Abstract

Governance research has traditionally emphasized either formal structures of accountability or relational mechanisms of trust, often treating them as substitutes. This study advances a different view by conceptualizing governance as a system of double legitimacy: formal mechanisms confer external credibility, while relational mechanisms generate internal moral authority. Drawing on survey data from 458 Savings and Credit Cooperative Societies (SACCOs) in Kenya, this study examines how these dimensions interact to shape organizational performance. Hierarchical linear and polynomial regression analyses show that performance is highest when structural accountability and relational trust coexist. Formal governance—through audits, elections, and by-law enforcement—safeguards solidarity from opportunism, while relational governance—through fairness, conflict resolution, and trust—renders rules legitimate in the eyes of members. The results confirm that neither dimension is sufficient on its own: organizations relying exclusively on formal rules risk disengagement, while those depending solely on trust lack external legitimacy. The study makes four contributions. First, it extends institutional theory by showing how hybrid governance forms are sustained through relational practices as well as structural adoption. Second, it advances relational governance research by theorizing relational governance as an intra-organizational dynamic. Third, it develops legitimacy theory through the construct of double legitimacy, highlighting the recursive interaction of compliance and trust. Finally, it challenges conventional views of authority boundaries by showing that blurred roles can recycle legitimacy across domains, sustaining governance under weak institutional enforcement. Beyond SACCOs, these insights apply to schools, NGOs, churches, and other member-driven organizations where authority depends on both rules and relationships.