Legitimation and institutionalization of managerial practices. The role of organizational rhetoric

Heiko Hossfeld

University of Duisburg-Essen, Department of Economics, Chair of Work, Human Resource Management and Organization, Universitaetsstr. 11, 45117 Essen, Germany

ARTICLE INFO

ABSTRACT

This paper analyzes how rhetoric is associated with the legitimation and institutionalization of managerial practices. Since rhetoric both shapes and reflects an actor's legitimacy assumptions, rhetoric can be used as an indicator of the institutionalization or cognitive legitimacy of managerial practices. Drawing on and expanding previous research on rhetorical theory and verbal accounts, this paper links argumentation structure and form with processes of institutionalization. The empirical analysis draws on a large text corpus of data from two German banks, both of which implemented drastic downsizing measures. The results show that the process of institutionalization is related to both a decline in argument diversity and a shift from defensive to acclaiming arguments.

1. Introduction

Legitimacy has emerged as a central construct in organizational theory and management research. Organizations need legitimacy, that is, the "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate" (Suchman, 1995, p. 574; see also Harmon, Green, & Goodnight, 2015), because stakeholders will cease to support them if they cease to consider their behavior legitimate (Pfeffer & Salancik, 1978). Therefore, organizational behavior and outcomes depend heavily on the extent to which an organization's practices are perceived as legitimate. At one end of the spectrum there are objectionable practices; they are practices which have a very low degree of legitimacy because they are not only new but also run counter to the interests or moral perceptions of an organization's stakeholders (pragmatic and moral legitimacy, Hudson, 2008). At the other end there are practices which, once they have gained moral and pragmatic legitimacy over time, and if they remain unchallenged, gain cognitive legitimacy or "taken-for-grantedness" (Green, 2004; Suchman, 1995). Such practices are then institutionalized in the sense that they are no longer questioned.

A question that is relevant to theory and practice is thus how objectionable practices become taken for granted. Research on institutional theory (Green & Li, 2011; Zucker, 1977) suggests a close relationship between legitimation, the process in which an organization justifies its actions by showing that they conform to accepted standards, and institutionalization, the process in which a practice becomes accepted or taken for granted and is therefore no longer questioned (Green, 2004). We nevertheless know surprisingly little about how

actors' legitimacy assumptions reproduce and change (Harmon et al., 2015). Parallel to this, there are still gaps in our knowledge of how institutions persist and change (Gondo & Amis, 2013; Micelotta, Lounsbury, & Greenwood, 2017), and especially of how to know when a material practice has become legitimized or institutionalized (Green, Li, & Nohria, 2009).

It has long been recognized that rhetoric and language in general play a fundamental role in the process of gaining and maintaining legitimacy and institutional stability (Berger & Luckmann, 1966; Green & Li, 2011; Green, 2004; Harmon et al., 2015). So far, however, research on this topic has been fragmentary: The few studies that consider language in institutionalization processes do not consider specific managerial decisions at organizational level, but analyze how language is used on the level of organizational fields through abstract institutions, primarily in media texts (Green et al., 2009; Lamertz & Baum, 1998). Legitimacy research meanwhile focusses on the deliberate use of persuasive language surrounding specific managerial practices. Related studies analyze how organizations use rhetoric as a tool for gaining (Erkama & Vaara, 2010; Suddaby & Greenwood, 2005) or reparing (Patriotta, Gond, & Schultz, 2011) legitimacy, but they tend to ignore maintaining legitimacy for already institutionalized practices. We therefore know little about how organizations maintain legitimacy and how the rhetoric they use to do so differs from that used to gain it (Cornelissen, Durand, Fiss, Lammers, & Vaara, 2015; Harmon et al., 2015).

To address these gaps in our knowledge, this paper contributes to management and organizational research by advancing theory regarding the question of how legitimation of managerial practices

through language – managerial rhetoric, in other words – is connected to the institutionalization of these practices. If we know how the rhetoric of highly institutionalized practices differs from the rhetoric of objectionable practices, we can use organizational rhetoric as an indicator of degrees of institutionalization and institutional stability, which are difficult to measure directly (Green et al., 2009; Harmon et al., 2015).

Assuming embedded agency – managerial rhetoric depends on the institutional context – and drawing on existing research on argumentation structure and form (verbal accounts), I develop the central idea of this paper, which is that the less diverse the argumentation, and the more acclaiming arguments (compared to defensive arguments) are used around a practice, the greater the degree of institutionalization of that practice. A practice can be assumed to be fully institutionalized (taken for granted) when the rhetoric surrounding it is reduced to a very small number of different, exclusively acclaiming, arguments.

To examine and demonstrate the link between argumentation and institutionalization, I analyze the legitimation process surrounding the introduction of downsizing measures by two German banks. Using argumentation analysis, I show how the structure and form of managerial argumentation developed and changed over a period of three years. The study draws on a large text corpus (1.3 million words) derived from the in-house mass communication media of both banks. I conclude with a discussion of the implications of my findings for organizational and management research.

2. Legitimation, institutionalization and rhetoric

Before the relationship between rhetorical legitimation and institutionalization can be developed, it is first necessary to explain how these two phenomena are connected. The central element that links them is institutional logics.

2.1. Embedded agency, institutional logics and rhetoric

Since objectionable practices are characterized by a (perceived) lack of congruence with the criteria for legitimate managerial behavior, organizational science emphasizes the importance of institutional logics in the process of legitimation (Ocasio, Loewenstein, & Nigam, 2015; McPherson & Sauder, 2013). The criteria for legitimate behavior are not purely individual, and they largely take the form of institutional logics that are broadly shared within a social system. Furthermore, such institutional logics have themselves often acquired taken-for-granted status, which means that they are hardly ever questioned (Green & Li, 2011; Suddaby & Greenwood, 2005). For example, the logic that organizations are primarily concerned with maximizing their financial data is today seen as a matter of fact.

Early research on institutional theory suggests that institutional logics are so influential that researchers in the field focused on mechanisms of isomorphism: Actors merely adapt to the institutional context, either of their own free will, because as macro-level belief systems institutional logics "shape cognition and influence decision making" (McPherson & Sauder, 2013, p. 167), or unwillingly, because they otherwise run the risk of losing legitimacy (Huybrechts, 2010). More recent research relativizes this over-deterministic view and takes "embedded agency" (Greenwood & Suddaby, 2006; Leca & Naccache, 2006) as a basis: Although human action is strongly influenced by the institutional context, actors are still capable of changing institutions (Seo & Creed, 2002). This is chiefly because institutional logics are neither uncontested nor stable, "even in highly mature fields" (Greenwood & Suddaby, 2006, p. 28); they can change as a result of exogenous jolts like competitive discontinuities or technological change (Greenwood & Suddaby, 2006). Different institutional logics even co-exist within the same organizational field (Huybrechts, 2010), and because they do not constitute a coherent whole (Leca & Naccache, 2006), they generate latent contradictions (Seo & Creed, 2002). For this

reason, institutional entrepreneurs – actors with sufficient resources – can skillfully use institutional logics to facilitate institutional change (Leca & Naccache, 2006).

They do this primarily by rhetorical means. Rhetoric helps to create congruence between an innovation and dominant institutional logics (Suddaby & Greenwood, 2005). Rhetoric characterizes a type of everyday language, the purpose of which is to achieve cooperation by symbolic means (Burke, 1969). It encourages us to see reality in a certain way, by foregrounding some aspects while ignoring others (Green & Li, 2011). In this way, rhetoric closes the theoretical gap between structure and agency: In order to detach themselves from governing structures on the material level and introduce new practices and structures, actors signalize on the symbolic level conformity to the institutional context.

The use of rhetorical means in this process is equally a form of embedded agency. This view distances itself from research in the tradition of structural institutionalism that regards language as an artifact merely reflective of social structures (Green & Li, 2011). Nevertheless, it does not mean that institutional entrepreneurs can manipulate meanings at will and are entirely free in their choice of means. On one hand, rhetors themselves are part of the institutional context. This is shown above all in the research on "new rhetoric" (Perelman & Olbrechts-Tyteca, 1969), which "focuses more on how words use us" (Green & Li, 2011, p. 1671): Speakers employing rhetoric can only use the institutional logics they know. On the other, as classical rhetoric was already aware, successful rhetoric orients itself on the audience (Aristotle, 1926, but see also Billig, 1987), that is, on the legitimacy assumptions of the stakeholders. That is why rhetoric can never be understood purely monologically, not even in written texts: rhetoric is always also the answer to (real or hypothetical) criticism (Shotter, 1992).

Similar to Green, Li, and Nohria (2009), I use a combined perspective from classical and new rhetoric here. While classical rhetoric puts emphasis on the persuasive means and thus also on the rhetor, new rhetoric focuses on "interpretation from the point of view of the listener or audience" (Hoefer & Green, 2016, p. 133). Alongside the other rhetorical modes, such as tropes (Sillince & Barker, 2012) and metaphors (Hossfeld, 2013), argumentation has been the main focus of academic interest since classical antiquity (Aristotle, 1926). Argumentation combines institutional logics with concrete practices in the form of descriptive and normative arguments: arguments combine ideas about how the world is (downsizing raises efficiency) and how it should be (downsizing is legitimate) with a specific practice.

In recent years, several empirical studies have analyzed the arguments used by social actors during times of change (e.g. Erkama & Vaara, 2010; Patriotta et al., 2011; Sillince, Harindranath, & Harvey, 2001). Most of them are descriptive studies analyzing how actors use arguments to gain legitimacy for a practice. The rhetoric of maintaining legitimacy (for legitimate or institutionalized practices), meanwhile, has not been central to research interest. So far, research for the main part has assumed that "at the highest level of institutionalization actors stop using language – they stop discussing the practice" (Sillince & Barker, 2012, p. 9). This may be because institutional research in part views language in this phase as a mere passive act of conformity with a dominant institutional logic (Patriotta et al., 2011, see also Green, 2004), or because "any overt attention – including supportive attention – may have the detrimental side effect of problematizing comprehensibility and disrupting taken-for-grantedness" (Suchman, 1995, p. 596). At the same time, like institutional logics, practices are repeatedly reproduced in communication, which is how taken-for-granted status is maintained (Koller, 2005; Ocasio et al., 2015). This suggests that what changes is merely the type of communication.

The central idea of this paper is that the use of language depends on how institutionalized a practice already is, since organizations (as institutional entrepreneurs) orient their rhetoric on the institutional context, that is, on the legitimacy assumptions of the stakeholders. The