

Does a not-for-profit organisation lose its legitimacy by exiting a strategic group? The case of France Business School

Une organisation sans but lucratif peut-elle perdre sa légitimité en sortant d'un groupe stratégique ? Le cas de France Business School

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ABSTRACT

The aim of this article is to analyse how a not-for-profit organisation can lose its legitimacy by exiting a strategic group. This research is based on a case study of France Business School (FBS). Through an analysis of a database of articles, complemented by semi-structured interviews, this study examines the deconstruction of FBS's legitimacy following its exit from the

Grandes Écoles de Management strategic group.

It thus sheds light on the interaction between the cognitive, moral and pragmatic dimensions of legitimacy to explain the failure of FBS.

Key-words

Strategic group; Legitimacy; Education; Grandes écoles de management

RÉSUMÉ

L'objectif de cet article est de caractériser les conséquences sur la légitimité d'une sortie d'un groupe stratégique dans le monde de l'enseignement supérieur. Cette recherche se fonde sur l'étude du cas unique de France Business School (fBS). A travers une analyse d'une base d'articles, complétée par une démarche d'entretiens semi-directifs, ce travail analyse le processus de déconstruction de la légitimité de fBS issu

de la sortie du groupe stratégique des grandes écoles de management masterisées.

Il apporte ainsi un éclairage sur l'interaction entre les dimensions cognitive, morale et pragmatique de la légitimité pour expliquer l'échec de fBS.

Mots clés

Groupe stratégique ; Légitimité ; Éducation ; Grandes écoles de management

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1. INTRODUCTION

To be or not to be a member of a strategic group? That is the question. According to many authors, belonging to a strategic group leads to superior performances from the firms that make up the group, because it boosts their legitimacy (Cool and Schendel, 1987; Lewis and Thomas, 1990; Cool and Dierickx, 1993; Peteraf and Shanley, 1997; Dornier *et al.*, 2012). Singh *et al.* (1986) noted that an organisation that ignores its legitimacy risks disappearing more quickly than its competitors. These researchers have shown that, while the majority of internal organisational changes have no impact, forms of external legitimacy significantly reduce the mortality rate of not-for-profit organisations (both social and humanitarian). They have also highlighted the fact that new organisations have a low level of legitimacy, which explains their higher mortality rate compared with older organisations. External factors can increase an organisation's legitimacy, notably through recognition from other powerful institutional actors.

While the effects of a firm's entry into a strategic group have been widely analysed in the literature (Dornier *et al.*, 2012), very few studies have investigated the reverse scenario. In other words, what is the impact of a firm's exit from a strategic group in terms of legitimacy and performance? This research attempts to fill this gap by analysing whether exiting a strategic group challenges the legitimacy of a young organisation with a public service mission and whether it negatively impacts its performance. We focused on France's *Grandes Écoles de Management* (master's degree status) and more specifically on the case of France Business School (FBS) (a merger of 4 business schools: Amiens, Brest, Clermont-Ferrand and Tours-Orléans-Poitiers). FBS left the *Grandes Écoles de Management* (master's degree status) strategic group despite the fact it was naturally a member because its 4 founding schools had been members.

A young organisation in comparison with other elite higher education institutions in France, FBS had enjoyed a certain degree of legitimacy from the outset. This legitimacy was made up of pragmatic and structural moral legitimacies linked to the merger project itself, the brand, the educational programme on offer

and the new director's personal moral legitimacy, and it was reinforced through its participation in the *Grandes Écoles de Management* (master's degree status) strategic group.

Following the implementation of its disruptive strategy, particularly in terms of its student selection method, FBS left this strategic group. Based on an analysis of the link between FBS's exit from the group and its legitimacy, this article seeks to answer the question of whether this exit led to a decrease in FBS's legitimacy and its ultimate disappearance.

The article is organised as follows. In the next section, we present the concepts mobilised in the research. The methodology is presented in Section 3, and the results in Section 4. In the final section, we discuss the theoretical and managerial implications of the findings, the study's limitations and future research avenues.

2. LEGITIMACY AND STRATEGIC GROUP FOUNDATIONS

2.1. *The strategic group: a non-consensual notion that is difficult to operationalise*

There is no unified definition or operationalisation of strategic groups. The first mention of the concept seems to have come from Hunt in 1972 (Thomas and Venkatraman, 1988), who defined it as “*a group of firms from within the same industry exhibiting strong symmetries [...] in cost structure, degree of product differentiation, degree of vertical integration, degree of product diversification [...], formal organisation, control systems, management of rewards and sanctions [...], and individual perceptions and preferences in relation to different possible outcomes*” (Hunt, 1972, p.8, back-translated from French)¹.

The many other definitions of strategic groups that have been proposed since have been shaped by the

¹ Cited in Thomas and Venkatraman (1988).

research perspective in question, including resources (Caves and Porter, 1977; Porter, 1979; Mascarenhas and Aaker, 1989), behavioural (Harrigan, 1985; McGee and Thomas, 1986; Hatten and Hatten, 1987), cognitive (Cool and Schendel, 1987; Kumar *et al.*, 1990; Fiengenbaum and Thomas, 1995; Hodgkinson, 1997) and networks (Ketchen *et al.*, 1993; Thomas and Carroll, 1994; Duysters and Hagedoorn, 1995) perspectives².

All these different perspectives linked to the definition of strategic groups do not help resolve the issues related to their operationalisation and can thus lead to different strategic group structures. Firms classified as belonging to a strategic group according to a “resources” perspective may not all be classified in the same strategic group according to a “networks” perspective. Likewise, firms can be classified in a particular strategic group based on objective criteria like similar size or vertical integration (Barnett, 1993). However, the mental representations that managers develop with respect to their competitors and that consequently create strategic groups do not necessarily correspond to this objective reality.

There is a regular lack of theoretical support in the literature for the variables used to identify strategic groups. Strategic group characteristics can therefore vary greatly from one study to the next, and the criteria have been adapted according to the research objectives. Some authors have used strategic variables, while others have focused on financial and/or the marketing mix variables (McGee and Thomas, 1986; Thomas and Venkatraman, 1988). “*In the final analysis, however, each firm is unique and, consequently, classifying firms into strategic groups inevitably raises questions of judgement as to what degree of strategic difference is important*” (Porter, 1980, p.132, back-translated from French). Moreover, a firm’s membership of a strategic group appears to be a matter of degree (Reger and Huff, 1993). In other words, firms can be members of the same strategic group but their degree of membership differs, with some being very representative of the group and others less so.

2.2. Legitimacy

Borrowed from the political and social sciences, the concept of legitimacy is widely used today in management science research. On a theoretical level, Lapoutte and Cadiou (2014) distinguished two legitimacy perspectives. One is usually described as classical and is inspired by Weberian sociology. According to this perspective, legitimacy references a higher cause or *a priori* accepted principles. Individuals will thus perceive an action as legitimate, even if they take issue with it, if it is based on socially recognised rules (Johnson, 2004). The other is more pragmatic in nature. It focuses on the results of an action in relation to common interests and identifies two approaches to legitimacy, strategic and institutional (Suchman, 1995).

In the management sciences, there are two other complementary approaches (Lapoutte, 2013) that have focused on legitimacy, namely the resource-based view, where legitimacy is a resource in its own right, and the neo-institutional sociological approach, which is based on the institutional pressures that an organisation is subject to (Di Maggio and Powell, 1983). In this latter approach, the firm conforms to the norms, regulations and values of its environment.

In the resource-based approach, an organisation is linked to its social environment in order to obtain the necessary resources (Pfeffer and Salancik, 1978). Legitimacy thus guarantees the organisation’s acceptance by society and provides it with potential access to the necessary resources because it is perceived as legitimate by the stakeholders (Zimmerman and Zeitz, 2002).

Suchman’s definition, which is accepted in management sciences, proposes a synthesis between these two approaches (Lapoutte, 2013). Suchman (1995, p.574) defined legitimacy as: “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*”. It results from a congruence between societal values and the organisation’s actions.

Legitimacy can take three forms: pragmatic (the firm tends to satisfy the interests of its partners), moral (the

² For a review of the literature on strategic groups, see Yami and Benavent (2003) and Dornier *et al.* (2012).

firm prioritises social wellbeing over partner satisfaction) and cognitive (the firm adopts practices that are understood and accepted by its environment). Other authors make a distinction between internal and external legitimacy (Kostova and Roth, 2002; Drori and Honig, 2013; Landau *et al.*, 2014) and propose a two-dimensional (Aldrich and Fiol, 1994; Baum and Powell, 1995; Zimmerman and Zeitz, 2002) or even three-dimensional (Scott, 1995; Suchman, 1995) typology. However, these typologies are only decompositions, which have been developed to varying degrees, of the same dimensions. “*They are not at odds with one another and share a number of underlying elements*” (Laifi, 2011, p.3, translated from French).

In order to situate legitimacy in an operational approach, we chose Suchman’s legitimacy typology, which is summarised in the following table.

2.3. Strategic groups and legitimacy

Some of the research on strategic groups has focused on the relationship between these groups and the performance of member firms (Cool and Schendel, 1987; Lewis and Thomas, 1990; Cool and Dierickx, 1993). Despite inconsistent empirical results (Dornier *et al.*, 2012), some authors have mobilised institutional theory, that is organisational isomorphism and

Moral legitimacy			
A positive normative evaluation of the organisation and its activities. Judgement is based on the values and beliefs that define the social systems, methods, procedures, arrangements and processes and the meanings that are attributed to them. Adherence to the norms of a field often has no economic rationale.			
Consequential legitimacy	Procedural legitimacy	Structural legitimacy	Personal legitimacy
Organisations are judged on the basis of their achievements.	Based on the adoption of socially accepted standards, techniques and procedures.	This is systemic and reflects a holistic view of the organisation. It is based on an assessment of the organisation’s strategy, location, structure, technology, etc.	Based on the charisma of the organisation’s individual leaders.
Cognitive legitimacy			
Legitimacy as a social reality		Legitimacy as a social construct	
Legitimacy is assumed to be taken for granted. It is attributed without concession and is based on cultural models that organisations systematically adhere to.		Assumes that reality is not something to be discovered but something to be constructed and that individuals are not passive stakeholders in the process of constructing reality. Legitimacy is based on negotiable symbolic systems.	
Pragmatic legitimacy			
Based on calculations of the organisation’s immediate audience’s self-interests. This immediacy involves direct exchanges between the organisation and its audience.			

Table 1 – The components of legitimacy
Source: Laifi (2012, p.79, translated from French)

the concept of legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Hybels, 1995; Chen and Hambrick, 1995) to explain the superior performance of firms belonging to a strategic group. Membership of a strategic group promotes the member firms' legitimacy (Peteraf and Shanley, 1997) and allows them to acquire resources on preferential terms from suppliers and customers (Pfeffer and Salancik, 1978; Suchman, 1995). It also influences potential partners, who are more willing to interact with firms whose strategies are easily understood or perceived as rational (McNamara *et al.*, 2003) and more inclined to offer more favourable conditions and better quality products to organisations they recognise as legitimate (Pfeffer and Salancik, 1978; Wood, 1991; Deephouse, 1999). Conversely, firms considered "unclassifiable" or "idiosyncratic" do not benefit from the gains in legitimacy associated with belonging to a group (Reger and Huff, 1993). In addition, empirical studies have shown that the best performing firms are those that adopt behaviours resembling those of the average firms in the sector, because these have strong legitimacy (Abrahamson and Hegeman, 1994; Chen and Hambrick, 1995; Miller and Chen, 1995; Deephouse, 1999).

The concept of legitimacy has also been studied within the context of France's *Grandes Écoles de Management* to explain how they can build, improve, manage and maintain their legitimacy (Elsbach and Kramer, 1996; Boyle, 2004; Alajoutsijarvi *et al.*, 2015).

In spite of these numerous studies, none to our knowledge has addressed how exiting a strategic group can call into question an organisation's legitimacy and impact its performance.

3. PRESENTATION OF CASE STUDY

3.1. Methodology

In order to address our problematic, we chose a single case study qualitative methodology (Yin, 2014). This methodology, which is recommended for a previously unexplored phenomenon (Stake, 1995, 2005; Siggelkow, 2007; Gagnon, 2012), allowed us to better understand the complexity of our object

of study (Miles, Huberman and Saldana, 2014) and was particularly well suited insofar as it enabled us to describe in detail the phenomena and situations studied (Yin, 2014). This methodology was an obvious choice given the intrinsic interest of the FBS case (Stake, 1995; Dyer and Wilkins, 1991; Yin, 1994). Data collection was carried out through documentary monitoring and interviews. A Google alert was set from January 2012, when the FBS project was announced, to February 2017 using the following keywords: France Business School, FBS, FBS Tours, FBS Poitiers, FBS Clermont, FBS Amiens and FBS Brest. Articles, blogs and interviews published on FBS were preselected in order to eliminate redundant articles. In the end, 251 articles were retained and processed using the Diigo software.

To complement this data, eight semi-structured interviews were conducted between 2016 and 2017 with individuals who had an in-depth knowledge of both the *Grandes Écoles de Management* and FBS. Three of these individuals were management school directors. One of these schools was at the top of the *Grandes Écoles de Management* rankings, one was in the middle, and one was at the bottom. The other interviewees included three administrators who worked at the business schools that made up FBS and two senior managers involved in the FBS project. The interviews lasted between 35 minutes and one and a half hours. Three interviews were conducted face-to-face, and five by telephone. The themes discussed were as follows: the management education system in France, the network of master's degree status management schools, the merger of the four schools, FBS's strategy, FBS stakeholders' reactions and the reasons for FBS's failure.

Redundancy and overlapping of responses in the final two interviews indicated thematic saturation after the 7th interview (Allard-Poesi, Drucker-Grenier and Ehlinger, 2007). The interviews were transcribed in full. A thematic analysis (Mucchielli, 2009) was conducted on the data collected through the document monitoring and interviews. NVivo textual data analysis software (Bazeley and Jackson, 2013) allowed us to isolate and associate passages from the corpus with nodes that grouped together all the coding units relating to a particular theme (Lebègue, 2011). The content analysis (Mucchielli, 2009) was based on a hierarchical coding table, developed from the themes drawn

Schools	Legal status in France	Number of students (PGE ⁴ students)	Students enrolled following a preparatory class	Budget	Accreditations
Amiens	Association	1 252 (997)	56	€9M	No
Brest	Régie consulaire	895 (469)	6	€9M	No
Clermont-Ferrand	Régie consulaire	2 000 (1 540)	81	€18M	AACSB ⁵
ESCEM	Syndicat mixte	2 490 (1 940)	255	€27M	AACSB et EQUIS ⁶

Table 2 – 2011 data on founding schools

Source: Cour des Comptes report (2017, p.452, translated from French)

from the literature review. The thematic dictionary, which expanded as the interviews were analysed vertically and then horizontally (Blanchet and Gotman, 2015), ultimately had 3 level 1 node categories (strategic groups, external legitimacy and legitimacy and strategic groups) and 3 level 2 node categories (1st: definition, dynamics and exit; 2nd: pragmatic, cognitive and moral; 3rd: competitive entrance exam, master's degree status, the master's programme and the CGE³). However, the actions to gain legitimacy tended to overlap, which sometimes made it difficult to classify them in one or other category (Zimmerman and Zeitz, 2002).

3.2. Presentation of case study

Our field of study was the *Grandes Écoles de Management* (master's degree status) in a merger context. Mergers were considered by some member institutions to be a solution to the difficulties arising from a reduction in financial support from the *Chambres de Commerce et d'Industrie* (chambers of commerce and industry), an intensification of national and international competition, an increase in the

costs associated with the recruitment of lecturers and a drop in the number of candidates.

The first business schools merger took place in 1998 with the creation of ESCEM (a merger between ESC Poitiers and ESC Tours). This was followed by SKEMA (merger of CERAM Nice with ESC Lille) in 2009, FBS in 2012 and then NEOMA (merger of Rouen Business School and Reims Management School) and KEDGE (merger of Bordeaux *École de Management* and Euromed) in 2013.

The FBS project was officially announced on 22 May 2012 as a merger of 4 business schools (Amiens, Brest, Clermont and Tours-Poitiers-Orléans), which were heterogeneous in terms of status, budget, student numbers and accreditation (see Table 2).

Set up as an 'association', FBS was conceived as a single but decentralised school. It took the form of a new school with a new brand rather than a merger or a network of business schools. This new school replaced the 4 former schools, whose campuses became those of the new organisation (*Cour des Comptes report, 2017*). At the legal level, the *Chambres de*

³ CGE: *Conférences des Grandes Écoles*, a not-for-profit association that supports France's 'grandes écoles' (state or private higher education institutions characterised by highly competitive admission requirements).

⁴ PGE: *Programme Grande École* (the master's programme).

⁵ Association to Advance Collegiate Schools of Business.

⁶ European Quality Improvement System.

Commerce et d'Industrie (établissements publics de l'État (public-sector state institutions)) and the “*syndicat mixte*”⁷ had to make a delegation of their teaching mission to the FBS association, which in fact corresponded to a delegation of public service. As in most associations, FBS consisted of a general assembly, a board of directors, a presidency, which was held by Mr Fartaria, president of the *Chambres de Commerce et d'Industrie Territoriales* for Puy-de-Dôme, and finally a general directorate. The good governance of FBS seemed to be assured by this set-up. However, the association's president delegated almost all his powers to the director general (DG), the former DG of Emlyon Business School, on his appointment in September 2012, retaining only the power to convene general assemblies and nominate members of the strategic orientation committee (who were never appointed).

In addition, FBS announced in September 2012 that it would be withdrawing from France's universal competitive entrance exam system (made up nationally of several “*banques*” (banks)) and instead creating a unique system for recruiting students through “*talent days*”. This innovation in recruitment was designed to be in keeping with the school's pedagogical plan, but an additional objective (although this was not officially stated) was that it should resolve a dilemma faced by this merger. The schools that made up FBS had hitherto been attached to different competitive entrance exam banks, namely the ECRICOME competitive exam for ESCEM, which brought together schools in the middle of the *Grandes Écoles de Management* ranking table, and the *Banque Commune d'Épreuve* for ESC Amiens, ESC Brest and ESC Clermont-Ferrand, which brought together schools of all different rankings. FBS would not have been able to integrate the ECRICOME competitive exam, which was only open to schools with a double or triple accreditation. The problem was that incorporating the *Banque Commune d'Épreuve* with the schools at the bottom of the rankings (ESC Amiens, ESC Brest and ESC Clermont-Ferrand) would have been considered a downgrading for ESCEM (*Cour des Comptes* report, 2017).

“*Talent days*” were organised at all the FBS campuses (Amiens, Brest, Clermont-Ferrand, Poitiers and Tours) as well as in most major French cities. Candidates had to present a dossier beforehand, and the recruitment session consisted of several tests: group role plays each lasting 45 minutes (“*entrepreneurship and initiative*”, “*creativity and imagination*”); a 10-minute “*self-assessment*” of the preceding role play; a 45-minute individual interview to assess the candidate's motivation in relation to their dossier; a 25-minute English test; and a 60-minute CUBIKS reasoning test⁸. The school became operational on 1 January 2013 under the slogan “*New World, New School*”.

With a new PGE, applications for a “*visa*”⁹, and master's degree status were filed with the Ministère de l'Enseignement Supérieur (ministry of higher education) in April 2012 and submitted in 2013. On 23 June 2013, the *Commission d'Évaluation des Formations et Diplômes de Gestion* (commission for the evaluation of management training and diplomas) issued a notice in favour of the “*visa*” application for the PGE from September 2015 and another turning down the application for master's degree status. This led to FBS's exclusion from the *Grandes Écoles de Management* (master's degree status) strategic group. This announcement at the end of June was significant because it coincided with the *Grandes Écoles* entrance exams. FBS thus recorded a 70% drop in its projected enrolments for the start of the 2013 academic year and an even bigger drop of 90% for the start of the 2014 academic year (*Cour des Comptes* report, 2017).

In July 2014, FBS's board of directors announced the departure of its DG as well as a switch to the universal competitive entrance banks and a return to autonomy (legal, social and financial) for the different FBS campuses, which would remain under the same brand until 1 January 2015. In June 2015, FBS was dissolved and placed into voluntary liquidation.

⁷ An inter-municipal cooperation structure that allows local authorities in France to associate both with one another and with public establishments.

⁸ CUBIKS is an international human resources consulting firm.

⁹ A “*visa*” is a preliminary screening in relation to public expenditure commitments or payments.

4. RESULTS

4.1. Why the Grandes Écoles de Management form a strategic group

The management education system in France is made up of different actors: the Institut des Administrations des Entreprises; universities that offer management training (outside the Institut des Administrations des Entreprises); the *Grandes Écoles de Management* (Thietart, 2009); and other private schools of management that have the “*visa*” but not the master’s degree status.

Our study focused on the *Grandes Écoles de Management* (master’s degree status). These schools are members of the CGE’s management chapter (Thietart, 2009). Despite their heterogeneity in terms of size, specialties, strategic positioning, legal status and internal organisation, the CGE schools of management are similar in a number of respects and can be considered a strategic group for the following reasons:

- they form a network and collaborate in various commissions steered by the CGE, and a network is one of the criteria that determines the configuration of strategic groups (Ketchen *et al.*, 1993),
- they must meet certain requirements in terms of pedagogy (number of ECTS credits delivered, final dissertation, ratio of course hours taught by academic/professional lecturers) and research (clearly defined research areas, ratio of research output per academic, etc.). These requirements can be seen as barriers to entry, which in turn determine the boundaries of the strategic groups (Harrigan, 1985).

Finally, the directors we interviewed described them as a strategic group. One of them commented: “*For me, the management schools that have master’s degree status and are members of the CGE form a strategic group*”¹⁰.

4.2. FBS – The elements that contributed to the construction of its legitimacy

The legitimacy that FBS enjoyed since it was created can be explained on the one hand by pragmatic and structural moral legitimacies that were linked to the merger project, the brand and the master’s programme and on the other by the personal moral legitimacy of its new manager.

The interviewees definitively highlighted these aspects of legitimacy.

The project

The project was deemed interesting in several respects.

“This idea that actually, right, we’re going to take four or five schools, yeah they’re different sizes, but it’s an interesting territorial network...which are schools...we’ll say like in the middle of the table. Can we work, imagine something else for these schools? It’s not stupid at all”.

The merger

This merger of four schools was seen as a solution that would “*pre-empt the planned reduction in resources from the Chambres de Commerce et d’Industrie but also increase the size of the school through external growth. In a competitive academic world, the aim was to exceed the critical mass threshold beyond which very heavy investments in terms of grey matter capital are justified. These investments are essential to meet the criteria of excellence required by the higher education market, particularly the international market through accreditation*”.

However, “*previous regroupings*” in France “*had never actually involved more than two schools... and mergers in France*” in higher education “*had never existed before FBS – paradoxically, it’s always been absorptions. Nice took in Lille, Marseille took in Bordeaux, Rouen took in Reims*”.

¹⁰ All data extracts have been translated from French.

The FBS brand

The interviewees considered the FBS brand to be very attractive in an international market.

“It was probably the best brand out there, France Business School for the international market... with a choice of campuses. Well yeah, maybe Tours, Brest, Amiens, Clermont, Poitiers aren’t the most glamorous, but France nevertheless, focused on African, Indian and Chinese audiences, there was plenty to be going on with”.

The master’s programme

The programme was considered interesting, especially since it had already proven its worth.

“Module 1 of FBS’s Programme Grande École was actually just EM Lyon’s IDEA programme, which is an entrepreneurship programme that was a bit, well to use a chemistry metaphor, ‘reoxidised’, in other words it was reduced down to 6 months with a really intelligent progression, it corresponded to the entrepreneurial revolution and innovation economy that we now find ourselves in and it fitted with the new challenges of training managers in businesses. So, in terms of content, I think it was going to create extremely rich and valuable profiles for companies”.

FBS also offered a second start to the academic year, in January, as a solution for students *“disappointed with university”*.

“Anyway there were a lot of students who messed up, going to university for example, because they didn’t know what they wanted to do in life, they could have found their future career path at FBS. I’m convinced of that, I think there was a market for it”.

All these elements associated with the programme were thought to boost FBS’s structural moral legitimacy. According to Meyer (1977), educational bodies gain this dimension of legitimacy by displaying the structural features of a *“modern school”*, such as pedagogical progressions and degree programmes.

Charismatic dimension of the leader

The charismatic dimension of the leader (Weber, 1995), which Suchman (1995) identified as one of the four sources of moral legitimacy, also contributed to FBS’s legitimacy.

“FBS became legitimate as soon as PM arrived... He was director general of EM Lyon for 16 years. He was a member of the AACSB board, a member of the EQUIS board. He knew everybody. He was supposed to open lots of doors. Well, he was the logical choice for the people who hired him. He was supposed to open lots of doors and facilitate everything”.

This inherent moral legitimacy of the DG explains why the association’s president had delegated so much power to him, thus reinforcing his charismatic dimension within FBS. With extensive powers at his disposal, the DG thus went on to implement his strategic vision without any real control over the governance of FBS. Apart from this flaw in governance, however, all the above elements pointed to potential success for FBS, and yet it was a failure. It is essential therefore to now present some of the elements that contributed to its *“delegitimacy”*.

4.3. FBS – The elements that contributed to the deconstruction of its legitimacy

FBS’s exit from the strategic group happened in two stages. In the first, FBS decided not to use the traditional selection procedures in France, which comprise a universal written test to evaluate the candidate’s academic knowledge and an oral test assessing the candidate’s motivations that is specific to each school. It thus withdrew from the universal competitive entrance exam banks and proposed its own selection system through *“talent days”*, where no written test was required. This decision to withdraw was taken before the new DG was recruited in September 2012 and was announced and published in the press before the future recruitment procedure was properly ready (Cour des Comptes report, 2017).

FBS’s withdrawal from the competitive entrance exam banks shows it had decided to adopt a disruptive

strategy and to modify the rules of the competitive market (Kim and Mauborgne, 2005; Lehmann-Ortega and Roy, 2009) and those rooted in sector practices (Grandval and Soparnot, 2005). It was no longer in an archetypal or “core” position. Its position was now “peripheral” or “secondary”, in the sense outlined by Reger and Huff (1993), and it no longer shared certain specific dimensions with the other members of the group.

However, the competitive entrance exam banks do not just guarantee procedural legitimacy, nor do they just represent procedures to be followed or a means of getting into a management school. They contribute to building the cognitive dimension of legitimacy, on the one hand through an understanding of the market and on the other through what is “taken for granted”. As one of our interviewees pointed out: “Since 1987, entrance to the Grandes Écoles has been made through universal competitive entrance exam banks and students are used to registering in this way”.

Our analysis revealed that the press saw RBS’s decision to withdraw from this competitive entrance exam system as “a challenge to the established order” and one “that may revolutionise the selection system”. Here are some press article extracts:

“M. [FBS’s DG] may well say that he’s ‘not going to war’, but the talent scouting process that FBS has chosen nevertheless challenges the established order”.

“What will the reaction be to this ‘new generation Grande École’, which refuses to act like an institution?”

“Increasingly criticised for their academicism and rigidity, the Grandes Écoles entrance exams may well be revolutionised by the new selection system set up by France Business School”.

However, while the school directors we interviewed agreed that “wanting to effectively integrate a whole section of the population who would not get a place but possibly had absolutely extraordinary skills made sense”, they saw FBS’s decision to withdraw from the universal competitive entrance exam banks as an act of “contempt”: “Contempt for the way in which those schools recruited, [...] for what was the

Grandes Écoles de Management model, for what they are”.

They added that the only way forward for FBS would have been for it to have adopted “the rules of the existing system” and to have been “much more respectful of the existing system”.

Their comments were as follows:

“Because if I’m going to start a business or create a school, I’ve got to take into account the rules of the existing system. I can’t go against it or try to destroy what’s already there. Really, the idea is, first I’ve got to, if I want to change the system, I’ve got to respect the system”.

“Start by playing by the rules, i.e. make sure the diplomas are recognised by the State, make sure you actually stay in the exam banks you were in, or at least group together in one specific exam bank, don’t ignore accreditations ... incidentally, and this would be no mean feat, but in terms of quality, over time, think about the model and then propose an alternative model that’s a little bit different and strengthen the classic recruitment system, for example with talents days”.

“They shouldn’t have done the disruptive thingy, they should’ve done something like developing low-cost courses within one of the schools, courses with other types of recruitment strategies, they should’ve experimented, seen whether students actually integrated well into the job market at the end of their course, or maybe even tracked them, which takes years. Then they could have speeded the changeover up a bit because they might’ve needed to go a bit faster”.

“And if it had worked, it would’ve created an opportunity for me. Well, that’s the way I like to look at it. Because they would have actually opened up a new field, a new way of doing things”.

These comments suggest that FBS could have created a strategic sub-group within the strategic group, which would have led to a reconfiguration of the strategic group. In fact, according to Cool and Schendel (1987) and Reger and Huff (1993), some strategic groups are composed of just one firm.

It was thought this kind of progression would have had more impact given FBS's size. When it was created in 2013, it was one of the biggest schools in France, with a budget of 65 million euros, almost 6,000 students and 600 employees, 170 permanent lecturers and more than 30,000 graduates (*Cour des Comptes* report, 2017).

The above comments from the school directors also confirm the findings of Clark and Montgomery (1999). For these authors, managers view large firms as competitors for two reasons. On the one hand, larger firms have more resources and can use them to attack others. On the other, even if they are not performing well, large firms are probably more visible because they are frequently mentioned by the press and financial analysts.

FBS's decision to withdraw from the competitive entrance exam banks and thus to no longer give "*due weight to preparatory class students*" impacted in turn its pragmatic legitimacy. There is a very strong link between the ranking of preparatory schools and the ranking of management schools that take in preparatory school students. The more students there are from a particular preparatory school in high-ranked schools, the better the ranking of that preparatory school.

According to Suchman, stakeholders are more willing to accord legitimacy to an organisation that takes their interests into account and shares their values: "*constituents support the organization not necessarily because they believe that it provides specific favorable exchanges, but rather because they see it as being responsive to their larger interests*" (1995, p.578).

However, FBS declared that it wanted to "*think outside the box in a selection system that has not really changed for 30 years, that needs a new lease of life... and invent a new school for a new generation*". This complete break with the ways things had always been done did not fit with the "*interests*" of an essential sector of the market, the preparatory schools.

The number of students enrolling from preparatory classes contributes "*to the management school's*

prestige", even if, as one of our interviewees pointed out, this "*seems a bit hypocritical because, outside the top four schools, prep school students are in the minority when it comes to master's degree awards at the end of courses once you take into account qualifications-based admissions, foreign students and continuous professional development students. Everybody knows this but nobody says it. The schools say oh we enrol only prep school students in the first year*".

Another interviewee commented:

"If FBS was successful, it meant students could succeed in a management school with the management school's criteria of excellence without having to worry about the prep schools market. And that posed a danger to the system".

This positioning was also not in keeping with the "*interests*" of SIGEM¹¹, which "*feared a mass exodus of all the schools*".

The DG of both ECRICOME and ICN Business School made the following comment in the press:

"By leaving SIGEM, FBS would be giving itself the right to call back candidates enrolled at other schools. It'd be freeing itself from any obligations and reviving this fierce competition that we schools had managed to eliminate through the SIGEM procedure".

"In fact, some schools are already considering leaving SIGEM because they think they're going to be damaged by this. This is why I fear there might be a mass exodus".

An institution can reduce competition between organisations by drawing on social norms, which define and delimit the legitimate spheres of an organisation's activity (Dowling and Pfeffer, 1975). SIGEM plays this institutional role for the *Grandes Écoles de Management*.

This is why one of the directors we interviewed said that "*if I had to... summarise, you could almost say that FBS is simply disregarding the rules of fair and healthy competition*".

¹¹ *Système d'Intégration aux Grandes Écoles de Management* (Grandes Écoles de Management integration system).

While the DG’s charisma had contributed to FBS’s legitimacy in the early days, it had also subsequently had a negative impact on it.

“The second thing, I believe anyway, was that there was a complete disregard of France Business School’s director’s previous life. He was EM Lyon’s director before that, and he was the most zealous advocate of the Grandes Écoles system with prep classes. He was a staunch defender of all that. He didn’t want to hear about parallel admissions or anything like that. And then the next thing, when he’s in posts that are extremely rigid but very respectable, he’s proposing a completely different model, that raises alarm bells for me”.

From the outset, FBS tried to prove its strategic legitimacy by clearly positioning itself as different from all the other *Grandes Écoles*, but it neglected institutional legitimacy. However, the quest for legitimacy is a compromise between strategic and institutional legitimacy (Suchman, 1995). An organisation’s strategy is cognitively legitimate if it is accepted within its competitive field (Rhee *et al.*, 2006; Deephouse, 1999) and in keeping with the cognitive consensus of the sector (Porac *et al.*, 1989). New practices lead to reticence on

the part of stakeholders such as consumers and certification bodies (Merino *et al.*, 2012).

The second stage of FBS’s exit from the strategic group came when it lost its master’s degree status. Drawing a parallel with the world of academic journals (Rynes and Brown, 2011), the CEFDG’s¹² requirements can be seen as signals of structural legitimacy in higher education.

Our interviewees shared their thoughts on this matter:

“For parents, pupils, students, having the master’s degree status, being a member of the CGE are references that reassure people, they’re important. The master’s degree status provides visibility and also an important framework for young people and their families”.

“Students need security. They want to be sure they’re enrolling in a school with their 9,000 euros and that at the end they’ll have a master’s degree. They need to know that. They took all that away from them”.

When it lost its status, FBS was excluded from the *Grandes Écoles* strategic group. It subsequently lost

The components of legitimacy that contributed to	
<p style="text-align: center;">constructing FBS’s legitimacy</p> <p>→ Structural moral legitimacy (the FBS brand was considered very attractive, especially internationally, and the programme had already proven its worth)</p> <p>→ Personal moral legitimacy of the new director</p>	<p style="text-align: center;">deconstructing FBS’s legitimacy</p> <p>→ Procedural moral legitimacy (FBS changed its student selection process and lost its master’s degree status, a status that ensures each school meets the minimum standards)</p> <p>→ Cognitive legitimacy (the FBS project was too different from the other <i>Grandes Écoles</i>)</p> <p>→ Pragmatic legitimacy (FBS’s reduced appeal resulted in a drop in applicants and rejection from the other <i>Grandes Écoles</i>)</p> <p>→ Institutional legitimacy (loss of the master’s degree status for a new school)</p>

Table 3 – Synthesis of the components of FBS’s legitimacy

¹² Commission d’Évaluation des Formations et Diplômes de Gestion (commission for the evaluation of management training and degrees).

its moral and cognitive legitimacy, which crystallised the complete loss of all its legitimacy.

Table 3 summarises the components of legitimacy that contributed to constructing/deconstructing FBS's legitimacy.

5. DISCUSSION

Our research contributes to linking two concepts, namely legitimacy and strategic groups. In particular, it reveals how leaving a strategic group can call into question an organisation's legitimacy and negatively impact its performance.

5.1. Research contributions

Our results empirically confirm that the three aspects of Suchman's legitimacy support and reinforce one another and that the loss of procedural legitimacy can impact the cognitive dimension of legitimacy, which is situated more in the realm of what is unsaid (Lapoutte, 2013). As Suchman pointed out, tensions between the three dimensions of legitimacy arise when social institutions are part of a historical transition. In the FBS context, this transition came about on the one hand through the merger of the 4 management schools and on the other through its complete break with the existing student recruitment system.

Organisations gain pragmatic legitimacy by conforming to instrumental requirements, moral legitimacy by conforming to altruistic ideals and cognitive legitimacy primarily by conforming to established models or norms (Suchman, 1995). In the case of the *Grandes Écoles de Management*, competitive entrance exams represent the norms, and the ministry of higher education's requirements can be seen as barriers to entry (Harrigan, 1985) that "*represent for the group members an investment in a collective, sometimes intangible, capital asset whose benefits are shared out between group members*" (Mc Gee and Thomas, 1986, p.150). As a result, the search for

legitimacy outside a strategic group, especially when that group is regulated, becomes very difficult. The strategic group may put up cognitive and organisational barriers (Porac *et al.*, 1989). Indeed, although it is an independent association, the CGE plays an important role within this strategic group. Through its membership process, committees and working groups, it contributes to defining the rules for this group (and thus the barriers to entry for non-members), boosts its visibility and increases its influence with the public authorities. The CGE is also an accrediting body for training courses and qualifications (*Mastère Spécialisé*, MSc¹³, BADGE¹⁴, CQC¹⁵) for its members. Through its activities, the CGE therefore contributes to the legitimacy of this strategic group. If a business school exits this strategic group, its external legitimacy and consequently both its positioning in the French higher education market and its performance will be negatively impacted. However, significant resources and a strong image can contribute to this acquisition of legitimacy. On the French market, INSEAD launched a master's degree in management in 2020 without applying for master's degree status, even though it is targeting the same candidates as the top business schools in the country (notably HEC, ESSEC and ESCP).

Previous empirical studies have shown the importance of pragmatic and moral legitimacy when creating a firm (Shepard and Zacharakis, 2003; Tornikoski and Newbert, 2007; François and Philippart, 2016). However, there has been very little empirical research conducted on this relationship in the case of brand creation. Our study is a first step in this direction.

In the specific context of mergers, a number of factors have been put forward to explain why they fail, including strategic choices, cultural and organisational differences, failure to take into account the human factor and lack of effective change management (Angot and Meier, 2000; Ibrahimi and Taghzouti, 2014). We have identified a further factor in the context of an association operating in a competitive market, namely the legitimacy of the new structure. This finding extends Singh *et al.*'s (1986) observation that the mortality rate of not-for-profit

¹³ Master of science.

¹⁴ *Bilan d'Aptitude Délivré par les Grandes Écoles*.

¹⁵ *Certificat de Qualification et de Compétences*.

organisations is more attributable to forms of external legitimacy than internal organisational changes. Another contribution of our research is the understanding it offers of the role played by charismatic individuals in terms of transcending rules and also by institutional entrepreneurs in convincing actors both inside and outside an organisation and legitimising the disruptive strategy (Lawrence and Suddaby, 2006).

The literature contains numerous assertions that “*moral entrepreneurs*” play an important role in disrupting old institutions (Weber, 1978) and initiating new ones (DiMaggio, 1988) and that charismatic individuals can transcend and reorganise established routines. Our results show that charisma is not enough on its own, especially in an institutional market.

5.2. Managerial implications

The results of our study highlight both the gap that can exist between the legitimacies constructed by managers and those perceived by stakeholders and the importance of sectoral habits and rules (Spender, 1989; Phillips, 1994) in strategic decision-making in the education sector. Our findings support mimetic strategies, even in the education sector, because they can ensure an organisation’s legitimacy in the eyes of its peers when it demonstrates isomorphism with its environment (Chen and Hambrick, 1995; Miller and Chen, 1995; Milne and Patten, 2002; Suchman, 1995). Organisations pursue their quest for legitimacy by improving and maintaining their structures, routines and practices isomorphically within the political, socioeconomic and cultural environments in which they operate (Johnson, 2004). “*To maintain the confidence and support of stakeholders and the respect of competitors, a large firm is also well advised not to engage in unconventional competitive behavior. Acting in extreme or deviant ways may alienate stakeholders and send signals of weakness or confusion to competitors*” (Chen and Hambrick, 1995, p.475). A strategy perceived as too different or distinct from the usual sectoral strategies may not be endorsed or recognised by all the actors in the sector (Porac *et al.*, 1989; Spender, 1989; Aldrich and Fiol, 1994; Deephouse, 1999). Shareholders look for certainty that they are working with serious companies, and a company’s adherence to industry norms

has the effect of reassuring them (Hambrick and D’Aveni, 1992).

Because real-world organisations face both strategic operational challenges and institutional constitutive pressures, it is important to incorporate this duality into the bigger picture showing how legitimacy acts both as a manipulable resource and as a taken-for-granted belief system (Swidler, 1986).

Beyond mimetic strategies, we believe that coopetition can be considered, even in the higher education sector, as an alternative collaborative approach for bringing innovations to the market (Gnyawali and Park 2009; Hung and Chang 2012), because it is the performance of the schools as a whole that matters and it is the whole system that progresses (Roche, 2016). This view was also shared by our interviewees:

“It was in all our interests for France Business School to succeed”.

“FBS was a new management school and if it succeeded, that would create value for all management schools in France”.

Coopetitive practices are already widely used in high-tech industries due to their networked nature and are proving increasingly popular in other types of industries such as health (Peng and Bourne, 2009).

Finally, this article allows us to make the following two recommendations on the positioning of the grandes écoles in France:

1. It is risky for a school belonging to the *Grandes Écoles de Management* strategic group to exit it for two reasons:
 - exiting the group leads to a loss of legitimacy for schools with an average reputation like FBS, even if the educational project seems attractive to the stakeholders. In particular, the deconstruction of the procedural, pragmatic and institutional legitimacy of FBS lessened its appeal for students, which resulted in a sharp fall in the number of students recruited and therefore turnover. These are all obstacles that would have to be overcome in an exit, and they can lead to the disappearance of a school choosing

to go down this path. However, there is still the question of what impact this has on the small group of top schools. Can their reputation and international accreditations protect them? In actual fact, these top schools act within the CGE to create criteria of excellence and to advance innovations of interest to them within the strategic group, thus creating three sub-groups (the top schools, the reputable schools and the rest)¹⁶, which also in turn governs power relations within the CGE.

- the master's degree status¹⁷ regulations have led to a new standard-setting model for teaching, where research plays a predominant role because it guarantees students receive a high level of training and teaching staff are suitably qualified. This new model requires a permanent teaching staff¹⁸ publishing in journals that are classified by the FNEGE¹⁹ or the CNRS²⁰, which therefore means higher fixed costs. To offset these costs, all schools have sought to increase their turnover primarily through increasing their student numbers²¹. In this context, any drop in turnover can thus jeopardise a school.
2. Size is not a guarantee of independent existence outside of the strategic group. Indeed, FBS was one of the largest schools in France when it was created in 2013 (€65 million budget and nearly 6,000 students), but it was still not able to develop a business school model outside the strategic group. The schools that merged after FBS have moreover remained in this group, which has allowed them to continue to grow. For example, KEDGE had 12,000 students in 2015 compared to 3,500 at BEM and 5,700 at Euromed, the two schools that initiated the merger in 2013.

5.3. Limitations of the study and future research paths

One of the limitations of this study relates to the identification of strategic groups. These groups are revealed through an *a priori* theoretical analysis, using a deductive approach, or else they emerge from an empirical analysis of the data collected, using an inductive approach (Thomas and Venkatraman, 1988). We first adopted a deductive approach and considered all the *Grandes Écoles de Management* as being part of the same strategic group. Because the variables we selected were not necessarily the same as those perceived by managers to be determinants of the competitive market (Porac *et al.*, 1989; Barney and Hackinson, 1990; Porac and Thomas, 1990; Calori *et al.*, 1992; Hodgkinson and Johnson, 1994), we also interviewed the managers, in this case 3 management school directors. These school directors also viewed all the *Grandes Écoles de Management* as belonging to the same strategic group, although this opinion is certainly not shared by all *Grandes Écoles de Management* managers. Nevertheless, it seems that different managers do all perceive their competitors in a similar way (Reger and Huff, 1993). This shared perception is due to the fact that the managers will share the same information sources, use similar technologies and be confronted with the same managerial problems (Hodgkinson, 1997).

The second limitation concerns the dimensions of legitimacy mobilised to understand the failure of FBS. In this research, we focused only on external legitimacy and its link with strategic groups. However, other factors could also explain FBS's failure, such as the new organisation's identity (Dupuis, 2008), the heterogeneity of the founding schools in terms of their legal nature, profile and student numbers, the heterogeneity of the business models, poor management

¹⁶ This typology is supported by the rankings published in various newspapers.

¹⁷ "Écoles supérieures de commerce et de gestion et autres écoles", *Bulletin Officiel*, n°1, 15 February 2007.

¹⁸ "The definition of a tenured professor may naturally vary, but it must be based on the idea of an almost exclusive commitment of the individual to their institution. A permanent member of the teaching staff has in principle a contract of 4 or 5 days per week with the institution, which is their sole employer [...]. In the same way, the committee establishes a correspondence between the number of permanent teaching staff and their qualifications [...]. Hence, the higher the level of qualifications, the more permanent teaching staff there must be [...]. Likewise, the number of research qualifications (doctorate, PhD in management, Habilitation à Diriger des Recherches) must also increase [...]" (translated from French) Extract from *Bulletin Officiel*, n°1, 15 February 2007.

¹⁹ *Fondation Nationale pour l'Enseignement de la Gestion des Entreprises*.

²⁰ *Centre Nationale de la Recherche Scientifique*.

²¹ [URL: https://www.lemonde.fr/campus/article/2015/11/25/ecoles-de-commerce-la-folie-des-grandeurs_4816950_4401467.html].

and unfavourable social climate (*Cour des Comptes* final report, 2016), which is one of the dimensions of internal legitimacy (Drori and Honig, 2013). Future research could examine the link between strategic groups and internal and external legitimacy, bearing in mind that internal and external legitimacy are not always compatible (Drori and Honig, 2013) and that the acquisition of legitimacy is a complex, reversible process that takes all stakeholders into account (Lounsbury and Glynn, 2001; Drori *et al.*, 2009; Uberbacher, 2014).

Finally, another extension to this research would be to explore the links between the leader's legitimacy and the governance of the organisation. In FBS's case, the *Cour des Comptes* report (2017) revealed many flaws in its governance and an excessive delegation of power to the DG, due in part to his own legitimacy.

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