

Follow the rules:

How SMEs that are embedded in the concern of an MNE manage legitimacy



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Preface

In front of you is my master thesis: *Follow the rules: How SMEs that are embedded in the concern of an MNE manage legitimacy*. I wrote this master thesis to complete my Master specialization Organizational Design and Development at the Radboud University of Nijmegen.

After graduating in Business Administration at the University of Applied Sciences in 2018, I still had the desire to develop myself at an academic level. After some consideration I decided to apply myself to the Pre-Master Business Administration. Two years later I can definitely say that I made the right choice, since I really enjoyed my academic adventure. The last couple of months of writing the master thesis were intensive and challenging especially in times of COVID-19. Therefore, I would like to make some acknowledgements to the people that supported me throughout the conduct of this research.

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In addition, I would like to thank my family, girlfriend and friends that supported me during the conduct of this research. These people motivated me to finish this master thesis in a good way.

Hopefully you will enjoy reading my master thesis.

Lars Leenders

Nijmegen, June 2020

Abstract

To generate more knowledge on legitimacy management of SMEs, this research investigated how SMEs manage their legitimacy. In addition, this research focused on a specific type of SMEs: SMEs that are embedded in a larger concern. The research was a multiple case study with a qualitative approach. The data collection included document analysis and six semi-structured interviews. The gathered data was analyzed by means of a template analysis. The cases of the research were four operating companies (SMEs) that were embedded in the concern of an MNE that operates in the construction industry. The legitimacy of the MNE and its operating companies was affected by the nitrogen crisis. The results of this research demonstrated two actions of the operating companies that helped them to maintain the legitimacy of their work practices. Firstly, the operating companies were actively adapting their organizational practices to the new societal expectations in order to meet the nitrogen standards. Secondly, the operating companies provided misleading information in their calculations to get their building permits granted. These two actions are similar to legitimation strategies of isomorphic adaptation and strategic manipulation. However, this research indicated that SMEs have a different application of the strategic manipulation strategy. In addition, this research demonstrated that the guidance and sharing of knowledge of the MNE contributed to the effectiveness of legitimacy management of the operating companies. Also, the operating companies were not confronted with difficult decisions related to conformance to pressures of the concern which conflicted with their own environment.

Keywords: Legitimacy management, Small-medium enterprises, Institutional duality, Nitrogen crisis

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Chapter 1: Introduction

This chapter represents the general introduction of the research. The chapter starts by discussing the background of this research, followed by the problem formulation and at last the outline of the report is given.

1.1 Background

Multinational enterprises (MNEs) and increasingly small-medium enterprises (SMEs) operate in complex and ambiguous business environments, where they face contradictory expectations from their societal and institutional environment (Kostova & Zaheer, 1999; Scherer & Palazzo, 2007). Kostova and Zaheer (1999) suggest that this complexity is reflected in two major aspects. First, institutional environments are fragmented and composed of different domains reflecting different types of institutions: regulative, cognitive and normative (Scott, 2013). Second, organizations that operate in multiple countries that may vary with respect to their institutional environments, will be exposed to multiple sources of authority (Sundaram & Black, 1992). In such environments, managing legitimacy is generally seen as a key challenge for organizations (Kobrin, 2009; Kostova & Zaheer, 1999; Scherer, Palazzo, & Seidl, 2013). Legitimacy is known as the “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). Pfeffer and Salancik (1978) argue that legitimacy is a precondition for the continuous flow of resources and for securing the support of the organization’s constituency. So, legitimacy is an important resource for organizations, as legitimate organizations are perceived to deserve consideration and support (Dowling & Pfeffer, 1975). According to institutional theory, organizations exist in an environment where certain issues, rules and parties are relevant, the so-called organizational field (DiMaggio & Powell, 1983; Hoffman, 1999; Scott, 1994). Institutional scholars argue that legitimacy determines whether an organization incorporates the right behavior in the organizational field (Colyvas & Powell, 2006; Deephouse, Bundy, Tost, & Suchman, 2017; Tost, 2011). Organizational legitimacy thus enhance the survival chances of an entity (Meyer & Rowan, 1977). However, the legitimacy dynamics and pressures that MNEs face are rather different than SMEs (Ivanova & Castellano, 2012; Peng, 2003). MNEs often face problems with societal approval due to higher public scrutiny, NGO activism and frequent scandals reported in the media (Schembera & Scherer, 2019). In contrary, SMEs normally do not receive much public attention, are not scrutinized, and feel less pressure to respond to external expectations (Beck

& Walgenbach, 2005; Schembera & Scherer, 2019). As their legitimacy is not contested, SMEs' legitimacy seem to have a taken-for-granted status (Schembera & Scherer, 2019). Therefore, literature on legitimation strategies for (re)-adapting organizational perceptions to institutional environments has tended to focus on MNEs rather than SMEs. Scholars describe three legitimation strategies to (re)establish the congruence between organizational activities and societal expectation: isomorphic adaption strategy, strategic manipulation and moral reasoning strategy (Driscoll, 2006; Oliver, 1991; Scherer et al., 2013; Scott, 2013; Suchman, 1995). However, SMEs may also have challenges in managing legitimacy, despite flying usually 'under the radar'. For example, SMEs lack resources to reject certain business practices and to bargain about appropriate conduct (Hauser & Kronthaler, 2014; Reinikka & Svensson, 2002). As SMEs are perceived as the growth engines of national economies (Jamali, Zanhour, & Keshishian, 2009; Murillo & Lozano, 2006), it is relevant to gain more insights how SMEs can manage legitimacy. For example in the Netherlands, SMEs provide for 71% of the employment and contribute for 62% to the overall economic value creation (Staat van het MKB, 2019). Some scholars investigated legitimacy in SMEs (Ivanova & Castellano, 2012; Ruffo, Mnisri, Morin-Esteves, & Gendron, 2018; Schembera & Scherer, 2019), but previous work has failed to address how SMEs manage legitimacy. Moreover, due to the globalized economy, more SMEs are operating in complex multiple institutional environments and thus face increased risks of being involved in corruption or other social and environmental problems (Hauser & Kronthaler, 2014). Oliver (1992) argues that such situations may lead to the questioning of the legitimacy of practices in the institutional environment. Due to this change in the institutional dynamics of SMEs' environments, legitimacy management literature can thus no longer assume that SMEs have a taken-for-granted status in terms of their legitimacy. Therefore, it is relevant to create more knowledge in this field of research to understand how SMEs manage legitimacy. The empirical context of this research allows the researcher to generate insights in legitimation strategies of SMEs, which will contribute to the SME' legitimacy management literature gap. This research focusses on SMEs in the Dutch construction industry in the Netherlands, whose legitimacy was at stake due to the nitrogen crisis that arose in 2019. Organizations in the construction industry needed to re-adapt their organizational practices to the shifting expectations in the construction industry to maintain their legitimacy. In addition, this research focusses on a specific type of SMEs: SMEs that are embedded in the concern of an MNE. Organizations that are embedded in a larger concern, may have to make difficult decisions related to the acquisition and maintenance of legitimacy, as conformance to the concern may compromise its achievement of legitimacy in its own environment (Hughes, Powell, Chung, &

Mellahi, 2017; Kostova & Zaheer, 1999). For example, a subsidiary is pressured by its parent company to outsource its logistic process to a partner of the parent company. However, the current logistic process is executed by parties and partners in the local environment of the subsidiary, which provides a majority of employment in this environment. Therefore, the subsidiary has to make a difficult decision between conforming to the MNE or conforming to its local environment. This paradoxical situation is known in literature as institutional duality (Hillman & Wan, 2005; Kostova & Roth, 2002; Kostova & Zaheer, 1999). Scherer et al. (2013) suggest that future research might focus on how organizations manage legitimacy challenges in these paradoxical situations. The context of this research, SMEs that are embedded in the concern of an MNE, enables the researcher to discover how SMEs that are embedded in such relationships manage legitimacy. Hence, literature on managing legitimacy in paradoxical situations can be further developed due to the results of this research. Literature of similar organizational relationships, like headquarter-subsidary literature, provided some insights how organizations manage legitimacy in contradicting institutional environments (Kostova, Roth, & Dacin, 2008; Rodriguez, Siegel, Hillman, & Eden, 2006). However, headquarter-subsidary literature acknowledge that more research is needed to further explain and understand how the multiple and heterogeneous forces in complex institutional environments affect legitimacy management (Kostova, Marano, & Tallman, 2016; Kostova et al., 2008; Kostova & Zaheer, 1999). The particular area of how MNE subsidiaries manage legitimacy and pressures in conditions of institutional duality remains unclear (Nell, Puck, & Heidenreich, 2015; Pache & Santos, 2010). In addition, Hoenen and Kostova (2015) note that the mismatch between headquarters expectations and subsidiary behavior continues to be an issue that needs further understanding. From an empirical perspective, the insights of this research can be used by other managers that operate in the same organizational context. This research generates knowledge how managers of SMEs that are embedded in a larger concern managed their legitimacy in the nitrogen crisis. As a result, this research provides insights in the actual dynamics of legitimacy management in such organizational relationships. Therefore, it helps managers to understand how the embeddedness in a larger concern influences the decisions that are made in terms of legitimacy management. In addition, managers can learn how the embeddedness can contribute or limit the effectiveness of their legitimacy management.

1.2 Problem formulation

The aim of this research is to create knowledge on how SMEs that are embedded in the concern of an MNE manage legitimacy. Current literature on legitimacy management has been limited to MNEs and how SMEs that are embedded in a larger concern manage legitimacy in contradicting institutional pressures remains largely unexplored. This research seeks to extend literature in these fields of research, by enhancing our understanding of the way how SMEs that are embedded in the concern of an MNE manage legitimacy.

Considering the aim of the research, the following research question was formulated:
How do SMEs that are embedded in the concern of an MNE manage legitimacy?

To answer the research question, a multiple case study was conducted with a qualitative approach. This approach included document analysis and six semi-structured interviews among four SMEs that are embedded in the concern of an MNE. To analyze the data gathered, a template analysis has been used.

1.3 Outline of report

The master thesis is structured as followed. The next chapter provides a theoretical background where the concepts of institutional theory, legitimacy management, legitimacy management in SMEs and institutional duality are discussed. The chapter ends with a theoretical framework of the described literature. Subsequently, Chapter 3 elaborates on the methodological choices for a qualitative research approach, a multiple case study design and the case descriptions. After that, the methods of data collection, the use of template analysis as an analysis technique, the research criteria and the research ethics are described. Next, Chapter 4 presents the actual results of this research. This chapter addresses how the organizational field of the construction industry was affected by the nitrogen crisis, the context of being embedded in a larger concern and the activities that were taken in relation to the nitrogen crisis. Finally, Chapter 5 provides a conclusion where the research question is answered. In addition, the theoretical- and practical implications are described, followed by a description of the limitations of this research and the recommendations for further research. The chapter ends with an elaboration on the role of the researcher and how this have might have affected the results of this research.

Chapter 2: Theoretical background

This chapter describes the most important theoretical concepts of this research. The first paragraph discusses institutional theory. In the second paragraph, managing legitimacy is introduced, and next managing legitimacy in SMEs is explained. Subsequently, institutional duality is described. The last paragraph elaborates on the theoretical framework which demonstrates an overview of the theoretical background.

2.1. Institutional theory

Institutional theory examines organizational entities and explains the reasons for homogenous characteristics or forms in organizations which are within the same organizational field (Fernando & Lawrence, 2014). An organizational field consists of “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983, p. 147). According to institutional theory, organizations conform to institutional pressures within the organizational field, because this will increase legitimacy, resources and survival capabilities (Scott, 1987). Moreover, powerful forces within society causes organizations within the organizational field to become more similar to one another (DiMaggio & Powell, 1983). This process of homogenization is an important dimension in institutional theory and known as isomorphism (DiMaggio & Powell, 1983). Isomorphism is defined as the “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio & Powell, 1983, p. 149). DiMaggio and Powell (1983) argue that institutional isomorphism may be broken down in three distinct processes: normative isomorphism, coercive isomorphism and mimetic isomorphism. The first process, normative isomorphism, is driven by pressures emerging from common values to adopt particular institutional practices. The second process, coercive isomorphism, occurs when external factors pressure organizations into making structural and policy changes to respond to their concerns. So, this pressure arises from powerful or critical stakeholders on which an organization depends. The third and final process, mimetic isomorphism, refers to the tendency of an organization to imitate another organization, mainly to obtain competitive advantages in terms of legitimacy. All three isomorphic processes together lead organizations to adopt similar structures and procedures in their organizational structure and practices (Carpenter & Feroz, 2001; DiMaggio & Powell, 1983).

So, institutional theory is built on the premise that organizations respond to pressures from their institutional environments and adopt structures and procedures that are socially accepted as being the appropriate organizational choice (Carpenter & Feroz, 2001). However, institutional environments change over time, are not uniformly taken-for-granted, and are challenged as well as contested (Dacin, Goodstein, & Scott, 2002). Oliver (1992) identified three major sources for pressures that can change the institutional environment: functional, political and social sources. Functional pressures arise from perceived problems in performance, political pressures result from shifts in the interest and underlying power distributions and social pressures are associated with differentiation of groups, divergent beliefs and social expectations (Oliver, 1992). Such pressures may be triggered in response to environmental changes, organizational crises or other factors that may lead organizations to question the legitimacy of a given practice in the institutional environment (Oliver, 1992).

2.2 Managing legitimacy

From an institutional perspective, organizational legitimacy is a fundamental concept, as it is a necessary component of institutionalization (Colyvas & Powell, 2006; Deephouse et al., 2017; Tost, 2011). Organizational legitimacy is the “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). Legitimacy is the means by which organizations obtain and maintain resources (Oliver, 1991), and the goal behind organization’ isomorphism with expectations of key stakeholders in the environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). By conforming to social norms and beliefs and adherence to institutional rules and norms, organization implicitly expect organizational legitimacy (Fernando & Lawrence, 2014). The search for legitimacy is commonly seen as a key driver for organizations to respond to demands from within their environment and to become reintegrated (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Meyer & Rowan, 1977; Scherer & Palazzo, 2007). However, the corporate institutional environment has become highly complex and ambiguous (Child & Rodrigues, 2011; Jones & Fleming, 2003; Smith & Lewis, 2011). In recent years, several organizations have been involved in social and environmental disasters, which has led to a challenge to their legitimacy (Palazzo & Scherer, 2006). As a result, citizens are increasingly demanding that businesses should not only justify and legitimate their economic actions, but also their social and environmental actions (Colleoni, 2013). Due to these conditions, organizations have difficulties in maintaining their legitimacy (Kobrin, 2009; Kostova & Zaheer, 1999; Scherer &

Palazzo, 2007). Organizational legitimacy can be affected by a shift in the institutional environment when organizational activities “are seen as undesirable or as violating societal norms” (Patterson & Allen, 1997, p. 293). Institutional theory scholars have acknowledged that legitimacy is particularly at stake when routines fail and a transgression or crisis occurs (Ashforth & Gibbs, 1990; Meyer & Rowan, 1977; Scherer et al., 2013). As mentioned by Oliver (1992), crisis situations are an example of a trigger for pressures that change the institutional environment. A crisis occurs when “a major, unpredictable event threatens to harm the organization and its stakeholders” (Massey, 2001, p. 157). An organizational crisis conveys a fundamental threat to system stability, a questioning of core assumptions and beliefs, and threats to high-priority goals, including image, legitimacy, profitability and even survival (Seeger, Sellnow, & Ulmer, 1998). Therefore, organizations can lose their legitimacy in an organizational crisis, when organizational actions no longer conform to what is considered to be appropriate organizational behavior (Palazzo & Scherer, 2006; Suchman, 1995).

According to institutional theory, when a mismatch between organizational activities and societal expectations occurs, organizations need to (re)-adapt to perceptions of their institutional environment to maintain their legitimacy (Schembera & Scherer, 2014). Tost (2011) defines the process of re-negotiating with the environment as legitimacy reassessment. As stated in paragraph 1.1, scholars have described three legitimation strategies: isomorphic adaptation strategy, strategic manipulation and moral reasoning strategy (Driscoll, 2006; Oliver, 1991; Scherer et al., 2013; Scott, 2013; Suchman, 1995). Isomorphic adaptation happens when organizations adapt their organizational practices to societal expectations (Schembera & Scherer, 2017). For example, when organizations change their practices to meet the interests and legitimacy concerns of their most powerful stakeholder groups (Mitchell, Agle, & Wood, 1997). The strategic manipulation strategy occurs when organizations actively influence social expectations by swaying or manipulating the perceptions of key actors or policy-makers in the organizations environment (Barley, 2010; Child & Rodrigues, 2011; Oliver, 1991). Key instruments of this strategy are advertising campaigns, dissemination of (misleading) information, lobbying and other tactics of strategic public relations and impression management (Fombrun, 2001; Oliver, 1991; Scherer et al., 2013). Scholars argue that the strategic manipulation strategy is similar to the concept of decoupling, because both strategies do not change the organizational activities that are criticized (Palazzo & Richter, 2005; Scherer et al., 2013; Weaver, Trevino, & Cochran, 1999). Decoupling is “the situation in which the formal organizational structure or practice is separate and distinct from actual organizational practice”(Dillard, Rigsby, & Goodman, 2004, p. 510). The decoupling strategy assumes that

logic of confidence and good faith is employed, instead of coordination, inspection and evaluation (Meyer & Rowan, 1977). However, considering the shifting expectations from society (Colleoni, 2013), seems the assumption of decoupling not always possible. In addition, Schembera and Scherer (2014) argue that besides decoupling there is another extreme variant of strategic manipulation which is known as substantial influence. These scholars define this variant of strategic manipulation as “an organization’s radical and active effort to (1) manipulate public perceptions and (2) change its own organizational practices” (Schembera & Scherer, 2017, p. 331). The moral reasoning strategy is based upon a process of deliberation (Scherer et al., 2013). In this strategy, organizations may engage in a discursive argumentation process with focal stakeholders and societal groups about the acceptability of the organization’s status quo and behavior (Schembera & Scherer, 2017; Scherer et al., 2013). The goal is to reach consensus (or at least an informed compromise) and ultimately a new match between organizational practices that will (re)establish legitimacy (Palazzo & Scherer, 2006).

The main difference between the legitimation strategies lies in their assumptions about the locus of control (Scherer et al., 2013). The isomorphic adaptation strategy builds on the assumption that organizations are subject to the control of surrounding institutional pressures and routines, while the strategic manipulation strategy suggest that organizations can influence how its key constituencies perceive its legitimacy. The moral reasoning strategy, argues that legitimacy derives from the discourses that connect organizations with their environment (Scherer et al., 2013). Scherer et al. (2013) argues that the choice between legitimation strategies can be explained by two factors: the cost of organizational change and the consistency of societal expectations. When societal expectations are consistent and/or under conditions of widely accepted standards of behavior, organizations tend to choose isomorphic adaptations strategies when the cost of organizational change are low and strategic manipulations strategies when the costs are high (Scherer et al., 2013). However, due to the growing complexity and heterogeneity of today’s social environment, organizations acknowledge the necessity of the moral reasoning as an alternative legitimacy strategy (Child & Rodrigues, 2011; Jones & Fleming, 2003; Kostova & Zaheer, 1999; Scherer & Palazzo, 2011; Smith & Lewis, 2011). Moreover, organizations need to develop the ability to employ all three legitimation strategies simultaneously (Scherer et al., 2013).

2.3 Managing legitimacy in SMEs

The literature on organizational legitimacy and legitimacy management has mainly been derived on MNEs. However, SMEs cannot be seen as ‘little big firms’ and should not be studied

as such (Fitjar, 2011; Tilley, 2000). A common assumption is that SMEs are homogenous, their defining characteristic being their size (Wilkinson, 1999). But in legal terms, SMEs can take different forms from sole proprietorships and partnerships to cooperatives and other arrangements (Fitjar, 2011). MNEs also have a formal nature in contrary to the informal approach of SMEs (Russo & Tencati, 2009). Moreover, SMEs face very different legitimacy dynamics and pressures than MNEs (Ivanova & Castellano, 2012; Peng, 2003). SMEs and their organizational activities are normally unknown to the wider public, therefore are their organizational activities neither questioned nor challenged (Schembera & Scherer, 2019). It seems that SMEs feel less pressure from expectations from society and the institutional environment (Beck & Walgenbach, 2005). This helps explain why SMEs are not known for frequently being involved in corporate scandals or social or environmental damages (Schembera & Scherer, 2019). However, Ruffo et al. (2018) argue that SMEs have higher chances of failure in terms of legitimacy, due to their liability of smallness and higher institutional pressures coming from their embeddedness in local networks of actors (Freeman, Carroll, & Hannan, 1983). SMEs are more dependent on strong community relationships and need to respect the norms of collective behavior in order to survive (Russo & Tencati, 2009). The local embeddedness of SMEs and the lower number of stakeholders increases the relative power of the local community (Ruffo et al., 2018). In addition, SMEs can easily import instability from the environment which makes them more vulnerable (Smallbone, Piasecki, Venesaar, Todorov, & Labrianidis, 1998).

2.4 Institutional duality

In the case of MNEs, gaining and maintaining organizational legitimacy is difficult because of the multiplicity of their legitimating environments, the fragmented nature of their institutional contexts (Saka-Helmhout, Deeg, & Greenwood, 2016). MNEs and their subsidiaries often encounter **multiple institutional environments** that are in conflict with each other (Beddewela, 2019). Three levels of organizational fields can be found in relation to MNEs: the meta field, the meso field and the intra-organizational field (Kostova et al., 2008). The meta field is created by MNEs across countries and industries which operate according to particular rules, logics and norms and is subject to scrutiny and sanctions by legitimating actors in the case of deviation or violation (Kostova et al., 2008). The meso field is encountered by MNE subsidiaries across different host-countries and which are characterized by their multiplicity, ambiguity, inconsistency and fragmented nature (Kostova et al., 2008). The intra-organizational field is

created by the MNE and is characterized by a set of regulations, cognitive structures and norms which make certain practices and structures more acceptable than other (Kostova et al., 2008).

In the meso-organizational field, subsidiaries face particular challenges in managing legitimacy because they experience pressures from their external host-country constituents and from their parent companies (Kostova et al., 2008; Rodriguez et al., 2006). This paradoxical situation in legitimacy management has become known in literature as institutional duality (Hillman & Wan, 2005; Kostova & Roth, 2002; Kostova & Zaheer, 1999). The context of institutional duality in the meso-organizational field is comparable to the context of this research. Kostova and Zaheer (1999) describe institutional duality in terms of pressures for internal and external legitimacy. The first, internal legitimacy, refers to the approval from the parent company and the adaptation of practices which are institutionalized within the MNE and shaped by the home country environment of the parent company. The latter, external legitimacy, relates to the institutional environment in which the subsidiary is embedded and stems from the adaptation on practices from this environment. The decision related to the conformance towards internal legitimacy or external legitimacy can be influenced by the nature of the relational context between the parent company and its subsidiary (Kostova & Roth, 2002). Kostova and Roth (2002) identifies three elements that together form the relational context: dependence, trust and identity. Dependence implies dependence of subsidiaries on their parent company's resources and is associative of subordination and control. Subsidiaries which are highly dependent upon their parent company's resources are more likely to comply to the pressures of the parent company (Kostova & Roth, 2002). Trust is what defines the involvement of the parent company in its subsidiary and the honesty and fairness granted to the subsidiary. Higher levels of trust increases the conformance of subsidiaries to internal organizational field pressures, internal policies, practices and structures of the parent company (Kostova & Roth, 2002). Identification refers to the similarity in norms and values between the subsidiary and the parent company. When a subsidiary identifies more closely with its parent company, it is more likely to conform with the parent company's policies, practices and structures (Kostova & Roth, 2002). Scholars argue that MNEs have been known to use output controls and behavior controls to regulate policies, practices and structures within the relational context (Ghoshal & Nohria, 1989; Kostova & Roth, 2002; Mendez, 2003; Roth, Schweiger, & Morrison, 1991). Output control is the control exercised by the parent company on the use of resources by their subsidiaries by enacting performance reporting systems, designed to gather relevant data to measure their conformance with the parent company's policies and practices (Egelhoff, 1984; Ouchi, 1977; Ouchi & Maguire, 1975). Behavior controls uses shared norms and values in a

process of reinforcement of the parent company's culture within the subsidiary (Baliga & Jaeger, 1984; Hamilton, Taylor, & Kashlak, 1996). However, some scholars argue that autonomy of subsidiaries provide access to knowledge and ideas through their linkages with the host country and can thus add great value to the MNE by engaging in autonomous entrepreneurial behavior (Birkinshaw, 1997; Galunic & Eisenhardt, 1996). Dörrenbächer and Geppert (2010) identified that subsidiaries follow two generic approaches in order to gain resources needed for initiatives: (1) lobby the parent company for the resources to be assigned to them; (2) independently develop the necessary resources. For the latter approach, Delany (2000) provided numerous examples of subsidiaries engaging in autonomous actions beyond its direct authority in order to develop resources, even though many MNEs headquarters have been hostile to subsidiary initiatives and wish to strictly control the subsidiary's activities. In addition, Sargent and Matthews (2006) identified that subsidiary management occasionally is being forced to assume its own autonomy due to a lack of corporate support for subsidiary initiatives.

Another aspect that influences institutional duality is organizational identification. Organizational identification is a "form of psychological attachment that occurs when members adopt the defining characteristics of the organization as defining characteristic of themselves" (Dutton, Dukerich, & Harquail, 1994, p. 242). Vora, Kostova, and Roth (2007) argue that organizational identification is particularly important in MNEs subsidiaries, because the context of the identification is complex. Due to the pressures from the parent company and pressures from the subsidiary's own institutional environment, subsidiaries managers tend to develop dual organizational identification (Vora et al., 2007). Dual organizational identification refers to "an individual sense of identification with two organizational entities, which could be at various levels, such as department, division, subsidiary or overall organization" (Vora & Kostova, 2007, p. 331). So, dual organizational identification affects managers ability to act on behalf of both organizational entities and thus how managers fulfill their multiple roles (Vora et al., 2007). Vora and Kostova (2007) group dual organizational identification in three main areas. Individuals can experience disparate MNE-oriented dual organizational identification (higher identification with the MNE compared to the subsidiary), disparate subsidiary-oriented dual organizational identification (higher identification with the subsidiary compared to the MNE), or comparable levels of dual organizational identification (Vora & Kostova, 2007). The relative magnitude of an individual's dual organizational identification is determined by the relative potential of each target to fulfill the needs for self-improvement and reduction of uncertainty (Vora & Kostova, 2007). So, subsidiary managers may identify more with the MNE

than their own subsidiary if the MNE as a whole is making them feel better or more certain about themselves. In addition to the areas, Vora and Kostova (2007) suggest that the form of dual organizational identification can be distinct, compound or nested. The distinct forms “occurs when an individual who identifies with two entities cognitively distinguishes between these identifications” (Vora & Kostova, 2007, p. 333). So, a subsidiary manager may identify with both entities, but the manager perceives such identifications to be separate and unrelated and thus may accept and adopt different subsets of values and goals from each entity. The compound form “occurs when individuals perceive their identifications as overlapping somewhat” (Vora & Kostova, 2007, p. 333). In this form, individuals can more easily identify with both entities at the same time and may find it more difficult to make a distinction between the two. The nested form “occurs when an individual identifies with two entities and views one identification as superordinate to, and therefore encompassing, the other” (Vora & Kostova, 2007, p. 333). Therefore, an individual may find it extremely difficult, if not impossible, to make a distinction between the two entities with regard to identification.

Spillovers are another aspect which is related to institutional duality and also may affect the legitimacy management. A spillover refers to the degree “which a message influence beliefs related to attributes that are not contained in the message” (Ahluwalia, Unnava, & Burnkrant, 2001, p. 458). A legitimacy spillover occurs when the legitimacy of a primary subject modifies the legitimacy of a cognitively related secondary subject without modifying the legitimacy of the former (Kostova & Zaheer, 1999). Kostova and Zaheer (1999) distinguishes between horizontal and vertical legitimacy spillovers. Horizontal legitimacy spillovers transfer legitimacy between subjects that operate at the same organizational level, for example two subsidiaries of a parent company. Vertical legitimacy spillovers span more than one level, for example between a subsidiary and the parent company. In addition, Kostova and Zaheer (1999) argue that the effects of legitimacy spillovers are symmetric, which implies that negative spillovers have a stronger effect than positive spillovers (Kostova & Zaheer, 1999). The main cognitive mechanism which underlies legitimacy spillovers is the degree of similarity between a legitimacy subject and a prototype that one uses for assessing the probability of that subject’s categorical membership (Kostova & Zaheer, 1999). So, similarity in organizational features can be used as a heuristic to provide legitimacy to an unknown entity under certain circumstance (Bitectine, 2011). Therefore, managers can use legitimacy spillovers in their favor, by associating organizational units with other highly legitimate organizational units in the environment (Dacin, Oliver, & Roy, 2007; Kostova & Zaheer, 1999).

2.5 Theoretical framework

This research studies how SMEs that are embedded in the concern of an MNE manage legitimacy. The theoretical background has shown that SMEs that are embedded in such a relationship exist in the so-called ‘meso organizational field’. In the meso organizational field organizations face paradoxical legitimacy pressures due to institutional duality. This chapter described three aspects related to institutional duality that also affect the meso organizational field: relational context, spillovers and dual organizational identification. Furthermore, the theoretical background has shown that, according to institutional theory, legitimacy is the key factor for organizations to respond to the demands of the organizational field. The literature provided three generic legitimation strategies for organizations in legitimacy management. However, scholars argue that this literature has mainly been derived on MNEs and might not be applicable to SMEs. Nevertheless, the literature on legitimation strategies can be used as a frame of reference in investigating and understanding legitimacy management in SMEs. This research investigates SMEs that are embedded in the concern of an MNE. Therefore, the aspects of the meso organizational field influence the legitimation strategies of the SMEs that are embedded in the concern of an MNE. This is all represented in the theoretical framework of figure 1.

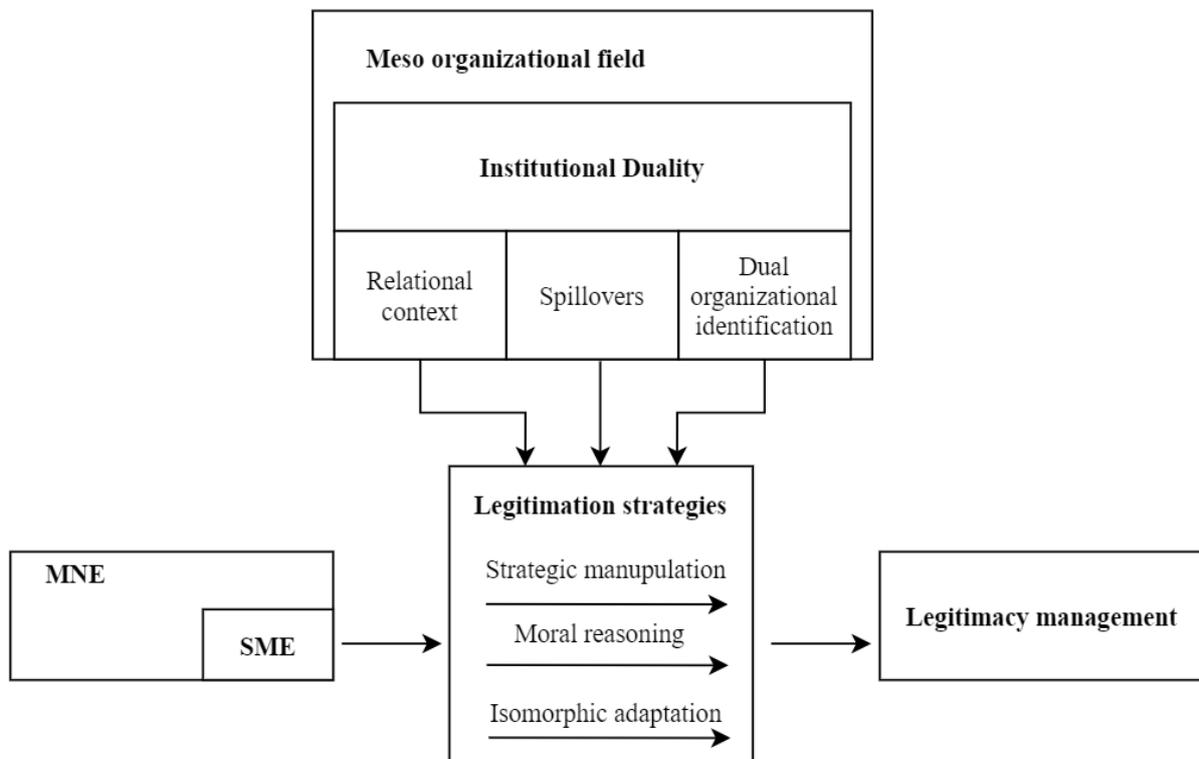


Figure 1: Theoretical framework

Chapter 3: Methodology

This chapter contains the research methodology section of this research proposal. The chapter starts with the overall research method. The next paragraphs explain the design and cases of this research. Subsequently, the methods of data collection, the data analysis technique and research criteria are explained. This chapter ends with the ethical considerations.

3.1 Research method

For this master thesis a qualitative research method was used to answer the research question. Qualitative research contains all forms of research aimed at the collection and interpretation of linguistic material to form statements or conclusions about social phenomenon in reality (Bleijenbergh, 2015). The qualitative research method helped the researcher to explore motivations, reasons, actions and the context for beliefs and actions of respondents. Therefore, by choosing the qualitative research method the researcher enabled himself to study the legitimacy management of SMEs that are embedded in a larger concern in an in-depth way. Myers (2013) described that this allowance to see and understand the context in which decisions and actions take place is the key benefit of the qualitative research method. Furthermore, Bleijenbergh (2015) argued that this method produces rich material, which enables the researcher to make statements about a specific phenomenon using only a few observation units. The use of the qualitative research method was also logical, since this research used institutional theory as a theoretical base. According to Kaplan and Maxwell (1994), does the qualitative research method fits best in the institutional context of research.

In addition, this research used a **combination of inductive and deductive reasoning** in which the researcher moved between the two approaches in an iterative way. Richardson and Kramer (2006) describe this as an abductive process where data is associated with ideas. By using abductive reasoning, the researcher avoided the inherent limitations of inductive and deductive reasoning. As a result, the researcher could use and compare existing literature and new empirical findings (Halecker, 2015). In this way, the researcher benefited from both ways of reasoning to develop and extent literature, which was the aim of this research.

3.2 Research design

In order to explore and answer the research question a multiple case study was conducted. Yin (2009, p. 18) defines a case study “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. The case study seemed the appropriate research design, as

this research had a very specific context: SMEs that are embedded in a larger concern. By using the case study, the researcher really investigated the legitimacy management of organizations that are in such relationships. According to Saunders, Lewis, and Thornhill (2012), this provides a very clear understanding of the context in which a researched phenomenon takes place. In this regard, Myers (2013) indicated that the allowance to explore or test theories within the context of messy real-life situations is an advantage of the case study research. Furthermore, a case study design is a good way for discovering phenomenon on which there has been little or no research conducted (Swanborn, 2013), which was the case in this research.

As described, this research contained multiple cases. By using multiple cases the researcher allowed himself to compare the differences and similarities between the SMEs. As a result, the researcher could better understand what the embeddedness in a larger concern meant and how this could affect the legitimacy management. This is in line with Bleijenbergh (2015) who argues that use of multiple cases helps the researcher to gain better insights in the elements and factors that explain a social phenomenon. In addition, Vennix (2011) stated that multiple cases enables the studying of a social phenomenon in depth, in different contexts and from multiple perspectives. Therefore, the choice for the multiple case study design helped the researcher to better understand the context of the SMEs which increased the chance to find relevant information.

3.3 Case description

The cases of this research were **four operating companies that are embedded in the concern of an MNE that operates in the construction industry**. All four operating companies that are subject of this research are based in the Netherlands, are independent, have their own profit and market responsibility and fall in the category of SMEs. The European Commission (2012) determines whether an enterprise is an SME by staff headcount (< 250) and either turnover (\leq € 50 m) or balance sheet total (\leq € 43 m). The MNE where they are embedded in is known in this research as Concern X. Concern X is an **international construction company** that is active in the Netherlands, the United Kingdom, Canada, the United States and Germany. The legitimacy of Concern X and its operating companies was affected by the nitrogen crisis that arose in 2019. The nitrogen crisis originated when the Dutch Council of state ruled that the active Dutch nitrogen policy, Programma Aanpak Stikstof (PAS), conflicted with the European Habitat Directive (Raad van State, 2019). This ruling led to a halt of an estimated of 18,000 permit applications of construction and infrastructure projects (EIB, 2019). Therefore, the operating companies, that are the cases of this research, needed to re-adapt their organizational practices

to the shifting expectations in the construction industry to maintain their legitimacy. To ensure the anonymity of the operating companies, the researcher used pseudonyms.

Organization	Description
Organization W	Organization W is a construction company that is active in housing construction and renovation. The office is located in the east of the Netherlands and the workforce consists of approximately 65 employees.
Organization X	Organization X is a construction company that is active in housing construction, non-residential construction and renovation. Organization X was founded in 1976. The office is located in the east of the Netherlands and the workforce consists of approximately 75 employees.
Organization Y	Organization Y is a construction company that is active in housing construction, non-residential construction and renovation. Organization Y was found in the 1933. The office is located in the east of the Netherlands and the workforce consists of approximately 100 employees.
Organization Z	Organization Z is a construction company that is active in housing construction, non-residential construction and renovation. Organization Z was founded in 1983. The office is located in the middle of the Netherlands and the workforce consist of approximately 100 employees.

Table 1: Summary table cases

3.4 Methods of data collection

To collect data, two qualitative data collection methods have been used: interviewing and document analysis. Interviews give rich descriptions of individual experiences, problems and meaning (Alvesson & Ashcraft, 2012). Therefore, interviews were a valuable source of data in this research. The interviews helped the researcher to understand the relationship of Concern X and its operating companies and how organizations that are embedded in such relationships managed their legitimacy. The interviews were semi-structured, which involved the use of some pre-formulated questions, but there was no strict adherence to them (Myers, 2013). Therefore, the researcher had some structure during the interviews, but he was also allowed to drift away from the pre-formulated questions. This allowed the researcher to go deeper into important aspects that came up during the interview. According to Symon and Casell (2012), this is the advantage of semi-structured interviews as it gives guidance during interviews, yet at the same time, it provides opportunities for new perspectives to arise. The interview format (Appendix

I) was deductively derived from the theory background of this research. The researcher used these concepts as a theoretical base to inductively find new empirical findings. In addition, all interviews were held with the same interview format (Appendix I), which allowed the researcher to compare interpretations of respondents. Bleijenbergh (2015) argues that this supports the comparability between interviews and cases, which is an important aspect in a multiple case study (Swanborn, 2013).

The researcher intended to conduct nine semi-structured interviews in a physical form. At first, the researcher was supposed to go to the offices of Organization X, Organization Y and Organization Z. At every office, three interviews would be conducted with a Managing Director, a Project Leader and a Construction Site Manager. In this way, the researcher could investigate the legitimacy management of the operating companies in the nitrogen crisis from three different perspectives in the organization. However, due to the outbreak of COVID-19, the contact person of the researcher indicated the researcher that this set up was not possible anymore. After consultation, the researcher was informed that he could interview the contact person face-to-face and that the contact person could arrange four interviews that had to be conducted by telephone. In addition, the researcher found someone in his own network who was working at one of the operating companies (Organization W) of Concern X and who was willing to participate in the research. This resulted in a total of six interviews, of which four were conducted by telephone (table 2). With consent of the respondents, all interviews were recorded to make sure that the researcher could transcribe the interviews afterwards. As the researcher had to conduct four interviews by telephone, the researcher could not examine the body language or the expression of visual emotions of these four respondents. As a result, the researcher was sometimes in doubt if he had to remain silent or had to proceed asking questions. According to Garbett and McCormack (2001) the absence of visual cues is an disadvantage of conducting interviews by telephone. However, the researcher did not notice that respondents did not give complete answers to subjects that had a sensitive character (e.g. relationship with Concern X). This is in line with Novick (2008, p. 393) who argued that respondents are described “as relaxed on the telephone and willing to talk freely and to intimate information”.

Interview	Function of the interviewee	Organization	Method
Respondent 1	Managing Director	Organization X	Face-to-face
Respondent 2	Construction Site Manager	Organization W	Face-to-face
Respondent 3	Project Leader	Organization X	Telephone

Respondent 4	Project Leader	Organization Z	Telephone
Respondent 5	Managing Director	Organization Y	Telephone
Respondent 6	Managing Director	Organization Z	Telephone

Table 2: Overview of respondents

As described, document analysis was also used as a form of data collection in this research. In total, 51 documents have been analysed. The documents that were used for the document analysis of this research were internal documents (e.g. presentations, correspondence), corporate documents (e.g. annual reports, policy reports) and non-corporate documents (e.g. media coverage as available via LexisNexis). However, the documents that were used in the results which were confidential or that would disclose the anonymity of the operating companies are not included in the references of this research. In addition, a complete overview of the documents that have been analysed is provided to the supervisor.

By using documents, the researcher gained more insights in the effects of the nitrogen crisis and how organization can and did respond to it. Without the use of documents, the researcher would not have been able to draw the same conclusions. In this regard, Myers (2013) stated that document analysis allows a researcher to build a richer picture than can be obtained by interviews alone. In addition, Bleijenbergh (2015) argues that documents are an essential form of data, because documents directly reflect what has been decided or said at a given point in time. As a result, the use of documents enabled the researcher to use the details of the documents to cross-check findings with data from the interviews.

3.5 Data analysis

Template analysis was used as a data analysis technique in this research. Template analysis provides the researcher a relatively high degree of structure in the process of analysing textual data with the flexibility to adapt it to the needs of the study (King, 2012). The researcher developed an initial template that was derived on the theory chapter of this research. According to King (2012), template analysis allows the researcher to develop some themes in advance that matches key concepts or perspectives of the research. As a result, the researcher already had some a priori themes in mind before the data analysis started. However, the researcher used this template only as a starting point, during the data analysis the initial template was often modified to the specific needs of this research.

At the start of the data analysis, the researcher read all transcripts and documents to have a clear overview of all the information that was collected in the data collection. Subsequently,

the researcher started with an open coding process which resulted in a total of 56 open codes. Based on the outcomes of the open coding process, the initial template has been revised. The revised template was then reapplied to the first interview transcript and where necessary the researcher modified the template once again. This iterative process continued until all interview transcripts and documents were analysed. In this described process, the researcher made use of the software program ATLAS.ti, which supported the researcher in his data analysis. Finally, this resulted in a final template which can be found in Appendix II. In the final template, the researcher grouped related codes together in higher order sub-themes which were divided in three main themes. In addition, for each code illustrative quotes from the interview transcripts and documents can be found in Appendix III.

3.6 Research criteria

To assess the quality of this research, the criteria of Guba and Lincoln (1989) are used: credibility, transferability, dependability and conformability. *Credibility* is achieved when the researcher establishes a good fit between the “constructed realities of the respondents and the reconstruction attributed to them” (Guba & Lincoln, 1989, p. 237). To ensure credibility between constructed realities of respondents and reconstructions attributed to them a triangulation between interviews and documents were made. Analysing documents provided a solid base for understanding particular decisions of respondents. Furthermore, to establish credibility this research tested the interpretation of the data through member checking. Interviewees got the transcripts of the interviews to check if the researcher have accurately captured the essence of the interview. *Transferability* is the degree to which someone can judge whether the findings of the research are informative to other contexts (Guba & Lincoln, 1989). This research established transferability by providing enough detail about the setting of this research. By providing these specific details, readers of this research can assess whether the results of this research are also applicable to other specific settings. *Dependability* is about how “methodological changes and shifts in constructions have been captured and made available for evaluation” (Guba & Lincoln, 1989, p. 242). To ensure dependability, the researcher has described the methodological choices and considerations that have been made. In addition, the researcher explained methodological changes and shifts that were made during the process of research as a result of the outbreak of COVID-19. Therefore, readers of this research are able to judge why certain decisions were made and how the final understanding of the research situation came about. *Conformability* makes clear where the data of the research came from and how such data were transformed into the findings that are presented in the research. Guba and

Lincoln (1989, p. 243) argue that it is important to establish confirmability to assure that “data, interpretations, and outcomes of inquiries are rooted in contexts and persons apart from the (researcher) and are not simply figments of the (researcher’s) imagination.” Confirmability is enhanced by including a codebook with exemplary quotes and the transcripts. In addition, the transcripts of the interviews and an overview of the documents are provided to the master thesis supervisor.

3.7 Research ethics

Multiple ethical considerations were taken into account when conducting this research. During the interviews, the participants of this research were informed about the aim of this research and what was expected from them. The researcher checked if the participant understood what was expected and provided the participant the opportunity to withdraw from the research when the participant does not feel comfortable with the expectations of the researcher. Furthermore, the participants were informed that they remained anonymous in this research. In this way, the researcher created an open and comfortable atmosphere during the interviews. After collecting the data, the participants were ensured that the data was treated in a confidential manner and that it was only available for the researcher himself and the supervisors from the University. In this regard, to avoid data leakages the researcher locked the gathered data in the personal safe of his digital cloud. Furthermore, the participants got the opportunity to check the transcripts of the interviews, to ensure that the transcripts reflected what the participant intended. These ethical considerations were considered and applied the same in both face-to-face and telephone interviews. Furthermore, it is important that the researcher reflect on its own position in the research as well and how this might have affect the results from the research (Van de Ven, 2007; Watt, 2007). Therefore, paragraph 5.6 discusses the role of the researcher during the conduct of this research.

Chapter 4: Results

This chapter describes the results of the interviews and document analysis. Phrases marked with '*' have been translated from Dutch into English. The results start with an elaboration on the effect of the nitrogen crisis on the organizational field of the construction industry. Subsequently, the context where the operating companies are working in is discussed. Finally, the activities that were taken that are related to the nitrogen crisis are discussed.

4.1 Organizational field construction industry

This paragraph discusses how the organizational field of the Dutch construction industry is affected by the nitrogen crisis. These results provide a deeper understanding on the influence of the nitrogen crisis. Therefore, this paragraph contributes to the understanding of the impact of the nitrogen crisis on the operating companies.

4.1.1 Influence nitrogen crisis

Based on the findings, the influence of the nitrogen crisis on the organizational field of the Dutch construction industry is divided into two levels. First, the findings on industry level will be described. Subsequently, the influence of the nitrogen crisis on organizational level will be discussed.

Effect on industry level

As a result of the decision of the Dutch Council of State, there has been a major stagnation in the granting of permits throughout the Netherlands. The consequences of this stagnation have a major impact on the construction industry. The Economic Institute Construction (EIB (2019) predicted a contraction of six billion euros in the construction industry, which may lead to a new construction crisis (Document 11). Moreover, ABN AMRO (2019a; 2019c) calculated a loss of turnover of 14 billion euros for the next five years with 70,000 jobs at risk (Document 3 & 8). These statements indicate that the construction industry is going to have major losses as a result of the nitrogen crisis. Therefore, organizations have to actively anticipate their business practices in order to survive. The annual report of Concern X mentioned the following about the impact of the nitrogen crisis on the industry: *“It slows down our market, due to uncertainty with our clients. The public sector has an ambitious plan on building residential houses and buildings, but this looks rather blocked by the current nitrogen- and other environmental regulations”* (Document 41). In addition, Concern X stated: *“If we want to survive and thrive, we must cope with these challenges and benefit from the opportunities that arise in this challenging environment. To do this, change and innovation are key”* (Document

41). These quotes illustrate the awareness about the major consequences of the nitrogen crisis. Their awareness indicates that a change is necessary to ensure survival in this shifting environment.

Another aspect of the construction industry that was affected by the nitrogen crisis is the sustainable development. ABN AMRO (2019b) stated that *“the nitrogen crisis created an acute need for sustainable construction”** (Document 14). This implies that the awareness of sustainable construction experienced a positive growth due to the nitrogen crisis. Additionally, the Project Leader of Organization X stated: *“If you look at the construction industry today compared to twenty-five years ago, a lot of things are still the same. Within the construction industry, the culture of doing things the way we used to do them prevails and changes are seen as challenging and difficult. But finally, due to the external pressure, which was difficult and challenging, we gained momentum which is a positive effect”* (Respondent 3)*. This quote indicates that the nitrogen crisis accelerated the sustainable development in the construction industry, which might not have happened as fast without the nitrogen crisis. However, sustainable development might have been negatively affected due to the nitrogen crisis as well. The nitrogen crisis led to a standstill of many project in the construction industry, which resulted in a decline of the building of more sustainable buildings. In their sustainability report, Concern X stated the following: *“We recognize the importance of both the business community and the government increasing the pace of sustainability. However, it remains important that there is a “level playing field” and that the economic impact of measures is properly weighed up. Predictable and decisive government action is a precondition for a successful transition. Unfortunately, the opposite is happening with the nitrogen problem”* (Document 40)*. This quote indicates that the nitrogen crisis negatively impacted the sustainable development in the construction industry. Therefore, this quote illustrates a different perspective of the effect of the nitrogen crisis on sustainable development. So, the effect of the nitrogen crisis on sustainable development in the construction industry seem contradictory. As on the one hand it accelerated the need for sustainable development, but on the other hand it inhibited the continuous sustainable development.

Effect on organizational level

The permit applications of construction projects that had already been granted were not withdrawn with the ruling of the Dutch Council of state. However, the projects that were still in the permit process had to demonstrate their nitrogen emissions after the ruling. A permit application could only be granted if there is no additional nitrogen emission or if the deposition

of nitrogen is not significantly negative for nature objectives in the Natura 2000 site (Raad van State, 2019) (Document 1). The requirement to demonstrate nitrogen emissions caused many delays. The Managing Director of Organization Y stated: *“No, delayed. the projects didn't really come to a standstill because we hadn't started yet. For example, when we were building ten houses, which doesn't seem much, we were delayed because we still had to demonstrate the nitrogen emissions”* (Respondent 5)*. This quote demonstrates that the organization of the respondent experienced delays in project due to the demonstration of nitrogen emission. However, the decision of the Dutch Council of State did not include how organizations should cope with the nitrogen emissions. The Managing Director of Organization X stated: *“And that everyone didn't know what to do. Provinces, municipalities and ourselves as an organization. What do you have to comply with now, what are the set criteria, how should we adapt, what measures should we take on a project basis”* (Respondent 1)*. This quote illustrates the presence of uncertainty among organizations and governmental institutes about the measures to be taken regarding nitrogen. This uncertainty indicates that organizations were in search of an approach to reduce nitrogen deposition. An internal document stated: *“the solution for reducing nitrogen deposition requires an ‘area-oriented’ tailor-made approach”* (Document 9)*. This illustrates that there is no simple solution for the nitrogen problem. Construction companies have to carry out an AERIUS calculation to determine whether or not a permit is required. AERIUS is a calculation tool for calculating nitrogen emissions and their precipitation on Natura 2000 sites. Based on the outcome of the calculation made with AERIUS, an initiator can apply for a permit via the competent authority (RIVM, 2020) (Document 46). In order to reduce nitrogen emissions, organizations have to incorporate new processes in their construction activities. The Construction Site Manager of Organization W stated: *“I think that, as an SME, you will have to comply with all the regulations concerning nitrogen. So, you have to adjust your own working methods around these regulations. This will mainly have to do with minimizing the use of motor vehicles that emit nitrogen”* (respondent 2)*. This quote indicates that the respondent acknowledges that adjustments are necessary to comply with the nitrogen regulations. The adjustments of construction activities mean that the operating companies have to integrate new working methods. In this regard, Rabobank (2019) published the following statement: *“The use of electrical construction equipment, limiting transport movements and ‘nature-inclusive building’ will become basic conditions for the construction industry”* (Document 21)*.

4.2 Organization embedded in the concern of an MNE

This paragraph provides insights of the context where the SMEs that were embeddedness in a larger concern are operating in. The paragraph starts with a description of the relational context of the operating companies and its parent company. Subsequently, the consequences of this relationship regarding reputation spillovers are described. The last paragraph discusses the complexities of the organizational identity of the operating companies.

4.2.1 Relationship parent company

Paragraph 2.4 of the theoretical background described the relational context, which consists of three different aspects: dependence, trust and identity (norms and values). These three aspects were also discussed during the interviews. This subchapter elaborates on the results of these aspects.

Dependence

The embeddedness of the organization into a larger network indicates that the operating companies are to some extent dependent on Concern X. However, the website of Organization X stated the following: “*The operating companies of Concern X are independent, have their own profit and market responsibility and are part of a tight internal network*” (Document 50)*. This published statement implies that the operating companies are relatively independent. In this regard, all respondents stated that they do feel independent and responsible for their own organization. The following quote of the Managing Director of Organization Y illustrates this perception: “*We are responsible for managing our own organization. So, we are responsible for the turnover, the profit, the deployment of personnel. So basically, we are responsible for everything*” (Respondent 5)*. This quote indicates that the respondent experiences the feeling of autonomy and responsibility for its own organization. Since, all respondents indicated this feeling of independency, it might imply that the level of dependency on Concern X resources can be deemed as low. However, matters like materials, ICT and legal issues are still organized centrally. In addition, there are situations where Concern X subordinates and controls the activities of the operating companies. The Managing Director of Organization X stated: “*Sometimes there are other interest at stake at Concern X that you might find difficult. Then you say, it is fine, but I have nothing to do with that. It can happen that you get a conflict because of that. (...) Then you go into consultation, what is your problem and what is your problem. But finally, the interests of Concern X will be deemed more important, than the interest of Organization X*” (Respondent 1)*. This quote implies that Concern X does get involved in

activities of the operating companies. Moreover, it indicates the power of Concern X over its operating companies. The contrast between these quotes, show that despite the operating companies seem to operate relatively independent, there are still matters where Concern X subordinates and controls the activities of its operating companies.

Trust

The previous quotes showed a certain level of independency of the operating companies. A high level of independence implies a relatively low level of involvement of Concern X. However, it also indicates that Concern X seems to be involved in some situations. In this regard, paragraph 2.4 described that the level involvement of the parent company determines how trust is experienced among the operating companies. The Project Leader of Organization X mentioned the following about the level of involvement and the experienced trust: *No, it does not feel like there is a lacks trust for me. What you notice is that you are a part of a large organization. We as an operating company might be less afraid of reputation damage and you notice that reputational damage is way more important to Concern X* (Respondent 3)*. This quote indicates that level of involvement does not feel as a lack of trust. It also implies that the operating company may benefit from the reputation of Concern X. Moreover, the respondent explains the level of involvement by mentioning the differences in the interests at stake. However, the level of involvement is experienced differently between respondents. The Managing Director of Organization Z stated: *Sometimes it feels oppressive. I cannot say it is damaging, because it will make you take care of things. But only it feels very interfering and that just does not feel nice* (Respondent 6)*. This quote indicates that the level of involvement sometimes feels like a lack of trust. These contrary quotes show that there are differences between the ways in which the level of involvement in relation to trust is experienced.

Norms and values

As a result of the low level of dependency, each of the operating companies creates its own organizational identity. Concern X intends to organize the relationship with their operating companies in a decentralized way (Document 50). Therefore, the operating companies are allowed to have their own identity and culture. This implicates that every operating company has its own norms and values. Nevertheless, the respondents of Organization X and Y argue that the norms and values of their organizations have many similarities with those of Concern X. The following quote of the Managing Director of Organization X describes the experienced norms and values: *No, it a no-nonsense company that is completely off the stock market right*

now. So, they are really operating as a family business and you can see that in the culture of the organization” (Respondent 1)*. This quote demonstrates that Concern X is experienced as a family business with a ‘no-nonsense’ work mentality. However, the description of the norms and values of Concern X are described appears to differ between operating companies. The Managing Director of Organization Z stated: *“Only when you talk about culture, is our culture the real old-fashioned culture. The culture of Concern X is quite different. Their culture has changed into a hard culture and a little less social”* (Respondent 6)*. This quote illustrates another perception on the norms and values of Concern X. The difference between the operating companies might be explained by the fact that the operating companies are allowed to have their own identity and culture. Therefore, the perception of the norms and values and the similarities with Concern X can differ between the operating companies.

4.2.2. Reputation spillover

As mentioned earlier, the findings imply that the reputation of Concern X is used by the operating companies. Using Concern X’s reputation positively influence other people's perception about the operating companies. The Project Leader of Organization X stated: *“When I talk about my work with people who don't know me that well and I say that I work at Organization X, then you notice that they don't find it very interesting. At the moment I say, I work at Concern X. Then everyone says, yeah Concern X is a nice company. In that regard, it does have a positive effect, because everyone has a feeling that it is a solid organization”* (Respondent 3)*. This quote illustrates how referring to Concern X positively influence people's perception about an organization they are not initially interested in. In terms of business, the respondents argue that the reputation of Concern X is primarily used for financial guarantees and commercial purposes. Furthermore, the use of reputation spillovers can have a positive effect on the operating companies in the nitrogen crisis. The Project Leader of Organization Z stated: *“What you're saying is definitely a big guarantee, especially in the times of crisis that we had and now due to corona is probably coming again. In those times you can guarantee that you have all the knowledge and expertise and that you are part of a big organization that won't stop existing”* (Respondent 4)*. This quote illustrates how referring to Concern X can ensure people’s confidence in times of crisis. So, by using Concern X reputation spillovers, the operating companies convince their environment that they have the right knowledge and resources to take the desired nitrogen measures.

4.2.3 Dual organizational identification

As the operating companies are embedded in Concern X, the respondents might develop a sense of identification with two organizational entities. As described in paragraph 2.4, the dual organizational identification derives from the identity of the parent company and the identity of the operating company itself. However, the results indicate that the respondents identify themselves more with the operating companies than with Concern X. As described, the operating companies operate independently, and they have their own norms and values. This influenced the perception of organizational identification. The Project Leader of Organization X stated: *“I think that has to do with daily practice, because how often do I really have to deal with Concern X and when do I have to deal with Organization X. For me, most things are arranged here in my organization. That you have certain suppliers and things like that. Yes, every organization has that, but the fact that they are also part of Concern X does not necessarily make that any different”* (Respondent 3)*. This respondent implies that the operating companies do not often have contact with Concern X about their daily business. In this regard, all respondents stated that they identified themselves with their operating company because of the independency. The feeling of being embedded in a larger concern seems therefore absent in the daily business of the operating companies.

4.3 Activities related to the nitrogen crisis

This paragraph elaborates on the activities that have been carried out in relation to the nitrogen crisis. At first, the responses of the operating companies on the nitrogen crisis are explained. Subsequently, the role of Concern X in this response is discussed and at last the monitoring of the nitrogen measures are described.

4.3.1 Response to nitrogen crisis

This subparagraph discusses the responses of the operating companies on the nitrogen crisis. The results have been divided into three categories that are similar to the legitimation strategies that are described in paragraph 2.2 of the theoretical background.

Adaptation to new environment

As described in paragraph 4.1.1, the ruling of the Dutch Council of State created a new nitrogen standard for the entire construction industry. As a result of this ruling, the application for a permit was only granted if construction companies can demonstrate that the required nitrogen standards are met. In order to ensure the legitimacy of the work practices, the operating

companies had to adapt to the new nitrogen standards. The Managing Director of Organization X stated: *“Centralized action is then taken very quickly, because it was a national problem. Not only Organization X was affected, but the whole of the Netherlands and its industries and areas. And how are you going to adapt, so that your projects can continue. (...) So that field of tension, you know that is regulation and legislation. So, from the very first minute we looked at how we could organize that”* (Respondent 1)*. This quote illustrates the effect of the new nitrogen standards and that the operating companies immediately recognized the need to adapt to comply with the new regulations. As described in subparagraph 4.1.1, construction companies have to conduct an AERIUS calculation to determine whether they meet the set nitrogen standards. Internal documents revealed that specific input of this AERIUS calculation was adaptable in order to comply with regulations: construction time, traffic movements of construction site personnel, equipment to be used and operating hours and number of transport movements of trucks to construction site (Document 9). The results indicate that the operating companies were actively adapting these specific activities in order to comply with the new regulations. The Manager Director of Organization Y stated: *How can we deal with it. So, we have reduced emissions wherever possible by using electrical machines, adapting transport movements and cranes. We have actually played a bit with these aspects”* (Respondent 5)*. This respondent indicates that by making adaptations on construction sites they tried to deal with the nitrogen problem. In this regard, other respondents also argued that by making adaptations at construction sites they were able to restart their projects again. The following quote is from the Managing Director of Organization X: *“Right now, I can see in the processes that everyone slowly realizes where the room for maneuver is. And that everyone slowly starts operating and working within those frameworks again”* (Respondent 1)*. This respondent indicates that these adjustments enabled building permits to be granted again and projects to be restarted. In this way, the legitimacy of the work practices of the operating company was ensured by adapting to the new environment.

Influencing new environment

As described, the AERIUS calculation determined whether a permit application is granted or withdrawn. The importance of getting a conclusive nitrogen calculation is therefore essential for the operating companies. The results demonstrate that the AERIUS calculation can be influenced in many ways to achieve a desired outcome. The Managing Director of Organization Y stated: *“Yes, actually they explained to us that there are a lot of buttons you can turn to get a good plan and a conclusive nitrogen calculation”* (Respondent 5)*. This quote illustrates that

the operating companies were aware of the ways how they could influence the AERIUS calculation to comply with the set nitrogen standards. The importance of achieving the nitrogen calculation and the awareness that the calculation can be influenced seem to have had an influence on the nitrogen measures taken by the operating companies. The following quote from the Project Leader of Organization X illustrates the perception about the use of the AERIUS calculation: *“So people thought, we have to make sure the calculation is there and then it is all right”* (Respondent 3)*. This respondent seems to indicate that the operating companies were not actively adapting to the set nitrogen standards, but only tried to make the nitrogen calculation conclusive. In this regard, an internal document stated the following about the AERIUS calculation: *“at the moment there is a lot of tampering going on with values to be entered for AERIUS calculation”* (Document 9)*. This quote implies that certain factors from the nitrogen calculations were not respected in reality. So, these quotes seem to indicate that it was communicated to the outside world that adjustments had been made and that the nitrogen standards were met. While in reality the operating companies have not adapted adequately and therefore do not meet the nitrogen standards. In addition, respondents mainly referred to the use of electrical equipment as a solution to the nitrogen problems. However, the Dutch branch organization BouwendNederland (2020) published: *“Suppose you only buy electrical equipment, then you'll get there on paper. But that's not possible in practice, because the supply isn't there yet”* (Document 51)*. This statement seems to indicate that there is scarcity in the quantity that can be supplied of electrical equipment. The following quote from the Managing Director of Organization X on the use of electrical equipment appears to confirm this statement: *“Well, at the moment we can't use the electrical equipment for every project. it's only about making sure your calculation and your criteria are right to get started”* (Respondent 1)*. This quote illustrates the little amount of electrical materials that are available. Furthermore, this quote indicates that the operating company stated to make use of electronic equipment in their calculation, which in reality was not available and thus not in use. This indicates that in some cases the formal practices of the operating companies were separated from the actual organizational practices. Nevertheless, the operating companies could restart their project by achieving a conclusive nitrogen calculation.

Consultation with institutional environment

The results of this study do not indicate that the operating companies of Concern X had a process of consultation with stakeholders and societal groups regarding the nitrogen crisis. In contrast to Concern X which has actively engaged in consultation with the institutional

environment. In their sustainability report Concern X stresses the importance of this consultation: *“Think, for example, of the legislation on nitrogen oxides and PFAS. If the concentration of these substances is too high, they can have a negative impact on nature and our health. This means that in our projects we look for solutions that minimize the negative impact on the environment. In doing so, it is necessary to allow various disciplines to work together and to actively engage in consultation with our stakeholders and knowledge partners. This is the only way we can bring successful and sustainable alternatives with high social added value to the market”* (Document 40)*. This quote illustrates that Concern X feels the necessity to come to a collective solution with their stakeholders. In addition, Concern X describes in its annual report that by *“pro-active intensive consultation with regulators, political decision-making bodies and working groups (Politics/VNO-NCW/BouwendNederland)”* (Document 41) they want to minimize the risk of the nitrogen crisis. These quotes imply that the consultation with societal groups and stakeholders seems to be a conscious choice of Concern X to deal with the nitrogen problem. The results indicate that the operating companies' perception of the nitrogen crisis is very different from that of Concern X. The Project Leader of Organization Z stated: *“I also thought it was more of a hype, because when the corona crisis started, nobody was talking about nitrogen anymore. (...) So yeah, I think it's all very remarkable and from time to time I can't quite rhyme with it either. Why the rules are suddenly so tight.”* (Respondent 4)*. This quote implies that the respondent did not see the usefulness and necessity of the nitrogen crisis. The other respondents mentioned similar perceptions of the nitrogen crisis. Therefore, the motivation to engage in active consultation seems to be less present at the operating companies.

4.3.2 Role parent company in nitrogen crisis

This subparagraph elaborates on the role of Concern X in the nitrogen crisis. Three aspects emerged from the data collection, which are discussed in more detail.

Guidance

As described in section 4.1.1, the nitrogen crisis caused many uncertainties about the measures to be taken. To deal with this uncertainty, Concern X provided guidance for its operating companies during the nitrogen problem. The Managing Director of Organization X stated: *“And then you notice that you are part of a large concern. And that there is a lot of knowledge and know-how available within such an organization. Who are also going to act immediately, how are we going to deal with this. Hey there's a problem, how can we prevent these problems from*

arising in our projects. And this response is at a high pace” (Respondent 1). This quote illustrates how Concern X recognized the need to support its operating companies so that no major problems would arise. The annual report demonstrates two specific actions taken by Concern X to guide its operating companies in the nitrogen crisis. Firstly, Concern X held “frequent meetings with management of the divisions C&RED and Infrastructure Netherland to discuss potential impact on project portfolio/tenders and sharing observations and ideas for solutions/approach” (Document 41). Secondly, Concern X set up an internal knowledge center set up at their Engineering Firm X “to assess “projects at stake” in the field of nitrogen deposition (using AERIUS calculation model) and to think along with changes so that any problems are solved” (Document 41).*

Knowledge sharing

The operating companies were independently responsible for the actual implementation of the nitrogen measures. As a result, Concern X only had a facilitating role in the provision of guidance in the nitrogen crisis. The guidance of the parent company was mainly about sharing knowledge and not about managing the nitrogen problems within all its operating companies. However, due to the provision of knowledge, the operating companies knew how to comply with the set nitrogen standards. The following quote is from the Managing Director of Organization Y: *“It has been explained what the standards are and that it is not so straightforward. So that by using certain material, you can influence that calculation. And also, that you can look at the environment, are you in a Natura 2000 area? How can we deal with that, for example, with a different route to the construction site” (Respondent 5)*. This quote illustrates how Concern X provided the knowledge to understand how the operating companies could adapt and influence the AERIUS calculation. Hence, the results indicate that the sharing of knowledge made a positive contribution to the restart of the operating companies' projects. The Managing Director of Organization X stated: “Well then you make use of the knowledge and skills within Concern X. (...) So you've got Engineering Firm X who'll calculate all the projects with you. In addition, you will receive legal support. Like, hey, it's all very well what you guys are saying, but we meet the standards in these criteria. That's why you have to grant us a permit” (Respondent 1)*. This quote indicates that, due to the knowledge and support of Concern X, it was possible to demonstrate compliance with the set nitrogen standards. As a result, the operating companies obtained their construction permits which enabled them to start and restart their projects again.*

Development of materials

Besides the described guidance and sharing of knowledge, Concern X has been working on the development of materials that can limit nitrogen emissions. In their annual report Concern X mentions the following about the development of a nitrogen filter: *“Driven by an immediate need in the market due to the changes in the nitrogen regulations, we rapidly developed a unit that can be connected to the exhaust of existing diesel equipment that filters up to 99% of the nitrogen during the construction stage”* (Document 41). This quote indicates that the use of this filter can massively reduce the nitrogen emissions during the construction phase of the operating companies. However, the operating companies were initially not aware of the development of this filter. The Project Leader of Organization X stated: *“What you just mentioned was the nitrogen filter, for example. That was something that became clear to us relatively late that they were working on it. (...) So these are actions that do take place, but these actions were in the background. And the moment they knew for sure how it worked, they communicated it”* (Respondent 3)*. This quote indicates that the development of the nitrogen filter was not directly communicated to the operating companies. Therefore, the influence of the nitrogen filter on the nitrogen problems of the operating companies is not very high. Furthermore, the filter cannot be used at all construction projects. The Construction Site Manager of Organization W mentioned the following about the availability of the nitrogen filter: *“For the buildings where they would work with those fixed machines, yes. But not for the smaller hand tools and the like that we are dealing with at our work”* (Respondent 2)*. This quote implies that the filter is not available for the smaller construction projects. Therefore, this nitrogen filter cannot be seen as an overall solution of the nitrogen problem for the operating companies.

4.3.3 Monitoring of nitrogen measures

As described in paragraph 4.1.1 the nitrogen crisis created a lot of uncertainty about the measures to be taken on organizational level. However, as the nitrogen crisis progressed, it seemed that the measures were not strictly monitored. The Project Leader of Organization X stated: *“What kind of influence is this going to have, do we have to measure this on the construction site, will someone actually come and check how many hours the cranes are there and if the cranes are there. (...) In practice it was less strict than it seemed beforehand. That is why you noticed that the pressure was dropping a little”* (Respondent 3)*. This quote implies that strict monitoring was absent and also that this absence on the nitrogen measures made it easier to think about the measures to be taken. An internal document also describes this lack of

clarity about the supervision and enforcement: *“The big question remains who is going to monitor/maintain this”* (Document 9)*? This quote indicates that there is no clear confirmation of who is responsible for the enforcement of the measures. The Managing Director of Organization Z said the following about the control of nitrogen measures: *“Not if you ask me. No, I do not have that feeling. And I do not think it is happening either”* (Respondent 6)*. This quote illustrates how the monitoring of the nitrogen measures is perceived by the respondent. Other respondents indicated that they experience the same thing. Therefore, this lack of clarity caused that the respondents argue that they do not feel that nitrogen measures are being monitored.

Chapter 5: Conclusion and discussion

This chapter first answers the research question that was central in this thesis. Subsequently, the limitations of this research are elaborated. The next paragraphs discuss the theoretical- and practical implications of this research. Then the recommendations for further research are described and at last the role of the researcher is explained.

5.1 Conclusion

This research aimed to create understanding how SMEs that are embedded in the concern of an MNE manage legitimacy, by investigating how the operating companies (SMEs) of an MNE managed their legitimacy in the nitrogen crisis. The research question central to this thesis was the following: “*How do SMEs that are embedded in the concern of an MNE manage legitimacy?*”

The nitrogen ruling was binding regulation so compliance with nitrogen standards had a major influence on the maintenance of legitimacy of organizations that operated in the construction industry. In this regard, the operating companies directly felt and saw the necessity of this societal expectation. To maintain their legitimacy, the operating companies had to demonstrate a conclusive nitrogen calculation by using the AERIUS calculation tool. To achieve a conclusive nitrogen calculation, the operating companies had to make adaptations at their construction projects. This research showed that the operating companies were actively trying to adapt their work practices to meet the new nitrogen standards to comply with regulations. As a result, the operating companies maintained their legitimacy. During these adaptations, the operating companies were not confronted with difficult decisions related to conformance to pressures of the concern which conflicted with their own environment. The relational context of the SMEs and MNE demonstrated that the operating companies operated relatively independent, that there was no general lack of trust and that the operating companies were allowed to have their own norms and values. Furthermore, on individual level the respondents of the operating companies had higher identification with the operating company in comparison with the MNE. Therefore, the operating companies were not experiencing many internal legitimacy pressures from their parent company in the nitrogen crisis. Nevertheless, being embedded in a larger concern played a role in how the operating companies were managing their legitimacy and how they adapted to the nitrogen measures. The operating companies made use of spillovers regarding the MNE’s reputation to manage their legitimacy. In the nitrogen crisis, the reputation spillovers contributed to the convincement of the environment of the

operating companies that they possess the necessary knowledge and resources. Furthermore, the MNE provided guidance for its operating companies by organizing meetings and the set-up of an internal knowledge centre. Through these actions, the MNE provided its operating companies the support and knowledge to make the right adaptations which resulted in the achievement of a conclusive nitrogen calculation. Therefore, the guidance helped the operating companies to ensure the legitimacy of their work practices. However, in reality the operating companies were not always meeting all promised adaptations that were stated in the AERIUS calculation. Certain factors (e.g. usage of electrical equipment) that were included in the AERIUS calculation, were in some cases in practice not available for the operating companies. In these situations, the formal practices were separated from the actual organizational practices. Consequently, misleading information was provided. The opportunity to provide misleading information have been caused by a combination of several circumstances. The perception about the AERIUS calculation was that the nitrogen measures of this calculation were not being monitored and controlled. This perception in combination with the awareness of the many ways to influence the AERIUS calculation and the importance of achieving a conclusive nitrogen calculation, seem to have led to calculations being tampered. Nevertheless, by providing misleading information, the operating companies got their building permits granted and their projects could restart. Therefore, the provision of misleading information has helped the operating companies to maintain their legitimacy.

5.2 Theoretical implications

This research yielded several implications for theory. This research contributes to legitimacy management literature by providing insights in the legitimacy management of SMEs. The literature describes three legitimation strategies that organizations use to (re)establish the congruence between organizational activities and societal expectations: isomorphic adaptation, strategic manipulation and moral reasoning (Driscoll, 2006; Oliver, 1991; Scherer et al., 2013; Scott, 2013; Suchman, 1995). This research has shown that SMEs are applying two of these strategies in practice.

The ruling of the Dutch Council of state caused a new standard where construction companies had to keep their nitrogen emissions to a minimum. In order to manage their legitimacy, the SMEs actively adapted to this new standard caused by the nitrogen crisis. The SMEs changed their work practices to meet the interests and legitimacy concerns of their environment. This approach matches the isomorphic adaptation strategy, which happens when organizations adapt their organizational practices to societal expectations (Schembera &

Scherer, 2017). The other legitimation strategy of SMEs that emerged in this research is strategic manipulation. However, SMEs do not use this legitimation strategy in a similar way as theory described. Literature describes that the strategic manipulation strategy occurs when organizations actively influence social expectations by swaying or manipulating the perceptions of key actors or policy-makers in the organizations environment (Barley, 2010; Child & Rodrigues, 2011; Oliver, 1991). This research showed that SMEs only apply small aspects of strategic manipulation to convince their local environment that they changed the organizational activities that were criticized. In this regard, the **key instruments of strategic manipulation, tactics of strategic public relations and impression management (Fombrun, 2001; Oliver, 1991; Scherer et al., 2013), seem not to be used by SMEs. This demonstrates a different application of strategic manipulation than is described in literature, as SMEs are not actively trying to influence social expectations. However, SMEs do communicate about a formal organizational practice which is separated from the actual organizational practice. Therefore, the SMEs application of strategic manipulation seems to be more similar with the variant of decoupling (Dillard et al., 2004) than with the variant of substantial influence (Schembera & Scherer, 2017).** In this research the moral reasoning strategy did not emerged as a legitimation strategy that was applied by SMEs. In contrast to earlier findings who stated that more organizations are acknowledging the need for moral reasoning (Child & Rodrigues, 2011; Jones & Fleming, 2003; Kostova & Zaheer, 1999; Scherer & Palazzo, 2011; Smith & Lewis, 2011). This research showed that SMEs do not experience the necessity of the moral reasoning as an alternative legitimacy strategy. The perception about the nitrogen problem and the absence of control caused SMEs to feel no need to engage in active consultation with stakeholders and societal groups. This corresponds with existing literature which describes that SMEs operate more 'under the radar' and that they feel less pressure to respond to external expectations (Beck & Walgenbach, 2005; Schembera & Scherer, 2019). Moreover, the embeddedness in a larger concern caused that the SMEs are operating in the 'shadow' of an MNE. This also might have affected the level of experienced external expectations. In addition, the results of this research matches well with previous findings of Scherer et al. (2013). These scholars argue that when a new standard is established that does meet with broad public acceptance, which was the case in this research. It might make sense for organizations to comply, instead of engaging in the moral reasoning strategy.

This research also has theoretical implications for literature on legitimacy management in contradicting institutional environments. Scholars argued that managing legitimacy in this context is difficult (Saka-Helmhout et al., 2016). However, this research demonstrated that the

embeddedness in a larger concern contributed to the effectiveness of the legitimacy management. The main factor that determined the absence of difficulties from the institutional duality context was the lack of internal legitimacy pressures. The MNE had a facilitation role in terms of the provision of knowledge, and the SMEs themselves were responsible for the measures to be taken. Therefore, this research shows that when an SME that is embedded in a larger concern is allowed to conform to external legitimacy pressures but still gets guidance of its parent company, it contributes to the effectiveness of managing legitimacy in this context. Furthermore, this research is in line with previous findings of Kostova and Roth (2002) who argued that the decision of towards conformance and external legitimacy can be influenced by the nature of the relational context. The elements that together form the relational context caused the SMEs of this research to be allowed to conform the external legitimacy pressures. In addition, this research provided a different insight than Vora and Kostova (2007) on how dual organizational identification is experienced. These scholars argued that the relative magnitude of an individual's dual organizational identification is determined by the relative potential of each target to fulfill the needs for self-improvement and reduction of uncertainty. However, this research showed that the lack of internal legitimacy pressures determined that individuals had higher identification with the SME (disparate subsidiary-oriented dual organizational identification). In terms of legitimacy spillovers, this research showed that SMEs that are embedded in a larger concern make use of vertical legitimacy spillovers to manage their legitimacy. This is in good agreement with scholars who argued that managers can use legitimacy spillovers in their favor, by associating organizational units with other highly legitimate organizational units in the environment (Dacin et al., 2007; Kostova & Zaheer, 1999).

5.3 Practical implications

This research gained insights how SMEs that are embedded in the concern of an MNE manage legitimacy. These insights have several practical implications for the legitimacy management of organizations that are embedded in such relationships.

At first, managers of both MNEs and SMEs need to recognize that there is a difference between the experience of institutional pressures between these organizational entities. This research has shown that this difference has caused that the SMEs, in contrary to the MNE, did not engage in active consultation with stakeholders and societal groups to manage their legitimacy. However, by not conforming to the MNE's legitimacy strategy, the effectiveness of legitimacy management of the SMEs improved. This demonstrates that the effectiveness of

legitimations strategies can differ between an MNE and SME. Therefore, managers of MNEs should give their subsidiaries some independence to manage their own legitimacy, As a result, managers of SMEs are not distracted by the need to comply with legitimation strategies of the MNE and they can solely focus on solving the legitimacy problems in their own environment.

Secondly, due to the MNE's support, the SMEs of this research have been given the right tools to manage their legitimacy. Therefore, managers of SMEs should actively seek collaboration with their parent company during legitimacy problems. However, in order to have a successful collaboration, it must be done in the right way. The collaboration should not lead to additional control mechanisms, which only delays the solvation of the legitimacy problems. The collaboration should be about the tools and insights that the MNE can offer to its subsidiaries. These tools and insights can then be used as a source for adapting work practices that provide solutions to the legitimacy problems. The set-up of the internal knowledge center in this research is an example how a collaboration with the MNE can be beneficial. Due to the knowledge and skills of the MNE, the managers of the SMEs were able to implement the necessary adjustments for their own environment effectively. As a result, the legitimacy of the work practices of the SMEs was quickly ensured.

Thirdly, this research demonstrates that the use of reputation spillovers can have a positive influence on the legitimacy of the organizations that are embedded in the concern of an MNE. However, managers that want to use spillovers of the MNE need to consider that spillover effects are symmetric, which implies that negative spillovers have a stronger effect than positive spillovers (Kostova & Zaheer, 1999). Therefore, it seems advisable for managers of SMEs to only use spillovers of their parent company in specific ways. For example, referring to the available knowledge and resources or referring when the MNE actively contributed to solving legitimacy problems (e.g. of this research: the development of the nitrogen filter).

5.4 Limitations

This paragraph discusses the limitations of this research, which resulted from the choices the researcher made during the executing of this research.

The researcher decided to investigate a specific type of SMEs: SMEs that are embedded in the concern of an MNE. Organization that are embedded in such relationships are confronted to contradicting legitimacy pressures. How an organizational entity deals with this contradiction is largely determined by the relationship between these organizational entities. Therefore, the results of this research could had very different outcomes if the SMEs, for example, were very dependent on the MNE resources. In that case, the SMEs would probably tend to conform more

closely to the legitimacy management strategy of the MNE. As the relationship between the MNE and SMEs probably differs per situation, the transferability of the results of this research are only limited to a very specific context. In addition, the researcher only collected data at four SMEs that were embedded in the MNE. Consequently, it was difficult to make a good estimation about the general relationship, since the MNE comprises a total of 120 operating companies.

The following limitation is related to the context of the nitrogen crisis which was the focus of this research. The Dutch government came up with regulations (AERIUS calculation) that gave companies in the construction industry direction on how they could maintain their legitimacy. Due to this regulation, all executed legitimation strategies are related to this specific approach. If there had been other approaches to meet the nitrogen standards, other legitimation strategies might have emerged and the role of the MNE could have been different. Therefore, the specific context of the nitrogen crisis has to some extent limited the generated insights of this research.

Another aspect that had a major impact on the execution of this research was the outbreak of the COVID-19 virus. The outbreak of this virus caused certain limitations. Firstly, COVID-19 reduced the priority given to the nitrogen crisis by organizations, governments and other institutions. Therefore, the richness of the collected data might negatively be affected, since organizations were more concerned about handling the problems that arise from the COVID-19 pandemic. Secondly, the outbreak of COVID-19 caused the researcher to make methodological changes. At first, the research would consist of nine interviews conducted at three different operating companies. Due to COVID-19, this set up was not possible and therefore less data has been collected. As a result, the researcher gained less insights from the operating companies and had to rely more on archival data.

5.5. Recommendations for further research

The previously described limitations provide directions for further research. As described, the relationship between the MNE and SME determines how an organization deals with contradicting legitimacy pressures. This research showed that the lack of internal legitimacy pressures had a positive contribution on the effectiveness of the legitimacy management of the SMEs. To discover the influence from another perspective, it is recommended for further research to investigate a relationship between an MNE and SME, where the SMEs are confronted with many internal legitimacy pressures. This might lead to other insights than this research regarding the legitimation strategies of SMEs that are embedded in a larger concern.

Furthermore, the specific context of the research caused that both the SMEs and MNE needed to manage their legitimacy. Therefore, it might be interesting for further research to investigate a situation where only the SME needs to manage its legitimacy. The influence of the embeddedness in a larger concern is then examined in a different situation, which can lead to the discovering of new insights on legitimacy management in this relationship. In this regard, further research can also focus on a situation where only the MNE is involved in a legitimacy crisis. This allows future researchers to develop an understanding how the loss of legitimacy of the parent company affects the legitimacy of the SMEs that are embedded in the MNE. In addition, how SMEs respond to the loss of legitimacy of their parent company can provide very interesting insights for developing literature in this field of research.

At last, it might be interesting for further research to study the legitimacy of SMEs that are embedded in a larger concern within the construction industry in absence of a crisis. In this research, the MNEs provided its SMEs the guidance and knowledge to handle their legitimacy problems. However, what particular role and influenced the MNE would have had in terms of legitimacy management if there was not a crisis remains unexplored.

5.6 My role as researcher

This research, may, unintentionally, have been influenced by my expectations, assumptions and actions as a researcher. Before the data collection, the researcher did not have many insights about the aspects that played a role in the nitrogen crisis. However, during the research the researcher became more informed about the nitrogen problem. As a result, the researcher unconsciously started to develop an opinion about the nitrogen crisis. This might have influenced the questions that the researcher posed during the semi-structured interviews. In this regard, this opinion might have affected the coding process or the conclusion of this research. In addition, the fact that the researcher knew two respondents in personal life, might also affected the questions that were asked during the semi-structured interviews. Another aspect that played a role was the working experience of the researcher. The researcher only had working experience at organizations of SME size. Therefore, the researcher might had certain assumptions about SMEs that were applied to the context of this research. This may have led to the misinterpretation of certain situations because the researcher attached his own assumptions to these specific situations.

The implications of COVID-19 may also have influenced the behavior and actions of the researcher which affected the research. Due to COVID-19, the researcher was forced to conduct the interviews by telephone. During the interviews, the connection was sometimes not

ideal, which caused the researcher and the respondent to talk at the same time. Consequently, respondents may have been cut off at sometimes, which resulted in not receiving full opinions of the respondents. Furthermore, the researcher himself had to schedule appointments for interviews by telephone with the respondents. During the first contact, three respondents indicated that they were very busy and that they had little time available for an interview. This gave the researcher the feeling that these respondents did not have the time and motivation to participate in this research. Unconsciously, this may have caused the researcher to not feel the space to take all time during the interviews, which may have resulted in not asking certain questions.

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Appendix I: Interview guide

The introduction of the interview is based on the work of Ritchie, Lewis, and Elam (2003) on research ethics in order to establish 'informed consent'.

My name is Lars Leenders, I am in the final phase of my Master of Business Administration with the specialization Organization Design and Development at the Radboud University in Nijmegen. To finish my master, I am writing a Master thesis on legitimacy management of small and medium enterprises that are part of the concern of a multinational enterprise.

With your permission, I will record the interview so that it can be listened back at a later stage for analysis. If you have problems with recording the interview, please let me know. No names will be included in the master thesis to ensure the anonymity of respondents and organizations.

If during the interview a question is unclear or if you are unable to answer a question, please let me know. Also, feel free to interrupt me during the interview if you have a question about the questions or the interview. The final version of the master thesis can be shared if you like. If you do not have any questions at this moment, we can start the interview.

Block 0: General information

1. Could you introduce yourself? (Who are you and what is your position within the organization)?
2. How long have you been working within your organization and how long have you been in your current position?

Block 1: Information about the organization

3. Can you tell me something about the organization you work for?
4. How would you describe the organizational culture?

Block 2: Institutional duality

5. How would you describe the relationship between your organization and the parent company (dependency/trust/norms and values)?
6. How do you use the parent company's network/opportunities/reputation?

7. Do you feel more like part of the parent company than part of an autonomous organization?

Block 3: Nitrogen crisis

8. How has the nitrogen crisis affected the organization where you work?
9. What were the main challenges in the nitrogen crisis that you experienced in your work?

Block 4: Legitimacy management

10. What actions have you/your organization taken to react/anticipate on the nitrogen crisis problems?
11. What was the reason for your organization to react and anticipate to the nitrogen crisis problems?
12. In what way influenced the parent company the organizational actions taken in relation to the nitrogen crisis?
13. To what extent do you think your organization has made decisions/actions regarding the nitrogen crisis in which the parent company did not play a role?

Block 5: Closing

14. How did you experience the interview?
15. Do you have anything to add that I forgot?

Appendix II: Final template

1. Organizational field construction industry

1.1 Influence nitrogen crisis

1.1.1 Effect on industry level

1.1.2 Effect on organization level

2. Organization embedded in the concern of an MNE

2.1 Relationship parent company

2.1.1 Dependence

2.1.2 Trust

2.1.3 Norms and values

2.2 Reputation spillover

2.3 Dual organizational identification

3. Activities related to the nitrogen crisis

3.1 Response to nitrogen crisis

3.1.1 Adaptation to new environment

3.1.2 Influencing new environment

3.1.3 Consultation with institutional environment

3.2 Role parent company in nitrogen crisis

3.2.1 Guidance

3.2.2 Knowledge sharing

3.2.3 Development of materials

3.3 Monitoring of nitrogen measures

Appendix III: Codebook

Code	Definition of code	Exemplary quotes	Subtheme	Theme
1.1.1 Effect on industry level	How the nitrogen crisis affected aspects of the construction industry at industry level.	<p>“Meanwhile, the EIB predicts a new construction crisis and a contraction of the sector of six billion euros. ABN AMRO previously calculated a loss of turnover of fourteen billion euros for the next five years, with 70,000 jobs at risk.” (Document 5)*</p> <p>“As a result of a decision of the Council of State at the end of May, there has been major stagnation in the granting of permits throughout the Netherlands, both with regard to zoning plans and environmental permits. As a result, construction projects come to a standstill and new ones cannot start.” (Document 13)*</p> <p>“We recognize the importance of both the business community and the government increasing the pace of sustainability. However, it remains important that there is a “level playing field” and that the economic impact of measures is properly weighed up. Predictable and decisive government action is a precondition for a successful transition. Unfortunately, the opposite is happening with the nitrogen problem. As a result of not having a timely response to the abolition of the PAS, hundreds of projects in the sector have come to a standstill. Support for the necessary sustainability measures is thus seriously undermined. Nature and climate have become a topic of discussion in which opinions are directly opposed to each other.” (Document 40)*</p>	1.1 Influence nitrogen crisis	1. Organizational field construction industry
1.1.2 Effect on organizational level	How the nitrogen crisis affected aspects	“LL: Did a lot of projects really came to a standstill, because of the consequences of the ruling?”		

	of the construction industry at organizational level.	<p>R5: No, delayed. the projects didn't really come to a standstill because we hadn't started yet. For example, when we were building ten houses, which doesn't seem much, we were delayed because we still had to demonstrate the nitrogen emissions.” (Respondent 5)*</p> <p>“R2: I think that, as an SME, you will have to comply with all the regulations concerning nitrogen. So, you have to adjust your own working methods around these regulations. This will mainly have to do with minimizing the use of motor vehicles that emit nitrogen.” (Respondent 2)*</p> <p>R1: “Well, the influence was that at some point no permits were granted. And that everyone didn't know what to do. Provinces, municipalities and ourselves as an organization. What do you have to comply with now, what are the set criteria, how should we adapt, what measures should we take on a project basis.” (Respondent 1)*</p>		
2.1.1 Dependence	The level of dependence of the operating companies on the resources of Concern X and how the operating companies are associative of subordination and control.	<p>R5: “We are responsible for managing our own organization. So, we are responsible for the turnover, the profit, the deployment of personnel. So basically, we are responsible for everything.” (Respondent 5)*</p> <p>“The operating companies of <i>Concern X</i> are independent, have their own profit and market responsibility and are part of a tight internal network.” (Document 50)*</p>	2.1 Relational context	2. Organization embedded in the concern of an MNE

		<p>“R1: Sometimes there are other interest at stake at <i>Concern X</i> that you might find difficult. Then you say, it is fine, but I have nothing to do with that. It can happen that you get a conflict because of that.</p> <p>LL: And those are?</p> <p>R1: Then you go into consultation, what is your problem and what is your problem. But finally, the interests of <i>Concern X</i> will be deemed more important, than the interest of <i>Organization X</i>.” (Respondent 1)*</p>		
2.1.2 Trust	<p>The level of experienced trust.</p> <p>This is defined by the involvement of <i>Concern X</i> in its operating companies.</p>	<p>“R4: Sometimes it feels oppressive. I cannot say it is damaging, because it will make you take care of things. But only it feels very interfering and that just does not feel nice.</p> <p>LL: So it feels like the trust isn't really there from the parent company's side?</p> <p>R4: Right, right. Yeah, yeah, exactly.” (Respondent 4)*</p> <p>“LL: And so it may sometimes feel that somewhere a basis of trust is a bit lacking, that you constantly have to ask for approval on things like that. Or is it more like the rules really prescribe it?</p> <p>R3: No, it does not feel like there is a lacks trust for me. What you notice is that you are a part of a large organization. We as an operating company might be less afraid of reputation damage and you notice that reputational damage is way more important to <i>Concern X</i>. Like, yeah if it's a project of ours and our name's coming up, what consequences does that have on a large scale. I notice that when you get</p>		

		<p>higher in the organization this plays much more than it plays for us.” (Respondent 3)*</p> <p>“LL: So if you look a little more specifically at the trust between each other. You are part of a larger concern, but you are also an autonomous organisation yourself. How is that trust towards each other, do you sometimes notice that someone from <i>Concern X</i> is coming at your projects?</p> <p>R2: Uh... the higher management never really comes into play. These are often the executives and project leaders who do the scaffolding work for us or the window and door frames, etc. These people do come to the construction site to see how things are going.” (Respondent 2)*</p>		
2.1.3 Norms and values	The similarities in norms and values in terms of culture.	<p>“LL: But if you look at the norms and values of <i>Concern X</i>, are those very different from the norms and values of your organization.</p> <p>R1: Uh... well you obviously have a directive to comply with. But I think real culture is a different term than complying with a holding company's guidelines.</p> <p>LL: Can you further explain that?</p> <p>R1: Culture is what people make together. And obligations imposed by a Concern of which you are part, do I find something different than culture.</p> <p>LL: But if you compare that between the two, is there a big difference?</p>		

		<p>R1: No, it a no-nonsense company that is completely off the stock market right now. So, they are really operating as a family business and you can see that in the culture of the organization.” (Respondent 1)*</p> <p>“LL: And when you look at the norms and values of <i>Concern X</i>, are they the same as your norms and values? Or are there a number of points where it still differs?</p> <p>R5: Uh... yeah. I think it's pretty much the same. Look, <i>Organization Y</i> is kind of, as we see it, the parent company, so to speak. And it once started in (...), so I think maybe we're a little more traditional than, say, <i>Concern X</i> itself.” (Respondent 5)*</p> <p>“R6: Only when you talk about culture, is our culture the real old-fashioned culture. The culture of <i>Concern X</i> is quite different. Their culture has changed into a hard culture and a little less social.” (Respondent 6)*</p>		
Reputation spillover	How the operating companies can use the reputation of Concern X to manage legitimacy.	<p>“R3: When I talk about my work with people who don't know me that well and I say that I work at <i>Organization X</i>, then you notice that they don't find it very interesting. At the moment I say, I work at <i>Concern X</i>. Then everyone says, yeah <i>Concern X</i> is a nice company. In that regard, it does have a positive effect, because everyone has a feeling that it is a solid organization.” (Respondent 3)*</p> <p>“R5: People definitely look at that . Theoretically, you're hanging under the big <i>Concern X</i>. So if people want to choose a reliable construction partner, you're obviously at an advantage.” (Respondent 5)*</p>	2.2 Reputation spillover	

		<p>“LL: But that is more internally, between the operating companies. But is <i>Concern X</i>'s network, capabilities and reputation also used externally. For example, to customers or to municipalities, governments, etc..</p> <p>R4: Uh... definitely, yeah. Yeah, but that's more out of my sight. But I know those relationships are there, of course, yeah. I'm sure they are.</p> <p>LL: And even though it's of your sight, is it mainly about financial arrangements? Like, we have a large group of companies behind us, so you don't have to worry that we will just fall over, or how do I see that?</p> <p>R4: What you're saying is definitely a big guarantee, especially in the times of crisis that we had and now due to corona is probably coming again. In those times you can guarantee that you have all the knowledge and expertise and that you are part of a big organization that won't stop existing.” (Respondent 4)*</p>		
Dual organizational identification	A person's individual sense of identification with both the operating company and Concern X.	<p>“LL: So if you have to say I'm part of A. <i>Concern X</i> or B. part of <i>Organization W</i>?</p> <p>R2: <i>Organization W</i>.</p> <p>LL: Why?</p> <p>R2: Because I don't have much to do with anything that <i>Concern X</i> has to do.” (Respondent 2)*</p>	2.3 Dual organizational identification	

		<p>“LL: And if you pull it a little bit broader, do you feel more like a part of <i>Concern X</i> or rather a part of the autonomous <i>Organization X</i>?”</p> <p>R3: Uh... speaking for myself. I feel more part of <i>Organization X</i> than a part of <i>Concern X</i>.</p> <p>LL: And why is that?</p> <p>R3: I think that has to do with daily practice, because how often do I really have to deal with <i>Concern X</i> and when do I have to deal with <i>Organization X</i>. For me, most things are arranged here in my organization. That you have certain suppliers and things like that. Yes, every organization has that, but the fact that they are also part of <i>Concern X</i> does not necessarily make that any different.” (Respondent 3)*</p> <p>“LL: And on an individual level, do you feel like the Managing Director of <i>Organization X</i> or Managing Director of a <i>Concern X</i> operating company.</p> <p>R1: Uh ... <i>Organization X</i>.</p> <p>LL: And why?</p> <p>R1: Because you still are independent and you have to keep up your own pants financially.” (Respondent 1)*</p>		
3.1.1 Adaptation to new environment	The response to the nitrogen crisis where	“R1: Centralized action is then taken very quickly, because it was a national problem. Not only <i>Organization X</i> was affected, but the whole of the Netherlands	3.1 Response to nitrogen crisis	3. Nitrogen crisis

	<p>organizations were adapting to the new environment to manage their legitimacy.</p>	<p>and its industries and areas. And how are you going to adapt, so that your projects can continue.” (Respondent 1)*</p> <p>“R5: How can we deal with it. So, we have reduced emissions wherever possible by using electrical machines, adapting transport movements and cranes. We have actually played a bit with these aspects.” (Respondent 5)*</p> <p>“Drafting Aeries calculation:</p> <ul style="list-style-type: none"> • Input from contractor (can be influenced): <ul style="list-style-type: none"> - Construction time - Traffic movements of construction site personnel - Equipment to be used and running hours - Number of truck movements to construction sites • Other input (not influenceable): <ul style="list-style-type: none"> - Distance project location to natura-2000 area - Distance from the project to the nearest N-road - Type of dwellings (social or private rentals, owner-occupied dwellings cheap, medium or expensive) related to traffic generation during the use phase” (Document 9)* 		
<p>3.1.2 Influencing new environment</p>	<p>The response to the nitrogen crisis where organizations were trying to influence aspects of the new environment to</p>	<p>“R1: It's more like, we need to be able to prove on our calculations, it's true. And then you get approval and you can move on to the execution of your projects.” (Respondent 1)*</p> <p>“R5: It has been explained what the standards are and that it is not so straightforward. So that by using certain material, you can influence that</p>		

	manage their legitimacy.	<p>calculation. And also, that you can look at the environment, are you in a Natura 2000 area? How can we deal with that, for example, with a different route to the construction. Yes, actually they explained to us that there are a lot of buttons you can turn to get a good plan and a conclusive nitrogen calculation.” (Respondent 5)*</p> <p>“at the moment there is a lot of tampering going on with values to be entered for AERIUS calculation.” (Document 9)*</p>		
3.1.3 Consultation with institutional environment	The response to the nitrogen crisis where organizations tried to actively engage in discussions with stakeholders and societal groups to manage their legitimacy.	<p>“Think, for example, of the legislation on nitrogen oxides and PFAS. If the concentration of these substances is too high, they can have a negative impact on nature and our health. This means that in our projects we look for solutions that minimize the negative impact on the environment. In doing so, it is necessary to allow various disciplines to work together and to actively engage in consultation with our stakeholders and knowledge partners. This is the only way we can bring successful and sustainable alternatives with high social added value to the market.” (Document 40)*</p> <p>“We urge for a national approach that decouples permit granting from existing background values while structurally increasing resources for source and remediation measures.” (Document 40)*</p> <p>“Pro-active intensive consultation with regulators, political decision-making bodies and working groups (Politics/VNO-NCW/Bouwend Nederland)” (Document 41)</p>		
3.2.1 Guidance	The guidance of Concern X for its	“R1: And then you notice that you are part of a large concern. And that there is a lot of knowledge and know-how available within such an organization. Who are	3.2 Role of parent company	

	operating companies during the nitrogen crisis.	<p>also going to act immediately, how are we going to deal with this. Hey there's a problem, how can we prevent these problems from arising in our projects. And this response is at a high pace.” (Respondent 1)*</p> <p>“Internal knowledge center set up at our engineering firm Engineering firm X to assess “projects at stake” in the field of nitrogen deposition (using Aerijs calculation model) and to think along with changes so that any problems are solved” (Document 41)</p> <p>“Frequent meetings with management of the divisions C&RED and Infrastructure Netherland to discuss potential impact on project portfolio/tenders and sharing observations and ideas for solutions/approach” (Document 41)</p>		
3.2.2 Knowledge sharing	The provision of knowledge that Concern X shared to its operating companies in the nitrogen crisis.	<p>“Attached you will find a memo summarizing the shared information. This memo has been drawn up specifically for <i>Concern X</i> and is intended for internal use.” (Document 16)*</p> <p>“R1: Well then you make use of the knowledge and skills within <i>Concern X</i>.</p> <p>LL: Yes, exactly. But...</p> <p>R1: So you've got <i>Engineering Firm X</i> who'll calculate all the projects with you. In addition, you will receive legal support. Like, hey, it's all very well what you guys are saying, but we meet the standards in these criteria. That's why you have to grant us a permit.” (Respondent 1).*</p>		

		<p>“R4: Anyway, we simply switch to one of those parties which has the latest expertise, knowledge or experience in-house. Because if it's there, you just have to make use of it.” (Respondent 4)*</p>		
3.2.3 Development of materials	The development of materials by Concern X that could serve as a solution for the nitrogen problem.	<p>“Driven by an immediate need in the market due to the changes in the nitrogen regulations, we rapidly developed a unit that can be connected to the exhaust of existing diesel equipment that filters up to 99% of the nitrogen during the construction stage” (Document 41)</p> <p>LL: The (...) filter, I had read that <i>Concern X</i> is developing it. A filter that filters the nitrogen out of the outlet.</p> <p>R5: Yeah, that's right. I think they're using that filter in shipping now, with the big ships. We have indeed started to develop that, whether such a filter can also fit on our machines. (Respondent 5)*</p> <p>“R3: What you just mentioned was the nitrogen filter, for example. That was something that became clear to us relatively late that they were working on it. I am also a member of young <i>Concern X</i> myself and there were meetings with the board of directors around the same time. And then it was also explained why they made it known so late. And that was because they first wanted to find out whether it really worked and I can understand that. So these are actions that do take place, but these actions were in the background. And the moment they knew for sure how it worked, they communicated it.” (Respondent 3)*</p>		
Monitoring of nitrogen measures	The perception of how the nitrogen measures taken by	<p>“R3: What kind of influence is this going to have, do we have to measure this on the construction site, will someone actually come and check how many hours the cranes are there and if the cranes are there.</p>	3.3 Monitoring of nitrogen measures	

	<p>organizations are monitored by institutions.</p>	<p>LL: Yes.</p> <p>R3: In practice it was less strict than it seemed beforehand. That is why you noticed that the pressure was dropping a little.” (Respondent 3)*</p> <p>“LL: Yeah okay, cause uh... you're saying that you are actually hearing very little of it. Do you still feel that there is monitoring and checking whether the calculations are actually complied with.</p> <p>R6: Not if you ask me. No, I do not have that feeling. And I do not think it is happening either.” (Respondent 6)*</p> <p>“Monitoring and Enforcement:</p> <ul style="list-style-type: none"> • The big question remains who is going to monitor/maintain this • In our opinion, this responsibility should lie with the executing parties, for example, quality assurance (but not yet officially from the government)". <p>(Document 9)*</p>		
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*: *translated from Dutch into English*

