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Legitimacy Theory and its Relationship to CSR Disclosures: A Literature Review

Md Tapan Mahmud †

Abstract

To various researchers from the arena of business and economics, the idea of gaining 'organizational legitimacy' triggers firms to publish Corporate Social Reporting (CSR). This paper offers a literature review-based analysis of the said position of the researchers. It is found that majority of the organizations pursue only symbolic management of their legitimacy and publish fabricated CSRs. However, there are also organizations having 'true sustainability' approach, that offer transparent information and adopt substantive management of their legitimacy. Therefore, sweeping conclusions derived from legitimacy theory only, would not be a wise one; since, legitimacy theory has multiple assumptions that are not justified in all contexts. Future research scopes are available: in understanding the sensitivity of a specific type of stakeholder to various genres of legitimacy-based CSRs, in figuring up the dynamics of mangers' and stakeholders' personas that impact the legitimacy assumptions and in developing an objective measurement procedure to understand the relationship between legitimacy and CSR. Academics, researchers and report preparers may draw a conceptual framework in figuring up the relationship of legitimacy and CSR from this paper.

Keywords: Legitimacy (organizational), Corporate Social Reporting (CSR), ESG (environmental, social, governance) Disclosures, Legitimacy-based CSR.

1 Introduction

There is an unavoidable interdependency between firms and society, which bind these parties into a 'social contract'. According to Mathews (1993), there remains a social contract between corporations and individual members of the society. Additionally, Shocker and Sethi (1974) postulated that, any social institution and business runs in a society, without any exception, via a social contract; in which, the survival of the business depends on the capability of delivering socially

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desirable good and service; and in the same time, the business expects some economic, social and political benefits from the community they serve. Notably, failure to respect such contract forces a firm towards several negativities. A failed firm will face difficulties accessing required resources, its cost of capital will increase, share price will decrease, government will bind it with tighter regulation and hefty penalties; then ultimately, it may cease to exist (Deegan and Rankin, 1996; Cao *et al*., 2010; Dirk, 2007; Lott *et al*., Longenecker *et al*., 2007). Logically, to keep operating and profiting, firms want to legitimize themselves, which ignites the idea of 'organizational legitimacy'.

Currently, in the process of coping up with the modified scenario—additional information demand regarding ESG[1] (environmental, social and governance) impact of the firms—of the corporate reporting world, firms are offering Corporate Social Reporting (CSR)[2], mostly, in the form of Sustainability Report (SR) and Integrated Report (IR) (some firms are still posting such additions at the traditional annual report). There is an ongoing debate regarding whether the firms are offering such CSRs to legitimize themselves or to represent their true ESG position (Ashforth and Gibbs, 1990, Deegan, 2002; Deegan, 2014a; Bachmann and Ingenhoff, 2016). To contribute to this debate and to find an answer, this paper offers a journey, covering: how legitimacy is related to CSR, properties of legitimacy focused CSR and the rationale behind its existence.

This paper is formulated reviewing numerous past studies focused on legitimacy (organizational legitimacy)[3] and CSR. The structure of the rest of the paper is as follows: section-2 enumerates the idea of legitimacy from various literature; section-3 describes how the idea of organizational legitimacy can be conceptualized from diverse viewpoints and variables; section-4 sheds lights on: how a firm's legitimacy can be measured; section-5 explains different approaches of firms by which they want to gain legitimacy; section-6 describes the relationship between legitimacy and Corporate Social Reporting (CSR) and why legitimacy may fail in some scenario to explain the said relationship; and finally, section-7 summarizes and analyses the findings of this study, puts on concluding remarks and shows the way for future research. This study offers vital inputs for the corporate report preparers, academics and researchers who want to develop a conceptual framework regarding legitimacy and how it influences CSR practices in a broad manner.

2 Definitions of legitimacy from pervious literature

The world of legitimacy (organizational legitimacy) is perceived by various authors from different angles, over the years. Some has tried to rationalize it by the idea of social attitude and values; whereas, others have described it from the viewpoints of Justice, legislation and environmental care.

1）Hereafter ESG denotes to 'Environmental, Social and Governance'
2）CSR denotes to 'Corporate Social Reporting'
3）Legitimacy refers to 'organizational legitimacy'

Interestingly, some investigators have gone as far as to the angle of cultural aspects and organizational resource to denote organizational legitimacy.

According to Suchman (1995), legitimacy is a measure of the attitude of the society toward a corporation and its activities. He also pressed that, legitimacy relies upon the values that a society holds and behaviors that a society believes as acceptable. Taking the same side, Lindblom (1993) mentioned: legitimacy is a condition or status that exists when an entity's value system is on the same string with the value system of the major portion of a society. Maurer (1971), took the aid of morality explaining the idea of legitimacy, stating that; legitimacy involves a process of 'justification', by which an organization strives to justify itself to its peers or to its superordinate systems its very right to exist. Dowling and Pfefffer (1975) also supported the idea of Maurer and added that, a corporation is legitimate when it is judged to be 'just and worthy of support' by the society. Suchman (1995), again, had almost the same idea and mentioned that, legitimacy is not an abstract measure of the 'rightness', of the corporation, rather, a measure of societal perception of the adequacy of corporate behavior. Bansal and Roth (2000) was a bit direct and specific in explaining the idea of legitimacy. They took the side of legislation and environmental care and mentioned: legitimacy is complying to legislation, establishing an environmental committee to monitor an organization's environmental impact, conducting environmental audit and lining up with the environmental advocates. Being an outlaw, Meyer and Scott (1983) said that, legitimacy is denoted by the extent to which the array of established cultural accounts provides explanations for its existence, functioning, and jurisdiction. However, the most condensed and organizational definition of legitimacy came from Parsons (1960). According to his literature: legitimacy helps to attract resources and continued support of the constituents. Hence, legitimacy itself is a source. Suchman (1995) added on the same note stating that, legitimacy is just like money; its a source that a business requires to operate.

All the said ideas of legitimacy hovers around the concepts of 'acceptability' and 'approval'. However, much of these literatures are highly theoretical and mark legitimacy as an explanatory concept rather than examining it as an empirical property (Suchman, 2008). Table 1 at the next page summarizes the various perceptions (variables) from which the authors have, so far, described legitimacy:

3 Various conceptualizations of legitimacy

The concept of organizational legitimacy may be built by refereeing to various notions. To get a grasp of this idea in a comprehensive manner, various viewpoints for conceptualizing organizational legitimacy may be referred to: Institutional (Macro), Regulatory, Political (Moral/Normative), Cognitive and Strategic (Organizational/Pragmatic).

In the 'Institutional' layer, the concept of legitimacy is derived from various macro variables

Table 1: Diversified variables to describe legitimacy by various authors

Author(s)	Variable(s)
Suchman (1995)	Social acceptance, social value, rightness of corporation, operational resource
Parsons (1960)	Resource attraction
Bansal and Roth (2000)	Legislation and environmental care
Lindblom (1993)	Social value system
Maurer (1971)	Morality, process of justification
Dowling and Pfefffer (1975)	Just and support-worthiness
Meyer and Scott (1983)	Established cultural accounts

(institutions). According to Tilling (2004), major macro variables are: government, religion, societal belief and economic distribution system. To make it more specific one can refer to this simple instance: an individual from USA may perceive a democratic government with a capitalist economic system as a legitimate one; whereas, someone from Russia may perceive a nationalist government with socialist economic system as a legitimate one. Suchman (1988), denoted institutional legitimacy in a specific manner by only tagging it with cultural and constitutive beliefs. However, 'Regulatory Legitimacy' is related to conformity with rules, laws and sanctions. Scott (1995), elaborated that, regulatory legitimacy refers to 'doing things correctly' by aligning with the laws and norms of industry association, governments, professionals, organizations and other like institutions. On the other hand, 'Political (moral/normative) Legitimacy' depends upon the notion of right-wrong of a given society. Melé and Armengou (2016) stated that, this type of legitimacy-conceptualization focuses on intrinsic value and it convinces firm's stakeholder and general public regarding the ethical acceptability of an institution or its activities/projects. Waddock (2004), added the concept of 'civil standards' and mentioned: an organization can achieve such legitimacy by offering the social community ethical activities that involve communicating, reporting and meeting civil standards. Vaara and Tienar (2008) provided a simplified description, that is, such type of approach is associated with 'moral legitimacy'. Interestingly, Song and Zeng (2011) combined the idea of 'normative legitimacy' and 'moral legitimacy' on the same string by postulating that: 'normative legitimacy' is related with 'doing the right thing', which can also be called as 'moral legitimacy'. People try to legitimize an organization reconciling it with the social values and moral standpoints that is shared by all the stakeholders. On another note, Suchman (1995) identified 'cognitive legitimacy' as the most durable and most efficient one. He stretched his position by stating that: cognitive legitimacy can be broadly defined as how well organizations execute their activities from the stakeholders' perceptions. DiMaggio and Powell (1983) suggested that people have some preset 'universally acceptable' notion related to the activities of an organization. They visualize an organization to behave in their

'acceptable' way and they take for granted that a certain organization will act accordingly, regardless of context.

'Strategic Legitimacy' is the viewpoint, from which most of the accounting researchers tend to conceptualize legitimacy (Tilling, 2004). According to Suchman (1995), legitimacy is an operational resource that an organization extracts from their surroundings, which, end of the day, is being used to pursue their goals. He also marked this strategic understanding of legitimacy as 'pragmatic' legitimacy. Pfeffer (1981) also focused on the point of attaining goals and mentioned that, managers utilize legitimacy associated with culture, social norms and ethical values to reach their tangible goals, such as, sales, revenue and profits. To Dowling and Pfeffer (1975)—who focused on the competition issue— this sort of legitimacy is used by companies to strengthen their competitive standing and to distinguish themselves from others in the same industry. Captivatingly, Ashforth and Gibbs (1990) and Vogel (2005), offered a transparent, yet, straightforward marking of such concept of legitimacy: from strategic perception legitimacy is planned and calculated. Organizations tend to adapt their strategies to get themselves tagged with legitimacy and they do it in alternated manners in accordance to their perceived legitimacy. Here are three typical contexts:

Establishing/Extending: In this context an organization wants to establish itself or try to justify its entry in a new domain (such as, new/alternative healthcare products). Here the management remain aggressive and proactive (Ashforth and Gibbs ,1990). Organization tries to pursue the extending strategy when they and/or the society are unsure of the technology used and or product/output and when there are major risks involved (Hannan and Freeman, 1984; Meyer and Scott, 1983; Singh *et al*., 1986).

Maintaining: When organizations have a certain level of acceptance in the society, they tend to maintain it for ongoing activity. Most of the organizations find themselves in this context. According to Ashforth and Gibbs (1990), organizations go for symbolic assurance and prepare for potential hindrances. Additionally, they try to send 'warm signals' to the society by letters to shareholders, trade shows, CSR activities, advertising, press-releases, speeches and so on.

Defending: Organizations follow this strategy when their legitimacy is in dire straits and their mere existence is threatened (such as, deforestation industry). They become aggressive again, but with a reactive approach (Ashforth and Gibbs, 1990). In such scenario, often, organization invest heavily in symbolic legitimacy (Hirsh and Andrews, 1986). Interestingly, they try to manage legitimacy by providing increased amount of social and/or environmental disclosures (Deegan *et al*., 2000). Most of the accounting researchers have their focus in this phase of legitimacy and it also offers the greatest opportunity to study the critical correlation between legitimacy and resources (Tilling, 2004).

To sum-up, various stakeholders may conceptualize legitimacy from diversified viewpoints, and it depends on the individual, firms, institutions/systems, organizational life-cycle/strategic context, morality, socially/universally acceptable norms/culture and even on legislative standpoints. If

anybody wants to link the idea of legitimacy and CSR, and tries to test the relationship from different angles, understanding the dynamics of legitimacy conceptualization's becomes essential. Hence, this section provides vital building blocks for the core section of this paper, e.g., 'legitimacy and CSR.

4 How to ascertain the legitimacy of an organization?

There are two ways by which legitimacy of an organization can be figured: a) subjective and b) objective. Interestingly, researchers are divided in their opinions and have postulated diversified variables and paths.

Since legitimacy itself is an abstract concept, some researchers tend to directly establish the legitimacy of an organization with the impression that they hold regarding the organization, which may lead to inconclusive and questionable results (Tilling, 2004). This is a 'subjective' way to establish organizational legitimacy. Hybels (1995), rejected this subjective view, because he thought that, such type of assessment is dependent upon a conflation of the roles of the observer and participant in social science. Therefore, assessing legitimacy in an objective manner with some verifiable measures would be a better alternative. To go for objective assessment of legitimacy, one may assess the amount of spontaneous resource flow towards an organization.

Terreberry (1968), described the relationship between resources and organizational legitimacy in a simplified manner: "the willingness of firm A to contribute to X, and of agency B to refer personnel to X, and C to buy X's product testifies to the legitimacy of X". Moreover, to Hearit (1995), legitimacy of an organization can be ascertained by gauging the amount of resources that a given organization can attract for survival (such as, scarce materials, patronage, political approval and so on). To add on the objective assessment note, Hybels (1995) postulated that, to ascertain the legitimacy of an organization one must investigate the relevant stakeholders and how they influence the flow of resources to the organizations, that are imperative for the establishment, growth and survival of the organizations. He marked four critical stakeholders: a) State (contracts, grants, legislation, regulation, tax) b) Public (customer, labor, approval), c) Financial Community (debt and equity) and d) Media (news, documentary). He also pressed that, pattern and content of communication can also be used for objective assessment of legitimacy.

Taking the idea and variables suggested by Hybels, one may initiate an objective approach towards measuring up the extent of legitimacy of an organization. However, since this objective approach is not a finalized idea and requires fine tuning, conclusive establishment should not be expected.

5 How organizations manage their legitimacy?

Organizations have various ways by which they may want to manage legitimacy. To Ashforth

and Gibbs (1990), there are two broad ways: a) Substantive management and Symbolic management. In these approaches multiple paths are available for an organization to follow.

Substantive Management: Organization may perform 'roles' (e.g. ROE for shareholders, job security for employees, quality products for consumers) that are expected from the perception of various major stakeholders (Nord, 1980). They may pursue 'coercive isomorphism' and conform to values, norms and expectations (e. g. formal planning and sophisticated technology) of the constituents (DiMaggio and Powell, 1983; Nystrom and Starbuck, 1984). They can also make themselves flexible with 'alternative resource dependencies' by having long-term contracts or having various suppliers (Pfeffer and Salancik, 1978). When forced, they may rather push social practices and norms towards organizations' ends and means (e.g. tobacco coalition funding for medical research) (Miles, 1982).

Symbolic Management: In this method organizations fabricate their legitimacy management. Sometimes, they fake their conformity towards social values without believing those (Snow, 1979). To add, they may suppress information regarding activities negative to legitimacy (e. g. filing for voluntary bankruptcy) (Sutton and Callahan, 1987). Occasionally, they offer fresh interpretation to legitimacy-related issue (Pfeffer and Salancik, 1978) and/or may tag the issue with other actors/values/symbols that are themselves legitimate (Dowling and Pfeffer, 1975). Organizations also offer excuse and justification through various communication channel (e. g. managers' explanations at the 'letter to shareholders' section) (Bettman and Weitz, 1983). Interestingly, when they don't have any other option left, they may also apologize accepting partial responsibility of a negative incident to gain sympathy and to maintain managerial credibility (Sutton and Callahan, 1987). However, in befitting cases, they also opt for 'ceremonial conformity' and align with highly visible social expectation (e.g. forming corporate ethics committee and investigation task force) (Meyer and Rowan, 1977; Ashforth and Gibbs, 1990).

Even if the organizations have so many ways to gain legitimacy, in most of the cases, they pursue the easier option, e.g., symbolic management of legitimacy. Substantive management is perceived as a luxury and not considered as a legitimacy management approach by most of the managers; because, those managers are myopic towards the growth of their firms.

6 Legitimacy and Corporate Social Reporting (CSR)

In the previous sections, the idea of legitimacy was constructed from diversified viewpoints and reasonings. Now, having got the idea of legitimacy, in this section, one can figure up: the rationales behind CSR's adjacency to legitimacy; configuration of legitimacy-focused CSRs; and what may happen if only legitimacy-intention drives CSR offering.

Communication is the way by which an organization wants to validate its legitimacy (Coopers and Lybrand, 1993; Dowling and Pfeffer, 1975). There are numerous ways that companies use to do so: a)

advertising, b) public relation brochures, c) employee newsletter, d) annual report. Buhr (1998) added on this point saying that, annual report is the most commonly accepted and recognized corporate communication vehicle. To add, since annual report is credible to the users, it can be used to project a customize impression of a company; and thus, it may serve as a legitimizing instrument (Abrahamson and Park, 1994; Guthrie and Parker 1989). Corporate Social Reporting (CSR) is used to be a part of the annual report. However, nowadays, as a CSR tool, a composite report—Integrated Reporting (IR)—that holds traditional annual report along with ESG (Environmental, Social and Governance) information; and a separate ESG report—Sustainability Report (SR)—are also becoming popular.

Corporate Social Reporting (CSR) is expected to disclose information that enables the user to: a) measure the social and environmental consequences of corporate actions, b) measure the effectiveness of corporate social and environmental programs, c) understand how corporates discharge its social responsibilities and d) have a picture of all corporate resources that may have an impact on society or environment (Parker, 1986). To Niskala & Schadewitz (2010), responsibility reporting (e.g. CSR) is a communication tool for the company to reduce 'information asymmetry' between managers and investors; that may, consequentially, assist in the market valuation of a firm. However, Hooghiemstra (2000), postulated in a contrasting manner, stating that, companies use corporate social reporting as a communication tool to influence people's perception of the company. According to Gray *et al*., (1995), companies use social reporting to maintain a healthy relationship with the related parties, so that, they may continue to profit and grow. On recent ventures, authors are more direct and suggest that in a dynamic political and social environment CSR is increasingly interpreted as a means, with which companies can obtain 'organizational legitimacy' (Castelló and Galang, 2014; Bachmann and Ingenhoff, 2016).

6.1 Salient Features of legitimacy-focused CSR

To understand the relationship between CSR and legitimacy seeking of companies, one may want to delve into the following salient features:

Adaptive disclosures: Hogner (1982), did a study on the US steel corporation for more than 80 years and concluded that: there are variations in the extent of social disclosures and such variations represent the adaptiveness of the companies' disclosures with the society's expectations. Guthrie and Parker (1989) also investigated the disclosures of a large Australian company (BHP Billiton) from 1885 to 1985 and concluded positively on the 'reactive' attitude of BHP Billiton's disclosure policies towards major social and environmental events. These studies drew a conclusive figure of the adaptiveness of CSR to stakeholders' anticipations.

Defending unrest: Occasionally, CSRs are utilized to mitigate industry-specific unrest and to cover for company-specific allegations. Patten (1992), concluded that, after the *Exxon Valdez*[4] incident in

Alaska in 1989, companies in the North American petroleum industry increased the amount of environmental disclosure. On an adjacent note, Deegan and Rankin (1996), found: around the time of environmental prosecution, the guilty company tends to post more environmental disclosure of favorable nature to offset the negative consequence of the prosecution, compared to the non-persecuted companies.

Media agenda-setting theory: Ader (1995), explained the term 'media agenda-setting theory'[5] postulating: individuals in the society follow the amount and distribution of media coverage among numerous issues and tend to focus on the issues that are covered by medias in a major manner. Therefore, media sets the agenda of discussion in the society. Brown and Deegan (1998), extended this concept, and suggested that, if media focuses a certain social and environmental issue, companies post higher levels of environmental disclosures and it varies according to the media's agenda. Islam and Deegan (2010) investigated the relationship between global news media coverage and disclosures offered by related MNCs. Interestingly, they found that when the global media exposed poor working condition and child labor usage in developing countries, in which the MNC's outsource their labor; they identified it as a legitimacy crisis, and consequently, responded by posting disclosures that are specifically targeted to the highlighted issue.

Alternative motivations: Various literatures discussed in this section would give rise to the fact that, prime objective of CSR of the companies is 'survival' of thyself, whereas, it is supposed to be the 'accountability' of providing predictive information for the stakeholders. However, this is not conclusive, since, there are authors with alternative findings. Wilmshurst and Frost (2000), conducted a survey among CFOs asking them to rank various factors that influence their environmental disclosure decision. Surprisingly, the CFOs ranked the 'predictivity' of information provided as a prime influencer, not legitimacy. Moreover, O'Dwyer (2002) investigated on senior executives of large Irish companies and found that managers' motivations for offering social and environmental disclosures were sometime related to organizational legitimacy, not always.

6.2 Objectives of legitimacy-focused CSR

From the literatures discussed in this study, one can sniff that the core objective of firms to offer corporate social reporting is to 'legitimize' the existence of the same. Nonetheless, according to Mousa and Hassan (2015), there are some other subordinate objectives, that the firms want to achieve: a) to depict their compliance with government and other related institutions' regulations, b) to gain marketing benefits that may stem from CSRs, c) to differentiate themselves from other competitors in relation to the emerging sustainability space, and d) to earn reputation by projecting an impression of

4）See https://www.history.com/topics/1980s/exxon-valdez-oil-spill
5）For further understanding of 'media agenda-setting theory', see McCombs and Shaw (1972); Zucker (1978), Ader (1995).

a ‘good company’.

6.3 Negative Consequences of legitimacy-focused CSRs

Although, most of the companies have self-serving agendas in their mind and want to achieve only ‘positives’ by offering legitimacy focused CSRs, on the other side of the coin, various negatives await them:

True Sustainability Vs adaptation: Organizations that offer legitimacy-focused CSR, are not aligning with the spirit of ‘true sustainability’. True sustainability spirit would require the management to believe that they are responsible and accountable to the environment and to the current & future generations. Sadly, most organizations are offering disclosures pursuing adaptation to public-expectation, not ‘true sustainability’ (Deegan, 2014a).

Less pressure for CSR regulation: Generally, companies throughout the world are not legally pressurized to offer sustainability disclosures and often they determine the extent and pattern of their disclosures. Highlighting this phenomenon, Deegan *et al.* (2002), suggested that, if the companies are successful in legitimizing themselves with their CSRs, then public pursuance towards disclosure legislation will be less. Eventually, the firms will retain control in their CSR practices.

May become a boomerang: When companies protest too much to legitimize themselves and offer extensive amount of sustainability disclosures, people, sometimes, become susceptible to their actions. Jones and Pitman (1982) coined an interesting term—self-promoter’s paradox—mentioning: since protests of competence is likely to happen as and when actual competence is questionable or unknown, people tend to ignore such protests. According to Ashforth and Gibbs (1990), the lower the legitimacy, the more is the possibility that a company will pursue unethical, heavy-handed, intensive, rigid, intolerant, evasive, exaggerated and inflammatory legitimacy approaches. CSR is most likely to be a part and parcel of the said legitimacy approaches. To people, such a company is marked as an ‘actor’ and loses legitimacy rather than earning it.

Make prediction confusing: When people become susceptible towards sustainability disclosures, they find themselves unsure regarding the evaluation process of a company pursuing CSRs. A bunch of firms may force the people to mark all the firms as ‘actor’. It paralyzes the ‘predictivity’ of information provided. As Puxty (1991) identified: legitimation is not an innocent activity; it may turn out to be very harmful and may also become a challenge to clarification and hence advancement.

6.4 Is legitimacy theory a firm tool to explain the relationship between itself and CSR?

Researchers from the area of business and economics have used the idea of legitimacy to explain various concepts related to firms and CSR motivations. However, determinants of legitimacy theory and perceived impacts of legitimacy-focused CSR do not always follow straight paths.

It is not always an 'every company for thyself' scenario: Sometimes there are over-simplification that all the firms offer CSRs following their self-interest only. This case is not universally true. According to Oliver (1991) and DiMaggio (1988), there are socially responsible companies, that may go beyond the boundary of self-interest and act for the welfare of others. They added: companies may have basic ethical connotation integrated in their value system and may act ethically/responsibly not because of survival instinct/fulfilling self-interest, but because it is simply wrong to do otherwise. Furthermore, Deegan (2014b), mentioned that, sometimes managers and firms are subconsciously influenced by the social norms and values and adjust themselves and their disclosures accordingly. Therefore, it will be foolish to consider that actions and disclosure orientation of firms are pushed by the idea of legitimacy.

No objective measurement of changes in legitimacy: Numerous studies have been conducted postulating that if an adverse social and/or environmental phenomenon influences the legitimacy of a firm negatively, it increases the number of legitimizing CSRs. Consequently, as an aftermath, the legitimacy of a firm increases. It is a sort of '*yes/no*' scenario; yes, legitimacy has changed/no, legitimacy has not changed. Unfortunately, there are no objective measurement by which we can understand the extent of changes in the legitimacy status (Deegan, 2014b). Additionally, he mentioned that, there is a lack of research in understanding the specific types of sustainability disclosures that truly increase the legitimacy of an organization.

Ignoring legitimizing impact of broader social system: When an organization post sustainability disclosure; it may have dual intentions: to legitimize itself and to legitimize a newly devised system. As Gray *et al.* (1995) suggested that, social and environmental disclosures of a firm not only aid to legitimize firm's output, methods and goals, but also, it may serve to legitimize a specific notion of an economic, political and social system. Archel *et al.* (2009), tried to understand the 'critical perspective' in considering disclosure choices of an automobile company (VW in Spain). He found that the company introduced a new production system—lean manufacturing system—that would hamper the employment of manual labors and was offering additional disclosures to legitimizing this new system. Interestingly, since it was efficient, government also vouched for it. He concluded that, organizations may also make disclosures to legitimize a specific system—with occasional help from the state—that they think will become institutionalized within the society.

Participants' dynamics are ignored: It is postulated by researchers that legitimacy-focused CSRs influence the broader society and beef-up the legitimacy of an organizations. Interestingly, there are various stakeholders with diverse/unequal power and sensitivity towards social and environmental disclosures. Therefore, it is difficult to gauge the actual impact of the disclosures. Firm's managers opt for legitimacy-focused disclosures, when they perceive a threat to their organization's legitimacy. However, mangers of different firms have diversified persona and sensitivity towards legitimacy threat. Hence, drawing a 'one-size-fits-all' conclusion regarding diversified legitimacy constituents, is

not a wise step (Deegan 2014a).

7 Findings, conclusion and scope for future research

It is proven from various literature that, firms offer CSRs mostly to legitimize themselves in the surroundings, so that they can continue operating, growing and profiting. However, there are some literature also, that support the true intention of the firms and suggest that all firms are not selfish, and some firms offer CSR to portray their true ESG position and to provide for the better decision making of the related stakeholders. Interestingly, since the relationship between CSR and legitimacy is not a straightforward one—e.g., the relationship consists of multiple variables—it is hard to pin-point the intention of the firms for providing their CSRs. However, the following approach may ease the hardship to a great extent.

There are two perspectives to understand the aim of the companies for offering CSRs: a) either they are being selfish, fueling for survival and want to legitimize their existence to maintain their continuity towards profit, or b) they have moral values built-in their strategical and operational procedures, they believe in the concept of 'right to information' of their stakeholders, they post sustainability disclosures to increase the predictive value of their disclosures and they do so because they believe that tis ethical. However, it is difficult to distinguish between these two parties in a subjective—binary (0/1-yes/no)—manner. To understand the true intentions of a firm behind corporate social disclosures, we may try to measure: a) the amount of resources that an organization is attracting from its critical stakeholders, b) extent, pattern of social disclosures in the last 5/10 years and modifications in the same, c) shock in the macro system and in the industry in the said 5/10 years, d) linking the shocks with the modifications found and e) the substantive approaches of firms towards legitimacy management. Hence, if critical shareholders are spontaneous in sharing their resources towards an organization and that organization has substantive management of legitimacy along with symbolic ones, often, it would fall in the later category and vice versa (shocks from the macro system/industry may modify this approach).

Interestingly, regardless of the intention of the CSR preparers, if such reports have too much information to justify firms' operations or position of a given time-frame; CSR may backfire. Society may configure a weak image of a firm, following extensive justification efforts. Therefore, it is better for firms to mix up true substantive efforts with informative justifications in the CSRs; such mix will bring synergic impacts for firms. They will attain legitimacy, still, will not be marked as an 'actor'.

Furthermore, legitimacy theory is being utilized to explain the intention of the firms behind publishing CSRs. Nonetheless, this theory itself has multiple issues, that weakens its position as an explanator of the said intention of the firms. There are some firms that are not into 'legitimacy', rather they care for the 'right to information' of the stakeholders and state information thereby.

Moreover, impact of legitimacy and its management process are dynamic concepts, that varies according to personas and contexts. There is no 'one-size-fits-all, explanation regarding how legitimacy works in the real world. Therefore, generalizing based on legitimacy theory may bring faulty conclusion, too.

A relationship between legitimacy intention of the firms and CSRs offered by them cannot be denied in a sweeping manner; neither, it can be established that legitimacy is the only driver for publishing CSRs. In this era of information, legitimacy intention remains as a strong contender for explaining CSR's sustainability disclosures. However, a bit of backward engineering from CSR to the legitimacy management approach of an organization would do a world of good in understanding the true intention of a firm.

This paper endeavors to offer a conceptual framework towards understanding the relationship between CSR and legitimacy theory. Nevertheless, there remain various future research scopes to clear the clutter in decoding the said relationship. Research can be conducted to understand the sensitivity of a specific type of stakeholder to different genres of legitimacy-disclosure; to study managers' and external stakeholders' persona dynamics, which are vital in responding to legitimacy threat and disclosures; and, to find an objective measurement process in understanding the relationship of CSR and legitimacy.

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