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**Abstract**

This article proposes that legitimating agencies such as accreditation organizations face selection pressures to both maintain their legitimacy among their constituents, but also to expand the domain of their activities. We argue that domain expansion raises three important research questions: first, the factors that lead legitimating agencies to expand their domain; second, the need to maintain legitimacy among existing constituents; and third, the establishment of legitimacy in the new domain. We use the domain expansion of the AACSB to develop propositions relevant to these three research issues. Quality concerns, process vs. content strategy, and institutional entrepreneurship are the main factors that impact the legitimation of legitimating agencies.

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## Introduction

The organizational field is increasingly characterized by standard-setting agencies, accreditation agencies, and the like. Brunsson and Jacobsson (2002) note that current trends toward reduced government regulation imply a growing role for non-governmental accreditation or standard-setting bodies in the institutionalization of many professional fields such as education or medical care. By attesting that associated organizations meet specified standards, these institutional agencies provide legitimation to organizations. In doing so, accreditation may favorably impact the selection pressure borne by organizations (Scott 1995). For many, selection is a natural force that eliminates the inapt and illegitimate, and strategy consists of improving organizational fit or niche positioning. However, 'selection pressure does not have the blindness of a random process. Selection pressure varies and can be influenced, thereby connecting organization theory and strategy to organizational praxis' (Durand 2001: 412). There is a need to comprehend how accreditation agencies or standard-setting organizations — that we call legitimating agencies — buffer their constituencies against selection pressures.

However, to survive, legitimating agencies must maintain their relevance to constituents (Dacin 1997; Scott 1991). Particularly in the context of environmental change, domain expansion may be critical to maintaining the

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legitimacy required to avoid selection pressures (Ashforth and Gibbs 1990; Young 1994). From a resource-based perspective, these institutional agents enjoy unique, difficult to imitate, and valuable resources in the social and reputational capital markets inherent in the recognition of their legitimizing role (Oliver 1991, 1997). As a result, they also face the pressures experienced by traditional competing organizations to grow or expand their domain to exploit these unique resources (Barney 1991, 1996; Durand 2001; Penrose 1959).

From an institutional perspective, domain expansion raises the classic dilemma first identified by Selznick (1949): that of the need to balance the expectations of new and existing constituents. Legitimating agencies may face the 'double-edged sword' of legitimacy maintenance and extension. This suggests the question of the coexistence of diverse constituencies, which logics may diverge. These conflicting pressures may provide the basis for institutional change (Seo and Creed 2002). Therefore, we need to comprehend how domain expansion and the maintenance of legitimacy work as strategic dimensions in reducing the selection pressures faced by legitimating agencies. Both perspectives focus on an issue of increasing importance to institutional theory: that of institutional change (Oliver 1991; Dacin et al. 2002).

The following sections present the theoretical background on legitimating agencies, selection pressures, and domain expansion. We develop three research questions concerning the motivations for domain expansion, and the means by which legitimating agencies manage this two-edged sword. We take as a case study the international expansion of the Association to Advance Collegiate Schools of Business (AACSB) to address these research questions and develop research propositions.

## Theoretical Background and Research Questions

Institutional theory postulates that the social framework of norms, values, and expectations constrains and influences organizational actions. From this perspective, organizations seek to achieve and maintain their legitimacy (Deephouse 1996; DiMaggio and Powell 1983; Myer and Rowan 1977). A legitimate organization can be defined as one whose values and actions are congruent with the values and expectations of its larger environment. However, organizations exist that award legitimacy to others. A central question therefore is: how can these legitimating agencies obtain and maintain their legitimating power? At an early stage, it is useful to distinguish between two types of accreditation or standard-setting agencies: 'self' or "peer" administered' accreditation and 'external' accreditation (Hedmo et al. 2001; Brunsson and Jacobsson 2002). Organizations in a particular domain can organize among themselves to establish and administer accreditation. Examples of such 'internal' or 'self-accreditation' would include the AACSB, the NCAA, and the American Hospital Association. Alternatively, accreditation can come from an organization external to the organizations seeking accreditation. In the field of health care, the Accreditation Council for Graduate Medical

Education (ACGME) accredits hospital residency programs, and the American Bar Association approves graduate law programs. This paper focusses on the internal legitimating agency's problems of domain expansion, legitimacy preservation, and legitimacy building in new domains.

Legitimacy is important to an organization for at least three reasons. First, valuable resources accrue to organizations perceived as legitimate (DiMaggio and Powell 1983; Oliver 1997). Congruent with resource-dependence theory, institutional legitimacy can provide organizations with significant strategic advantages in obtaining the needed resources, and provide them with additional strategic flexibility (Oliver 1991; Baum and Oliver 1991). Second, beyond this instrumental view, the process of institutional legitimation reduces contextual ambiguity, and helps organizations select among manifold goals and uncertain actions (DiMaggio and Powell 1983; Howard and Nash 1999; Scott 1987). These benefits are in many respects complementary. In the context of ambiguity the legitimacy associated with compliance with institutional forces may be particularly important in assuring access to needed resources (Oliver 1991). Legitimating processes are therefore critical in ambiguous contexts suffering from resource scarcity and subsequent inter-organizational competition (Ashforth and Gibbs 1990; DiMaggio and Powell 1983; Myer and Rowan 1977; Scott 1987). Several studies have pointed to the importance of accreditation and other signals of legitimacy in the increasingly competitive environment of higher education (Cohen and March 1974; Weick 1976; Zajac and Kraatz 1993; Elsbach and Kramer 1996; Hedmo et al. 2001; Castile and Davis-Blake 2002).

Finally, legitimacy insulates both the accreditation agency and its member organizations from selection pressures. The legitimating agency defends itself against selective pressures by accrediting highly resilient constituencies, therefore reinforcing its own relevance and dominance in the organizational field. Reciprocally, candidates find a shelter against selective pressures by being awarded accreditation. Thus, hospitals seek accreditation from the American Hospital Association and other bodies (Ruef and Scott 1998), charities use affiliation with the United Way to signal their legitimacy (Litwack and Hylton 1962), and university sports programs affiliate with the NCAA (Stern 1981). In the field of business education, AACSB accreditation signals that an institution meets accepted standards for business education. There is therefore a symbiotic co-construction of legitimacy that benefits both the agency and the honored members.

### Expanding Legitimacy: Domain Exploitation and Domain Expansion

Accreditation agencies are not immune to the need to maintain their legitimacy. As noted earlier, the legitimacy of their role typically does not rest in regulatory or legal mandate. Rather, it rests upon the acceptance of the legitimacy of their standard-setting role, and the standards themselves, by constituents. Such acceptance stems from both 'normative' beliefs, as well as the perceived benefits in terms of reputation, acceptance, and access to resources it brings (Scott 1991, 1995; Townley 2002; Young 1994; Brunsson and Jacobsson

2002). Although organizations may adopt several strategies in response to institutional processes, maintaining legitimacy usually involves taking both symbolic and substantive actions to accede to societal expectations (Ashforth and Gibbs 1990; DiMaggio and Powell 1983; Oliver 1991).

Accreditation agencies may therefore face the need to evolve to maintain their relevance in the context of the changing demands of constituents and environmental changes (Townley 2002). Although much of this literature has taken an implicitly 'passive' perspective on the evolution of institutionalization, focussing on the diffusion of standards or structures considered legitimate (e.g. Mezias 1990; Mezias and Scarselletta 1994; Tolbert and Zucker 1983; D'Aunno et al 1991; Zeitz et al 1999; Brunsson and Jacobson 2002), this process also involves conscious efforts to respond to or anticipate changes in the environment which influence the normative environment. In essence, accreditation agencies may expand the scope of their activities to provide greater service to their constituents. Examples would include the 'new issues' task force of the FASB, which identifies accounting issues which may pose potential threats to the legitimacy and relevance of FASB standards (Mezias and Scarselletta 1994).

Expanded coverage of the existing organizational field allows the accreditation agency to build upon its existing reputation and role among existing constituents to expand the scope of its activities (Baum and Oliver 1991). Since organizations accept accreditation or other institutional forces to enable them to gain acceptance, attract resources, and reduce selection pressure (DiMaggio 1988; Durand 2001), expanded coverage may allow legitimating agencies to provide added value to their constituents. For example, the NCAA's expansion into women's collegiate athletics in 1973 helped colleges and universities to respond to popular (and governmental) demands for increased emphasis on (and funding for) women's athletics (NCAA 2002).

However, there are limits to the exploitation of the carrying capacity of its environment by a legitimating agency. The density of the population of potential constituencies, geographic boundaries, and cultural norms may limit domain exploitation and increase selection pressure. The proportion of organizations considered credible candidates for accreditation or other signals of legitimacy may also be limited (Benjamin and Podolny 1999). When legitimating agencies can no longer implement the exploitation strategy, selection pressure gets more intense, and new signals for legitimacy become attractive for constituents in search of legitimacy (Rao et al. 2003). Expansion to other domains should be considered to provide additional growth opportunities and make use of their unique position.

Domain expansion involves attempts to enlarge the scope of accreditation to new sets of organizations. This can involve geographic expansion or inclusion of new types of organization as illustrated by attempts by the FASB to establish financial reporting standards for non-profit, governmental, and NGO organizations. It is important to note that domain maintenance and domain expansion are not independent. Particularly in the context of environmental change, domain maintenance may imply domain expansion. For example, distance education and corporate universities have led government bodies and accreditation agencies such as AACSB to consider domain expansion to accommodate these new modes of education (Moore 2002; AACSB 1995–2000). Domain expansion may therefore be critical to maintaining the legitimating agency's relevance to existing constituents. Particularly in view of the globalization of many fields such as education, health care, or financial reporting, geographic expansion may represent a 'logical extension' of the organization's activities.

### Expanding Legitimacy to New Domains: Issues and Challenges

The extension of legitimacy poses important issues for accreditation agencies. They must establish their position in a new domain and/or in a new set of organizations. To do so, Zeitz et al. (1999) note that the degree to which an organization (1) is visible in the new domain, and (2) represents practices and values congruent with the new domain, facilitates the diffusion and entrenchment of institutional change. Scott (1991, 1995) notes also that organizations have available various values or belief systems on which to base claims to legitimacy. Domain expansion may imply the need to accommodate differing rationalities or ideologies underlying the definitions of legitimacy found in the new domain (D'Aunno et al. 1991; Townley 2002). In D'Aunno et al.'s (1991) study, mental health organizations faced two potentially conflicting models of legitimacy: that of the clinically based mental health model and that of 'self help' substance abuse treatment models. To the extent that a facility adopted the more clinically based 'mental health' model, it risked their legitimacy among 'substance abuse' constituencies that favored the self-help and peer-oriented model of Alcoholics Anonymous. In essence, the expansion of 'peer-based' treatment to a new domain (that of mental health) forced peer-based treatment organizations to develop new bases of legitimation in the context of opposition from the established 'medical' model. Townley (2002) documents the evolution standards for assessing the performance of cultural organizations from 'cultural preservation' to 'accountability' and providing customer satisfaction.

Although facilitating entry into the new field, normative accommodation may imply risks. Selznick's classic study of the evolution of the Tennessee Valley Authority (Selznick 1949) first documented the potential tension between accommodating the demands of new constituencies as well as established ones. Specifically, the need to accommodate new constituencies may risk the legitimating agencies' position in the existing field: accommodations required to gain acceptance in the new domain may jeopardize the agency's perceived legitimacy among existing constituents. To build upon the previous example, had the NIMH attempted to expand its funding activities to include peer-based treatment centers it might have risked its legitimacy among (and support from) its existing medical constituency. As a result, domain expansion may imply additional legitimacy maintenance activities in the agency's traditional domain.

Within the context of these broader normative issues, organizations can make strategic use of institutional accreditation processes (Beckert 1999;

DiMaggio 1988; Garud et al. 2002). Oliver (1991) argues that organizations exercise strategic choice regarding institutional pressures. Thus, potential targets can exercise their 'institutional options' (Dacin 1997). Ideally, the legitimating agency would hope to attract high-prestige, high-visibility organizations as a means of both maintaining its position with its existing constituency, and establishing itself in the new field (Benjamin and Podolny 1999). In actuality, however, this may not be an easy task. The more limited gain to legitimacy and better access to needed resources allow high-prestige organizations greater ability to resist institutional pressures (Oliver 1991). With less to gain in terms of reputation, legitimacy, or access to additional resources by aligning themselves with an outside body, high-prestige organizations may adopt a 'wait and see' attitude when confronted with the entry of a normative agent. Indeed, the entry of an outside agency may be seen as a threat to their prestige as a referent by which quality is judged. Given that high-prestige organizations in the new domain may already serve as a reference point among peers, they may be in a good position to resist outside institutional forces, or attempt to manipulate them to their own advantage. The option of cooperative action to develop standards among themselves may provide a significant advantage to high-prestige organizations by allowing them to develop standards and norms that promote their dominant position and increase selection pressure on rivals.

This discussion suggests that domain expansion raises complex issues for both legitimacy maintenance and expansion. These issues fall under the following general research questions:

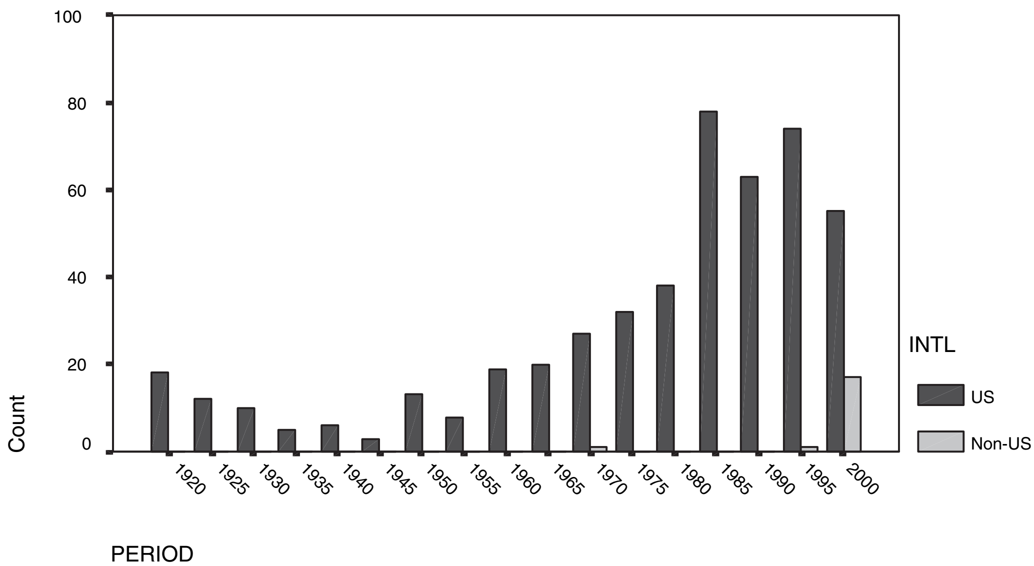
1. *What factors lead legitimating agencies to expand their domain?* Given the issues of domain legitimacy maintenance, increase in selective pressures, and gaining acceptance among new constituents, domain expansion is likely undertaken with caution. What might be the conditions that lead an accreditation agency to expand its domain?
2. *How to maintain legitimacy among existing constituents?* Domain expansion raises the issue of the agency's existing constituents' reactions, and the agency's actions taken to maintain legitimacy among these organizations.
3. *How to establish legitimacy in the new domain?* Establishment of legitimacy among a new set of organizations may become problematic from at least two respects. First, the agency may have to accommodate differing ideologies or logics of action while maintaining its position among existing constituents. These adaptations may have significant implications. Second, domain expansion must be considered from the perspective of organizations in the new field. It is therefore important to identify factors conditioning the reaction of organizations in the new field. In essence, under what conditions might the entry of an outside accreditation body be perceived as a threat, or as an opportunity?

## Case Description and Methodology

### Case Description

We use AACSB's international expansion to investigate the challenge of domain expansion for legitimating agencies. AACSB was selected for several reasons. It has been virtually unchallenged in its accreditation activities for over 80 years. Founded in 1916 by a number of the country's leading business schools, including Harvard, Columbia, Stanford, and Wharton, it is by far the most widely recognized accreditation body for business education in the US. AACSB also provides an excellent opportunity to examine domain extension. AACSB admitted its first non-US business school in 1968 (University of Alberta) but by 1995 had admitted only two further non-US schools, both Canadian. Over the subsequent five years AACSB undertook a deliberate strategy to expand its accreditation beyond North America. As a result, non-US institutions represented nearly one-third of newly accredited schools during the 1999–2001 period (see Figure 1). This expansion, and the changes it implied, reflects more than a nominal makeover in organizational identity. Rather, it signaled a significant change in orientation. The organization's willingness to abandon its well-recognized name and acronym reflects the importance of moving beyond its identity as the *American* Assembly of Collegiate Schools of Business. In April 2001, five years after adopting a new name and acronym (IAME — the International Association for Management Education), the organization returned to its former well-recognized acronym: AACSB (now AACSB International) and a new name — the Association to Advance Collegiate Schools of Business — reflecting the tension between its former identity and the challenge imposed by the changing environment

Figure 1.
Growth of Non-US Accreditations



of business education. The period of study ends in 2002 with the adoption of new accreditation procedures that mark a subsequent stage of development beyond the scope of this project.

Although accreditation of business programs has long been established in the US, interest in accreditation outside of North America began only recently. In the mid-1990s, growing interest in accreditation led several organizations, including AACSB, to begin to establish 'standards' in business education outside of North America. The Association of MBAs (AMBA), headquartered in Britain, was established over 25 years ago. In 1997, however, it initiated an accreditation service. Although, like AACSB, it is a peer-review accreditation, AMBA accredits only MBA programs. In 2002, it had only one North American member, the French-language Ecole des Hautes Etudes Commerciales in Montreal. The major competitor to AACSB is EQUIS (the European Quality Improvement System). Founded in 1997 by the European Foundation for Management Development (EFMD), it is also a peer-based accreditation system. Headquartered in Brussels and initially focussing on European business programs, it had accredited over 50 business schools in Europe, North America, South America, and Africa at the end of our window of analysis.

As a radical domain expansion, internationalization forced AACSB to rethink some of its core assumptions regarding business education, for example the definition of graduate and undergraduate program, admission procedures, role and qualification of faculty, and the nature of the school's links with the university and business communities. Such accommodation, however, had to be balanced with maintaining the almost universal acceptance of AABSB accreditation and standards in its traditional North American domain. Indeed, the similarities among business programs suggests the highly institutionalized nature of business education in North America in terms of not only program content and structure but the role of business education in the university context (Segev et al. 1999). It therefore represents an excellent case with which to examine the institutional and strategic issues faced by legitimating agencies.

## Methodology

Our choice of qualitative case study methodology is consistent with the theory-building focus of this study, as well as our emphasis on the process of domain expansion. Information was gathered from multiple sources to allow for triangulation of data. In the initial phase of the study, AACSB documentation (including website information, accreditation standards, and newsletters) and articles in the business and educational press were used as a source of documentary data. These sources also allowed us to identify key informants involved in the internationalization project. Use of key informants is particularly appropriate where research requires informants with deep knowledge of the issues under study (Kumar et al. 1993; Miles and Huberman 1994). Of the eight key informants identified, we were able to contact seven who agreed to participate in the study. These respondents fulfilled different roles in AACSB but were all closely involved with the internationalization project. We used the same method with EQUIS and interviewed four of the six informants identified (respondents came from English, French, and German institutions). Overall, we covered the field very thoroughly with these interviews, i.e. the last interview did not add much to the previous interviews.

To obtain complementary data from potential candidates for accreditation in both the home domain and new domains, these 11 interviews were supplemented by 12 interviews with representatives of seven non-US business schools in Canada and Europe. To provide a range of viewpoints on business accreditation and accreditation agencies, we selected one school not currently seeking accreditation with either organization (from Spain), one school seeking first accreditation by EQUIS (from Canada), one school accredited by AACSB (from Canada), two schools seeking their second accreditation (one Canadian and one French), one school having accreditation by EQUIS and having completed the AACSB procedure (from Spain) and one school having accreditation from both AACSB and EQUIS (from France). Interviewees were deans, associate deans, or individuals having responsibility for the accreditation process. These complementary interviews enabled us to triangulate the information provided by AACSB and EQUIS respondents and control for status of respondents (in terms of prior accreditation and nationality).

We took three steps to assure the validity of our data and interpretations:

1 Triangulation with the data reported in Hedmo et al. (2001) in their analysis of the institutionalization of European management education. The parallels between their data and interpretations, collected by different researchers using different instruments, further support the validity of our interview data.
2 As a complementary check on the validity of our analysis, an initial draft of the manuscript was sent to all respondents for further comments, clarifications, and feedback. A final revision was completed based upon these comments.
3 Two confirmatory interviews conducted in August 2002 with individuals involved with subsequent revisions to AACSB procedures. Respondents had indicated that these changes occurred partially as a result of the internationalization experience.

The following sections present the results of our case study in two parts: first, the motivation for domain expansion, and second, how AACSB implemented its domain expansion.

## Motivation for Domain Expansion

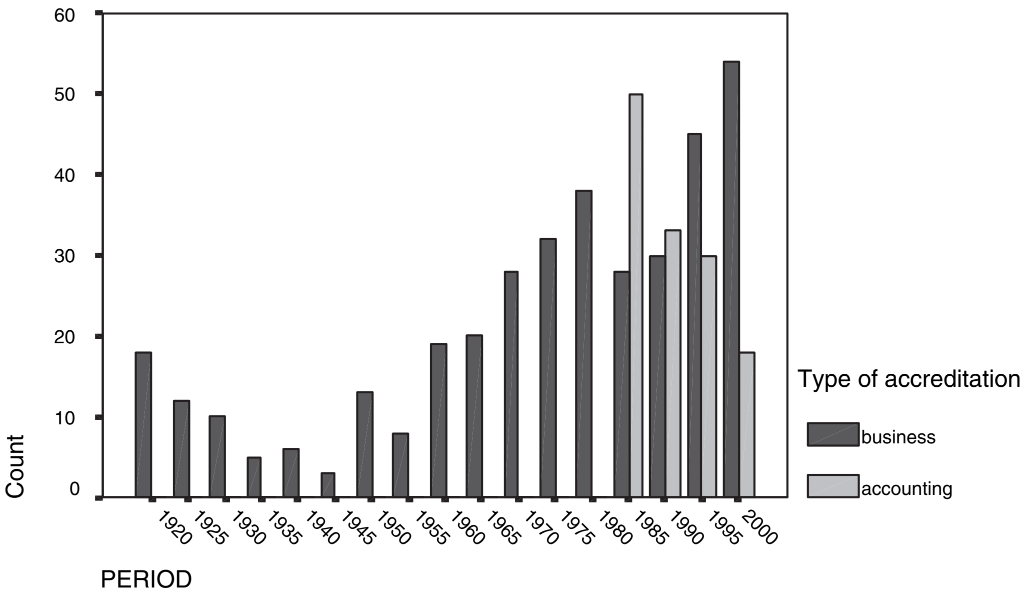
The internationalization of the AACSB appeared to be driven by three forces. First, the organization had reached the limits of its traditional North American market. Second, the growth of business education outside of North America generated a context of ambiguity and competition that created a growing interest in accreditation as a means of gaining competitive advantage. Third, there appeared to be a realization that globalization was necessary to maintain the organization's position as the dominant force in business accreditation. These selection pressures on AACSB became all the more relevant with the emergence of an alternative accreditation agency, EQUIS. We now detail each of these reasons.

### Limits to the Domain: Legitimacy Constrained

As of December 2001, over 380 programs were AACSB-accredited in the US. AACSB members (accredited and non-accredited) awarded approximately 85% of business degrees in the US (Porter and McGibbon 1988). AACSB-accredited programs, along with the 102 programs involved in the 'accreditation candidacy program', awarded the vast majority of these degrees. On the one hand this large number of AACSB-accredited institutions attests to the institutional power of AACSB as the major legitimating agency among US business programs. On the other hand, the potential for continued North American expansion was limited.

AACSB moved to expand the scope of its activities among existing constituents before considering geographical expansion domain by two means. First, AACSB initiated accounting accreditation in the early 1980s. Figure 2 summarizes the growth of AACSB accreditation activities. As can be seen, a substantial portion of new accreditations came from an accounting accreditation program, which AACSB instituted in response to demands from the accounting profession. Given that accounting programs already have an

Figure 2. Growth of AACSB Accreditation



external referent in student success in professional examinations for designation as a Certified Public Accountant (CPA), Certified Management Accountant (CMA), Chartered Accountant (the Canadian designation), and the like, AACSB accreditation may have served to provide additional academic, in addition to professional, recognition. Consequently, the visibility or prestige associated with accounting accreditation may be less than that for business accreditation. Further, accounting accreditation may have been seen as means by which accounting departments (typically viewed more 'professional' rather than 'academic' in orientation) sought to enhance their academic image (Englebrecht et al. 1994).

The second source of new domestic accreditations in the early 1990s was the change from of the previous universalistic standards to 'mission-linked' standards. These standards evaluated each school against its expressed mission, and focussed on processes of monitoring continual improvement (AACSB 1999; Castile and Davis-Blake 2002). These two important changes had significant implications for the accreditation process. Prior to this change over half of AACSB membership was unaccredited (Castile and Davis-Blake 2002). Adoption of more flexible mission-linked standards made accreditation a feasible option for large numbers of unaccredited business schools. Only two years after the change, 40% of the unaccredited schools in the Castile and Davis-Blake sample were considering accreditation. The rate of new accreditations would likely increase after initial inroads had been made (Haverman 1993), eventually saturating the pool of potentially accreditable business programs.

### Ambiguity and Demand for Accreditation: The Need for Legitimacy

Concurrent with the possible saturation of accreditable North American institutions was the increased growth and diversity of non-North American business programs. Just as significant numbers of non-accredited North American schools had created pressures for mission-linked standards, AACSB had a large and growing number of unaccredited non-North American members. One respondent from AACSB said: 'We had more and more non-US members. Our non-US members were asking us for more and more services.' Another commented, 'AACSB had a number of international members, but had no international accreditation opportunities for these members ... I think they felt that they needed to allow for people to be accredited that were now AACSB members.' This non-North American constituency was a visible reminder of the need to acknowledge the globalization of business education and represented an obvious opportunity for future growth.

However, AACSB was not the only organization to perceive the growing interest in accreditation. As noted earlier, AACSB, EQUIS, and AMBA began their non-North American (specifically European) accreditation activities at almost the same time. Our data suggest three main reasons for this interest in accreditation that made the non-North American business education field 'ripe' for accreditation.

First, the growth of business programs in Europe implied increased competition among schools for faculty, students, and funding. As noted by one EQUIS respondent:

> 'Opposition to an accreditation system in Europe was declining, with more and more people feeling that a quality control/quality improvement system was necessary ... Previous to that the only country that had any kind of developed quality control systems was the UK. But, what is happening throughout Europe now, partially because of the Bologna movement (the University reform movement in Europe), is leading many countries in Europe to set up accreditation committees and setting up national accreditation or quality control systems. So there is a lot of interest in accreditation. Really EQUIS was well timed because we appeared on the market at a moment when schools were looking to accreditation as a means of establishing themselves internationally. Therefore there was room for a European-wide system that would allow schools to say that we have legitimacy through an international body. I think this is what schools are looking for.'

To illustrate these arguments, an Associate Dean of a Spanish business school attributed the low numbers of accredited schools in Spain (only three private business schools — Instituto de Empresa, IESE, and ESADE — are accredited by EQUIS) to the protection from competition traditionally offered public business schools in Spain. She predicted that recent government initiatives to increase competition (for example, by modifying policies which led students to enroll in the university closest to their residence), and encouraging quality measurement and assessment, would increase the potential benefits of accreditation.

Second, systems of national accreditation or standard-setting were often not directly applicable to business schools, particularly MBA programs, which often developed 'outside' or 'on the margins' of national university systems (Hedmo et al. 2001). Many non-North American business schools are unaffiliated with the established university system. Examples include INSEAD (France), IMD (Switzerland), INCAE (Costa Rica), and Instituto de Empresa (Spain). Others, such as schools in France, are located on the margins of the university system, as partially funded by local chambers of commerce. Our respondents (like those of Hedmo et al. 2001) cite competition for students, particularly at the international level, as a force behind the growth of business accreditation in Europe. In this context, accreditation was seen as an important means of signaling quality to attract students in this competitive and ambiguous context. One respondent from a school completing its second accreditation stated:

> 'As long as you remain in your local market you really don't need accreditation. As you move into the international market one of the first questions that comes out is "Are you accredited?" This was when we started questioning whether we should look at accreditation ... as something that would give value to both students and alumni.'

Third, MBA programs were becoming an increasingly important aspect of business education outside of North America. However, the variety of institutional contexts in which these programs operated, and the 'adaptation' of programs to different national contexts, led to considerable diversity in the form and content of programs (Hedmo et al. 2001). Evaluating the many variations of this relatively 'new' or 'American' degree raised particular challenges. The AMBA website notes:

'In a rapidly expanding and unregulated global market, the Association looks after the interests of the consumer ...As the MBA is one of the fastest growing postgraduate qualifications, the Association works to make sure that the expansion in the number of business schools is matched by an equal concern for quality.' (AMBA 2002)

Thus, congruent with arguments by Castile and Davis-Blake (2002), Hedmo et al. (2001), and Oliver (1991), increased competition among business programs, and the growing complexity in the types of programs offered, led non-US schools to look to accreditation as means of reducing ambiguity and gaining strategic advantage.

## Domain Expansion: Issues and Reactions

However, at the same time AACSB was reaching limits in domestic growth, challenges to its role in business education began to arise. First, there was increased criticism of North American business education. These criticisms included a report from the Carnegie Commission, as well as articles in the popular and business press. Ironically, the AACSB itself formalized many of these criticisms in its well-publicized 'Porter-McGibbon Report' (1988) which highlighted the inflexibility of the AACSB model of business education in the context of the diverse missions of business schools and diverse student demands. Moreover, AACSB could not remain a 'North American'-centered organization and still maintain its position as a global leader in management education. As one AACSB respondent noted, 'If, indeed, AACSB is to be perceived as the world's dominant accrediting agency, it could not focus on strictly the US and Canada. It had to be more global.' Adoption of 'mission-linked' standards in the early 1990s 'opened the possibility of accreditation to many more different schools given their mission' (AACSB respondent). Most important from our perspective is that evaluating an institution against its stated mission allowed non-US schools to be evaluated against criteria appropriate to their particular national context:

'Once we had this approach it was easier for us to think about globalizing accreditation ... Many of the changes made when we went to mission-linked standards served as an excellent base when we moved to internationalize the accreditation processes.' (AACSB respondent)

### Quality Issues and Coping with Diversity through Collaboration

Despite the benefits, changes in accreditation standards raised two important issues for the legitimacy of AACSB in both its existing domain and among potential non-North American members. The first issue was the potential 'watering down' of standards:

'I think the most charged issues were those around member schools who had gone through the accreditation process wanting to make sure that nothing was done that would make it "easier" for an international school.' (AACSB respondent)

The perception of weaker standards would have had a negative impact on the perceived value of AACSB accreditation. Any perceived weakening of AACSB standards would undermine an important aspect of its image and threaten the value of AACSB accreditation as a means of signaling quality. AACSB defines its mission in terms of 'global leadership in the pursuit of excellence in management education through continuous improvement, and increasing the understanding of the value of management education' (AACSB 2001). A dominant theme in AACSB documentation is the rigor of the accreditation process and the prestige of AACSB business schools, including Harvard, the University of Pennsylvania (Wharton), and Columbia. Announcements of new accreditations typically include statements from school officials emphasizing the prestige and recognition for quality conferred by AACSB accreditation. Since a major benefit of AACSB accreditation was the well-recognized 'stamp of approval' that it provided, perceived weakening of standards would lessen the attractiveness of AACSB accreditation to potential entrants. If, indeed, AACSB accreditation were seen as a means of enhancing prestige, maintenance of the 'cachet' of accreditation would also be critical to its successful entry into non-North American markets.

Second, internationalization forced AACSB to reconcile its traditional definitions of 'quality' with the diversity of non-North American business programs. AACSB began the internationalization process with a limited knowledge of the types of issues it would face in adapting its standards to a wider range of national contexts. James Schmotter, chair of AACSB's International Partnership Teams for Continuous Improvement, was quoted as follows:

'There is no guarantee that this particular approach to greater internationalization will work, Schmotter acknowledged. He said some things might arise in the pilots that "really cause the Accreditation Council to flinch. We then would have to rethink whether this is a venture that we would want to pursue, or see if there are other ways to provide this global perspective," Schmotter said.' (AACSB *Newsline* newsletter, Winter 1996)

Domain expansion poses the challenge of dealing with new normative or ideological bases of legitimacy, identifying appropriate target organizations, and gaining acceptance in the new field. To overcome these difficulties, AACSB initially collaborated with the European Foundation for Management Development (EFMD), the 'parent organization' of EQUIS, to develop joint standards and perhaps joint accreditation procedures. The same newsletter highlights the advantages of EFMD's knowledge of European business education:

'Working with EFMD will be an advantage because it already has had to deal with the varied landscape of European management education. One of the things that Europeans are certainly doing better is managing diversity because of the big cultural and institutional differences within a fairly small geographic area. EFMD is a good example of an organization that has done that. We can learn from that expertise.' (AACSB *Newsline*, Winter 1996)

Despite this early optimism, initial collaboration failed. Interview respondents described it as 'a false start', and cited two major reasons for its failure. Philosophical differences existed between AACSB and EFMD regarding business accreditation and its standards. In contrast to AACSB's emphasis on accreditation, EFMD focussed on a wider range of educational and corporate-related activities. Accreditation became one of its several services offered to members:

'EFMD has always been not just academic, but management associations and corporations. As part of its core business it is focussed on executive education. What EFMD initially did is to help members sort out differences between systems. What EFMD provided was some common basis to understand the way each of them operated within their own context. EFMD initially provided a wide range of services to its members.' (AACSB interview)

In addition, this broader focus led to philosophical differences between the two organizations. As an AACSB respondent stated, 'I think that when EFMD looked at the US standards they did not find them terribly appealing and they wanted to add some other dimensions into these standards.' Another respondent from an EQUIS-accredited school noted, 'EQUIS did not want accreditation done in a way that was not mindful of differences in context. They did not want to establish US standards in Europe.'

### The Launch of EQUIS and the Subsequent Spread of Accreditation

We suggested that one possible response to entry of an external accreditation agency may be collusion among organizations in the new field, particularly high-prestige ones, to pre-empt entry with the establishment of their own standards. AACSB's respondents indicated that EFMD feared becoming the 'beachhead' from which AACSB established itself in Europe:

'There were discussions that went on relative to whether AACSB and EFMD could have an alliance of sorts to do accreditation together. I think there were some real cross-national politics involved between AACSB and EFMD with AACSB being seen as the "interloper" and how can you believe that you have standards that can be applied outside of your American model of the MBA and American model of undergraduate business education. That derailed all those discussions.' (AACSB interview)

EQUIS' respondent confirmed this impression:

'From the beginning ... when EFMD began talking about accreditation we were talking with AACSB about how an accreditation system could be set up in Europe. I think at that time AACSB potentially saw EFMD as being their spearhead into Europe The Europeans were not really willing to hand over to the AACSB the responsibility for setting standards in Europe ... When AACSB announced they were going international, it galvanized the Europeans to get their act together ... EFMD decided that it would set up its own system, keeping in close contact with the Americans.' (EQUIS interview)

EFMD launched EQUIS in 1997, directly challenging AACSB internationalization efforts. As of November 2001, over 50 institutions, including some in Canada, the US, and South America, had been accredited. Four factors can be identified that spurred the expansion of EQUIS.

First, congruent with our earlier discussion, EQUIS respondents acknowledged they began accreditation at a time when the demand for accreditation was growing; schools were looking for means of external validation. Moreover, it was congruent with various national movements for accountability and standard setting. In essence, the timing of EQUIS' entry built upon the momentum of various environmental trends.

Second, the EFMD organizational platform allowed them to separate the EFMD mission from the organization in charge of delivering accreditation while maintaining the reputational benefits of EFMD affiliation. This structural distinction presents the advantage of dissociating the origin of legitimacy (both geographically and institutionally) from the legitimating agency. In essence, EQUIS could tap the existing legitimacy of EFMD, as well as the growing reputation of EQUIS. An AACSB respondent acknowledged the importance of the dual EFMD/EQUIS identity as follows:

'EFMD has been able to separate EFMD the organization from the accreditation by having the word EQUIS. AACSB and AACSB accreditation are viewed as the same thing. While they have accreditation, they do not have a brand identity for it. EFMD has done a much better job of branding accreditation name because they have EQUIS, they have the symbol.'

Third, EQUIS was able to build upon EFMD and its familiarity with European diversity to ground its accreditation around its 'European' (and implicitly 'not American') identity. The rationalities on which EQUIS developed its accreditation standards and procedures differed from those of AACSB. As noted earlier, AACSB attempted to adopt its North American 'blueprint' to non-North American business programs. The fact that non-North American respondents consistently referred to AACSB standards as 'the American' system suggests that AACSB accreditation was perceived as maintaining its North American orientation. EQUIS built its accreditation on other foundations by explicitly distancing itself from 'North American' standards. In text on their website it is acknowledged that the 'American' accreditation scheme had been examined, and refers to 'imported MBA-type programs'. In stating that it does not espouse a 'one size fits all' approach to business education, but examines the quality of the institution in its unique national and social context, EQUIS implicitly differentiates itself from AACSB's traditional accreditation procedures.

The website information, as well as interviews with AACSB and EQUIS respondents, identified recognition of European diversity, quality improvement, and strong ties with the business community as significant differences between AACSB and EQUIS. One EQUIS respondent further explained this philosophy as follows:

'The important point here is that when we asked ourselves the question of what should a European accreditation system look like it had to be based in the EFMD values, so it reflected a certain number of characteristics of the EFMD, first of all is that it is international, and secondly that it includes both academics and corporate members. I think there is a major difference between AACSB and EQUIS in this respect. AACSB is weak on the corporate side, and it is one of the strengths of the EFMD. When we were constructing the framework for some of the criteria we took into account at every level the international dimension and the corporate interface. The whole standards, the process, reflect this. ... In our audit teams we have one corporate representative, there is a close link between the EFMD mission, its constituency, and the values that are included in the standards.'

The 'international' and 'multi-constituency' philosophy of EQUIS is also manifest in their accreditation criteria. Three categories of criteria are listed: overall quality, internationalization of students and faculty, and connections with the corporate world. Whereas AACSB is an association of collegiate schools of business, the mandate of EQUIS is much broader. Board membership includes business schools, executives, and officials from government training organizations, management development centers, and consultants. To illustrate, while AACSB accreditation teams are composed of academics, every EQUIS team includes a corporate representative. These differences in approach were highlighted by a respondent from an institution that had completed both accreditation procedures: 'They (EQUIS) were more "us" ... They were much more respectful of why we were different,' while AACSB remained very much 'American' in its approach: 'With AACSB we had to be on the defensive mode, justifying why we did not do this or that.' An associate dean of a European business school characterized the differences between the two organizations as follows:

'AACSB is "too American", too homogeneous. This is its weakness. Its strengths rest on the "steamroller" aspects of the American model. EQUIS' strength rests on its capacity to take the local environment into account, history and institutions. Its major weakness is possible incongruence with accreditation standardization.'

Finally, this discussion suggests that each organization, as a peer-based legitimating agency, constructed rationalities congruent with the identity of its founding constituencies. Notably, EQUIS was able to base its growth on the EFMD constituencies. In essence, EFMD provided EQUIS with a ready platform from which to enter the accreditation field. In developing its standards and organization, EQUIS actively sought the collaboration of education leaders. Using its EFMD base, EQUIS initially targeted some of the most prestigious European business schools:

'When the process was launched it was absolutely essential that we had the principal schools on board. It would have been unthinkable to launch EQUIS without. ... the half dozen schools that really count, we had to make sure that they were on side.'

### AACSB Entry into Europe: The Pilot Project

With the end of initial collaboration with EFMD, a 'pilot project' selected non-North American institutions, already familiar with AACSB procedures, as potential accreditation candidates. Internal legitimation activities focussed on reinforcing the 'quality' image of AACSB accreditation. The AACSB web page describes the 'pilot schools' as 'a small set of institutions that offer high quality business degree programs'(AACSB 2001). AACSB interview respondents unanimously noted that recognized quality was the major criteria for selection of the pilot schools.

Further, AACSB hoped to use the pilot project as a learning experience:

'The pilot schools were picked to have some experience from each region of the world that were schools of note, that were eminent schools to help the process. It was known that they were strong schools, had partnerships with strong schools in the US and Canada.'

Said another, 'What they did essentially was to make up a laundry list (of possible differences and problems) and send reviewers out and try to sort it out in the pilot stage.'

It is significant (and highlighted by non-AACSB respondents), however, that 'pilot' schools, particularly the initial ones, originated from the more familiar contexts of Europe (ESSEC in France and Erasmus in the Netherlands) and Mexico (Instituto Tecnologico Autonomo de Mexico [ITAM] and the Instituto Tecnologico y de Estudios Superiores de Monterrey, in Monterrey [ITESM]). All offer MBA degrees, further suggesting their acceptance of the North American model of business education. Subsequent accreditations were in Britain (Warwick) and the English-speaking Chinese University of Hong Kong. This suggests that AACSB's objective to expose itself to the 'diversity' of business education through the pilot project was balanced by caution. This caution may have been intended to maintain the domestic legitimacy of the pilot program by focussing on schools (and educational contexts) more readily accepted by their existing membership.

The pilot project and subsequent non-North American accreditations were given extensive publicity emphasizing their quality and the maintenance of strict AACSB standards. The *Newsline* newsletter (Summer 1999) contains a lengthy description of the procedures used at several non-US institutions. The article highlights the maintenance of rigorous standards while acknowledging differences in educational systems, as well as the learning and other benefits brought to AACSB by non-US institutions.

Notably, the 'mission-linked' evaluation dissociates the content of the program from the quality of delivery, leading AASCB to focus also on whether the organizations had in place proper procedures to achieve its objectives. In doing so, AACSB was able to emphasize that the procedures and standards used to evaluate non-North American institutions were consistent with those used in North America. For example, while acknowledging that curriculum was one area in which non-US schools differed from domestic institutions, one respondent emphasized that 'We gave not a great deal of attention to content, but how the curriculum is managed.' Said another respondent: 'The big trick has been that although the standards are mission-linked, the procedure for handling these things are the same for everybody.'

## The Double-Edged Sword of Legitimizing: Evaluation of the Research Questions

In this section, we use the case study data to address our research questions. From this discussion we develop research propositions and avenues for future research.

### Evaluation of Question 1: Motives for Domain Expansion

Our case analysis suggests that AACSB faced selection pressures to build upon its wide recognition in the field of business education. Indeed, its development of mission-linked standards and accounting accreditation can be seen as initial attempts to exploit its existing domain before significant expansion into other markets. It is significant to note that AACSB first attempted to expand the scope of its activities among its existing constituency through accounting accreditation. It then built upon its 'quality management' paradigm to develop mission-based standards, which further allowed it to expand within its existing domain. It was only after these steps that AACSB undertook a conscious effort to internationalize.

Both the development of mission-linked standards and international expansion addressed important potential threats to AACSB's legitimacy. Specifically, the more rigid nature of the previous standards had led to criticism that AACSB was out of touch with the reality of many business programs. Second, while both the Porter-McGibbon report, as well as AACSB accreditation standards themselves, acknowledged the globalization of business and business education, AACSB remained fundamentally American. AACSB's members were engaged in numerous international relationships and were espousing the 'globalization' of business and business education, while the legitimating agency remained deeply rooted in American standards and values, leading to a disconnect or contradiction between the legitimating agency's discourse and constituencies' reality. These contradictions led to increased selection pressure borne by AACSB and its constituencies, threatened legitimacy, and laid the groundwork for institutional change (Seo and Creed 2002).

The significance of this change in standards cannot be underestimated: it represented a fundamental change in the basis on which AACSB had evaluated institutions for decades. In deviating from 'absolute' standards, this change implied certain risks in the perceived 'dilution' of AACSB prestige and selectivity. However, by couching the change in the language of 'diversity of business programs', 'quality improvement', and meeting the needs of the school's immediate constituents, AACSB attempted to deflect the reality that many of the institutions accredited under the new system would not have achieved accreditation under the previous standards which favored larger, resource-rich institutions.

Congruent with Oliver's (1991) proposition that ambiguity and resource scarcity fuel institutional pressures, competitive conditions in the new domain made accreditation an attractive strategic option for target organizations. That AMBA, EQUIS, and AACSB all began to expand accreditation at about the same time suggests the importance of such demand and competition pressures. There is considerable support for the argument that increased ambiguity, scarcity in legitimizing resources, and resulting selection pressures create institutional change, manifested in our case by domain expansions and institutional competition (Baum and Oliver 1991; Benjamin and Podolny 1999; Castile and Davis-Blake 2002; DiMaggio 1988; Holm 1995; Oliver 1991; D'Aunno et al. 1991). Indeed, Castile and Davis-Blake (2002) found that variables associated with resource dependence were associated with the growth of AACSB accreditation in the US. That this demand came from among its own membership made these demand conditions particularly relevant to AACSB: the internationalization process and the pilot project addressed the needs of visible constituencies. In essence, AACSB had a readily identified set of 'target' organizations. Moreover, their presence may have served as an implicit challenge to AACSB's role as the referent by which business programs were judged.

Finally, the development of mission-linked standards likely hastened internationalization in three ways. First, it hastened the saturation of the North American market. Second, it exposed AACSB accreditation teams to more diversity in program and context than was previously possible. Third, mission-linked standards made accreditation of non-North American institutions more feasible. Simply stated, the previous standards were rooted in the North American system of business education. Mission-linked standards allowed AACSB to accommodate diverse national contexts.

This suggests the following propositions:

*Proposition 1: Domain expansion occurs when limits to growth in the initial domain have been reached.*

*Proposition 2: Domain expansion will tend to occur when the legitimating agency faces threats to its legitimacy (i.e. selection pressures) from visible constituencies.*

*Proposition 3: Domain expansion will be facilitated by an increase in selection pressure in the new domain (such as an increase in competition for resources and in a need for ambiguity reduction among organizations).*

### Evaluation of Research Question 2: Maintaining Legitimacy

Both the development of mission-linked standards and internationalization raised legitimacy maintenance issues for AACSB. Expanding into new institutional fields implies the need to accommodate new stakeholder demands and expectations. In the case of AACSB, it is clear that many of the traditional assumptions concerning business education had to be adapted to accommodate differing educational systems. Internationalization forced AACSB to re-assess the very definition of an 'undergraduate' and 'graduate' education, the role of the business school in the university and educational system, and the role of faculty. Thus, accommodation of increased diversity of AACSB programs has forced AACSB and its members to redefine 'quality business education'.

The data suggest that AACSB addressed these problems raised by the changes in selection criteria in three primary ways. First, AACSB was careful to couch both the adoption of mission-linked standards and their expansion in the context of logics or ideologies accepted by its members. For example, it emphasized the need to recognize and accommodate the diversity of business programs. This was critical to the acceptance of these changes as appropriate to maintaining the relevance of AACSB to the range of business programs in North America and elsewhere.

Second, AACSB (and indeed EQUIS) built upon the popularity of 'quality management' and 'processes for quality maintenance' and the like (Abrahamson and Fairchild, 1999). This emphasis on quality management and continuous improvement had the further advantage of disassociating the content of the program from the quality of delivery, leading AASCB to focus also on whether the organizations had in place proper procedures to achieve its objectives. In doing so, AACSB was able to emphasize that the procedures and standards used to evaluate non-North American institutions were consistent with those used in North America. This added emphasis on process further facilitated the accommodation of diversity.

Finally, selection of schools that were already familiar with AACSB, and familiar to its membership, served to reinforce perceptions of continuity and adherence to quality standards. Pilot schools were already AACSB members, and may have therefore benefited from perceptions of 'acceptance'. The first targeting of Europe and Mexico for initial accreditations may reflect a strategy of targeting programs with more 'familiar' institutional profiles. Their first Asian accreditation was the English-speaking Chinese University of Hong Kong, and their first Central/South American accreditation was INCAE, established by the Harvard Business School. Overall, AACSB's balance of the double-edged sword of legitimacy suggests the following propositions:

*Proposition 4: Legitimacy maintenance activities will seek to link domain expansion with values acceptable to existing membership.*

*Proposition 5: Legitimacy maintenance activities will emphasize procedural consistency, particularly in the context of deviation from normative expectations of existing membership, and stress the similarities between new constituents and existing constituents.*

*Proposition 6: To facilitate acceptance of new members, potential new members will be selected from organizations already familiar to existing constituents.*

### Evaluation of Research Question 3: Gaining Acceptance in the New Domain

Organizations, including legitimating agencies, have available a number of values or belief systems on which to base claims to legitimacy (Scott 1991, 1995; Townley 2002). As noted earlier, both EQUIS and AACSB espoused 'quality improvement' as a major theme of their accreditation philosophy and practices. However, AACSB used this theme to establish the consistency between its domestic and non-North American activities. While building on the same broad theoretical framework, EQUIS used this theme to link EQUIS accreditation with EFMD's existing 'quality improvement' identity and activities. Further, EQUIS based its legitimacy strategy on different groundings: (1) sensitivity to European diversity; (2) adapted organization of the agency by separating EQUIS from EFMD; (3) strategic differentiation based on collaboratively developed criteria and process, which assured them of (4) the backing of high-prestige European business schools.

Organizations develop their own institutional strategies. In this instance, non-North American schools, particularly those in Europe, could look to either ASCSB or EQUIS for legitimacy. We suggested earlier that although initial targets for accreditation may be high-prestige organizations, accreditation might, in fact, be more attractive to mid-level targets. To examine this issue and to illustrate the strategic reactions of organizations confronted with concurrent legitimating agencies' offerings, we made use of the *Financial Times* ranking of MBA programs to calculate the average rank obtained by an MBA program at least once over the years 2000–02 (see Appendix, Table A1). This comparison suggests that EQUIS regrouped on average more *FT*-listed programs, and more and better ranked programs (the average of *FT 100* rankings is 49 for EQUIS over 1997–2001 compared to 53 for AACSB). This preliminary exploration supports the argument that outside accreditation may be particularly attractive for mid-level targets.

Second, it suggests that EQUIS through its EFMD platform had an advantage in attracting highly rated institutions. Organizations in the target-for-institutionalization field face conflicting mimetic pressures. In this case, they could look toward either AACSB or EQUIS. High-prestige schools (at least in Europe) already had a basis for collaboration in EFMD, and could build upon this base to develop their own accreditation organization based upon its own rationality. Doing so also served to reinforce their existing dominant position. Particularly given the potential 'follower' role in EQUIS, the reputational benefits of AACSB accreditation may be most significant for institutions in the 'mid-tier' of the new population. Although highly reputed institutions may seek additional external legitimacy as a means of reinforcing their local dominance, the benefits of AACSB accreditation to 'mid-tier' institutions may be more significant in building both their local and international reputations.

Congruent with the notion of institutional entrepreneurship, the interview data suggest that the choice of accreditation agency was a strategic one, based upon the perceived benefits of each organization. Further, the decision to seek accreditation by AACSB or EQUIS was seen as a 'statement' of 'which community you were joining' (AACSB interview). An EQUIS respondent concurred:

> 'One of the things we have noticed is that schools choose us because we are not American. We feel that it is important to defend European managerial values, it is not just a technical issue.'

Indeed, respondents from both AACSB and EQUIS identified one European school as having selected AACSB affiliation as a means of differentiating itself from its peer institutions and to signal their 'North American' orientation. Conversely, they cited another EQUIS-accredited school as an implicit rejection of 'North American' standards.

Gioia and Thomas (1996) and Zajac and Kraatz (1993) argue that the strategic actions of educational organizations are often linked to attempts to reinforce the institutions' identity (internal self-perception) and image (actual or intended external perceptions). Accreditation may both reflect perceptions of identity, and serve as a tool for enhancing an institution's chosen image. Thus, accreditation by EQUIS or AACSB may be used to build or reinforce internal identity and project a desired image. Overall, accreditation represents an effort to adhere to a model that helps reduce selective pressure, and in return help the legitimating agency reduce its own selection pressure. The symbiotic co-construction of legitimacy is based on changes of selection criteria and cautious attention to social and professional identification processes (Rao et al. 2003).

We noted earlier that, within an organizational field, accreditation standards might be congruent or incompatible depending on their philosophical foundations. In this case, accreditation standards appeared to be different, but compatible. The associate dean of an EQUIS-accredited school preparing for AACSB accreditation commented:

> 'The stakes are not the same for the two accreditations. When we did EQUIS we followed INSEAD and the London Business School. With AACSB we have a school in Kentucky and a small French university. This makes you realize that the production of standards for AACSB, are, certainly quantifiable but relatively exogenous from our social context. EQUIS asks for a veritable introspection, it is an endogenous accreditation process.'

This view was echoed by another respondent, who also viewed the two accreditations as serving different purposes: continuous improvement in the case of EQUIS and evaluation vis-a-vis North American standards with AACSB. Indeed the most recent AACSB-accredited schools are also EQUIS-accredited. This suggests that the differing rationales on which the two organizations build their accreditation were not seen as conflicting. These joint accreditations are congruent with the argument that as accreditation becomes more widespread, it provides less 'value added' in terms of prestige. Respondents noted a growing spiral of accreditation. Almost universally, they stated that accreditation had become 'not a differentiating factor ... it is just something you have to do'. Said another respondent: 'without it (accreditation) you have nothing'. They pointed to the growth of multiple accreditations (citing, for example, HEC Paris' 'triple crown' of AACSB, AMBA and EQUIS) as evidence of this trend.

The study of the external consequences of domain expansion reveals that the pre-existing legitimacies among targeted organizations, as well as 'institutional entrepreneurship', influence the domain expansion process:

*Proposition 7: Domain expansion will be more difficult if organizations in the new domain have already established links on which to build an endogenous accreditation agency.*

*Proposition 8: In selecting from among potential legitimating agencies, organizations will seek accreditations that reflect their perceptions of their identity, and reflect the image they wish to project.*

*Proposition 9: Although initial targets for accreditation may be high-prestige organizations, initial accreditations will likely come from among mid-tier organizations in the new domain.*

## Conclusions

This research on legitimating agencies contributes to the literature via its research propositions and the dynamic model of legitimacy building it offers. The main results are summarized in Figure 3.

The dominant aspects of the process of accreditation development is a response to an increase in selective pressures borne by (1) legitimating agencies in their traditional domain and (2) organizations in the target domain. The increase in selective pressure pushes legitimating agencies to expand into a new domain. This domain expansion in return requires accreditation

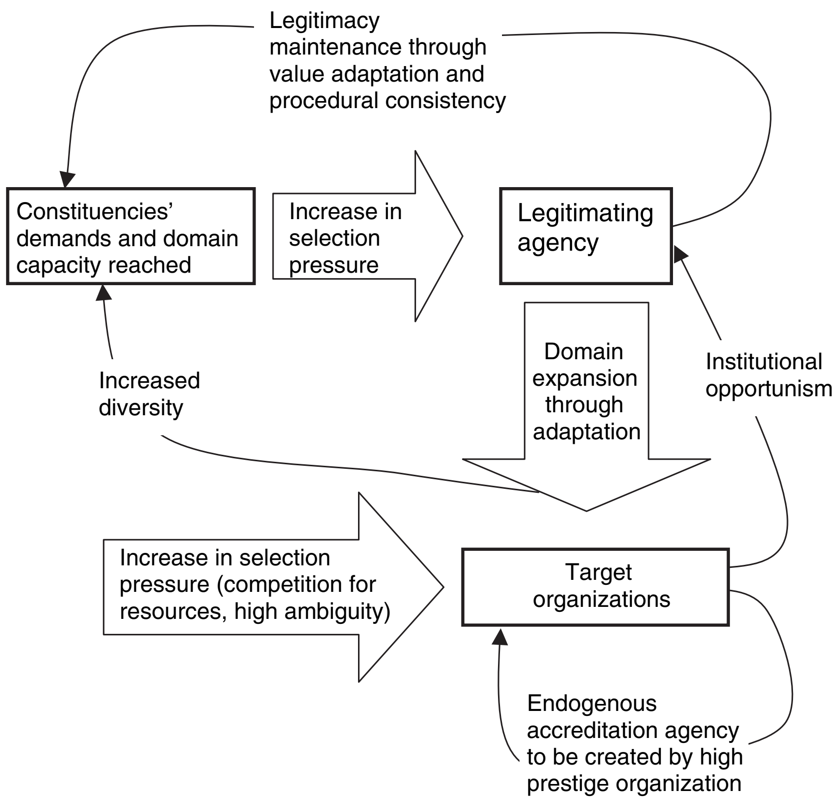



Figure 3. Simplified Dynamic Model of Legitimacy Building

agencies to adapt their values and processes to the new target organizations as well as reassure extant constituencies to keep afloat their current legitimacy. Increase in selective pressures for target organizations leads to institutional opportunism and the reactive constitution of rival endogenous accreditation agencies to protect cultural or professional specific traits of their identities and practices.

This research contributes to our thinking about organizational selection. Selective pressures are not only influenced by evolutionary characteristics of markets and firms (Durand 2001; Henderson and Stern 2002), but also by how organizations collide and adhere to legitimating processes. In this process, the convergence of institutional logics stemming from legitimating agencies' discourse and actions with the self-representation of potential constituencies is crucial. Identity definition (by organizations) and identity recognition (by legitimating agencies) contribute to the variability of selection pressure across domains and regions, and over time.

This research contributes also to the institutional literature by emphasizing the key role played by legitimating agencies, not only on a static basis, but also as actors having to adopt, maintain, and defend their strategic resources, i.e. the ability to legitimately deliver accreditation. In this respect, procedural consistency and adaptation of exhibited values is a necessary step toward a successful domain expansion. As such this research is a tentative response to the calls for a more 'dynamic' and 'pro-active' view of institutional theory (Oliver 1991; Dacin et al. 2002).

Our results also suggest that expansion of a legitimating agency's domain raises three issues. First, the pre-existing legitimacies are likely to constitute a shield against the intrusion. Indeed, existing organizations in the new field, particularly if they enjoy a pre-existing platform (such as EFMD) may have a strategic advantage in developing normative standards that build upon existing belief systems. Second, targeted organizations develop entrepreneurial and opportunistic strategies relatively to legitimacy offerings, as a means of garnering important resources for further ambitions. Thus, domain expansion represents the intersection of multiple strategic agendas. Third, agencies must balance domain expansion with legitimacy maintenance among their original constituents.

This interplay of domain expansion, institutional entrepreneurship, and moves to develop 'indigenous' standards may create an accelerating spiral of normative institutionalization. The rapid expansion of both AACSB and EQUIS may be typical of the dynamics that occur. In essence, once accreditation has made significant inroads, unaccredited institutions may find themselves at a growing disadvantage. As accreditation provides decreasing 'value added', multiple accreditations are used as a further means of differentiation.

Finally, legitimating agencies construct isolating mechanisms to protect their legitimacy. Organizations, through institutional opportunism and proactive creation of accreditation agencies, also develop protection against ambiguous contexts and selection pressures. Thus, we see a positive reinforcement between (1) the insulation from competition and greater access to resources offered by legitimating agencies and (2) the legitimacy provided to the legitimating agency through domain expansion and the inclusion of new constituencies. Overall, standardization, accreditation, and legitimating agencies co-construct with their constituencies a symbiotic relationship (which has proven to be a very effective mechanism against natural selection in wildlife) to defend themselves against organizational selection.

The range of contexts in which legitimating agencies exist, and the various types of legitimating agencies, provide promising opportunities for future research. Moreover, the distinction between 'external' and 'peer-based' accreditation or standard-setting agencies needs further inquiry. Examples that could be studied include rating agencies like Standard & Poor's, or the Michelin or Parker Guide in the 'grande cuisine' and wine industries. Further, this study has only examined the maintenance and expansion of legitimacy. Although we tangentially dealt with the creation of legitimacy in the context of EQUIS, the potentially growing importance of accreditation and standard-setting agencies points to the need to understand the 'creation' of legitimacy (Human and Provan 2000). Thus, the interplay of nascent and alternative legitimating agencies is another area for further research.

The dialectical perspective proposed by Seo and Creed (2002) suggests that the contradictions implied by the demands of new and original constituencies may provide the roots for institutional change. Thus, while many studies of institutional change have focussed on the implications of institutionalization at the organizational level (e.g. Townley 2002), an equally important element of institutional change requiring further insights is the internal process of disputes and coalitions inside the institutional agents themselves facing domain expansion imperatives.

Finally, Ashforth and Gibbs (1990) note that threats to legitimacy pose the greatest challenge to organizations. Therefore, another area of research would be to examine crises of legitimacy and how organizations respond to them. Although existing literature deals with organizational responses to serious events such as the Bhopal chemical disaster or the Tylenol product tampering, responding to crises of legitimacy may be particularly difficult. The far-reaching repercussions of the Enron bankruptcy, which led the SEC and other bodies to fundamentally question the institutional structure of the accounting profession and the role of the FASB (Bruce 2002a, b), provide a current vivid context for analyzing and theorizing the responses of accused legitimating agencies that need to rebuild legitimacy in the presence of powerful selecting forces.

## Notes

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Table A1. Business Schools' Accreditation by Year and FT Rankings

| Institution Name | Country | Year | Accredited | FT Ranking |
|---|---|---|---|---|
| University of Alberta | Canada | 1968 | AACSB | 95 |
| University of Calgary | Canada | 1985 | AACSB | 83 |
| Université Laval | Canada | 1995 | AACSB | |
| Concordia University | Canada | 1997 | AACSB | |
| Groupe ESSEC School of Management | France | | AACSB | |
| INSEAD | France | 1998 | EQUIS | 7.3 |
| London Business School | UK | | EQUIS | 8.3 |
| IMD – International Institute for Management Development | Switzerland | | EQUIS | 12.0 |
| IESE Business School, University of Navarra | Spain | | EQUIS | 25.0 |
| *Rotterdam School of Management – Erasmus University Rotterdam* | *Netherlands* | | *EQUIS* | *27.7* |
| Instituto de Empresa | Spain | | EQUIS | 30.0 |
| Bocconi University School of Management | Italy | | EQUIS | 39.7 |
| *HEC School of Management – Paris* | *France* | | *EQUIS* | *57.0* |
| ESCP – EAP European School of Management, | France | | EQUIS | 64.5 |
| *Escuela Superior de Administración y Dirección de Empresas (ESADE)* | *Spain* | | *EQUIS* | *72.3* |
| EM LYON | France | | EQUIS | 93.0 |
| Helsinki School of Economics (HSE) | Finland | | EQUIS | |
| Audencia, Nantes School of Management | France | | EQUIS | |
| WHU, Otto Beisheim Graduate School of Management | Germany | | EQUIS | |
| Ashridge | UK | | EQUIS | |
| *Rotterdam School of Management – Erasmus University Rotterdam* | *Netherlands* | | *AACSB* | *27.7* |
| Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) | Mexico | | AACSB | 78.5 |
| Queen's University | Canada | | AACSB | |
| Instituto Tecnológico Autónomo de México (ITAM) | Mexico | | AACSB | |
| *Cranfield School of Management* | *UK* | *1999* | *EQUIS* | *40.0* |
| Norwegian School of Management, Handelshøyskolen BI | Norway | | EQUIS | 100.0 |
| HEC – Montreal | Canada | | EQUIS | |
| EDHEC, Business School Lille & Nice | France | | EQUIS | |
| Institut d'Administration des Entreprises d'Aix-en-Provence (IAE) | France | | EQUIS | |
| Leon Kozminski Academy of Entrepreneurship and Management | Poland | | EQUIS | |
| Escuela de Alta Dirección y Administración (EADA) | Spain | | EQUIS | |
| för Foretagsledning | Sweden | | EQUIS | |
| Stockholm School of Economics | Sweden | | EQUIS | |
| Aston Business School | UK | | EQUIS | |
| University of Toronto | Canada | | AACSB | 40 |
| *Warwick Business School, University of Warwick* | *UK* | | *AACSB* | *45.3* |
| *Hong Kong University of Science and Technology* | *China* | | *AACSB* | *55* |
| The Chinese University of Hong Kong | China | | AACSB | 68 |
| University of Manitoba | Canada | | AACSB | |
| INCAE | Costa Rica | | AACSB | |

| | | | | |
|---|---|---|---|---|
| *Warwick Business School, University of Warwick* | *UK* | 2000 | *EQUIS* | *45.3* |
| *Hong Kong University of Science and Technology* | *China* | | *EQUIS* | *55.0* |
| Quinn Business School UCD, University College Dublin | Ireland | | EQUIS | 58.7 |
| Nyenrode University, The Netherlands Business School | Netherlands | | EQUIS | 76.7 |
| Copenhagen Business School | Denmark | | EQUIS | |
| HANKEN, Swedish School of Economics and Business Administration | Finland | | EQUIS | |
| Reims Management School | France | | EQUIS | |
| Grenoble Graduate School of Business, Groupe ESC Grenoble | France | | EQUIS | |
| Bordeaux Business School | France | | EQUIS | |
| University of Stellenbosch, Graduate School of Business | South Africa | | EQUIS | |
| Bradford University School of Management | UK | | EQUIS | |
| Henley Management College | UK | | EQUIS | |
| Open University Business School | UK | | EQUIS | |
| University of Florida, Warrington College of Business | USA | | EQUIS | |
| London Business School | UK | | AACSB | 8.33 |
| Fundacão Getulio Vargas, São Paulo | Brazil | | AACSB | |
| Pontificia Universidad Católica de Chile | Chile | | AACSB | |
| University of Mannheim | Germany | | AACSB | |
| Keio University | Japan | | AACSB | |
| United Arab Emirates University (UAEU) | UAE | | AACSB | |
| University of Cambridge – The Judge Institute of Management Studies | UK | 2001 | EQUIS | 22.0 |
| City University School of Management, London | UK | | EQUIS | 73.3 |
| Strathclyde Business School, University of Strathclyde | UK | | EQUIS | 87.0 |
| Curtin University of Technology, Curtin Business School | Australia | | EQUIS | |
| Vlerick Leuven Gent Management School | Belgium | | EQUIS | |
| Escuela de Administracion de Empresas de São Paulo | Brazil | | EQUIS | |
| University of Quebec in Montreal (UQAM) | Canada | | EQUIS | |
| Aarhus School of Business | Denmark | | EQUIS | |
| Toulouse Business School, Groupe Ecole Supérieure de Commerce de Toulouse | France | | EQUIS | |
| Norwegian School of Economics and Business Administration, Norges Handelshøyskole | Norway | | EQUIS | |
| University of Cape Town, Graduate School of Business | South Africa | | EQUIS | |
| Lund University – School of Economics & Management | Sweden | | EQUIS | |
| University of St. Gallen | Switzerland | | EQUIS | |
| *HEC School of Management – Paris* | *France* | | *AACSB* | *57.0* |
| *Escuela Superior de Administración y Dirección de Empresas (ESADE)* | *Spain* | | *AACSB* | *72.3* |
| *Cranfield School of Management* | *UK* | | *AACSB* | *40* |

Note: The ranking is the average ranking for at least one year of presence for a given program (1998–2001). Italicized, business schools with more than one accreditation

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