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Legitimacy of mature microenterprises: essential dimensions for their stability and growth

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Abstract

Purpose – Research suggests that the "legitimacy threshold" is surpassed when a company grows. However, many new ventures do not experience significant growth yet operate in the market for many years. In such cases, it remains unclear to what extent legitimacy contributes to their survival as well as which key factors and routines promote legitimacy. The primary aim of our study is to clarify the role of legitimacy in mature microenterprises.

Design/methodology/approach – To assess the legitimacy of microenterprises and identify the dimensions upon which it is based, a survey was conducted targeting microenterprises that have reached the maturity stage. The analysis was carried out using PLS-SEM. The study was enriched by analysing the necessary conditions (NCA) required to achieve a specific level of legitimacy.

Findings – The results confirm our hypotheses. First, mature microenterprises generally achieve high levels of legitimacy, indicating that attaining and maintaining legitimacy is a crucial factor for their survival. Second, we found that the essential factor focuses on the management dimension of the microenterprise, whilst other dimensions have significantly less influence. Finally, our findings reveal that the acquisition and enhancement of legitimacy follow a gradual process, whereby various dimensions and routines are progressively incorporated.

Originality/value – This study highlights the critical role of legitimacy in sustaining microenterprises in the market. Whilst extensive research exists on the relationship between legitimacy and new ventures, we have expanded the understanding of how legitimacy is constructed and maintained in mature microenterprises. This process is cumulative, involving the progressive integration of new routines.

Keywords Legitimacy, Mature microenterprises, Managerial legitimacy, Legitimation process, PLS-SEM, Necessary condition analysis (NCA)

Paper type Research article

1. Introduction

Organisational legitimacy—the social acceptance that a firm's actions are desirable and appropriate—underpins long-term stability by unlocking access to critical resources and cooperation (Zimmerman and Zeitz, 2002). Whilst prior research has extensively examined how new ventures overcome the "liability of newness" (O'Toole and Ciuchta, 2020), considerably less attention has been given to mature microenterprises: firms that intentionally remain small yet persist over extended periods without seeking to scale. This overlooked segment raises an important question: how do very small, long-lived firms establish, maintain, and renew legitimacy when growth is not their primary strategic objective?

Microenterprises are economically significant. In the European Union, they represent approximately 93% of firms and generate about 28% of total employment (European Union, 2022), with similar patterns across OECD economies (OECD, 2017). Although many of these

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firms are not oriented towards growth, they pursue continuity and local embeddedness, often achieving legitimacy within proximate stakeholder communities—such as customers, suppliers, professional bodies, and local authorities—which can be sufficient for long-term sustainability (Tracey *et al.*, 2018). Yet, despite their prevalence and societal importance, empirical evidence on how mature microenterprises cultivate and renew legitimacy over time and under changing conditions remains limited.

Building on institutional theory, this study examines legitimacy as a multidimensional construct and adapts it to the microenterprise context. We identify three key research gaps that motivate this work. First, from a substantive and theoretical perspective, most prior studies focus on start-ups and larger organisations, implicitly assuming that legitimacy hinges on signalling growth potential and scalability. For persistence-oriented microenterprises, however, the underlying logic may differ: legitimacy may depend more on reliability, moral standing, and community embeddedness than on expansion. The way in which cognitive and moral dimensions of legitimacy jointly sustain firms that deliberately remain small has not been fully specified. Second, from a contextual standpoint, little is known about legitimation dynamics amongst mature microenterprises operating in locally bounded markets—common across EU economies—where local ties, professional associations, and reputational path dependence may strongly influence the criteria stakeholders use to assess legitimacy. Finally, from a methodological perspective, much of the existing research relies on simplified constructs and sufficiency-oriented models that are not well adapted to microenterprise realities. Few studies distinguish between conditions that are sufficient to enhance legitimacy and those that are necessary for legitimacy to exist at all, limiting both theoretical precision and managerial guidance.

This study contributes to addressing these gaps by reframing legitimacy for persistence-oriented, locally embedded microenterprises and by combining Partial Least Squares Structural Equation Modelling (PLS-SEM) with Necessary Condition Analysis (NCA) to differentiate between factors that "help" and those that "must be present". The research offers four main contributions. Theoretically, it develops a multidimensional legitimacy framework suited to mature microenterprises, clarifying how cognitive elements—such as perceived competence and reliability—and moral elements—such as fairness and responsible conduct—jointly underpin continuity when growth is not the focal aim. Contextually, it extends legitimacy research beyond start-ups and large firms by providing evidence from mature microenterprises in an EU economy, showing how local embeddedness and routines of reliability shape legitimacy. Methodologically, it integrates PLS-SEM with NCA to distinguish sufficient drivers from necessary conditions of legitimacy, providing sharper tests than traditional sufficiency-only approaches. Practically, it identifies specific practices—such as consistent service quality, transparent dealings, and reputation-building routines with local stakeholders—that either enhance legitimacy or prevent its erosion, thereby informing owners, professional associations, and policymakers.

Aligned with these contributions, the study aims to assess the role of legitimacy in the long-term continuity of mature microenterprises, to identify the key cognitive and moral dimensions that sustain legitimacy in this context, and to examine whether renewed legitimacy-building practices can reinforce stability whilst opening opportunities for incremental innovation and change. To pursue these objectives, a theory-driven model is developed and tested using PLS-SEM to estimate relationships amongst constructs, complemented by NCA to detect non-compensatory conditions—minimum levels of particular practices or attributes without which legitimacy cannot materialise. This dual approach is well suited to the microenterprise setting, where the absence of certain baseline practices, such as reliability signals or moral commitments, may not be offset by other strengths.

The remainder of the paper elaborates on the economic relevance of mature microenterprises and reviews the legitimacy literature to derive hypotheses tailored to this context. It then describes the data, measures, and analytical strategy (PLS-SEM and NCA), presents the results identifying which practices drive legitimacy and which constitute necessary thresholds, and concludes by discussing theoretical and practical implications, outlining limitations, and suggesting directions for future research on legitimacy in persistence-oriented microenterprises.

2. Theory and hypothesis development

The most widely cited definition of legitimacy is offered by Suchman (1995, p. 574), who describes it as "a generalised 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". Whilst alternative definitions exist, they converge around two core elements: legitimacy is fundamentally a perception, and it is shaped by the actions of the entity. Observers judge legitimacy subjectively, using their own interpretative frameworks, whilst the actions of the organisation (what it does and how it does it) form the basis for such evaluations.

Although Suchman downplays the role of outcomes in assessing legitimacy, later perspectives have expanded the concept. Zimmerman and Zeitz (2002), for example, argue that legitimacy is critical because it grants access to essential resources, enabling organisational growth and survival. In this view, the results of actions also matter; failure to secure key outcomes may signal a lack of sufficient legitimacy. As such, legitimacy can be conceptualised as a dynamic process involving perception, actions, and outcomes.

Rendtorff (2019) further emphasises that legitimacy is vital not only for organisational survival but also for prosperity, which requires access to financial, human, and social resources. Organisational stability, defined as sustained functioning without resource depletion, is thus a goal that underpins long-term viability.

From a dynamic standpoint, Scherer *et al.* (2013) argue that in complex global environments, organisations must continuously adopt diverse legitimisation strategies to preserve their legitimacy and, by extension, their stability. Supporting this view, Suddaby *et al.* (2017) highlight legitimacy's direct role in institutional and organisational stability, whilst Scalzo and Akrivou (2020) stress that stability is maintained through the trust that legitimacy fosters.

2.1 Legitimacy and mature microenterprises

Legitimacy is a critical intangible asset for organisations of all types and sizes. Defined as the perceived appropriateness of an organisation within a given social system (Deephouse *et al.*, 2017), it reflects conformity to norms, values, and expectations (Dart, 2004; Dacin *et al.*, 2007). There is broad consensus that legitimacy enhances organisational performance (Miotto *et al.*, 2020; Blanco-González *et al.*, 2023), facilitates access to essential resources (Eberhart and Rottner, 2018), and is a key driver of long-term success, particularly for SMEs (Ivanova Ruffo *et al.*, 2020).

By improving investor perceptions (Certo and Hodge, 2007), easing resource acquisition (Deephouse, 1996), and enhancing productivity (Cattaneo *et al.*, 2016), legitimacy strengthens a firm's position within its environment. Institutional theorists have long emphasised its role in organisational survival (Meyer and Rowan, 1977; Deephouse *et al.*, 2017).

Ultimately, legitimacy is an evaluative judgement made by external stakeholders (Fisher *et al.*, 2017), shaped by context, industry, firm size, and life-cycle stage. This study focuses on mature microenterprises, typically preceded by inception and commercialisation phases (Barraket *et al.*, 2016; Fisher *et al.*, 2016), and characterised by having overcome the liability of newness (Yang and Aldrich, 2017).

Determining maturity remains challenging. Whilst many small firms fail within their first five years (Mueller and Stegmaier, 2015), others, particularly in high-tech sectors, may take decades to mature (Almor *et al.*, 2014). Longevity reflects strong management, resilience, and stakeholder trust, signalling legitimacy (Shepherd *et al.*, 2000). Older firms are perceived as more reliable and predictable (Rutherford *et al.*, 2016). To ensure sample consistency, our study includes only microenterprises with a minimum of 20 years of uninterrupted operation.

H1. Legitimacy is a quality that is present in mature microenterprises and contributes to their long-term survival.

2.2 Practices and routines aimed at legitimization in mature microenterprises

Research shows that mature microenterprises actively maintain legitimacy by aligning with social and institutional expectations (Perrault and McHugh, 2015), leveraging their established infrastructure and resources (Bjornali *et al.*, 2017). Legitimation is achieved through deliberate, strategic actions and routines, often encompassing managerial and technical practices (Rutherford *et al.*, 2016). Founders' experience serves as a key signal of competence (Song *et al.*, 2008), whilst regulatory compliance is essential, given the limited capacity of microenterprises to absorb legal or financial sanctions. Over time, cognitive legitimacy, which is challenging for start-ups, becomes embedded in mature firms' operations (Choi and Shepherd, 2005).

Legitimation begins in early stages through alignment with social norms and effective management (Zott and Huy, 2007; Zimmerman and Zeitz, 2002). Foundational activities include defining mission, value proposition, and market focus, whilst fostering a coherent identity and meeting stakeholder expectations (Fisher *et al.*, 2016; Chen *et al.*, 2008). These practices persist into maturity, evolving but continuing to serve as anchors for legitimacy (Drori and Honig, 2013).

Scholars have proposed various multidimensional models to conceptualise legitimacy. Whilst the number and type of dimensions vary by context and purpose (Bitektine *et al.*, 2020; Alexiou and Wiggins, 2019; Randrianasolo and Arnold, 2020), such diversity reflects flexibility in application rather than disagreement in theory. There is no single path to legitimacy (Díez-Martín *et al.*, 2021); organisations may pursue multiple strategies.

For this study, we adopt the six-dimensional framework of Díez-Martín *et al.* (2021), comprising:

(1) Cognitive legitimacy: based on awareness, understanding, and taken-for-granted assumptions about the organisation (Suchman, 1995; Scott, 2013).

(2) Moral legitimacy: normative approval grounded in social values and contributions to societal well-being (Suchman, 1995).

(3) Pragmatic legitimacy: based on the perceived benefits the organisation provides to its stakeholders (Suchman, 1995).

(4) Managerial legitimacy: support for internal governance structures, human resources, and administrative norms (Ruef and Scott, 1998), aligned with Suchman's structural legitimacy.

(5) Regulative legitimacy: compliance with legal and institutional rules (Scott, 2013).

(6) Technical legitimacy: derived from the organisation's technological competence, staff qualifications, procedures, and quality standards (Ruef and Scott, 1998), aligned with Suchman's procedural legitimacy.

H2. Managerial, technical, moral, cognitive, pragmatic, and regulative processes are common amongst mature microenterprises and have a direct, significant, and positive impact on their legitimacy.

2.3 Developing new processes to sustain legitimacy

A defining trait of mature microenterprises is their incremental approach to improvement, often motivated by a commitment to continuous refinement (McLaughlin *et al.*, 2008). In this context, gradually broadening their legitimacy base becomes a natural, ongoing strategy (Rutherford *et al.*, 2016). Legitimacy is not a static achievement but a dynamic, evolving construct that must be continually built, redefined, and reinforced over time (Hallström and Boström, 2010; Suddaby *et al.*, 2017).

This raises a key question: Do mature microenterprises need to adopt new legitimation practices to preserve and strengthen their legitimacy? Scholars argue that legitimacy evolves in tandem with organisational development and environmental change (Human and Provan, 2000; Drori and Honig, 2013). Since firms progress through life-cycle stages at different paces (Perrault and McHugh, 2015), legitimation efforts must be responsive and adaptive.

Given legitimacy's multidimensional nature (Baum and Powell, 1995), its construction often follows a hierarchical or sequential logic (Van de Ven, 1992). Organisations cannot implement all legitimation strategies simultaneously, nor do all dimensions carry equal weight. Based on Suchman's (1995) typology (pragmatic, moral, and cognitive), Chung *et al.* (2016) stress that moral legitimacy is indispensable alongside the other two. Similarly, Vidaver-Cohen and Brønn (2008) highlight that full institutionalisation requires satisfying cognitive legitimacy criteria.

In mature microenterprises, change tends to emerge through gradual adaptation rather than radical transformation. Over time, these firms adopt new legitimation routines in response to shifting stakeholder expectations. Legitimacy, therefore, must be continuously reconstructed (Drori and Honig, 2013), and organisational evolution occurs through accumulated trust and iterative adjustments (Perrault and McHugh, 2015). Accordingly, we hypothesise that integrating new legitimacy-enhancing actions across multiple dimensions is essential for sustaining and reinforcing legitimacy over time.

H3. Upon reaching maturity, microenterprises must integrate new actions, aligned with different dimensions of legitimacy, to sustain and strengthen their legitimacy over time.

3. Method

3.1 Scale development

To ensure contextual relevance for mature microenterprises, all measurement items adapted from previous studies were reviewed for clarity and appropriateness. Terminology was simplified to accommodate owner-managers without formal business training, and items were reframed to reflect the informal structures, flat hierarchies, and context-driven strategies typical of microenterprises, avoiding references more suited to large corporations. This adaptation process was validated by a panel of PhD-level experts in SME research.

Although legitimacy theory offers well-established conceptual dimensions, there is limited consensus on the specific indicators for each. To address this, we developed a customised measurement scale based on Díez-Martín *et al.* (2021), tailored to the study's context and objectives. Following the methodological approach of Randrianasolo and Arnold (2020), we constructed and validated a set of items to capture both overall legitimacy and its core dimensions.

An initial pool of 92 items was compiled through an extensive literature review. Four PhD-level experts evaluated each item for relevance, clarity, and theoretical alignment. Based on their feedback, redundant or unclear items were revised, merged, or removed. The final scale comprises items organised under six legitimacy dimensions, as detailed in Table 1.

3.2 Data collection

Empirical data for this study were obtained from the Iberian Balance Analysis System (SABI), which compiles financial and structural information on Spanish firms. The sample was

Table 1. Survey questionnaire

Code	Description
	Legitimacy
Leg01	The actions of the company could be judged as useful, just, and appropriate
Leg02	The company generates a sense of trust
	Cognitive
Cog01	It is easy for the company to gain the loyalty of its customers
Cog02	The company has a sufficient size for the activity it develops[a]
Cog03	The image and position of the company in the sector is optimal
Cog04	Comparatively, your company is one of the best within the set of this type of business[a]
Cog05	The company has achieved recognition through awards, invitations to conferences, positions in associations, etc.[a]
Cog06	The company has strong links with other larger companies[a]
	Managerial
Manage01	The company is clear about its function and follows a defined line in its products and/or services
Manage02	The know-how of the company has its own style that differentiates it from others[a]
Manage03	The company has strategies focused on revenue and profit growth[a]
Manage04	The company has made significant technological improvements
Manage05	The company manager has great experience[a]
Manage06	It is a company with good financial structure and solvency[a]
Manage07	The company has the facility to obtain the resources, financial or otherwise, that it needs for its activity
Manage08	If the company has a website, consider that it is truly useful for customers and suppliers[a]
Manage09	The company has good potential in terms of growth and competitive capacity[a]
	Moral
Moral01	We can affirm that the organisation does the right thing in the general development of its activity
Moral02	Customers and suppliers can obtain extensive and truthful information about the organisation
Moral03	Due to social responsibility, the organisation takes some actions that go beyond what is required by the regulation[a]
Moral04	The actions of the company are consistent with the values of society
	Pragmatic
Prag01	The company meets the needs and aspirations of clients, financiers, and suppliers
Prag02	The company consults and seeks input from financiers, customers, and suppliers to improve value creation[a]
	Regulative
Reg01	The company or its managers have never been administratively or criminally penalised[a]
Reg02	The company complies with all environmental management regulations
Reg03	The company complies with all health and safety standards
Reg04	The company is up to date on paying its taxes and social security[a]
Reg05	The company complies with all equality and non-discrimination standards[a]
	Technical
Tech01	The company has established procedures to carry out its activities[a]
Tech02	There is fluid communication with customers, banks, and suppliers
Tech03	There is a guarantee of the quality of products and services accredited by official certifications[a]
Tech04	The qualification and training of the personnel employed is adequate
Tech05	The management of the organisation is efficient and effective

Note(s):, [a]Indicator removed; nonsignificant weight and outer loading <0.50. Bootstrapping based on $n = 10.000$ subsamples applying a two tailed test for a *t* Student distribution (Hair *et al.*, 2021)

Source(s): Authors' own elaboration based on the research of Alexiou and Wiggins (2019), Fisher *et al.* (2016), Guo *et al.* (2014), Liu *et al.* (2020), Mani and Gunasekaran (2018), Moreno-Luzon *et al.* (2018), Nagy *et al.* (2017), Ogden and Clarke (2005), Suchman (1995), Zimmerman and Zeit (2002)

restricted to companies that: (1) are currently active, (2) have operated for at least 20 years, (3) employ fewer than 10 people, and (4) reported annual balance sheets below €2 million throughout the observation period. These criteria yielded a target population of 66,491 microenterprises.

From this population, a random sample of 500 firms was drawn. After excluding investee companies and corporate group affiliates, the final eligible sample consisted of 362 firms. Structured telephone interviews were conducted with owner-managers or administrators, the key decision-makers in microenterprises. A total of 156 valid responses were collected, resulting in a response rate of 43.09%.

Given the central role of owner-managers in shaping legitimacy in microenterprises, the study prioritises their perspectives, in line with prior research (e.g. Nagy *et al.*, 2017). Respondents assessed the extent of their firm's legitimacy-enhancing practices using a 7-point Likert scale (1 = "strongly disagree"; 7 = "strongly agree").

4. Data analysis and results

4.1 Perception of organizational legitimacy

Organisational legitimacy is broadly understood as the generalised perception that a company's actions are appropriate within its social context (Suchman, 1995).

The analysis revealed that mature microenterprises (defined as those with more than 20 years of continuous operation) exhibit high levels of perceived legitimacy. This suggests that their practices, behaviours, and strategies are widely regarded as aligned with societal expectations. However, as Haack *et al.* (2021) caution, the mere aggregation of individual perceptions (validity) is not sufficient; legitimacy also requires consensus amongst evaluators (Haack and Sieweke, 2020). To examine this, we generated a histogram based on the legitimacy scores produced by the PLS model (see Figure 1).

Figure 1 illustrates a left-skewed distribution, indicating both high levels of legitimacy and strong consensus amongst the participating microenterprises.

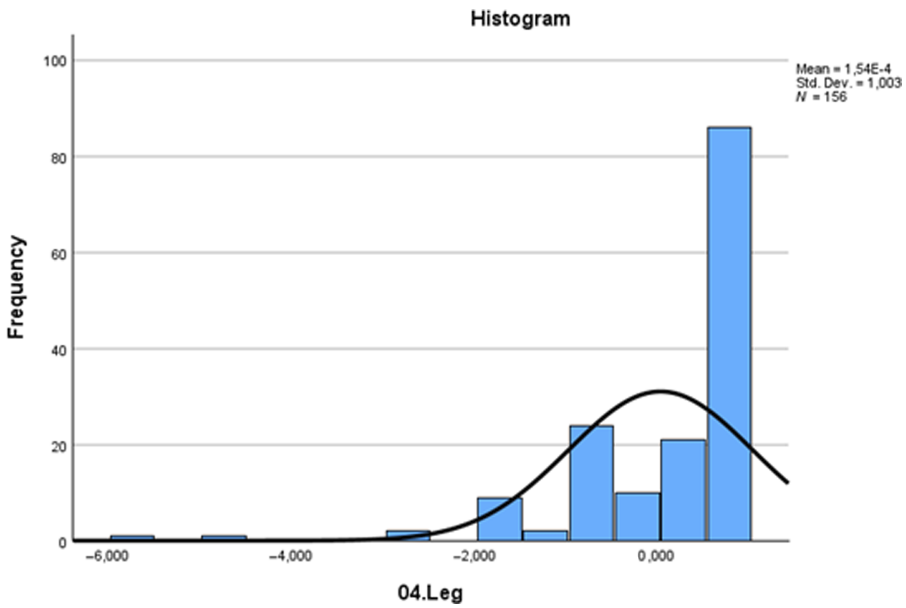

Figure 1. Distribution of legitimacy [04.Leg]. Note: Figure 1 shows the distribution of the standardised scores for the latent construct "Legitimacy" generated by SmartPLS. These values may include both positive and negative components, as they are centred around a zero mean, and should not be confused with the original measurement scales. **Source(s):** Authors' design

To statistically validate this finding, we applied the Cramér–von Mises test to the standardised composite scores for the legitimacy construct. The test confirmed non-normality ($p < 0.05$), consistent with the graphical distribution. The results show a high kurtosis value (9.977), indicating a sharp peak and heavy tails, whilst a skewness of −2.539 points to a concentration of scores on the right-hand side of the distribution, again supporting the conclusion that legitimacy is strongly present amongst the firms studied.

The analysis revealed that mature microenterprises (defined as those with more than 20 years of continuous operation) exhibit high levels of perceived legitimacy. This is evidenced by the left-skewed distribution, high kurtosis, and the results of the Cramér–von Mises test. These results provide empirical support for Hypothesis 1, which posited that legitimacy is not only present but central to the long-term survival of mature microenterprises.

4.2 Measurement model assessment

Partial Least Squares Structural Equation Modelling (PLS-SEM) was chosen due to the exploratory nature of the study, the inclusion of both formative and reflective constructs, and the relatively small sample size ($n = 156$), which constrains the use of covariance-based SEM. PLS-SEM is well suited for such conditions, as it is robust to violations of multivariate normality and effective for modelling complex relationships amongst latent variables (Hair *et al.*, 2019, 2021). To complement the analysis and uncover non-compensatory relationships, we also applied Necessary Condition Analysis (NCA). NCA identifies whether certain legitimacy dimensions act as bottlenecks: conditions that must be present to achieve high perceived legitimacy (Dul *et al.*, 2020; Richter *et al.*, 2020). The combined use of PLS-SEM and NCA enhances both the explanatory power and diagnostic depth of the study.

To assess the reliability and validity of the measurement model, we employed PLS-SEM using SmartPLS3. In line with Dijkstra and Henseler (2015), Model A estimation was applied to the Legitimacy and Regulative constructs, as their indicators are expected to be correlated. Conversely, Mode B was used for Cognitive, Managerial, Technical, Pragmatic, and Moral constructs, as these represent composite variables formed by their respective indicators.

Table 2 presents the results of the outer model. Most indicators exhibited satisfactory outer weights and loadings. Some indicators within formative constructs (e.g. Moral02, Tech05) showed non-significant weights. However, these were retained based on theoretical relevance and their substantial contribution to outer loadings (Hair *et al.*, 2019).

For reflective constructs, loadings exceeded the recommended 0.70 threshold, and all composite reliabilities (CR) were above 0.80, with Average Variance Extracted (AVE) values exceeding 0.50, confirming internal consistency and convergent validity (see Table 3).

Discriminant validity (Table 3) was evaluated using both the Fornell-Larcker criterion and the Heterotrait-Monotrait ratio (HTMT). Diagonal values in the Fornell-Larcker matrix exceeded inter-construct correlations, supporting discriminant validity. HTMT values remained below the conservative threshold of 0.85, and confidence intervals did not include 1.0, further confirming discriminant validity (Henseler *et al.*, 2015).

4.3 Structural model evaluation

Table 4 presents the structural model estimates. The analysis revealed that Managerial processes have a statistically significant and positive impact on Legitimacy ($\beta = 0.363$, $p < 0.001$), thereby supporting Hypothesis 2. Other constructs, such as Cognitive ($\beta = 0.094$), Technical ($\beta = 0.172$), Moral ($\beta = 0.072$), Pragmatic ($\beta = 0.083$), and Regulative ($\beta = 0.032$), did not demonstrate statistically significant effects ($p > 0.05$).

Explanatory Power and Effect Size. The R^2 value for the Legitimacy construct is 0.409, which indicates moderate explanatory power (Hair *et al.*, 2021). The f^2 effect size for the Managerial construct was 0.13, signifying a medium effect, whilst other constructs had f^2 values below 0.02, indicating negligible effects.

Table 2. Measurement model

	Outer weight Original sample (O)	*t*-value	*p*-value	PBCI (95%)	Outer loading Original sample (O)	*t*-value	*p*-value	PBCI (95%)	VIF
01. Cognitive (composite Mode B)									
Cog01	0.589	4.39	0.000	[0.298; 0.830]	0.813	8.428	0.000	[0.577; 0.954]	1.147
Cog03	0.624	4.648	0.000	[0.328; 0.859]	0.835	9.691	0.000	[0.625; 0.961]	1.147
02.Managerial (composite Mode B)									
Manage01	0.753	6.765	0.000	[0.484; 0.916]	0.927	14.524	0.000	[0.741; 0.983]	1.238
Manage04	0.335	1.69	0.091	[−0.043; 0.692]	0.620	4.053	0.000	[0.299; 0.868]	1.134
Manage07	0.181	1.166	0.244	[−0.108; 0.493]	0.523	3.693	0.000	[0.213; 0.761]	1.161
03.Technical (composite Mode B)									
Tech02	0.280	1.554	0.120	[−0.111; 0.597]	0.654	4.626	0.000	[0.300; 0.855]	1.273
Tech04	0.769	3.863	0.000	[0.347; 1.108]	0.955	16.186	0.000	[0.779; 0.997]	1.505
Tech05	0.127	0.501	0.617	[−0.414; 0.662]	0.642	3.375	0.001	[0.167; 0.890]	1.452
05. Moral (composite Mode B)									
Moral01	0.585	2.491	0.013	[−0.005; 0.912]	0.905	9.031	0.000	[0.609; 0.987]	1.669
Moral02	0.126	0.691	0.490	[−0.186; 0.543]	0.661	5.29	0.000	[0.398; 0.885]	1.512
Moral04	0.461	2.491	0.013	[0.115; 0.845]	0.839	8.809	0.000	[0.615; 0.975]	1.518
06.Pragmatic (composite Mode B)									
Prag01	1				1				1.000
04.Legitimacy (composite Mode A)									
Leg01	0.543	13.201	0.000	[0.471; 0.637]	0.867	17.041	0.000	[0.736; 0.927]	
Leg02	0.595	11.075	0.000	[0.508; 0.722]	0.891	30.4	0.000	[0.815; 0.929]	
07.Regulative (composite Mode A)									
Reg02	0.487	3.590	0.000	[0.217; 0.719]	0.901	12.75	0.000	[0.731; 0.977]	
Reg03	0.600	4.372	0.000	[0.354; 0.847]	0.936	20.023	0.000	[0.845; 0.987]	

Source(s): Authors’ own work

Predictive Relevance and Model Fit. The Q^2 value for the Legitimacy construct was 0.409, indicating strong predictive relevance. Additionally, the PLS Predict procedure demonstrated that the PLS model outperformed the linear model (LM) in terms of Mean Absolute Error (MAE), suggesting good out-of-sample prediction accuracy (Shmueli *et al.*, 2019).

To address potential endogeneity concerns, the Gaussian Copulas approach was applied (Park and Gupta, 2012), as recommended by Hult *et al.* (2018). Bootstrapping with 10,000 subsamples revealed that none of the Copula terms were statistically significant ($p > 0.10$),

Table 3. Reflective constructs

Reliability and construct validity

	Cronbach's alpha	rho a	Composite reliability	AVE
04.Leg	0.705	0.709	0.871	0.772
07.Regulative	0.816	0.841	0.915	0.843

Discriminant validity

	04.Leg	06.Pragmatic	07.Regulative
04.Leg	*0.879*	0.493	0.254
06.Pragmatic	*0.413*	*n.a*	0.141
07.Regulative	*0.196*	*0.127*	*0.918*

Note(s): The diagonal elements (underlined and italics) are the square roots of the AVEs; the Fornell-Larcker criterion is in italics in the lower left corner; and the heterotrait-monotrait ratio (HTMT) is in the upper right corner; off-diagonal lower elements are the correlations between constructs. For discriminant validity. Diagonal elements should be larger than off-diagonal lower elements. n.a.: non-applicable

Heterotrait-monotrait ratio (HTMT inference)

	Original sample (O)	Sample mean	PBCI Lower	PBCI Upper
06.Pragmatic → 04.Leg	0.493	0.516	0.262	0.753
07.Regulative → 04.Leg	0.254	0.292	0.086	0.605
07.Regulative → 06.Pragmatic	0.141	0.154	0.023	0.339

Note(s): PBCI: percentile bootstrap confidence interval. Bootstrapping based on $n = 10.000$ subsamples applying a two-tailed test for a t Student distribution (PBCI 95%)

Source(s): Authors' own work

indicating the absence of endogeneity bias. Therefore, we conclude that omitted variable bias is unlikely to affect the validity of the estimated path coefficients.

The analysis revealed that only managerial legitimacy had a statistically significant positive effect on the overall construct of legitimacy ($\beta = 0.363$, $p < 0.001$). In contrast, the effects of cognitive, moral, technical, pragmatic, and regulative legitimacy were non-significant. These findings partially confirm Hypothesis 2, which proposed that all six dimensions would have a positive and direct effect. The managerial dimension stands out as the principal driver of legitimacy in the context of mature microenterprises.

4.4 Necessary condition analysis (NCA)

We also conducted Necessary Condition Analysis (NCA) to determine whether any legitimacy dimensions are necessary, though not sufficient, conditions for achieving high legitimacy.

The results (Table 5) show that cognitive and managerial legitimacy dimensions are indeed necessary conditions for achieving higher levels of legitimacy (70–90%), both demonstrating medium effect sizes and statistically significant p-values ($p < 0.05$). In contrast, the regulative dimension was not found to be necessary (effect size $= 0.000$, $p = 1.000$), reinforcing the structural model's findings.

The NCA results show that both managerial and cognitive legitimacy are necessary, though not sufficient, conditions to achieve high levels of legitimacy (≥70%). These findings support Hypothesis 3, which proposed that mature microenterprises must integrate new, dimension-specific legitimation practices over time to sustain and enhance their legitimacy.

Table 4. Structural analysis

	Direct effect	T statistics (| O/STDEV |)	p-values	CI	Explained variance	f^2	*VIF*
01.Cognitive → 04.Leg	0.094	0.941	0.173	[−0.056; 0.272] NSig	4.50%	0.008	1.985
02.Managerial → 04.Leg	0.363	3.295	0.000	[0.175; 0.534] Sig	20.90%	0.13	1.71
03.Technical → 04.Leg	0.172	1.622	0.052	[−0.003; 0.344] NSig	8.08%	0.029	1.749
05.Moral → 04.Leg	0.072	0.687	0.246	[−0.077; 0.267] NSig	3.39%	0.004	2.043
06.Pragmatic → 04.Leg	0.083	0.817	0.207	[−0.097; 0.239] NSig	3.44%	0.007	1.65
07.Regulative → 04.Leg	0.032	0.416	0.339	[−0.069; 0.186] NSig	0.63%	0.002	1.119

Note(s): (1) CI: Percentile confidence interval. Bootstrapping based on $n = 10.000$ subsamples. (2) A one-tailed test for a t-student distribution (CI 90%) is applied to evaluate the hypothesized paths. Sig. describes a significant direct effect at 0.05; NSig. denotes a nonsignificant direct effect at 0.05

Explanatory power of the model and coefficient of determination (R^2)

			Decomposition of R^2					
	Q^2	R^2	01.Cognitive	02.Managerial	03.Technical	05.Moral	06.Pragmatic	07.Regulative
04.Leg	0.409	0.409	0.0450	0.2090	0.0808	0.0339	0.0344	0.0063

PLS prediction error (descriptive)

	Mean	Median	Min	Max	Standard deviation	Excess kurtosis	Skewness	Number of observations used
Leg01	0.002	0.131	−3.608	1.822	0.758	2.875	*−1.036*	1,560
Leg02	0.001	0.054	−3.82	1.208	0.531	15.062	*−2.549*	1,560

PLS predicts the results based on the assessment of MAE values

	True out-of-sample predictive performance at indicator level			
Items	*PLS* *MAE*	Q^2_ *predict*	*LM* *MAE*	*PLS - LM* *MAE*
Leg01	0.547	0.186	0.558	−0.011
Leg02	0.332	0.237	0.35	−0.018

Source(s): Authors' own work

5. Discussion

The present study examined mature microenterprises that have successfully overcome the liability of newness (Yang and Aldrich, 2017) and entered the maturity phase of their organisational life cycle. Unlike growth-oriented firms, microenterprises often reach maturity

Table 5. Necessary condition analysis

Effect sizes and significance tests	Cognitive CR_FDH	Managerial CR_FDH	Technical CR_FDH	Moral CR_ FDH	Pragmatic CR_FDH	Regulative CR_FDH
Effect size (d)	0.135	0.179	0.044	0.046	0.031	0.000
p-value	0.000	0.000	0.040	0.050	0.193	1.000
Ceiling zone	4.115	6.582	1.461	1.502	0.984	0.000
# above	3	2	0	4	0	
c-accuracy	98.1%	98.7%	100%	97.4%	100%	100%

Bottleneck table (percentages)

Legitimacy Scale percentage	Cognitive CR_FDH	Managerial CR_FDH	Technical CR_ TFDH	Moral CR_ FDH	Pragmatic CR_FDH	Regulative CR_FDH
0	NN	NN	NN	NN	NN	NN
10	NN	NN	NN	NN	NN	NN
20	NN	NN	NN	NN	NN	NN
30	1.6	5.3	NN	NN	NN	NN
40	6.6	11.0	NN	NN	NN	NN
50	11.7	16.7	NN	NN	NN	NN
60	16.8	22.4	NN	NN	NN	NN
70	21.8	28.1	3.5	NN	NN	NN
80	26.9	33.8	10.7	NN	5.0	NN
90	32.0	39.5	17.8	21.4	15.0	NN
100	37.1	45.3	24.9	58.8	25.0	NN

Note(s): CR-FDH = Ceiling Regression – Free Disposal Hull. We consider the general benchmark of the necessity effect size (d): $0 < d < 0.1$ "small effect"; $0.1 \geq d < 0.3$ "medium effect"; $0.3 \geq d < 0.5$ "large effect". and $d \geq 0.5$ "very large effect". The reported *p*-values were estimated with 10.000 permutations and are treated as significant if < 0.05. *p*-accuracy: Accuracy of the *p*-value estimated by approximate permutation as a function of the number of permutations and the estimated *p*-value. Ninety-five percent confidence that exact *p* value = estimated *p* value ± *p* accuracy

Source(s): Authors' own work

without undergoing expansion. Despite this, most existing research on business maturity overlooks microenterprises, as if their survival beyond the early stages automatically guarantees future stability.

5.1 Theoretical implications

This study examines how mature microenterprises that remain intentionally small build, maintain, and renew legitimacy over time. In doing so, it addresses three key theoretical areas that have remained underexplored in prior research.

First, our findings contribute to the theoretical understanding of legitimacy by developing a microenterprise-tailored account in which managerial legitimacy emerges as the primary sufficient driver of overall legitimacy. This perspective nuances traditional assumptions derived from growth-oriented contexts, where legitimacy is often linked to expansion potential rather than to reliability and responsible management practices.

Second, the study advances contextual insights by offering evidence from a locally bounded European setting. In this context, legitimacy depends less on scale or growth signals and more on visible managerial routines and minimum cognitive thresholds that demonstrate competence and reliability. These results clarify the specific, context-dependent criteria through which proximate stakeholders—such as clients, suppliers, and local authorities—evaluate legitimacy in small, long-lived firms.

Third, the paper contributes methodologically by combining Partial Least Squares Structural Equation Modelling (PLS-SEM) with Necessary Condition Analysis (NCA). This integrative approach distinguishes between sufficient and necessary conditions, generating threshold-based insights that go beyond what traditional sufficiency-only models can offer.

Empirically, the results reveal that managerial legitimacy exerts a positive and significant influence on overall legitimacy ($\beta = 0.363$, $p < 0.001$), whereas other legitimacy dimensions show no direct effects in the structural model. Conceptually, the analysis suggests that the persistence of small firms depends on safeguarding critical "necessary floors"—particularly cognitive and managerial legitimacy—and subsequently leveraging managerial routines to strengthen overall legitimacy. Methodologically, the integration of necessity logic exposes non-compensatory bottlenecks that refine both theoretical understanding and practical implications regarding the survival and continuity of mature microenterprises.

From a theoretical perspective, this study makes several contributions aligned with its three research objectives. First (Objective 1/H1), it empirically confirms that legitimacy is a central feature of mature microenterprises and a key determinant of their long-term survival. This finding expands legitimacy theory by demonstrating its relevance in contexts not driven by growth. Second (Objective 2/H2), the study reveals that amongst the multiple legitimacy dimensions, only managerial legitimacy exerts a significant direct influence. This challenges assumptions of uniform dimensional relevance and highlights the strategic role of management in micro-scale contexts. Third (Objective 3/H3), the integration of NCA methodology confirms that legitimacy must be nurtured over time through additional routines, supporting the view of legitimacy as a cumulative and dynamic construct.

The first objective of this study was to assess whether mature microenterprises can be considered legitimate organisations, given the well-established link between legitimacy and long-term survival (Eberhart and Rottner, 2018). Whilst longevity suggests sustained legitimation efforts, empirical validation was required. Our results confirm consistently high levels of perceived legitimacy across the sample, supporting its critical role in organisational endurance (Sun and Liu, 2023). A left-skewed distribution of legitimacy scores further indicates broad consensus amongst stakeholders.

The second research question (Objective 2/H2) focused on identifying the specific actions that define legitimacy in microenterprises. Traditional metrics used for large firms proved unsuitable, leading us to adopt the multidimensional framework of Díez-Martín *et al.* (2021), tailored to small business contexts. Of the six legitimacy dimensions tested, only the managerial construct showed a statistically significant effect ($\beta = 0.363$, $p < 0.001$). This finding reinforces legitimacy theory (Suchman, 1995) by highlighting the centrality of competent, value-aligned leadership in shaping stakeholder perceptions (Zhang *et al.*, 2022; Lortie *et al.*, 2022).

In contrast, cognitive, technical, moral, pragmatic, and regulative dimensions did not yield significant effects. Cognitive legitimacy ($\beta = 0.094$) appears insufficient on its own to generate legitimacy, whilst technical competence ($\beta = 0.172$, $p = 0.052$) neared significance, suggesting it is secondary to managerial influence. Weak results for moral and pragmatic legitimacy ($\beta = 0.072$; $\beta = 0.083$) may reflect a disconnect between ethical claims and observable practices. The negligible impact of regulative legitimacy ($\beta = 0.032$) likely reflects stakeholder assumptions of compliance as a baseline requirement, thus diminishing its strategic value (Deephouse *et al.*, 2017).

Our third objective (Objective 3/H3) posited that legitimacy is dynamic and must be reinforced over time through the adoption of new practices. Findings from the Necessary Condition Analysis (NCA) support this view. Consistent with Li *et al.* (2019) and Chung *et al.* (2016), our results show that legitimation unfolds in stages, with the salience of each dimension shifting over time. Legitimacy must be continuously reconstructed to maintain relevance and organisational viability in evolving environments (Drori and Honig, 2013; Perrault and McHugh, 2015).

The NCA also revealed dimension-specific bottlenecks (see Table 5), offering practical guidance on sequencing and prioritising legitimacy-building actions. Whilst sector-specific adaptation is necessary, these insights provide a strategic roadmap for reinforcing legitimacy. The non-significant results for cognitive, moral, and regulative legitimacy may suggest their implicit normalisation in mature firms—dimensions that, though essential, lack discriminatory power due to their taken-for-granted nature. Their influence may be indirect, functioning as contextual qualifiers whose effects are mediated by more visible factors like managerial competence (Choi and Shepherd, 2005; Zhang *et al*., 2022).

5.2 Practical implications

This study provides actionable insights for stakeholders in the microenterprise ecosystem, particularly in relation to legitimacy as a driver of long-term survival.

First, regarding H1, recognising legitimacy as a survival factor highlights the need for firms to assess and monitor their institutional positioning. Legitimacy emerges not as an abstract concept but as a measurable determinant of continuity. Amongst its dimensions, managerial legitimacy (encompassing strategic clarity, operational consistency, and purpose alignment) proved the most influential in shaping external perceptions.

Thus, microenterprise owners and managers should prioritise the development of managerial capabilities. Actions such as defining strategic goals, maintaining coherent communication, and projecting a consistent identity can enhance legitimacy and increase access to critical resources whilst boosting resilience in uncertain environments.

Second, in relation to H2, the limited influence of moral, pragmatic, cognitive, technical, and regulative dimensions suggests that compliance and reputation alone are insufficient. Without strategic managerial engagement, these dimensions lack the discriminatory power to sustain legitimacy. As a result, support programmes and public policies should go beyond financial aid and emphasise advisory services and training that strengthen internal managerial capacity, especially in small firms where leadership is often informal and experience-based.

Third, aligning with H3, findings from the Necessary Condition Analysis (NCA) confirm that managerial and cognitive legitimacy are essential thresholds. This offers a roadmap for sequencing legitimacy-building efforts over time. Microenterprises can use these insights to incrementally incorporate practices that reinforce legitimacy in alignment with their operational realities.

Finally, given the vital role microenterprises play in the European economy, these findings hold direct implications for public policy. Support programmes should prioritise managerial development, strategic differentiation, and legitimacy awareness. Legitimacy-based indicators—complementing financial metrics—could be used to evaluate eligibility and sustainability. Moreover, simplified diagnostic tools could help firms assess their legitimacy status and identify areas for improvement, reinforcing the EU's broader agenda for fostering competitiveness and resilience amongst small enterprises.

Why these implications are credible. The model shows moderate explanatory power (R^2 = 0.409) and strong predictive relevance (Q^2 = 0.409), which supports the practical transportability of these recommendations in similar contexts.

5.3 Limitations and future research directions

This study presents several limitations that also offer opportunities for future research.

First, we intentionally excluded financial indicators (e.g. debt levels, funding sources, financial performance) to focus exclusively on legitimacy-related factors. Consequently, the relationship between legitimacy and financial outcomes remains unexplored. Future studies could investigate how legitimacy influences access to finance or correlates with performance metrics in microenterprises.

Second, the research focused solely on Spanish microenterprises. Whilst cultural and economic parallels may allow for some generalisation to other Latin or Mediterranean contexts, caution is warranted when applying these findings to different institutional environments. Comparative cross-country research could illuminate how legitimacy is constructed and perceived across diverse regulatory and cultural settings.

Third, although we employed a robust multidimensional framework, the moderate explanatory power of the six legitimacy dimensions suggests room for refinement. Future studies could expand or recalibrate item sets to improve construct sensitivity and strengthen the model's explanatory capacity in microenterprise contexts.

Fourth, from a policy standpoint, our findings highlight the importance of support programmes that go beyond financial assistance. Public initiatives should help microenterprises strengthen their legitimacy, particularly in cognitive, managerial, and moral dimensions, by offering training, advisory services, and legitimacy-based assessment tools. Legitimacy should be treated as a strategic asset and incorporated into criteria for institutional support.

Finally, two promising avenues for future research are proposed. First, cross-national studies could explore how institutional, cultural, and regulatory contexts shape legitimacy-building processes, facilitating the identification of both context-specific and generalisable patterns. Second, longitudinal research designs would allow for a deeper understanding of legitimacy as a dynamic construct. Tracking its evolution over time, especially in response to events such as innovation, regulatory shifts, or leadership transitions, could reveal how legitimacy is acquired, sustained, or reconfigured across the organisational life cycle.

In sum, this study reinforces the view that legitimacy is a central driver of microenterprise survival, one that depends on both internal managerial practices and external adaptation to changing environments.

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