Assessing the Legitimacy of EMNEs to Alleviate the Liabilities of Foreignness and Emergingness

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Abstract: Multinational enterprises from emerging markets (EMNEs) face the double hurdles of liabilities of foreignness and emergingness. Gaining legitimacy is one way to overcome these hurdles, and past work has looked at a number of organizational and field-level indicators of legitimacy. Recent research on legitimacy has drawn attention to the individual level of analysis as a micro-foundation of legitimacy. This study uses a seven-step procedure to develop and validate a measure of the legitimacy of Chinese EMNEs operating in a developed country, The Netherlands. Using factor analysis and structural equation modelling on data from two different surveys in two different languages, the measurement scale demonstrates acceptable reliability and convergent, discriminant, and nomological validity. The study also finds that legitimacy is a hierarchical multidimensional construct, and the identified relationships between the dimensions reflect this legitimacy process at the individual level: recognition---sub-perceptions---overall perception.

1. Introduction

Multinational enterprises (MNEs) expanding into new countries must overcome the liability of foreignness to succeed (Buckley and Casson, 1976; Zaheer, 1995). This liability is compounded for MNEs from emerging markets (EMNEs) who also suffer from the liability of emergingness (Held and Bader, 2016). This double hurdle poses significant challenges for EMNEs, especially in developed markets. Given this challenge facing practitioners, researchers have recommended that MNEs gain legitimacy in their new markets (Bangara et al., 2012; He and Zhang, 2018; Kostova and Zaheer, 1999). One stream investigated strategies that MNEs could adopt to gain legitimacy, such as practicing corporate social responsibility (CSR) (Reimann et al., 2012) (Marano et al., 2017; Zheng et al., 2015) and mimetic isomorphism (Miller and Eden, 2006; Wu and Salomon, 2016). A second stream looked at obtaining validating endorsements from other organizations or field-level actors, like gaining certifications or forming alliances with local partners (Alcantara et al., 2006; Bitektine and Haack, 2015; Ivanova and Castellano, 2012). Such endorsements are consistent with earlier legitimacy research highlighting the importance of collective central actors like the state or the media (Deephouse, 1996; Galaskiewicz, 1985) and used aggregated measures such as media coverage, population density, accreditations, and memberships (e.g. Bansal and Clelland, 2004; Baum and Oliver, 1991; Singh et al., 1986; Vergne, 2011).

Recent reviews of legitimacy called for greater attention to legitimacy judgments at the individual level because they are the micro-foundations of collective indicators of legitimacy (Bitektine and Haack, 2015; Deephouse et al., 2017; Suddaby et al., 2017; Tost, 2011). There have been a few studies measuring individual perceptions of legitimacy (e.g. Finch et al., 2015; Jahn et al., 2017; Kim etal. 2014; Yang et al., 2012). However, these measurements are situation-specific and not applicable to EMNEs. Developing a measurement scale for the legitimacy of MNEs would enable researchers and practitioners to assess the efficacy of legitimacy-enhancing strategies to overcome the liabilities of foreignness and emergingness.

Any measurement of legitimacy should reflect a generally acceptable conceptualization of legitimacy. In terms of the definition, most empirical studies continue to use that of Suchman (1995), but this work overlooks the considerable evolution in the definition of legitimacy in the last decade (Bitektine, 2011; Deephouse et al., 2017; Deephouse and Suchman, 2008; Tost, 2011). We adopt a recent integrative definition here. Furthermore, legitimacy is commonly conceptualized as a multidimensional construct, but past research offers a variety of dimensions and meanings for each dimension (Aldrich and Fiol, 1994; Deephouse et al., 2017; Scott, 1995; Suchman, 1995; Tost, 2011). Bitektine's (2011) review of legitimacy identified 18 different dimensions used in past research. While extant qualitative work on legitimation processes found different dimensions becoming satisfied at different times (e.g., Greenwood et al., 2002), there is limited quantitative work examining the number of dimensions and the relationships among them.

This paper addresses these two gaps by developing by developing a scale for measuring the legitimacy of EMNEs at the individual level of analysis that: 1) uses a recent integrative definition of legitimacy; 2) discriminates among different dimensions of legitimacy most relevant to EMNEs; 3) specifies and tests a process model among these dimensions; and 4) demonstrates acceptable nomological validity. Our supportive empirical analysis indicates that our measure of the legitimacy of Chinese EMNEs in a specific developed country could be adapted to other settings and that additional research should examine relationships among dimensions of legitimacy.

Our paper is structured as follows. We first review the definitions of legitimacy in the literature and specify clearly the definition and the dimensions we intend to measure. We then create survey items to measure legitimacy based on this conceptualization, items used in past research, and our particular context, Chinese EMNEs in The Netherlands. We measured legitimacy using two surveys with two different samples in two different languages. Using the purified items and validated constructs, we then examine the relationships among the dimensions. Finally, we assess the nomological validity of legitimacy on two individual level outcomes, willingness to purchase from and willingness to work for Chinese EMNEs.

2. Conceptualizing legitimacy

The conceptualization of legitimacy has displayed substantial elasticity that resulted in a plethora of definitions, measures, and theoretical propositions, not all of which are fully compatible with one another (Deephouse and Suchman, 2008: 50). The most cited definition is from the seminal work of Suchman (1995: 574):

> Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

Although still in common use because of its generality and long-term impact, Suchman has modified his definition twice in subsequent reviews of recent literature (Deephouse et al., 2017; Deephouse and Suchman, 2008). We adopt the definition presented in the latest review (Deephouse et al., 2017:32) because incorporates important elements from research re-considering the definition of legitimacy since Suchman (1995):

> Organizational legitimacy is the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions

The concept of appropriateness is included in the definitions of Suchman (1995), Zimmerman and Zeitz (2002), and Tost (2011). Deephouse et al. (2017) specified two components of appropriateness. The first is propriety, reflecting relatively recent deliberative judgments of a organization's legitimacy (Bitektine and Haack, 2015; Dornbusch and Scott, 1975; Tost, 2011). The second is acceptability, reflecting a more passive, taken-for-granted assessment of an organization's legitimacy (Bitektine and Haack, 2015; Meyer and Rowan, 1977). Moreover, this definition excludes the term "desirable" to avoid confusion with reputation (Bitektine, 2011; Bundy and Pfarrer, 2015; Deephouse and Suchman, 2008; Foreman et al., 2012). Further, it recognizes the importance of the social system in which organizations and evaluators, especially individuals in our study, reside (Bitektine and Haack, 2015; Meyer and Rowan, 1977; Scott, 2014).

A number of dimensions of legitimacy have been proposed, also known as "types" (Bitektine, 2011), "bases" (Scott, 2014), or "criteria" (Deephouse et al., 2017). We choose five dimensions of legitimacy used in past research that are likely to affect the perception of legitimacy of EMNEs. The first is regulatory legitimacy. It is attained from maintaining proper behavior according to laws and rules set forth by governments and other regulatory authorities (Scott, 1995). EMNEs, like other firms, need to conform with local laws and regulations, but because EMNEs are from other countries, they are less familiar with local regulations than local firms are. Moreover, EMNEs may less knowledge initially about developed countries than MNEs from other developed countries with similar political and economic systems.

The second is moral legitimacy, which is based on normative approval (Suchman, 1995) It is attained by complying with softer requirements of what stakeholders believe to be good and right in society (Scott, 1995). As with regulatory legitimacy, EMNEs are less familiar with the norms and values of a different country. Some scholars combined regulatory legitimacy and moral legitimacy as sociopolitical legitimacy (Aldrich and Fiol, 1994). In current study, we use this combined dimension.

The third is pragmatic legitimacy (Suchman, 1995). It is attained by satisfying stakeholders' self-interests based on direct exchanges. "It also can involve broader political, economic, or social interdependencies, in which organizational action nonetheless visibly affects the audience's well-being" (Suchman, 1995, 578). The ability of EMNEs to deliver satisfactory products and services is often debated in host countries simply because they are from emerging countries (He and Zhang, 2018; Wang et a., 2012). In many cases, however, they are welcomed because they are expected to bring capital and jobs to host countries.

The fourth is cognitive legitimacy. It refers to the spread of knowledge about an organization. Cognitive legitimacy can be measured by the level of public knowledge about an organization and its activities (Aldrich and Fiol, 1994). Here we do not adopt a 'taken-for-granted' component of cognitive legitimacy that is often used in the literature (King and Whetten, 2008; Scott, 1995; Suchman, 1995) because taken-for-granted is hard to measure (Deephouse and Suchman, 2008).

Given that EMNEs are relative newcomers --- especially in advanced host countries -- people are not necessarily familiar with them.

The last is media legitimacy. This dimension reflects the fact that the media as a collective actor provides validating information that influences the judgments of individuals (Bitektine, 2011; Bitektine and Haack, 2015; Deephouse, 1996). And while traditional media are in decline in many countries, the Dutch are still active consumers of news media with 37% of the adult population reading a physical newspaper and 79% accessing them digitally (Newman et al., 2018). Moreover, recent conceptualizations of the media incorporate new social media, and important information regarding organizations in social media is often reported in traditional media (Shoemaker and Reese, 2014).

Although these five dimensions are applicable to a wide range of contexts, they are particularly relevant to our research context. Firstly, as any other firms, to be legitimate in a host country, EMNEs first need to meet the local "hard" requirement (laws and regulations) and "soft" requirement (morals) to achieve sociopolitical legitimacy. In addition, many emerging markets are characterized by having weaker institutions than advanced markets (Gammeltoft et al., 2010; Madhok and Keyhani, 2012) which creates more challenges for EMNEs to gain sociopolitical legitimacy. Secondly, they need to demonstrate that they are beneficial to the host country. EMNEs are facing doubts and concerns in host countries due to their emerging background (He & Zhang, 2018; Wang, Hong, Kafouros, & Wright, 2012). Therefore, the pragmatic legitimacy is particularly relevant to EMNEs in practice. In many cases, they are welcome because they are expected to bring capital and jobs to host countries. Thirdly, given that EMNEs are newcomers especially in advanced host countries, people are not necessarily familiar with them; therefore cognitive and media legitimacies become important for them to be accepted.

3. The scale development process

The empirical context of this study uses China as the home country and the Netherlands as the host country. China is a relevant choice because that China is currently the largest contributor of global FDI outflow in the developing world. The share of outward FDI from China, increased from 1.2% in 2007 to 12.6% in 2016, which makes China the second largest source of FDI in the world after the United States (UNCTAD, 2017). The Netherlands as the host country is convenient because it provides access to the large European Union and the Dutch people are quite direct and frank in expressing different opinions, with large variety of opinions in the country due to multiculturalism in combination with a neo-corporatist political culture (Berkhout et al., 2015; Entzinger, 2014). In addition, Netherlands is one of the largest FDI recipients in the world; it ranked as the 5th in 2016 (UNCTAD, 2017). According to the survey of UNCTAD (2012), the Netherlands is one of the important host countries for EMNEs. This one-to-one setting implies that we can filter out any interferences of cross-country variance, such as perception differences deriving from variation in economic development, cultural heritage, and degree of ethnocentrism (Ahmed and d'Astous, 2007).

Our empirical approach is based on the comprehensive procedures suggested by Churchill (1979) and Hinkin (1998). We created a seven-step procedure to develop a measurement scale for the legitimacy in the context of EMNEs in a host country. The steps are presented in Table 1. The first three steps address concerns of face and content validity, dimensionality, and internal consistency; Step 4, 5 and 7 address the concerns of reliability, convergent, discriminant validity, and nomological validity; Step 6 investigates the relationships between the dimensions.

INSERT TABLE 1 ABOUT HERE

3.1 Step 1: Item generation

Hinkin (1998) summarized two approaches to create preliminary items, deductive and inductive. A deductive approach is recommended when the theoretical foundation provides enough information to generate the initial set of items. It requires a clear theoretical definition of the construct under examination. An inductive approach is appropriate when the definition of the construct under examination is not yet well identified. With this approach, researchers usually develop scales inductively by asking a sample of respondents to provide descriptions of their feelings and understanding about the relevant concept. In our study we use the first approach because the focal construct, legitimacy, is a well-researched concept. As noted above, existing literature provides a solid theoretical foundation for us to generate items. There is also a developing empirical corpus at the individual level of analysis that used survey questions to measure legitimacy of specific sectors (e.g. Canadian oil sands industry in Finch et al., 2015, police in Gau, 2013), new firms and products (Shepherd and Zacharakis, 2003), activities (Streib and Poister, 1999), brands (Guo et al., 2017), and specific firms and products (Bachmann and

Ingenhoff, 2016; Choi and Shepherd, 2005; Díez- Martín et al., 2013; Elsbach, 1994). These studies form the basis for us to start with the scale development with a deductive approach.

Compared to other well-developed measurement scales, the items for legitimacy are very fragmented and situation-specific, and there are no existing items that are specific for measuring legitimacy of EMNEs. Following a deductive approach, we take the following sub-steps to generate initial items. We first conducted an extensive literature review. We started by searching with Google Scholar and EBSCO using the key words of legitimacy, legitimate and legitimation. The item generation is based on an extensive literature review covering over 500 journal papers, working papers and books published during 1980-2017; a list is available from the first author on request. The publications reviewed are not only in management but also in other disciplines, such as political science, public administrations, law, communication, accounting, sociology and psychology. From this set, we identified 133 original items used to measure legitimacy in various contexts from 49 papers (the list of the papers is also available upon request from the first author). Among these papers, 32 of them use measures at the collective level, such as media coverage (e.g. Aerts and Cormier, 2009; Bansal and Clelland, 2004; Vergne, 2011), population density (Baum and Oliver, 1991; Meyer and Scott, 1983; Rao, 1994), numbers of organizations (Hannan and Carroll, 1992; Carroll and Hannan, 1989), certifications (Ivanova and Castellano, 2012), accreditations and memberships (Ruef and Scott, 1998; Singh et al., 1986). We removed the collective indicators and ended up with 94 original items that measure legitimacy at the individual level. A list of items is available from the first author.

Our second step was to filter these 94 items using following criteria. First, we deleted 28 items that do not fit the definition of legitimacy used in this study but instead incorporate terms from other concepts like reputation, status or attractiveness. Two examples are: “The organization is viewed by business writers as one of the top firms in the industry”(Elsbach, 1994); and “Employees are proud to tell others they work at Bransford Sensors” (Certo and Hodge, 2007) . Second, we deleted 17 items that measure internal legitimacy, the perception of organization insiders (Kostova and Roth, 2002). An examples is: “You, your colleagues, your bosses: believe that all your organization’s actions help it achieve its goals” (Díez-Martín et al., 2013). Third, we deleted 24 items associated with specific context which cannot translate to the case of a group of organizations, EMNEs. Three examples are: “police protect people’s basic rights” (Gau, 2013); “It requires quite a bit of effort for me to shop at Retail World” (Handelman and Arnold, 1999);

and “Because of the founder’s experience, the business has a founder who benefits the organization” (Pollack et al., 2012). This step left 25 items.

In our third step, we combined the items that appear to measure the same thing but in different forms into one item. For example, we translated and integrated the two items, “It seems to me that Suolo Inc. acts consistent with socially accepted norms and values” (Bachmann and Ingenhoff, 2016) and “ZERTO Corporation complies with the norms and values of German society” (Jahn et al., 2017), into one item in use “The Chinese firms conform to values held by our society” (Q1). This step ends up with 16 items.

In the fourth step, we compared these items to the definition and dimensions of legitimacy that we adopted to see if there were any substantial gaps. One item was added to reflect the terminology of the definition: *The business practice of Chinese firms is acceptable*. We also added one item to measure pragmatic legitimacy considering the current economic situation in the host country, where unemployment was still higher in our survey years (2016-17) than before the recession resulting from financial and European debt crises of in 2007-8. This item is: *The Chinese firms provide opportunities to us to overcome the economic recession*.

To assess face validity, we reviewed our items in detail with five experts: three professors in international business and two top managers who have rich international experience. All the items passed their assessment. We also ask experts to provide new items that reflect the construct. Following experts’ suggestion, we added one item, *I see a gap between formally agreed upon behavior and behavior in practice regarding rules and regulations.* We ended up with nineteen items ready for first data collection. Before the questionnaire is distributed, we did a pretest with fifteen people by personal interviews to identify and eliminate potential problems. Based on their feedback we adjusted the few questions to make them easy to understand. The questions presented in Appendix 1.

3.2 Step 2: The first data collection

The first survey was done in October and November 2016. We used an online survey instead of traditional methods such as letter, face-to-face or telephone interview because online surveys are faster, cheaper, reduce participants’ burden, and may elicit greater variability in responses (Couper, 2008). The survey was designed with the software provided by a survey company, Qualtrics. The online survey was pre-tested by a small group of people (four faculty members and six graduate students). Computers with different screen configurations and browsers and different smart phones with different systems were used in the pre-test to ensure consistent appearance of the survey. The questionnaire was slightly adjusted according to the constructive feedback from the pilot respondents. Given the fact that there were international students in these programs, and the English level of these students is sufficient for filling in the questionnaire, we use English in this survey. The survey link was sent to the students of three programs (International MBA, executive MBA, Modular MBA and Part-time MSc) at Nyenrode Business Unversiteit in the Netherlands. There were a 248 respondents; 39 were removed because of missing data, and another 8 respondents were removed because their response time was shorter than the item response time thresholds used by Wise and Kong (2005), specifically 20 seconds for 19 short items. This left 201 useable questionnaires. The average age is 34, and the percentage of females is 45%.

3.3 Step 3: Purify items

The purpose of this step is to purify the items and explore the dimensions of the construct (Martin and Eroglu, 1993). An exploratory factor analysis (EFA) with principal component procedures and varimax rotation was performed on the data collected in Step 2. An index of Kaiser's measure of sampling adequacy (KMO = 0.789) and Bartlett's test of sphericity (χ_2 =1230.88 with 171 df; p<0.001) suggest that the data are suitable for factor analysis. Eigenvalues greater than 1 are used to determine the number of factors. EFA extracts five factors, accounting for 62.55% of the total variance. The results are in Table 2. We used the following criteria to purify our list of items: (1) items should have communality higher than 0.4; (2) dominant loadings should be greater than 0.5; and (3) cross-loadings should be lower than 0.3 (Hair et al., 2006). Based on the results, we dropped Q8 because its factor loading is lower than 0.50 and Q6 and Q7 because of their high cross-loading. Dropping Q6 is also in line with the recommendation that the term "desirable" in Suchman's (1995) definition should be removed to avoid potential confusion with status or reputation (Deephouse and Suchman, 2008). We further dropped Q12 because it is the only item in the factor which is uninterpretable and may cause underidentification problems (Bollen, 1989). At the end, 15 items and four factors remained. We calculated Cronbach's alpha to test the internal consistency for each factor. Table 2 shows that the alphas are all greater than 0.6, which are acceptable in exploratory research (Hair et al., 2006, p778).

INSERT TABLE 2 ABOUT HERE

The first factor contains three items: *Q4 The business practice of the Chinese firm is acceptable; Q5 The business practice of the Chinese firm is proper;* and *Q13 The Chinese firms are good citizens.* Since "appropriate is a covering term for both acceptable and proper" (Deephouse et al., 2017, 10), this factors appears to indicate *Appropriateness.* Because it is distinct from the other factors, and the other factors are closely linked to aforementioned dimensions of legitimacy, we refer to consider this factor to as represent *overall legitimacy*.

The second factor contains three items: *Q1 The Chinese firms conform to values held by our society; Q2 The Chinese firms are committed to meet norms and cultures standards that our community expects of foreign owned firms;* and *Q3 The Chinese firms conform to regulatory standards in our society*. The three items measure regulatory and moral legitimacy. These two dimensions are sometimes viewed as components of sociopolitical legitimacy; according to Aldrich and Fiol (1994, 648) "Sociopolitical legitimation refers to the process by which key stakeholders, the general public, key opinion leaders, or government officials accept a venture as appropriate and right, given existing norms and laws." Therefore, we refer to this factor as *Sociopolitical legitimacy*.

The third factor includes three items: *Q9 The Chinese firms are beneficial to our society; Q10 The Chinese firms provide opportunities to us to overcome the economic recession;* and *Q11 The Chinese firms provide good product/services to our society.* The three items basically reflect audiences' self-interest by measuring the extent to which people believe that the firms are beneficial to their society and themselves. Based on the explanation of pragmatic legitimacy provided by Suchman (1995), we refer to this factor as *Pragmatic legitimacy*.

The fourth factor comprises of five items, *Q15 I follow news about Chinese firms, Q16 I discuss with friends and people around me about Chinese firms in Netherlands and/or other countries. Q17 I am aware that more and more Chinese firms come to Netherlands. Q18 How often do you hear or read that Chinese firms are being questioned or challenged in terms of their activities?* and *Q19 How often do you hear or read that Chinese firms are being endorsed in terms of their activities?* These items basically measure individuals' knowledge about focal firms. The knowledge of an organization provides cognitive legitimacy regardless of the valence of that knowledge (Shepherd and Zacharakis, 2003, 151). We therefore refer to it as *Cognitive legitimacy*.

3.4 Step 4: The second data collection

Based on the results of step 3, we designed and conducted a second online survey which was conducted from December 2016 to February 2017. However, this second survey is different from the first one in terms of items, variety of respondents, approaches to access respondents, and language in use. We started with the fifteen items that remained after step 3. We added five additional items to assess nomological validity. These items measure intention to work for, purchase from, and recommend Chinese EMNEs.

Instead of students from many countries at one University, the second survey focuses on Dutch citizens and includes a diverse population in terms of education, profession and age. Respondents were recruited through a snowball approach, which is often used in sociological research (Handcock and Gile, 2011) and sometimes in business research (e.g. (Venter et al., 2005). We selected six people (from graduates, colleagues, and old friends) as seeds. To ensure the sample is representative, the six seeds varied on four criteria: location, age, education, and profession. They resided in the different regions of the country; their ages ranged from 22 to 55; their education levels ranged from vocational level to university level; and they were from different professions, including manager, social worker, teacher, and university student. The six seeds recruited respondents in two ways: a) sending the survey link to their contacts, and requesting the contacts send it on; and b) using Facebook to invite people in their region to fill in the questionnaire. Since the respondents were all Dutch citizens, the questionnaire was in Dutch[1].

In total 480 respondents were collected, from which 148 were removed because of missing data, and another fourteen respondents were removed because their response time is shorter than the item response time thresholds used by Wise and Kong, 2005, leaving 318 useable respondents. 44% of the respondents are male, and 56% are female; the average age is 37; 28.0% of the respondents have university education; and 44.0% of them have vocational education. According Netherlands

[1] To ensure the translation accuracy and cross-cultural equivalence, we use the collaborative approach proposed by (Douglas and Craig, 2007). In the first stage, two translators translated the questionnaire from English into Dutch separately. In the second stage, a review meeting was held with the translators and two independent reviewers (one Dutch native speaker and one English native speaker) to decide on the final version. There were two main tasks in the meeting: one was to resolve inconsistencies, and the other was to ensure that the questionnaire accurately captures the same meaning in each country.

Statistics, among Dutch population, 50.4 % are female, 49.6% are male, and 28% in the Dutch population had university education[2]; these are similar ratios to our sample.

3.5 Step 5: Reliability and validity assessment

In this step, we conducted confirmatory factor analysis (CFA) of data collected in the second survey to verify the factor structure that is identified in previous EFA. We first assessed the overall fit of the models by using covariance-based SEM. Since the EFA suggested a four-factor model, a number of goodness-of-fit statistics are calculated based on this model. The result shows that the indices (CFI=0.756, SRMR=0.098, RMSEA=0.113) are not in line with the established criteria: CFI>0.90, SRMR<0.09, RMSEA<0.08 (Hinkin, 1998; Kim et al., 2012).

After reviewing the results, we disaggregated the fourth factor, *Cognitive legitimacy*, which had the most items (five). While Q15, Q16 and Q17 measure the extent to which people know about or are aware of the firms, Q18 and Q19 measure the content of communication in terms of the terms endorsing and challenging used in past research (Deephouse, 1996). Our use of the general terms “hear or read” allows for news from multiple sources. The most common source in legitimacy research is the media and has been reflected in the commonly used construct of *Media legitimacy* (e.g. Bansal and Clelland, 2004; Deephouse, 1996;Pollock and Rindova, 2003), and contemporary conceptualizations of media encompasses a wide range of actors and technologies (Shoemaker and Reese, 2014). Another source is conversations (i.e., word of mouth); agenda-setting theory indicates that most of these conversations are not dissimilar to media reports (Carroll and McCombs, 2003). Therefore, we removed these two items from cognitive legitimacy and put them in a new factor that we call *Communicative legitimacy* (Cornelissen et al., 2015). Because endorsing content and challenging content may have asymmetric effects (Barnett and Hoffman, 2008; Baumeister et al., 2001; Deephouse, 1996; Haack et al., 2014), we also split *Ccommunicative legitimacy* into two factors, *Endorsing news* and *Challenging news*.

We then analyzed the five-factor model (using *Communicative legitimacy*) and the six-factor model (using *Endorsing news* and *Challenging news*) using CFA. The results presented in Table 3 indicate that the four-factor model does not have acceptable fit, the five-factor model and six factor model both have acceptable fit. The six-factor model fits the better than the five-factor

[2] Data retrieved in Oct. 2017 from https://www.cbs.nl/en-gb/news/2013/40/dutch-population-better-educated.

model in terms of all fit statistics, including the difference in the chi-squared statistics (63.21, df=4, p<.0001). We also tested the overall fit of the models by using PLS-SEM (with ADANCO) and reach a similar conclusion. In the following analysis, we replace the four-factor model with the five-factor and six-factor models. We use the five-factor model as the base for conceptualizing the dimensions because a higher-level perspective is a better foundation for theorizing (Gioia et al., 2013). We use the six-factor model because it fits our data significantly better than the five-factor model.

INSERT TABLE 3 ABOUT HERE

We then assess the reliability and validity by using PLS-SEM. To evaluate reliability, we apply two types of criteria. The first is related to each separate item, including item-to-item correlation and item-to-total correlation. We find two items (Q13 and Q17) have item-to-item correlation lower than the threshold of 0.3 (Hair et al., 2006, 137). We delete these two items to ensure sufficient internal consistency of the two relevant factors, *Appropriateness* and *Cognitive legitimacy*. With the remaining items, we assess composite reliability by Dijkstra-Henseler's rho (ρA) and Jöreskog's rho (ρc). Table 4 shows that the two criteria of the five factors are higher than the 0.70 threshold (Henseler et al., 2016), indicating sufficient reliability.

INSERT TABLE 4 ABOUT HERE

We next evaluate two types of validity, namely convergent validity and discriminant validity. Convergent validity is assessed by using two criteria, factor loadings exceeding 0.5 and the values of Fornell and Larcker’s Average Variance Extracted (AVE) exceeding 0.5 (Hair et al., 2017). Table 5 shows that all factor loadings are above 0.5, and Table 6a and 6b show that values of AVE are greater than 0.5, meaning that the latent variable explains more than half of its indicators’ variance. These results indicate a sufficient degree of convergent validity. To assess discriminant validity, we apply the commonly used Fornell–Larcker criterion (Hair et al., 2011), which is that the AVE of each latent construct should be greater than the highest squared correlation between a latent construct and any other latent construct. Table 6a indicates that AVE of the five factors are all higher than the squared correlations, and Table 6b indicates that AVE of the six factors are all higher than the squared correlations, implying the criteria are met.

INSERT TABLES 5 & 6 ABOUT HERE

3.6 Step 6: Inter-relationships among factors

Based on the CFA in Step 5, we conclude that the measurement scale can be categorized into 5 and 6 factors. Each of these factors has been researched in previous studies as one of the dimensions of legitimacy, although the number of the dimensions and definition of each dimension varied depends on the situation under consideration. However, there is lack of studies investigating the relationships between the dimensions. In this study we look into the relationships between the dimensions (the factors detected from factor analysis above) in the context of EMNEs in advanced countries. Revealing the relationships helps us to understand the process of legitimacy judgment formation.

Based on the literature on judgment formation (e.g. Bitektine, 2011; Ehrhart and Ziegert, 2005, Tost, 2011), we propose that the process of individual-level legitimacy formation goes through several stages. The first stage is to gather information and knowledge needed for an evaluation. People form their perception of an organization based on what kind of and how much information they have about the organization (Ehrhart and Ziegert, 2005). The information is received through two channels. One is a passive channel (e.g. receiving information/news about the firms from media or conversations), which is reflected in *Communicative legitimacy*. The higher the score of this factor is, the more information an individual receives from media about the firms. This channel is in line with Tost's (2011) passive mode of the legitimacy judgment process . This factor can be further divided into two factors, *Endorsing news* and *Challenging news*, since they affect the perception differently in terms of magnitude and direction (e.g. Dean, 2004; Westphal and Deephouse, 2011). The other is active channel (e.g. following news and talking with people about the firms actively), which is reflected by the fourth factor, *Cognitive legitimacy*. The higher score of this factor is, the more knowledge an individual possess about the firms. This channel is part of evaluative mode of the legitimacy judgment process that involves effortful attempts at judgment creation (Tost, 2011). In general, when people receive more news about the firms, they may have more interests to increase their knowledge through talking and actively following the news about the firms. Therefore, we expect that *Cognitive legitimacy* is positively associated with both *Endorsing news* and *Challenging news*.

The second stage is to process the knowledge and attended information attained in the first stage to evaluate an organization. In this stage, the organization is subjected to further scrutiny and questioning in order to establish if it is proper and beneficial to the society (Bitektine, 2011). Based on the information received, people evaluate Chinese EMNEs from two aspects: a) whether or not the EMNEs are beneficial to their society and themselves, which is reflected by the third factor, *Pragmatic legitimacy*; b) whether or not EMNEs follow the rules, norms and values of society, which is reflected by the second factor, *Sociopolitical legitimacy*. According to the exposure theory, repeated exposure to an object leads to increasingly positive evaluations of it (Zajonc, 1968). This theory leads to the popularity of “Familiarity leads to attraction” (Berscheid and Regan, 2005: 177). Moreover, the environment processing metatheory predicts that the richness of the information processed by individuals influences their perception on the focal organization (Ehrhart and Ziegert, 2005). Applying the theories to our research context, we expect that *Cognitive legitimacy* is positively associated to *Pragmatic legitimacy* and *Sociopolitical legitimacy*. Furthermore, expectancy theory (Vroom, 1964) suggests that individuals who perceive an object to be favorable are more attracted to it. Using this theory in our context, we expect that *Endorsing news* is positively associated with *Pragmatic legitimacy* and *Sociopolitical legitimacy*, and *Challenging news* is negatively associated with *Pragmatic legitimacy* and *Sociopolitical legitimacy*.

We do acknowledge there is an opposite argument, “familiarity breeds contempt”, indicating that the more information individuals have about an object, the more likely that the evidence of dislike is uncovered resulting in a less positive perception (Norton et al., 2007: 97-98). To address this concern, we considered the effect of cognition in our specific context: Dutch individuals’ perception of Chinese firms. For many decades, China’s market system was not well developed. Chinese firms had the stigma of lagging technology, low quality, poor management, and strong links to governments. However, in the past two decades, China had a substantial improvement in terms of economic development, technological advancement and institutional quality. Furthermore, many successful Chinese multinational companies were emerging in the international stage. For example, in 2016, 110 Chinese companies were on the *Fortune* Global 500 list in 2016, compared to 46 in 2010 and 10 in 2000. Although there may be some adverse cases that generate publicity, the general trend is that Chinese firms are upgrading and acting according to international standards. It is likely that people will have better perceptions about Chinese firms if they receive more updated information about them and are more aware of their improvements. Therefore, the positive relationships between cognitive legitimacy on the one hand and pragmatic legitimacy and sociopolitical legitimacy on the other hand is defensible.

The last stage is to generate the overall perception of the firms. This is reflected by the factor *Appropriateness*, representing overall legitimacy. It covers two inter consistent aspects, acceptance and propriety, and acceptance often occurs when propriety has been validated (Deephouse et al., 2017; Bitektine and Haack, 2015). We expect that *Appropriateness* is constructed on the basis of evaluations on *Pragmatic legitimacy* and *Sociopolitical legitimacy* and is positively associated with them. The relationships between the factors are summarized in Figure 1. It shows a clear sequential process: recognition---sub-perception---overall perception.

Because this study uses survey data from the same respondents to test these relationships, there is the possibility of common method bias. To minimize potential common method variance (CMV), we adopted approaches recommended by Chang et al., (2010), Podsakoff et al., (2003), and Podsakoff and Organ (1986). Specifically, to reduce the possibility of socially desirable responding and evaluation apprehension, we used a web-based survey. In the questionnaire administration, we assured anonymity and confidentiality of the responses. In addition, we used scales with different response formats, e.g. Likert scale for perception-based questions and numbers for fact-based questions.

We tested the predicted relationships by using PLS-SEM on the data collected in the second survey. The six-factor model was used in this test. Following the suggestions of Henseler et al., (2009) and Hair et al. (2011), we examined the path coefficients and their respective significance with a bootstrapping procedure generating 5000 random samples. We also examined the goodness of model fit as suggested by (Henseler et al., (2016). The results are presented in the first panel (A) of Table 7. The overall model estimation shows that the three criteria, SRMR, d_{ULS} and d_G are below the corresponding value of Hi99, indicating an acceptable fit.

INSERT TABLE 7 ABOUT HERE

Main paths of the model estimation

The results in the second panel (B) of Table 7 reveal that both *Endorsing news* and *Challenging news* are positively and significantly ($p<0.05$) related to *Cognitive legitimacy*, which confirms the prediction that *Communicative* legitimacy is positively associated to cognitive legitimacy irrespective of whether it is positive or negative.

Endorsing news is positively and significantly ($p<0.0001$) related to *Pragmatic legitimacy* and *Sociopolitical legitimacy*. *Negative press* is positively and significantly ($p<0.01$, $p<0.0001$) related to *Pragmatic legitimacy* and *Sociopolitical legitimacy* respectively. This result confirms the effect of *Communicative* legitimacy on sociopolitical legitimacy and pragmatic legitimacy. It is interesting to note, comparing the standardized coefficients of the direct paths from *Endorsing news* and *Challenging news* to *Pragmatic legitimacy* and *Sociopolitical legitimacy*, we see that the effect size of *Endorsing news* on *Pragmatic legitimacy* ($\beta =0.323$, $p<0.0001$) is higher than the effect size of *Challenging news* on *Pragmatic legitimacy* ($\beta=-0.2379$, $p=0.0015$); and the effect size of *Challenging news* on *Sociopolitical legitimacy* ($\beta=-0.6142$, $p<0.0001$) is higher than the effect size of *Endorsing news* on *Sociopolitical legitimacy* ($\beta =0.3519$, $p<0.0001$). One possible explanation of this finding is that the media is more critical when reporting on EMNEs' (Chinese firms in this case) behavior related to conforming to the rules, norms and values, and is relatively positive when discussing the contribution of the firms. The negative attitude toward Chinese firms regarding the sociopolitical legitimacy is likely sourced from the hot debates on the issues such as human rights or copyrights (Rapoza, 2012; Xie and Page, 2013). The positive attitude toward Chinese firms regarding pragmatic legitimacy is likely influenced by the fact that Chinese investment is helping Europe's economic recovery (e.g. creating jobs and tax revenue) (Hanemann and Rosen, 2012).

Cognitive legitimacy is positively and significantly ($p<0.05$) related to *Pragmatic legitimacy* and *Sociopolitical legitimacy*, supporting our prediction that "familiarity leads to attraction" (Berscheid and Regan, 2005) rather than "familiarity leads to contempt" (Norton et al. 2007).

Pragmatic legitimacy and *Sociopolitical legitimacy* are positively and significantly ($p<0.0001$) associated with *Appropriateness*. The standardized coefficients of the direct paths show that a one unit increase in the *Sociopolitical legitimacy* will increase *Appropriateness* by 0.4876 units, and a one unit increase in the *Pragmatic legitimacy* will increase *Appropriateness* by 0.2685 units. This indicates that effect size of *Sociopolitical legitimacy* on *Appropriateness* is almost twice as large as the effect size of *Pragmatic legitimacy* on *Appropriateness.* This implies that individuals are more sensitive to compliance with rules and norms than the benefit they receive when they evaluate EMNEs.

The findings regarding the relationship between the factors are summarized in Figure 1, which shows that the predicted relationships are all confirmed. In the same model, we also estimate the direct relationships of three cognitive factors (*Endorsing news, Challenging news* and *Cognitive legitimacy*) with *Appropriateness*. They are not significant (see Table 7).

Furthermore, we test the significance of indirect effects by bootstrapping. The results reported in the third panel (C) of Table 7 exhibit three significant indirect paths: (1) the relationship between *Cognitive legitimacy* and *Appropriateness* is mediated by *Pragmatic legitimacy* and *Sociopolitical legitimacy*; (2) the relationship between *Positive press* and *Appropriateness* is also mediated by *Pragmatic legitimacy* and *Sociopolitical legitimacy*; and (3) the relationship between *Negative press* and *Appropriateness* is also mediated by *Pragmatic legitimacy* and *Sociopolitical legitimacy*. Thus, *Pragmatic legitimacy* and *Sociopolitical legitimacy* not only influence the overall legitimacy directly but also play a mediating role between overall legitimacy and other dimensions.

3.7 Nomological validity

Nomological validity is defined as the degree to which predictions from a formal theoretical network containing the concept under scrutiny are confirmed (Campbell, 1960; Netemeyer et al., 2003). In this study, we examine if the measurement scale of legitimacy is able to explain the previously established relationships between legitimacy and two other constructs, willingness to work and willingness to purchase.

Institutionalists suggest that the legitimacy is especially important for firms to gain protracted support from external social actors (DiMaggio, 1988). One reason is that audiences are more likely to supply resources to organizations that are legitimate (Suchman, 1995). Legitimacy is considered a resource that enables organizations to access other resources needed to survive and grow (Zimmerman and Zeitz, 2002). As Brown (1998: 349) stated: “legitimate status is a *sine qua non* for easy access to resources, unrestricted access to markets.” Based on this statement, we look into two outcomes applicable at the individual level of analysis. For resources, we focus on individuals’ willingness to work for the firms based on Williamson's (2000: 30) strategic model predicting that “legitimacy of an organization will be positively related to an organization's ability to successfully recruit potential job applicants”. Regarding the access to market, we focus on individuals’ willingness to buy products from the firms based on previous institutional studies and marketing studies. For example, the cognitive legitimacy model created by Shepherd and Zacharakis (2003) suggests that when cognitive legitimacy is low, the customers are less likely to purchase the new venture's market offerings. And marketing research indicates that legitimacy helps firms to gain support from customers (e.g. Handelman and Arnold, 1999).

We assess nomological validity by testing the structural relations between overall legitimacy and the two consequence variables, *willingness to work* and *willingness to buy*. We used PLS-SEM to test the relationships with a nomological network. In this network, we added two paths to the model used in section 3.6: one is from *Appropriateness* to *Willingness to work*, and the other is from *Appropriateness* to *Willingness to buy*. The overall model estimation shows that the three criteria, SRMR, dULS and dG (0.0402, 0.1697, 0.0658) are all below the corresponding value of Hi99 (0.0483, 0.2454, 0.0836) respectively, indicating an acceptable fit. The path coefficient of *Appropriateness* to *Willingness to work*, is significant ($\beta = 0.3061$; SE=0.0695; $t = 4.4023$; $p < 0.0001$). The path from *Appropriateness* to *Willingness to buy*, is significant ($\beta = 0.1793$; SE=0.0734; $t = 2.4414$; $p = 0.014$). These results support the relationships found in the literature and provide evidence of nomological validity.

4. Discussion and conclusions

The purpose of this study is to develop a measurement scale for the concept of organizational legitimacy that would be applicable to EMNEs operating in an advanced country seeking to surmount the dual liabilities of foreignness and emergingness (Held and Bader, 2016; Zaheer, 1995). Based on previous studies (e.g. Churchill, 1979; Hinkin, 1998), we perform a seven-step procedure to develop and validate the scale. The findings are summarized and discussed as follows.

In the first five steps (step 1-5), a measurement scale, comprised of twelve items designed to reflect the theoretical meaning of the concept is established. We find that, consistent with the literature, legitimacy is a multidimensional construct. A total of five dimensions for legitimacy are identified. The reliability test confirms that the measurement items in each dimension are internally consistent. The convergent validity test confirms that the measurement items in each dimension share a high proportion of variance in common. The discriminant validity test confirms that each dimension is distinct from other dimensions. These tests verify five dimensions of legitimacy: communicative legitimacy, cognitive legitimacy, pragmatic legitimacy, sociopolitical legitimacy and overall legitimacy. Looking into the items of each dimension, we notice that communicative legitimacy required more attention. Although a few studies argue that media visibility affects individual's perception irrespective the type (positive vs. negative) of news

(Deeds et al., 2004; Fombrun and Shanley, 1990), the majority of recent studies consider the negative press and positive press have different effect on individuals' perceptions. Accordingly, they either use net counts (difference between number of favorable reports minus the number of unfavorable reports) or Janis-Fadner coefficient of imbalance to measure media legitimacy (Aerts and Cormier, 2009; Deephouse, 1996; Pollock and Rindova, 2003; Vergne, 2011). Our assessment of the overall fit of the models also confirms that the 6-factor model is better than the 5-factor model. This implies that the media legitimacy dimension comprises of two separate factors. On a conceptual level, we can take it as one dimension, but on an empirical level we should analyze the positive and negative news as two separate factors.

In step 6, we find that the different dimensions identified in the study are interrelated. The relationships revealed this legitimacy process: recognition→sub-perception→overall perception. First, recognition is a process of gathering and processing information received. In our study, it composes two interrelated dimensions, Communicative legitimacy and cognitive legitimacy which are positively related. Second, these dimensions influence two sub-perceptions, pragmatic legitimacy and sociopolitical legitimacy. Finally, the two sub-perceptions influenced the perception of overall legitimacy.

Finally, in step 7 we test nomological validity and show that the measurement scale explains the relationships of legitimacy with other constructs predicted in theory and prior research (Handelman and Arnold, 1999; Shepherd and Zacharakis, 2003; Williamson, 2000). Specifically, we find that overall perceived legitimacy of the firms influences individuals' willingness to work for the firms and willingness to purchase their products. This result provides evidence to support the commonly accepted argument that legitimacy is a resource that helps firms to access other resources and markets.

The study contributes to the literature in two ways. First, the study helps deepen the understanding of organizational legitimacy by connecting the construct's theoretical and empirical meanings, revealing the dimensional structure of the construct, and exploring the relationships between the dimensions. Second, by using a specific subject, EMNEs from China, within a particular social system, The Netherlands, this study creates a validated measurement scale for organizational legitimacy of EMNEs and MNEs more generally by altering the home country in the survey items and host country where the survey is administered. This instrument may also be useful for future research on the antecedents and consequences of legitimacy for a variety of subjects besides MNEs with appropriate modifications. For example, the item regarding the economic recession (Q10) is very context specific and may not apply in non-recessionary contexts. However, this reminds us that economic situation is an important element, so researchers should create a new item that captures this element in their own context.

This study provides practical implications as well. First, our study shows that while the legitimacy exists in individuals' minds as an overall evaluative judgment on the appropriateness of firms' practice, overall legitimacy is determined directly by sociopolitical legitimacy and pragmatic legitimacy and indirectly by cognitive legitimacy. Therefore, the legitimacy actions concerning all three dimensions help to gain overall legitimacy, including conforming to instrumental demands to gain pragmatic legitimacy, conforming to rules and norms to gain sociopolitical legitimacy, and using advertising and social media promotion to gain cognitive legitimacy.

Second, the empirical results show that sociopolitical legitimacy contributes to overall legitimacy more than pragmatic legitimacy does. Although this does not mean that pragmatic legitimacy is less important, it reveals that individuals are more concerned about whether or not EMNEs (specifically, Chinese firms) are able to conform to the rules, norms and values of the society (The Netherlands). This implies that, given the big institutional and cultural differences, EMNEs should pay more attention to the isomorphic adaptation.

Finally, the study confirms that overall legitimacy enhances access to resources and markets in the context of EMNEs in an advanced country. This suggests that the importance of building legitimacy goes beyond survival – it also is imperative for growth and sustainability. However, EMNEs are facing not only the liability of foreignness (Zaheer, 1995) but also the liability of emergingness (Held and Bader, 2016), which pose extra challenges for EMNEs to building legitimacy. Managers of EMNEs should put enough efforts in choosing and implementing legitimacy strategies.

Despite the academic contributions and practical implications, this study has limitations that suggest some directions for future research. First, this study only focuses on the legitimacy conferred by the individuals in society, leaving the other audiences untouched. It also would be valuable to measure the perception of other audiences, such as organizational insiders and external constituents (e.g. the state, its regulatory agencies and its judiciary), and to compare the differences between these audiences. Different audiences may have different criteria regarding legitimacy, and some dimensions may more relevant to one group than others. Second, our empirical study is focused on Chinese firms operating in the Netherlands, which limits the direct generalization of the result to other EMNEs from other emerging countries in other host countries. Extending the research to other emerging countries and other host countries would make the findings more robust. An additional extension could adapt our scale to many other types of organizations in many other social systems, including a purely domestic setting. For instance, "company X is a good citizen" would be applicable in very many contexts. Third, this study does not look into specific industries. It is conceivable that the importance and criteria of legitimacy are different across industries. For example, firms from a new industry may need to put more effort in building legitimacy than those in well-known industries. Future studies should pay attention to the linkage between the features of industry and dimensions of legitimacy and develop a theoretical framework for firms to choose appropriate legitimacy strategy in different contexts and industries.

To conclude, this study addressed the measurement of legitimacy to assess the liabilities of foreignness and emergingness faced by EMNEs (Held and Bader, 2016; Zaheer, 1995). Following recent calls to measure organizational legitimacy at the individual level of analysis (Bitektine and Haack, 2015; Deephouse et al., 2017; Suddaby et al., 2017; Tost, 2011), we used 7-step process to build a scale to measure legitimacy for emerging MNEs from China in a particular social system, The Netherlands. We found evidence of construct validity among different dimensions of legitimacy, support for a three-step process of individual legitimacy judgments, and nomological validity between overall legitimacy and willingness to work for and buy from these organizations.

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Table 1. Procedure to develop a direct measurement scale

Steps	Approaches and techniques used.
Step 1 Generate items	Create preliminary items by adopting a deductive approach. Review and improve using 6 experts.
Step 2 Collect data (first)	Distribute a 19-item survey to the MBA and part-time MSc students at Nyenrode Business Universiteit.
Step 3 Purify items	Conduct Exploratory Factor Analysis (EFA) and Internal Consistency Assessment with the first survey data, N=201.
Step 4 Collect data (second)	Distribute a (15+5)-item survey to Dutch citizen in the Netherlands.
Step 5 Assess reliability and validity	Conduct confirmatory factor analysis (CFA) to assess overall fit of the models, reliability, convergent and discriminant validity with the second survey data, N=318.
Step 6 Test relationships between factors	Conduct partial least squares structural equation modelling (PLS-SEM) to estimate path coefficients, with the second survey data, N=318.
Step 7 Nomological validity	Using PLS-SEM to examine if the scale is capable to explain the relationships between legitimacy and two constructs: willingness to purchase the products of the firms and willingness to work for the firms.

Table 2. Scale items and exploratory factor analysis result from initial sample

Factors	Cronbach's alpha	Factor loading	Communalities
Appropriateness	.779		
4. The business practice of Chinese firms is acceptable		.697	.647
5. The business practice of Chinese firms is proper		.802	.707
13. The Chinese firms are good citizens		.527	.495
Sociopolitical Legitmacy	.733		
1. The Chinese firms conform to values held by our society		.758	.689
2. The Chinese firms are committed to meet norms and cultures standards that our community expects of foreign owned firms		.807	.727
3. The Chinese firms conform to regulatory standards in our society		.679	.678
Pragmatic legitimacy	.626		
9. The Chinese firms are beneficial to our society.		.725	.628
10. The Chinese firms provide opportunities to us to overcome the economic recession		.799	.688
11. The Chinese firms provide good product/services to our society		.520	.478
Cognitive legitimacy	.770		
15. I follow news about Chinese firms		.798	.739
16. I discuss with friends and people around me about Chinese firms in Netherlands and/or other countries.		.746	.675
17. I am aware that more and more Chinese firms come to Netherlands		.625	.471
18. How often do you hear or read that Chinese firms' are being questioned or challenged in terms of their activities?		.699	.684
19. How often do you hear or read that Chinese firms' are being endorsed in terms of their activities?		.700	.639

Note: N=201

Table 3 Comparative analysis of models of various dimensionality

	Four-factor	Five-factor	Six-factor	Criteria
CFI	0.756	0.904	0.943	>0.9
SRMR	0.098	0.079	0.062	<0.09
RMSEA	0.113	0.072	0.052	<0.08
Chi-Sq	370.79 (72)	188.08 (70)	124.87(66)	

Table 4. The assessment of composite reliability

Construct	Dijkstra-Henseler's rho (ρA)	Jöreskog's rho (ρc)	Cronbach's alpha(α)
Appropriateness	0.7507	0.7507	0.7507
Sociopolitical legitimacy	0.7613	0.7591	0.7563
Pragmatic legitimacy	0.7066	0.8063	0.6393
Cognitive legitimacy	0.8053	0.8053	0.8053
Communicative legitimacy	0.8061	0.8061	0.8061

Table 5. Factor Loadings from Second Survey

Factors	5 Factor model	6 Factor model
Appropriateness legitimacy		
4. The business practice of Chinese firms is acceptable	0.7751	0.7751
5. The business practice of Chinese firms is proper	0.7751	0.7751
Sociopolitical legitimacy		
1. The Chinese firms conform to values held by our society	0.7632	0.7632
2. The Chinese firms are committed to meet norms and cultures standards that our community expects of foreign owned firms	0.6999	0.6999
3. The Chinese firms conform to regulatory standards in our society	0.6828	0.6828
Pragmatic legitimacy		
9. The Chinese firms are beneficial to our society.	0.8077	0.8077
10. The Chinese firms provide opportunities to us to overcome the economic recession	0.7237	0.7237
11. The Chinese firms provide good product/services to our society	0.7543	0.7543
Cognitive legitimacy		
15. I follow news about Chinese firms	0.8210	0.8210
16. I discuss with friends and people around me about Chinese firms in Netherlands and/or other countries.	0.8210	0.8210
Communicative legitimacy		
18. How often do you hear or read that Chinese firms are being questioned or challenged in terms of their activities?	0.8217	1
19. How often do you hear or read that Chinese firms are being endorsed in terms of their activities?	0.8217	1

Note: N=324

Table 6a. The assessment of validity: Squared correlations and AVE (5-factor model)

Construct	*Appropriateness*	*Sociopolitical legitimacy*	*Pragmatic legitimacy*	*Cognitive legitimacy*	*Average variance extracted (AVE)*
Appropriateness					0.6008
Sociopolitical legitimacy	0.3104				0.5128
Pragmatic legitimacy	0.1446	0.0665			0.5817
Cognitive legitimacy	0.0191	0.0060	0.0247		0.6741
Media legitimacy	0.0051	0.0409	0.0142	0.1407	0.6752

Table 6b. The assessment of validity: Squared correlations and AVE (6-factor model)

Construct	*Sociopolitical legitimacy*	*Appropriateness*	*Pragmatic legitimacy*	*Cognitive legitimacy*	*Positive press*	Average variance extracted (AVE)
Appropriateness						0.6008
Sociopolitical legitimacy	0.3104					0.5128
Pragmatic legitimacy	0.1446	0.0665				0.5817
Cognitive legitimacy	0.0191	0.0060	0.0247			0.6741
Endorsing news	0.0007	0.0001	0.0356	0.0907		1
Challenging news	0.0206	0.1030	0.0001	0.0994	0.4559	1

Table 7. Results of the structural model estimation

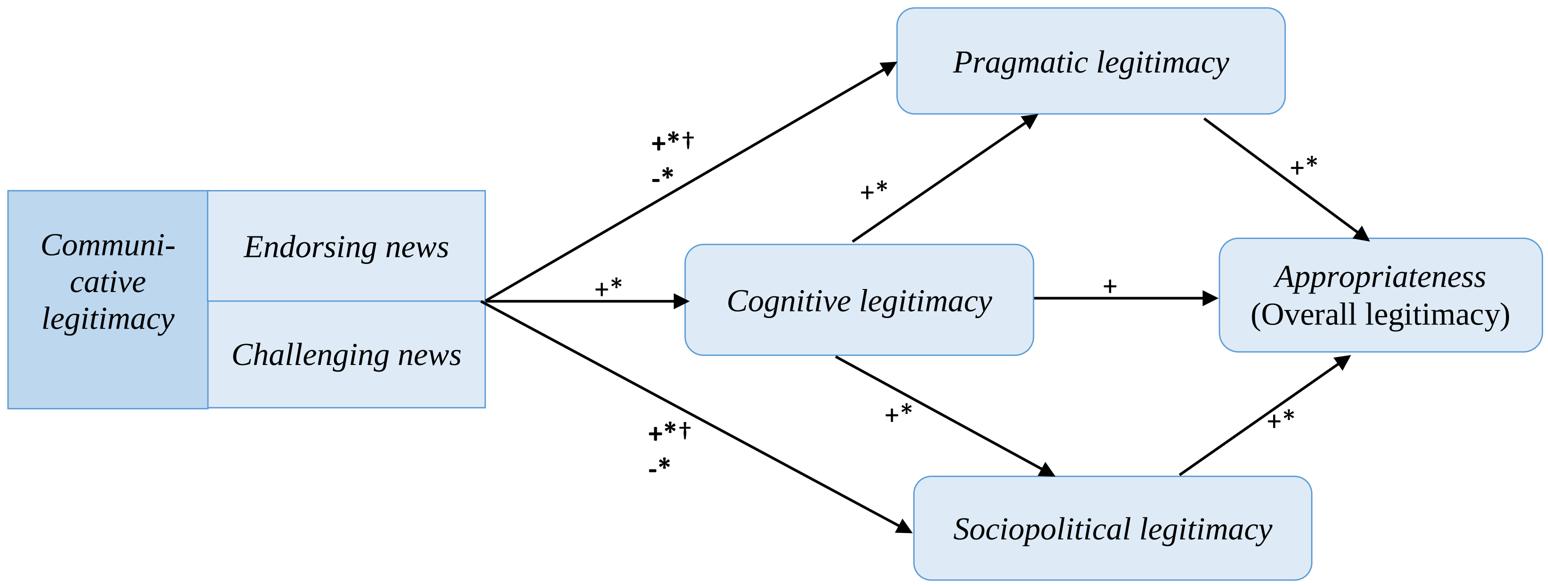
Panel A. Overall model fit			
	Value	HI95	HI99
SRMR	0.0387	0.0454	0.0516
d_{ULS}	0.1169	0.1606	0.2076
d_G	0.0471	0.0578	0.0720

Panel B. Main Paths						
	Direct effect			Total effect		
	Standardized coefficient	Standard error	p-value (2-sided)	Standardized coefficient	Standard error	p-value (2-sided)
Endorsing news → Cognitive legitimacy	0.1623	0.0774	0.0360	0.1623	0.0774	0.0360
Challenging news → Cognitive legitimacy	0.2018	0.0791	0.0107	0.2018	0.0791	0.0107
Endorsing news → Pragmatic legitimacy	0.3232	0.0710	0.0000	0.3444	0.0688	0.0000
Challenging news → Pragmatic legitimacy	-0.2379	0.0750	0.0015	-0.2116	0.0752	0.0049
Endorsing news → Sociopolitical legitimacy	0.3519	0.0833	0.0000	0.3796	0.0823	0.0000
Challenging news → Sociopolitical legitimacy	-0.6142	0.0889	0.0000	-0.5797	0.0859	0.0000
Cognitive legitimacy → Pragmatic legitimacy	0.1307	0.0652	0.0452	0.1307	0.0652	0.0452
Cognitive legitimacy → Sociopolitical legitimacy	0.1708	0.0709	0.0160	0.1708	0.0709	0.0160
Pragmatic legitimacy → Appropriateness	0.2685	0.0606	0.0000	0.2685	0.0606	0.0000
Sociopolitical legitimacy → Appropriateness	0.4976	0.0809	0.0000	0.4976	0.0809	0.0000
Cognitive legitimacy → Appropriateness	0.0649	0.0777	0.4040	0.1849	0.0792	0.0195
Endorsing news → Appropriateness	-0.0654	0.0889	0.4622	0.2265	0.0873	0.0095
Challenging news →Appropriateness	0.0354	0.0924	0.7020	-0.2968	0.0920	0.0013

Table 7. Results of the structural model estimation (continued)

Panel C. Mediating Paths			
	Standard ized Coefficient	Standard error	p-value (2-tail)
Cognitive legitimacy → Pragmatic legitimacy → Appropriateness Sociopolitical legitimacy	0.1200	0.0462	0.0093
Endorsing news → Pragmatic legitimacy →Appropriateness Sociopolitical legitimacy	0.2919	0.0608	0.0000
Endorsing news → Cognitive legitimacy → Sociopolitical legitimacy	0.0277	0.0183	0.1299
Endorsing news → Cognitive legitimacy → Pragmatic legitimacy	0.0212	0.0163	0.1937
Challenging news → Pragmatic legitimacy →Appropriateness Sociopolitical legitimacy	-0.3322	0.0826	0.0001
Challenging news → Cognitive legitimacy → Sociopolitical legitimacy	0.0345	0.0218	0.1138
Challenging news → Cognitive legitimacy → Pragmatic legitimacy	0.0264	0.0175	0.1316

Figure 1. The relationships between the factors



Note: † Top symbol (+) on arrow is the expected association for *Endorsing news*; bottom symbol is the expected association for *Challenging news*.

* indicates that the relationship is supported (*p*<.05).

+

Appendix 1 List of Survey Items

Items are created for the first survey
1. The Chinese firms* conform to values held by our society.
2. The Chinese firms are committed to meet norms and cultures standards that our community expects of foreign owned firms.
3. The Chinese firms conform to regulatory standards in our society.
4. The business practice of Chinese firms is acceptable.
5. The business practice of Chinese firms is proper.
6. The business practice of Chinese firms is desirable.**
7. The business practice of Chinese firms is appreciated.
8. For Chinese firms, I see a gap between formally agreed upon behavior and behavior in practice regarding. rules and regulations.**
9. The Chinese firms are beneficial to our society.
10. The Chinese firms provide opportunities to us to overcome the economic recession.
11. The Chinese firms provide good product/services to our society.
12. The Chinese firms are involved in our community.**
13. The Chinese firms are good citizens.
14. The Chinese firms are non-problematic.
15. I follow news about Chinese firms.
16. I discuss with friends and people around me about Chinese firms in The Netherlands and/or other countries.
17. I am aware that more and more Chinese firms come to Netherlands.
18. How often do you hear or read that Chinese firms are being questioned or challenged in terms of their activities?
19. How often do you hear or read that Chinese firms are being endorsed in terms of their activities in terms of their activities?
Additional items created for the nomological validity test in the second survey
20. I am willing to work for a Chinese firm in The Netherlands.
21. I am willing to enter into a working contract with a Chinese firm.
22. I am willing to recommend Chinese firms to my friends.
23. I feel proud of working for Chinese firms.
24. I am willing to use products and services provided by Chinese firms.

Notes:
* Chinese firms in this questionnaire refer to Chinese firms in The Netherlands.
** Items are not included in the second survey.