A Comprehensive Model of Accountability-Legitimacy Transactional Relationships: A Literature Review and Future Research Agenda

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Abstract—Organizations respond to pressure from their outside audiences to restore their legitimacy for their survival when criticized for their misconduct. In this process, the organization in question, particularly in the case of public organizations, must be accountable for their legitimating measures, and render an account to their audiences. The audiences, as organizations, also need to maintain their legitimacy by rendering an account to their own audiences. These discussions lead to the notion that a focal organization and its outside audiences are embedded in a comprehensive system of relationships where they transact accounts and legitimacy, which in turn provides us with new insights into improving our understanding of legitimacy and accountability. Hence, this article, through a literature review and theoretical discussion, sets out a future research agenda for improved understanding of legitimacy and accountability, to bridge these two research streams.

Index Terms—Public administration, misconduct, new institutionalism, new public management.

I. INTRODUCTION

Organizations need legitimacy to obtain resources for their survival [1]. Particularly when an organization is criticized for its misconduct, it must restore its legitimacy by responding to the pressure from outside audiences with appropriate measures [2], [3]. Of note is the fact that, whatever measure is taken, the organization, and particularly public administrations, must be accountable for the measure, and render an account to the audiences.

In this process, various types of audiences (accountees) are involved [4]. Here, the audiences, as organizations, also need legitimacy to survive. Therefore, it is inferred that, under the requirement for legitimacy, audiences’ behavior is also constrained by the requirements for accountability imposed on them. These discussions lead to the notion that a focal organization and its outside audiences are embedded in a comprehensive system of relationships where they transact accounts and legitimacy; in turn, this process provides us with new insights that improve our understanding of legitimacy and accountability.

In this article, we seek to set out a future research agenda to improve our understanding of these concepts. For this purpose, we provide a literature review of legitimacy (Section II) and accountability (Section III), respectively. Based on the review, we propose a comprehensive model of accountability-legitimacy transactional relationships in Section IV as the basis for the future research agenda in Section V. Conclusions follow in Section VI.

II. LEGITIMACY

This article focuses on organizations’ behavior to restore their legitimacy after it has been damaged by social criticism triggered by their misconduct, as well as the behavior of outside audiences that impose pressure on the focal organization. This section provides an overview of the evolution of the discussion on legitimacy in the new institutionalism.

A. Legitimacy in the New Institutionalism

Legitimacy refers to “a social judgement of acceptance, appropriateness, and/or desirability” [5] (p. 416). Legitimacy is the central concept of the theory of new institutionalism [6]-[8]. However, the new institutionalism has changed how legitimacy has been treated until this point, as explained below. In this sub-section, in preparation for the discussion that will follow later, we describe how the new institutionalism has changed its views on legitimacy in line with the discussion by Greenwood et al. [9].

According to Greenwood et al. [9], the new institutionalism developed over three periods, namely (1) the “foundation” (1977–1983), (2) the “early years” (1983–1991), and (3) the “expanding horizon” (1991–2007). The conceptual basis of the new institutionalism was established during the foundation period (1977–1983) through seminal works such as those by Meyer and Rowan [1], and DiMaggio and Powell [10].

The conceptual basis of the new institutionalism was established during the foundation period (1977–1983) through seminal works such as those by Meyer and Rowan [1], and DiMaggio and Powell [10]. A characteristic of studies during this period is that they viewed organizations as passive entities influenced by institutions. In this article, we call this a “passive view of organizations.” While institutional theory before the new institutionalism viewed organizations as rational entities that responded intentionally to institutional environments at their own discretion, Meyer and Rowan [1] asserted that bureaucratic organizations were diffused not because they were rational, but because they were regarded as a “rationalized myth.” DiMaggio and Powell [10] introduced the concept of “institutional isomorphism,” which they asserted occurred as a result of organizations’ pursuit of the rationalized myth and not as a result of a rational adaptation to the environment. They identified three types of institutional isomorphism. “Coercive isomorphism” occurs in organizations when other organizations on which they depend.
apply both formal and informal pressure on them. “Mimetic isomorphism” occurs when organizations model themselves on other organizations that are recognized as being legitimate or successful in uncertain conditions. “Normative isomorphism” is associated with professionalization. As such, the new institutionalism’s original view was that organizations were subject to the institutional environment’s influences. The claim that organizations pursue legitimacy rather than rationality was a significant achievement of studies conducted in the foundation period. The passive view further assumed that organizations, as passive entities, admitted and accepted institutions without question.

However, during the second period of the early years (1983–1991), there was a rebound from the excessive emphasis on organizations’ passivity, and emerging research trends viewed organizations as “proactive” entities that established, modified, selected, and/or deviated from institutions. In this article, we call this a “proactive view of organizations.” DiMaggio[11] argued that researchers should consider organizational interests when developing theories, and researchers increasingly began to examine both proactive and passive aspects of organizations.

In the third period of the expanding horizon (1991–2007), the theory’s scope was expanded and structured [9], and research on the passive view began to focus on related concepts. For example, Suchman [12] elaborated on the typology of legitimacy. Another seminal work based on the proactive view was that of Zimmerman and Zeitz [5], who regarded legitimation as a resource acquisition strategy. These authors stated that organizations take actions, such as conformance, selection, manipulation, and creation, to acquire legitimacy. According to this view, organizations approach institutions strategically.

While the baseline idea for the earlier period’s isomorphism was that organizations react to their environments in the same way, research that adopted a different view was conducted during this period, focusing on the variety of organizational reactions. Oliver [13] classified organizational responses to pressures exerted by the institutional environment as acquiescence, compromise, avoidance, defiance, and manipulation, and she examined the conditions under which each of these actions functioned effectively. She hypothesized that the selection of a response strategy depended on the following factors: the cause of the pressure (e.g., legitimacy or efficiency), the constituents of stakeholders, the content of pressure (to what norm or requirements the organization is under pressure to conform), the control of the pressure, and the context (such as uncertainty and interconnectedness). Another factor that influences the strategy selected by an organization involves optimizing the balance between the costs involved in making organizational changes for the purposes of adaptation and the effectiveness of the manipulation strategy [14]. These researchers claimed that organizations will select adaptation strategies when the cost of making organizational changes is low, and they would select manipulation strategies if the cost is high.

Another new research trend appeared during this period. Although predominantly based on the proactive view, it addressed the problems and difficulties associated with organizations’ proactive behavior and observed that organizations fall into a vicious circle; organizational reactions are not always effective but sometimes problematic. Ashforth and Gibbs [15] discussed the problematic reactions of organizations: to restore legitimacy that has been lost during a crisis, such as the occurrence of misconduct, an organization may take “unethical,” “heavy-handed,” or “insensitive” actions as a “clumsy actor.” To extend or defend its legitimacy, an organization may also take “dogmatic,” “intolerant,” or “evasive” actions as a “nervous actor.” Otherwise, it may take “self-aggrandizing,” “inflammatory,” or “overacting” actions as an “overacting actor.”

B. Dilemma of Legitimation

Organizational responses to the outside pressure to restore their legitimacy do not always work as intended. Based on theoretical discussion, Ashforth and Gibbs [15] argued that these actions might create a vicious circle. According to this view, although organizations are not influenced only by institutions, they do not always succeed in manipulating or responding to institutions as intended.

Further to the discussion by Ashforth and Gibbs, Sato [2] asserted that such vicious circles were caused by the information asymmetry between the outside and the inside of focal organizations—a different view on the cause of misconduct. In the case of misconduct of a life insurance company analyzed by Sato [2], the outside audiences assumed that insufficient management was the cause of the misconduct, while the person in charge inside the company regarded the lack of communication with customers as the cause; this gap caused a vicious circle of problems. Concerning organizations’ internal mechanisms, Nakanishi [3] observed a process in which organizations criticized for misconduct took problematic reactions whereby administrative divisions imposed measures on divisions in charge to fulfill their requirements for accountability. For the administrative divisions, being accountable to audiences was more important than the practical effectiveness of the measures.

Fig. 1. Relationship between an organization involved in misconduct and its outside audience who judges legitimacy (Source: author, based on Nakanishi [3]).

Based on the observation by Nakanishi [3] on transactions of accounts and legitimacy, Fig. 1 illustrates the relationship between an organization that intends to restore its legitimacy over misconduct and its outside audience, which judges the legitimacy of the focal organization. The focal organization renders an account of their conduct to its outside audience, such as other organizations higher in the hierarchy. Then, based on that account, the audience judges and, if appropriate,
gives legitimacy to the focal organization. Fig. 1 also illustrates the internal behavioral mechanism of the focal organization [3]. In the case of public procurement in Japan, where a string of misconduct has been revealed and has been criticized, the divisions in charge of procuring products/service sought to apply practicably desired methods in their bidding process given the quality of output and so on. However, an administrative division requested the divisions in charge to apply a measure more accountable to outside audiences, even though they knew that it might cause another problem. Finally, under the pressure of the administrative division, the division in charge abandoned the measure they had desired and applied another measure that appeared preferable to the audiences, which resulted in a new problem concerning the quality of products and services they had procured.

Thus, past studies ([2], [3], [15]) have analyzed legitimation-seeking behavior of organizations pressured by outside audiences. However, analysis of the behavior of such audiences is insufficient.

III. ACCOUNTABILITY

Among various factors influencing organizations’ legitimation-seeking behavior, we focus on accountability as discussed below. As noted in [3], organizations seek legitimacy by fulfilling the requirements for accountability to others. This accountability is required to obtain legitimacy no matter which legitimating strategy (acquiescence, compromise, avoidance, defiance, and manipulation) an organization might adopt [13]. However, as illustrated in [2] and [3], such legitimacy-seeking behavior often causes other, unanticipated problems.

As such, accountability, or an account, is occasionally referred to in the new institutionalism (e.g., [1], [3]). In their discussion of organizational structures, Meyer and Rowan [1] argued that incorporating institutionalized elements provides organizations with an account of their activities and protects the organizations from being questioned. For this reason, organizations adopt accountable procedures even if they sacrifice productivity. Elsbach [16], through empirical studies in the U.S. cattle industry, found that providing accounts for organizational conduct improved organizations’ legitimacy and thereby led to their survival; accounts improved the judgment of various stakeholders in the cattle industry (mass media, politicians, buyers, and educators). Thus, offering an account is one of the legitimation strategies for their survival, even if it is not primarily pragmatic but symbolic [15].

Originally, the accountability system was invented as a measure against undesirable situations, such as misconduct [17]. This means that for organizations involved in misconduct, a system of accountability is one of the available tools to restore their legitimacy. Meanwhile, seeking accountability in administrative processes (referred to as “procedural accountability” by Bovens [4]) may sacrifice the effectiveness of organizations’ operations just as legitimacy-seeking behavior does [18]. Thus, accountability is closely related to legitimacy both theoretically and practically. Therefore, it is beneficial to refer to the concept of accountability to explain the mechanism of legitimation.

However, accountability has not been discussed systematically in institutional theory. Therefore, we refer to the discussion on accountability in public management theory. In this section, we review the concept and the theory of accountability, particularly in the domain of public management.

A. Theoretical Background of Accountability

Accountability is defined as “a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences” [4] (p. 450). Rendering an account, or fulfilling the requirements for accountability, is essential for public administrations. An accountability system is important for outsiders as they have much less opportunity to evaluate public administrations than organizations in the private sector, which are subject to evaluation by markets and shareholders [19]. For public administrations, an accountability system plays the following functions: (1) controlling the abuse and misuse of public authority, (2) providing assurance in respect to the use of public resources, and adherence to the law and public service values, and (3) encouraging and promoting learning [19], [20]. These functions are essential for public administrations as they act as substitutes for evaluations by markets and shareholders.

However, in modern society, an accountability system is applicable not only in the public sector, but also in the private sector. As accountability stems from ownership and legal authorization, private firms are held accountable by their owners, shareholders, and business counterparts in contracts [21]. Thus, an accountability system is now applied to both the public and private sectors.

B. Four Accountability Questions

To understand the nature of an accountability system, we must know what elements configure the relationship among the organizations involved. To answer this question, Bovens [22] asserted that four questions must be addressed concerning the accountability of public administrations: to whom, who (by whom), about what, and why is an account to be rendered?

Concerning the “to whom” question, Bovens introduced five types of accountability. First, for political accountability, public administrations must render accounts to elected representatives, political parties, voters, and the media. This type of accountability is extremely important for public administrations [4]. Second, legal accountability addresses the account rendered to the courts. This implies that public servants must judge whether their administrative actions are legal. Third, an administrative account must be rendered to auditors, inspectors, and controllers who monitor and control the conduct of the focal organization. Fourth, professional accountability, applicable to technical personnel, is rendered to professional peers. Fifth, in modern society, public administrations are expected to render an account to civil society more directly. For this type of social accountability, public administrations must render an account to interest groups, charities, and other stakeholders.
Concerning the “who” question, four levels of actors are assumed. First, in the relationship based on corporate accountability, the organization as an actor is held accountable. Second, individuals in organizations are held accountable to their superiors for their conduct (hierarchical accountability). Third, a collective of individual officials in a public organization may be held accountable for the conduct of the organization (collective accountability). For instance, in the case of organizational misconduct, individual members of the organization may be held accountable [22]. Fourth, an individual in an organization may be held accountable for his/her contribution to the organization’s conduct (individual accountability) [22].

“About what” questions address the aspect of the conduct for which an account is rendered. Typically, they are financial statements (financial accountability), the procedural adequacy of the conduct (procedural accountability), or the extent to which the outcome of the conduct meets expectations (product accountability).

“Why” questions address the nature of the obligation. They address the characteristics of the relationship between accounters (those who are held accountable) and accountees (those who hold the accounters accountable), and may be vertical, diagonal, or horizontal. Vertical accountability focuses on the hierarchical relationship between the accounter and the accountee. In the relationship concerning horizontal accountability, the account rendered is based not on legal requirements but on moral grounds. Diagonal accountability is for situations involving both vertical and horizontal aspects.

Among the four questions above, the most important key for the discussion of legitimacy is the “to whom” question, as legitimacy is based on the judgment of outside audiences (evaluator), such as the mass media and government bodies that have regulatory power over the focal organization [23]. As in the discussion on the “to whom” question, a wide variety of audiences must be considered if public administrations intend to improve their legitimacy by rendering accounts.

C. Accountability and Legitimacy

We argue in this article that referencing the concept of accountability contributes to refining discussions of the legitimacy of public administrations. This sub-section summarizes the rationale.

First, accountability is an essential element of organizations’ legitimacy-seeking behavior. Being accountable enhances the legitimacy of public organizations and enables them to obtain essential resources and support, by responding to the pressure and expectation of audiences [22], [24]. Meanwhile, organizations that fail to be accountable cannot survive [25]. Actually, public servants in charge of public procurement frequently confess that they have tried to render an account of their behavior to maintain their legitimacy, as in the previous study [3].

Of note is the fact that organizations’ behaviors in seeking accountability and legitimacy may have a negative impact on their performance in similar ways. For public administrations to maintain their legitimacy, they must emphasize procedural and financial accountability more than product accountability [4]. Behn [26] argued that, while public administrations are responsible for procedural accountability (fairness), financial accountability, and product accountability (performance), they are confronted with the problem of the “accountability dilemma,” in which organizations face “the trade-off between accountability for finances/fairness, and accountability for performance” (p. 11). In the accountability dilemma, accountees emphasize procedural and financial accountability, with less attention paid to product accountability; this causes “the accountability bias” [26] (p. 13) as it is easier for the accountees to search accounters’ failures in meeting procedural/financial accountability than those of product accountability. Thus, the accounters also focus on the fairness of their operating/financial procedure, thereby sacrificing performance. In sum, the accounters’ behavior in attempting to fulfill accountability requirements may influence their productivity negatively. Clearly, this mechanism is in line with the basic assertion of the new institutionalism. Actually, in the case of public procurement in Japan [3], as public administrations sought legitimacy by adopting accountable procedures, the quality of the service they procured was unexpectedly degraded.

Second, the theory of accountability considers organizations with various roles: accounters and accountees who include voters, media, court, auditors, peers, and other stakeholders [22]. This characteristic of accountability theory—that it incorporates organizations with various roles—will help us review the relationships between organizations seeking legitimacy and audiences who judge the legitimacy of the focal organization.

In addition, as new public management (NPM) prevails in modern society [22] where public organizations require more accountability [27], their behavior is strongly constrained to fulfill their requirement for accountability. Hence, we must consider accountability when we discuss organization’s legitimacy-seeking behaviors.

IV. A COMPREHENSIVE MODEL OF ACCOUNTABILITY – LEGITIMACY TRANSACTIONAL RELATIONSHIPS

Considering the discussion above, an entire system of relationships between actors where they exchange accounts and legitimacy is illustrated in Fig. 2.

First, the focal public administration organization renders an account to mass media, the general public, and political parties (political accountability). Then, these audiences give legitimacy to the focal organization, if they judge it is appropriate. Second, the focal organization renders an account to a court (legal accountability), and the court gives legitimacy based on their legal judgment. Although only limited cases will be taken to court, the focal organization must behave, conscious of legal accountability, in case this happens. Hence, the organization is constrained by law and the behavior of the courts. Third, for administrative accountability, the focal organization renders an account to the regulatory bodies overseeing it and other auditing committees. These bodies then give legitimacy if they judge that the organizations’ conduct is appropriate. Fourth, the focal organization, if engaged in technical activities, renders an account to its professional peers (professional
accountability). Finally, the focal public administration organization renders an account to the general public, possibly represented by interest groups, charities, and other stakeholders, or more directly (social accountability).

Fig. 2. A comprehensive model of relationships between organizations rendering an account and organizations judging its legitimacy (Source: author, referring to Bovens [4]).

Furthermore, it is inferred that the outside audiences, to which the focal organization renders an account, and which give legitimacy in turn, may also be involved in similar relationships with their own audiences (meta-audiences); no matter whether they are public or private organizations, they render their own accounts to and are given legitimacy by some other parties. Hence, in Fig. 2, potential meta-audiences are indicated by boxes with broken lines. These organizations are connected with arrows and broken lines, meaning potential accountability-legitimacy transactional relationships, which are similar to those between the focal organization and its audiences. For example, the mass media, such as newspaper companies, considering their impact on public discourse, may be subject to accountability-legitimacy transactional relationships with other organizations, such as ombudsmen. However, behavior may differ among the relevant categories of audience. For example, auditing committees may not emphasize accountability or legitimacy as their members do not need legitimacy as committee members are not employees of committees, and the survival of the committees may not be important to them. Nevertheless, the behavior mechanisms of outside audiences surrounding the focal organization, as well as the meta-audiences over them, have not been analyzed sufficiently so far.

V. FUTURE RESEARCH AGENDA

Based on the discussion so far, and noting the paucity of analysis on the legitimacy-seeking and accountability-rendering behavior of audiences surrounding public administration organizations, a future research agenda may be set as follows.

First, we should explore the contents of legitimacy-seeking behavior of audiences surrounding a public administration organization being criticized for its misconduct. Among the fundamental questions is why they request an account from the focal organization. A possible but naïve answer may be as follows: audiences such as mass media and ombudsmen request accounts for the sake of social justice. An alternative answer is that audiences request an account to reduce information asymmetry. Sato [2] asserted that it is information asymmetry that made audiences request that the focal organizations take measures that might result in further problems. If so, it is also important for the audiences to reduce such information asymmetry. A third possible answer, however, comes to mind: audiences seek legitimacy through requiring an account. For instance, newspapers may do so if they judge that requiring an account from an organization involved in misconduct would improve the newspapers’ legitimacy. We should explore whether audiences acquire their legitimacy by requiring an account and, if so, why and how this occurs.

Second, as the background mechanism of the legitimacy-seeking behavior, we should clarify the contents for which the audiences are held accountable (about what question [4]). A possible answer is that they are held accountable for the fairness of their conduct (procedural accountability [4]). For instance, government regulatory bodies and auditing committees might be held accountable for the fairness of their regulatory/monitoring activities. Newspapers may be held accountable for their selection of
articles when some meta-audience questions the fairness of the selection criteria. Someone may assert that ombudsmen might not be held accountable owing to their private/informal nature. However, they still need to render an account to their supporters for their legitimacy to obtain essential resources, such as financial support for their survival [1]. Such a mechanism must be explored.

Related to this question are the internal mechanisms embedded in accountability-legitimacy transactional relationships in organizations. While Nakanishi [3] has analyzed the internal mechanism of public procurement agencies concerning their legitimacy and accountability, other types of organizations may involve different internal mechanisms. Such mechanisms should be explored.

Fourth, we should identify to whom the audiences render accounts (to whom question [4]). In other words, we should identify the meta-audiences. If an audience is also a public administration, such as a government regulatory body, its meta-audiences will be as same as for the focal organization in Fig. 1. However, audiences for other categories, such as monitoring committees, political parties, interest groups, and media companies, may have different types of meta-audiences. Exploring this question will enable our accountability-legitimacy transaction model to be expanded and made more sophisticated.

Fifth, in addition to the exploratory studies described above, the hypothesized mechanism proposed by the explanatory studies should be tested quantitatively. If the legitimacy-seeking behavior differs among various types of audiences, we should identify what makes the difference. In particular, the impact of accountability on legitimacy-seeking behavior may differ among different categories of organizations. Additionally, contingencies that influence the effectiveness of legitimacy-seeking behavior should be analyzed.

Finally, through the qualitative and quantitative analysis explained above, we may observe unanticipated consequences [1] of these legitimacy-seeking behaviors as in [3]. Exploring such a phenomenon will contribute to improving the theory of the new institutionalism.

VI. CONCLUSION

This article proposes a future research agenda to understand organizations’ legitimacy-seeking behavior, which is tightly related to their accountability. Thus, we reviewed the literature on legitimacy and accountability, which resulted in proposing a comprehensive model of accountability-legitimacy transactional relationships (Fig. 2).

Our model, however, is no more than a hypothesis at present, the validity of which must be tested. Nevertheless, it will improve our understanding of legitimacy and accountability, bridging the two research streams of legitimacy in institutional theory and accountability in public management theory.

REFERENCES


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