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Proposal for Presenter Symposium

Understanding the Antecedents, Evaluations, and Processes of Organizational Wrongdoing in a Changing World

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1. **It Takes Two to Tango: How Persistent Misconduct Induces Escalating Contestation in the Financial Industry, 2005–2020**

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3. **Unicorn riders as legitimate troublemakers: Why do organizational insiders have trouble evaluating the entrepreneurial leader's questionable behaviors?**

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4. **Who Protects Against Organizational Malfeasance? Limits to Worker Mobilization against Corporate Social Irresponsibility**

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Sponsor Divisions:

Organization and Management Theory (OMT); Social Issues in Management (SIM); Strategic Management (STR);

OVERVIEW OF SYMPOSIUM

Organizational wrongdoing continues to be one of the biggest challenges posed by firms, considering its impact on our economy, society, and individuals (Hersel, Helmuth, Zorn, Shropshire & Ridge, 2019; Greve et al, 2010; Palmer, 2012; Palmer, 2017). Organizational wrongdoing, defined as "organizational behavior that can be considered wrongful by the criteria of the law, ethics, or social responsibility (Palmer, 2012: 25p)", has drawn attention from management scholars under different names, including organizational corruption (Ashforth & Anand, 2003), deviance (Earle, Spicer, & Peter 2010), illegality (Mishina, Dykes, Block, & Pollock, 2010), misconduct (Greve, Palmer, & Pozner, 2010), transgression (McDonnell & King, 2018) corporate fraud (Shi, Connelly & Hoskisson, 2017), and corporate crime (Alcadipani, R., & de Oliveira Medeiros, 2019).

Despite a rich literature in existence, we believe that our field will benefit from a renewed scholarly attention to wrongdoing for three main reasons. Firstly, the current institutional complexity amplifies ambiguity in identifying wrongdoing. In the regulatory aspect, frequently changing laws in certain industries (Boston Consulting Group, 2018) increase the complexity in defining a criterion for misconduct. In the normative aspect, a single organization engages in multiple communities with different rules and norms. Inside members and key audiences including social agents face challenges in identifying an organization's immoral behavior because of blurred ethical boundaries in some contexts. As such, there may be research-worthy repercussions of audiences' oversight in judging and sanctioning such questionable behavior (Reilly, 2018).

Secondly, the new organizational structure and form broadens organizational context of wrongdoing. Prior research has focused mainly on large and mature firms (Jackall, 1983; Hersel et al., 2019). Recent incidents of wrongdoing in start-ups such as Theranos (Robinson & Splading, 2018), WeWork (Farrell et al, 2019), and Nikola (Boudette & Erwing, 2020), depict transgressions different from upper management corruption or fraud, traditionally observed in established companies. Finally, the recent scandals do not show a clear locus where the wrongdoing is oriented and embedded. There is distributed responsibility which leads to a lack of a single position of accountability. For instance, Wells Fargo fake account scandal revealed their member-wide immoral practices and Volkswagen NOxGate disclosed their structurally-organized R&D activities to cheat on government regulations (Clemente & Gabbioneta, 2017; Grimes, Williams & Zhao, 2019; Hersel et al., 2019). We believe our field would benefit from deep investigation about organization-level or institutional-level facilitators which go beyond mere leader-level antecedents of wrongdoing.

Our symposium aims to reflect on these three aspects and advance the discussion on antecedents and evaluations of organizational wrongdoing. The papers in our symposium provide interesting insights regarding the following broad questions: (1) Which factors shape organizational wrongdoing? (2) How do insiders, social agents, and other key audiences evaluate wrongdoing? (3) How do their evaluations and reactions influence the process and consequence of wrongdoing? (4) What are the broader consequences of organizational wrongdoing in society and economies. Additionally, each paper employs a variety of methods including qualitative and quantitative approach. Even though the presented papers do not directly observe the effects of managerial decision, they assert that the loss of managerial function could facilitate adverse functions of organization and conversely, imply the importance of *bringing the manager back in management*.

Presentations

In the first presentation, Timo Fiorito and his co-authors, investigate why organizations continue to engage in misconduct despite being repeatedly scrutinized by regulatory authorities

Based on three in-depth, qualitative case studies on persistent noncompliance with anti-money laundering regulations by major European financial firms over a 15-year period (2005-2020), they develop a grounded process model that explains the escalating contestation between offending firms and regulatory authorities. The social-control agent perspective, adopted in this study, explains this process in detail by clarifying the shifts in regulators' attitudes towards misconduct over time. The authors find that noncompliance becomes normalized as a result of regulatory restraint, purposefully maintained through symbolic and isolated remediation, and eventually resolved following salient critical events.

In the second presentation, Deepika Chhillar, in her collaborative empirical work, explores the role of organizational culture in organizational wrongdoing. Existing research has emphasized organizational culture as an important antecedent and catalyst to wrongdoing. However, empirical research on this topic has been restricted mainly due to measurement difficulties. In this study, the authors attempt to empirically assess (and possibly strengthen) the link between organizational culture and wrongdoing by using a novel measure of culture . Their research question specifically involves exploring Glassdoor data (of Fortune 500 firms over a period of 2008-2020) as a predictor of corporate wrongdoing. The primary aim of the study is to examine how multiple dimensions of culture may serve as explanatory variables in this relationship and discover causal mechanisms explaining this relationship (if any). Theoretically, they draw from and aim to contribute to literature on organizational culture and ethics, organizational performance, and organizational leadership.

In the next presentation, Jinah Ryu explains the evaluations of entrepreneurial leaders' questionable actions in light of the sensemaking process where the institutionalized frames may play a role. The paper employs an inductive approach to retrospective interviews, complemented with the real-time data. The paper proposes that internal stakeholders share a common perception around what a legitimate entrepreneur looks like and introduces a couple of theoretical mechanisms on how such perceptions lead them to discount the leader's potentially-problematic actions but focus on his distinct visions.

Finally, Andrew Spicer in his co-authored empirical study, identifies the role of employee action and inaction in explaining the normalization of deviance in the ILVA steel plant in Taranto, Italy over the last forty years. They first examine the ways that "justice" and "wrongdoing" become defined in the legal arena, showing that decades of court judgments and punishments identified a host of human rights abuse and environmental hazards that directly influenced the health and safety of those that worked in the firm and lived in the community. Yet, the puzzle of their analysis rests in addressing the role of employees in the long-term response to organizational malfeasance: why were employees so ineffective in supporting the legal rulings and public reporting to protect their own health and safety? Their conclusions identify a divide between what global and national stakeholders considered to be just and fair and local conceptions of what workers considered to be possible to achieve within their own lived reality.

RELEVANCE TO THE DIVISIONS

Organizational and Management Theory (OMT)

The theme discussed in our symposium is likely of high interest for scholars of OMT. Discussions of organizational wrongdoing, with the novel context and methodologies in the paper presentations of our symposium, will add to the rich theoretical heritage of organizational theory. Our symposium presents an opportunity to engage OMT scholars in a discussion of the antecedents, evaluations (processes), and consequences of misconduct in new organizational contexts. Specially those interested in decision-making, leadership and performance will find such research discussions to enhance our understanding of leadership responsibilities in the firm. And to that effect, our symposium is well aligned with this year's theme of bringing the manager back in management. Our symposium aims to present an interesting avenue to hold stimulating discussions to further our understanding and discussion about the nature, locus and organizational context of organizational wrongdoing.

Social Issues in Management (SIM)

The topic of our symposium is deeply related to SIM division's main interests, including misconduct, stakeholder management, and business ethics. More specifically, our symposium zooms in on the complex process through which wrongful managerial conducts, and organizational practices become a part of organizations. Each paper's theoretical framework addresses a deep connection between the organizational system and societal influences, broadening our understanding of the social issues that lead to, as well as, arise from corporate wrongdoing. Moreover, all presentations in this symposium emphasize the needs for managers, as well as other internal and external stakeholders to pay close attention to factors that precipitate wrongdoing and lead to larger social costs. This implication aligns with the purpose of SIM division, which seeks how organizations in diverse institutional settings can serve a symbiotic function in society.

Strategic Management (STR)

Through our symposium we aim to engage scholars of STR division, in a discussion on organizational decision-making and performance. The papers in our symposium emphasize the absence or failure of management in generating managerial decisions, policy, and culture by studying the context of organizational wrongdoing. The studies build on theories ranging from institutional theory to organizational learning, integrating diverse perspectives to understand the managerial issues. Finally, their findings imply a healthy relationship between a firm and its stakeholders, considering that the engagement of both internal and external stakeholders influences organizational decision. Research discussions of these studies, along with interactive discussion with scholars of STR in our symposium, hold the potential to improve our current understanding of benefits and perils of organizational wrongdoing.

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PROPOSED FORMAT OF SYMPOSIUM

Length: 90 minutes

Minutes 0-5: Welcome and introduction to the symposium

- Presenters: *Matthew Kraatz*

Minutes 5-65: Paper presentations (15 minutes each)

10 mins each for the main idea of the paper followed by **5 mins** of discussion (research comments and theoretical implications) by *Jo-Ellen Pozner*

- It Takes Two to Tango: How Persistent Misconduct Induces Escalating Contestation in the Financial Industry, 2005–2020. *Presented by Timo L. Fiorito*

- Organizational Culture and Wrongdoing: A view through the Glassdoor. *Presented by Deepika Chhillar*

- Unicorn riders as legitimate troublemakers: Why do organizational insiders have trouble evaluating the entrepreneurial leader's questionable behaviors? *Presented by Jinah Ryu*

- Who Protects Against Organizational Malfeasance? Limits to Worker Mobilization against Corporate Social Irresponsibility. *Presented by Andrew Spicer*

Minutes 65-85: Q&A from audience, *moderated by Deepika Chhillar & Jinah Ryu*

Minutes 85-90: Concluding remarks

- Presenter: *Matthew Kraatz*

It takes two to tango: How persistent misconduct induces escalating contestation in the financial industry, 2005–2020

Timo L. Fiorito, Richard J. Hoff, and Michel L. Ehrenhard

Misconduct is ubiquitous in modern organizational life (Castro et al., 2020; Lehman & Ramanujam, 2009; Palmer, 2012) and is linked to a host of adverse outcomes (Hersel et al., 2019) eliciting a multitude of stakeholder responses (Barnett, 2014; Gangloff et al., 2016). Not surprisingly, both the antecedents and remediation of organizational misconduct (Greve et al., 2010; Palmer, 2012) and efforts from both inside and outside actors to curtail rule-breaking (Desai, 2016; Misangyi et al., 2008), remain important subjects for organizational research. Recent studies (Clemente & Gabbioneta, 2017; Heese et al., 2016; Mohliver, 2019) have sought to examine misconduct through a social constructivist perspective and have looked at the role of social-control agents in "creating and labeling misconduct" (Greve et al., 2010: 55). Yet the role of social-control agents in the persistence of misconduct over time remains empirically poorly understudied.

Although some first-time offenses may constitute mere incidental acts (Love & Kraatz, 2009; Mishina et al., 2012), the tendency of organizations to violate regulations in a repeated fashion may result from deficiencies in their character (King, 2015), internal policies and structures (MacLean & Behnam, 2010) or leadership characteristics (Zahra et al., 2005). The persistence of misconduct, however, may also result from institutional influences, including taken-for-granted professional practices (Muzio et al., 2016), peer misconduct (Gonin et al., 2012), or legal ambiguity in regulatory environment (Edelman, 1992). Organizations vary considerably in their responsiveness to external mandates or enforcement actions (Chandler, 2014; Crilly et al., 2012; Raaijmakers et al., 2015), and may thus also differ in the extent to which they resolve misconduct and remediate regulatory noncompliance.

Prior research provides a thorough examination of single instances of misconduct (Ashforth & Anand, 2003; MacLean & Behnam, 2010), yet we know relatively little about why organizations continue to engage in misconduct on a repeated basis even when sanctioned by governmental authorities (Bascle, 2016; Lehman et al., 2019). Despite calls for studies on the enduring and persistent character of organizational misconduct, integrating both intraorganizational and institutional characteristics, few studies have heeded the call (see exception Gabbioneta et al., 2013). Our aim is to address these calls by means of the following research question: *Why do organizations persist to engage in misconduct despite being repeatedly scrutinized by social-control agents?*

In this study, we investigate the issue of repeated rule-breaking, or a failure to remediate, resulting from the interplay between organizational characteristics and external influences. We adopt an institutional perspective informed by theories on organizational learning (e.g. Levitt & March, 1988) and decoupling (e.g. Bromley & Powell, 2012) to examine the mechanisms that explain repeated rule violations or failures of substantive responsiveness. Greve and colleagues (2010: 81) assert that to fully understand the causes of organizational misconduct one must understand how vigorously and successfully social-control agents enforce the legal rules. Taking this approach, we follow recent work (Dewan & Jensen, 2019; Heese et al., 2016) that emphasizes that the actions (or inactions) of social control agents need to be included in the study of organizational misconduct. These social control agents—political leaders, governmental agencies, and the media—effectively "create" the very notion of misconduct by deciding where the line is between good and bad behavior (Greve et al., 2010: 79), or by failing to enforce that line. These entities thus have the "institutional role" (Clemente & Gabbioneta, 2017: 287) of drawing the line that define legal, ethical or socially irresponsible, and enforcing when that line is being trespassed.

In exploring why organizations continue to engage in misconduct despite being repeatedly scrutinized by regulatory authorities, we undertook three in-depth case studies of noncompliance with anti-money laundering (AML) regulations by European financial firms over a 15-year period (2005-2020). This context is particularly appealing because of the endemic nature of this issue within the global financial system and the intensifying narrative of criminalizing gatekeepers' roles.

Based on our inductive, qualitative analysis, we elucidate three episodes of escalating contestation between offending financial firms and regulatory authorities: *framing* regulatory issues, *confronting* complacency, and *coercing* acquiescence. Our social-control agent perspective explains this process in detail by clarifying the shifts in regulators' attitudes towards misconduct over time. We found that within these episodes, learning in response to regulatory enforcement was respectively perverse, myopic and involuntary. More specifically, we find that noncompliance becomes normalized as a result of regulatory restraint, purposefully maintained through symbolic and isolated remediation, and eventually resolved following salient critical events.

Our paper makes several theoretical and empirical contributions. First, adding to research on organizational misconduct, we adopt a novel social-control agent perspective and demonstrate how regulatory authorities may (unintentionally) create and sustain organizational misconduct. As Greve and colleagues (2010: 57) assert, the "rigorous use of a social-control agent definition of misconduct, paired with empirical research on the behavior and influence of social-control agents, would be a major contribution to research on organizational misconduct". Second, our research contributes to institutional theory by untangling the underling mechanisms of organizational resistance and responsiveness to intensifying regulatory pressures. While a number of studies have analyzed in-depth a single incidence of organizational misconduct (Clemente & Gabbioneta, 2017; Jonsson et al., 2009), few have explored the persistence or remediation of misconduct over time. We contribute to this literature using a rich longitudinal dataset of persistent noncompliance. Third, we contribute to the literature on organizational learning. Specifically, we show how perverse learning fosters the normalization of noncompliance and how scandals as salient events function as triggers for substantial responsiveness and learning behavior (Chandler, 2014; Hoffman & Ocasio, 2001). Finally, this study provides important managerial and regulatory implications for those confronted with the challenge of preventing misconduct.

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Organizational Culture and Wrongdoing: A view through the Glassdoor

Deepika Chhillar, Donald Sull, Geoffrey Love, Matthew Kraatz

In recent years, many firms have experienced important ethical lapses, some of which have been egregious and highly consequential. (e.g., Wells Fargo, Volkswagen). There are several factors, such as organizational routines, structure, incentives, and culture, that may cause such ethical lapses (Greve, Palmer, & Pozner, 2010). Existing research has emphasized the importance of culture as an antecedent and a catalyst to wrongdoing (Greve et al., 2010; Lange, 2008; Liu, 2016). However, empirical research on this topic has been restricted mainly due to measurement difficulties (Corritore, Goldberg, & Srivastava, 2020; Graham, Harvey, Popadak, & Rajgopal, 2017). Additionally, there are multiple aspects of organizational culture that could potentially playing a role in alleged organizational wrongdoing. For instance, firms, at times, can adopt sub-optimal routines as a result of a rational reward-based decision-making process, to such an extent that they fall into competency traps (Levitt & March, 1988). Albeit, other times, organizations systemically adopt unethical practices that lead to higher rewards. Under conditions of duress, such practices are routinized in the form of norms and behavior patterns (Ji et al., 2017; Sims & Brinkmann, 2003). For example, Wells Fargo's aggressive corporate culture was held as one of the main reasons for a massive systemic fraud that led to employees to creating 2.1 million fake accounts on behalf of unsuspecting customers and an eventual dismissal of over 5,300 employees (Cohan, 2016).

In our study, we attempt to empirically assess (and possibly strengthen) this relationship by using a novel measure of culture. We use measurement techniques that rely on a large database from Glassdoor to build a measure culture that has several desirable features. We then assess the relationship between those features and organizational wrongdoing, here measured in terms of financial restatements and litigation. Theoretically, we draw from and contribute to literature on organizational culture and ethics, organizational performance, and organizational leadership.

While the term “culture” has many meanings and interpretations, for the purpose of our study we adopt the widely-used definition offered by O’Reilly & Chatman (1996, pp.166). They, define organizational culture as “a set of norms and values that are widely shared and strongly held throughout the organization.” In agreement with much research (Kraatz, Flores, & Chandler, 2020; Schein, 1985; Vaisey, 2008) we believe that organizational culture and individual’s behaviour influence each other via these deeply held and widely shared values. Moreover, organizational actions that are consistent with their values are known to exhibit higher organizational performance (Arogyaswamy & Byles, 1987; Denison & Mishra 1995). As such, we see multiple theoretical and empirical advantages of adopting a value-based approach to culture. Recent empirical work in finance has also adopted a values-based view of culture (Graham et al., 2017; Guiso, Sapienza, & Zingales, 2015).

One of the main challenges faced by scholars of culture as well as organizations is to find a good measure for culture. Traditional methods to study culture have certain limitations that cannot be easily mitigated by a single methodological approach (Giorgi, Lockwood, & Glynn, 2015). Although individuals (organizational actors) fundamentally contribute to building an organizational culture, it is challenging to move across levels of abstraction from a measurement standpoint – i.e., aggregating from individual values to organizational values. This is particularly problematic for researchers, such as ourselves, attempting to empirically measure organizational culture.

We address this limitation by measuring organizational culture via free-text reviews that employees (willingly) post on a company’s page on Glassdoor. Glassdoor (GD) is a website where employees can leave anonymous reviews, describing the pros and cons of working at a particular company and offering advice to management. GD was launched in 2008 and has reviews and insights for approximately 900,000 companies across 190 countries. In the methods section, we describe the concerns and mitigation of employees' self-selection and skewness in resulting reviews.

The act of wrongdoing by an organization has been studied under various names in the current literature – organizational misconduct (Greve et al., 2012), corporate illegality (Mishina, Dykes, Block, & Pollock, 2010) or corporate fraud (Palmer, 2012). **Table 1** lists definitions of each of these terms. There are three common denominators in these definitions. And as such, we define (deliberate) organizational wrongdoing as an act that involves *organizational participants***,** who benefit from transgressing an *ethical boundary* that a *social control agent* judges to be wrongful.

Place Figure 1, Table 1 and 2 Here

Drawing from the work of Greve et al. (2010) and our understanding from theoretical & empirical articles on the topic, we have attempted to classify organisational wrongdoing into several categories (**Figure 1**). For the purpose of this research we are interested in examining deliberate fraud and will look closely at financial misrepresentations. There are three bodies of literature that appeared to be closely connected do the theoretical realm of organisational wrongdoing – organizational *leadership*, *ethics*, and *performance* (i.e., both relative to the organization itself as well as overall to industry performance).

Table 2 tabulates information about the empirical articles (across leading management and financial economics journals) that establish a link between an organization's culture and its propensity for misconduct. It is interesting to note that all the (peer-reviewed) empirical work uses either a survey-based approach to measuring culture, or a case-study approach. It is also notable that most empirical studies use financial restatement data to measure wrongdoing.

We construct a composite ordinal (no sanction, one or two sanctions, repeat offenders) dependent variable using the data and criteria described in previous section. Our time period for a regression analysis is 2013-2020 as we build on a sizable corpus of reviews generated from 2008-2020. We analyze over 1 million reviews using a natural language processing (NLP) methodology that classifies employee reviews into more than 90 culture-related topics. 41% of these reviews discuss one or more cultural values. Prior work by one of the authors has classified and arrived at a set of nine values that are a superset of commonly listed official values called the Big Nine values (Sull, Sull, & Chamberlain, 2019). These values are agility, collaboration, customer, diversity, execution, innovation, integrity, performance, and respect. We measure the strength of the organizational culture in a given firm by the frequency and sentiment of certain values (as discussed in the Methods section). For each firm-value pair, we calculate the incidence and sentiment where:

$$Sentiment = \frac{\textit{No. of reviews that mentioned a value at least once}}{\textit{Total no. of reviews for the firm}}$$

$$Incidence = \frac{\textit{No. of reviews that mentioned a value positively}}{\textit{Total no. of reviews for the firm}}$$

With organizational culture as our independent variable and organizational wrongdoing as our dependent variable, we plan to perform a regression, control for industry, year, and firm-size, firm-age and number of reviews. We plan to use gradient boosting or XGBoost (ML) techniques mainly because they are non-parametric and handle collinearity well. Our research goal over the course of next few months is to analyze these data year-wise and discover the nature of the relationship, as well as, explanatory variables.

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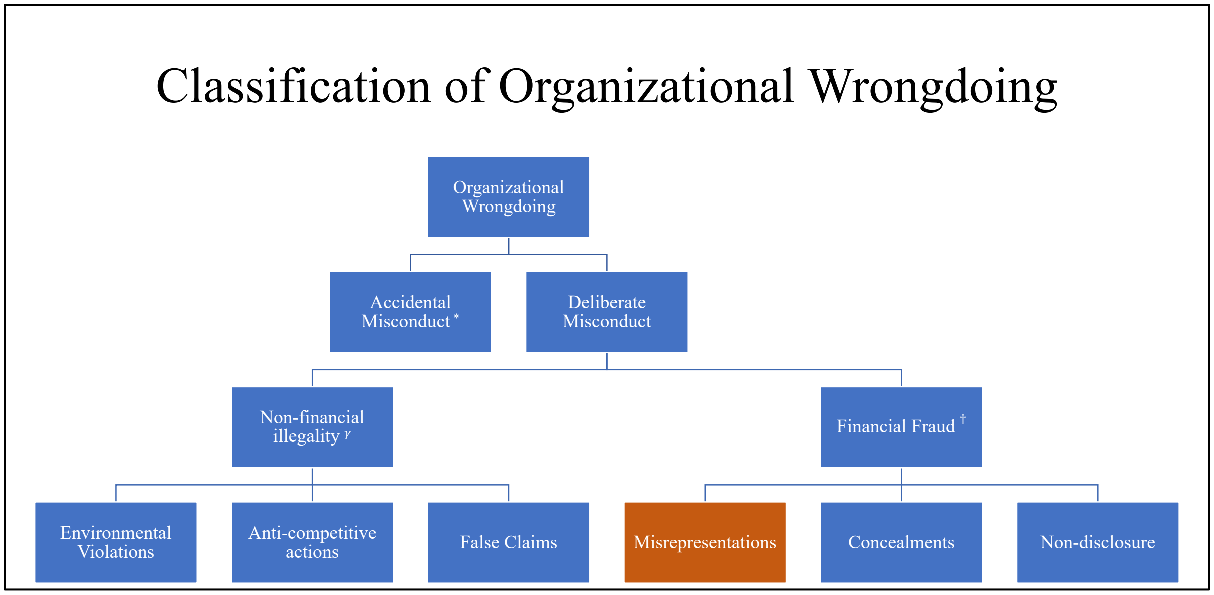
FIGURES AND TABLES

Figure 1



* Greve, Palmer & Pozner, 2010; γ Mishina et al, 2010; † Dyck et al, 2013

Table 2

Term	Definition	Source
Organizational misconduct	"behavior in or by an organization that a social - control agent judges to transgress a line separating right from wrong"	Greve et al. (2010)
Corporate illegality	"an illegal act primarily meant to benefit a firm by potentially increasing revenues or decreasing costs"	Mishina et al. (2010)
Organizational wrongdoing	''Any behavior that organizational participants perpetrate in the course of fulfilling, their organizational roles that the state judges to be wrongful''	Palmer (2012)

Table 2

S.No.	Authors Journal	Title	Summary	Qualitative	Quantitative	Citations
1	Baucus & Near (1991), AMJ	Can Illegal Corporate Behavior be Predicted? An Event History Analysis	Model-based event history analysis finds that a corporation's culture can predispose its members to behave illegally		✓	637
2	Vardi (2001) JBE	The Effects of Organizational and Ethical Climates on Misconduct at Work	Survey based study finding significant negative relationship between Org Climate and Org Misbehavior		✓	494
3	Peterson (2002) JBE	Deviant Workplace Behavior and the Organization's Ethical Climate	Study based on Ethical Climate Questionnaire (ECQ) provided evidence that some ethical climates are related to specific types of deviant behavior		✓	570
4	Sims & Brinkmann (2003) JBE	Enron Ethics (Or: Culture Matters More than Codes)	Qualitative Case Study demonstrating how Enron's culture had profound effects on its ethics	✓		743
5	Kish-Gephart et al (2010) APA	Bad apples, bad cases, and bad barrels: Meta-analytic evidence about sources of unethical decisions at work.	A meta-analysis of the antecedents of unethical workplace decisions		✓	1477
6	Campbell and Göritz (2014) JBE	Culture Corrupts! A Qualitative Study of Organizational Culture in Corrupt Organizations	Qualitative Study of Organizational Culture in Corrupt Organizations	✓		238
7	Akkeren & Buckby (2015) JBE	Perceptions on the Causes of Individual and Fraudulent Co-offending: Views of Forensic Accountants	Qualitative inductive study analyses perceptions and experiences of forensic accountants to gain insights into individual fraud. Finds culture relevant.	✓		32
8	Biggerstaff, Cicero, & Puckett (2015) JFE	Suspect CEOs, unethical culture, and corporate misbehavior	CEOs who personally benefit from options backdating are more likely to engage in other corporate misbehaviors, suggestive of an unethical corporate culture		✓	98
9	Liu (2016) JFE	Corruption culture and corporate misconduct	Survey based study shows firms with high corruption culture are more likely to engage in earnings management, accounting fraud, option backdating, & insider trading		✓	194
10	Huang et al (2017) Auditing: A Journal of Practice & Theory	Client Workplace Environment and Corporate Audits	Shows organizational workplace environments affect auditor risk assessments and auditing outcomes (2008-12)	✓	✓	26
11	Ji et al (2017) Working Paper	Corporate Culture and Financial Reporting Risk: Looking Through the Glassdoor	Establishes a link between wrongdoing and org culture based on Glassdoor's employee ratings (2008-15)		✓	34

Unicorn riders as legitimate troublemakers: Why do organizational insiders have trouble evaluating the entrepreneurial leader's questionable behaviors?

Jinah Ryu

INTRODUCTION

Resource providers of organizations often have trouble evaluating the questionable behaviors of organizational leaders who guide the business field with their disruptive visions. For example, it is widely known that Steve Jobs of Apple and Elon Musk of Tesla have behaved in problematic ways at their workplaces. But at the same time, we often endorse their unusual behaviors as the unique remarks of eccentric or extraordinary leaders who disrupt the business standards in their fields, like a "reality distortion field" (Isaacson, 2012). Such "ambiguously" problematic signals around some rising stars in Silicon Valley have come to the surface in recent days. Not a few resource providers have acknowledged that their entrepreneurial founders are rule breakers not only in business ideation but even in blurring the lines of ethics, law, and norms (Brenkert, 2003). These potentially inadequate behaviors are rarely at the top of people's attention until the huge public sanction eventually comes (Hirsch & Milner, 2016). This is illustrated by the recent examples of fraud by Trevor Milton of *Nikola* and Elizabeth Holmes of *Theranos* and the mismanagement of Adam Neumann of *WeWork*. These prevalent phenomena have motivated our research question on *how resource providers evaluate the entrepreneurial leaders' (founders') questionable behaviors and why they often discount them*.

Our research would expand organizational wrongdoing literature where the evaluations of questionable leadership or practices have been a central topic, but mostly in the context of large and established organizations (Palmer, 2012; Jackall, 1983). Our research on entrepreneurial contexts attempts to address these puzzles in an empirical landscape and overturn the conventional wisdom that the evaluation process within entrepreneurial ventures represents much less complex social dynamics than in established and traditional organizations.

Sensemaking and Institutionalized frames

The evaluation of questionable behaviors can be understood as a sensemaking process. The sensemaking effort is triggered by chaos and leads evaluators to "develop plausible images that rationalize what they are experiencing" (Weick, Sutcliffe, & Obstfeld, 2005: 409p) by retrospectively labeling and categorizing their observations. Labeling plays a significant role in leading evaluators to interpret the situation in a consistent way but to ignore other irrelevant cues. Evaluating norm violations is chaotic since the actions of the problem are often ambiguous as to whether they transgress the line of the law, ethics, or social responsibility (Palmer, 2012), requiring sensemaking of the situation.

In particular, idea of labeling amid uncertain situations has been particularly emphasized in organizational studies on ambiguous wrongdoing. This literature highlights some questionable behaviors that could be interpreted differently depending on what frames the evaluators take to understand them (Kakkar, Sivanathan, & Gobel, 2019). More specifically, the social norms or the ethics are expected to enable social actors to judge whether the action is wrong or not, often playing as "frames rather than rules" (Reilly, 2018: 935p). The social norms or ethics as frames may give evaluators specific "templates" that facilitate them to interpret and label uncertain cues (Fine, 1996).

However, these social criteria are precarious as frames and can be easily replaced. The social norms or ethics may lose their function as frames when violators have specific attributes that have a clear association with another frame, generating another way to make sense. Status or authenticity are examples of specific attributes that feature a strong association with the high virtue and credibility of both individuals and organizations. For instance, evaluators often give the benefit of the doubt to high-status actors when their wrongful conduct is difficult to judge (McDonell & King, 2018; Reilly, 2018).

Still, we know little about whether and how institutionalized frames around entrepreneurial leaders influence organizational insiders' evaluations of their leaders' wrongful behaviors. In particular, organizational scholars recently have warned about the mythification of entrepreneurs and their organizations (Aldrich & Ruef, 2018; Shane, 2008) and called for further study to understand their effects. Our study takes a step to address this need.

Methods

This study focuses on a venture that used to be a prospective unicorn[1], WeWork (WW). WW is a real estate and technology company that provides a shared workplace for other firms. WW and its founder provide a good empirical setting for our study. First of all, the founder, Adam Neumann, has been known for his abstract vision, inspiring language, and aggressive business decisions. His vision for a novel product model and flexible office culture contributed to making WW a hot start-up (Cutter & Morris, 2019), attracting a record-breaking amount of funds from the world-leading venture capitalist, Softbank. At the same time, some issues were often raised issues about professionalism and ethics due to his lavish spending, overpromise, and partying-mode at the workplace. In late 2019, the company got backlashed as his illegal actions, financial mismanagement, and discriminative corporate practices were publicly criticized.

We have obtained data from several sources. The primary data is our semi-structured interviews with 21 previous and current employees of WW. Each interview's length ranged from 45 minutes to 87 minutes, 61 minutes on average. One of the challenges is that our main data consist of retrospective interviews about how individuals evaluated their leader before the public accusation of

[1] A privately-held startup valued over $1billion

his wrongdoing in September 2019. Our first interview took place in March 2020, and the last interview was in July 2020. Therefore, the data might potentially be at risk of retrospective bias and post hoc rationalizations. To address this issue, we are in the process of collecting real-time data from *Glassdoor (www.glassdoor.com)*[2] – a website where employees make reviews about their employers and rate them based on several criteria.

Preliminary Findings

We are still in process to develop our theoretical framework. In this section, we propose our arguments to explain the phenomena observed from our data and introduce a couple of theories that may buttress our findings.

Institutionalized frame: What they expect from an entrepreneurial leader

We identify the institutionalized frames that define "what a legitimate entrepreneur looks like" in organizational insiders' minds. Our informants expected an entrepreneur leader to "disrupt a previous business strategy held by incumbents and attract external resource providers and audiences by selling a revolutionary vision for the nascent business (without making a profit)".

Institutionalized frame as a mechanism of sensemaking

We first observed that the institutionalized frame for entrepreneurial founders might lead insiders to focus on cues consistent with their frames when observing some questionable behaviors. Additionally, insiders' focus on the cues consistent with their frames might lead them to discount their leader's problematic decisions in a couple of ways. On the one hand, some insiders responded they judged that their leader could be exempted from punishment by standards outside the "tech world." They admitted that the founder's action could be perceived as wrongful in broader society but thought the 'entrepreneur' is a special case. On the other hand, some informants stated that they

[2] The Glassdoor data have been widely used in recent management studies (Bermiss & McDonald, 2018)

were fairly aware of the typical entrepreneurial founder's eccentric characteristics and ruled out alternative explanations, such as immorality, to explain his questionable behaviors. As his characteristics strongly fit with a legitimate entrepreneur who is thought to often engage in 'crazy' actions, employees rationalized his behaviors as natural and discounted other possibilities that he may have bad intention to take advantage.

Our interpretation may align with the status and deference theory, where people defer evaluations of a founder's idiosyncratic credits (the degree of deviation from the expectation) if the founder has successful records or status of specialty (Hollander, 1958). In our study, the institutionalized frames about an entrepreneurial leader may lead insiders to pay attention to the founder's achievements as a typical disrupter and to allow the leader to transgress the usual standard, desiring to become a part of "*the next big thing (informant 4)*" in some cases.

Discussion

Our research may contribute to several strands of management literature. First, we may broaden organizational wrongdoing literature by emphasizing entrepreneurial wrongdoers. We attend to the ambiguity around their actions, different from a clear transgression like corruption in established organizations. Second, our research may enrich institutional theory by advancing the concept of institutionalized frames around ~~the symbolic leader,~~ entrepreneur that may offer a standard code for social actors to make sense of his or her bizarre actions. Prior research has developed several concepts like the charismatic leader (Conger, 1999) or the transformational leader (Howell & Avolio, 1993), but few of them focused on how this perception enters the resource providers' sensemaking. Lastly, we may expand entrepreneurship literature by illuminating the dark side of the prospective entrepreneurs, whose visions and rationale lie in the future. We emphasize that stakeholders should distinguish visions from "bullshit" (Frankfurt, 1986) and façade (Abrahamson & Baumard, 2008).

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Who Protects Against Organizational Malfeasance?
Limits to Worker Mobilization against Corporate Social Irresponsibility

Elisa Giuliani, **Andrew Spicer**

"For a protest movement to arise out of [the] traumas of daily life, the social arrangements that are ordinarily perceived as just and immutable must come to seem both unjust and mutable." (Piven and Cloward, 1978: 12)

In looking at the conditions that lead the poor to mobilize against injustice and poverty in the traumas of daily life, Piven and Cloward (1978) suggest that existing social arrangements need to be viewed as both unjust and mutable. In this paper, we apply this insight --- particularly the necessary conditions that beliefs about existing practices are perceived as mutable and changeable – to the study of organizational wrongdoing and deviance**.**

An important question in the persistence of socially contested or illegitimate organizational practices is not only why managers choose to use them, but also why other stakeholders permit managers to shape workplaces as they choose (Ermann & Lundman, 2002; Earle, Spicer, and Peter, 2010). For instance, a long literature has demonstrated that organizations frequently implement policies that curtail human rights, offer below-minimum wages, or provide unhealthy or unsafe working conditions (Rosen, 2002). Moreover, research into worker movements illustrates that workers do not always passively accept managerial choices, but at times mobilize to transform the institutional environment in which they work (Edwards, 1979; Hirschman, 1970; Piven & Cloward, 1978). Comparative management researchers have also demonstrated that political conflict and settlements between workers and managers have been an important factor in explaining cross-national variation in corporate governance systems (Roe, 2006). An important question in the study of labor-related organizational wrong-doing therefore relates to the potential mobilization of workers to contest boundaries of appropriate organizational behavior.

In examining when worker mobilization is most likely to arise, Piven and Cloward (1978) posit that viewing existing social arrangements as unjust is a necessary but insufficient explanation of when workers will organize to oppose managerial action. For instance, even if workers may consider a practice to be unjust or inappropriate according to higher-level visions of what is considered to be desirable or just, they may nonetheless choose to avoid actual mobilization to stop misconduct because they have little chance of success. Acting on values or beliefs of a better future may pose a threat to the here and now, particularly in terms of job protection and security.

Earle et al. (2010) refer to the disconnect between employee beliefs of justice and mutability as part of a long-term process by which deviant organizational practices become normalized over time. They examine the spread of wage arrears – the persistent late payment of wages -- across Russia during the 1990s as a case to examine worker response to an organizational practice that was both illegal and normatively condemned but nonetheless routinely used. In their empirical analysis, they found evidence that employees in Russian regions with high levels of wage arrears began to view this practice as immutable, beyond their ability to change through mobilization or quitting the firm, and therefore simply stopped trying to enact change. Worker inaction therefore supported organizational action to adopt wage arrears in these regions, as the incentives for firms to engage in this socially damaging activity increased once managers believed that there will little direct challenge by workers. The normatively condemned organizational practice became accepted in practice because employees did not want to risk what they had today in a risky endeavor to reach a new and uncertain future equilibrium.

The starting point of this paper is to identify the role of employee action and inaction in explaining the normalization of deviance in the ILVA steel plant in Taranto, Italy over the last forty years. We first examine the ways that "justice" and "wrongdoing" become defined in the legal arena, showing that decades of court judgments and punishments identified a host of human rights abuse and environmental hazards that directly influenced the health and safety of those that worked in the firm and lived in the community. Yet, the puzzle of our analysis rests in addressing the role of employees in the long-term response to organizational malfeasance: why were employees so ineffective in supporting the legal rulings and public reporting to protect their own health and safety? The goal of our methodology is to compare the long-history of legal action against the firm to the timelines of employee reaction in an effort to explain why local actions did not seem to support global actions that aimed to stop or curtail the most egregious activities of the firm.

Our conclusions identify a divide between what global and national stakeholders considered to be just and fair and local conceptions of what workers considered to be possible to achieve within their own lived reality. We do wish to isolate a singular cause of the normalization of deviant organizational practice at ILVA, as it was certainly the dynamic interchange over time between legal, managerial, political and employee stakeholders that all contributed to a long-period of persistent organizational deviance. The aim of our analysis is to explore the role of employee beliefs and actions within this long-term normalization process. Based on our analysis of the case, we propose that employees' belief about the possible were slowly constructed over time based on the observation of the weakness of legal ruling to effect organizational activity in practice and from the direct strategies of the firm to pit broad social objectives – such as environmental protection – against immediate economic concerns – such as the impact on jobs if the firm was forced to close its door. Workers frequently acted to protect their jobs, thus enabling rather than constraining the firm to stop its socially irresponsible behavior over time.

Methodology: Where were the workers?

The legal story of ILVA provides a period of over 40 years of organizational practices that directly influence the health and safety of the workers as well as the community in which they lived with their parents. The design of our methodology is to focus on the role of workers at the plant – including their relationship to management, legal actors, politicians and each other – in explaining this narrative of persistent and long-last organizational wrongdoing. We observe the role of workers by combining secondary and primary sources, namely:

(i) case law material; we analyze all the case law evidence regarding the company 1963 to 2019, which has consisted in collecting court rulings and other jurisprudential measures concerning disputes related to Italsider (former name) and ILVA. An examination of this data over time allows us to capture the extent to which worker organizations have filed a lawsuit against the company in comparison to other plaintiffs (e.g. environmental groups, political or institutional actors) as well as their effectiveness. This data collection activity was carried out by consulting all the main Italian digital legal databases (jurisprudential and doctrinal), the documentation found in the judicial offices, the legislative and parliamentary acts traceable online, as well as contributions from doctrinal sources. We have manually coded 2,216 pages of court rulings and the coded information is (a) years and degrees of judgments and court decisions; (b) name of plaintiffs and defendants; (c) type of offence (administrative, civil, criminal or constitutional). Each case was summarized into a separate document.

(ii) press analysis complemented with other sources (e.g. unions' archival data) to document workers informal mobilization (demonstrations, strikes, protests etc.). Archival press material is available for five key newspapers: *Corriere della Sera* (national center-right newspaper; available since 1960); *La Repubblica* (national center-left newspaper; available 1989-2019); *Il Sole 24 Ore* (national industrialist newspaper; available 1980-2019); L'Unità (national left-wing newspaper; available 1960-2014); *Gazzetta del Mezzogiorno* (local newspaper; available 1989-2019). We also consulted representatives of the biggest unions to access their archival data on demonstrations and strikes.

(iii) historical evidence about workers' participation in political life (e.g. workers becoming leading political actors) and (iv) interviews to key informants.

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