more consistent with the demands of multiple audiences. Pache and Santos (2013) explain how employees can enact various

practices, each of which aimed at distinctive audiences. These and other studies about legitimacy work in hybrid organizations focus on the ways in which internal units can satisfy the demands of multiple *external* audiences.

In contrast, there has been only limited attention for internal legitimacy work in hybrid organizations – the ways in which internal units seek to retain a legitimate organizational position inside hybrid organizations. This limited attention is remarkable for three reasons. First, given the widely acknowledged discursive nature of legitimacy work, the discursive strategies of legitimacy seeking internal units cannot be taken for granted. Second, discursive legitimacy work is particularly complicated in hybrid organizations, because it is likely that such work needs to align with multiple, possibly incoherent logics incorporated in the organization. And third, the academic emphasis on the external legitimacy of internal units in hybrid organizations can perpetuate accounts of institutional embeddedness, whereby the agency of internal units in their struggle for legitimacy are easily neglected (Hoefler and Green, 2016).

Therefore, there is scope for a theoretical extension incorporating the ways in which organizational units in hybrid organizations draw on narratives to seek internal legitimacy. Brown and Toyoki propose that more attention is needed for “discourse centered on institutions’ histories and cultures, key events and strategies, and significant individuals and their actions” (2013, p. 890; see also Suddaby et al., 2017). Balogun et al. (2019) call for a better understanding of internal legitimacy work in settings other than multinational organizations and Sapir (2020) highlights the need for better understanding of internal legitimacy work in hybrid organizations. In this paper, we examine the discursive strategies used in internal legitimacy work. More precisely, we address the following research question: how can organizational units in a hybrid organization draw on discursive strategies to seek internal legitimacy?

To study this question, we draw on over a century of internal documentation of Rabobank, a Dutch cooperative bank. In a cooperative, formal power typically resides with local member-organizations. Hence, central decision-making units need effective discursive legitimation strategies to protect their position and their interests in the group. Although cited as archaic (Touzard and Draperi, 2003), the cooperative organizational form has shown significant resilience as witnessed by its survival of many societal changes and external challenges to its legitimacy (Birchall and Ketilson, 2009; Katz and Boland, 2002; van der Steen, 2017). Given this resilience, it is likely that these discursive legitimation strategies serve as effective means for governing the relations between the constitutive entities in the cooperative. However, while some studies have explored the external legitimacy of cooperative organizations (e.g. Dobrev et al., 2006; Rousselière and Vézina, 2009), there is a lack of studies on internal legitimacy work in cooperatives. Amidst a more general lack of studies on discursive internal legitimacy work in hybrid organizations, this is especially surprising given the ambiguous relation between their members and other organizational units.

The paper examines how an internal unit in Rabobank engaged in discursive strategies of internal legitimation over a period of 102 years (1906–2007). It draws on longitudinal content analysis of internally published corporate bulletins to investigate the nature and the stability of its internal legitimacy work. The paper contributes to the strategy literature by highlighting different strategies in which internal units seek to balance conflicting pressures and the substantive positional consequences enabled by these strategies.

The remainder of this paper is structured as follows. Next, an overview of literature is provided. Then, the context and methods used are described. This is followed by a presentation of the findings, and a discussion thereof. Finally, concluding remarks are presented.

Literature review

The cooperative movement

A cooperative is a form of member-owned business, which offers several comparative advantages over investor owned-business. Table 1 lists some of the advantages and disadvantages offered. The advantages include shared ownership of resources; strengthening the economic position of members; and members have “enough of a curb on directorial and managerial authority to ensure that the business is run mainly in the interests of members” (Birchall, 2012, p. 281). The contemporary literature highlights the importance of the fundamental cooperative principles to these organizations (e.g. Oczkowski et al., 2013; van Oorschot et al., 2013). These principles include voluntary and open membership, democratic control, fixed and limited interest on capital, distribution of rent as ‘cooperative dividends’, and a commitment to education and political neutrality.

[TABLE 1]

As a governance form, the cooperative is both diverse and resilient. Cooperatives have been especially successful during periods of economic downturn (Birchall and Ketilson, 2009; Carini and Carpita, 2014). Others point to the resilience of the cooperative form as an adaptive business model (e.g. Borda-Rodriguez and Vicari, 2014; Davis and Worthington, 1993). This resilience and adaptability have been mostly attributed to the cooperative principles, which provide a link between social ideals and economic operations (Birchall, 2012). By design, these principles make cooperatives hybrid organizations. Their allegiance to the needs of their members, while operating in industries which espouse non-cooperative operating principles, leads to conflicting demands on, *and inside* the organization (Heras-Saizarbitoria and Basterretxea, 2016).

The tensions resulting from demands for economic performance and local solidarity tend to percolate into the organizational structure. Local members collectively own supra-local organizational units and delegate specific decision rights to these units. However, they are reluctant to surrender the accompanying autonomy. This partial delegation of decision rights puts the different entities of cooperative organizations in ambiguous relations to each other. In the organization discussed in this

paper, member banks have delegated regulatory compliance to the supra-local level, the headquarters (HQ), so that regulators do not have to deal with all member banks individually. A benefit of this delegation of decision rights is that HQ can challenge the actions of members that are detrimental to the collective, such as fraud and severe mismanagement (van der Steen, 2017). However, in other cases, the cooperative HQ has few formal means to enforce compliance by the autonomous member banks. This is a paradox of the cooperative: the delegation of decision rights, without formal means to enforce them.

Under these conditions, centralized decision-making units in cooperatives need to draw especially on non-hierarchical means to exert influence over local members. The management literature has hypothesized that in alternative organizational forms with lower emphasis on formalized, hierarchical control, the organization is a ‘structure of legitimacy’ (Courpasson, 2000). In these organizations, internal legitimacy is likely generated through organizational narratives (Drori and Honig, 2013; Erkama and Vaara, 2010; Vaara and Monin, 2010) and the question of how such legitimacy is sought is at the heart of our study.

Legitimacy

The concept of legitimacy is particularly mobilized in institutional research which is concerned with organizational conformity to societal rules and norms. A substantial literature addresses the strategies through which these organizations seek to create, maintain and expand their legitimacy in society (e.g. Bitektine, 2011; Deephouse and Suchman, 2008; Scott, 2014). Nevertheless, due to its widespread use, legitimacy has developed “considerable surplus meaning and [has been] used, and misused, in many ways” (Suddaby et al., 2017, p. 451). To remedy this ambiguity, Suddaby et al. (2017) identify three distinct concepts of legitimacy in the literature. The first concept holds that legitimacy is a property of organizations which they can accumulate through the establishment of ‘fit’ between the attributes of the organization and the expectations of their audiences. This fit is not restricted to a connection between the structural attributes of the organization and audience’s expectations, but also includes conformity to broadly held standards and beliefs (Suchman, 1995). In this view, legitimacy can be generated in the nexus of organizations and their audiences. In addition, it assumes that legitimacy is possessed by an organization in some measurable quantity, but it does not locate this quantity at any specific position in the organization.

The second concept is legitimacy as a process of social construction. Research drawing on this concept focuses on the process through which legitimacy is constructed and maintained. In this view, legitimacy requires continuous negotiations between various organizational actors as it is not a stable entity. Often, organizations seek to secure legitimacy through the enacting of discursive strategies (Golant and Sillince, 2007; Hofer and Green, 2016). In this vein, actors construct “explanations and justifications for the fundamental elements of their collective, institutionalized existence” (Boyce, 1996, p. 5). Such legitimacy work particularly depends on communication as actors draw on specific

discursive resources to sway the opinion of constituents who matter (Kostova and Roth, 2002; Vaara and Monin, 2010). Phillips et al. underline the importance of these discursive ‘tools’ in the generation and maintenance of legitimacy: “texts that leave traces – which include written and verbal reports, as well as other symbolic forms of communication – are likely to be generated in order to secure and maintain legitimacy; without such texts, organizations cannot signal to internal and external members of the organization that their activities are legitimate” (2004, p. 642). Discourse signals strategic priorities (Brown and Thompson, 2013; Paroutis et al., 2013; Pälli, 2018) and consolidates the interests of the organization (Beelitz and Merkl-Davies, 2012). Through the definition of key concepts in a field, organizations can mobilize considerable discursive resources of informal power and influence (Hardy and Thomas, 2014; Phillips and Hardy, 1997). Consequently, struggles over jurisdictional legitimacy often take place using discursive strategies aimed at various constituents (Suddaby and Greenwood, 2005). In this view, legitimation as an active and mostly discursive process of legitimacy work is considered more dynamic and more interactive than the legitimacy-as-property perspective suggests (Suddaby et al., 2017).

Part of the literature about legitimacy work focuses on the importance of internal legitimacy for the stability and effectiveness of organizations (Brown and Toyoki, 2013) and the governance of their sub-units (Argyriades, 2010; Ciabuschi et al., 2017; Courpasson, 2000). It highlights how specific forms of organizing rely on the achievement of internal legitimacy for their governance (Huybrechts and Haugh, 2018; Styhre, 2008). For example, Kostova and Zaheer (1999) argue that units in multinational enterprises need to tend specifically to their internal legitimacy for their survival in the group, as these firms have complex and highly politicized internal environments (Dacin et al., 2008). Similar points have been made about joint-ventures (Lu and Xu, 2006). In these and other organizational forms, organizational units need to actively engage in internal legitimacy work to protect and expand their positions (Balogun et al., 2019). Such internal legitimacy work is particularly complex in hybrid organizations, as it needs to address the multiple conflicting logics incorporated in these organizations (Pache and Santos, 2010, 2013).

In this vein, research about discursive internal legitimacy work in hybrid organizations implicitly draws on Suchman et al.’s third and final concept of legitimacy: legitimacy as perception. Such conceptualization highlights the “perceptual and subjective components of legitimacy” (Suddaby et al., 2017, p. 463) and focuses on the processes through which individuals and groups make legitimacy judgments. Especially in hybrid organizations, these processes are unpredictable as legitimacy judgments are informed by an unstable set of institutional logics, which interact in uncertain ways (Pache and Santos, 2010). Consequently, the stabilizing effect of dominant institutional arrangements on the legitimacy judgments of audiences (Bitektine and Haack, 2015; Tost, 2011) may be more limited in the context of hybrid organizations. Arguably, internal units in hybrid organizations may seek to favorably affect the legitimacy judgment processes of other organizational units, but if and how they do so is not yet fully understood. More generally, as Johnson notes “despite wide recognition that

legitimacy is fundamental to understanding the internal structure and viability of an organization, articulating the general processes that underlie [internal] legitimacy has remained a difficult and persistent problem” (2004, p. 1; for similar comments, see also Balogun et al., 2019, Brown and Toyoki, 2013 and Sapir, 2020). Such comments reflect how both the object of internal legitimacy and the processes of internal legitimation are not yet fully understood. Especially for hybrid organizations, there is a need for a better understanding of the discursive strategies of internal legitimacy work.

Some studies have explored external legitimacy work of cooperative organizations (Dobrev et al., 2006; Rousselière and Vézina, 2009), but here too, there is a clear lack of studies on the way in which a cooperative seeks to secure the internal legitimacy of its constituent parts. This is surprising, because, by design, the cooperative incorporates multiple institutional logics, which need to be addressed through discursive strategies of internal legitimacy. Moreover, the supporting functions of a cooperative organization, which are hierarchically subordinate to the collective of members, are part of the burden of overhead costs for its members (Borda-Rodriguez and Vicari, 2014). Consequently, internal units experience considerable pressure to demonstrate their value for the cooperative collective. Due to this pressure and its limited formal authority, we expect that internal units particularly rely on informal discursive strategies to create, maintain, and expand their internal legitimacy.

To structure this study of internal legitimacy work in Rabobank, we draw on Suchman’s (1995) classification of legitimacy, which has been frequently used to map out external legitimacy work (see e.g. Bitektine, 2011; Erkama and Vaara, 2010; MacLean and Behnam, 2010). This classification highlights three distinct types of legitimacy (see Table 2).

[TABLE 2]

First, pragmatic legitimacy is based on serving the calculated self-interest of an audience. Often, this involves economic exchange between the audience and the organization, but it also includes an audience’s general belief that the organization serves its larger interests. Second, moral legitimacy reflects a positive normative evaluation of the organization. This evaluation is often based on the desirability of its outputs and consequences, its techniques and procedures, its structures, and the charisma of its leaders. Third, cognitive legitimacy is based on the presence of wider cultural frameworks which furnish plausible accounts for the desirability of the organization. Such legitimacy can also be based on the taken-for-granted nature of the organization, which is founded on the idea that organizations gain support, because any other outcome would be unthinkable (Suchman, 1995). These three legitimacy types do not exist as stand-alone concepts. They co-exist and may reinforce each other. However, they are distinctive, which may result in conflict or friction. Pragmatic legitimacy is focused on the self-interest of an audience, whereas moral and cognitive legitimacy are not. Suchman (1995) also notes that pragmatic and moral legitimacy are especially supported by discursive evaluations whereas cognitive legitimacy is more implicit. Suchman suggests that, as legitimacy moves from a pragmatic type, through a moral type and into a cognitive type, it is more elusive, less manipulable, and more self-sustaining. To avoid conflict, he suggests the three legitimacy types be held in close

alignment, by for example “defining certain arenas in which self-interest is morally laudable or [...] social conscience is considered personally rewarding” (Suchman, 1995, p. 585).

In addition to these three forms of legitimacy, a fourth form is also relevant (Table 2). Due to extensive regulation of the banking sector, regulatory legitimacy is likely to affect the legitimacy-seeking behavior of cooperative HQs in banking (MacLean and Behnam, 2010). Regulation for banks covers matters such as liquidity, capital requirements and governance. In this vein, Scott refers to a “regulative pillar of institutions”, where the basis of legitimacy is “legally sanctioned” (2014, p. 60). Today, banking is subject to national and international regulation, which is one of the socially constructed systems evaluating the cooperative (Krayenbuehl, 1993). While it could be argued that complying with regulatory requirements is pragmatic legitimacy, regulation has increased rapidly over the extensive time frame of this analysis. Prior to the 1930s, banking regulation was light, and from then onwards, banking moved between various periods of regulation, driven by public and private interests (Harnay and Scialom, 2016). Thus, for the design of our study, we consider regulatory legitimacy in banking as a separate form of legitimacy. Following the logic of Suchman (1995), regulatory legitimacy serves self-interests (e.g. to avoid legal penalties), is likely to be supported by discursive evaluation (e.g. by reporting compliance) and may reinforce moral legitimacy – seen as morally acceptable and legally compliant.

The four types of legitimacy discussed above – pragmatic, cognitive, moral, and regulatory (see Table 2) – are utilized to develop a coding scheme for the content analysis method used in this paper. As we develop a coding scheme to ‘measure’ legitimacy, the quantitative part of this study adopts legitimacy as property (Suddaby et al., 2017). Before explaining the methodological choices, the next section explains the context of the study.

Context

The cooperative Rabobank

Rabobank is a leading Dutch bank with total assets of €632 billion and 43,272 employees as of 2020¹. Its direct focus on the agricultural community and a large branch network are amongst its key strengths. It has always had major interests in domestic mortgage lending and the dairy and food industries. Its cooperative roots distinguish Rabobank from other major Dutch banks. At the time of study, autonomous local banks were members and owners of the larger Rabobank cooperative.

What we today term Rabobank dates back to 1898 when 46 local credit cooperatives were merged into two bank-like structures. These two structures were the general Coöperatieve Centrale Raiffeisen-Bank (CCRB) based in the geographical center of the Netherlands, and the Catholic Coöperatieve Centrale Boerenleenbank (CCB) in the southern part of the country. Both were primarily

¹ Annual Report Rabobank, 2020.

aimed at the agricultural community but had somewhat different ideological roots. CCB benefited greatly from a strong Catholic infrastructure and value system, while CCRB was grounded in the German credit cooperative philosophy of Wilhelm Raiffeisen. Despite differing ideological backgrounds, the objectives of the two cooperatives were the same, namely the emancipation of the farming population to reduce inequalities. Their key principle was to reduce the dependency of local farmers on higher-priced credit. Consequently, the credit cooperatives appealed to their respective communities by offering economic benefits that were not otherwise available. In 1900, the two banks comprised 67 local member banks, which had risen to a record of 1,324 member banks by 1955. In 1972, CCRB and CCB merged into Rabobank. Domestic and international changes, such as the emancipation of the agricultural population and an increasingly complex product portfolio also provoked a series of mergers between local member banks.

In the history of Rabobank and its predecessors, there has always been some tension between the local member banks and their supra-local HQ², the latter being referred to as Rabobank Nederland (RN). Since RN assumed responsibility for regulatory compliance of all autonomous member banks, it required formal and informal means to control and coerce member banks to comply. However, local banks have been reluctant to surrender formal autonomy and instead challenge RN's authority on a regular basis. As such, RN needed a medium through which it could disseminate legitimating stories to the member banks. Golant and Sillince (2007) highlight how various media are effective means to disseminate these legitimating stories, including magazines, management reports and promotional materials. Even though these stories may be partly symbolic in nature, such symbolic expressions generate substantive affective responses towards the organizational units concerned (Brown and Thompson, 2013; Hambrick and Lovelace, 2018). They are effective in modifying perceptions of organizational units and salient organizational issues (Bednarek et al., 2017; Cooper and Ezzamel, 2013; Kuokkanen et al., 2010). In this vein, narratives contained in internal media are implicated in the construction of specific organizational realities and the legitimacy of organizational units (Balogun et al., 2011; Heras-Saizarbitoria and Basterretxea, 2016). Over more than a century, RN issued internal bulletins to member banks, disseminating such legitimizing narratives, and this paper draws on content analysis of these bulletins.

Dutch context

Drawing on Woltjer (2005), five transitional periods in the Netherlands have been identified from 1906 to 2007, each with specific institutional characteristics and requirements for legitimacy. These periods constitute distinctive episodes in Dutch history and represent the changing operating context of

² In the predecessors of Rabobank, the supra-local organizational units were referred to as *central bank*. Subsequently, this organizational unit was referred to internally as *Rabobank Nederland (RN)*. We use RN and central bank interchangeably, both denoting the HQ, i.e. the internal unit seeking to accumulate internal legitimacy.

Rabobank. They act as an initial sorting mechanism for the vast amount of data available (Golant and Sillince, 2007) and they serve as preliminary approximations for periods in which different forms of internal legitimacy work can be expected. As internal legitimacy tends to respond to changing pressures by stakeholders (Balogun et al., 2019; Drori and Honig, 2013), the identified periods can be considered distinctive, but tentative episodes of internal legitimacy work in RN. The subsequent section explains how we formally test for significant differences between these five periods in the internal legitimacy work of RN. This approach enabled us to identify distinct stages of internal legitimacy work of RN over a period of 102 years.

Period I: *Uneven prosperity*, 1906–1928. This period started with a financial crisis and a limited bank run. However, soon thereafter came prosperity, mostly due to higher prices and larger exports. It included the First World War, in which the country was neutral. Even in the war years, rising prices of agricultural goods provided prosperity that increasingly benefitted the agricultural population.

Period II: *Urbanization*, 1929–1962. This period included the crisis of 1929 and the Second World War. Socio-economically, it was typified by a rising middle class. Workers relocated to cities, resulting in increasing housing prices. The relative economic importance of agricultural enterprise declined, and businesses increasingly focused on the middle-class. Mechanization and automatization were developed in office work. In 1963, conservative fiscal and monetary policies shifted to be more expansive, resulting in higher prices and governmental spending and a wage explosion.

Period III: *Depillarization*, 1963–1977. Religious and other social categories started to unravel. Norms and values became more heterogeneous while a democratization movement gained influence. Students and trade unions became more militant. Increased immigration led to a multi-cultural society. Societal criticism on commercial enterprise rose and organizations needed to address increasingly varied stakeholders. In 1977, the government fell over unemployment, wage policies and an inability to manage economic growth.

Period IV: *Automatization and consolidation*, 1978–1989. This period was typified by accelerating use of information technologies and centralization of corporate functions. All major banks embraced the *Allfinanz* strategy, which was the provision of increasingly complex services at the local level. This resulted in scale enlargements through mergers and take-overs. In 1980, a real estate crisis resulted in plummeting housing prices, exposing banks to major credit risks. There were several years of painful austerity measures.

Period V: *Individualization and internationalization*, 1990–2007. People identified less with specific groups and an on-going individualization in society resulted in fewer private members for churches, clubs, and cooperatives. Business organizations expanded their operations abroad and banks followed, with Dutch banks increasing their presence in foreign markets.

Method

This study analyses a period of 102 years of written communication between HQ and member banks in Rabobank (and predecessors). It is designed as a sequential explanatory mixed method study (Creswell et al., 2003), which relies on a quantitative content analysis of documentation of Rabobank, and a subsequent interpretation of this analysis through the qualitative classification and assessment of these documents. This design combines statistical robustness with the detailed contextualization required for the complex phenomena under study.

Content analysis in corporate documents

To identify and explain changing sources of legitimacy, a thematic content analysis is conducted. This can “identify specific trends, attitudes or content categories from the text and then draw inferences from them” (Jones and Shoemaker, 1994, p. 143). There are many prior studies using content analysis of corporate disclosures to assess a variety of issues (Merkl-Davies and Brennan, 2007). Such studies analyze formal company documents (e.g. annual reports), but also other sources such as public and social media and internal documents and memos (see e.g. Glozer et al., 2019; Sapir, 2020).

There is little prior research on cooperatives drawing on content analysis methods. Pesci and Costa (2014) studied the social and environmental reports of Italian cooperative banks observing how they used different narrative styles as they addressed a variety of stakeholders. Heras-Saizarbitoria and Basterretxea (2016) used content analysis to study if management discourse was (dis)connected from its cooperative value system in the Mondragon cooperative. They observe:

“a clear disconnection between the managerial discourse proposed by the Corporation and the discourses adopted by the member cooperative organizations of Mondragon [...]. The Corporation seems to act as a sort of Praetorian guard of the core basic principles and values of Mondragon as they are ubiquitous in its discourse” (2016, p. 19).

Hence, they suggest that a central HQ-type structure faces specific discursive problems in managing member cooperatives and point to issues of internal legitimacy.

Sources

This paper analyzes internal corporate bulletins (c.f. Heras-Saizarbitoria and Basterretxea, 2016; Paroutis et al., 2013). These bulletins are periodic – usually monthly – news bulletins published in Dutch by RN and are issued to all member banks within the cooperative³. Given the paper’s focus on internal legitimacy work over an extended period of time, internal corporate bulletins were most appropriate archival sources of data (c.f. calls by Suddaby et al., 2017)⁴. These internal corporate

³ These documents were: *Mededelingen* (CCB, 1906–1963), *De Boerenleenbank* (CCB, 1964–1971), *Raiffeisen-Bode* (CCRB, 1911–1971), *Raiffeisen-Boerenleenbank* (Rabobank, 1972), *Rabobank* (Rabobank, 1973–1991), *Bank en Bestuurder* (Rabobank, 1992–2006) and *Bank in Beweging* (Rabobank, 2007).

⁴ Rabobank also publishes documents for *external* stakeholders (e.g. customers, investors). These were not used for our research question.

bulletins were selected for three reasons. First, content analysis of internal corporate magazines provides a rich account of the use of organizational discourses (Mills, 1995) and the management philosophies underpinning organizational behaviors (Kuokkanen et al., 2010). Second, their use has a substantive effect on internal legitimacy perceptions in the organization. In recent years, corporate bulletins are considered important media in attempts to gain internal legitimacy. For example, Balogun et al. (2019) highlight how newsletters and employee magazines are important media to convey internal appeals to legitimacy. In this vein, Cheung et al. (2019) and Cooper and Ezzamel (2013) draw on archival data, including internal magazines to explore evaluations of internal legitimacy in a multinational company. Third, the bulletins can be regarded as high-quality archival sources, according to the criteria of Scott (1990) – they are authentic, credible, representative, clear, and comprehensible.

In the early years of the two credit cooperatives, the documents contained only statistics, such as member numbers, amounts deposited and variations of these metrics. Starting in 1906, the documents included text, such as recommendations for member banks and visions of RN on a wide variety of topics. Therefore, the documents from 1906 up to and including 2007 are analyzed. In so doing, we avoided analyzing documents that may have been distorted by the financial crisis of 2008. The period studied is considerably longer than any previous study of cooperative content and offers rich insights in the ways in which RN attempted to gain internal legitimacy. This is not only due to the long period under study, but also to the fact that Rabobank has issued these bulletins for almost its entire life, which indicates that they were considered effective means of influencing local affairs.

From 1906 to 1971, two series of documents were analyzed, each from one of Rabobank's predecessors, CCB (1906–1971) and CCRB (1911–1971). After the merger to form Rabobank in 1972, a single series was produced and thus analyzed. Taken together, these entailed a total of 160 years for coding⁵. Each issue consists of approximately 15 pages on average. Thus, with 12 issues per year, a total of around 29,000 pages was available for analysis – a number too extensive for manual coding. Therefore, the source documents were sampled on a yearly basis (see later) and around 2,400 pages were ultimately coded.

Content analysis design

We follow Weber's (1985, pp. 23–24) eight steps for conducting content analysis: 1) definition of the recording units; 2) definition of categories; 3) test coding on sample of text; 4) assessment accuracy or reliability; 5) revision of coding rules; 6) return to step 3; 7) coding all the text; and 8) assessment of achieved accuracy and reliability. Krippendorff (1980) defines the recording units as the parts of the sampling units that can be analyzed separately. Given our research objective and the long time series of the documentary sources, we adopt the paragraph as the recording unit (Moreno and Quinn, 2020).

⁵ There was no data available of CCB in 1910, for unknown reasons, and no data for 1942–1943 of CCRB, due to shortages caused by the Second World War.

For the coding procedure itself, manual coding is commonly used to code topics, paragraphs or sentences (Cormier et al., 2005). Although labor intensive, manual coding is more appropriate to detect nuances of language around legitimacy and to interpret legitimacy types. It is also more sensitive to small changes and can identify contextual influences, which is particularly appropriate for complex categorizations (Linderman, 2001) and for a thematic analysis (Wallace et al., 1992). We therefore conducted a manual coding process.

Balancing the requirements posed by our research objectives and the practical difficulties associated with coding all approximately 29,000 pages of documentary sources, the coding work was operationalized in two ways. First, sample documents were coded – similar to the approach of Kuokkanen et al. (2010) – one issue per year per issuer. This resulted in approximately 2,400 pages from 160 issues of the bulletins. For this purpose, the bulletins for the month of October were selected (if not available, we chose November or September). This choice was based on the assessment that in the months closer to the end or the beginning of the year, the content of the documents may be biased towards evaluations of performance. In addition, it was expected that documents issued in the middle of the year had a lower informational content, due to holidays in the Netherlands.

Second, multiple coders were mobilized. The individuals who take part in the development of the coding instructions should not be the same as those who apply them (Krippendorff, 1980). Therefore, the documents were coded by seven external coders. These coders were all post-graduate business students who had an intimate understanding of the cooperative Rabobank and were trained in coding practices.

The coding scheme was developed specifically for this study. From the literature review, four sources of legitimacy were identified (see earlier), which form the basis of the coding scheme (see Appendix A). Typical examples of each legitimacy form were developed to ensure a standardized coding process. In addition to the coding scheme, the coders were provided with the following instructions:

- every paragraph should be coded from 0 to 4 (0 - not legitimacy related in any part of the paragraph; 1 - pragmatic legitimacy; 2 - moral legitimacy; 3 - cognitive legitimacy and; 4 - regulatory legitimacy);
- multiple codes are not allowed; if different dimensions of legitimacy are present in a paragraph, the paragraph should be only coded with the predominant dimension;
- photos, charts and figures should be coded as if they are paragraphs – the inclusion of visual materials was deemed important, as suggested by Pesci and Costa (2014) – and;
- non-editorial items like advertisements are excluded from the analysis.

We used the relative frequency as the counting unit and considered every paragraph as having the same importance, regardless of its position within the document. To test the reliability of the coding system, initially the same document, chosen randomly, was coded by all seven coders. This test-test

design allowed an assessment of the degree of replication of the outcomes by different coders (Krippendorff, 1980). In this initial and exploratory pilot coding, agreement was low, and the outcomes were used to discuss the differences and to revise the coding scheme and rules accordingly (the coding scheme per Appendix A and the above instructions are the final versions).

Subsequently, a document from a different year was randomly selected and again coded independently by all coders. In this second round, the average of the coefficients of agreement between pairs of coders reached 76%. This level was still not considered sufficient, and as before, differences were discussed, and the scheme and rules were revised. In a third round, a document from a different year was randomly selected and again independently coded by all coders. In this case, the average of the coefficients of agreement between pairs of coders reached 93%. As this measure does not consider the probability of the agreement by chance, we calculated Fleiss' kappa (Fleiss, 1981) which is appropriate when more than two coders are involved. Landis and Koch (1977) characterize kappa values between 61% and 80% as substantial agreement and over 81% as almost perfect agreement, and Fleiss (1981) considers kappa values over 75% as excellent. Our kappa value was calculated at 87% and the level of agreement at this third round was considered appropriate. Subsequently, all text was coded. This final coding was conducted by six coders. The 160 bulletins over the period 1906–2007 were allocated to each coder (27 documents each on average). A seventh coder performed an audit function to check consistency, independently coding a sample of two documents of each coder to assess the final reliability achieved. The assignment of coding to the coders is presented in Figure 1.

[FIGURE 1]

As detailed in Table 3, the average of the coefficients of agreement between each coder and the auditor was 86%. The average of the Cohen's kappa values (which is more appropriate when two coders are involved) between each coder and the auditor was 76%. These values indicate a satisfactory level of reliability. Table 4 summarizes the number of documents and paragraphs coded. In total, 160 documents with 10,541 paragraphs were coded, averaging 66 paragraphs per document.

[TABLE 3]

[TABLE 4]

For the period 1911–1971 two series of documents were coded (individual sets from CCB and CCRB), and differences between them were analyzed. The evolution of the different categories of legitimacy in the two predecessors (CCB and CCRB) was very similar. There are no significant differences at 1% between both companies in any of the categories of legitimacy, both taking the period 1906–1971 as a whole (shown by Mann-Whitney test) and period by period, i.e., between the first and second period and between the second and third period (shown by Mann-Whitney tests) – at 5% there are only significant differences in the category 'no legitimacy'. In addition, the tests show the same significant differences between periods at 1% in every category, both taking all the periods together (shown by Kruskal-Wallis test) and period by period (shown by Mann-Whitney tests). For this reason,

and for this time period, the two series were aggregated into one by calculating the average for each legitimacy category.

Subsequent to the identification of types of internal legitimacy sought by RN, and significant longitudinal differences between them, we analyzed qualitatively how RN narrated its position in each of the periods of study. Using all available documents and the five periods identified, for each period, we analyzed the narratives presented by RN to the member banks. As the quantitative analysis reveals that RN sought significantly distinct types of internal legitimacy over its lifespan (see the next section), the qualitative analysis is aimed at generating a better understanding about the nature of the discursive strategies it used to legitimate its organizational position.

Findings

Quantitative analysis

Figure 2 shows the evolution of the different types of legitimacy, sought by RN over the period 1906–2007. The dotted vertical lines represent the five periods in Dutch history identified earlier. It shows how these periods are visually consistent with changes in the types of legitimacy sought by RN. We discuss next whether these changes are statistically significant over the periods.

[FIGURE 2]

Table 5 shows descriptive statistics for all periods together and for each individual period, with Figure 3 showing the different types of legitimacy grouped by each period. For all periods combined, cognitive legitimacy dominated. Pragmatic and moral legitimacy were also prominently used by the central banks of the cooperatives. Surprisingly, there were very few references to a need for regulatory compliance. There were few paragraphs that were unrelated to any of the legitimacy types.

[TABLE 5]

[FIGURE 3]

Focusing on the period-by-period categories of legitimacy, in period I (1906–1928), pragmatic legitimacy was the most prevalent, followed by moral and cognitive legitimacy. In periods II (1929–1962) and III (1963–1977), cognitive legitimacy dominated, and pragmatic and moral legitimacy were secondary and equally prevalent. This was similar in period IV (1978–1989) but with a more extreme prevalence of cognitive legitimacy and less moral and pragmatic legitimacy. In period V (1990–2007) appeals to moral legitimacy dominated for the first time; cognitive (second) and pragmatic (third) legitimacy were also sought. In every period, regulatory legitimacy was the least prevalent, never higher than 4% of the content of the documents and zero percent in period III. The proportion of content not related to legitimacy was low for each period, reaching its maximum in period III, at 16% of the document content.

There are significant differences (at 5%) between the periods in every category of legitimacy, except for regulatory legitimacy, as per the Kruskal-Wallis test (see Appendix B). This means that

regulatory legitimacy was the most stable legitimacy category. We analyzed in greater detail the changes in the categories of legitimacy between the consecutive periods. Table 6 summarizes the significant changes between the periods one by one shown by the Mann-Whitney tests detailed in Appendix B⁶.

[TABLE 6]

Qualitative analysis

In this section, we present the findings of our qualitative content analysis in each of the periods indicated in Figure 3.

Period I: entangled narratives

In period I, pragmatic legitimacy dominated the internal legitimacy work of both cooperative central banks. The local member banks were founded to enable financing of local farmers at attractive rates but, due to their small scale, they required a central bank to provide a financial infrastructure which could drive down costs of financing. Consequently, the internal legitimacy work by the central banks of both cooperatives was predicated on their ability to provide a cheap infrastructure of capital flows. Internal legitimacy work of the central banks was mostly transactional and reciprocal. For example:

“For sure, the Central, which is established for the benefit of its member banks, and not for generating large profits, needs to keep its interest margins as small as possible, so that all benefits flow back to the member banks.” (CCRB, 1915, Raiffeisen-Bode, No. 4, p. 30)⁷

On numerous occasions, the central banks highlighted the economic benefits they provided to member banks. For example, the central bank of CCB printed an article entitled: ‘Without Central Bank’ in which it highlighted what member banks would lose if they separated from the central bank:

“One may wonder: ‘Can a member bank operate easily without Central Bank?’ [...] Member banks can never obtain the conditions that the Central Bank offers. [...] Only with the Central Bank, a member bank is secure and safe, and should she tear herself away from the Central Bank, or if she acts in such manner that she needs to be relieved, then she is not only unwise, but reckless as well.” (CCB, 1909, Mededelingen, No. 4, p. 16)

The internal legitimacy work of both central banks revolved around their provision of tangible economic benefits. However, economic exchanges were considered suspect in the context of the exorbitant interest rates for farmers of the day. There were tensions between the economic needs of farmers and the morality of these exchanges. Therefore, the central banks were observed to accompany their pragmatic legitimation with a strong dispositional component, rooted in religious and ideological considerations. This can also be observed from Figure 3, which indicates that moral legitimacy came second only to pragmatic legitimacy. Their provision of economic resources was accompanied by

⁶ As the variables did not adhere to the requirements of normality and homoscedasticity, we conducted non-parametric statistical tests.

⁷ As the bulletins are written in Dutch, the excerpts offered in the paper are translations.

frequent references to the central bank's religious and ideological duties of solidarity and a moral obligation to uplift the farming population. In this vein, pragmatic internal legitimacy seeking was complemented by religious and ideological dispositional attributes of the central banks. For example, CCB followed the presentation of its profit and loss statement with the following:

“These results are only accomplished through the wonderful collaboration of member banks with the Central Bank, strong through mutual trust, and the indispensable blessing of the Heavens, which rests on the works that are based on Christian love.” (CCB, 1925, Mededelingen, No. 106, p. 1032)

The more secular CCRB noted:

“Precisely because of its economic impact, there is idealism in our movement. Yes! there is poetry in the Raiffeisen idea, which our German brothers interpret in their Raiffeisen song, which they sing when their tribes come to a general assembly. Where is our poet, who records this poetry in song?” (CCRB, 1927, Raiffeisen-Bode, No. 2, p. 13)

Pragmatic legitimacy work of the central banks thus constituted entanglements of tangible economic exchanges complemented with a strong emphasis on moral self-attributes, which made their involvement desirable in an era where economic exchange was suspect for the agricultural population.

Period II: problematization and involvement narratives

In period II, there was a significant reduction in pragmatic legitimacy work, and cognitive legitimacy became the dominant type. Partly due to the success of the Dutch cooperative banks, the emancipation of the agricultural population had been mostly completed by the 1950's. Increasing competition on financial markets had led to a wider availability and affordability of capital. Consequently, the central banks could no longer offer substantially better conditions to their member banks and their portfolio of loans shifted towards the expanding middle class. At the beginning of period II, almost all loans of the cooperatives were made to the agricultural sector. By 1961, this proportion had declined to 56% (Hijmans, 1973). Moreover, the number of member banks had risen strongly, and all member banks employed professional managers and employees, effectively increasing their costs and distance to their local stakeholders.

The combination of an expanding middle class and increased competition on the financial markets – member banks could get financing elsewhere at similar conditions – meant that RN could no longer rely on internal approval based on exchange economics. In this period, the internal legitimacy work by RN gravitated towards a process of expounding rational management. This process was based on the broadly held belief that *“a strong adjustment in office buildings, fittings and fixtures, administration and methods of working are required by the new times” (CCB, 1958, Mededelingen, p. 1941)*. The ideas of rational management were not fully consistent with the cooperative logics, which prescribed local presence and mutual solidarity, but on various occasions, RN highlighted how these new techniques and methods were relevant, even to smaller member banks.

Its involvement was apparent in analyses of external customers: “*The question is: how can we increase the size of farms in areas where their insufficient scale stands in the way of rational management*” (CCRB, 1956, Raiffeisen-Bode, p. 240). Yet, RN asked similar questions to the member banks, invoking costs and a need for rational management as concerns: “*the rising costs for member banks are becoming burdensome [...]. This cost problem is significant because frugality in local administration is the basis for our ability to help our members finance their businesses*” (CCRB, Raiffeisen-Bode, 1954, Feb, p. 179). At the time, both cooperatives were very profitable, but RN narrated how rational management of member banks was crucial to lower costs and to keep up with the competition. Acceptance of rational management as a general requirement of ‘the new times’ made possible a wide variety of legitimate interventions by RN. For example, with respect to the ongoing mechanization, RN noted:

“A request for our banks, who consider some form of mechanization. In these cases, they need to turn to our ‘inspection department’ for advice and guidance. On multiple occasions, it happened that one has already accepted and committed oneself to an offer, whilst better solutions were available.” (CCRB, 1953, Raiffeisen-Bode, p. 215)

In this vein, RN stressed its role as a custodian of the fundamental principles of rational management and formalization. Another example is the following:

“Times have changed and vaults and windows have become a reality of many cashiers of our member banks. [...] we [the central bank] will provide you with regular advice about the management of the bank. We know of a member bank, [where] people had to wait for one or two hours for their turn. Consequently, its number of customers was declining and [they] turned to other institutions. Fortunately, it was not too late. The bank installed windows. Now waiting times of maximal 10 minutes are considered acceptable and the customers happily find their way back to this member bank.” (CCB, 1953, Mededelingen, pp. 9183–9184)

In this period, RN addressed the tensions between cooperative ideology and the nature of rational management by highlighting problems of *not* drawing on the principles of rational management at the local level, thereby generating the grounds for its involvement.

Period III: brokering narratives

Period III was typified by the continued dominance of cognitive legitimacy. At the end of the 1960s and in the 1970s, the Dutch society went through a period of rapid depillarization. Religion and ideology lost much of their meaning as defining attributes of societal structures. Local populations had become increasingly heterogeneous – ideological and religious dividing lines were blurring. Consequently, it had become more difficult for the cooperatives to maintain the religious and ideological relevance of their costly cooperative structures – member banks experienced declining numbers of increasingly cost-sensitive members and customers. Consequently, both central banks experienced tensions of being part of a governance structure which increasingly lost its fit with the eroding cultural norms of the day. In

their expressions towards the member banks, they highlighted how (1) a change in organizational structure was needed; and (2) the roles of central banks needed to change from being supportive towards individual member banks to becoming guardian of the collective interests of the cooperative. These narratives can be referred to as brokering narratives, because they were aimed at orchestrating changes which were – at first sight – not beneficial for individual member banks but were nevertheless required to retain a fit with the relevant fields. Brokering narratives sought to negotiate the consequences of the changing belief systems for the central and member banks. One example involved the merger of CCB and CCRB in 1972:

“We and our member banks realize that the [locations of member banks] cannot be seen as something in itself, but that in order to function well, it has to be placed in a broader framework of cooperation. In this realization, we as a central bank were supported by the overwhelming majority [...] This also clears the way, psychologically, for attempts at further cooperation.” (CCB, 1970, De Boerenleenbank, No. 586, p. 344)

The central banks were the driving force behind the merger of CCB and CCRB in 1972, and they narrated how the merger made the collective of member *and* central banks the most important measure for success:

“You can continue to count on us, now and in the future, which asks from all of us a collective effort to make the collaboration with Utrecht [CCRB] to a success.” (CCB, 1971, De Boerenleenbank, No. 595, p. 253)

The merger changed the relation between the central and the local member banks. Since their inception, the central banks had presented themselves specifically as supportive to the interests of individual member banks (see periods I and II). This was a vulnerable position for the central banks to be in, as their legitimacy could be questioned by a single member bank whose interests were left unmet. The merger, however, generated conditions in which RN could iterate its allegiance to the interests of the cooperative, as opposed to individual member banks:

“It would be wrong to contrast too much between the Central Bank and the local banks. The tension is then exaggerated and a contradiction arises, which essentially does not exist. It is not a matter of two opposing opposites, but rather a matter of top and base, which are located in the same field of tension of the organization formed jointly by them.” (Rabobank, 1974, No. 6/7, p. 7)

In the documents, RN acknowledged the tensions the organization faced, and it responded by highlighting how the bank was a collectivity of member banks *and* a central bank. Due to its focus on the interests of the cooperative group, the position of RN itself was presented as an integral part of the cooperative. The merger had been accepted by the member banks, and by extension, the post-merger position of the central bank had been secured. For RN, the merger entailed a new control relationship which was no longer predicated on a full alignment of interests, but on the fidelity of the cooperative in a depillarized society. In this vein, it began to make a wide variety of suggestions for organizational restructuring. For example:

“The new structure of the Central Bank has also prompted a renewed reflection on social policy. A reflection that will continue, because social policy as such is, as it were, in the making, both at the Central Bank and at the member banks [...]. We will have to put our social policy into practice at some points. The fact that such points have already been mentioned in connection with the Central Bank may give the member banks a false impression, but this seemed justified to us, because on the basis of the regulations that the Central Bank has or is considering, one gets a more tangible picture of what we have in mind with social policy.” (Rabobank, 1973, No. 2, p. 15)

The merger had been narrated as an example of how the collective good superseded the interests of individual member banks and, consequently, the member banks would surrender some of their local autonomy. These were the new norms of cooperative banking: an emphasis on the cooperative collective at the expense of individual member banks. Under these norms, RN narrated itself as guardian of the interests of the collective:

“The cooperative has rightly urged that the cooperative banks should be approached mainly as collectivities. Because it is very important that we are also treated legally as we really are: not just the sum of individual banks standing next to each other, but a central credit institution with affiliated banks, which together form one whole, one organization.” (Rabobank, 1975, No. 3, p. 7)

The cooperative as collective entity was the outcome of a brokering narrative which replaced the local autonomy of individual member banks by collective responsibility as a way in which the conflicting demands of centralization and blurring ideological boundaries could be addressed.

Period IV: axiomatic narratives

In period IV, there was a dramatic increase in cognitive legitimacy (82% of the total document content), which came at the expense of pragmatic and moral legitimacies, as well as content unrelated to legitimacy. In this period, Rabobank experienced ongoing tensions between the local intimacy on which member banks drew to serve their local clients and the increase in the scale of banking. The period was typified by (1) a large increase of automation and scale of banking due to mergers and take-overs; (2) increased cost-based competition; (3) international expansion in many sectors; and (4) the execution of the *Allfinanz* strategy by all major Dutch banks. In the documents, RN made sense of the importance of these events. For example, the Chairman of RN noted in relation to automation: *“Continuing automation is unfortunately (in a sense) an absolute condition for the healthy survival of a business like ours” (Rabobank, 1979, No. 1, p. 10).*

RN narrated how it was the only unit in the cooperative capable to deal with developments of this magnitude. The following is an example in which RN explains how it wishes to serve institutional investors, a group which was considered increasingly important:

“It is clear that our Rabobank organization cannot afford to ignore [contacts with institutional investors]. [...] Effective 1 January of last year, a ‘relationship management of institutional investors’ unit was set up at Rabobank Nederland [...]. When [member banks] are in contact with

institutional investors, they should let the people from 'relationship management' look over their shoulders. This applies to the banks in particular, which, from their local position, have less insight into developments in the money and capital markets. The [local] account manager of institutional investors can advise the client on the accrual of pension provisions and investments in the broadest sense. [...]. It is clear that the knowledge required for this kind of exchange of views is not only provided by the account managers themselves. That is impossible in these complicated times. Various divisions of our central bank, such as the research department, international economic research, securities research and asset management, provide the building blocks on which the final advice is based and from which clients can benefit.” (Rabobank, 1980, No. 5, pp. 28-29)

This excerpt highlights how RN sought to assure the legitimacy of these new activities through a three-pronged argument: (1) a cooperative bank should be able to provide these new activities; (2) these activities are too expensive or knowledge-intensive for member banks to undertake; and (3) *ipso facto*, RN is the only entity in the cooperative which can manage these activities. The legitimacy it sought was thus based on how these activities, and by extension its involvement, was meaningful and logical. In this vein, RN built further on its post-merger legitimacy work of period III, which was based on being the only organizational unit to protect the interests of the cooperative group. In period IV, its aspired role as ‘guardian of the cooperative’ could provide RN with the legitimacy to make sense of and undertake activities which were alien to individual member banks. The following excerpt shows how RN championed organizational units (in this case securities trading) that operated mostly outside of member banks:

“Our securities trade has been centralized in Amsterdam [...]. Over time, our name will get more recognition and that is necessary. Skillful dealers know where to find ‘posts’ and to obtain them. Trade takes place in French, German and English and swift decision-making is of vital importance. So, in the securities trade of the central bank, everyone is hard at work at the foreign and domestic expansion of our activities and to contribute to the ongoing development of our bank.” (Rabobank, 1978, No. 10, p. 31)

RN addressed the tensions between localization and centralization by drawing on discourses, which were aimed at making sense of an increasingly chaotic environment. In contrast to previous periods, this strategy was based on the axiomatic invoking of RN and the actions it undertook. Although still formally accountable to the collective of member banks, the involvement of RN and its activities were mostly presented as self-evident in a context of rational management and scale-enlargements of banks. RN sought to secure its legitimacy through the simultaneous manipulation of the attributes it presented and the perceptions of wider cultural frames which made the need for merging, scale enlargement and a strong centralized infrastructure self-evident.

Period V: future-oriented innovation narratives

The shift from period IV to V also comprised significant changes in each category of legitimacy, except for regulatory legitimacy. The decrease in cognitive legitimacy was mainly offset by an increase in moral legitimacy work, the latter of which dominated RN's legitimacy work in period V. Period V was typified by a strong individualization in the Dutch society, which strained the members-based Rabobank.

Declining member participation put further pressure on the cooperative's attempts to generate moral legitimacy. Therefore, considering its position as guardian of the cooperative, RN sought to reinvigorate the cooperative identity. It narrated this identity through two axes. The first axis addressed the structural legitimacy of the cooperative form. In this vein, it proposed how members needed to become more active:

“With more than 1.3 million members, Rabobank will enter the next challenging stage: getting committed members to actually exercise their influence. For information and inspiration, Rabobank Nederland's Advice Center for Cooperative Development (ACO) issued a renewed issue of the manual: ‘what and how of the membership policy’. This manual explains how membership involvement can be created and interesting new ways to give substance to membership.” (Rabobank, 2003, Bank en Bestuurder, No. 5, p. 7)

The second axis narrated ways in which the cooperative could seek consequential legitimacy – approval based on the moral value of its outputs and their consequences. In previous periods, the completed emancipation of the farming population had resulted in an erosion of the moral identity of the cooperative. Over the years, RN's discursive strategies had been mostly engaged with narrating the meaning of societal norms of rational management, the merger and developments, such as internationalization and the *Allfinanz* strategy. However, its responses to these institutional developments, had resulted in a bank which, despite its alternative governance form, resembled its main competitors (see: Scott, 2014). Hence, RN mobilized a variety of initiatives to explore new moral imperatives for the cooperative. These included care for immigrants and refugees:

“The next decade will in many ways have to be ‘the decade of the immigrant’. More immigrant customers, more immigrant employees, more creativity in our work, larger market shares. This also fits: more immigrant members in sounding board groups and member panels and more immigrant members in the local boards. We owe it to our cooperative bank.” (Rabobank, 2004, Bank en Bestuurder, No. 3, p. 11)

And, in a more general sense, attention for the ethical and moral attributes of cooperative banking:

“As one of the few Dutch corporations, the bank has an active ethics committee that [...] formulates a moral position. When do you grant credit, when not? What do you do with the immigrant customer who would rather not be spoken to by a female employee? Do you accept the commission that is offered when you refer a customer to a specific personal injury agency? Careful discussion can then lead to a responsible position that also offers moral guidance in similar cases. [...] This is an

opportunity and a challenge for the bank. The opportunity to bring the depth of the moral discussion for the benefit of the entire organization in a structured way. And the task of finding forms for this that add a distinctly multilevel dimension to corporate social responsibility. In other words, progress through integration.” (Rabobank, 2005, Bank en Bestuurder, No. 2, p. 7)

The basis for the legitimacy it pursued shifted towards moral legitimacy as RN sought to give shape to a renewed ideological identity. Arguably, the balancing of tensions, which it had been doing from inception remained part of the ideological identity of RN. As noted:

“Rabobank has a role to play in the social reorientation that will take place in the coming decades. We are on the threshold of a new era. At the beginning of the next century, a new balance will have to be found in the triangle of social, economic and ecological development. Based on its instrumental position, Rabobank will be of service to society.” (Rabobank, 1998, Bank en Bestuurder, No. 4, p. 6)

Both axes (legitimacy work based on the structure of the cooperative form and its wider consequences) were particularly future oriented. They contained references to visions of a future in which the organization could exploit its cooperative roots. Through these axes, RN sought to manipulate member banks’ perceptions of its own structural attributes and their understanding of wider cultural frames through which they made their legitimacy judgments. It simultaneously narrated its own attributes and a favorable interpretation of these cultural frames. In the above examples, these constituted its ability to deal with moral questions in an environment that increasingly struggled with moral dilemmas, such as those associated with immigration.

This qualitative section highlights how RN has drawn on a variety of approaches in the pursuit of internal legitimacy. Table 7 summarizes these findings.

[TABLE 7]

For each period, Table 7 lists (1) the dominant internal legitimacy types, which were identified in the quantitative study; (2) the discursive legitimation strategies, which were identified in this section; and (3) a brief summary of these strategies. It highlights the main findings about the nature of internal legitimacy work. These are reviewed in the next section.

Discussion

Prior research on legitimacy work in hybrid organizations has particularly focused on the ways in which competing institutional demands of external audiences can be met through organizational action (see e.g. Erkama and Vaara, 2010; Kostova and Roth, 2002; Pache and Santos, 2010, 2013; Vaara and Monin, 2010). However, the literature has acknowledged how internal legitimacy work in hybrid organizations has received only limited attention despite its theoretical and empirical significance (Balogun et al., 2019; Brown and Toyoki, 2013) and how it is “underexplored and undertheorized” (Sapir, 2020, p. 2). This limited attention is surprising, because internal legitimacy work is reliant upon

the logics in circulation in the organization, and therefore, processes of internal legitimacy work are likely to be particularly complicated in hybrid organizations.

Our analysis draws on a conceptualization of internal legitimacy which can be accumulated through purposeful action and discourse (Suddaby et al., 2017). Of particular interest to this paper was internal legitimacy work in a cooperative organization which, by design, incorporates different incoherent logics. Drawing on a period of 102 years of internal documentation, we observed how a central unit enacted several discursive strategies to seek legitimacy from internal constituents. Here, based on our analysis and findings, we discuss the empirical and theoretical contributions to the understanding of discursive internal legitimacy work in hybrid organizations.

Although the literature acknowledges how internal legitimacy work is often discursive in nature (Hofer and Green, 2016; Phillips et al., 2004; Sapir, 2020), it has not documented if and how these internal discourses vary over time. Our findings highlight two types of variation in internal legitimacy work: inter-period variations in *forms of legitimacy sought* and in *legitimation strategies deployed*. With regards to the former, we found significant variations in the form of legitimacy sought by RN over the period of 102 years of documents studied. Initially, RN sought pragmatic legitimacy, which changed to cognitive legitimacy and, ultimately, to moral legitimacy. Although it is intuitively appealing to presume the dynamic nature of internal legitimacy work, there has been no empirical evidence confirming such dynamics (see e.g. Drori and Honig, 2013), in spite of calls to that end (Suddaby et al., 2017). Our findings provide evidence of these dynamics.

With regards to the latter, we identified several discursive legitimation strategies used by RN. Two aspects of these strategies are salient. The first aspect is that, for several forms of legitimacy pursued, multiple complementary narratives were mobilized. So far, the literature on legitimacy work in hybrid organizations has not extensively considered the complementarity of narratives in hybrid organizations, focusing on actions instead. For example, Oliver (1991) highlights how organizational actions can be adjusted individually to address multiple conflicting logics. Pache and Santos (2013) propose how actors can select individual actions from existing repertoires to address these logics. Beddewella (2019) found that internal legitimacy work can be based on actions consistent with dominant logics at the expense of more peripheral logics. However, we found how RN drew on complementary combinations of narratives, which were used to legitimize its position in the cooperative group. For example, in period I, RN drew on a discourse highlighting its ability to provide favorable economic exchanges, but it simultaneously made these exchanges acceptable by referring to religious and ideological norms of the day. In period III, RN drew on wider cultural models of rational management, to make comprehensible its narratives indicating a need for centralization – the cornerstone of its intra-organizational position. The use of complementary narratives in hybrid organizations extends the current literature by highlighting how appeals for internal legitimacy are not only based on the selection of appropriate action, but also constitute the generation of complementary

narratives to establish a ‘fit’ between different intra-organizational logics and the legitimacy seeking internal unit (c.f. Suddaby et al., 2017; Brown and Thompson, 2013).

The second aspect is variation *within* individual legitimacy forms sought. Although the literature suggests that discursive legitimacy work may result in taken-for-granted organizational positions (Brown and Toyoki, 2013; Phillips et al., 2004; Suddaby et al., 2017), the processes through which organizational units seek to occupy these positions have not been examined. We found how, over the periods II, III and IV, cognitive legitimacy was the dominant form sought by RN. The narrative was initially geared towards gaining approval through the mobilization of ‘ready-to-wear’ localized interpretations of widely held cultural accounts. These interpretations generated operational problems at the local level, thus motivating subsequent involvement of RN. However, over time, the cultural accounts of rational management and RN’s role therein were increasingly presented as given and served as unquestionable backdrop for further centralization. RN had generated supportive narratives invoking religion, culturally desirable standards of rational management, and changing moral norms (c.f. Golant and Sillince, 2007) which made its involvement self-evident and logical. More generally, we found that, over time, the invoking and favorable framing of wider cultural accounts provide legitimacy-seeking internal units with the discursive means to pursue a taken-for-granted organizational position.

In addition, we observed how specific legitimacy generating efforts opened possibilities for RN to call for structural changes. It has been established in the literature that emergent practices, created through the individual agentic construction of tasks, may attract broad organizational approval, especially if they serve the interests of organizational coalitions (Dacin et al., 2008; Kostova and Roth, 2002; Lounsbury and Crumley, 2007). Our findings extend these advances, showing how internal legitimacy work not only contributes to the agentic construction of tasks, but also to the generation of substantive changes in the organizational structure. We observed how the narratives of RN drew on the aforementioned cultural accounts and its current organizational position to make credible cases for the merger and the establishment of other central units (e.g. securities trading). Arguably, therefore, coalitions of ideologically aligned central organizations could form. This formation of coalitions could diminish member banks’ ability to confer internal legitimacy to RN as the central organizations expanded and became increasingly difficult to challenge. In this vein, we found how cognitive legitimacy work may provide the credibility to enact structural reform, which may subsequently affect the outcomes of future internal legitimacy work.

Our empirical findings also highlight how discursive internal legitimation strategies can integrate legitimacy as property and legitimacy as perception – perspectives proposed by the review of Suddaby et al. (2017). In many accounts of the accumulation of external legitimacy, ‘fit’ between the organization and the expectations of its audiences is achieved by manipulating the attributes of the organization; the broader institutional context is taken for granted (except perhaps for institutional entrepreneurs) and is considered unavailable for manipulation by the organization (Suchman, 1995). In this vein, Drori and Honig (2013) and Tost (2011) note that cognitive legitimacy is mostly a taken-for-

granted cultural account of approval by external audiences. Moreover, as the legitimizing judgments of external audiences are, at least in part, founded on these institutionalized cultural accounts, they may be stable for longer periods of time (Bitektine and Haack, 2015). However, in the context of *internal legitimacy*, we observed how the discursive strategies of RN sought to favorably present its own attributes, but also to manipulate the local contextualized meanings of wider cultural frames on which the legitimizing judgments of member banks were based. Its discourse was aimed at establishing a fit between its attributes and local understandings of shifting cultural frames, including rational management, religion, societal norms, and morality. RN's attempts to narrate not only its own existence, but also a 'ready-to-wear' account of wider cultural frames directed at local banks, meant that it sought to manipulate both sides of this fit. In contrast to the literature on external legitimacy work, which has been mostly compartmentalized in specific manifestations of legitimacy as object, process, or perception (Suddaby et al., 2017), the findings of this paper suggest that internal legitimacy work involves a more integrated manifestation of legitimacy. By narrating favorable attributes of itself, whilst simultaneously seeking to affect the socio-cognitive basis of member banks' legitimacy judgments, RN integrated legitimacy as a property and as a perception. In doing so, the bank sought to enhance 'consensus' – an element of legitimacy as a multi-level phenomenon, denoting the agreement between evaluators about the appropriateness of the legitimacy object for its social context (Haack et al., 2021). In this vein, legitimacy work aimed at internal audiences is distinct from external audiences in at least one important aspect: internal legitimacy work may seek to integrate (1) narratives highlighting specific attributes of the internal unit with (2) wider cultural frames as bases for the legitimacy judgments of the unit's audiences. Especially for hybrid organizations, this is an important addition, given the fragility of their internal audience's legitimacy judgments, which are likely based on unpredictable combinations of multiple logics incorporated in the organization. In contrast, the manipulation of wider cultural frames for larger, extra-organization audiences may not be possible to the same extent as the organization does not have the same reach over the socio-cultural basis of their legitimacy judgments (Drori and Honig, 2013; Haack et al., 2021; Tost, 2011).

The resilience of the cooperative form may, at least in part, be credited with the ability of its internal units to stabilize and balance the conflicting demands which have percolated into its structure. Ambiguity between intra-organizational units is a well-known characteristic of cooperative organizations (Heras-Saizarbitoria and Basterretxea, 2016). Due to the inverse hierarchy and conflicting demands imposed upon them, cooperative HQ and other internal units are in particularly vulnerable positions (Borda-Rodriguez and Vicari, 2014; Carini and Carpita, 2014; Davis and Worthington, 1993). Based on the findings here, it can be argued that central units can engage in the active maintenance of their internal legitimacy in attempts to strengthen these positions. Arguably, an important role of supra-local units is to manage the conflicts inherent in the cooperative structure. As we have shown, internal legitimacy types at Rabobank changed quite substantially over time (see Figures 2 and 3), and the bank has proven to be resilient in the century of its existence. The resilience of the cooperative organization

may thus not only be the outcome of approval by its external stakeholders, but also of the skillful orchestration of the internal legitimacy by its internal units.

Concluding comments

Answering the calls to examine the historical constitution of legitimation processes of organizations and actors (Suddaby et al., 2017; Brown and Toyoki, 2013) and their strategies (Balogun et al., 2014; Carter, 2013; Paroutis et al., 2013), this study of communications of Rabobank over an extended timeframe has provided evidence on the nature of internal legitimacy work and its evolution over time. However, several boundary conditions apply. First, a cooperative is a rather extreme governance structure for studying struggles for internal legitimacy. It is highly reliant on non-hierarchical relations between organizational units. Therefore, it is likely that cooperative units need to be more active in securing internal legitimacy than their counterparts in corporate organizations. In addition, internal legitimation processes in cooperatives are quite visible, due to the democratic nature of the organization, but this visibility is not evident in other organizations. In this study, we made use of this visibility. Given these attributes of the cooperative, we cannot fully generalize our conclusions across different organizational forms. Nevertheless, our findings do provide an understanding of how individual units seek to retain their relevance in a relatively successful alternative organizational form.

Second, specific challenges are involved in analyzing content over an extended timeframe. As Suddaby et al. (2017) note, the analysis of historical sources provides researchers with institutional reflexivity, enabling them to escape the paradox of embeddedness and assess legitimating phenomena more objectively. However, it is difficult to qualify impactful events in the organization or in the field, even with access to documents of the day. In our study, although the central banks addressed the challenges of wars, floodings and financial crises, their effects on the focal organization are complex to capture fully, given our focus on the specific issue of internal legitimacy.

Third, the content analysis was conducted on a sample of the source documents, due to the practical limitations to manual coding. Even after sampling on a yearly basis, the effort to manually code such volume of data required us to distribute the coding process among seven coders, adding subjectivity to the coding process. However, reliability tests put in practice ensured an appropriate level of consistency. Any limitations associated to the subjectivity of the process of data analysis must be balanced against the relevance of the findings made possible by manual coding of extensive longitudinal data. Manual coding of such a long period of sources is not common in the business literature, but we consider it a strength to understand the evolution of legitimacy work in organizations. Also, as noted in our methods section, we are confident the sources used are of particularly high quality (Scott, 1990).

We have identified several discursive strategies of organizational units to promote their internal legitimacy. Being mindful of the aforementioned boundary conditions, these findings provide a valuable basis for future research. Further studies on legitimation processes in alternative organizational forms could refine the idea that, in the absence of a strict formal hierarchy, high-level organizational units

need to actively manage their own legitimacy. Extant research highlights the need for this active management (Pache and Santos, 2010), and has studied internal units in such context (Pache and Santos, 2013). We have contributed by exploring the discursive strategies that a single organizational unit can enact to seek internal legitimacy. However, there is scope for additional historical discourse analysis to theorize further how internal units seek to generate legitimacy (Suddaby et al., 2017; Vaara and Monin, 2010). In addition, future studies could explore legitimation strategies in different governance forms and through different media. This paper has highlighted the relevance of examining internal legitimacy work over a long period of time – a promising approach that contributes to a better understanding of internal legitimacy work in alternative organizational forms.

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