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The Effect of Retailer Perceived Isomorphism and Performative Action on Legitimacy, Word-Of-Mouth and Purchase Intention

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Keywords: Legitimacy, Perceived Isomorphism, WOM, Purchase Intention

Introduction Gaining legitimacy is an integral part of every business that seeks to provide justification for its existence within the society (Cheit, 1964). Organizational legitimacy, as a status granted by a society system (Ashforth & Gibbs, 1990), is defined as the “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within a society system” (Suchman, 1995, p. 574). Legitimacy has become even more important in retailing today because it enables retailers to prove their viability as a social entity within communities. Additionally, coupled with an increasing interest in retailer social responsibility, consumers tend to evaluate retailers in light of diverse aspects including what they offer (i.e. performance) and how they act in institutional environments (i.e. isomorphism). Institutional theorists define isomorphism (i.e., inter-organizational imitation) as a process by which organizations imitate other social institutions’ practices and structures deemed successful (DiMaggio & Powell, 1983). This study proposes that retailer legitimacy is earned through their degree of isomorphism as well as performative actions (e.g., price, product assortment, promotion). Specifically, this empirical research investigates: (1) the effects of perceived retail performance and isomorphism on the legitimacy of the retailer and (2) the effect of the earned legitimacy on consumer behavior (purchase intention and WOM).

Conceptual background and Hypotheses According to Institutional Theory, isomorphism is introduced as a substantial antecedent to legitimacy (Deephouse, 1996). Consumers consider a retail business as a legitimate member of the society when the retailer “plays by the rules,” and conforms to the society and industry norms. However, businesses gain legitimacy not only through conforming to the rules and norms of other institutions, but also as they differentiate themselves from other businesses in terms of their performance. This means neither isomorphic action nor performative action alone can lead to business legitimacy. While it is likely that non-conformity will lead to consumer detraction, legitimacy is not solely based on isomorphic actions. Therefore, this research proposes that legitimacy is determined by a retailer’s performative action as well as the retailer’s being a part of the institutional environment.

H1. A positive consumer perception of a retailer’s isomorphism will increase retailer legitimacy.

H2. A positive consumer perception of the retailer’s performative action will increase retailer legitimacy.

Once consumers perceive the retailer as legitimate, they will be willing to offer their support for the retailer (Handelman & Arnold, 1999). Their purchase intention will increase, and they will be willing to spread the good words about the retailer. Therefore, it can be hypothesized that

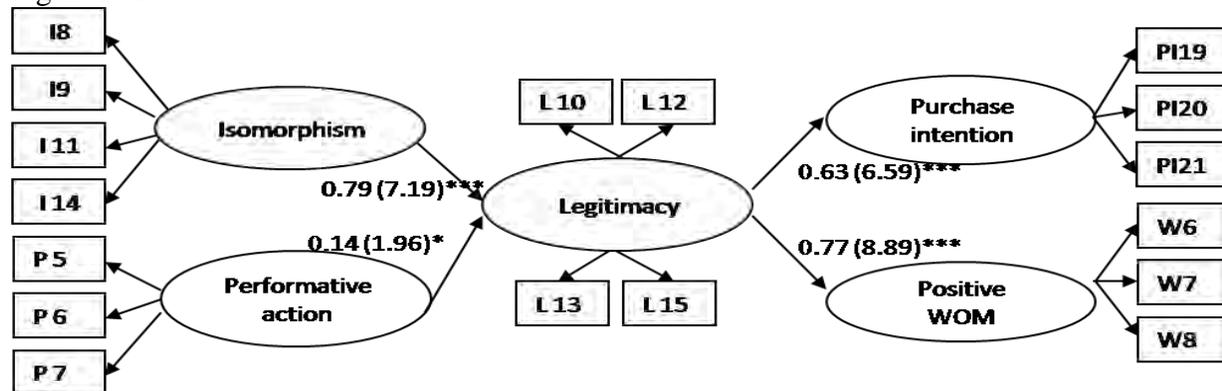
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perceived legitimacy of the retailer will bring increased purchase intention and positive Word-Of-Mouth (WOM). Consequently, this study proposes that:

H3. Retailer legitimacy will increase purchase intention toward the retailer.

H4. Retailer legitimacy will increase positive WOM.

Figure 1. Structural Model



Note. Numbers are standardized factor loadings followed by Critical Ratios (CRs) in parentheses.

* $p < .05$, ** $p < .01$, *** $p < .001$

Method and Results Measures of research constructs were adopted from previous studies. The initial questionnaire was pre-tested among 144 undergraduate students for measurement validation. For the main test, 220 usable responses collected from mail surveys with US consumers residing in two large metropolitan areas was used. Over half of respondents were female (54.1%), and mean age was 48 years. Participants were instructed to answer survey questions regarding a randomly assigned general merchandise retailer among three big retailers (WalMart, Kroger, and Target). A measurement model was tested using CFA with the ML estimation (AMOS 19.0). The measurement model fit the data well. Reliabilities, unidimensionality, convergent and discriminant validity of each factor were also confirmed. SEM with ML estimation (AMOS 19.0) tested proposed hypotheses. The proposed model yielded an acceptable fit to the data. Results supported all hypotheses (Figure 1).

Discussion The study result revealed that retailers earn legitimacy through both their perceived isomorphic and performative action, yet the factor loading for isomorphic action was higher than performative action indicating that being a part is more important than setting oneself apart, when earning legitimacy from the consumers. This result gives implication to the retailers that they need to adhere to the social norms and conform to the institutional environment in order to remain as a rightful member of the society. In addition, it was shown that retailer legitimacy leads to higher purchase intention and positive WOM, indicating the importance of earning consumer approval within the society to be a profitable business.

References available upon request