THE ARCHITECTURE OF LEGITIMACY:
CONSTRUCTING ACCOUNTS OF ORGANIZATIONAL CONTROVERSIES

Kimberly D. Elsbach
University of California, Davis
Graduate School of Management
One Shields Avenue
Davis, CA 95616
(530) 752-0910
kdelsbach@ucdavis.edu

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CHAPTER 16

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Kimberly D. Elsbach
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In this chapter, I focus on perceptions of organizational legitimacy. *Organizational legitimacy* may be defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Organizational legitimacy has been argued to be a valued and powerful attribute (Dowling & Pfeffer, 1975; Meyer & Rowan, 1977). Legitimate organizations and their leaders are perceived as “more worthy, … more meaningful, more predictable, and more trustworthy” than illegitimate organizations (Suchman, 1995, p. 575). In turn, legitimate organizations are likely to receive unquestioned support and resources from constituents (Ashforth & Gibbs, 1990; Tyler, 1990). Legitimate organizations are also more likely to gain the commitment, attachment, and identification of members (Lind & Tyler, 1989; Mueller, et al., 1994).

Organizational researchers studying legitimacy have typically been concerned with how firms use their legitimacy as a resource to attract and maintain valued stakeholders, such as employees, customers, favorable media representatives, industry analysts, and concerned public citizens (Suchman, 1995). Such stakeholders have important consequences for the organization’s bottom-line. For example, organizational strategy researchers have shown that corporate legitimacy allows firms to command premium prices from loyal customers, and helps firms to gain the support of industry experts without excessive advertising or promotional expenditures (Weigelt &
Camerer, 1988). Organizational researchers’ focus on legitimacy as a resource that is useful for improving firm performance differs from the focus of much of the psychological research, which tends to view individual legitimacy as an attribute that is valued in and of itself (see Zelditch, this volume).

A growing amount of research suggests that the value of legitimacy for organizations and their spokespersons is most evident in times of crisis or controversy, when legitimacy is challenged or threatened (Chen & Meindl, 1991; Elsbach & Sutton, 1992). When organizational legitimacy is called into question, the public’s support of an organization and the media’s positive portrayal of the organization may diminish (Marcus & Goodman, 1991). For example, following its 1992 investigation for consumer fraud in its auto repair shops, the retail giant Sears, Roebuck & Co. suffered its first quarterly loss in profits since the Great Depression. Sears attributed much of this loss to a 10-15% decline in automotive repair sales and a $27 million settlement in its consumer fraud case (Associated Press, October 23, 1992). Under such circumstances, research suggests that organizational spokespersons commonly use verbal explanations or “accounts” (Scott & Lyman, 1968) to protect and affirm organizational legitimacy (Elsbach, 1994). Such accounts have been argued to communicate “mediating messages,” such as organizational rationality (Bies & Sitkin, 1992), and organizational consideration of audience views (Tyler, 1990). Recent research has also started to examine how effective, legitimating accounts are constructed through their form, content, and language (Bies & Sitkin, 1992; Elsbach & Elofson, 1998).

Grounded in this recent research, this chapter describes what makes an account adequate to protect perceptions of organizational legitimacy following a controversial, legitimacy-threatening event. The paper is divided into three sections. In the first section I describe the mediating
messages that are most likely to enhance legitimacy following specific types of controversies. In
the second section, I describe the form, content, and language of accounts that might best
communicate these mediating messages. I use findings from these two sections to develop a
framework describing the architecture of legitimating accounts for organizations. Finally, in the
third section, I use a case study of the 1992 Sears Auto Centers investigation for consumer fraud
to illustrate the application of this framework.

MEDIATING MESSAGES THAT AFFECT PERCEPTIONS OF LEGITIMACY

A significant amount of research in the area of procedural justice (Lind & Tyler, 1988) and
impression management (Giacalone & Rosenfeld, 1989) has shown that perceptions of
management fairness and legitimacy are often based on mediating messages about the decision-
making process that led to organizational action (Bies & Shapiro, 1987, 1988; Folger et al., 1983;
Shapiro, 1991). Greenberg (1991) summarizes these mediating messages as: considering
stakeholders’ viewpoints, appearing neutral, being consistent, providing timely feedback, giving
adequate (i.e. detailed, logical) explanations, and treating stakeholders with respect. These
factors appear to fall into two categories: (1) messages that communicate rationality (e.g.,
neutrality, consistency, logicality), and (2) messages that communicate understanding and
consideration of stakeholders’ views (e.g., timeliness, respect, and bilateral communication). I
discuss each of these two categories of mediating messages below.

Rationality and Legitimacy

Early research on procedural justice and equity theory suggested that individuals act as
“intuitive accountants” in evaluating explanations for an unpopular decision (Adams, 1965;
Walster, et al., 1978). Such a perspective suggests that people are “concerned primarily about
proper procedures, and… calculate justice as an equation of inputs and outcomes” (Bies, 1987, p.
From this perspective, people are portrayed as “legitimacy bookkeepers,” making rational assessments of legitimacy based on a mental “balance sheet” of fair and unfair acts.

A large amount of research on procedural justice confirms the notion that people respond favorably to procedures that appear to be rational and fair (Brockner & Siegel, 1996; Greenberg, 1990). Factors shown to enhance perceptions of procedural justice include consistency in application of decision procedure (Kim & Mauborgne, 1993), advance notice of decision processes (Brockner, et al., 1994), correctability of decisions (Magner & Johnson, 1995), and application of measurement standards in decision making based on documented evidence (Taylor et al., 1995; McCauley & Kuhnert, 1992). These findings suggest that organizational spokespersons are likely to be viewed as competent, expert, and credible, and to acquire perceptions of legitimacy from audience members if they signal that a controversial event was the result of decision processes involving logical and rational procedures. Signals of rationality and technical proficiency may indicate that an organization is adhering to normative guidelines and lead audiences to mindlessly accept that the organization is more credible than its detractors (Meyer & Rowan, 1977), and thus not deserving of a decline in legitimacy.

**Understanding/Consideration and Legitimacy**

In contrast to the above findings, other recent work in the area of procedural justice suggests that decision makers should communicate their understanding and consideration of audience members’ opinions concerning the controversy rather than communicating their use of rational procedures (see Tyler, this volume). Proponents of this “value-expressive perspective” (Tyler, 1987; Tyler et al., 1985) suggest that individuals react positively to “having the chance to state their case, irrespective of whether their statement [actually] influences the decisions of the authorities” (Tyler, 1987, p. 333).
Shapiro (1993) showed that “having one’s views considered” was commonly defined in ways that could be generally interpreted as either “listening attentively” or “having the potential to influence the listener’s views or decision.” For example, Shapiro (1993) lists the following common responses that indicated responsiveness included,

They have listened to everything I have said and understand my situation.
It means they have thought about how they would react and feel under the same circumstances.
Someone actually listens and thinks about what you are saying and how you feel.
They have listened to my ideas, thought about them as having meaning, and then taken action or planned to go further with them.

Several lines of research provide support for the notion that demonstrating understanding and consideration of audiences’ views enhances perceptions of legitimacy in relation to controversial decisions. For example, in a number of studies, Tyler (1990) found that drivers receiving traffic tickets were more likely to pay them and perceive them as fair if they believed the ticketing officer had been open to hearing their side of the story (vs. had not considered their remarks). As Tyler (1990, p. 163) argues:

One important element in feeling that procedures are fair is a belief on the part of those involved that they had an opportunity to take part in the decision-making process. This includes having an opportunity to present their arguments, being listened to, and having their views considered by the authorities. Those who feel that they have had a hand in the decision are typically much more accepting of its outcome, irrespective of what the outcome is.1

1 Studies by Azzi & Jost (1997) found that if it is clear that members of a group have only specious control over the decision outcome, they will view the decision as less fair than if they had mutual control over the decision outcome.
Similarly, Shapiro and Brett (1991) found that providing disgruntled employees with the opportunity to voice their grievances during an arbitration or mediation enhanced their perceptions of procedural justice if they felt the arbitrator or mediator had “considered” what they said. By contrast, voicing of grievances did not improve perceptions of fairness if employees believed their remarks were ignored. In the same manner, Lind et al. (1990) found that experimental participants who were told their opinions about the fairness of a task-related goal would be “taken into account” perceived more fairness in the procedure than did participants who believed their opinions would not be taken into account. Shapiro (1993) suggests that such understanding and consideration is effective in enhancing fairness perceptions because it leads decision recipients to believe that they have the “potential” to influence the decision outcome; it is not necessary for them to perceive that they have actually influenced the decision. Such potential influence suggests that the decision-maker is democratic, impartial, and fair.

Understanding and consideration may also improve legitimacy perceptions because they show that decision-makers are in touch with their constituents and empathetic to their concerns (Davis, 1996). In this vein, research on attributions and empathy have consistently shown that when observers empathize with a target person (vs. do not empathize) they are likely to attribute the target’s behavior to situational factors beyond their control rather than to dispositional factors like fairness or legitimacy (Regan & Totten, 1975). Further, observers who believe targets have the same human failings as they do are likely to attribute poor performance to situational vs. dispositional factors (Houston, 1990). These findings suggest that communicating that one is similar to one’s audience may cause that audience to forgive your failings (e.g., arising from a controversial event) in the same way that they forgive their own.
Together, the above findings suggest that communicating rationality and consideration are both important aspects of protecting legitimacy following controversial decision outcomes. If people believe either that decision makers use rational and logical procedures to make decisions, or that their views, opinions, or beliefs are “considered” as important input to those decisions, they are likely to view the decision maker as legitimate. It is not clear if either of these two mediating messages (i.e., rationality or consideration) is more effective in some or all situations. Upon closer examination, the above findings suggest that the effectiveness of each mediating message may be context dependent. That is, while either type of account may work in a given situation, it appears that, in general, rationality might best protect legitimacy following some types of controversy, while consideration works best following other types.

Using Rationality. Based on an examination of the methods used in studies showing a positive effect of rationality, it appears that rationality may be the most effective mediating message in situations that involve routine decisions that led to unforeseeable controversies. In these cases, organizational spokespersons might argue that consideration of audiences’ views was not necessary in making the decisions that led to the controversy because such decisions were routine and presumed to be condoned by those audiences. Further, claiming consideration of audience views might be interpreted as evidence that the organization expected the controversy, and thus, could have done something about it. By contrast, claims that the organization was acting in a rational and reasonable manner may support the notion that the controversial outcome was completely unpredictable. In this vein, unforeseeable controversies that have been successfully followed by messages of rationality include corporate accidents such as plane crashes or oil spills (Marcus & Goodman, 1991), financial downturns such as a loss in quarterly earnings (Bettman &
Weitz, 1983; Staw, et al., 1984), and declines in professional rankings resulting from new ranking criteria (Elsbach & Kramer, 1996).

In all of these cases, the controversy could be argued to be unforeseeable because it was due to environmental factors beyond the organization’s control. One might argue that an economic downturn resulted from a complex and swiftly-changing political environment, that a plane crash was due to faulty parts from a respectable supplier, or that a fall in professional rankings was due to others’ manipulation of the rating systems. In such cases, rationality claims may enhance organizational legitimacy because such claims suggest that any reasonable person would have been subject to the same mitigating circumstances despite taking all logical and reasonable precautions.

By contrast, it would seem illogical to provide accounts that communicate consideration of audience views following unforeseeable controversies. This is because if audiences’ views of a controversial outcome were considered, it would appear that the controversy was, in fact, foreseeable. As a result, it is not surprising that it is hard to find empirical studies of “consideration” accounts following unforeseeable controversies. Yet, anecdotal evidence provides some support for the prediction that consideration accounts might prove ineffective compared to rational accounts following unforeseeable controversies.

A recent example illustrates the misuse of “consideration” accounts. In the spring of 1999, the Oakland, California school district required a record number of students to attend summer school as part of new, tougher guidelines for grade promotion. Yet, surprisingly, at the end of the summer, it was revealed that almost half of the assigned students (approximately 7,000 students) had not attended summer school and were promoted to the next grade anyway, because schools had not counted on holding back so many students. Thus, the need for so much “social
promotion” was framed as an unforeseen crisis. Despite this framing, several school administrators explained the social promotion by claiming that they saw this first summer as a “pilot” program for students, faculty, and staff to learn how to handle mandatory summer school. In effect, these administrators claimed “consideration” of student and faculty needs as a reason for the “social promotion” of thousands of students (Guthrie, 1999). This response was met with a barrage of criticism from politicians across the state, who claimed that school administrators should not have claimed that summer school was “mandatory” if they didn’t intend to make it mandatory (May, 1999). In this case, claiming that the controversial decision was made based on consideration for students and staff backfired because it appeared that such a problem should have been foreseeable, and thus, preventable.

**Using Consideration.** It appears that accounts communicating understanding and consideration of audience views are most effective following controversies that are more predictable and foreseeable. For example, Tyler’s (1997) work demonstrated positive effects of consideration following the issuance of a traffic ticket— an event that is predictably disputed and often the result of controversial decision making. Similarly, Shapiro and Brett’s (1991) work examined coal miners who wanted to voice existing grievances related to managerial actions during a heated, contract arbitration. In these cases, it appears that audiences may have suspected potential wrongdoing by the organization before any communications were given. As a result, communicating rationality for their decisions may have fallen on deaf ears. Furthermore, communicating rationality might have suggested that the organization took a cold and calculating approach in responding to the predicted controversy, rather than a humanely concerned approach. Communicating understanding and consideration of the target person’s views, however, appeared
to soften the negative blow by portraying the organization as empathetic and open to the needs and views of their stakeholders.

**Summary.** In sum, it appears that both rationality and consideration are important messages to communicate following a controversial event. Further, it appears that communicating rationality may be most legitimating following controversies that are unforeseeable, while communicating understanding and consideration may be most legitimating following controversies that are foreseeable. Although these findings do not discuss accounts *per se*, they suggest that legitimacy perceptions may be enhanced by explanations that communicate both rational procedures and consideration of audiences’ views.

It is important to note that the severity of the controversial outcome may be an important factor in determining the effectiveness of the above accounts. The model presented in this chapter is primarily based on research on legitimacy-threatening events that were of moderate severity (i.e., resulting in financial hardship or mild emotional discomfort for audiences) vs. highly severe (i.e., resulting in physical harm or loss of life). Yet, I would predict that the severity of outcome may mediate the effectiveness of rational or consideration accounts, so that the more severe the outcome, the more important that the correct type of account be used to explain the decisions that led to the event. Furthermore, following incidents in which severe, unforeseeable controversies occur (i.e., an industrial accident that results in multiple deaths) communicating both rationality and consideration may be the most effective response.² In the following sections, I incorporate

² I would argue that following severe and foreseeable outcomes, the benefits of consideration accounts and the detriments of rational accounts would be accentuated. In these cases consideration of audiences’ views may be expected because those audiences were severely injured. If organizations communicated that they had ignored those audiences needs in making the decisions that led to the foreseeable controversy (i.e., by only discussing the rationality of their decision making) they might be viewed as blatantly uncaring. In the same manner, following unforeseeable and severe outcomes, I would argue that
these findings into a framework describing the architecture of accounts (i.e., their form, content, and language) that may best protect and enhance organizational legitimacy following controversial events.

THE ARCHITECTURE OF LEGITIMATING ACCOUNTS

The above findings about the types of perceptions associated with legitimacy provide a basis for a framework describing the construction of legitimating accounts. Recent research on organizational impression management following controversies provides further evidence about the types of accounts that are best suited to enhancing organizational legitimacy following controversy. A summary of these findings is given in Table 1.

<table>
<thead>
<tr>
<th>Study</th>
<th>Forseeability</th>
<th>Account of Controversy</th>
<th>Message</th>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kernisky (1997)</td>
<td></td>
<td>Discussion of issues concerning public: advantages of regulating chemical industry,</td>
<td>Understanding/Consideration</td>
<td>Enhanced legitimacy</td>
</tr>
<tr>
<td>Dow Chemical’s knowledge of</td>
<td>high</td>
<td>dealing with household waste, efforts to improve science education, importance of</td>
<td></td>
<td>Reduced legitimacy</td>
</tr>
<tr>
<td>negative effects of Agent</td>
<td></td>
<td>accuracy of media reporting.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orange</td>
<td></td>
<td>Stance of defensive, technical superiority in Rationality</td>
<td>responding to early concerns from public:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>critique of Ralph Nader’s group, blame of cancer risk on lifestyle, denial of affects</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>of agent orange, attack</td>
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</tbody>
</table>

organizational legitimacy would benefit from rational accounts of decisions that led to the outcome, and consideration accounts of the organization’s response to the outcome. In these cases, although the controversy was unforeseen and thus audience views regarding the controversy were not considered, audience consideration cannot be completely absent from organizational responses since severe injuries were inflicted on those audiences. This latter scenario was demonstrated in my study of accounts by the California Cattle Industry following several deaths attributed to the widespread use of antibiotics in beef cattle (Elsbach, 1994). In these cases, effective responses appeared to combine logical accounts of what happened with detailed reparative claims about what would be done to prevent future fatalities in line with audience concerns. Although these reparative claims were not actually accounts of the decisions that led to the severe outcome, they were part of the organization’s immediate response.
<table>
<thead>
<tr>
<th>Source</th>
<th>Event Description</th>
<th>Form</th>
<th>Content</th>
<th>Rationality</th>
<th>Consideration</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elsbach (1994)</td>
<td>Acknowledged consumers concerns about hormones in beef, and justified use on recommendations from widely-endorsed and well-respected government agencies</td>
<td>high</td>
<td></td>
<td></td>
<td>Understanding/ Consideration</td>
<td>Enhanced</td>
</tr>
<tr>
<td>- California cattle industry’s unsafe use of hormones in beef cattle.</td>
<td>Denied any harm of hormones in beef to humans based on rational argument that it wouldn’t be cost effective. Referred to technical procedures and industry norms.</td>
<td></td>
<td></td>
<td>Rationality</td>
<td>Reduced</td>
<td></td>
</tr>
<tr>
<td>Elsbach &amp; Sutton (1992)</td>
<td>Justified material damage as only means left to save trees. Referred to institutional procedures designed to prevent harm to humans.</td>
<td>high</td>
<td></td>
<td></td>
<td>Understanding/ Consideration</td>
<td>Enhanced</td>
</tr>
<tr>
<td>- Material damage caused high by Earth First!’s illegal protests to save trees</td>
<td>Denied tree-spiking, claimed it was the result of a fringe groups’ actions</td>
<td></td>
<td></td>
<td>Rationality</td>
<td>Enhanced</td>
<td></td>
</tr>
<tr>
<td>- Human injury caused low by tree-spiking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marcus &amp; Goodman (1991)</td>
<td>Accommodating responses to scandals (such as bribery and payoffs) including, acceptance of responsibility, admitted existence of problem, attempt to remedy situation, expressions of remorse, guilt, and shame, and intent to make restitution.</td>
<td>high</td>
<td></td>
<td></td>
<td>Understanding/ Consideration</td>
<td>Enhanced</td>
</tr>
<tr>
<td>- Scandals at General Dynamics, ITT, Lockheed, and Exxon.</td>
<td>Defensive responses to accidents (such as plane crashes, chemical spills) including denial of problem, attempt to alleviate doubts about firms financial health and attempts to resume normal operations. Claims that accident was result of technical failures or mistakes.</td>
<td></td>
<td></td>
<td>Rationality</td>
<td>Enhanced</td>
<td></td>
</tr>
<tr>
<td>- Accidents at American Airlines, Union Carbide, and McDonnell Douglas</td>
<td></td>
<td>low</td>
<td></td>
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Grounded in these findings, I describe below how the form, content and language of organizational accounts might communicate rationality and consideration, and thus, enhance organizational legitimacy. The *form* of accounts communicates what type of mitigation the account-giver wishes to offer, such as justifications (“I had a good reason”), or denials (“It didn’t happen”) (Tedeschi, 1981; Schlenker, 1980). Account *content* provides the evidence or information that supports the account form. Arguments, details, data, or stories that back up a
denial or justification comprise account content (Elsbach, 1994). Finally, communications research suggests that some important aspects of account \textit{language} include its inclusion of technical jargon vs. common terms, and familiar vs. formal speech (McLaughlin, Cody, & Read, 1992).

\textit{Constructing Accounts that Communicate Rationality}

Based on the above findings, rationality appears to protect and enhance legitimacy perceptions following organizational controversies that are unforeseeable. In these cases, organizational spokespersons may do best by choosing account forms, contents, and language that promote the perception that the organization did everything reasonably possible to prevent any negative outcomes based on logical and rational thinking. As I argue below, such perceptions may follow from accounts in the form of denials, account content that refers to logical and technical procedures, and account language that is laden with technical jargon.

\textbf{Account Forms.} In terms of communicating organizational rationality, denials (e.g., “we did not do what you think,” “we weren’t the ones involved”) appear to be most effective. Denials may be used to attenuate either accountability for an event or the perceived negativity of an event (Schlenker, 1980). According to Sutton and Callahan (1987), such responses communicate that the organization was attempting to pursue reasonable and logical goals, but was either thwarted by extenuating circumstances (e.g., by claiming that a bankruptcy was due to a national recession) or was mistakenly ascribed a negative outcome (e.g., by claiming that chapter 11 filing is a normal business procedure, it is not “bankruptcy”). Denials suggest that stakeholders’ pain was caused by someone else’s irrational actions or is a mistaken response to an event that is actually positive.
Several of the studies reported in Table 1 support this perspective. For example, in a study of the radical environmentalist organization Earth First!, Elsbach and Sutton (1992) found that in cases in which human injury resulted from accidents, organizational spokespersons de-coupled the organization from the actions and denied responsibility. In these cases, the organization made the rational argument that any real supporter of Earth First! would know to follow strict guidelines to prevent injury; thus, when driving metal spikes into trees to prevent them from being cut, they always mark the tree with paint so loggers won’t hit the spike with a chain saw. It follows that any injury caused by a tree spiking must not be due to their members. This denial portrayed the organization as rational in its pursuit of saving trees (Elsbach & Sutton, 1992).

In a similar way, Marcus and Goodman’s (1991) study of organizational crisis management by large corporations showed that denials were most often used after company accidents (e.g., oil spills, plane crashes, nuclear power plant failure). In these cases, denials included claims that the accidents were due to technical failure, sabotage, or isolated human error. Again, these denials were attempts to show that the organization was rational in its actions and that the accident was:

an “act of God” ....that the company could not have foreseen or prevented... and does not reflect underlying inadequacies in either the company, its management, or its way of doing business (Marcus & Goodman, 1991, p. 286)

**Account Content.** In a review of research on excuse-making following controversial events in organizations, Bies and Sitkin (1992) suggested that account-givers should appear intelligible, rational, and warrantable in their actions by providing arguments and information that is sufficient to back up their claims. In a similar fashion, Folger and Cropanzano argue that accounts that offer reasons that are “sufficient and credible to the listener” are most likely to lead to perceptions of fairness and legitimacy of the account-giver (Folger & Cropanzano, 1998, p. 154). A number
of studies demonstrate that accounts containing detailed information and logical arguments, often including technical rationale and references to industry norms, are most likely to produce perceptions that a person or organization was rational and warrantable in its actions (Bies & Shapiro, 1987; Folger & Martin, 1986; Greenberg, 1990; Shapiro & Buttner, 1988). More recent research has also shown that the logic or “reasonableness” of the account is more important than its communication of concern for audiences’ welfare in enhancing fairness perceptions (Shapiro, et al., 1994).

**Account Language.** Research on decision-maker’s use of technical jargon in explanations suggests that technical language may improve impressions of rationality in some contexts. Specifically, in cases in which the audience is familiar with the technical aspects of the account and the account-giver has data to back up his or her claims, technical jargon may enhance perceptions of rationality and credibility (Elsbach, 1994; Thompson, et al., 1981). In these cases, audience expertise and spokesperson data may help to convince audiences that initial, negative perceptions of the organization may be wrong because the spokesperson is credible and has objective data. As a result, technical jargon may effectively explain the controversy as the result mitigating circumstances beyond the organization’s control.

**Constructing Accounts that Communicate Consideration and Understanding**

**Account Forms.** According to Scott and Lyman (1968), justifications are used to communicate that, although the account-giver was responsible for the event, the event was not as negative or serious as is currently perceived (e.g., ”there was a good reason for doing this,” ”this was the only way to achieve a desired goal”). In studies examining the adequacy of account forms following ambiguous controversies, researchers have found that *justifications* are more likely to lead audiences to view the account-givers as credible and legitimate than are *denials*.
(Elsbach, 1994). In a study of the California cattle industry, Elsbach (1994) found that audiences perceived acknowledging justifications (i.e., claims that accepted responsibility for controversial actions because they promoted a worthy cause), as an indication that cattle ranching spokespersons understood the public’s concerns and were in touch with their fears. They also suggested that the organization and its leaders were not trying to skirt the issue, but were relatively forthcoming about their actions.

**Account Content.** A growing amount of research on impression management suggests that organizational accounts that refer to “widely-institutionalized” processes and structures in justifying illegal or unethical organizational actions may improve perceptions of organizational legitimacy (Giacalone & Rosenfeld, 1989). For example, Elsbach (1994) showed that most legitimating accounts given by cattle industry executives included references to U.S. Food and Drug Administration guidelines designed to prevent (rather than repair) food safety problems associated with hormone use in cattle. By contrast, the least effective accounts included references to rational or logical reasons for the use of hormones in cattle, along with technical information about their effects.

Similarly, research on rhetorical discourse (Fisher, 1987) following organizational controversies suggests that narratives that include and consider the values of organizational audiences are most likely to improve legitimacy perceptions. Kernisky (1997), for example, showed how Dow Chemical used public relations discourse to affect its legitimacy following the “Agent Orange” controversy. Dow was the focus of widespread criticism after it was revealed, in 1979, that the chemical manufacturer knew about the health risks of Agent Orange and hid those risks from the public. In the ten years following the controversy, Dow released over 130 public bulletins, in which it discussed issues ranging from chemical testing to science education. An
examination of these bulletins, along with survey results of perceptions of organizational legitimacy over the same time period, showed that organizational legitimacy increased only when Dow moved from an antagonistic stance focused on technological arguments to a more empathetic stance focused on social consciousness.

Account Language. Psychological research on the symbolic management of organizations (e.g., Pfeffer, 1978), suggests that the understandability of language used to explain decisions may be viewed symbolically as evidence of the decision-maker’s understanding and consideration of audience views. For example, Elsbach and Elofson (1998) showed that, in explaining a controversial decision, easy-to-understand language used by a political analyst lead to greater trust, including the belief that the analyst understood audience concerns, than did difficult-to-understand language. Similarly, research on the use of professional jargon in evaluations and reports in education has shown that recommendations for curriculum revisions that were presented in jargon-laden language (as opposed to jargon-free language) led to significantly lower ratings of the communicator. Specifically, in cases where there were no data to back up an evaluation, jargon-laden explanations led to lower ratings of communicator credibility and logicality than did jargon-free evaluations (Thompson, et al., 1981). In subsequent studies, researchers have found that these effects may be due to audience members’ decreased understanding and comprehension of jargon-laden language as well as suspicion of accounts that contained no data (Weise, et al., 1986).

In sum, these findings suggest that common language suggests disclosure, understanding, and consideration of audience views. Elsbach and Elofson (1998) argue that this finding may be due to the fact that common language is easier to understand and allows audiences to validate the explanation on their own. Furthermore, they suggest that common language may indicate that the
speaker really understands the issue and is not hiding behind technical language as a proxy for expertise.

The Architecture of Legitimating Accounts: Summary and Framework

The above discussion provides some preliminary guidelines for the construction of legitimating accounts following two types of controversies: (1) unforeseeable controversies such as accidents, financial downturns, and falls in professional rankings, and (2) foreseeable controversies such as obvious punishments, scandals, or poor working conditions. In the first case, accounts should be constructed to communicate rationality in organizational actions through the use of denials that are backed up by technical and logical arguments and are communicated through technical jargon. In the second case, accounts should be constructed to communicate understanding and consideration of audiences’ views through the use of justifications that are backed up by references to widely accepted social norms and are communicated through common language. A framework summarizing architecture of accounts designed to achieve each of these goals is depicted in Figure 1. In the following sections, this framework is illustrated through an analysis of the Sears Auto Centers scandal of 1992.

ILLUSTRATION: THE CASE OF SEARS AUTO CENTERS

The retail giant Sears, Roebuck & Co. recently operated over 1500 auto repair centers in the U.S., performing routine maintenance and repairs for private customers (Los Angeles Times, December 12, 1995). National sales from auto repairs were over $3 billion in 1992. On June
11, 1992, the California Attorney General’s Office announced that it had conducted an eighteen-month undercover investigation of 33 of the state’s 70 Sears Auto Centers. State consumer affairs director Jim Conran reported that the investigation uncovered “a consistent pattern of abuse” linked to cooperate reward and quota systems that encouraged mechanics to recommend unnecessary repairs (Gellene, 1992, June 11).

According to the report, undercover agents working for the California Department of Consumer Affairs took cars in top condition to Sears for mechanical inspection and were overcharged an average of $223 for repairs (Gellene, 1992, June 11). The scandal did not stop there. As the Los Angeles Times reported,

Besides making unnecessary repairs, Sears mechanics also charged some undercover agents for work that was never performed... In a few cases, Sears mechanics damaged cars: one undercover auto that went in for a brake inspection left Sears without brakes (Gellene, 1992, June 11, page A1).

As Consumer Affairs director Conran put it: “these are not honest mistakes... This is the systematic looting of the public” (Gellene, 1992, June 11, page A1). Further, Conran directly threatened Sears’ legitimacy by claiming, “People go to Sears because they feel they will get good service. They believe it is a company you can depend on. Unfortunately, that is not the case” (Gellene, 1992, June 11, page A1). As a result, Conran’s agency said that it would seek to revoke Sears’ licensee to repair autos in California. The same day, the California Attorney General’s Office reported that it, too, was investigating Sears Auto Centers and threatened to seek monetary damages (Gellene, 1992, June 12).

Given the overwhelming evidence in support of the charges against Sears, as well as the apparent intentional nature of the controversy, the Sears Auto Centers crisis appears to qualify as
a scandal that was foreseeable (Marcus & Goodman, 1991), based on Sears’ incentive and compensation system for auto mechanics. In such cases, the framework above suggests that justifications referring to social norms in common language would provide the best response.

Yet, as I discuss below, this was far from Sears’ initial response.

Primary Accounts

Contrary to recommendations that follow from the current framework, Sears’ initial responses involved denials based on technical information and industry norms. For example, on the day after the indictment a Sears’ spokesperson responded by claiming, “There may have been some honest mistakes, but there was no fraud” (Gellene, 1992, June 12, page D1). This spokesperson also reported that:

The department’s undercover investigation was faulty because the agency used older cars with signs of wear that tricked Sears’ employees into thinking certain repairs were needed....[for example] at least two cars received new master cylinders because the department had aged the parts with acid to look old. In addition, there were signs that brake fluid had leaked from faulty master cylinders replaced by the department before taking the cars to Sears.

In addition to these remarks, Sears placed full-page advertisements in major California newspapers (Los Angeles Times, June 14, 1992) two days later. These ads claimed that:

With over 2 million automotive customers serviced last year in California alone, mistakes may have occurred. However, Sears wants you to know that we would never intentionally violate the trust customers have shown in our company for 105 years....You rely on us to recommend preventative maintenance measures to help insure your safety, and to avoid more costly future repairs. This includes recommending replacement of worn
parts, when appropriate, before they fail. This accepted industry practice is being challenged by the Bureau.

These statements were primarily denials (e.g., “fraud didn’t happen, it was preventative maintenance” and “we didn’t make repair mistakes, we were tricked”) based on technical information that was communicated through technical jargon (e.g., dirty or acid-stained master cylinders look the same as worn ones) and institutionalized norms (e.g., “accepted industry practice”). As the current framework would predict, these accounts were not effective in repairing Sears’ legitimacy. Sales in Sears Auto Centers slowed, Sears stock dropped, and a flurry of class-action suits were filed against Sears in the days following the initial reports (White & Maier, 1992, June 13).

Secondary Accounts

Two days after Sears’ full-page denial, the Attorney General’s Office in New Jersey said that it, too, had found evidence of fraud at Sears Auto Centers (Gellene, 1992, June 16). The New Jersey Consumer Affairs director reported that its undercover agents had taken 12 cars with disconnected alternator wires (a $10 repair) to Sears Auto Centers, and they had been recommended unneeded repairs ranging from $30-$406. A Sears spokesperson denied a connection between the California and New Jersey investigations, supporting Sears’ claim that there was no system-wide fraud based on incentive systems. Instead, Sears continued to deny any wrongdoing and claimed that they were only following technical procedures and company norms. As one Sears spokesperson was said to have reported,

While Sears’ preliminary diagnostic equipment may have indicated a defective battery or alternator, a mechanic might have discovered the loose alternator wire once work began.... One thing we’re checking is how visible the loose wire was...in a smaller shop, a mechanic might spot the loose wire right away. At Sears, a car is first inspected by a service
advisor, or salesman, who evaluates the problem, provides an estimate and refers it to a mechanic. (Gellene, 1992, June 16, page D2).

These denials did not improve Sears’ legitimacy. In fact, several industry experts suggested that Sears’ defensive stance was only making things worse. As Gerald Meyers, former chairman of American Motors, and professor of management at Carnegie Mellon University, noted three days after the New Jersey report:

Sears’ first mistake was getting defensive... Their message? It isn’t true, and even if it were, it’s not serious, and even if it’s serious, don’t worry about it, we guarantee our work. That’s not good enough. Thousands of Californians trusted Sears to service their cars and install good parts -- and only when necessary. If anything disturbs customers more than being bilked, it’s having their safety threatened. That’s exactly what these fraud charges sound like to consumers.... Sears may very well win in court, but management should concentrate first on protecting and getting customers. (Meyers, 1992, June 19: B7)

As further evidence of Sears’ declining legitimacy, Florida’s Attorney General’s Office reported that they had recently undertaken an investigation of Sears Auto Centers in response to the large number of complaints they had received following the California and New Jersey reports (Gellene & White, 1992, June 19).

Final Accounts

In the face of the enormous evidence supporting claims of fraud, Sears Chairman Edward Brennan admitted on June 23, 1992 that their incentive system for auto mechanics led to over-billing in car repairs (Trager, 1992, June 23). Two days later, Brennan gave the details of Sears pay policy in a full-page advertisement in national newspapers (Los Angeles Times, June 25, 1992) and a nationally-televised commercial. This testimonial account included an acknowledgment of the problem and of consumer concerns (i.e., their concerns about trusting their auto mechanic), a justification for the recommendation of unneeded parts (i.e., we stressed
preventive maintenance because consumers said they wanted it, and it is safer), and an extensive
list of responsive actions that showed consideration of consumer views and desires (i.e.,
discontinue incentive pay, use outside auditors to check on us). Furthermore, this account
replaced technical references and language with more common terms (such as terms like “folks”
and “shopping audits” instead of specific repair terms). Excerpts from the advertisement
included the following:

We are confident that our Auto Center customer satisfaction rate is among the highest in
the industry. But after an extensive review, we have concluded that our incentive
compensation and goal-setting program inadvertently created an environment in which
mistakes have occurred. We are moving quickly and aggressively to eliminate that
environment...

We have eliminated incentive compensation and goal-setting systems for automotive
service advisors - the folks who diagnose problems and recommend repairs to you...
Rewards will now be based on customer satisfaction...

We’re augmenting our own quality control efforts by retaining an independent
organization to conduct ongoing, unannounced “shopping audits” of our automotive
services...

We have written to all state attorneys general, inviting them to compare our auto repair
standards and practices with those of their states in order to determine whether differences
exist...

And we are helping to organize and fund a joint industry-consumer-government effort to
review current auto repair practices and recommend uniform industry standards...

Our policy of preventive maintenance -- recommending replacement of worn parts before
they fail -- has been criticized by the California Bureau of Automotive Repair as
constituting unneeded repairs. We don’t see it that way. We recommend preventive
maintenance because that’s what our consumers want, and because it makes for safer cars
on the road. In fact, 75 percent of the consumers we talked to in a nationwide survey last
weekend told us that auto repair centers should recommend replacement of parts for
preventive maintenance. As always, no work will ever be performed without your
approval.
These accounts appeared to end the crisis for Sears, as demonstrated by the sharp decline in press coverage and no further reports of undercover investigations in other states. Yet, in the long run these accounts may have been “too little, too late.” In 1993, Sears Auto Centers were doing so poorly that the company dropped most of its repair services, including oil changes and tune-ups -- leaving the sales and installation of tires and batteries to comprise its major auto repair business (Gellene, 1995, March 24).

CONCLUSION

I have argued above that, following organizational controversies, legitimating accounts will be those that are constructed, through form, content, and language, to communicate a mediating message of either rationality or understanding and consideration. Unforeseeable controversies, such as accidents and financial downturns appear to be best met with accounts that communicate rationality. In these cases, denying responsibility for the controversy based on logical reasoning and technical expertise is likely to convince audiences that the organization is more credible than its detractors would suggest and that it is unlikely to have carried out an illegitimate act. By contrast, foreseeable controversies, such as the Sears Auto Center scandal appear to be best handled by accounts that communicate understanding and consideration of audience views. In these cases, denials are not credible, so justifications and acknowledgments based on widely held societal norms are most likely to allay audience fears that the controversy was based on a disregard of their concerns. An organization that is primarily interested in its audience concerns is seen as deserving of perceptions of legitimacy.

This framework supports and extends several models of legitimacy management. First, it supports and extends contingency models of crisis management in organizations. Similar to the
framework proposed by Marcus and Goodman (1991), the current framework suggests that the type of controversy effects the type of response an organization should give. It also extends their model by describing more specifically what types of mediating messages accounts should send, as well as how those accounts should be constructed through form, content, and language. Second, it supports and extends models of procedural justice in organizations. It supports recent work by Tyler and others suggesting that consideration of audiences’ views is an important variable in the procedural legitimacy of decision-makers (see Tyler this volume). Yet it also extends these models by suggesting that there may be some cases (such as ambiguous and deniable controversies) in which consideration may not be the only, or even the most effective, response. Finally, the current framework supports and extends models of language and communication (Wiese et al., 1986) that suggest that audiences gain information about an account-giver from not only the content of the account but also from its form and language. Furthermore, the current framework helps extend these models by discussing how two specific types of messages (rationality and consideration) might be constructed through account form, content, and language following organizational crises.

The framework presented here is not, however, without its limitations. In particular, as indicated by the relatively small number of studies listed in Table 1, it is based on a limited amount of empirical evidence about the management of organizational legitimacy. As more studies are undertaken, the framework will undoubtedly need to be modified. In addition, it does not examine, in detail, how the severity of a controversy would modify the effectiveness of an account. As noted earlier rationality alone may be useful following unforeseeable controversies that are relatively minor (e.g., a fall in rankings), but it may not be sufficient if controversies are major (e.g., a product tampering that leads to consumer deaths). The findings summarized in this
chapter suggest that it may be wise for spokespersons to become more precise in the types of responses they give following threats to their organization’s legitimacy. The account-givers should be at least as sophisticated in what they say as the audiences are in what they expect to be said.
REFERENCES


Figure 1
Architecture of Legitimating Accounts

I. Accounts Following Unforeseeable Controversies

Account Attributes

- Optimal Account Forms: Denials
- Account Content: Logical reasoning & references to industry norms
- Account Language: technical jargon

Legitimating Outcomes

- Internal and External Endorsement
- Perceptions of Normativity
- Perceptions of Professional Trustworthiness and Credibility

Mediating Message

- Organizational Rationality

II. Accounts Following Foreseeable Controversies

Account Attributes

- Optimal Account Forms: Justifications
- Account Content: consideration of audience views & social norms
- Account Language: common terms

Legitimating Outcomes

- Internal and External Endorsement
- Perceptions of Normativity
- Perceptions of Professional Trustworthiness and Credibility

Mediating Message

- Organizational Understanding & Consideration of audience views
REPENT!
or at least 
acknowledge 
that mistakes 
were made.