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Achieving Regulatory Legitimacy in Volatile Institutional

Contexts:

The Case of Russian Non-Profits

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**Achieving Regulatory Legitimacy in Volatile Institutional Contexts:
The Case of Russian Non-Profits**

Abstract

This paper examines organizational legitimacy within a volatile socio-political context. Drawing on qualitative data from non-profit organizations (NPOs) in the Russian Federation, we explore the question of how organizations gain regulatory legitimacy in such an uncertain and hostile socio-political context. Our study highlights that in such a context, the state often fails to grant regulatory legitimacy to NPOs. In response, NPOs seek to achieve regulatory legitimacy via symbolic acts and supplement these with a range of substantive activities. Such actions help demonstrate organizational effectiveness to the government and generate trust with individuals in the regional state apparatus. We show that regulatory legitimacy requires a more nuanced examination in contexts that make it difficult for organizations to routinise its attainment. Thus, our paper contributes to legitimacy theory by exploring how key aspects of organizational legitimacy are conditioned and constituted by the socio-political context.

Keywords: Non-profits; Regulatory Legitimacy; Russian Federation

JEL: P300, D710, D730

1. Introduction

In this paper, we juxtapose conventional thinking about how regulatory legitimacy is achieved in orthodox and stable settings against how this might be less attainable in more volatile and unconventional contexts. The organizational legitimacy literature distinguishes between types of legitimacy: pragmatic, normative, cultural-cognitive, and/or regulatory (Deephouse et al., 2017). The latter is also sometimes described as socio-political legitimacy (Bitektine et al., 2020) and is bestowed through the legal-rational systems of a nation-state. Regulatory legitimacy allows an organization to be recognized as a formal entity wherein a legal-rational system codifies regulatory standards within recognized frameworks (Deephouse et al., 2017) and transparent compliance processes thereto (Ashforth and Gibbs, 1990). This allows organizations to meet the expectations of the regulator, facilitate regulatory compliance, attain and maintain legitimacy and ensure organizational survival (Deephouse et al., 2017; DiMaggio and Powell, 1983; Dowling and Pfeffer, 1975; Meyer and Rowan, 1977; Suchman, 1995; Quack, 2010).

Studies of organizational legitimacy, regulatory or otherwise, have to date focused on both how individual organizations gain, maintain, and retain legitimacy, and in so doing, also facilitate organizational legitimacy for similar organizations in their peer group (Deephouse and Suchman, 2008; DiMaggio and Powell, 1983; Golant and Sillince, 2007; Scherer et al., 2013; Spicer et al., 2019). Generally, such studies are located within socio-political contexts that are stable and predictable; or individual industry environments (i.e. the meso level), which, whilst less stable (Bitektine et al., 2020), still tend to have clear regulatory defined rules of the game. In such environments, it is clear when and how organizations achieve regulatory legitimacy and the processes involved (Ashforth and Gibbs, 1990). This may not be the case however in contexts in which the socio-political environment is volatile and unpredictable, such as hybrid political regimes¹ or emerging markets (Diamond, 2002; Mertha, 2009). Although some work has

examined organizational legitimacy in emerging market contexts, this has primarily drawn on the experience of multinational enterprises (Kostova and Zaheer, 1999), who operate across different contexts and thus, have the ability to share relevant strategic practices to attain, maintain, and defend legitimacy (Kostova and Roth, 2002); or in extremis, withdraw from a context. Limited attention has been paid to how entities located in a single, volatile location retain and maintain legitimacy.

In hybrid political regimes such as the Russian Federation, organizations operate in an environment where the basis for regulatory legitimacy changes quickly and frequently, raising the question of how organizations achieve/ensure regulatory legitimacy. In addressing this question, we connect *micro*-level processes of what organizations do within a certain *meso*-domain (i.e. Russian health non-profit organizations (hNPOs)) to *macro*-political structures and drivers. By exploring this, we also respond to both Stevens et al. (2015) and Patala et al. (2019), who call for further understanding of organizational legitimacy under conditions of institutional change and/or within unpredictable institutional contexts.

Our insights extend the current literature on organizational legitimacy by demonstrating that in hybrid regimes, regulators are not primarily routine evaluators of compliance, but frequently become *challengers* of regulatory legitimacy. Therefore, what is often seen as a routine task for organizations in stable contexts (Dowling and Pfeffer, 1975; Stevens et al., 2015; Westphal et al., 1997) becomes both more nuanced and resource-intensive where stability is *not* the norm. Thus, when compliance does not grant legitimacy, organizations seek to achieve it in other ways. To explore this, we first review the literature on organizational legitimacy theory and the role the state plays in this process (Deephouse et al., 2017; Lawrence et al., 2011). Second, we chart the regulatory developments that have affected Russian non-profit organizations (NPOs) to provide an insight into the forces and logic driving the institutional context in which

organizations in this study seek regulatory legitimacy. After reviewing our research study, we present our findings highlighting the symbolic acts and additional substantive activities of hNPOs to attain and manage regulatory legitimacy and the role that informal, often personal relations play in achieving regulatory legitimacy. We conclude our paper by discussing what our insights mean for organizational legitimacy, Russian NPOs, as well as proposing a future research agenda.

2. Literature Review: Regulatory Legitimacy and the State

Deephouse et al. (2017, p. 32) define organizational legitimacy as “the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions.” With social systems changing over time, it makes organizational legitimacy a continuous process requiring the constant management of relationships (Suchman, 1995). The activities organizations engage in, the resources they attract, and other organizations and specific stakeholders they interact with all contribute to an organization’s legitimacy building and the maintenance thereof (Castelló et al., 2016; Lawrence et al., 2011; Reast et al., 2013; Zuzul and Edmondson, 2016).

Although external stakeholders can challenge an organization’s legitimacy (Deephouse et al., 2017), legitimacy challenges by the state and its agents usually provide a more existential test, in particular, if they challenge an organization’s legislative-regulatory recognition². This dovetails with early organizational legitimacy research, which illustrates the importance of the state, individuals within the state apparatus, and relationships therein (Dowling and Pfeffer, 1975). This research also highlights that the state and its agents need to engage in activities with other stakeholders to be seen as legitimate by the wider public themselves (Selznick, 1949). Yet this presupposes that in a Weberian sense, rational-legal authority sets out clear formal rules and

rights (Weber, 1997), that a functioning bureaucracy exists to enforce them (i.e. power resides in the system and associated processes rather than with individuals), and that adherence guarantees legal recognition and the certainty and security that regulatory legitimacy bestows (MacLean and Behnam, 2010). This clarity of rules and their enforcement enables organizations to make achieving and maintaining regulatory legitimacy a routine task (Deephouse, 1996; Deephouse et al., 2017). This is more challenging when the state and its agencies behave arbitrarily towards organizations or groups of organizations or when compliance does not provide the necessary certainty and security for the organization to exist..

A regulatory framework not only shapes the legitimacy of one organization but may also legally establish the organizational field in which it and its peers operate³. By seeking formal status within an organizational field, organizations also derive associated levels of legitimacy from other stakeholders associated with that field (Wry et al., 2011). Hence, non-profit organizations registered with state authorities have, through compliance and meeting normative expectations (MacLean and Behnam, 2010), a legitimate basis with which to interact with their constituencies, donors, and related groups (Castelló et al., 2016). Nation-states and by that extension, state actors such as regulators, however, only have limited resources and can thus not thoroughly evaluate and assess the regulatory legitimacy of all organizations in a specific field at all times (Deephouse et al., 2017). Thus regular evaluations of regulatory legitimacy are done by proxy by, for example, requiring organizations to fill in and submit relevant paperwork (Deephouse et al., 2017). Such processes enable organizations to indicate compliance by signaling adherence to regulatory codes (Dick and Coule, 2020) and illustrating membership in an organizational field (Deephouse et al., 2017). The procedural nature of a working bureaucracy based on a rational-legal system facilitates establishing social regularities, thus providing a more stable, predictable, and certain institutional context. This enables organizations to generally

manage their regulatory legitimacy in a relatively passive and routine manner (Ashforth and Gibbs, 1990). In turn, the routine nature of regulatory legitimacy means that the regulator challenges only a few organizations on this basis (Deephouse et al., 2017; Deephouse and Suchman, 2008).

Within settings when regulation and its enforcement are ambivalent or, worse, hostile to specific organizations, regulatory legitimacy is easily challenged by the state or state agencies and thus difficult both to gain *and* maintain. In such a context, meeting standards and satisfying routine monitoring requirements (Deephouse et al., 2017) does not necessarily ensure regulatory legitimacy. However, to date, only limited organizational legitimacy research has looked at micro-level processes born by such specific macro-political structures and drivers – in particular when legal-rational authority (Weber, 1997) fails to grant a clear basis for regulatory legitimacy.

Understanding the specificities of the institutional context in which organizations exist is vital. Ideas such as the varieties of capitalism perspective (Hall and Soskice, 2001) have helped scholars relate organizations to their institutional context and *vice versa*. Thus, what actors such as NPOs, although these types of organizations often receive little dedicated attention, do to achieve legitimacy is in part constituted by their institutional environment. Because of this, not all identical actions across different contexts will have identical outcomes (Hall and Thelen, 2009). More importantly, this literature also suggests the need for a more nuanced understanding of organizational activities and behaviors within different institutional configurations (Jackson and Deeg, 2019).

In relation to NPOs, research highlights that what they can do and attempt to do, is reflective of specific legal and cultural boundaries they are faced with (DiMaggio and Anheier, 1990). So, for example, in a context such as the US or the UK, the institutional framework allows NPOs to advocate and represent constituency groups as part of the activities expected of them

and thus engagement in these activities helps to confirm organizational legitimacy (Coule and Patmore, 2013). In contexts such as the Russian Federation, (as we discuss in more detail below), the state sees such often more confrontational/advocacy-type activities as unwelcome. Thus, for NPOs, the aspects and nuances of their institutional environment and their understanding thereof, shapes their organizational attempts to achieve regulatory legitimacy.

As our review of the literature indicates, discussion of organizational legitimacy often pays little attention to specific organizations such as NPOs and takes relatively little consideration of the macro-context within which they exist (i.e., NPOs and their sector within the Russian Federation). This has the effect that theoretical discussion often become de-contextualized (Jackson and Rathert, 2017). However, to understand organizational legitimacy as it is experienced by organizations themselves, consideration of context (for example, what kind of state shapes regulatory legitimacy) is vital. Thus, further insight into whether and how organizations at a given meso-scale and operating in an uncertain macro-institutional context might activate certain types of substantive and/or symbolic legitimacy-seeking micro-scale behaviors⁴ is needed. To understand the intricacies of the institutional environment that shape Russian NPOs we now turn to illustrate its most relevant institutional configurations.

3. The Russian Institutional Context

Similar to many other hybrid or authoritarian political regimes, the institutional environment of the Russian Federation is both volatile and arbitrary in the enforcement of rules and regulations (Yakovlev, 2006). Rapid political and economic reforms following the collapse of the Soviet Union left the state both unable to enforce its power and eroded its bureaucratic capacity (King, 2007). In addition, corruption and the *un-rule* of law (Holmes, 1997) led to a fragmentation of governance infrastructures (Ganev, 2009) and the dominance of patron-client ties, linking state

officials to friendly oligarchs (King, 2007). As a result, *non-state* actors absorbed the state, governing Russia in tandem with ruling elites (Hanson and Teague, 2005). This led to a specific patrimonial post-communist capitalism (King, 2007) or political capitalism rooted in clientelism (Ganev, 2009).

On ascending to the Russian presidency in 2000, Vladimir Putin engaged in vigorous attempts to reassert the state's capacity to govern and provide tutelage over its bureaucratic apparatus (Glaeser and Shleifer, 2003). To do so, the state created a regulatory milieu that Yakovlev (2006) characterizes as excessive meaning frequent changes, ambiguous wording, and arbitrary enforcement enabling state officials to selectively punish organizations that did not align with their tutelage. This meant that individuals in certain positions within state authorities *rather than* the state apparatus exerted *de facto* power (Newton, 2016). In turn, this reinforced the need for personal connections and networks to state officials, with property rights, in particular, becoming dependent on an organization's personal contact(s) within state structures (King, 2007). These socio-political factors also shaped the development of Russia's non-profit sector, and organizations therein.

While it would be wrong to say that civil society did not exist in the Soviet period, there was no independent 'third sector' as it is conceptually understood in western democratic contexts, and so any independent organizations only had a small operating space (Mishler and Rose, 1997). This was occupied by national groups akin to NPOs that were either closely associated with the communist party, such as veteran's affairs or certain disabilities (such as the blind or deaf) or were *tolerated* by the state such as environmental protection (Weiner, 2002). These groups were well resourced, organized, had premises, and in part facilitated the mobilization that led to the collapse of the Soviet Union.

Once it collapsed, the post-Soviet states witnessed a rapid proliferation of the third sector or non-profit organizations addressing a range of issues such as, for example, women's rights, animal protection, or past taboo topics such as HIV or drug addiction (Henderson, 2000). Many of these new organizations were assisted by an accompanying explosion of available overseas donor funding from organizations such as USAID (Henderson, 2000). While the majority were legitimate, this rapid growth mirrored the developments of Russia's business organizations (Earle et al., 2010), with deviant practices being observed amongst some, while others acted as fronts for commercial or criminal organizations (Volkov, 2002).

In response, the Putin administration replicated the regulatory control arrangements, which had successfully re-established its control over business organizations to NPOs. The aim of this was to both end corruption within non-profits and address their perceived failings in offsetting the social provision vacated by the state in the early years of transition and satisfy the Putin administration's authoritarian tendencies. This new regulatory environment sought not so much to repress NPOs, but to encourage those that would be advantageous to the state and/or fill gaps in its own capacity. Thus, it simultaneously engaged NPOs to provide services it could not (Henderson, 2011) whilst keeping *all* NPOs on a "very tight rein" (Robertson, 2009, p. 540). These dual objectives led to the laws as they pertain to non-profits being amended *79 times* since NPOs became an organizational category in Russia's legal system, with most changes occurring since 2006 (Skokova, 2017).

Ambiguity has been a key feature of *all* such regulatory developments in Russia (King, 2007). Although a detailed review is beyond the scope of this paper, regulatory changes in 2006 required NPOs to account for the way NPOs use their funds (Ljubownikow and Crotty, 2014; Kamhi, 2006) and kickstarted such excessive regulation (Yakovlev, 2006) as it related to NPOs. Similarly in 2012, regulation was introduced that required Russian NPOs to self-register as

foreign agents (or be fined and registered as such by the state regulator if found to be one), if they received funding from non-Russian sources and engaged in political activities (*Federal Law on Introducing Amendments to Selected Legal Acts of the Russian Federation Related to the Regulation of Activities of Non-commercial Organizations Performing the Functions of Foreign Agents*, 2012). This has created a situation in which NPOs could be compliant with regulatory standards but become *de facto* de-legitimized as an organization by being considered a foreign agent. As a foreign agent, organizations are unable to engage with state agencies, and other stakeholders are unlikely to collaborate with them to avoid potential negative responses by state agencies. Hence NPOs find themselves in the paradoxical situation of lacking organizational legitimacy despite *and* because of achieving regulatory legitimacy.

As with re-establishing the state's bureaucratic control over the economy, the creation of ever-changing regulation that is both ambiguous in nature and licenses certain types of activity, creates a landscape that "privileges individual coping mechanisms over collective action" (Greene, 2014, p. 220). It thus follows that, like their *for-profit* counterparts, NPOs needed to develop a variety of ways to manage regulatory legitimacy. Yet, Salamon et al. (2015) point out that despite being authoritarian, the Russian state is not monolithic and lacks a coherent approach to NPOs, in particular at regional levels (see also Salamon et al., 2020). This suggests that the governance infrastructure remains fragmented, with personal contacts continuing to play an important role (Ganev, 2009). This provides organizations such as NPOs with the opportunity to use personal contacts, informal structures, and informational asymmetries for what could be considered institutional arbitrage.

Here we show that Russian NPOs operationalize some of these ambiguities to address the uncertainties that remain despite attaining and maintaining regulatory legitimacy. To ensure the latter, Russian NPOs engage in *symbolic* acts to indicate compliance with the regulatory

environment, using these to portray their organizations and what they do, as aligned with the demands of the institutional context (Oliver, 1991). However, the ambiguous nature of this macro environment – for example, regulators having interpretive leeway vis-à-vis legislative rules and their enforcement – also requires NPOs to engage in *substantive* activities to cement their regulatory legitimization efforts. These efforts aim to mitigate any potential unintended *non-compliance* (resulting from frequent legislative changes) and being challenged by regulators for *being compliant*. Substantive activities aim to engage with a broader range of state actors via, for example, collaborative projects or acting in a consultative/supporting role. These activities also position NPOs as actors with whom the state can engage to aid legitimation of its own authority, similar to what Weber (1997) terms instrumental legitimacy. The empirical insights in this paper indicate that NPOs in this study use their engagement with welfare services and/or knowledge base of welfare services effectiveness as a way of developing a network of personal contacts to buffer and pacify challenges (Oliver, 1991) to their regulatory legitimacy. Before we illustrate these insights in more detail, however, we describe our research study below.

4. Methodology and Data

In this paper, we focus on Russian hNPOs because they are required to navigate Russia's ambiguous regulatory context (vis-à-vis NPOs) as well as specific regulations governing the provision of healthcare services (Korica and Molloy, 2010; Nicholson-Crotty, 2009). In examining hNPOs, we do not claim to provide insight into how all Russian NPOs manage regulatory legitimacy, but we aim to examine how specific NPOs approach an institutional context that is hostile to their existence as autonomous entities. This provides insight into the development of Russian NPOs and civil society. It also enables us to demonstrate the need to consider organizational legitimacy and, specifically, regulatory legitimacy in a more fine-grained

and nuanced way. Thus, Russian hNPOs provide us with the necessary sensitive and insightful lens (Corbin and Strauss, 2008) to contribute to the study of how organizations build and maintain legitimacy therein.

4.1 Data Collection

Our primary data came from semi-structured interviews as it allowed us to encourage hNPOs to illustrate substantive efforts to gain/maintain regulatory legitimacy. The focus of the data collection process was to establish the *modus operandi* of hNPOs and how this is affected by the perception, compliance, and negotiation of a context in which regulation and compliance thereto, is often in flux. We conducted 24 interviews with key decision-makers across 12 organizations in two regions (see Appendix A for a detailed overview of the organizations). To ensure anonymity, we use a numerical system to represent participating organizations with, for example, 1.1 referring to the first organization in region one. Interviews with respondents have an added alphabetical letter, for example, a for one; so, 1.1a is interview one with a respondent from organization 1.1). In our study, we focused on organizations located in regional capital cities outside the urban centers of Moscow and St. Petersburg. As organizations located in these smaller cities are more likely to engage with authorities directly, they were more likely to provide narratives and examples about their engagement with the state. We focused on the regional capitals of Samara (Region 1) and Perm (Region 2). Perm city is the regional capital of the *Permsky Kray* (Perm Region), which is dominated by extractive industries such as oil. The city of Samara is also the regional capital to *Samarskaya Oblast* (Samara Region), which is a center for manufacturing, in particular, automotive (Federal State Statistics Service, 2010).

The use of interviews enabled us to explore how key decision-makers in organizations understand and interpret their institutional context, specifically their perception of the overall regulatory burden and framework. It also enabled us to capture the respondents' illustration and

interpretation of any resultant organizational behaviors. Thus we follow other scholars who have highlighted the importance of how individuals experience their institutional context and the resultant decision-making processes (Smets et al., 2012; Tilcsik, 2010; Tost, 2011). This is particularly important in a context that is complex and where the intent is exploratory (Miles and Huberman, 1999). How individuals assess and interpret their institutional context and whom they think evaluates the organization's legitimation efforts determines organizational behaviors relevant to organizational legitimacy.

We initially identified participating hNPOs using web-based resources (<http://www.nko-ural.ru/>). This approach enabled us to purposefully select organizations based on their activities and objectives focusing on what is considered health/healthcare (*zdravookhraneniye*) issues in Russia and whether or not they understand themselves as *obshchestvennyye organizatsii*. *Obshchestvennyye organizatsii* – social or societal organizations – is a widespread term both Russian NPOs and the Russian state use to characterize NPOs in law as well as colloquially (Ljubownikow and Crotty, 2016; Spencer, 2011). This approach also allowed us to create matched pairs based on organizations whose activities engaged with the same constituency/service user group. We contacted all of them personally and assured anonymity to both individuals and organizations. We recruited a total of 12 organizations to participate in this study (seven in Perm and five in Samara) with matched pairs in the area of drug abuse/prevention and HIV/AIDS, disability, palliative care, and children living with cancer. We collected data using observations, interviews, and organizational documentation. For the observations, one researcher spent an average working week with each organization. Organizational activities both geared towards building legitimacy and those that were not, as well as informal conversations with hNPO members/staff or clients, were observed. Informal conversations during the

observations were also recorded in an extensive daily research diary (Miles and Huberman, 1999) to provide context and factual insight during the analysis process.

We drew on Gioia, Corley, and Hamilton (2013) when designing interview questions as well as using ethnographic interview techniques, open-ended, non-leading questions about everyday organizational activities (Spradley, 1979). We conducted two interviews with each organizational leader/director. We focused on the organizational leader/director, as similar to the majority of Russian NPOs, hNPOs in this study were small in size (only a few had any paid staff) with organizational cultures dominated by “democratic centralism” where the leader’s ideas are adopted by full staff/member consent (Spencer, 2011, p. 1080). Interview questions were informed by insights about regulatory changes and the logic driving any regulatory changes (Ljubownikow and Crotty, 2014; Maxwell, 2006; Robertson, 2009). Broader questions on Russian civil society development (Sundstrom and Henry, 2006) and questions arising from observations were added to the second interview. Interviews were conducted in Russian and lasted on average one hour. Organizational documentation (publicly available as well as internal documents when supplied by organizations) was used to triangulate and validate interview responses and observations (Miles and Huberman, 1999; Stake, 1995).

4.2 Data analysis

As is common in qualitative research, our data analysis and collection processes overlapped (Gioia et al., 2013). We went even further and consciously built breaks into the data collection process, allowing us to reflect on insights and issue arising from data analysis back into the data collection process (for example, the second interview with organizational leaders). For analysis, all interviews were transcribed and translated into English using a professional translation and transcription service. Following Corbin and Strauss (2008), we began the analysis with open coding the resulting material, which produced using first-order codes (Gioia et al., 2013). Initial

codes covered various topics such as “organizational dealings with registration regulations” or more activity focused codes such as “organizational collaboration with authorities.”

As coding progressed iteratively, we consolidated these first-order codes into more abstract and theoretical relevant second-order themes to identify core categories relevant to regulatory legitimacy. This approach also helped us to refine our coding procedures to account for our developing understanding of our findings (Corbin and Strauss, 2008). It allowed us to code more systematically for specific *symbolic* and *substantive* activities associated with compliance and interaction with the regulator and other agents of the state. Our continuous iterations between reading and coding different parts of the dataset and the re-reading of already coded parts of the dataset (Charmaz and Mitchell, 2007) facilitated the consolidation of second-order themes into our core categories: symbolic adherence and substantive legitimization activities.

Beyond coding, we also engaged in constant comparison to facilitate identifying differences and similarities in data segments and respondent’s narratives. For example, by comparing one organization’s account of interacting with the state at different levels (national, regional, city) with others, we detected similarities in efforts to gain/maintain regulatory legitimacy. Furthermore, our analysis process was assisted by triangulating interview insights with other parts of the dataset, such as observations (Locke, 2001) and considerations of geographical locations to pick up any regional differences or influences. In presenting our findings, we draw on our core categories for structure and use excerpts from interviews as “illuminating examples” (de Vaus, 2001, p. 240). Supplementing these with observations notes from the research diary, we exemplify how Russian hNPOs negotiate a context of ever-changing regulation and arbitrary application thereof and what sort of – if any – activities or institutional work they engage in to manage their regulatory legitimacy.

5. Findings

Regarding regulatory compliance, organizations in this study were unanimous in acknowledging that the volatile nature of the institutional framework governing their existence meant that being in full regulatory compliance was nearly impossible to achieve. Even if all paperwork was completed – which most found challenging in itself – there was still scope for their regulatory legitimacy to be challenged by or be open for debate (Deephouse et al., 2017). Examples included presenting activities or values in their annual accounts not aligned with the objectives of the state, technicalities of form filling, and even punctuation! They were thus forced to acquiesce (Oliver, 1991) to the vagaries of this system and so engaged in *symbolic* acts vis-à-vis compliance (mainly form filling) whilst seeking alternative *substantive* activities to achieve/ensure regulatory legitimacy that was not dependent on that compliance. These *substantive* activities included work on special projects, participation and contribution to state-organized boards and commissions, substitution for the state where it no longer provided a (welfare) service, collaborative service provision, and assisting the capacity development of other state agencies. These were used to build resonance with their constituency group and created a buffer between it and the state. In turn hNPOs saw this as minimizing the risk of (selective) punishment/negative response by the state and its actors due to the current regulatory environment. The operationalization of personal connections and networks also gave these *substantive* efforts momentum, as we outline below.

5.1 Symbolic Adherence

Respondents perceived the prevailing regulatory environment as burdensome, ‘ambiguous’ (1.1), ‘confusing’ (2.6), and ‘excessive’ (2.5), with existing rules being ‘impossible not to break’ (2.4c). In addition, hNPOs also found that the overall regulatory environment was impenetrable because

the ‘language is so confusing’ (2.6a) or ‘federal policy always baffles me’ (2.7a). As illustrated by organizations 2.3, 2.4 and 1.2, they were overwhelmed with the reporting requirements, the volume of documentation to prepare, and the constant risk of inspection.

Every year we report to them (the authorities) about the grants and projects we did... We have more inspections and reporting. When I first came to work here, this was not happening... Nowadays, the non-profits are being controlled more and more... It is much more work. (2.3b)

Every year we have to provide reports about our activity. We confirm that we work. Sometimes we have inspectors from the administration coming unannounced. They come and look at what we do so we have to drop everything else we do. (2.4a)

Every year we provide a document stating our current financial activity to the Ministry of Justice. We also report about our use of foreign funding. We also send content reports [reports on the activities they engage in]. We also need to submit two forms of financial reports [to tax authorities]: we report on our charitable work and household expenses. We also need to send documentation to a revision committee [to ensure continuous registration]. (1.2b)

In addition to the above, respondents also illustrated that the regulator did not provide feedback on whether they satisfied monitoring requirements. This meant that hNPOs did not know whether they were compliant following the relevant documentation submission, as organizations 2.3 illustrates.

I asked the regional justice department five times already, if we are considered foreign agents because we have received funding from abroad in the past, how are we supposed to register? They said they do not have any specific instructions on how to register us.
(2.3a)

This in turn, left organizations exposed to challenges despite technically applying and meeting standards by submitting all relevant monitoring documentation. However, as respondents illustrated, feedback on whether these symbolic acts of form filling were sufficient and correct was lacking. This created anxiety or ‘nervousness’ (1.1b) amongst hNPOs, especially regarding specific legislation that could impact their activities. Some organizations feared that they had fallen into the foreign agent category unwittingly, despite not being involved in ‘political activity’ (1.4b) and were afraid of potential consequences. Narratives like those illustrated below revealed the ambiguity and perceived randomness of the application of the regulation and reflects that observed elsewhere (Flikke, 2018; Moser and Skripchenko, 2018). Respondent 2.1a explains

I do not understand the need to make it a law. However, I also could not understand the whole thing with us being foreign agents... there are two conditions for that: we need to be involved in politics and receive funds from abroad. We do not qualify for that. We are not involved in politics... It is not included in our mission statement. (2.1a)

All respondents were keen to assert that they were not political. That is to say, formalized politics such as membership of political parties, standing for elected office, etc. Each organization was very clear to assert their independence from governing entities and thus

consider themselves as *apolitical*. It was perceived that explicit involvement in organized politics or even alluding to it would jeopardize compliance. However, all groups had to navigate their relationship with the regulator and other state agencies to manage regulatory legitimacy. Hence, hNPOs used terminology and descriptions of activities aiming to stay clear of what could be interpreted as political activity because the law allows ‘authorities (...) to interpret goals of (...) non-profit organizations’ (1.1b). Thus, the demands from the regulatory framework provided hNPOs with a *symbolic* way to show not only compliance with the framework (i.e., submission of relevant documentation) but also alignment with what they perceived the state’s vision for Russian civil society to be. This acquiescence was the only way hNPO felt they were able to ensure regulatory compliance, even though they knew that this did not prevent their regulatory compliance and regulatory legitimacy from being questioned at any point.

Accordingly, hNPOs also adopted other approaches to managing regulatory legitimacy more proactively. To do so, hNPOs effectively exploited inconsistencies in the approach of different state actors (Salamon et al., 2015). In turn, hNPOs hoped that this would build them a network of connection within state agencies and the necessary goodwill across state structures to pacify and buffer challenges to their regulatory legitimacy (by the regulator). These substantive efforts included participation in special projects, state-organized commissions, and substituting for the state where it no longer provided a service or engaging in joint service provision. We examine these efforts below.

5.2 Substantive legitimization activities

The basis for substantive efforts to manage regulatory legitimacy came from the nature of the work hNPOs in this study engaged in. For many having ‘good relationships’ (2.7b) with the state were not only important to regulatory legitimacy but also to their ability to engage in their regular activities, as illustrated by organizations 1.1

As a non-profit organization working in the social protection field, whether we want it or not, we get involved with governmental structures one way or another (1.1a)

HNPOs in our study highlighted how they worked directly with a range of city and regional authorities, including the Regional Ministry/Department of Justice (1.2; 2.1; 2.7), Healthcare (1.4; 2.2), Child Protection (1.2; 2.3), Police (2.3), Transportation (1.2; 2.7), Social Development (1.1, 1.4) and Culture and Sport (1.4). The scope of this engagement varied from attending committees (creating a win-win situation by legitimizing the committee by acting as representatives of society) and boards including ‘the public safety council’, (2.1a); ‘the anti-drug committee’ (2.1b); ‘the [Regional] Council on the national strategy of activity aimed at children’ (2.3a); ‘the [Regional Parliament] Committee on demography and ... the Coordination Council for the City Healthcare’ (1.4b); ‘[there are] 20 federal programs for childhood development. We work within 12 of them’ (1.2a), to providing services either in tandem with or substituting for the state where it could no longer provide the service. Respondents at 1.1 and 2.1 explained

We have been working in prisons of Perm Krai for the last three years; we have an agreement with the government, that we assist the HIV positive [prisoners], and also, we promote treatment. They support us in this sort of activities. (2.1a)

There is an event that we can do better than the government. It is financed by the city administration. We provide those kinds of services being paid by the administration. This could be employment, working with people looking for jobs. We are being paid by the city while we work with those people (1.1a).

This involvement with a variety of state agents led to a degree of interdependence between hNPOs and the corresponding state actors. HNPOs recognized that engagement in such a way benefited not just themselves (i.e., establishing relationships and serving their constituency group) but also state agents (for example, being able to access hard to reach population groups or access to cheap or free staff training). This became evident when exploring these state-NPO collaborations further. Access to the state was key to managing regulatory legitimacy – in providing substance to their *symbolic* acts. What also became evident is that personal relationships, many of which developed over time, facilitated these *substantive* activities.

When I worked in the governmental structure, it was my job. Moreover, now I do it as a worker of a non-profit organization. It is close to being a social order (i.e., similar to what could be considered government-nonprofit social service contracting (Van Slyke, 2007)). We organize this event together with our local administration. They help us with organization and finances. (2.3a)

Personal contacts play a big role. I worked in the administration for a little while, and I do not have many contacts, but I still have some and I still communicate with them. (2.4b)

Committees and boards, as well as providing shared services, also allowed hNPOs to communicate with the state and its agencies and build trust.

I communicate with the officials quite often, and they trust our experience. (2.1b)

When we work with authorities, they respond to our progress, and they start trusting us (2.4a)

Organizations also sought to underscore their authenticity by proving that their approach worked.

We could prove to the government that these projects are effective. We had a Social Development Department employee coming along with us. She could see for herself how it works, meeting with clients and discussing the issues (2.5a)

Being seen as engaging with state agents also facilitated participation in state-sponsored grant ‘contests’ (2.5a) and was perceived to help win state funding, as group 2.5 explained

The image is established, and it is easier to win contests. Experience is very important in getting grants. If an organization does well in a year, it has more chances to win the next year, than an organization on a blacklist, so to speak. This keeps organizations in shape, providing quality of work, motivating us to get money for the next year. (2.5a)

Illustrating the need to have the right organizational image to ‘win contests’ (2.5) was dependent to a large extent on an organization’s activities and interaction with the state and individuals therein. Maintaining contacts and positions on committees was key. This also meant that hNPOs were becoming indispensable for some state agents, providing hNPOs with potential leverage and support if their regulatory compliance was challenged. However, a key impediment to these substantive efforts was the personalized nature of its foundation. When key personnel changed, hNPOs had to start a new and restructure their legitimizing activities, as 2.4 describes

There are contests we won, and we received subsidies once. When the new governor came to power, things changed... It all depends on who gets on the committee. If it is all new faces, it is one thing. However, if we have someone who knows us, of course, he would be on our side. (2.4d)

Our observations also indicated that personnel changes within the hNPOs themselves could undermine the existence of the organization. If the leader retired or left the organization, their relationships and connections with the regulator and other state actors went with them. This, for example, led to the winding down of activity to almost nothing at organization 2.6 in this study.

The above indicates perhaps the fragility of the *substantive* activities as a way to substantiate regulatory legitimacy in this context. When this is based on personal relationships, organizational image, and trust, small shifts in the prevailing landscape can change one or multiple points on an NPO's quest for regulatory legitimacy. This, of course, also includes not only personnel changes within state authorities and its agents but also those within the NGOs themselves. Buffering and pacifying (Oliver, 1991) the regulator via these connections and relationships were necessary to limit exposure to challenge, as respondents perceived symbolic compliance was insufficient.

6. Discussion & Conclusion

The collapse of the Soviet Union had a catastrophic impact on post-Soviet Russia's governance infrastructure and bureaucratic machinery (King, 2007) allowing informal and personal relations to continue to dominate (Ganev, 2009; King, 2007; Hanson and Teague, 2005). Putin's

reassertion of the state and its tutelage of the bureaucratic machine did not fundamentally change this. In a Weberian sense, a rational-legal authority that sets out clear formal rules and rights (Weber, 1997) and a functioning bureaucracy to enforce those rules (i.e., power resides in the system and process rather than with individuals), were not the objective of his reassertion of statecraft. Instead, persistent patrimony in the organizing of economic activity (King, 2007; Ganev, 2009) reflecting the dominance of traditional authority (Weber, 1997) is now combines with a charismatic authority deliberately cultivated by Vladimir Putin (Sperling, 2016). This, mixed with the entrenchment of personal connections which were operationalized to manage the vagaries of the central planning and the organizational and economic chaos of the 1990s (Ganev, 2009), has ensured that patronage and personal contacts still dominate economic and social process in the Russian Federation (Greene, 2014). Thus, just as personal relationships and patronage were a feature of the Soviet period and the early years of transition, the *symbolic* acts and *substantive* activity by NPOs in this study show that they still shape Russian society today.

6.1 Contribution to Legitimacy Theory

In examining how organizations achieve/ensure regulatory legitimacy in challenging and volatile contexts, our paper contributes to discussions of legitimacy. We illustrate how organizations engage in a range of activities (*micro*-level processes) aligned with their general field of engagement (*meso*-domain) in response to the vagaries of their institutional environment (*macro*-political structures and drivers). Our study highlights that even though a regulatory framework exists, organizations feel the need to draw on personal ties and engage in *substantive* activities for regulatory legitimacy. This indicates that hNPOs in this study felt that traditional authority (i.e., need for personal connections) superseded this legal-rational authority (i.e., regulatory framework); both in terms of legal-rational authority being captured by state officials and the organization's ability to use their networks to pacify and buffer challenges to their regulatory

legitimacy. Thus, despite organizations in our study providing services in tandem with, or as a substitute for, the state (hence their ability to engage with a range of state actors), they still feared idiosyncratic and capricious treatment by it (i.e., the regulator). This interconnectedness of hNPOs and specific state actors also suggest that organizational legitimacy and specifically regulatory legitimacy cannot be detached from the legitimizing context and issues concerning the legitimation of the state and its regime. It seems that hybrid regimes settings¹, not only blend democratic and authoritarian characteristics but also, as our insights indicate, legal-rational (i.e., regulatory framework) and traditional authority (i.e., need for personal connections).

Within volatile institutional environments where legal recognition remains ambivalent and/or difficult, and attainment does not offer certainty or security (Deephouse et al., 2017), multiple pathways to legitimacy emerge. Thus, our hNPOs saw regulatory compliance as a *symbolic* act (for example, the process of filling in the forms illustrating organizational activities to demonstrate a specific organizational image aligned with the state) that provided what they perceived as *partial*-regulatory legitimacy. Only more *substantive* efforts, alongside regulatory compliance *on paper* generated a broader regulatory legitimacy and gave the hope of negating the fluidity or ambiguity of the institutional context.

While we acknowledge that an organization's engagement in substantive efforts to gain and maintain legitimacy is nothing new (Clegg et al., 2007; Dowling and Pfeffer, 1975; Reast et al., 2013; Suchman, 1995), this literature has focused on other stakeholders that confer organizational legitimacy, such as the media or the individuals that the organization aims to serve, rather than the state (Deephouse et al., 2017; Crilly et al., 2012). Moreover, conventionally, both attaining and maintaining regulatory legitimacy and its evaluation has been considered a routine task by organizations (Deephouse et al., 2017). We highlight that in certain socio-political institutional contexts, regulators can become frequent challengers of regulatory

legitimacy, despite organizational compliance; making it anything but routine. In response, organizations in our study drew on several of Oliver's (1991) repertoire of responses to institutional forces, including acquiescing (i.e., *symbolic* acts to demonstrate alignment with what the state *wants*) and activities to pacify and buffer (i.e., *substantive* activities to forge personal relationships and/or specific connections within state structures). These, in turn, were limited by the normative and cognitive constraints that organizations perceive and identify within their context (Stevens et al., 2015) – in our case refraining from political engagement and working with and for the state, rather than challenging it. Thus, regulatory legitimacy in such contexts consists of *on paper* compliance and relies on specific relationships with different parts of the state (Castelló et al., 2016).

Our paper also makes an important contribution to the state's role in shaping organizational legitimacy, particularly regulatory legitimacy. Much of the literature assumes that regulatory compliance and thus legal recognition conveys regulatory legitimacy *onto* organizations. We demonstrate that we must think of regulatory legitimacy in a more nuanced way in certain institutional environments. Under such conditions, Russian NPOs have marshalled personal connections to assist with legitimation. Despite the authoritarian nature of the Russian state, it is not a monolith. This enabled NPOs to exploit this disjointedness to create a network of individual connections around and for *substantive* activities to manage regulatory legitimacy. Thus, in such a volatile context, the role of the individual can be as important as the state as a legitimizing entity in both attaining and retaining organizational legitimacy.

6.2 Limitations and future research

The conclusions drawn here are limited by our focus on only two regions within one country. A larger sample, different areas of NPO activity and different regions may have provided other insights into how Russian NPOs manage regulatory legitimacy in a context of

ever-changing regulation. Our findings show how non-profits navigate their uncertain environment, first, by generating informal relations of trust with individuals within the regional state apparatus and second, by demonstrating organizational effectiveness in the tasks performed for the government. Due to space constraints, however, we do not dwell on this distinction. Yet, it seems that while the second would be relevant in most contexts, the first is a particular feature of the Russian and potentially other similar contexts. Thus, future research will need to examine such similar contexts. Such additional studies would also allow researchers to shed light on whether regulatory legitimacy is routinized and what sort of activities organizations engage in to gain, maintain, or repair regulatory legitimacy, and whether there are similarities across different institutional contexts. Furthermore, such a research agenda would also be able to contribute to the research on the role of the state in shaping what organizations do to build legitimacy. Finally, extending this research would be able to further explore our speculative suggestion that *substantive* activities to attain regulatory legitimacy by hNPOs affect the legitimacy and legitimization activities of state actors themselves.

Despite its limitations, this paper extends the discussion of organizational legitimacy and how it is obtained in different socio-political contexts. It also illustrates the resilience of Russian NPOs in navigating the complexities of Russia's volatile institutional context.

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Endnotes

¹ The literature on political regime types are vast and beyond the remits of this paper. Generally speaking, the type of political regimes shapes the institutional context, for example, the regulation of business (Djelic and Quack, 2018) or political participation (Newton and Montero, 2007), in which organizations operate. This discussion's usually focus on the dichotomy of democratic versus non-democratic regimes. With the former associated with stable, transparent, and more predictable institutional environment. The literature on political regimes also highlights a myriad of regimes that combine characteristics of democratic governance (for example regular election) with authoritarian tendencies (for example limits on freedom of association) and categorizes them as hybrid regimes (Mainwaring, 2012; Owen, 2020; Xiaojun and Ge, 2016).

² Deephouse et al. (2017) propose that legitimacy evaluations have four specific outcomes. This means that the first legitimacy evaluation outcome is termed as accepted, that is when an organization is passively accepted often due to their taken-for-granted nature (i.e., an organizational is achieve legitimacy because its existence is accepted without detailed evaluation). The second outcome is termed as proper and is achieved after passing regular legitimacy assessments (for example food standards assessments (Deephouse et al., 2017)). The third outcome is termed debated and reflects 'active disagreement within the social system' (Deephouse et al., 2017: 33), about the focal organization (i.e., one or several stakeholders challenge the activities or values of an organization). The fourth and outcome is the assessment that an organization is illegitimate and thus considered inappropriate to exist in a set social system. This sort of assessment might require the focal organization to radically reform or close (Deephouse et al., 2017).

³ A discussion of the concept of organizational field or category is beyond the scope of this paper. Although within the academic literature, organizational fields and organizational categories are

often conceptually distinct, however for the general consideration in which we refer to them, they are sufficiently similar. An organizational field can be defined as “a community of organizations that partake in common meaning systems and whose participants interact more frequently and fatefully with one another than with actors outside the field” (Scott, 1995, p. 56).

⁴ We thank reviewer one for providing this succinct summary of how our literature review informed our research question.