Banking on illegitimacy : Logics, disapprobation and inter-organizational relationships in the post-crisis finance industry (2007-2011)

Thomas Roulet

ECOLE DES HAUTES ETUDES COMMERCIALES DE PARIS

Ecole Doctorale « Sciences du Management/GODI » - ED 533

Gestion Organisation Décision Information

Banking on illegitimacy: Logics, disapprobation and inter-organizational relationships in the post-crisis finance industry (2007-2011)

THESE

présentée et soutenue publiquement le 19 Juin 2013

en vue de l'obtention du

DOCTORAT EN SCIENCES DE GESTION

Par

Thomas ROULET

JURY

Président:	**Monsieur Bernard LECA** Professeur des Universités Université de Lille 1- Institut d'Administration des Entreprises de Lille- France
Co-Directeurs de Recherche :	**Monsieur Bernard GARRETTE** Professeur HDR HEC Paris – France
	Madame Kristina DAHLIN Professeur Associée HEC Paris – France
Rapporteurs :	**Monsieur Eric ABRAHAMSON** Professeur Columbia University New-York- USA
	Monsieur Marc VENTRESCA Professeur University of Oxford- UK
Suffragants :	**Monsieur Jean-Pierre HELFER** Professeur des Universités Université Paris 1- Panthéon Sorbonne Institut d'Administration des Entreprises- France
	Monsieur Rodolphe DURAND Professeur HDR HEC Paris- France

Ecole des Hautes Etudes Commerciales

Le Groupe HEC Paris n'entend donner aucune approbation ni improbation aux opinions émises dans les thèses ; ces opinions doivent être considérées comme propres à leurs auteurs.

Table of Contents

Table of Figures

Acknowledgment

After a bit less than 4 years spent at HEC discovering the academic world and building up a research pipe, I figured out that completing a dissertation, and academia in general (and I am also specifically thinking about R&Rs there!), was not a matter of smartness, but rather a question of passion and persistence. This dissertation is the result of the numerous encounters that made me come to this conclusion. Without those people, this dissertation would never have been built, and this document would not be complete without thanking them for their respective contributions.

My first thanks go for Kristina, who co-advised this thesis. Beyond co-advising, she played a central role in my professional and personal development. Kristina has not only been offering me a constant support and amazing mentoring throughout my first steps in the academic world, she was also there to remind me the reasons we choose this work: because somehow research is fun! She helped me build my confidence, in particular because she quickly came to consider me as a colleague rather than just a student in training. We shared great moments of fun when working together and I look forward to keeping working together.

I am also indebted to Bernard Garrette, who offered me his unconditional trust from the very beginning when he accepted to supervise my work. Although he took high-level responsibilities within HEC, he always found time and made himself available. His quietude and warmth, in addition to his wise and peaceful approach to research made him a great and complementary supervisor, considering my naturally anxious nature. I truly believe his impressive successes in research and in the management of business education is kind of a holy grail for most aspiring academics, and I hope I can achieve the same results than him in my career. 4 years ago, he was in the jury for my entrance interview in the PhD program. I hope I did not disappoint him in the end!

I would also like to express my deep gratitude to the other members of the jury who accepted to come on board: Eric Abrahamson, Rodolphe Durand, Jean-Pierre Helfer, Bernard Leca, and Marc Ventresca.

I thank again Eric Abrahamson for his trust and his implications in this thesis, and for accepting to collaborate with me. I would never have met him without Paul Ingram inviting me to Columbia University for a year. Paul Ingram was of great guidance for this work and a real source of inspiration. He reminded me that the production of research is not a linear process. I am also thankful to Mathis Schulte, for his technical and constructive help on this dissertation and other projects.

There are many other academics I want to thank for their involvement. Rodolphe Durand, in particular, was an uplifting and benevolent department chair. He

was never reluctant to give me a helpful hand and useful research guidance. I also thank him for giving me the opportunity to get involved in the Society and Organizations research center. This activity contributed to structuring my academic commitment. More generally, I want to thank the other professors of the strategy department at HEC, and the members of the Society and Organizations Research Center. I also may not have thought about working on the banking industry until Tima Bansal told me to "work on what I knew". I also want to thank the people that have inspired me to do a PhD: Diana Furchtgott-Roth and Vincent Geloso, when I worked in Washington, DC, and David Dubois and Fabrice Lumineau who provided me with guidance when I decided to go for an academic career.

The support of my fellow PhD students was also crucial: in the strategy department, Lionel Paolella (with whom I had endless discussions on econometric models), Samuel Touboul (who coached my application to the HEC PhD when we met in Sciences Po), Marco Clemente (with whom I shared my New York adventures), Panikos Georgallis, Martin Goossen, Anisa Shyti, Anne Jacqueminet, Ali Kechavarz, Joao Pimentel, Birgul Arslan, Asli Kozan; I have to thank more specifically Jean-Philippe Vergne and Julien Jourdan, who played a crucial role in inspiring me and helping me build my research interests and approach; But also my batch mates and friends from other departments: Sebastien Stenger, Moumita Das, Shiva Taghavi, Tom Bourveau, Yi Li, Adrien Matray, Alexandre Schwob, Olivier Wurtz; The great mates I met at Columbia, who welcomed me in their department: Ivana Katic, Shira Mor, Eric Anicich, Aharon Cohen Mohliver, Shiri Melumad, Daniel He; Finally, other PhD students from around the world, who inspired me and helped me move forward with this dissertation: Yuliya Shimko, Georg Wernicke, Daniela Laurel, Thierry Amslem.

I also want to thank the HEC Foundation for financing my PhD, and more generally HEC Paris as the institution that welcomed me in a vibrant community. My thoughts are specifically directed at Veronique Hoffsteter (and the candy jar of the strategy department), Nathalie Regnier, Anne Delannoy and Patricia Biron; and the PhD team led by Laoucine Kherbache, then by Ulrich Hege, and their "équipe de choc", Marie-Laure Dage, Caroline Meriaux, Cecile Marty.

Last but not least, I want to dedicate this dissertation to my parents and my brother. I acknowledge having been extremely obnoxious at some points during the course of those 4 years, but my parents have always been patient and supportive beyond devotion. The choice of going for a PhD and an academic career is far from obvious in the French society, where research is – from my perspective – seriously undervalued. They never doubted my choice, dealt with my execrable mood, had their "Tanguy" home for a significant part of his thesis, and above all patiently listened to me fulminating against paper rejections or other academic disappointments. Fortunately, they can see that their stoicism has been fruitful: graduation, professional stability, and social recognition are hopefully just around the corner. I hope this will make them proud.

Résumé général en français

Cette thèse de doctorat contribue à la littérature émergente sur l'illégitimité organisationnelle. La définition d'un tel concept reste un sujet de controverse. Les chercheurs en théorie des organisations, sociologie et stratégie ont progressivement distingué le stigmate organisationnel, qui est une catégorisation dichotomique, et la désapprobation, qui est une variable continue au niveau organisationnel. Comprendre les différentes formes d'illégitimité organisationnelle est un moyen de mieux comprendre

i. Comment les organisations deviennent-elles illégitimes ?
ii. Pourquoi restent-elles illégitimes ?
iii. Dans quel contexte l'illégitimité peut-elle être bénéfique à une organisation ?

Les deux premiers essais de cette thèse visent à explorer les antécédents et conséquences de l'illégitimité organisationnelle à travers une perspective théorique dérivée des logiques institutionnelles. J'adopte une approche stratégique de la légitimité (Suchman, 1995) en considérant que c'est une évaluation sociale manipulable. En particulier, dans le second et le troisième essai, je montre comment l'illégitimité peut être exploitée ou transféré entre acteurs.

Dans le premier projet empirique, j'étudie la notion de « théorie stigmatisante » (Goffman, 1963) : comment les acteur stigmatisants rationalisent leurs croyances pour convaincre leur audience ? Le concept de stigmate organisationnel a été au centre de toutes les attentions ces dernières années. La littérature théorique suggère que pour qu'un stigmate concernant une catégorie d'organisation émerge, il

faut atteindre une « masse critique » d'acteurs partageant la même croyance. Il reste encore à examiner empiriquement les techniques utilisées pour diffuser un jugement négatif. Je réponds à cette absence dans la littérature en étudiant le processus de stigmatisation de l'industrie bancaire depuis 2007. Après la crise des subprimes, une succession d'évènements a placé l'industrie sous grande surveillance, dans l'oeil du cyclone. Les comportements et valeurs observées au sein du champ ont commencé à être remises en question. La stratégie empirique de cet essai se fonde sur la collecte d'articles d'opinion et d'éditoriaux qui visent particulièrement l'industrie bancaire. En fondant mon travail sur une analyse rhétorique, et d'autre méthodes mixtes d'analyse de contenu média, j'explique comment la rhétorique de stigmatisation vise d'abord les origines de comportements organisationnels déviants dans l'industrie de la finance, c'est à dire les logiques institutionnelles de champ. Je rapproche les stratégies rhétoriques utilisées pour discréditer des organisations et celles utilisées pour « déligitimiser » les logiques institutionnelles en traçant un parallèle entre ces deux littératures. En prenant une approche abductive, je suggère que la contradiction institutionnelle entre les logiques de champ et les logiques au niveau sociétal est suffisante mais non nécessaire pour générer un stigmate organisationnel.

Dans un second projet empirique, j'étudie la perception extérieure des comportements organisationnels qu'implique une logique de champ résistante, et comment cette perception affecte les évaluations de statut par d'autres organisations. Les industries contestées dérivent leur légitimité de logiques sociétales déjà établies. Lorsque les logiques sociétales changent – en cas d'évènements extrêmes tels que les crises économiques - des logiques de champ jusque là légitimes se retrouvent montrées du doigt. Les membres de cette industrie sont dénoncés car leurs pratiques sont devenues incompatibles avec des normes sociales à des niveaux plus larges (par

exemple au niveau sociétal). Dans ce contexte de contradiction institutionnelle, je suggère que quand les organisations sont critiquées pour des pratiques liées à la logique résistante d'une industrie stigmatisée, cela signale à quel point elles sont fidèles à cette logique. Sachant que les évaluations de statut sont fondées sur la perception d'inclusion au sein des logiques au niveau de l'industrie, je prédis que lorsqu'une organisation est associée avec une logique vilipendée, cela a un impact positif sur son statut. J'utilise l'industrie de la banque d'investissement comme cadre empirique. En adoptant une approche inductive, je construis une mesure de l'intensité avec laquelle les banques sont critiquées pour leur proximité avec la logique de maximisation de la valeur actionnariale. Cette mesure, fondée sur une analyse de contenu média, est utilisée pour étudier les biais affectant les invitations durant les invitations à rejoindre des syndicats formés en vue de l'émission d'action. Je prouve que plus les banques sont associées avec une logique désapprouvée, plus elles sont susceptibles d'être sélectionnées pour rejoindre un syndicat. Finalement, cette étude montre l'existence d'incitations à résister au changement institutionnel fondées sur le statut.

Dans la dernière étude, nous articulons et enrichissons la littérature sur la théorie du bouc émissaire (« scapegoating ») et les lanceurs d'alerte (« whistleblower »), en construisant une théorie inclusive des échanges sociaux dans lesquels les acteurs se rejettent la faute. (« blame game »). Nous étudions ces phénomènes en tant que stratégie de management de sa propre évaluation sociale, passant par la dégradation de l'évaluation sociale d'autres acteurs. En construisant une typologie des acteurs de « blame games », nous montrons comment des voix périphériques ou dominantes émergent pour faire face au blâme. Nous théorisons la nature séquentielle des « blame games » et la concomitance des phénomènes du bouc

émissaire et du donneur d'alerte, selon le niveau de visibilité extérieur et intérieur des conduites organisationnelles répréhensibles. Nous étendons notre théorie et notre compréhension des interactions entre ces différentes tactiques en codant une simulation fondée sur les comportements à l'échelle des agents, pour justement comprendre les choix relatifs de ces agents. En particulier, notre modèle explique la probabilité de quitter ou d'être exclu du champ. Puis nous discutons les limitations de notre théorisation en explorant des études de cas de « blame games » dans l'industrie bancaire à la suite de la crise financière.

Description du contexte empirique : l'industrie de la banque d'investissement

Ainsi que le suggèrent Devers et al. (2009), se focaliser sur une unique industrie est un atout : cela nous permet d'explorer pleinement les antécédents et les conséquences de l'illégitimité organisationnelle. L'industrie bancaire a traversé plusieurs vagues d'attaques concernant leurs comportements et leurs valeurs. Les banques ont été pointées du doigt pour leur rôle avant, pendant et après la crise économique récente. Certaines d'entre elles sont considérées comme responsables de la crise. Après avoir reçu le support des états en 2008 et 2009 pour éviter leur effondrement, les mêmes banques ont été prises main dans le sac, distribuant d'outrageants bonus à leurs employés. Dans cette présentation du contexte empirique, j'adopte une vision plus holistique de l'histoire de l'industrie par rapport aux trois essais de cette thèse.

Une brève histoire de la syndication et de l'industrie de la banque d'investissement

Baskin et Miranti (1999) identifient un certain nombre de phases dans le développement de la finance d'entreprise et de l'industrie bancaire. Dans le monde

préindustriel, jusqu'au 18eme siècle et durant l'exploration du monde, l'English East India Company prenait la forme d'un nexus financier et d'un ancêtre des banques d'investissement. L'émergence des marchés financiers de produits d'investissement (destinés initialement à lever des fonds pour financer les économies nationales) est le coup d'envoi de la finance moderne. Bien qu'Amsterdam ait un marché financier depuis 1530, le marché de la dette n'apparut qu'après la révolution de 1688 en Angleterre. Dans cette compétition avec la France, l'Angleterre avait besoin de quantités astronomiques de financement, et commença à émettre de la dette souveraine.

La seconde phase de ce développement arriva avec l'industrialisation : les progrès des techniques de manufacture, la naissance des chemins de fer et des réseaux fluviaux nécessita du capital grâce à l'émission de dettes et d'action. En Europe, mais aussi aux Etats Unis (pour financer la guerre civile), les banques participèrent de plus en plus activement à la syndication de dette pour les gouvernements (i.e. elles vendirent de la dette à des investisseurs individuels). Et au début du 20ème siècle, les partenariats bancaires devinrent part active du management de leurs grandes entreprises clientes : les banques telles que JP Morgan furent systématiquement présentes au comité exécutif des entreprises qu'elles conseillaient et cela eut un impact positif et significatif sur le prix des actions (De Long, 1991). De plus, les banques conseillèrent les entreprises durant la vague de 1 8000 fusions et de banqueroutes de 1895 à 1904 (Morrison et Whilhelm, 2007). Au début des années 1920, la suspicion concernant l'investissement en actions s'était atténuée, et les années prospères de l'après guerre furent propice à une augmentation drastique de la participation individuelle au capital des entreprises, qui s'accompagna de nombreuses créations de banques d'investissement. Lorsque la bulle éclata en 1929, de

nombreuses banques disparurent ou fusionnèrent. En conséquence de la crise de 1929, le Federal Securities Act (1933) exigea la transparence complète sur les produits financiers, et le Glass Steagall Act (1933) provoqua la séparation des banques commerciales et d'investissement.

L'émergence de la logique de maximisation de la valeur actionnariale

Le développement le plus important pour l'industrie de la banque d'investissement vint avec le mouvement de prises de contrôle des années 1980 (Ho, 2009). Avant les années 1980, les banques d'investissement étaient globalement ignorées. Par exemple, elles n'avaient absolument pas la faveur des jeunes diplômés sur les campus de l'Ivy League : ces derniers préféraient l'industrie aérospatiale ou de la chimie (Ho, 2009). Après la crise de 1929, les diplômés ambitieux évitaient déjà les banques d'investissement. Madrick (2011) explique que jusqu'aux années 1970, les américains avaient toute confiance en leur gouvernement. Avec l'inflation des années 1970, et la montée des inégalités et des lobbies, les américains commencèrent à changer d'avis sur la prééminence de l'état. Cette situation donna naissance à un « Age de la Cupidité », dominé par les Reagonomics et la maximisation de la valeur actionnariale.

Le mouvement des prises de contrôle des années 1980 a donné toute son ampleur à l'industrie de la banque d'investissement : ce fut un moyen pour les banques de redorer leur blason en adoptant les valeurs et croyances de la logique dominante à cette époque : la maximisation de la valeur actionnariale (Ho, 2009). La maximisation de la valeur actionnariale devint dominante à cette époque (Lok, 2010). Cette logique suggère que l'objectif de l'entreprise est uniquement de maximiser la valeur obtenue pour les actionnaires via les dividendes et le prix de l'action (Fligstein, 2001 ; Whitman, 1999). Cette logique a profondément laissé sa marque dans les

pratiques et les croyances en vigueur dans le champ de la banque d'investissement (Ho, 2009).

Résumé du premier essai : Contradiction institutionnelle et diffusion de la stigmatisation de l'industrie financière

Sur la base du travail d'Erving Goffman (1963), qui fut le premier à explorer les antécédents et conséquences de la stigmatisation, un nouveau champ de recherche a récemment émergé autour du concept de stigmate organisationnel. Tous comme les individus, les organisations peuvent aussi être privées d'une complète acceptabilité sociale. De fait, les chercheurs ont tenté de construire une définition complète du stigmate organisationnel, pour le distinguer du stigmate individuel, et d'autres concepts proches tels que la réputation, l'illégitimité, ou le statut (Devers, Dewett, Mishina et Belsito, 2009). Le stigmate organisationnel a été défini comme « un label qui évoque une perception partagée collectivement par les parties prenantes, selon laquelle l'organisation possède un défaut profond et fondamental qui désindividualise et discrédite l'organisation » (Devers et al. 2009 : 155).

Le stigmate organisationnel émerge lorsqu' « une masse critique de parties prenantes » catégorise les valeurs et comportements d'une organisation comme étant en conflit avec les leurs (Devers et al. 2009 : 162). Cependant, très peu ont étudié comment cette masse critique est atteinte et comment le groupe initiant le processus de stigmatisation tente de diffuser ses croyances parmi les autres parties prenantes. Plus spécifiquement, comment ces croyances sont elles rationalisées pour être plus convaincante ?

Une industrie est négativement labellisée lorsqu'elle viole une norme (Pozner, 2008 ; Hudson, 2008). De telles situations apparaissent lorsque ses pratiques sont en conflit avec des normes à un niveau plus élevé, comme au niveau sociétal (Dowling et Pfeffer, 1975), et qu'elles menacent la structure sociale (Mishina et Devers, 2011). Du point de vue des logiques institutionnelles, ces pratiques, appropriées au niveau de l'industrie, sont dérivées de logiques en vigueur au niveau du champ, c'est-à-dire des croyances et valeurs partagées par les managers dans les différentes organisations qui composent ce champ (Thornton et Ocasio, 2008). L'acceptabilité sociale d'une industrie dépend du jugement porté sur sa logique dominante, et les industries construisent initialement leur légitimité en « important » des logiques sociétales bien établies dans leur champ (Galvin, Ventresca et Hudson, 2004). Cependant, lorsque les logiques sociétales évoluent, des conflits apparaissent entre la logique institutionnelle au niveau de l'industrie et la logique en vigueur au niveau sociétal (Seo et Creed, 2002). Les pratiques « appropriées » au niveau du champ, puisqu'elles sont dérivées d'une logique récemment contestée, sont négativement labellisées.

De plus, il existe un lien entre rhétorique et légitimité des logiques institutionnelles : la contestation des logiques est principalement construite sur des discours rhétoriques qui menacent la légitimité de la logique attaquée (Suddaby et Greenwood, 2005). La rhétorique est un éventail de tactiques utilisées pour persuader autrui. Cependant, ces tactiques ne sont pas seulement informatives sur la façon dont nous communiquons mais aussi sur la façon dont nous pensons (Watson, 1995). Le discours n'est pas seulement une forme d'expression mais aussi un processus à travers lequel les comportements organisationnels sont approuvés ou contraints (Grant, Keenoy et Oswick, 1998 ; Phillips et Hardy, 2002). En s'intéressant aux discours rhétoriques, il est possible de mieux comprendre les conflits institutionnels. Pour

appréhender la stigmatisation en tant que phénomène, nous tentons de comprendre comment les stratégies rhétoriques font le lien entre les comportements et valeurs d'une industrie stigmatisées, et les logiques institutionnelles de champ qui sont impliquées.

Puisque les médias reflètent la façon dont les logiques sont perçues (Lok, 2010), nous nous penchons sur la labellisation négative de l'industrie de la finance dans des articles d'opinion et éditoriaux collectés dans les trois principaux journaux des Etats-Unis. Nous examinons les différents moyens de persuasion utilisés pour discréditer les logiques en utilisant une approche Aristotélicienne. Nous construisons cette approche à la fois sur des méthodes de codage qualitative mais aussi des méthodes de décompte de mots extraits du Harvard Psychosocial Dictionnary (Pennebaker et al., 2001). Nous montrons comment les acteurs stigmatisants attaquent en premier lieu les logiques sous-jacentes. Les jugements stigmatisants peuvent simultanément être « rationalisés » (logos) et « émotionnalisés » (pathos). Notre approche abudctive en arrive à la conclusion que le conflit entre les logiques de champs et les logiques sociétales est une condition suffisante mais non nécessaire pour générer un stigmate organisationnel.

Jusque là, la théorisation du stigmate s'est focalisé sur le concept en lui même (voir Devers et al., 2009 ; Hudson, 2008). Ce papier contribue à la compréhension théorique du stigmate en utilisant une approche théorique plus large : les logiques institutionnelles. Cette perspective théorique permet de jeter un pont entre plusieurs concepts et dévoile des questions théoriques jusque là ignorées, principalement concernant les mécanismes d'émergence du stigmate. Comprendre la rationalisation des croyances stigmatisantes est crucial pour mieux comprendre la relation entre

évalués et évaluateurs, et comment cette relation est conditionnée par les systèmes institutionnels qui l'entoure.

Résumé du second essai : Comment la désapprobation des banques signale leur proximité avec une logique de champ

Les entreprises doivent-elles vraiment éviter la désapprobation ? Il est souvent suggéré que les entreprises doivent être supportées socialement pour être compétitives (Dowling et Pfeffer, 1975 ; Suchman, 1995 ; Vergne, 2012) et rester loin de toute désapprobation. En effet, l'accès d'une organisation à des ressources clés telles que le travail qualifié, le capital, les partenaires, peut être menacé par les critiques en provenance des médias concernant leurs comportements ou leurs valeurs (Pfeffer et Salancik, 1978). La théorie de l'identité sociale suggère que les individus cherchent à s'associer à des groupes qui améliorent leur estime de soi (Tajfel et Turner, 1986) et ils s'identifient plus avec les organisations perçues positivement (Mael et Ashforth, 1992 ; Dutton, Dukerich, et Harquail, 1994). De fait, les individus prennent de la distance par rapport aux organisations publiquement condamnées, les clients se défaussent (Jensen, 2006), et les employés sont susceptibles de claquer la porte (Semadini et al., 2008). De manière générale, les parties prenantes se désengagent, réduisant la qualité et la quantité de leurs interactions avec les organisations visées (Sutton et Callahan, 1987 ; Devers, Dewett, Mishina et Belsito, 2009).

Cependant, la désapprobation crée une manière de se distinguer. Cela peut participer au processus d'identification organisationnel (Dutton, et al., 1994) et donc à l'image et au prestige de l'organisation. Si une large audience exprime de la désapprobation à l'égard d'une organisation, d'autres acteurs à d'autres niveaux (de

l'organisation, de l'industrie) peuvent se mettre à la défendre. Le comportement d'une organisation peut être en accord avec les normes de l'industrie tout en allant à l'encontre de normes sociales ; des valeurs au niveau de l'industrie peuvent aller à l'encontre de standards universels (Blau, 1964).

Ce conflit entre des normes de comportement à différents niveaux sociaux sont le résultat de contradictions institutionnelles, les « inconsistances et tensions à l'intérieur des systèmes sociaux » (Seo et Creed, 2002 : 33). Les chercheurs se sont centrés sur le changement institutionnel comme conséquence de la contradiction institutionnelle (Seo et Creed, 2002 : Creed, DeJordy et Lok, 2010). De nombreuses études ont montré comment les logiques sociétales influençaient les normes comportementales et les systèmes de croyances qui constituent les logiques institutionnelles au niveau des champs (Haveman et Rao, 1997 ; Scott, et al. 2000). Cependant, quand des logiques s'opposent, un mouvement de résistance peut émerger. Marquis et Lounsbury (2007) ont identifié un mouvement de résistance dans l'industrie bancaire entre les banques locales et communautaires, et les banques à plus grosse échelle. Le changement institutionnel peut être bloqué et ne jamais se produire (Meyer et Hammerschmid, 2006 ; Creed, DeJordy et Lok, 2010). Pour comprendre le blocage du changement institutionnel et ses conséquences, je tente de répondre à la question de rechercher suivante : pourquoi des organisations continuent-elles de promulguer des logiques désapprouvées ? Pourquoi continuent-elles de fait de s'engager dans des pratiques négativement perçues ? Les logiques institutionnelles affectent les individus et les organisations, et se répondent via des processus liés à l'identité sociale (Thornton et Ocasio, 2008 ; Lok, 2010). Quand une logique favorise les acteurs qui s'identifient au groupe, ces derniers sont plus soudés et défendent la logique inhérente à leur domaine d'action (Meyer et Hammerschmid, 2006). La

résistance institutionnelle dans une industrie peut être soutenue par des acteurs sociaux périphériques, à cause de la proximité entre les valeurs qu'ils défendent et ceux de la logique « résistante ».

La stigmatisation d'une industrie, un label négatif qui contamine un groupe de pairs (Vergne, 2012), est la conséquence d'une violation de norme (Pozner, 2008 ; Hudson, 2008). J'ajoute que la stigmatisation est une condamnation dichotomique de la logique dominante au niveau de l'industrie, puisque la logique incite aux comportements, valeurs et pratiques incriminés. Une organisation est placée dans une catégorie stigmatisée quand son principe directeur est lié à la logique attaquée. La variance en termes de désapprobation au sein d'une catégorie d'organisations stigmatisées, reflète le degré de loyauté à cette logique résistante. Par ailleurs, les mécanismes permettant aux organisations de gagner en statut au sein d'un champ dépend de la manière dont elles suivent la logique dominante (Ocasio, 1999 ; Sandefur, 2002 ; Thornton et Ocasio, 2008), c'est-à-dire la logique que la plupart des acteurs du champ ont adopté (Nigam et Ocasio, 2010). De fait, la proximité avec cette logique est un déterminant crucial du statut. Plus une organisation est publiquement désapprouvée pour ses pratiques, plus elle est perçue comme proche des valeurs centrales du champ. Par conséquent, je formule l'hypothèse que plus une organisation est associée avec une logique désapprouvée, mieux c'est pour l'évaluation de son statut.

L'industrie de la banque d'investissement, utilisée ici comme contexte empirique, est construite sur un fort système de croyances (Eccles et Crane, 1988 ; Li et Berta, 2002 ; Ho, 2009), une forte macroculture (Abrahamson et Fombrun, 1994) ou « état d'esprit » (Philips, 1994). Ces logiques institutionnelles dominantes sont construites sur le paradigme de la création de valeur actionnariale (Ho, 2009 ; Fraser,

2004). Cependant, la crise des subprimes a fait naître une grande suspicion à l'égard de l'industrie de la finance : ses pratiques ont été très critiquées (Cuomo, 2009), et les médias et le public ont condamné leurs pratiques, alors qu'elles étaient auparavant ignorées.

Afin de tester la relation entre la logique attaquée et le statut des organisations, j'analyse les invitations des banques d'investissement à rejoindre des syndicats d'IPO (émission d'action) de 2007 à 2011. Quand les entreprises, pays et agences gouvernementales veulent lever du capital sur les marchés d'action, elles demandent à une banque d'agir en tant que « bookrunner » (responsable du book ou registre d'investisseurs). Ces organisations émettent des actions, et les banques d'investissement placent ces actions parmi les investisseurs en les revendant. Les autres banques sont invitées à rejoindre le syndicat : les banques sont sélectionnées sur la base de leurs capacités à mener à bien cette mission. L'évaluation de cette capacité est fondée sur la perception du statut de la banque au sein de son champ (Li et Berta, 2002). Ainsi, ces invitations reflètent la perception des banques d'investissement qu'ont les émetteurs.

J'utilise une approche inductive pour construire ma mesure d'association avec la logique désapprouvée (à quel point la banque d'investissement en question est perçue comme suivant le comportement typique des acteurs de son champ). Cette mesure exploite le contenu média et la façon dont elle est construite rappelle des travaux en finance (Core, Guay, et Larcker, 2000; Tetlock, 2007; Tetlock, Saar-Tsechansky et MacSkassy, 2008; Loughran et McDonald, 2011) et en théorie des organisations (King, Clemens et Fry, 2011). Dans un premier temps, j'ai analysé qualitativement le contenu d'un groupe d'articles d'opinion pour en dégager 4 catégories sémantiques (violence, avidité, opacité, prise de risque extrême) puis j'ai

appliqué ce filtre pour compter les mots dans l'ensemble des articles du New York Times citant les banques présentes dans mes données (un total de 22 000 articles). Je regarde comment cette mesure de l'association avec la logique de maximisation de la valeur actionnariale influence la probabilité de sélection dans un syndicat. Après avoir réglé les problèmes économétriques liés au biais de sélection et à la causalité inverse, je montre que les banques publiquement attaquées dans les média pour leur comportement en relation avec la logique désapprouvée, sont plus susceptibles d'être invitées. Être associé avec une logique désapprouvée, signale la proximité avec cette logique, et génère des bénéfices liés au statut, ce qui explique pourquoi les logiques de champ dans l'industrie de la banque d'investissement continuent de persister : elles continuent d'avoir des effets positifs sur ceux qui les incarnent.

Résumé du troisième essai : Théoriser les interactions visant à rejeter la responsabilité sur ses pairs

« Exit, Voice and Loyalty ». Le titre du livre de Hirschman (1970) résume les trois options qu'ont les acteurs d'un groupe lorsque celui-ci a agi en contradiction avec leurs volonté ou une norme. Ils peuvent soit quitter le groupe, soit y rester loyaux, soit faire entendre leur voix, en dénonçant un coupable. Les crises financières limitent la loyauté, et provoquent de nombreux départs et expression d'exaspération au sein et par les organisations. En particulier, les crises créent des boucs émissaires, c'est-à-dire des acteurs désignés comme coupables sans être forcément responsables d'une situation, mais dont on peut se débarrasser pour le bien du système dans son ensemble (Boeker, 1992). En 1929, par exemple, Charles E. Mitchell fut vilipendé par le public, ses pairs et le gouvernement, car il était le symbole des pratiques financières des

années 1920. Les historiens ont expliqué pourtant qu'il n'était qu'un banquier parmi d'autres (Huertas et Silverman, 1989).

Après et pendant la crise de 2008, de nombreux individus et acteurs financiers ont joué à un jeu complexe consistant à se rejeter la faute. Organisations, industries, et secteurs se sont prêtés à cette pratique. Les employés « donneurs d'alerte » blâmèrent les organisations. Les organisations dénoncent des soi disant employés « voyous » ou traders fous. Les compétiteurs au sein d'une industrie se rejettent la faute, ou accusent d'autres industries qui leur retournent la politesse. La presse, les régulateurs, et les cours de justice jouent au même jeu. Dans le contexte de la crise de l'euro, des pays entiers se sont mis à rejeter la faute sur d'autres nations. Le résultat de telles interactions sont le gain ou la perte de légitimité, auprès des marchés financiers, des cours de justice ou de l'opinion publique. De nombreuses questions motivent cet article théorique. Comment ces situations de « blame games » émergent elles ? Qui accuse et qui est accusé ? Quelles tactiques sont choisies et pourquoi ?

Dans cette étude, nous expliquons pourquoi ces stratégies sont les différentes facettes d'un même phénomène : un « blame game » dans lequel les acteurs d'un champ tente d'attribuer la responsabilité d'un méfait ou d'une défiance publique à leur pairs. Par rapport aux deux chapitres précédents, plutôt que d'examiner la valeur stratégique de l'illégitimité, nous observons la stratégie consistant à rendre les autres acteurs illégitimes. L'approche est résolument dynamique puisque les « niveaux d'illégitimité » sont interdépendants. Nous étayons une implication pratique des deux précédents chapitres : comment les acteurs peuvent ils s'isoler d'un groupe négativement perçu ? Accuser les autres est une façon de créer une différentiation en transférant l'illégitimité à un autre acteur. Ces transferts de responsabilités sont la

conséquence d'une évaluation sociale négative du groupe entier, qui génère des processus de labellisation à un niveau plus limité.

Cet espace où les acteurs s'attribuent mutuellement la responsabilité pour un évènement adverse est d'abord un espace discursif où les agents confrontent différents points de vue et essayent de les imposer aux autres. Ce groupe d'acteurs qui subit des accusations extérieures sont soit des pays, des industries, des organisations ou des individus. Dans sa théorie des attributions causales, Weiner (1986) explique l'inconfort associé à des évènements négatifs, qui provoque la recherche d'un coupable. Il y a cependant plusieurs couches d'attribution : si les parties prenantes condamne un champ ou une organisation, ce champ ou cette organisation et ses membres sont alors susceptibles de réattribuer la responsabilité en interne. Si on étend la théorie des attributions à des échelles plus larges qu'à l'échelle des individus (Allport, 1979), les champs et les organisations expliquent les évènements négatifs en cherchant des justifications internes ou externes (le locus de causalité (Weiner, 1986)). Si un champ ou une organisation souffre de pressions externes, il est plus susceptible d'accuser l'un de ses membres : pointer du doigt un bouc émissaire est donc un processus d'attribution interne (Boeker, 1992). De même, un donneur d'alerte accuse le reste du champ ou l'organisation à travers un exercice d'attribution externe (Near et Miceli, 1985).

Nous ajoutons une dimension additionnelle à la dichotomie bouc émissaire et donneur d'alerte en prenant en compte la situation de l'acteur cible à l'issue de ces enchaînements d'attributions de responsabilité. Dans le cas du bouc émissaire, le champ ou l'organisation exclut le membre pointé du doigt. Cependant, il peut aussi être décidé de le garder à l'intérieur du champ ou de l'organisation. Dans ce cas, nous le définissons comme étant un « agneau sacrificiel ». De la même manière, un

donneur d’alerte peut décider de quitter le champ ou l’organisation (Elliston, 1982), afin d’accentuer sa différentiation acquise grâce à son action et d’éviter les punitions infligées par le reste de son groupe ou d’être accusé à son tour. Cet agent devient alors un « traitre ». En ajoutant cet élément, nous pouvons construire une typologie des acteurs de ce phénomène. Cela lève aussi de nouvelles interrogations : quand est-ce qu’un acteur décide de trahir plutôt que de donner l’alerte ? Quand est-ce qu’un groupe décide d’exclure l’un de ses membres pour ne pas être tenu pour responsable ?

Notre objectif est de construire une théorie inclusive, traitant à la fois le phénomène du bouc émissaire et celui du donneur d’alerte. Nous explorons les liens entre les littératures sur la théorie des attributions, les boucs émissaires et les donneurs d’alerte, et plus généralement les évaluations sociales négatives, afin d’avoir la perspective la plus large possible sur ces mécanismes de réattribution des responsabilités. Nous commençons par poser les fondations théoriques d’un tél phénomène. Par la suite, nous construisons un modèle mathématique simulant le comportement des agents dans une telle situation, fondé sur ces propositions. Le champ ou l’organisation est représenté par un nuage de points, les agents, dont les comportements sont tous interdépendants. Un jeu d’inéquation est testé simultanément pour chaque agent à chaque cycle de la simulation afin de déterminer si les agents deviennent boucs émissaires ou donneurs d’alerte, quittent ou sont exclus du champ. Finalement nous explorons les limites de notre élaboration théorique à l’aide d’études de cas liées à l’industrie de la finance pendant et après la crise des subprimes.

Extended Abstract

This dissertation aims at contributing to the emerging literature on organizational illegitimacy. There is still a lot of controversy around the definition of such construct. Scholars have progressively distinguished organizational stigma, which is a dichotomous categorization, and social disapproval, which is a scalable organizational-level outcome. **Understanding the various forms of organizational illegitimacy is a way to understand**

i. **how organizations become illegitimate.**
ii. **why they remain illegitimate.**
iii. **in which context illegitimacy can actually be beneficial for an organization.**

The two first essays of this dissertation are aimed at exploring the antecedents and outcomes of organizational illegitimacy from an institutional logics perspective. I adopt a strategic approach to legitimacy (Suchman, 1995) by assuming that it is a manipulable social evaluation. In particular, in the second and last essays, I show how illegitimacy can be exploited or transferred by social actors.

In a first empirical project, I investigate Goffman's notion of "stigma-theory" (Goffman, 1963): how do stigmatizing actors rationalize their beliefs to convince their audience? The concept of organizational stigma has received significant attention in recent years. The theoretical literature suggests that for a stigma to emerge over a category of organizations, a "critical mass" of actors sharing the same beliefs should be reached. Scholars have yet to empirically examine the techniques used to diffuse this negative judgment. I answer this question by studying the stigma over the finance

industry since 2007. After the subprime crisis, a succession of events put the industry under greater scrutiny, and the behaviors and values observed within this field began to be publicly questioned. As an empirical strategy, I collected opinion articles and editorials that specifically targeted the finance industry. Building on rhetorical analysis and other mixed methods of media content analysis, I explain how the stigmatizing rhetoric targets the origins of deviant organizational behaviors in the finance industry, that is, field-level institutional logics. I bridge the gap between rhetorical strategies applied to discredit organizations and ones used to delegitimize institutional logics by drawing a parallel between these two literatures. Taking an abductive approach, I argue that institutional contradiction between field and societal-level logics is sufficient but not necessary to generate organizational stigma.

In a second empirical project, I consider how the external perception of organizational behaviors driven by a resistant field-level logic impacts status evaluation by other organizations. Contested industries derive legitimacy from well-established societal logics. When society-level logics change - in the case of extreme events such as economic crises –, previously legitimized industry-level logics get scrutinized. Members of this industry are pointed out because their practices have become incongruent with broader social norms. In this context of institutional contradiction, I argue that when an organization is disapproved for practices related to the resistant logic of its stigmatized industry, it signals the extent to which the organization is loyal to this logic. Considering that status evaluations are based on the perception of embeddedness within industry-level logics, I hypothesize that when an organization is associated with this vilified logic, it has a positive outcome on its status. I use the investment banking industry as the empirical setting. Adopting an inductive approach, I build a measure of the extent to which banks are criticized for

their proximity to the shareholder value maximization logic. This measure, based on media content analysis, is used to investigate biases affecting invitation patterns during IPO syndicate formation. I prove that the more banks are associated with the disapproved logic, the more likely they get selected to join a syndicate. Finally, the study shows the existence of status-related incentives to resist institutional change.

In the last study, which is the fruit of the collaboration and guidance of Eric Abrahamson, we articulate and enrich the literature on scapegoating and whistleblowing by building an integrative theory of blame games – a situation where the actors of a field or an organization strategically deflect blame pressure by attributing the responsibility to their peers. We approach these phenomena as ways to strategically manage social evaluation for oneself by damaging those of others. Mapping blame game's actors, we show how dominant and peripheral voices emerge to deflect blame. We theorize the sequential nature of blame games and the concomitance of scapegoating and whistleblowing strategies depending on inside and outside visibility of wrongdoings. We extend our theory and enrich our understanding of how these tactics interact by designing an agent-based simulation that models the relative behaviors of agents. In particular, our model of blame game explains the likelihood to leave or be kicked out of the field. Finally, we discuss the limitations of our theorization and the complexities of real-life cases by discussing case studies of blame games in the banking industry, following the turmoil of the financial crisis.

Introduction

Before entering the dissertation itself, I would like to introduce the topic I have chosen. Why did those questions intrigue me? In 2007, I worked one year on BNP Paribas' trading floor in London as a junior analyst in debt restructuring. Debt restructuring (also known as *liability management*) spans over both corporate (it requires to market and tailor the operation to the company) and market finance (when a deal is launched, the bonds are bought back on the market and reissued), and involves interaction with many different trading floors' actors including market oriented ones (syndicates, sales people) but also customer oriented colleagues (debt capital market analysts). I found a number of common traits and shared values among bankers I interacted with. These interactions raised a number of practical issues that motivated this dissertation.

The intuition of my thesis comes from the reaction of bankers when discussing the practices that are inherent to their field, and how those practices are perceived outside the field. What do bankers think about outsiders' perspective on their bonuses or the complexity of their products? I passed off to them this questioning after having to answer my non-banker friends' inquiries. The bankers' main line of reasoning is that their practices, such as bonuses, or risk-taking, make perfect sense, and are necessary to economic efficiency, not only for the bank but also for society. The outside world just "cannot understand".

Are bankers crazy to keep engaging in practices that are widely disapproved? Why are they so stubborn when it comes to defending their logics of behaviors? There is a set of shared beliefs on which those practices are built (e.g. the beliefs that

productivity needs to be rewarded by a compensation that closely reflects the value added by the individual or that taking risks always pays off). Bankers firmly believe that they are in the right. In addition, I also observed the interaction between bankers and their corporate customers, and myself dealt with those customers (mostly CFO and CLO from Fortune 500 companies). The shared values, on which typical banking practices are built and rationalized, were in some way used as an interface between bankers and their customers.

The financial crisis highlighted this clash between the outside perception of bankers' practices and bankers' conception of their own behaviors. It became a topical subject of research inquiry. In this dissertation, I try to understand this conflict of logics and the persistence of disapproved practices. From a strategic point of view, the underlying problem is to understand the tactics revolving around negative social evaluation.

The rest of this document is organized as follows. Chapter 1 suggests the existence of a strategic value of illegitimacy. In this introductory chapter, I present the main concepts, the general research gap and question, and provide an overview of the three essays. In Chapter 2, I examine one possible antecedent of illegitimacy: institutional contradiction. In Chapter 3, I study a context in which illegitimacy can actually beneficial and explain the underlying mechanisms of this phenomenon. And in Chapter 4, we articulate the different literatures on the attribution of illegitimacy labels. In the conclusion, I pave the way for future research; detail the implications of my dissertation for both managerial practice and public policy.

Chapter 1
The Strategic Value of Illegitimacy

This dissertation aims at contributing to the emerging literature on organizational illegitimacy. Research that has been conducted so far has raised numerous questions (Hudson, 2008). This dissertation is aimed at furthering the understanding of the illegitimacy construct.

The first challenge is to build a consistent definition. To begin with, scholars have distinguished the construct from other concepts such as reputation or status (Devers, Dewett, Mishina and Belsito, 2009). Secondly, research has looked at the differences and similarities between legitimacy and illegitimacy (Hudson, 2008). Are they on the same continuum? In other words, is illegitimacy a form of negative legitimacy as defined by Elsbach and Sutton (1992)? To answer this question, organization theorists have distinguished stigma and social disapproval as two different dimensions of illegitimacy (Mishina and Devers, 2011; Vergne, 2012).

The second challenge is to understand the antecedents and the consequences of this phenomenon. In terms of antecedents, theoretical research has suggested that organizational stigma was the result of a categorization process (Hudson, 2008; Devers et al., 2009) and that this process was a consequence of norm violation (Pozner, 2008; Galvin, Ventresca and Hudson, 2004; Vergne, 2012). However, the materialization of such path has still to be empirically explored. Similarly, the outcomes of illegitimacy are not clearly understood. Theory argues that stigma does not necessarily prevent industries from persisting over long periods of time (the tobacco, the gambling, or the defense industries have been able to survive despite

their legitimacy struggles (Galvin, et al. 1994; Vergne, 2012)). By contrast, it has been argued that disapproval could threaten survival (Pfeffer and Salancik, 1978) or at least harm organizations (Suchman, 1995; Vergne, 2012). At first sight, these two assertions seem to be contradictory.

To explore those questions, as suggested by Devers et al. (2009) I focus on a single industry: the finance industry. This field has gone through major legitimacy struggles over the last decades, but the last few years have seen the disapprobation peaking (Ho, 2009; Shiller, 2012). Banks have been blamed for their role before, during and after the economic crisis (Shiller, 2012). The banking industry is of specific interest because of its strong macroculture (Abrahamson and Fombrun, 1994) or industry mindset (Phillips, 1994): there is a corpus of particular beliefs and norms shared by the employees of the industry. Although bankers' behaviors are strongly contested, they seem to persist.

THEORETICAL OVERVIEW

Defining legitimacy

Perception of social acceptance is usually the way organizational legitimacy is defined (Scott, 2008). Organizations gain legitimacy when their behavior and values are congruent with socially accepted norms. This concept has been at the center of a flourishing research literature aimed at explaining the social forces that "constrain, construct and empower organizational actors" (Suchman, 1995:571).

Organizational legitimacy is the "congruence between the social values associated with or implied by [the organization's] activities and the norms of acceptable behavior in the larger social system" (Dowling and Pfeffer, 1975:122). Legitimate organizations are more likely to obtain the resources they need because

they are perceived as more credible and persistent (Parsons, 1960; Zimmerman and Zeitz, 2002). It has been commonly argued that organizations seek legitimacy (Dowling and Pfeffer, 1975; Pfeffer and Salancik, 1978; Suchman, 1995). I distinguish the strategic approach and the institutional approach to legitimacy (Scott, 2008; Suchman, 1995). The strategic approach suggests that - because modifying social norms is complicated - organizations adapt themselves to make their activities congruent with legitimate practices, objectives or institutions (Pfeffer and Salancik, 1978). This approach differs from the institutional one, which adopts a more distanced perspective. The institutional perspective approaches legitimacy as a passive outcome (Suchman, 1995). In this dissertation, I take a resolute strategic approach to legitimacy. I assume that organizations have *at least some* power on the fact of being legitimate or illegitimate. In chapter 3, I show how firms can benefit from illegitimacy. In chapter 4, we study how social agents can blame each others and thus build their legitimacy on the illegitimacy of others.

In addition, considering the various definitions of legitimacy (Suchman, 1995) it is important to clearly define which kind of legitimacy I deal with here. Different types of legitimacy rely on three different behavioral dynamics (Suchman, 1995). There are three kinds of organizational legitimacy: pragmatic, cognitive and moral-normative legitimacy (Suchman, 1995; Scott, 2008). Social approval or disapproval is based on a normative evaluation rather than on a pragmatic calculation (this organization can benefit me) or a taken-for-granted or cognitive assumption (the existence of this organization makes sense). The existence of an organization can be considered as natural and/or beneficial at the same time as its behavior is perceived as morally questionable. I focus on moral-normal legitimacy, i.e. whether organizations conform to social norms.

Why focusing on illegitimacy?

For organizations, legitimacy-building relies on mimicking other social actors (Scott, 2008). As a consequence, legitimate organizations are lost in the mass and less likely to be noticed (Elsbach and Sutton, 1992). Moreover, when organizational legitimacy cannot be observed, because of a lack of visibility on the organizations' actions and values, outsiders tend to perceive the organization as legitimate (Bitektine, 2011). By contrast, when organizations violate norms, they are more likely to be salient (Elsbach and Sutton, 1992). When an organization's moral legitimacy is put into question, it is made visible.

Organizational legitimacy is more likely to fluctuate downward: organizations can more easily lose than gain legitimacy (Suchman, 1995). In addition, although there are some strategies to build and repair legitimacy (Suchman, 1995), these moves are long-term. Long-term upward variations of moral legitimacy, because they are less visible are less likely to affect organizational behaviors. The managers seem primarily affected when their organizations' legitimacy is questioned (Sutton and Callahan, 1987; Wiesenfeld, Wurthmann and Hambrick, 2008). Thus, the impact of moral legitimacy on behaviors is more observable when it fluctuates "downward", especially because legitimation crises tend to reinforce themselves (Suchman, 1995).

Exploring the concept of organizational illegitimacy

Kraatz and Zajac (1996) consider that organizations engage themselves in "legitimacy-reducing" change, when their decisions and behaviors are perceived as inconsistent with broadly accepted norms. Devers et al. (2009) argue that there is *generalized* value incongruence when audiences perceive this illegitimate practice as indicative of persistent incongruence between the organization's values and the accepted social norms. When audiences realize that they share the same views, the

aggregation of the negative perceptions becomes a common perception (Ashforth and Humphrey, 1997): a stigma. Hudson (2008) stresses that organizational stigma is primarily related to moral legitimacy. He distinguishes core stigma and event stigma. Core stigma is associated with organizations that cannot overcome illegitimacy because of who they are, what they do, who they serve. Tobacco, defense or porn industries are good examples of core-stigmatized industries. Event stigma emerges when an organization's moral legitimacy is punctually questioned. But how successive event-stigmas can result in the emergence of core-stigma?

The question of stigma has recently raised interests from management scholars. However, this research has often focused on the individual level rather than on the organizational level, and the literature tends to separate these two levels of analysis (Devers et al., 2009). However, Tajfel and Turner (1989) have argued that group membership is internalized and made a constitutive element of individuals' social identity. The two level of analysis are thus related.

At the organizational level, the most recent literature has distinguished organizational stigma and disapproval of organizations as two different facets of organizational illegitimacy (Devers, et al. 2009; Vergne, 2012; Mishin and Devers, 2011). At the individual level, stigma is defined in the literature as the property of a category of individuals (people with a certain disability, ethnic minorities, etc.) while disapproval is the particular level of disapprobation faced by an individual. The study of Leary and Schreindorfer (1988) on the stigmatization of HIV is often cited (e.g. Devers et al. 2009, Mishina and Devers, 2011; Wiesenfeld et al. 2008; Pozner, 2008) in the stigma literature to make this argument: they show that individuals are stigmatized when they are associated to a specific category on the basis of a particular characteristic. Organizational stigma is a negative social evaluation (Devers, et al.

2009), and emerges as the result of a categorization process (Vergne, 2012). In other terms, stigma is a dichotomous assessment (Mishina and Devers, 2011). But "membership in a stigmatized group is not the sole predictor of social acceptance" (Vergne, 2012: 1030): an industry can be stigmatized but within this category there can be variance in disapproval among the members of this group.

The intuition regarding the benefits of illegitimacy

Intuitively, illegitimacy is expected to have negative outcomes: when an organization is illegitimate, it makes it difficult to access crucial resources such as customers, skilled labor, or partners (Pfeffer and Salancik, 1978; Dowling and Pfeffer, 1975). However, at the individual level, a body of qualitative research has pointed out the existence of defence mechanisms for people performing negatively labelled occupations: despite carrying out disapproved occupations they could maintain a sense of self-esteem because of identity processes (see Ashforth and Kreiner, 1999). It suggests that external negative judgments can actually have a positive effect on insiders' identity. Ashforth and Kreiner (1999) imply that the way in which insiders tend to 'condemn the condemners' by devaluating their judgments brings about a polarization. Insiders are prone to dig in their heels in order to face criticism and "socially withdraw in order to look for social validation and affirmation within their own group" (Ashforth and Kreiner, 1999: 425). Research has also shown that external threats foster group cohesion because insiders tend to stick together against outsiders (Forsyth, 1990). Ashforth and Kreiner (1999) reference Freud (1951) to explain that when groups coalesce this way, they build psychological boundaries around themselves for the purpose of self-affirmation. In addition, because disapproval generates distinctiveness, it can increase identification (Dutton, Dukerich, and Harquail, 1994). In a situation of disapproval of the organization, when their self-

concept is threatened, group members give sense to the organization in a way that preserves the manner in which they define themselves (Elsbach and Kramer, 1996): insiders perceive themselves as members of a group that is in the right despite what the rest of the world thinks, and they share this faith in their organization with their peers. The feeling of being in the right together with the rest of the organization and their peers – especially because the common cause strengthens organizational culture and cohesion – can have a positive impact on employees' self-concept (Shamir, 1991). Ultimately, disapproval - because it implies to hold the line against the rest of the world - can have positive organizational-level outcomes.

General research gap and theoretical approaches

There is a number of research gaps around the concept of organizational illegitimacy. The construct of organizational illegitimacy is emerging in the literature (Suchman, 1995; Hudson, 2008; Devers, et al. 2009; Mishina and Devers, 2011; Vergne, 2012; Pozner, 2008). This early literature has helped to build a consistent definition, in particular through the clarification regarding related sub-constructs. While norm violation is seen as an antecedent of illegitimacy, it is still unclear in which broader contexts these norm violations take place. I suspect this lack of understanding is due to the absence of articulation between the phenomenon of organizational illegitimacy and broader theories of organization. Chapters 2 and 3 are aimed at bridging this gap, in particular by looking at norm violation and industry practices from an institutional logic perspective. Following the foundational paper on societal logics and contested industries by Galvin, Ventresca and Hudson (2004), the institutional logic perspective appears to be a good candidate to theoretically unveil the antecedents and consequences of organizational illegitimacy. First, the literature on institutional logic establishes links with research on other kinds of social

evaluation such as status, and builds on social identity theory. Yet, as discussed in the previous section, social identity mechanisms could explain the consequences of organizational illegitimacy. Another gap is at stake: future research is needed regarding the persistence of organizational illegitimacy. Vergne (2012) calls for a study of "long-term trajectories" of stigmatized industries. In some way, this work answers this call by replacing the investment banking industry in its historical institutional context (Ho, 2009).

In Chapter 4, we address another research gap: the focal perspective of research on organizational illegitimacy has so far been the illegitimate organization's perspective. Studies that have been looking at the action of "making" someone else illegitimate have used other concepts such as whistleblowing or scapegoating. However, those strategies aimed at managing social evaluations are connected to the construct of organizational illegitimacy. They suggest that managing ones' evaluation at least partly relies on strategies to make others illegitimate. Our perspective develops the strategic approach to legitimacy (Suchman, 1995). In particular, one can manipulate others legitimacy to gain legitimacy for oneself. This provides a new lens to connect multiple literatures and existing but dissociated concepts.

General research question

Considering the difference between stigma and disapproval, the explanation of norm violation needs to be further detailed. In particular, considering organizational stigma is by essence a categorization (Devers, et al. 2009) and by extension is likely to be the characteristic of an industry (Vergne, 2012), it seems relevant to investigate more macro antecedents of norm violations by industries. How does organizational illegitimacy emerge? The temporal nature of organizational illegitimacy also matters. Why does organizational illegitimacy persist? The work of Galvin, Ventresca and

Hudson (2004) on the tobacco and gambling industries, or Ho's historical study of the investment banking industry (Ho, 2009) suggest that contested industries go through up and down cycles of legitimacy by deriving values from dominant societal logics. How can these cycles be explained?

Several authors have pointed out the persistence of organizational illegitimacy (Vergne, 2012; Hudson, 2008). One of the assumptions of the early literature on the topic is that organizations seek to avoid illegitimacy (Pfeffer and Salancik, 1978). Later on, scholars have argued that organizations can survive while being stigmatized (Galvin, et al. 2004; Devers, et al. 2009; Vergne, 2012) on the condition that disapproval is contained (Vergne, 2012). I take an opposite standpoint and postulate that if organizational illegitimacy persists, it might not be because it simply does not threaten survival, but because it is somehow *beneficial*. Indeed, we have seen in the literature on stigmatized occupations or social identity that the threats of illegitimacy could have positive organizational level outcome. How can organizational illegitimacy be beneficial? In which context?

EMPIRICAL CONTEXT: THE INVESTMENT BANKING INDUSTRY

As suggested by Devers et al. (2009), focusing on a single industry is an asset: it enables us to fully explore the antecedents and consequences of illegitimacy. The banking industry has gone through several waves of attacks on their behaviors and values. Banks have been blamed for their role before, during and after the recent economic crisis. Some banks were considered partly responsible for the crisis. And after receiving state support in 2008 and 2009 to avoid collapse, the same banks were caught distributing outrageous bonuses to their employees. In this presentation of the empirical context, I focus on the general history of the investment banking industry.

In the following chapters, I will explore more specifically the investment banking industry during and after the 2007-2008 financial crisis.

A brief history of syndication and the investment banking industry

Baskin and Miranti (1999) identify a number of phases in the development of corporate finance and the banking industry. In the preindustrial world, until the 18th century and during the world exploration, the English East India Company structured itself as a financial hub and an ancestor of investment banks. The emergence of financial markets for investment securities (initially to raise money to finance national economies), kick-started the materialization of modern finance. Although, Amsterdam had a stock market since 1530, debt markets really appeared after the 1688 revolution in England. In its competition with France, England required huge amounts of funding and began to issue sovereign bonds.

The second phase of development came with the rise of the industry: the progress in manufacturing, the birth of railroads and canal networks required capital, through the issuance of debt or stocks. In Europe, but also in the United States (to finance the American Civil War), banks increasingly participated to the syndication of debt for governments (i.e. they sold the debt to individual investors). And at the beginning of the 20th century, banking partnerships started taking active parts in the management of their corporate clients: banks like JP Morgan were systematically on the board of the companies they advised and it had a significant and positive impact on stock prices (De Long, 1991). In addition, banks actively participated and advised firms during the wave of 1,800 mergers that happened between 1895 and 1904, and the numerous bankruptcies (Morrison and Wilhelm, 2007). By the 1920s, the public suspicion over equity investment had vanished, and the prosperous years of the post-war era saw a dramatic increase in individual stock ownership and were accompanied

by the burgeoning of investment banks. When the bubble popped up in 1929, numerous banks simply disappeared or merged. As a consequence of the 1929 crash, the Federal Securities Act (1933) required full disclosure on publicly offered securities, and the Glass Steagall Act (1933) urged the separation of commercial and investment banks.

The rise of the shareholder-value maximization logic

The most important development of the investment banking industry came up with the takeover movement in the 1980s (Ho, 2009). Before the early 1980s, investment banks were mostly ignored. For example, they were much less in demand on campuses: most of the graduates of Ivy League schools were going for industrial, aerospace or chemical corporations (Ho, 2009). After the 1929 crisis, ambitious college graduates stayed away from careers in banking. Madrick (2011) explains that until the 1970s, the Americans maintained a high level of trust in the federal government. With the high inflation rate of the 1970s, and the rise of inequalities and lobbies, the Americans began to change their mind regarding the prominence of the state, and this situation gave birth to an “Age of Greed”, dominated by Reaganomics and shareholder value maximization.

The takeover movement in the 1980s gave momentum to the investment banking industry: it was a way for investment banks to rebuild their legitimacy, by deriving some values and beliefs from the dominant societal logic of shareholder value maximization (Ho, 2009). The shareholder value maximization logic had become a dominant paradigm at that time (Lok, 2010). The shareholder-value maximization logic posits that the purpose of the firm is solely to maximize the value derived by shareholders through dividends and increases in share price (Fligstein, 2001; Whitman, 1999). As a consequence of its imprint on the investment banking

industry, the shareholder-value maximization logic deeply influenced the practices and the beliefs of this field (Ho, 2009).

What good is Wall Street?

What am I trying to achieve with this dissertation? Do I think this thesis as a manifesto against the investment banking industry? No. On the contrary. In this thesis, I highlight the points of friction between bankers and the rest of the society, and try to explain them.

I believe the financial crisis is more of a call to reinvent rather than to kill finance. Finance has also some positive sides for society that we must not forget. Shiller (2012), in particular, calls for a new perspective on finance and argues that the "hostility among the general public generated by the crisis may have the unfortunate effect of inhibiting financial progress" (Shiller, 2012: xi). Rather than seeing it as a hub for money and greed, he sees finance as a "steward" for society's assets. Shiller (2012) reminds us how financial creativity benefitted society. Following the financial crisis, many commentators have designated securitization (pooling and repackaging different financial products with various level of risks) as an ideal culprit, because it makes risk monitoring more complex. In the meantime, it has enabled many small market actors to access capital by making their funds more liquid and sellable to investors. In our brief history of investment banking, we also explained the positive role of investment banking for society. Syndication has enabled the nation states to raise money to build infrastructures during the world exploration and corporations to finance innovations during the rise of the industry. As a consequence, Shiller warns against constraining rather than improving finance: for its own sake, society needs to regain trust in a transparent but also "free-to-innovate" financial system.

THESIS OVERVIEW

This dissertation is articulated around 3 essays. In Chapters 2 and 3, I bridge the gap between the literatures on institutional logics and negative social evaluation. The institutional logics perspective builds on Bourdieu's concept of field (Bourdieu, 1977; 1984; 1990; 1996). The sociologist argued that the differentiation of social activity has brought about the emergence of social subspaces. The institutional logic approach has often focused on the field as a level of analysis, defined as a set of actors with common beliefs, rules and legitimation processes (Bourdieu, 1984). Logics are defined as socially constructed systems of assumptions, values, beliefs and rules by which individuals organize and make sense of their interactions with each others (Thornton and Ocasio, 1999). Strong boundary beliefs contribute to developing industry specific logics of action in relation to the various stakeholders (Galvin et al. 2004; Thornton and Ocasio, 1999). The emergence of an industry's collective identity leads to the development of logics that prevail within the social group (Thornton and Ocasio, 2008). These industry-level logics define the appropriate practices within an industry.

The first essay "What Good is Wall Street: Institutional Contradiction and the Stigma over the Finance Industry" introduces this bridge between organizational stigma and institutional logics. In this paper, I look at the antecedents of organizational illegitimacy. What does norm violation at the organizational level says about the institutional context? I focus on the perception of norm-violating practices and how this relates to the conflict between institutional logics at different level. This

study has been presented in the Organization and Management Theory Division at the Academy of Management in Boston in 2012.

The second essay “It’s Good to Be Bad: Social Disapproval of Banks as a Signal of Proximity to a Field-Level Logic” extends this research by showing how illegitimacy can benefits organization in some specific institutional contexts. This study stresses the importance of subjectivity when it comes to norm violations: the conflict between institutional logics at different levels creates variance regarding the perception of behaviors.

The last essay articulates the literature on scapegoating and whistleblowing. The idea is to investigate blame games as theaters of illegitimacy transfers. Building on the existing literature and on an agent-based simulation, we erect a theory of blame games. It has been presented at the Durham University Workshop on Tipping Points in 2012 and will be presented at the 2013 EGOS colloquium in Montreal.

Table 1: Thesis Overview

	Specific research gap	Specific research question	Proposition or Hypothesis
Essay 1 (Chapter 2) What Good is Wall Street? Institutional Contradiction and Diffusion of the Stigma over the Finance Industry	• Stigma emerges on the condition that the stigmatizing beliefs have been diffused among a critical mass of stakeholders. **The mechanisms underlying this diffusion process have not been examined.** • The link between organizational level **event stigma** (punctual) and **core stigma** (permanent) has not been studied. • Goffman's concept of "**stigma theory**" (an ideology built to convince an audience of the inferiority of a category of social actor) has not been fleshed out.	• How are stigmatizing beliefs rationalized? • How are they sustained? • How do they diffuse? • How do event stigmas become core stigma?	• Institutional contradiction between field and societal-level logics is sufficient but not necessary to generate organizational stigma, because of resistance to institutional change. • Arguments against field-level norm violating practices are built around the institutional context (contradiction, resistance, inconsistency).
Essay 2 (Chapter 3) It's Good to be Bad: Social Disapproval of Banks as a Signal of Proximity to a Field-Level Logic	• Organizational stigma is the result of **norm violation**, and norm violations have not been analyzed as an antecedent of stigma. • Institutional change is triggered when societal level logics and field level logic are in conflict. Research has partly ignored the period before institutional change, or situations when change does not occur (institutional resistance). • Literature on the relationship between stigma and status fails to consider the audiences for which the target does not carry stigma.	• Why do organizations resist institutional change despite the negative social evaluations it can generate? i.e. why do they keep engaging in illegitimacy-generating practices? • In which context can organizations benefit from disapproval?	• When organizations are disapproved of for their association with a dominant logic in their field, this signals their loyalty to this logic, yielding positive outcomes in terms of the status evaluation of other members of the group where this logic is exerted. • Norm violating practices, and thus illegitimacy, is beneficial and suggest the potentially counterproductive effect of institutional pressures and coercion.
Essay 3 (Chapter 4) Scapegoats, Sacrificial lambs, Turncoats, and Whistle Blowers: Simulating and Theorizing Blame Games	• The literatures on whistleblowing and scapegoating have not been articulated, although they reflect the two sides of a same phenomenon.	• Why and how do actors transfer illegitimacy? • Why are levels of illegitimacy of actors dependent on each others?	• Scapegoating and Whistleblowing are interdependent strategies. • Blame games occur in coherent sequences. • Boundaries matter when it comes to illegitimacy transfer.

	Research approach	Methodological approach	Data and research design	Contribution
Essay 1 (Chapter 2) What Good is Wall Street? Institutional Contradiction and Diffusion of the Stigma over the Finance Industry	Abductive	• Qualitative content analysis. • Quantitative word counts using the Harvard Psychosocial dictionary.	• Data: 58 editorial and opinion articles in the New York Times, Washington Post, Wall Street Journal.	• Contribution to the literature on institutional contradiction by unveiling consequences of logic resistance. • Showing how organizational stigma can be an outcome of conflicting logics.
Essay 2 (Chapter 3) It's Good to be Bad: Social Disapproval of Banks as a Signal of Proximity to a Resistant Logic	Deductive	• Empirical approach based on logistic regression at the bank-IPO level (whether banks are invited to join a syndicate).	• Invitation patterns for IPO syndicates (SDC Platinum) • Independent variables based on NYT articles: Inductive coding of an independent variable measuring proximity to a disapproved logic.	• There can be field-level incentives for organizations to resist institutional change, and remain engaged in illegitimate practices. • Institutional pressures can actually be counterproductive as they might create more opportunities to signal proximity to a resistant logic.
Essay 3 (Chapter 4) Scapegoats, Sacrificial lambs, Turncoats, and Whistle Blowers: Simulating and Theorizing Blame Games	Inductive	• Building a basis of proposition on the existing literature. • Extending this theoretical basis with the findings of an agent-based simulation.	• Agent-based simulation (Net-Logo language). • Case studies on the finance industry.	• We integrate literatures on social agents' mutual attribution of negative social evaluations, and include Hirschman's boundary dimension. • We suggest that legitimacy is a commodity, and that making other actors illegitimate can enhance one's legitimacy.

Chapter 2

What Good is Wall Street? Institutional Contradiction and Diffusion of the Stigma over the Finance Industry

---

This paper has been presented at the 2012 Academy of Management, OMT Division, in Boston, and the 2012 European Academy of Management, in Rotterdam.

INTRODUCTION

"Greed is good" is no longer flavor of the month... outside the banking industry. Gordon Gekko's motto in Wall Street - Oliver Stone's mythical movie on the rise and fall of voracious bankers – now epitomizes everything one hates about the banks. Paradoxically, although he is depicted as a wolfish, devilish and tempting patron, because he symbolizes the bankers' line of reasoning, most of them see him as an iconic character. May this divergence in norms inside and outside a field be understood as a source of the banks' public disgrace?

Figure 1: Similarities between the poster of Devil's advocate and Wall Street 2

(source: PosterPundit)

Building on the fundamental work of Erving Goffman (1963), who was the first to explore the antecedents and outcome of stigma, a new field of research inquiry

has recently emerged around the concept of organizational stigma. Like individuals, organizations are also subject to disqualification from full social acceptance. Consequently, scholars have been trying to build a comprehensive definition of organizational stigma that distinguishes it from individual-level stigma and other close constructs such as reputation, illegitimacy, or status (Devers, Dewett, Mishina and Belsito, 2009). Organizational stigma has been defined as "a label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization" (Devers et al., 2009:155).

Organizational stigma emerges when "a critical mass of stakeholder group members" categorizes an organization's values and behaviors as being in conflict with theirs (Devers et al. 2009: 162). However, there has been very little investigation on how this critical mass is reached and how the group initiating the stigmatization process tries to spread its beliefs among other stakeholders. More specifically, how are these beliefs rationalized to be more convincing?

An industry earns a negative label when it violates norm (Pozner, 2008; Hudson, 2008). Such situation occurs when its practices are in conflict with broader social norms (Dowling and Pfeffer, 1975) and threaten the existing social structure (Mishina and Devers, 2011). From an institutional logic perspective, these "appropriate practices" are derived from field-level institutional logics, that is, beliefs and values shared by managers across organizations (Thornton and Ocasio, 2008). An industry's acceptability depends on the appraisal of its dominant logic, and industries originally build their legitimacy by translating established societal-level logic into their field (Galvin, Ventresca and Hudson, 2004). However, when societal-level

logics evolve, inconsistencies between the industry's logic and societal-level logics may arise (Seo and Creed, 2002). The appropriate practices at the field level, as a result of being derived from a freshly contested logic, were negatively labeled as a consequence of the institutional contradiction that resistance of these logics stigmatizes this industry.

Meanwhile, there is a close connection between rhetoric and the legitimacy of institutional logics: the contestation of logics is mainly built on rhetorical discourses, which challenge the legitimacy of the condemned logic (Suddaby and Greenwood, 2005). Rhetoric is a set of tactics used to persuade others. However, these tactics are not only informative about the way we communicate with others but also about the way we think (Watson, 1995). Discourse is not merely a form of expression but also a process through which organizational behaviors are enacted or constrained (Grant, Keenoy and Oswick, 1998; Phillips and Hardy, 2002). In other words, tracking rhetorical discourses is a way of understanding the institutional conflicts at stake. To apprehend stigma as a phenomenon, we endeavor to understand how rhetorical strategies connect a stigmatized industry's behaviors and values, and the underlying field-level logics.

Because media are a barometer of how logics are perceived and comprehended (Lok, 2010), we investigate the negative labeling of the finance industry in opinion and editorial articles collected from three major U.S. newspapers. We investigate the different means of persuasion used to discredit logics by applying an Aristotelian typology of rhetorical strategies. Building on rhetorical and other methods of content analysis, we explain how stigmatization and institutional resistance are interlaced. We show that stigmatizing actors primarily attack

underlying logics rather than the organizations enacting them. Through the Aristotelian lens, we explain how stigmatizing judgment is at the same time "rationalized" (logos) and "emotionalized" (pathos). Our abductive approach concludes that a conflict between field-level and societal-level logics is a sufficient but not necessary condition to generate organizational stigma.

Prior theorization of stigma has taken a narrow focus on the construct itself (see Devers, et al. 2009; Hudson, 2008). This paper contributes to the theoretical understanding of stigma by using a broader theoretical lens: institutional logics. This theoretical perspective offers a bridge towards other constructs of interest, and unveils remaining theoretical questions regarding the mechanisms of stigma emergence. Understanding the rationalization of stigmatizing beliefs is crucial to apprehend the relationship between evaluators and evaluated actors, and how this relationship is conditioned by broader institutional systems. The rhetorical angle to approach the data enables me to capture the broader arguments and concepts to which the criticizing of the finance industry is attached.

THEORETICAL BACKGROUND

Drawing on autobiographies and case studies, Goffman (1968) was among the first to scientifically examine the concept of stigma. He used this notion to describe attributes that disqualify individuals from social acceptance. These attributes can be physical (e.g., deformation, mental illness) or related to social practices (e.g., drug consumption). Goffman's concept of "courtesy" stigma or stigma by association (Goffman, 1968) has been empirically explored in the more recent literature. Building on this founding work, management scholars have developed a comprehensive perspective on the antecedents and outcomes of individual-level stigma in

organizational contexts (Ashforth and Kreiner, 1999; Kulik, Bainbridge and Cregan, 2008). In particular, Wiesenfeld and Wurthman (2008) and Sutton and Callahan (1987) looked at how corporate failure contributes to the stigmatization of the associated executives. Ashforth and Kreiner (1999) showed how the stigma associated with disdained professional activities affected workers. However, while several firm-related scandals and disasters have received notable public attention, the term stigma has also begun to be applied to organizations.

Organizational stigma

According to Devers et al. (2009), the main difference between individual-level and organizational-level stigma is that getting stigmatized is an active process in the latter case. Stigmatized organizations have made a choice leading to this situation (e.g., whether to engage in morally condemnable activities). Organizational stigma is the result of a categorization process: an organization is stigmatized when it is associated with a negatively evaluated group of actors (Devers et al., 2009; Mishina and Devers, 2011). Categories enable social actors to simplify the interpretation of their environment (Corter and Gluck, 1992). An organization is stigmatized when it belongs to a broader stigmatized category (Wiesenfeld, Wurthman and Hambrick, 2008).

Although the process by which a firm becomes stigmatized has not been studied empirically (Mishina and Devers, 2011), scholars have begun theorizing the origin of organizational stigma. Devers, Dewett, Mishina, and Belsito (2009) use the concept of critical mass: stigma emerges on the condition that this vilifying belief has been diffused among a critical mass of actors. This perspective relies on the idea that common beliefs tend to diffuse among a social network of structurally equivalent

actors (Abrahamson and Fombrun, 1994). According to Hudson (2008), there are two distinct types of stigmas: event stigmas are punctual while core stigmas are permanent features of organizations. Event stigmas are related to episodic events, while core stigmas are more deeply anchored and suggest that the very nature of the organization is flawed. However, there has been no research on how event stigmas become core stigmas—how can the multiplication of event stigmas, including preconceived ones, engrave negative evaluations in any appraisal of an organization?

More generally, how is this "critical mass" (Devers et al., 2009) of actors sharing the same stigmatizing belief achieved? The manner in which one stakeholder group's view can tend to dominate and come to result in organizational stigma has yet to be fully explored empirically (Link and Phelan, 2001). The current literature particularly fails to explain the processes through which the stigmatizing actors endeavor to sustain their point of view. Goffman (1963:5) argued that we should construct a "stigma-theory," that is, "an ideology to explain [one's] inferiority and account for the danger [one] represents, sometimes rationalizing an animosity based on [one's] differences." The more convincing the stigma-theory, the more the diffusion of labeling of a category of organizations.

The theoretical basis of organizational stigma is related to labeling theory (Devers et al., 2009), which suggests that negative labeling is associated with deviance from norms rather than the inherent characteristics or actions of the labeled person or group (Ashforth and Humphrey, 1997).

Norm violation and industry-level logics

Stigmatization of industries is the result of norm violation (Pozner, 2008; Hudson, 2008); the moral worth of their conduct and principles is questioned, particularly because they potentially threaten the existing social structure (Mishina and Devers, 2011; Goffman, 1963). Organizational stigma is not developed from behaviors themselves but from interpretations of behaviors; stigmatization is the result of others' interpretations of an organization's behavior (Kitsuse, 1962; Mishina and Devers, 2011).

The violation of norms by industry members is driven by "industry recipes" (Galvin et al., 2004:72), that is, practices that are considered appropriate by the other members of a field. An industry is an inter-organizational field where legitimacy processes are rooted in "local" belief systems (Galvin, Ventresca and Hudson, 2004; Friedland and Alford, 1991). Strong boundary beliefs contribute to developing industry-specific logics of action in relation to various stakeholders (Galvin et al. 2004; Thornton and Ocasio, 1999). The emergence of an industry's collective identity leads to the development of logics—socially constructed systems of assumptions, values, beliefs, and rules—that prevail within the social group (Thornton and Ocasio, 2008). While there can be two logics competing in the same industry (Lounsbury, 2007; Dunn and Jones, 2010), industries are ruled by a "dominant logic" (Nigam and Ocasio, 2010) most of the time, that is, a logic that drives the industry's "macroculture" (Abrahamson and Fombrun, 1994) or "mindset" (Phillips, 1994). These industry-level logics tend to promote and reinforce specific practices and assumptions while devaluing others (Porac et al., 2002). From an institutional logic perspective, institutions provide actors with a set of social norms that define relevant

and suitable behaviors. These “industry recipes” spread and affect individuals and organizations when they identify with the collective identity of the industry (Tajfel and Turner, 1979; March and Olsen, 1989; Thornton and Ocasio, 2008); that is, the connection experienced by a social group’s members increases the likelihood of their abiding by its norms of behaviors and logics of action (March and Olsen, 1989).

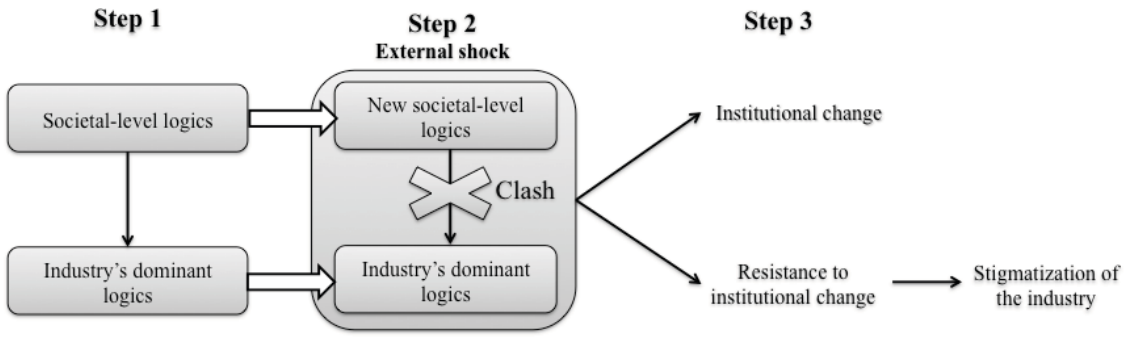
Stigma resulting from institutional contradiction

Any social context may be influenced by multiple competing logics, and if these competing logics result in institutional change (Thornton and Occasio, 2008), they first lead to institutional contradictions when they are mutually incompatible (Seo and Creed, 2002). Conversely, with the exception of a study by Marquis and Lounsbury (2007), the literature on institutional contradiction and competing logics has mainly focused on institutional change as a natural outcome and neglected to look at the period when logics compete with each other before a change can occur. Oliver (1991) acknowledged the lack of research on resistance to institutional pressures. Indeed, institutional contradiction may actually lead to a dead end when the competing logics continue contending with each other. For example, actors can be seen as rational opportunists who trigger institutional change if it enhances their self-interest (Seo and Creed, 2002); in this context, industry actors will refuse institutional change if it harms their interests.

Likewise, an industry initially attains legitimacy by deriving “recipes” from widely accepted societal-level logics (Galvin et al., 2004). Organizational legitimacy is the “congruence between the social values associated with or implied by [the organization’s] activities and the norms of acceptable behavior in the larger social system” (Dowling and Pfeffer, 1975:122). Galvin, Ventresca, and Hudson (2004)

move from organizational legitimacy to industry legitimacy by arguing that the appraisal of an industry's behavior focuses on an evaluation of that industry's dominant logic. In other words, an industry is considered legitimate if the practices driven by its dominant logic are congruent with wider social norms. These social norms are based on higher-order ideologies and logics (Friedland and Alford, 1991). For example, the tobacco industry has tried to legitimize itself despite its stigmatizing attributes by building some of its recipes on the dominant societal logics of free market and free enterprise (Galvin et al., 2004). However, these societal logics are subject to change: for example, economic crises are likely to bend dominant ideologies (Seo and Creed, 2002). This gives birth to institutional contradictions: the new societal logics may be inconsistent with the previously established field-level logics. In that case, these industry recipes—previously legitimized by their higher-order ideological roots—get marked out. Finally, such a situation makes the industry a stigmatized one.

Figure 2: Antecedents and consequences of resistant industry-level logics



Rhetoric is the array of strategies used to persuade others of the validity of specific arguments (Watson, 1995). It particularly plays a crucial role in legitimizing or delegitimizing institutional logics: rhetorical discourses are an embodiment of institutional conflict (Suddaby and Greenwood, 2005). Analyzing rhetoric aids the

understanding of the manner in which arguments are used to build audience consensus (Zanoni and Janssen, 2004). By looking at rhetorical tactics, we can examine how institutional contradiction and organizational stigma are intertwined. In particular, how do rhetorical strategies connect a stigmatized industry's behaviors and values, and the underlying field-level logics?

RESEARCH SETTING: THE STIGMA OVER THE FINANCE INDUSTRY

The rise of dominant industry-level logics in the investment banking industry

In much the manner as in the tobacco industry (Galvin et al., 2004), industry-level logics in the investment banking industry initially developed from societal-level logic (Fraser, 2004; Ho, 2009). The tobacco industry has gained social acceptability by supporting dominant societal logics of free markets (Galvin et al., 2004). As stated by the historian Steve Fraser (2004), the investment banking industry has been declining for forty years after the Great Crash of 1929, when shareholding and its associated values were perceived as dangerous (Ho, 2009:199). According to the anthropologist Karen Ho, who wrote a complete ethnography of Wall Street in 2009, investment banks have taken advantage of the takeover movement of the 1980s to rebuild their legitimacy.

To gain social acceptance, the investment banking industry has borrowed as much as possible from a societal logic that was gaining momentum at that time: the shareholder value maximization logic (Ho, 2009). A flourishing corpus of literature has explained how this logic became a dominant guiding principle in the 1980s and 1990s (Fligstein, 2001; Lok, 2010; Ho, 2009). According to Lok (2010), the logic of

shareholder value maximization developed as an answer to the economic problems faced by the U.S. in the 1970s. Agency theory emerged as a reaction against supposedly wasteful and hubristic managers' practices, as epitomized by the irrational emergence and strengthening of conglomerates until the 1970s. The restructuring/takeover phenomenon of the 1980s gave momentum to the shareholder value maximization logic (Whitman, 1999). This new logic asserts that the only legitimate purpose of a firm is to maximize the return to shareholders in terms of dividends and increases in share price (Fligstein, 2001; Whitman, 1999).

In her ethnography, Karen Ho demonstrates how workplace culture, shared beliefs and assumptions, and privileges of investment bankers, including compensations, are derived from the shareholder value maximization logic. She presents investment bankers as members of a social group who strongly identify with this group. The U.S. subprime crisis and the fall of Lehman Brothers in 2008 was a turning point. Because they received the help of the state and were singled out for their role and responsibility during the crisis, the banks and their practices came under greater scrutiny.

The disapprobation of the U.S. investment banking industry

In fall 2008, following Lehman Brothers' bankruptcy and Merrill Lynch's acquisition by Bank of America, the two largest investment banks—Goldman Sachs and Morgan Stanley—asked to become bank holding companies (a bank holding company is a company that controls a bank, and is regulated and supervised by the Fed) and were quickly followed by other actors of the banking industry. This increased state regulation made it easier for those banks to raise capital and survive. In addition, several bank bailouts followed. The U.S. government purchased $250

billion worth of bank equity shares including those of Citigroup, AIG, Bank of America, JP Morgan, Morgan Stanley, Goldman Sachs, PNC, US Bancorp, Bank of New York Mellon, or American Express.

After the banks reimbursed taxpayers' money, concerns about bonus payments in the banking industry, in particular at AIG (which received a significant share of the bailout funds), grew stronger. Several other scandals came to light. It has been suggested that taxpayers' money was used by stronger banks to buy weaker ones, and that little control was exerted over the use of this money. Indeed, according to Reuters, $114 million of the bailout plan was used in lobbying. In December 2008, an Associated Press study revealed that banks that benefited from bailouts distributed $1.6 billion in bonuses, stock options, and other benefits to their top executives. Andrew Cuomo, New York's attorney general, investigated this point (Cuomo, 2009); Goldman Sachs and JP Morgan were singled out for providing 200 employees with more than $3 million in bonuses. Goldman Sachs was also incriminated for making tremendous profits by betting on the collapse of the subprime market in 2007.

The behaviors attacked in the media were typical of the investment banking industry in that they relied on the "high risk, high reward" culture (Ho, 2009). The media played an important role in drawing public attention to bankers' practices, behaviors, and values. As suggested by Fiss and Hirsch (2005), the media assist in the construction of social realities and consequently draw public support—or disapproval—towards existing systems of beliefs and values. By presenting rational schemes of thoughts and realities as legitimate or illegitimate, the media convey the pressures exerted on logics (Lok, 2010). Media have thus contributed to spreading the condemnation of dominant logics in the investment banking industry. In the

meantime, they also influence inter-organizational relations within the field by shaping the perception actors have of each other.

METHODS, DATA COLLECTION, AND ANALYSIS

To understand how arguments are built against the stigmatized category of organizations, we look at one of the main diffusion channels: the media. Indeed, the media play a crucial role in the diffusion processes (Koopmans and Olzak, 2004). According to Max Weber, media reflect the "cultural temperature" of society (Hansen, Cottle, Negrine and Newbold, 1998, p. 92); they are of particular interest for organization theorists and sociologists, because they reveal how logics are understood and apprehended (Lok, 2010). In 1927, the political scientist Harold Lasswell was the first to use media content analysis as a subset of content analysis to study propaganda (Lasswell, 1971). Here, our objective is to describe and relate form characteristics to substance characteristics of stigmatizing contents so we can understand how media endeavor to persuade readers. Consequently, we resort to a specific type of qualitative media content analysis: rhetorical analysis.

Despite notable exceptions (e.g., Watson, 1995; Nørreklit, 2000; Zanoni and Janssens, 2004; Suddaby and Greenwood, 2005), rhetorical analysis is more commonly used in communication studies than in organization theory and sociology (Hijmans, 2006). Rhetoric is about using language for persuasion (Watson, 1995), and rhetorical analysis is a form of critical reading that focuses on the understanding of the persuasive intent of texts (Jelzer, 2004). It implies that to gain some perspective during the reading, one should appreciate the tactics as a neutral reader. Rhetorical analysis is usually both textual and contextual: it requires one to consider not only the details of the text but also the context in which it has been written (Jelzer, 2004).

Data collection

To conduct our content analysis, we collected a sample of opinion articles from newspapers. Exclusively targeting opinion and editorial articles rather than factual pieces enables us to select texts aimed at making a case—here, the claim is that investment banks are socially flawed. Opinion and editorial articles are either written by external columnists, who are usually considered as having legitimate knowledge about the topic they examine, or members of the editorial staff. In these types of commentaries, the authors endeavor to *convince*; that is, they make their case compelling by appealing to the rationality of the reader.

We used a Factiva command stream[1] to target opinion articles and editorials that focused on the finance industry. Consistent with previous research (Fiss and Hirsch, 2005), we focused on the three major U.S. newspapers: the New York Times (NYT), the Wall Street Journal (WSJ), and the Washington Post (WP). We also sampled articles from USA today, but considering that they tended to be exclusively factual, we decided not to include them in the end. We also excluded articles that merely mentioned the finance industry. Our sample finally includes 58 articles.

Although we refer to the "finance industry", some articles in our sample refer to subgroups of the finance industry (e.g. hedge funds, banks, investment bank). We focus here on the phenomenon of stigma rather than the targets of stigma. As a result, the types of organizations targeted in articles vary because the boundaries of the stigmatized category are floating. Our research stream looked for a broad range of organizations to take in account this element.

[1] For example, for the Washington Post: (investment banks or bank or hedge funds or finance industry) and (editorial or opinion or op-ed or pg=A16) and sn=washington

Analysis

To analyze and code the texts, we used the online collaborative software Dedoose, which enables researchers to collaborate on a project remotely. Like other qualitative analysis softwares, Dedoose enables the researcher to code textual content. It also integrates quantitative tools. We used it to code the flaws of the industry on one side, and the rhetorical tools on the other.

Aristotle, in his fundamental opus 'The Art of Rhetoric', built a typology of the 'means of persuasion'. He distinguishes the ethos - building the force of an argument on the trustworthiness of its source -, the pathos – appealing to the emotions of the reader -, and the logos – the use of reasoning to convince -. We used this typology to classify rhetorical strategies and their related arguments. In particular, this strategy enables us to see how this negative judgment is rationalized (logos) and "emotionalized" (pathos).

Our coding strategy included three steps. First, we used a broad approach by coding negative judgments (the content) and stigmatization strategies (the form). Then, we looked at typical patterns in a subset of articles from our sample to create sub-categories. Two coders carried out this work separately. They reconciled and refined their coding scheme afterwards. Finally, the coding of sub-categories was conducted for the rest of the sample. When proceeding with this final phase, we also slightly refined and simplified our subcategories. Such discourse analysis commonly implies an abductive approach (Vaara and Monin, 2010; Dubois and Gadde, 2002). This *modus operandi* departs from initial hints, leading to speculations that are put under suspicion (Locke, Golden-Bilde & Feldman M, 2008). Our initial clues are based on the theoretical framework we developed earlier in this paper. The empirical

part of this study is aimed at putting in doubt our theoretical conjecture. In the end, the objective is to build a new model based on the combination of our early framework and the understanding derived from the confrontation with reality (Dubois and Gadde, 2002).

In addition, we performed an automatic content analysis using Yoshikoder. This applies content analysis dictionaries to count the number of words or expressions sorted out by psychologically meaningful categories. We used the LIWC dictionary, which includes several language dimensions including negative and positive emotions (Pennebaker et al., 2001). This enabled us to compare the tone of the articles analyzed.

Methodological issues

The criticism that can be made over the objectivity of our research is two-fold. Firstly, the literature suggests that a problem of selection bias affects the use of newspaper data for research purpose (Oliver and Maney, 2000). This selection bias is made obvious by the over representation of New York Times' articles in our sample. However, our objective is to look at the charges against the finance industry, we thus naturally focus on investigating biased attacks.

In addition, as posited by Leach (2000), rhetorical analysis creates arguments about arguments, and is by nature interpretive. Rhetorical analysis performed by two different persons might give different results because the investigation is made through the lens of the analyst. In addition, media texts can be subjected to various interpretations (Berger and Luckman, 1966). Even scientific discourse includes persuasive elements (Leach, 2000): research papers are no exceptions and it is

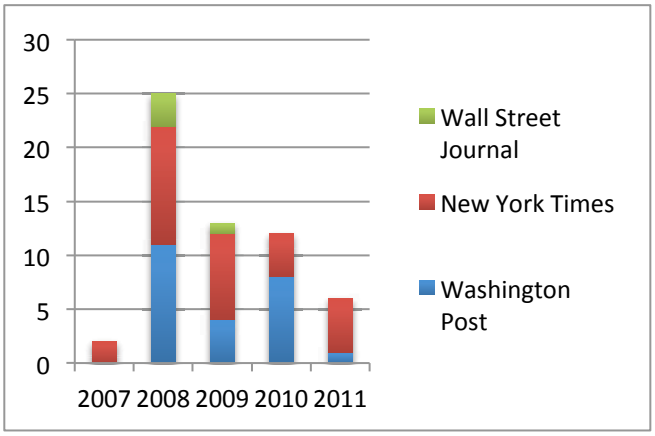
accepted that the most scientific method in the social sciences cannot produce totally objective results (Berger and Luckman, 1966). In particular, we acknowledge that our interpretation of the texts is driven by our intent to adopt an institutional logic perspective on the stigma phenomenon. Our approach is necessarily subjective because a specific theoretical lens frames our analysis. In this sense, our research strategy is only partly inductive, and rather abductive: we posit that the institutional situation is as a sufficient but not necessary for the judgments we observe. Our study doesn't aim at covering the whole range of antecedents of organizational stigma but rather at offering one possible explanation.

FINDINGS

Contextual elements

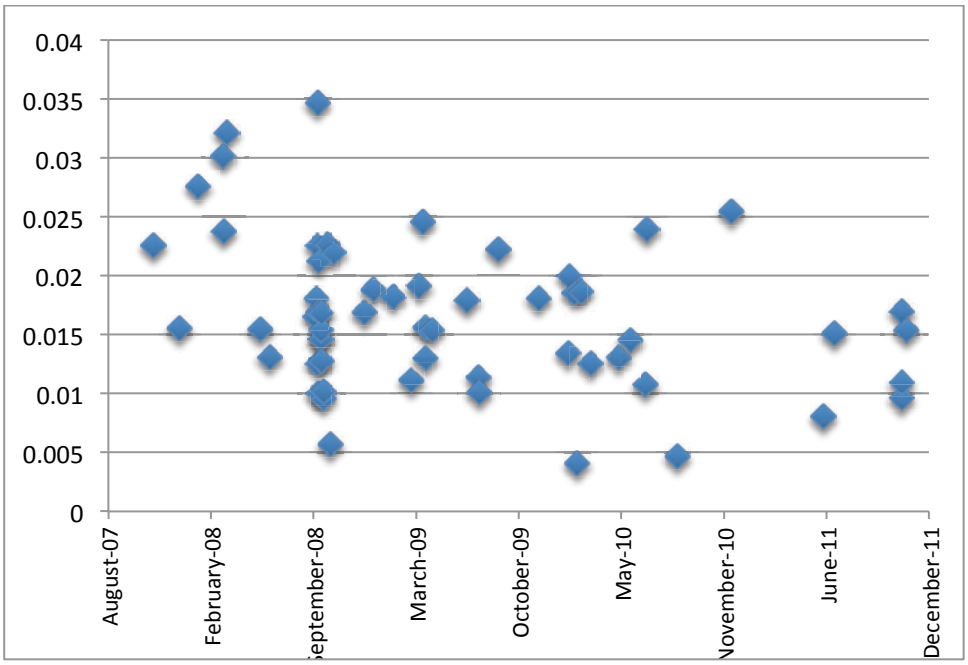
Our sample of text is dominated by articles from the New York Times, one of the American media with the stronger left-wing bias, even for factual news (Groseclose and Milyo, 2005). Conversely, the Wall Street Journal, which is naturally considered as sympathetic to the finance industry, is underrepresented. As the shareholder model tends to be endorsed at the right of the political spectrum, this is consistent with the connection we make between shareholder value maximization logic and the finance industry.

Figure 3: Source and date of the sampled articles



Rhetorical analysis requires taking in account the context in which texts are written (Jelzer, 2004). Thus, when analyzing our corpus, we consider the timeline and the related events: most of the articles are a reaction to an external circumstance associated with the finance industry. For example we observe a peak in the number of opinion articles in our sample in September 2008, with the fall of Lehman Brothers. However, textual analysis actually reveals that articles published around the same time period are usually spread over the full spectrum in terms of level of negative emotions (the proportion of words associated to negative emotions varies widely). The only exception is the collapse of Bear Stearns in March 2008, where the vocabulary associated with negative emotions was unusually high. The surprise of the event can explain this situation.

Figure 4: Proportion of words associated with negative emotions by article



The opinion articles discussing the future of the financial sector or of the economy in general are also the ones that show the highest anxiety level: our analysis of the tone of the language used reveals a significant correlation between the two groups of words. It reveals the apprehension this topic generates: the virulence of the attacks can be seen as a consequence of the uncertainty. We also naturally observe that the vocabulary of money is associated with the phraseology of causation. It can imply that from the writers point of view, greed is at the roots of the crisis: in popular images, greed is a driving value of the banking industry.

Table 2: Correlation table for vocabulary content

	Affect	Anger	Anxiety	Causation	Certainty	Future	Money	Motion	Negation	Negative Emotion	Past	Sadness
Affect	1	0.285*	0.155	0.139	0.0825	0.174	0.195	0.0649	0.00465	0.546***	0.0388	0.354**
Anger		1	0.169	0.109	-0.044	0.069	0.176	0.0355	-0.157	0.392**	0.0883	-0.0475
Anxiety			1	0.0793	-0.0953	0.318*	0.101	0.398**	-0.122	0.266*	-0.0389	-0.131
Cause				1	0.126	-0.0676	0.306*	0.00347	-0.0198	0.165	-0.136	-0.0744
Certainty					1	0.177	0.157	0.227	0.215	0.0703	0.144	0.143
Future						1	-0.081	0.328*	0.127	0.137	-0.246	0.0121
Money							1	-0.0847	-0.270*	0.149	-0.0867	-0.0407
Motion								1	0.221	0.145	-0.0677	-0.0359
Negation									1	0.111	0.276*	0.185
Negative Emotion										1	0.195	0.646***
Past											1	0.0463
Sadness												1
* p < 0.05, ** p < 0.01, *** p < 0.001												

Rhetorical strategies

Several rhetorical techniques are used by the writers to make their point. Our objective is to see how they point towards a set of well-identified values and behaviors relying on field-level logics.

Denomination of the bankers: The authors commonly use "Wall Street" as an appellation for the banking industry (it appears in almost 20% of the titles): this circumscribing tag suggests the industry is "bunkerized" and disconnected with realities and the rest of the society. From a logic perspective, it stresses the conflict between the field-level rationales and the common good. They also use various defaming denominations to designate the bankers or the actors of the industry. Some are related to their rapacity - "money moguls", "rascals", "hyenas" – while some other suggest immaturity and childish behaviors - "baby faced", "boy scouts", "young gung-ho traders", "big guys", "right-out-of-business-schools" -. Both dimensions relate to individualism, a value at the core of the shareholder value model. Bankers are accused to work for themselves without caring about the societal consequences of their action. The two dimensions however refer to differing bankers' features. The first group of denomination focuses on bankers' behavior: they are perceived as voluntary attitudes. The second group is more of a passive attribute. Bankers are not only criticized for what they do and the way they do it, but also for who they are. These denominations appeal to the pathos of the readers as they are aimed at mocking and sparking off anger over the behaviors of bankers.

Metaphors, comparisons and images: Metaphors are figures of speech that compare two things that are not necessarily comparable. Together with comparisons and

images they appeal to both the logos and the pathos: (i) the logos because they recall a more familiar situation where the rationale against the banks' behaviors or values will be easier to grasp (ii) the pathos because they make readers visualize a context that carries a stronger emotional weight. The most common metaphors are about the ill-considered risks taken by banks. Financial markets are a "casino", where banks play with "other people's money" to the "Russian roulette". Images are also used to depict the field as a savage environment. In this "African savannah", the weakest elements (e.g. Bear Sterns) are absorbed by the most opportunistic actors. Although no rules apply in this setting and only the strongest survive, it is a fragile "house of card" where a gust can sweep away not only the industry but the rest of the economic system. Similarly, the writers also sometimes picture the actors of the field by engaging the reader with expressions such as "imagine", or "think of". The objective is to help the reader to visualize a situation considered as shocking or absurd.

Interacting with the reader: An important element of the logos is to involve the reader in the writer's line of reasoning. In our sample, we observe two main ways to interact with the readers. First, the writers tend to engage the audience with interrogative sentences: "Why not...?", "But so what?", "Is it possible?". The idea is to make the readers think by themselves to come to the same conclusion than the writer. In addition, the writer tends to anticipate potential validity concerns about the arguments made against the banks' and bankers' behaviors and values. He or she will then use the perspective of its target: how would finance actors answer to his or her arguments? The shareholder value maximization logic has its own rationales for typical field behaviors. To go deeper in the analysis of the delegitimization strategies, we now have to look at the specific behaviors that are targeted in the opinion articles and how the writers link them to broader field-level logics and institutional contexts.

Moving boundaries: Stigma is a categorization process and as a consequence the boundaries of the stigmatized category tend to vary. The denomination used to designate the category reflects this variation. From some points of view, only a branch of the finance industry deserves to be stigmatized, while some other perspective defend the idea that the flaw is shared among all finance actors, basically that the same logic binds them all. In some cases, the author begins by using a broad designation in the title and the first lines (e.g. “Wall Street”), then use a specific subset of the finance industry (necessarily a subset that is closer to the field-level logics i.e. investment banks with no retail activities) to make a specific argument about the flaws of these organizations when this s and then broaden again the speech to stretch out the range of targeted actors. Focusing or enlarging the scope of the stigmatizing category is thus another rhetorical strategies, because (i) focusing enables the author to make a case on a small sample for which the institutional contradiction is obvious and (ii) enlarging opens the possibility to generalize a point to a broader range of organizations.

Field-level logics and stigmatized behaviors

Through the analysis of the rhetorical strategies, we have suggested that the main objective of the writer was to discredit the underlying logics of the field. As a part of this process, the writers do their best to dismantle the rationales on which the bankers and banks’ behaviors are based.

Bonuses as an embodiment of the agency perspective: The rationale for bonuses in the finance industry is built on agency arguments (Ho, 2009): the actors of the finance industry are paid proportionally to the revenues they generate for their organization and are thus incentivized to do better at work. When the writers attack this behavior,

they anticipate the justification formulated by the bankers themselves to defend such system. The first argument that can be opposed by the industry is that these exceptional revenues reflect the wealth generated and the societal:

Is it possible that what Wall Street does is three times more valuable to society than other well-paid occupations?

The huge social costs [...] refute the notion that Wall Street consistently creates exceptional economic value that justifies exceptional compensation.

Washington Post - 18 January 2010

The authors focus on explaining why it can be actually detrimental for shareholders, clearly assuming that the bonus schemes are initially targeted at contributing to shareholder value. The fact that the bonus system is embedded in the shareholder value logics is taken for granted by stigmatizing actors. The reason why bonus schemes are harmful to shareholders is because it is primarily driven by the "great masterpiece of self-interest". The alignment of interest - the main rationale in favor of agency theory – is repeatedly put into question.

The systemic drawbacks of risk-taking behaviors: The rationale for extreme risk-taking behaviors being unclear, writers put less efforts in anticipating potential justifications. These behaviors are however recognized as a by-product of the shareholder value logics (Bradley and Sudaram, 2003; Ho, 2009; Whitman, 1999), because it reflects an entrepreneurial mindset. Risk-taking attitudes are mainly discredited through figures of speech or telling images rather than more complex logical lines of arguments. The systemic consequences of these behaviors are emphasized: when referring to the bankers' risk-taking behaviors, the writers recall

the global consequences of the crisis. The intent is to show how these behaviors are incompatible with common good.

Opacity and lobbying as a signal of institutional resistance: The finance industry is accused to have built a system of "legalized bribery" based upon a strong lobbying. The writers depict the field as a "fortress", being able to resist change, because of "the complicity of regulators". While the government is expected to intervene, two potential obstacles are raised. First, the articles denounce the collusion between authorities and the financial sector. The bankers are presented as "buying" the government. :

U.S. congressmen should have to dress like Nascar drivers and wear the logos of all the banks, investment banks, insurance companies and real estate firms that they're taking money from.

New York Times – 30 October 2011

Second, the complexity and the opaqueness of the financial industry are seen as obstacles to any external intervention:

The risk of a financial meltdown introduced by companies intertwined through Byzantine financial transactions imposes a burden on the government as real as pollution.

New York Times – 17 September 2008

Several opinion articles in 2011 draw attention to the fact that regulation has so far proven unable to affect the behaviors of bankers, in particular the bonus system and the tendency to take extreme risks. The lobbying activities and the opacity of the

industry are presented as a response to the institutional pressures: it suggests that the field-level logics are able to resist coercion. This resistance is depicted as built on corruption. Money is shown as the central commodity for the members of the field, and is naturally pointed out as the tool used to buy support.

Similarly to the bonus system, opacity is seen as an issue for the survival of the field itself.

This is sort of like a confessional where the priest delivers a public opinion on the extent of your virtues or sins, and your spouse has to guess what a AAA or BBB means about your fidelity.

New York Times – 2 November 2007

Finally, we can classify the stigmatizing arguments against the finance industry according to the dimension of the institutional context they refer to in order to make their point. In the argumentation, we have distinguished the references to three different aspects of the institutional situation: (i) the attacks stressing the contradiction between the field-level logics and the common good or higher order logics (ii) the attacks suggesting that the field-level logics resist to external pressure (iii) the attacks showing that the field-level logics are not consistent and can actually be detrimental to the field itself.

Table 3: The flaws of the finance industry and the three dimensions of the institutional context

Flaws of the finance industry	Institutional contradiction	Institutional resistance	Logical inconsistency
Bonuses	- Source of inequality		- Detrimental to shareholders

Risk-taking behaviors	- Threat to the economic system		
Greed and individualism	- Threat to the economic system	- Self-interest resistance to change	- Detrimental to shareholders
Survival of the fittest	- Threat to the economic system	- Logic embeddedness as a factor of survival	
Seclusion of the industry	- Disconnection with reality	- Lobby against change	

In the end, the shareholder value logic is not seen as a source of inspiration for the field-level logics, as previous studies have suggested (Ho, 2009). Instead, the field itself is perceived as breathing life into the shareholder value logic and spreading it to the rest of the economy, while it actually preexisted to the rise of the finance industry:

Finance set the terms of corporate behavior over the past quarter-century, and not in ways that bolstered the economy. By its actions -- elevating shareholder value over the interests of other corporate stakeholders, focusing on short-term investments rather than patient capital, pressuring corporations to offshore jobs and cut wages and benefits – Wall Street plainly preferred to fund production abroad. [...] Wall Street turned its back on America.

Washington Post – 19 September 2008

DISCUSSION AND CONCLUSION

In this study, we have explored the techniques used by stigmatizing actors to convince and spread their belief. We have shown that this emerging "stigma-theory" against the finance industry was directly or indirectly targeting the field-level logics. The targeted category of organizations is indirectly discredited through the delegitimization of its underlying logics. These logics are the common denominator to

these organizations and ultimately contribute to the categorization process. Using a broad array of rhetorical tools - including metaphors and comparisons, calling to the rationality of the reader, or arousing strong emotions -, the bankers' archetypal behaviors are critically examined. We however see that the authors go beyond the behaviors themselves to attack the rationales and the values that motivate them, i.e. the underlying institutional logics. When referring to bonuses, they anticipate the reasoning on which they are built (the agency perspective, the alignment of interest between shareholders and employees, etc.), and deconstruct these justifications. Similarly, when they criticize risk-taking attitudes, they stress the possible damages for the society and for the risk-takers and their peers. Manipulating the boundaries of the stigmatized category is also used as a tool to generalize the negative features of some organizations to a wider range of actors. This has implications regarding stigma contagion (or courtesy stigma (Goffman, 1963)): stigma transfer is at least partially the consequence of a strategy of stigmatizing actors to convince their audience. However, stigma is not only about rhetoric, as rhetoric is only a bridge between condemned features of the finance industry and broader order concepts.

We identify institutional conflict as a necessary but not sufficient condition to generate organizational stigma. The contradiction between societal logics and the common good on one side, and the industry logics – which are presented as secluded from reality and maladaptive, and even harmful for the field itself – is put at the center of the stigmatizing argumentation. This dialectic gives substance to the institutional resistance of the finance industry logic. Although this logic originated in the societal rationale of shareholder value maximization, its consequences have made it *non grata*. One of the designated logic actually exemplifies this resistance: because the finance industry is opaque and can use the power of money to corrupt potential

opponents, it can endure pressures from societal level logics and delay institutional change. We suggest that this opposition leads stigmatizing actors to perceive the finance industry as a source of diffusion rather than an embodiment of the stigmatized logics. While it has been established that the finance industry has rebuilt itself after the 1929 crisis by adopting a widely accepted societal logic (Ho, 2009), the editorial articles of our sample introduce it not only as an epitome but also as a source of dissemination. History is distorted to make a more compelling case against the targeted category of organizations. If we follow Ho's demonstration, we can hypothesize that the banking field will end up yielding to institutional pressures and deriving new logics from more consensual societal level values. However, it is not established that there is a more accepted logic for businesses than shareholder value maximization, considering that firms have to accommodate the competing demands of various stakeholders, including insistent shareholders.

The main contribution of this work is to combine the literature on organizational stigma and institutional logics. On one side, we extend the literature on institutional contradiction by focusing on the consequences of logic resistance. On the other side, we contribute to the literature on organizational stigma by showing how this phenomenon can be an outcome of conflicting logics. Although the stigma phenomenon has been well defined (Devers et al., 2009), it is necessary to link it up to broader theoretical frameworks to better understand its antecedents and consequences, and ultimately be able to prevent it. In addition, while most of the literature on stigma is theoretical (Hudson, 2008; Pozner, 2008; Devers et al., 2009; Mishina and Devers, 2011), this article provides some empirical exploration of the phenomenon.

Some practical implications can also be derived from this research. Hudson and Okhuysen (2009) have examined how organizations can prevent stigma

contagion. The idea is to limit the inconvenience of stigma rather than confronting it. How do organizations and industries can formulate a defense against stigmatizing rhetoric? One strategy is isolation from the stigmatized category by creating a positive distinctiveness. For example, Robert Wilmers, the CEO of M&T bank in the US put a lot of energy in presenting his organization as fundamentally different from the "bad banks" during the financial crisis[2]. Another pro-active strategy is to defend the underlying values and beliefs that are under attack. In the aftermath of the 2007 crisis, we have seen a number of bankers giving grounds for the received bonuses. Their rationales when then attacked by the stigmatizing rhetoric as shown previously in this study. Finally, the last option is to accept stigma. Despite stigma, individuals (Goffman, 1963) but also industries (Galvin, et al. 2004) can survive. In the next chapter, I study how they can benefit from such negative social evaluation.

[2] See M&T's 2010 and 2011 annual reports.

Chapter 3

It's Good to be Bad: Social Disapproval of Banks as a Signal of Proximity to a Field-Level Logic

---

This paper has presented at the Transatlantic Consortium at the London Business School in May 2013 and at the 2013 Academy of Management, OMT Division in Orlando.

INTRODUCTION

Should firms avoid public disapproval? Many argue that firms must garner social support to be competitive (Dowling and Pfeffer, 1975; Suchman, 1995; Vergne, 2012) and steer clear of public disapprobation. Indeed, an organization's access to key resources such as skilled labor, capital, and partners can be threatened by media criticism of its behavior or values (Pfeffer and Salancik, 1978). Social identity theory argues that individuals seek to be associated with groups that can enhance their self-esteem (Tajfel and Turner, 1986) and that they therefore tend to identify more with organizations that are held in high regard (Mael and Ashforth, 1992; Dutton, Dukerich and Harquail 1994). Consequently, individuals will distance themselves from publicly condemned organizations; customers will defect (Jensen, 2006) and employees will be more likely to quit (Semadini et al. 2008). More generally, stakeholders will disengage themselves, reducing the quality and quantity of their interaction with the targeted organization (Sutton and Callahan, 1987; Devers, Dewett, Mishina and Belsito, 2009).

However, disapproval generates distinctiveness. It can increase the likelihood of organizational identification (Dutton et al., 1994) and thus the strength of the organization's externally construed image and prestige. If a broad audience disapproves of an organization, other actors at a more micro level may defend it. An organization's behavior may be in line with industry norms while also in opposition to wider social norms; particularistic values (at the industry level) may contradict universalistic standards (Blau, 1964).

This conflict between behavioral norms at different societal levels results from institutional contradictions, the "various inconsistencies and tensions within and

between social systems" (Seo and Creed, 2002:223). Scholars have focused on institutional change as a consequence of institutional contradiction (Seo and Creed, 2002; Creed, DeJordy and Lok, 2010). Several studies have shown how societal logics impact the behavioral norms and belief systems that constitute field-level institutional logics (Haveman and Rao, 1997; Scott, et al., 2000). However, competing logics may also structure field-level resistance movements. Marquis and Lounsbury (2007) have shown that local bankers facing the threat of a "banking logic" will take entrepreneurial action to preserve the "community logic." Institutional change may be blocked and pre-empted (Meyer and Hammerschmid, 2006; Creed, DeJordy and Lok, 2010). To understand the blocking of institutional change and its consequences, I intend to answer the following research question: why do actors keep enacting a disapproved logic? Or in other terms why do they keep engaging in negatively perceived practices? Institutional logics affect individuals and organizations and spread through social identity processes (March and Olsen, 1989; Thornton and Ocasio, 2008; Lok, 2010). When a logic favors actors who strongly identify with their group, they exhibit greater cohesion and defend the logic inherent to their domain of action (Meyer and Hammerschmid, 2006). In other words, institutional resistance in an industry can be supported by peripheral social actors because of an overlap between the values enacted by the "resistant logic" and their own.

The stigmatization of an industry, a negative label contaminating a group of peers (Vergne, 2012), results from norms violation (Pozner, 2008; Hudson, 2008). I further argue that stigmatization is a dichotomous condemnation of the dominant logic at the industry level, since this logic drives the criticized behaviors, practices, and values. An organization is placed in a stigmatized category when its guiding

principles are seen as embedded within the deplored logic. I argue that the variance in disapproval among organizations in a stigmatized category reflects the degree of their loyalty to the resistant logic. Meanwhile, the mechanisms enabling organizations to gain status within this field depend on the extent to which they follow the field's dominant logic (Ocasio, 1999; Sandefur, 2001; Thornton and Ocasio, 2008), the logic most of the field's actors have adopted (Nigam and Ocasio, 2010). Thus, proximity to this logic is a crucial determinant of status. The more an organization is publicly condemned for its practices, the more it is perceived as being close to the field's core values. I consequently hypothesize that the more an organization is associated with the disapproved logic, the better it is for its within-field status evaluations.

The investment banking industry I use as my empirical setting is built on strong belief systems (Eccles and Crane, 1988; Li and Berta, 2002; Ho, 2009), within a field characterized by a strong macroculture (Abrahamson and Fombrun, 1994), or industry mindset (Phillips, 1994). These dominant institutional logics are built on the shareholder value paradigm (Ho, 2009; Fraser, 2004). However, the subprime crisis has put the industry under greater scrutiny: its business customs have been heavily criticized (Cuomo, 2009), with the media and public heavily condemning practices previously largely ignored previously.

To test the relationship between the association with the disapproved logic and status, I analyze the patterns in IPO syndicates' invitations to US investment banks from 2007 to 2011. When corporations, countries, or sovereign agencies want to raise funds in the equity market, they ask an investment bank to act as the bookrunner. These organizations issue equity, and the investment bank places the shares among investors by reselling them. Other banks are invited to join the syndicate; syndicate

members are then selected by the issuer on the basis of their ability to carry out this mission. The evaluation of this ability is based on the banks' status in the field (Li and Berta, 2002). Thus, this invitation pattern reflects the issuers' perception of investment banks.

Using an inductive approach, I build a way to measure an organization's association with a disapproved logic—the degree to which an investment bank is perceived to be following the typical but externally condemned behavioral patterns of its field—based on a media content analysis that draws from the work of finance (Core, Guay, Larcker, 2000; Tetlock, 2007; Tetlock, Saar-Tsechansky and MacSkassy, 2008; Loughran and McDonald, 2011) and organization theory scholars (King, Clemens and Fry, 2011). The measure is based on word-count methods (Tetlock, 2007; Tetlock, Saar-Tsechansky and MacSkassy, 2008; Lougrhan and McDonald, 2011) applied to a sample of more than 22,000 *New York Times* articles. I look at how association with the disapproved logic influences the likelihood of receiving an IPO syndicate invitation. After econometrically tackling potential selection biases and screening out reverse causality issues, I show that banks that are publicly attacked in the media for their behavioral logics are more likely to be invited to join IPO syndicates. Being associated with externally disapproved logics, signaling proximity to this logic, yields other status-related benefits, which explains why field-level logics in the finance industry persist: they strongly benefit the actors who enact them.

THEORETICAL FRAMEWORK

Industry-level logics and recipes

The institutional logics approach focuses on the behavioral consequences of belief systems (Thornton and Ocasio, 2008). Logics are defined as the value and belief systems shaping actors' behaviors and interactions (Thornton and Ocasio, 1999). The institutional logic approach has often focused on the field as a level of analysis; the field is a set of actors with common beliefs, rules, and legitimation processes (Bourdieu, 1984). Society can be conceptualized as an inter-institutional system (Friedland and Alford, 1991) in which the contradictory logics of various institutional orders may co-exist (Thornton and Ocasio, 2008). Most of the recent literature on institutional logics has thus looked at the antecedents and consequences of competing logics within single fields (Thornton and Ocasio, 1999; Lounsbury, 2007; Dunn and Jones, 2010). Prior research has also examined how a dominant logic shapes organizations in a field (Reay and Hinings, 2005; Nigam and Ocasio, 2010) and how this dominant field-level logic is affected by logics exerting their effects at a broader level, such as societal-level logics (Haveman and Rao, 1997; Scott, et al., 2000).

My level of analysis is the industry. Industry-specific logics tend to prevail when a collective identity has emerged (Thornton and Ocasio, 2008). Although an industry may see conflicts among competing logics (Lounsbury, 2007), one "dominant logic" can assume power (Nigam and Ocasio, 2010), giving birth to an industry "macroculture" (Abrahamson and Fombrun, 1994) or "mindset" (Phillips, 1994), a collection of beliefs shared among industry members, which spreads standard practices throughout the industry (Porac et al., 2002). These standardized practices,

based on field-level logics, are referred to as “industry recipes” (Galvin et al., 2004:72) and are governed by a set of common social norms spread and imposed through identity processes (Tajfel and Turner, 1979; March and Olsen, 1989; Thornton and Ocasio, 2008). A collective identity makes individuals and organizations more likely to comply with social norms (March and Olsen, 1989).

Resistant logic as a source of stigma

When incompatible logics compete to rule a field, institutional change is preceded by institutional contradictions (Seo and Creed, 2002). Save for Marquis and Lounsbury (2007), studies on institutional contradictions and conflicting logics have overlooked the consequences of institutional pressures (Oliver, 1991) and the period when logics contend with each other, before institutional change occurs. Institutional change might never occur, as actors might enact it only if it favors their interests (Seo and Creed, 2002). Because participation in a field implies a shared commitment to its values (Bourdieu, 1990), actors have no reason to accept a change in these values unless the change clearly benefits them. There are mechanisms through which a field-level logic may even resist change; for example, social identity is seen as a crucial determinant in blocking institutional change in the context of institutional contradiction (Meyer and Hammerschmid, 2006; Creed, DeJordy and Lok, 2010). Considering that logics are spread and exerted on individuals and organizations through identification processes, the more actors identify with their social groups, the more likely they are to defend their group’s logics against external institutional pressures.

Organizational legitimacy is the “congruence between the social values associated with or implied by [an organization’s] activities and the norms of

acceptable behavior in the larger social system" (Dowling and Pfeffer, 1975:122). At the industry level, legitimacy is the assessment of an industry's dominant logic with regard to wider social norms (Galvin, Ventresca and Hudson, 2004), which are, themselves, built on higher-order logics (Friedland and Alford, 1991). To be legitimate, an industry will derive its "recipes" from accepted societal-level logics (Galvin, et al. 2004). Institutional logics are subject to change, however, during extreme events such as economic crises, which can modify the balance of power between logics (Seo and Creed, 2002). The newly promoted societal logic, or the existing societal logic, set adrift, might then conflict with lower-order logics, such as industry-level logics. This institutional contradiction will draw attention to the industry recipes that were previously legitimized because of their link with formerly accepted societal-level logics. I argue that this situation can place a stigma upon a newly "illegitimate" industry.

Stigma and disapproval

Scholars have recently begun to apply to organizations the term "stigma," commonly accepted as a negative evaluation, while also developing a more comprehensive definition of the concept (Hudson, 2008; Devers et al., 2009). This research builds on the foundational work of Goffman (1963), who explored the antecedents and outcomes of individual stigmas. According to him, stigma is the failure to enjoy full social acceptance. The main difference between the individual- and organizational-level constructs is that organizations are seen as largely responsible for acquiring their stigmas (Devers et al. 2009).

The stigmatized organization is associated with a category collectively perceived as discredited because of a particular characteristic (Devers et al., 2009).

Stigma is thus a "dichotomous evaluation" (Mishina and Devers, 2011; Vergne, 2012). Stigma is the property of a category of individuals (e.g., those with a certain disability, ethnic minorities), while disapproval is the particular level of disapprobation faced by an individual. Similarly, at the organizational level, stigma is peculiar to a category of organizations. An industry can be stigmatized, but disapproval across group members is heterogeneous within the category. The more an organization seems to comply with the behavioral norms and belief systems dictated by the resistant logic, the more it will be disapproved.

The stigmatization of a category of organizations is caused by outsiders' interpretation of the organization's behavior (Mishina and Devers, 2011) when it is perceived as violating norms (Pozner, 2008; Hudson, 2008). Industry recipes might violate societal norms, and stigmatization is ultimately conditioned by a conflict between the industry's dominant logic and society's higher-order logics, such as elementary principles like fairness or freedom. However, stigmas do not necessarily prevent industries from persisting over the long term: the tobacco and gambling industries have survived despite their legitimacy struggles (Galvin et al. 1994). This ability to survive contradicts the assertion that disapproval can threaten survival (Pfeffer and Salancik, 1978).

How do managers and organizations react when their logics of action are subject to public condemnation? Considering the negative consequences a stigma has on managers (Sutton and Callahan, 1987; Wiesenfeld, Wurthmann and Hambrick, 2008), I can expect social actors to distance themselves from a stigmatized category (Devers et al., 2009) and thus from the logics responsible for the decried practices. In this context, they may indeed stimulate institutional change (Creed, DeJordy and Lok,

2010). However, I have highlighted the importance of identity processes in the way logics are diffused and bolstered. We can expect a stronger cohesion within a stigmatized category (Ashforth and Kreiner, 1999), as members tend to build self-serving beliefs (Ashforth and Kreiner, 1999). They elaborate a theory on why their behaviors and values are the best despite criticism from outsiders. This research studies the consequences of using defense mechanisms when a field-level logic is attacked through the public condemnation of its norms.

Industry-level logics and status

Status is a socially constructed but subjective ranking of actors in a social space (Washington and Zajac, 2005, building on Weber's definition). Status is not purely economically determined but is based on a "specific positive or negative, social estimation of honor" (Weber 1946:186–187). In concrete terms, this ranking of social actors is based on social beliefs about their characteristics combined with general expectations of higher or lower qualifications (Ridgeway and Berger, 1986). An organization's status is used by other group actors to infer the quality of the organization's skills and is commonly signaled through affiliations with high-status peers (Podolny, 1993), such as partners or clients. Status triggers social recognition by peers (i.e., the other members of the social group), and non-merit based privileges are granted to high-status actors (Blau, 1964; Washington and Zajac, 2005). I focus on the status of organizations "at the market level" (Podolny, 1993), within their own industry.

Contests for status are conditioned by institutional logics (Ocasio, 1997; Thornton and Ocasio, 1999) because they shape the rules of the game and the "means-ends relationships by which power and status are gained, maintained, and lost"

(Thornton and Ocasio, 2008: 112). Sandefur's (2001) study of lawyers has shown that the closer a social actor's activities are to the field's core values, the higher his or her status. The more an organization abides by the norms inspired by a dominant logic, the higher is its status within the group adhering to this logic. In addition, institutional logics are spread and strengthened within an industry via the feelings of belongingness and the processes of identification experienced by its actors. Individuals affirm the values of their own group (Kreiner, Ashforth and Schluss, 2006); identification with the social group is equivalent to identification with the related institutional logic (Thornton and Ocasio, 2008). Consequently, social actors in a field will hold in higher regard those peers who share their values and beliefs. Thus, the more embedded an organization is within the dominant industry logic, the higher its status will be.

In short, organizations evaluate other actors' statuses based on their perception of how embedded the others are in the industry-level logic. This perception is based on the degree to which the actor seems to observe the norms and the beliefs inspired by these logics.

The impact of disapproval on status in the context of resistant logic

Many argue that stigma and status are linked. Higher-status actors are more exposed to stigma (Pontikes, Negro and Rao, 2010), while a high status may actually buffer stigma (Wiesenfeld, Wurthman and Hambrick, 2008). Stigmatized individuals have been found to be more likely to experience lower status in their social context (Link and Phelan, 2001); however, this hypothesis fails to consider the overlap between audiences. A stigmatized individual's social context may include agents who do not perceive the individual as stigmatized or are stigmatized themselves for the

same reason. Status is also highly context-specific: actors must sometimes share some similarities with their counterparts to receive a positive status evaluation. As we have seen, the closer organizations are to the values derived from a logic, the higher is their status within the groups of organizations adhering to this logic.

I have suggested that stigmatization is driven by the indirect condemnation of an industry's dominant logics, while the heterogeneity in the disapproval across organizations of a contested industry is an evaluation of the extent to which the organization is close to the industry-level logic. A higher level of public disapproval implies that the organization is widely recognized (i.e., beyond the boundaries of the social group) as a prominent member of the stigmatized category; the values, behaviors, and beliefs deplored are considered more vibrant in the focal organization than in its peers, signaling to the other industry actors that the organization is recognized as especially complicit with the norms and "habitus" of the stigmatized field. This is an objective indication that this focal organization is more loyal to the underlying industry-level logics, that it "champions" the dominant logic despite the criticism. Given that status contests within a field rely on conformity to norms propagated by the field's dominant logic, I argue that this recognized "champion" should benefit from a higher status not only in the stigmatized category but also, more broadly, within the group of agents in which this logic prevails.

Concretely, then, the more an organization is disapproved of for practices related to the industry-level dominant logic, the more it will be perceived as advocating this logic and the better for its status. Extending this view to the organizational level, I claim that a stronger association with the disapproved logic among the members of a stigmatized category is a sign of their loyalty to the

category's resistant logic and will thus have a positive impact on the status of the organization.

Proposition: *When organizations are disapproved of for their association with a dominant logic in their field, this signals their loyalty to this logic, yielding positive outcomes in terms of the status evaluation originating from other members of the group where this logic is exerted.*

EMPIRICAL SETTING AND HYPOTHESIS TESTING

I study the investment banking industry during the most recent financial crisis. This field and time are particularly interesting for several reasons. First, a widespread logic of shareholder value maximization has been driving atypical behaviors that have been heavily criticized since the crisis (Ho, 2009; Fraser, 2004). Second, status is a crucial resource in the investment bank industry (Li and Berta, 2002). Finally, this is an interesting context within which to observe a resistant logic, as it has been argued that bankers' strong professional identities make mobilization and resistance easier (Marquis and Lounsbury, 2007). To empirically examine the proposition I have developed above, I test how a strong association with a disapproved logic affects the likelihood of a bank being invited to join IPO syndicates.

Institutional contradiction and the investment banking industry

Since the burst of the subprime bubble, the finance industry has been blamed for the catastrophe of the financial crisis. The systemic shock caused by the 2008 collapse of Lehman Brothers added to the discontent: banks were not only responsible for the situation but were also unable to handle it. Why? The government bailouts of major US banks put them under even greater scrutiny. The fact that AIG kept paying

huge bonuses to its executives with taxpayer money scandalized the public. Most banks were caught in similar situations (Cuomo, 2009). Banks were also attacked for using bailout funds to buy weaker counterparts and invest in massive lobbying (Reuters, 2009).

A set of practices was highlighted as being no longer compatible with the general welfare. Extreme risk-taking and careless behavior were blamed for the creation of the subprime hydra. Bonuses were no longer seen as a reward but time-invariant and shocking customs: when bankers were maintaining high salaries thanks to government money, most Americans were suffering from the situation they created. In *Liquidated* (2009), an ethnography of Wall Street, anthropologist Karen Ho shows how these behaviors were typical of the industry and built upon a corpus of shared values and beliefs regarding the purpose of banking firms.

Galvin et al. (2004) show how the tobacco industry built its legitimacy by advocating a societal logic that was dominant at the time: free markets. The investment banking industry also derived its legitimacy by adopting a societal-level logic: shareholder-value maximization (Fraser, 2004; Ho, 2009). The industry had declined for 40 years after the Great Crash of 1929, along with the values associated with shareholding (Ho, 2009:199). The takeover movement of the 1980s gave investment banks the opportunity to rebuild their virginity through shareholder values, which were again prominent (Ho, 2009; Whitman, 1999). Extensive research has shown how the shareholder maximization logic took power as an answer to the economic problems faced by the US in the 1970s (Fligstein, 2001; Lok, 2010; Ho, 2009). Despite careless managers, the firm would again focus on producing value for the owners (Fligstein, 2001; Whitman, 1999).

Media and the portrayal of an industry-level logic

An extensive stream of research has revealed the role of journalists in influencing organizations' stakeholders, particularly those of finance actors (Pollock and Rindova, 2003), through their framing of information (Deephouse, 2000; Westphal and Deephouse, 2011). The role of media in drawing public attention to bankers' practices, behaviors, and values has indeed been crucial. Media convey the forces and pressures exerted on logics, making the schemes of thought implied by logics more or less legitimate (Lok, 2010). Thus, media, as they shape stakeholder perceptions, either drive the support for existing belief systems or spread and strengthen the pressures against them (Fiss and Hirsch, 2005). Thus, media have contributed to spreading disapproval of the industry's logic while also helping to associate various field actors with this logic.

To see how media associate disapproval of investment banks with their dominant logic, I conducted a preliminary qualitative analysis of relevant media content. I sampled opinion and editorial articles of US newspapers focusing on the investment banking industry. The research (Fiss and Hirsch, 2005) suggests that the *New York Times* (NYT), the *Wall Street Journal* (WSJ), and the *Washington Post* (WP) are the most important newspapers in the United States. Although newspapers are only a part of the media landscape, I believe that they remain the most popular medium for financial and business news. I focused on the *New York Times*, as I wanted to examine denunciatory pieces and sources taking critical perspective on the shareholder-value maximization logic. Indeed, Groseclose and Mylio (2005) have established that the *New York Times* has the strongest left-wing bias, as defined in US terms. I used a Factiva stream to extract all opinion and editorial articles from this

newspaper[3] and found 30 articles from 2007 to 2011. The texts were analyzed and coded through the online collaborative software Dedoose. Industry recipes and the arguments against these practices were coded separately. Table 4 shows the four categories of recipes that emerged, their rationales as stated by the articles, and the counter-arguments suggested by the editorialists.

Table 4: Media portrayal of investment banking industry recipes

Industry recipe	Industry practice	Industry-level rationale and belief	Media counter-argument
Greed	Bonus system, pay-per-performance	Agency theory rationales.	Generates inequalities. Doesn't reflect the added value of work.
Violence	Brutal layoffs. Predatory acquisition strategy.	Survival of the fittest.	It's not necessarily the fittest or the most virtuous that survives.
Opacity	Lobbying, hiding or masking some activities.	Free enterprise.	Regulatory initiatives get perverted.
Extreme risk-taking behaviors	Non-hedged market positions, not taking into account the big picture or longer term consequences.	High risk, high reward.	There are unacknowledged risks at the systemic level (and consequences outside the finance industry).

The rhetorical strategies in the *New York Times* focus on a set of finance actors' practices, derived from values and beliefs inherent in the shareholder value maximization logic. In particular, these articles point out the arguments used by the finance industry to justify their behavior and then deconstruct these rationales. The editorialists explicitly suggest that opacity and lobbying are a signal of institutional resistance because they enable the finance actors to resist institutional pressures such as regulatory coercion. They also show, however, that other typical behaviors, such as bonuses, risky market positions, and predatory takeovers, are built on a coherent system of beliefs that bankers persist in retaining because it provides a defensive line

[3] For example: (investment banks or bank or finance industry) and (editorial or opinion or op-ed or pg=A16) and sn=new york times

of reasoning. The shareholder value maximization logic can endure external pressure in the investment banking industry because crucial industry stakeholders such as corporate customers share the logic's founding beliefs.

Hypothesis formulation

To investigate the validity of my theoretical proposition, I try to show the existence of biases in the formation of syndicate relations among investment banks during the period of stigma emergence, from 2007 to 2011. I selected this period because it starts before scrutiny of the investment banking industry.

When corporations want to raise funds in the equity market, they ask investment banks to act as a syndicate. These companies issue equity, while the investment bank places the shares among investors by reselling them. This investment bank will invite other banks to form a syndicate (Podolny, 1994; Li and Berta, 2002; Geddes, 2003). The objective of the syndicate is to mitigate risk by expanding the number of banks that will have to look for investors to distribute (i.e., resell) the shares. A hierarchy exists within the IPO syndicate: the invited banks can be either co-book runner or co-manager of the deal. Bookrunners collect the largest percentage of the fees and are responsible for distributing most of the shares. While most of the literature on syndicate invitations has assumed that offers to join a syndicate rely on the preference of other banks in the syndicate (Li and Berta 2002; Podolny, 1993; 1994), I have focused on the issuers' selection of the banks that will join the inner circle of the IPO syndicate: the bookrunners. Following discussions with equity capital market analysts at some of the banks included in the dataset, I focus on the primary syndicate members because the issuer selects them all, while lower-ranking syndicate members can be selected on the advice of the book-runners.

Syndicate members are selected by the issuer on the basis of their ability to carry out this mission, which is evaluated according to banks' status ranking (Li and Berta, 2002). Thus, this invitation pattern reflects issuers' perception of investment banks' statuses. The issuers are corporations raising shareholder capital and thus exhibit some proximity to the shareholder value maximization logic. Partnerships and exchange relationships are crucial indicators of status (Jensen, 2006). When an actor has transacted with another, he will tend to continue to transact with that same actor to reduce exchange uncertainty (Li and Berta, 2002). After discussing this issue with equity capital market analysts, I decided to mitigate this bias by focusing on new equity issues: firms rarely resort to using equity capital markets, and when they do they have had limited interactions with investment banks until then.

The theoretical development has suggested that an organization's association with the dominant disapproved logic in its field signals its proximity to this logic. This proximity in turn produces a positive status outcome, making the bank more likely to be selected to join a syndicate as a bookrunner. When seeking the bank that will deliver the best service, an issuer will choose the one most strongly attacked for the practices derived from the contested logic, such as bonuses or extreme risk taking. As they reflect the core values of the field, these practices are interpreted as an indication of service quality. These disapproved banks are also perceived as paragons in their field, as they are seen to exemplify the practices typical of the industry. Following this discussion and on the basis of the proposition developed above, I suggest the following hypothesis:

Hypothesis: *The more a bank is criticized by outsiders for its association with its field's disapproved logic (i.e., is perceived as being close to this logic), the more likely it is to be invited to join a syndicate.*

Method

I establish the determinants of the likelihood of a bank's selection to join a syndicate as a bookrunner. My observations are thus at the level of the IPO-bank dyadic; the dependent variable is whether the bank has been invited. Data on IPOs come from a broad range of sources, including SDC Platinum, Thomson Reuters, Bankscope, and banks' websites (including past versions). My independent variable is built on the content analysis of *New York Times* articles. Past research (Deephouse, 1996; Reicher et al., 1996; Pollock and Rindova, 2003; Sullivan et al., 2007; Core et al., 2008) has commonly used newspaper articles as an appropriate source of data by which to measure disapproval. The media are a relevant source for evaluating how logics are perceived (Lok, 2010). I used mass media perception as a proxy for public perception. The measure of an association with the disapproved logic is based on the ratio of words in categories that I inductively created with the help of a research assistant. My assumptions are built on interviews I conducted with a number of equity capital markets analysts in Paris, London, and New York at some of the banks included in my dataset.

Data, model and dependent variable: The unit of analysis is banks' invitations to join a syndicate as a bookrunner in the 2007 to 2011 period. Each IPO comprises several invitations. I focus on the likelihood of a bank's invitation to join a syndicate as a bookrunner. The state of the event is recorded as the dummy variable *Bookrunner*. In each IPO, if a bank is selected as a bookrunner, *Bookrunner* is

recorded as 1 and 0 otherwise. Data on the IPOs (e.g., size, issuer, issuer's industry, issuer's state, offer price, bookrunners, lead-manager, and co-managers) were obtained from SDC Platinum. I focus on the US market to ease the data collection for the main independent variable. The datasets document 3,503 IPOs and a total of 5,147 invitations.

Studying events implies the inclusion of time-varying explanatory variables and the censoring problem. This study faces both challenges: the main independent variable varies over time and includes data censoring (the banks that did not receive an invitation during the observation period are not recorded, nor are banks with insufficient media coverage; see below). Event-count analysis would not enable us to take into account the explanatory variables related to the inviting bank, as the events would not have been differentiated. I use the simple model of event history analysis to test the hypothesis: the purpose of an event history analysis is to measure the probability that a target (here, a bank) will experience an event (here, being invited to join a syndicate) at a time t (Allison, 1984). The probability of experiencing an event at a certain point in time is based on a hazard model, a regression model that predicts this probability with a set of covariates. These covariates change value over the observation period. I selected a discrete time model with a three-month time frame, more precise than the time-spells used in the literature (Li and Berta, 2002) and avoids incurring significant additional computing costs. The dependent variable is the hazard rate: the likelihood that a bank will be invited to join a syndicate as a bookrunner. Following Allison (1984) and Li and Berta (2002), I use a logistic regression function to estimate the probability $P_i(t)$ that a bank i will be selected as a bookrunner by:

$$log \frac{P_i(t)}{1 - P_i(t)} = a(t) + b_z z_i + b_x x_i(t)$$

where z_i is a K x 1 vector of constant explanatory variables, and $x_i(t)$ is a k x 1 vector of time-varying explanatory variables. Additionally, b_z and b_x are row vectors of parameter estimates indicating the effect of the explanatory variables on $P_i(t)$. I allow for variation in the hazard by having a time-varying intercept a(t) modeled as a dummy variable for each of the 20 time spells, thus providing the model with period-fixed effects. My time-varying explanatory variables are updated at the beginning of each spell. In addition, to relax the requirement that the observations be independent, I specify in the model that the standard errors allow for intra-group correlation, the groups being the observations for each bank. The observations are considered independent between banks but not necessarily within the set of observation for each bank. As a robustness check, I also ran models with the data clustered by IPOs (Corwin and Schultz, 2005) and the variables of interest remain strongly significant (see appendix A). The model is consistent with similar research in finance aimed at estimating the likelihood of IPO syndicate invitation (Corwin and Schultz, 2005). The only difference is that I use a logit rather than a probit estimation. Finally, I did not include entity fixed-effects: including dummies for each bank would lead us to capture the impact of the variations in the association with disapproved logics for each bank separately (i.e., a bank is more likely to be selected when its disapproval peaks). Alternatively, I acknowledge that some banks receive more disapproval than others and that this impacts the likelihood of their being selected over other banks.

Independent variable: measuring perceived proximity to a disapproved logic

To build a variable measuring banks' proximity to the disapproved logic of shareholder value maximization, I used an inductive approach to build word categories, similarly to King, Clemens and Fry (2011). These categories are later used to carry out a mass media content analysis based on frequency count, a method commonly used in finance (Tetlock, 2007; Tetlock, Saar-Tsechansky and MacSkassy, 2008). For example, Tetlock (2007) has analyzed how the fraction of negative words in the news is incorporated in market valuations. However, Loughran and McDonald (2011) have stressed the issues related to using general dictionaries for media content analysis and suggest assembling unique dictionaries specific to the topic in question.

To build these categories, I went back to the qualitative exploration of the investment banking industry in the 30 *New York Times* editorials. Opinion and editorial articles are designed to make a case and are thus appropriate sources for identifying the expressions used to discredit banks. I followed a word-list development process inspired by Short, Broberg, Cogliser and Brigham (2010). An external coder was engaged in a first step of coding the corpus. The two versions of the coded corpus were reconciled. Then we separately identified two lists of words commonly used to depict the construct of interest in the text sample and then used a synonym finder to enrich this list. We thus went back to the corpus to ensure the relevance of those synonyms. The two raters' lists of words associated with each logic-related attitudes were reunited. Following Short et al. (2010), I used Holsti's method (1969) to compute the inter-rater reliability of the chosen words. I obtained a coefficient of 0.85, a satisfactory level of agreement between raters. As a result of this

iteration process, we built a list of words for each of the four categories, as shown in Table 5.

Table 5: Categories corresponding to the criticized logic-related behaviors

	Description	Words and stems		
Greed	Bankers are depicted as driven by an endless and hardly controllable appetite for wealth. This appetite is seen as both indecent and condemnable.	• acquisitiveness • appetenc* • appetit* • avaric* • avaritia • avid* • covetous* • crave • craving • cupid* • desire • eagerness • edacity • envious	• envy • esurience • excess • gimmies • glutton* • gormandiz* • grasping* • greed* • hunger • immoral • indescent • indulgence • insatiabl* • intemperance	• intemperate • longing • lust • obscene • penchant • piggish* • rapac* • rapture • ravenous* • selfish* • sinful • swinish* • unscrupulous • urge • vorac*
Violence	The world of banking (whether for its interaction with outsiders or between insiders) is presented as a battleground where brutality prevails.	• animosity • barbar* • beastly • beat • berserk • blood* • bloodthirsty • brutal* • brute • brutish • burglar* • burn*	• clash* • coerci* • cruel • demoniac • enraged • feroc*fierce • fiery • forceful • frantic • frenzy • fuming	• furious • fury • gun • impetuous • raging • rampage • rough • savage • torment* • vehement • vicious • violen*
Opacity	Banks are accused of fostering secrecy and trying to influence regulators and other stakeholders.	• ambigu* • ambivalen* • blackmail • bribe* • cabal • camarilla • clan • clique • cloud • club • complex • complicity • conspiracy • corrupt*	• coterie • dark* • dubious • dusk* • extort* • fog* • gang • hazy impenetrable • influence • intrigue • junta • limpid* • lobby • mafia	• manipulat* • murk* • obscur* • opacity • opaque • pressure • ransom • secrecy • shade • shadow* • transparen* • unambigh* • unclear • unmistak*
Risk-taking	The actors in the field are	• adventur* • bet*	• gutty • hazard*	• roulette • speculat*

behaviors	pointed out for taking reckless and disproportionate risks.	• gambl* • casino • chancy • danger • dangerous • daring • dice • dicey • fool* • game	• instability • instable • jeopardous • lottery • odds • peril* • perilousness • play* • random • reckless • risk*	• troublesomeness • unafraid • uncertainty • uncontrollable • uncurbed • undaunted • unhindiness • unknowable • unmanageable

To identify how much banks are criticized for their association with the disapproved logic, I collected the total number of articles (including online articles) mentioning the banks through a Factiva stream. I conducted an extensive cleaning process and carefully removed all non-related articles obtained by mistake. I am confident that my sample of more than 22,000 articles is sufficiently well-assembled to proxy the perception of investment banks from 2006 to 2011. I then parsed the dataset of articles into word vectors using the JFREQ software. Following Loughran and McDonald (2011), I acknowledge that a raw word count is not the most accurate measure of word content. I consequently weighted the raw count according to the total number of words, computing this measure on a quarterly basis. As expected, the different dimensions of my construct are highly correlated. As a robustness check, I also parsed the dataset using categories defined by the Harvard psychosocial dictionary. Table 6 shows that the categories are also highly correlated with the words associated with anger, anxiety and, more generally, negative emotions, while having no words in common. This suggests that my construct would indeed overlap with a

more general lexicometric measure of disapproval. Despite this correlation, results using the Harvard Psychosocial Dictionary come up non significant.[4]

Table 6: Correlation table for the different dimensions of the lexicometric analysis

	Greed	**Opacity**	**Risk**	**Violence**	**Anger**	**Anxiety**	**Money**	**Negative Emotion**
Greed	1							
Opacity	0.870***	1						
Risk	0.838***	0.892***	1					
Violence	0.870***	0.889***	0.870***	1				
Anger	0.848***	0.913***	0.889***	0.893***	1			
Anxiety	0.785***	0.875***	0.867***	0.837***	0.923***	1		
Money	0.897***	0.943***	0.899***	0.910***	0.954***	0.917***	1	
Negative Emotion	0.865***	0.919***	0.909***	0.897***	0.976***	0.959***	0.967***	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

These methods may come with drawbacks regarding the accuracy of the measure of the association with the disapproved logic, especially in the case of sarcasm and double negations. They nevertheless have the advantage of being able to process a large sample quickly and of being replicable, unlike manual coding, the only alternative. In addition, computer-driven analysis provides a more fine-grained analysis, while a human coder would code each article as negative, neutral, or positive. The coder's expectation might also bias his judgment. Computer automated text analysis (CATA) does indeed neglect the context. However, my measure is aimed

[4] We also built a large category of words specifically related to prestige: how are banks perceived as prestigious organizations in the New York Times? When used as an independent variable, the coefficient for this variable is negative but non significant. This effort was motivated by the will to measure a positive dimension of media perception with regard to investment banks.

at evaluating the extent of an association: looking at the proportion of words makes the context incidental. In addition, the inductive process of building categories ensures that the words selected can hardly be misinterpreted because of the context. More generally, because I treat a large volume of text, the potential lack of reliability can be reduced to a predictable margin of error. Research has even found that a word count is more reliable for a large quantity of text than human coding is (Rosenberg, Schnurr, and Oxman, 1990; Nacos et al., 1991).

The measure of the bank's association with the disapproved logic is the discounted sum of the ratio of categorized words over the four quarters preceding the issue. The variable is also lagged by one period. The discount reflects the fact that the value of information decays with time. I removed some banks due to insufficient news coverage and excluded those that had not been mentioned in the *New York Times* for more than six months, as six months is equivalent to two time spells in a row. The risk set includes 28 banks, representing nearly 90% of the invitations to join a syndicate as a bookrunner. I discuss the selection bias below.

To test my hypothesis, I look at the impact of the bank's association with the disapproved logic in newspaper articles on the likelihood of it being invited.

Control variables

I control for relevant factors, such as size, the number of bookrunners, the stock exchange (85% of the issues are on the NASDAQ and the New York Stock Exchange, with a few on the American Stock Exchange and the New York Mercantile Exchange), and how "hot" the issue is. I include variables related to the issuer: its state and its industry. I also control for variables related to the invited bank. To proxy

the size of the bank, I accessed historical US asset data in the Bankscope database. Total assets include business lines other than just the investment bank, but this realistically approximates size since investment banks strongly benefit from the synergies created with other branches, particularly corporate banking teams. I believe I have an accurate proxy if I add a control for past performance in the IPO business. Indeed, more important than size in determining the likelihood that a bank will be invited is its rank in the league table, used by issuers to evaluate its status, "the perceived quality of that producer's products in relation to the perceived quality of that producer's competitors' products" (Podolny, 1993:830). Using the three-month time span, I control for the total amount of shares syndicated during the past four quarters. Following discussions with equity capital markets analysts, I decided not to discount the number of shares syndicated during the previous quarters in the total, as league tables never integrate such discounts. All these control variables and the independent variable are lagged by a quarter. Finally, the underwriter's position in tombstone announcements has a long history of being used as a proxy for banks' reputations (Podolny, 1993; 1994; Carter and Manaster, 1990). Underwriters are mentioned at various levels in the announcements depending on their class. Following Corwin and Schultz (2005), I used Jay Ritter's database of the adjusted Carter-Manaster measures of banks' reputations based on their tombstone positions.

Table 7: Control variables

Relative to the	Variables	Definition and rationale for inclusion	Source
Bank	Business lines **7 dummies** **Categorical**	Dummies for each business in which the bank can be involved: commercial banking, sales/trading, research, retail banking, asset management, and wealth management. There might be synergies between the various business lines, some branches bringing IPO business to the investment bank.	Banks' websites

Bank	Total US assets	Reflects the size of the bank, although it takes into account branches other than just the investment bank.	Bankscope
Bank	Number of shares syndicated in millions of USD	Proxy for the status of the bank in the US IPO market: reflects the past performance in terms of total volume syndicated over the 4 previous quarters.	Thomson ONE Reuter
Bank	Underwriter reputation	Adjusted Carter-Manaster ranks for underwriter reputation. Measure based on where an underwriter's name appeared in tombstone announcements.	Jay Ritter's website
Issue	Principal amount	Reflects the size of the issue. A larger issue might attract larger investment banks.	SDC Platinum
Issue	Stock exchange **12 dummies Categorical**	The stock exchange in which the shares are issued. Some banks might be more likely to be selected for exchanges in which they have a specific expertise.	SDC Platinum
Issue	Hot issue index	(Offer price - Share price at close)/Offer price. The broader the range, the more uncertain the issue. Experienced banks are more likely to be selected for IPOs with greater uncertainty (Li and Berta, 2002).	SDC Platinum
Issue	Number of bookrunners	Number of bookrunners selected for the issue. The more bookrunners, the more of a chance each bank has of being selected.	SDC Platinum
Issuing company	Industry **4 dummies** (large industry groups) or **32 dummies** (specific industry groups)	The issuer's industry might impact its choice of bookrunner, considering the proximity of this industry with the shareholder value maximization logic.	SDC Platinum
Issuing company	Issuer's state	The issuer's state: the issuer might be biased in favor of a bank depending on its geographical presence.	SDC Platinum

Selection bias and endogeneity issues

As detailed above, the risk set contains all the banks that received sufficient news coverage, accounting for nearly 90% of the invitations. The risk set is necessarily smaller than Li and Berta's (2002) and Podolny's (1994), as it focuses on the invitation to join as a bookrunner, the highest syndicate echelon. Fewer banks are at risk of being bookrunners than lead-managers or managers, as the former requires more market influence and expertise. Our interviews with equity capital market analysts corroborated that while the selection of bookrunners depends exclusively on the issuer's choice, there is more noise in the selection of lead-managers or managers,

because bookrunners and other lead-managers might advise the issuers on which banks to add to the syndicate. A selection bias might occur, however, as it is unlikely that all banks will have the same probability of receiving coverage from the *New York Times*. Banks not present in the media are excluded from the sample. The results of the analyses using media disapproval as a predictor of syndicate invitation might thus be biased. Following Heckman's method (Heckman, 1979), I created a selection instrument with a 1st stage probit regression aimed at predicting the likelihood of being covered by the *New York Times* (i.e. = 0 if the bank has *not* been mentioned in the *New York Times* for three consecutive quarters). This probit model includes the following independent variables: the number of deals for which the bank has been bookrunner over the period of interest, two dummies for typical business lines in which the bank can be involved in addition to investment banking (retail banking and sales/trading), the maximum number of US states in which it has established offices over the study period,[5] Carter-Manaster measures of reputation,[6] the amount of shares syndicated in the US, the league table rank in the US IPO market, and whether it was driven out of the market at some point during the study period (failure or take-over). In this first stage, the sample includes the 123 banks that were selected at least once as a bookrunner over the studied period (see appendix B). I generated an inverse Mills ratio, which I use as a selection variable in the 2nd stage logistic regression aimed at predicting the invitation to join a syndicate.

There is also the suspicion of reverse causality: the higher the status of a bank, the more likely the media are to scrutinize it and thus associate it with the disapproved

[5] Variable collected in Vault guides and on the banks' websites (through the Wayback archive when historical data were required).
[6] The Carter-Manaster measures are usually computed bi- or tri-annually. Thus, we included the Carter-Manaster measures for the 2005–2007, 2008–2009, and 2010–2011 periods.

logic. There are several ways to deal with this concern. First, I measure association with disapproved logics as the density of disapproval within the pool of articles. The question is not how much a bank is covered by the media but how much it is associated with disapproved logics in the coverage (i.e., *how* it is covered): a bank can have a limited media coverage that focuses on how it is embedded in the decried practices. Second, I do not consider status a dependent variable; I rather look at a status-related outcome, while also controlling for past status. Finally, the independent and control variables are all lagged by one quarter. To test for reverse causality, I also built a panel dataset at the bank level. Using a panel-data GLS random effect regression model, I regressed the forwarded number of words testifying for an association with the disapproved logic (for one specific quarter rather than summed and discounted over the past four periods) on the total number of words in articles in which the bank is cited on the same period, the status of the bank over the past four previous quarters (as measured by the rank in league tables and the performance on the IPO market as the total volume of shares issued), and the Carter-Manaster measure of reputation, controlling for the bank's size (as measured by its total US assets), the bank's sectors of activity, and the number of US states in which the bank has established offices. For the amount of shares syndicated, I find a positive but non-significant effect on the number of words testifying for the association with the disapproved logic. For the rank in league tables and the Carter-Manaster measure of reputation, I actually find adverse and non-significant effects, confirming the absence of reverse causality (see appendix B). As a consequence, I argue that reverse causality is an issue neither at the theoretical nor at the empirical level.

RESULTS

Table 8 shows the correlation matrix for the independent, dependent, and control variables and the selectivity instrument, along with the means and standard deviations.

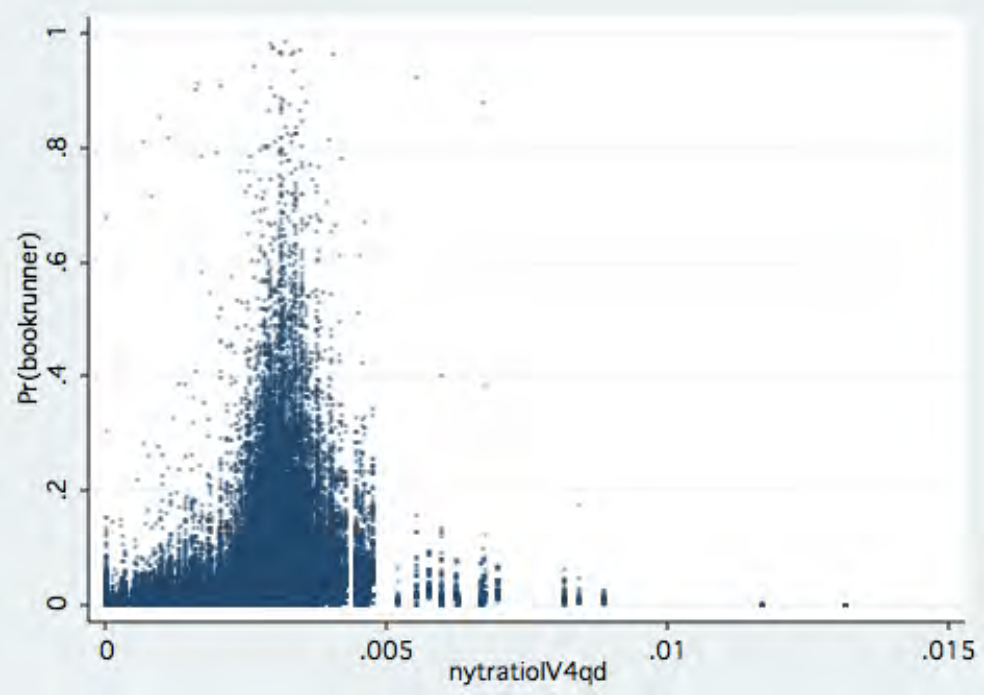
Table 8: Descriptive statistics and correlations

	Mean	s.d.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Bookrunner	0.052	0.22	0.00	1.00													
2. Association with disapproved logics	0.003	0.00	0.00	0.01	0.07												
3. Association with disapproved logics^2 (std)	1	3.42	0.00	61.97	-0.04	0.33											
4. Number of bookrunners	1.852	1.27	1.00	14.00	0.22	0.01	-0.01										
5. Principal amount	2.46E+02	8.93E+02	0.00	1.93E+04	0.04	0.00	0.00	0.18									
6. Hot Issue Index	0.211	0.38	0.00	7.50	-0.01	0.02	-0.01	-0.01	-0.01								
7. Bank's US total assets	4.81E+05	6.53E+05	2.96E+01	2.27E+06	0.15	0.19	-0.17	0.00	0.00	0.00							
8. Bank's total amount syndicated	7.18E+03	6.67E+03	0.00	4.27E+04	0.18	0.25	-0.17	0.00	0.00	0.01	0.66						
9. Underwriter reputation	6.006	5.13	-9.00	9.00	0.10	0.07	-0.02	-0.01	0.01	-0.02	0.13	0.27					
10. Selectivity instrument	-0.841	4.37	-23.54	0.00	0.04	0.25	-0.08	0.00	0.00	0.00	0.15	0.19	0.00				
11. Issuer is an agency	0	0.02	0.00	1.00	0.00	0.00	0.00	-0.01	0.00	0.04	0.00	0.00	0.00	0.00			
12. Issuer is a financial firm	0.355	0.48	0.00	1.00	0.01	0.00	0.00	0.04	0.13	0.02	0.00	-0.01	0.00	0.00	-0.01		
13. Issuer is an industrial firm	0.58	0.49	0.00	1.00	-0.04	0.00	0.00	-0.17	-0.13	0.03	0.00	0.01	0.00	0.00	-0.02	-0.87	
14. Issuer is a utility firm	0.065	0.25	0.00	1.00	0.06	0.00	0.01	0.26	0.00	-0.09	0.00	0.00	0.00	0.00	0.00	-0.20	-0.31

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 6 presents the results of the period-fixed effect logistic regressions with observations clustered by banks. The results of model 2, in support of the hypothesis, shows that the more a bank is associated with disapproved logics, the more likely is its selection as a bookrunner. Figure 1 plots the predicted probability of being selected as a bookrunner against the measure of association with disapproved logic, suggesting an inverted u-shaped relationship. Consequently, I integrated a quadratic term of the (previously standardized) measure of association with the disapproved logic in model 3. The results show that being associated with disapproved logics has a positive effect on the likelihood of being selected as a bookrunner, until a turning point is reached. To have an adverse effect, the variable of association with disapproved logics must be above 0.004399, beyond the 95^{th} percentile. In other words, banks benefit from disapproval except when the disapproval is extreme, which harms their chances of being hired as bookrunners.

Figure 5: Predicted probability to be selected as bookrunner vs association with disapproved logics



A number of control variables come up significant. Status, measured as the total amount of shares syndicated in millions USD (the information on which league tables are based), positively affects the likelihood of being selected as a bookrunner. In model 3, underwriter reputation as the position in tombstone announcements, is also positively related to the likelihood of syndicate invitation. The results also show that having a research department has a positive impact on the likelihood of being selected to join a syndicate as a bookrunner. For IPOs, issuers prefer to rely on banks that will be able to provide their stock with initial coverage. This coverage, held by the same bank that took care of the issue, is very likely to be positive, as the bank must be consistent with the promise it made when "pitching" the stock to potential investors.

The results of model 2 and 5, in support of the hypothesis, shows that the more a bank is associated with disapproved logics, the more likely is its selection as a bookrunner. Figure 1 plots the predicted probability of being selected as a bookrunner against the measure of association with disapproved logic, showing an inverted u-shaped relationship. Consequently, I integrated a quadratic term of the (previously standardized) measure of association with the disapproved logic in model 3 and 6. The results show that being associated with disapproved logics has a positive effect on the likelihood of being selected as a bookrunner, until a turning point is reached. To have an adverse effect, the variable of association with disapproved logics must be above 0.004399, beyond the 95^{th} percentile. In other words, banks benefit from disapproval except when the disapproval is extreme, which harms their chances of being hired as bookrunners.

Table 6: Period fixed-effects logistic regression of syndicate invitation with robust variance estimation clustered by banks

VARIABLES	Model 1	Model 2	Model 3
Association with disapproved logics		134.3***	273.4***
		(50.78)	(60.77)
Association with disapproved logics^2 (standardized)			-0.143**
			(0.0715)
Commercial banking activities	-0.608	-0.675	-0.850**
	(0.476)	(0.431)	(0.386)
Sales and trading activities	-0.386	-0.422	-0.466
	(0.411)	(0.400)	(0.389)
Research activities	0.741**	0.701**	0.682***
	(0.312)	(0.284)	(0.254)
Retail banking activities	0.564	0.646	0.810**
	(0.470)	(0.424)	(0.374)
Asset management activities	0.311	0.242	0.151
	(0.350)	(0.296)	(0.210)
Wealth management activities	0.274	0.257	0.241
	(0.297)	(0.289)	(0.288)
Number of Bookrunners	0.505***	0.505***	0.506***
	(0.0390)	(0.0392)	(0.0393)
Principal amount	-5.56e-05**	-5.51e-05**	-5.36e-05**
	(2.29e-05)	(2.30e-05)	(2.33e-05)
Hot issue index	-0.00570	-0.00596	-0.00649
	(0.0644)	(0.0644)	(0.0644)
Bank's US total assets	2.50e-07	2.47e-07	2.31e-07
	(2.21e-07)	(2.13e-07)	(2.02e-07)
Bank's volume of shares syndicated	7.31e-05***	7.28e-05***	6.43e-05***
	(1.37e-05)	(1.37e-05)	(1.26e-05)
Bank's reputation	0.0850	0.0813	0.0792*
	(0.0585)	(0.0534)	(0.0467)
Selectivity instrument	0.0493***	0.0381**	0.0232*
	(0.0170)	(0.0160)	(0.0141)
Controls included:			
Dummies for the issuer's state			
Dummies for the issuer's industry			
Dummies for the stock exchange			
Period fixed-effect			
Constant	-6.080***	-6.340***	-6.879***
	(1.489)	(1.492)	(0.977)
Observations	92,464	92,464	92,464
Cragg-Uhler(Nagelkerke) R2	0.222	0.224	0.228
% of obs classified correctly	94.47%	94.47%	94.47%

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

DISCUSSION AND CONCLUSION

This study has discussed organizational stigma as a consequence of institutional contradiction, when the dominant industry-level logics that drive criticized behaviors are no longer compatible with higher-order logics. Within the stigmatized category, the variance in disapproval signals how organizations are embedded within the disapproved logic. A logic negatively labeled outside a field can still drive the evaluation of an organization's status. In addition, actors tend to evaluate service providers' ability to carry out a mission according to their status. The more an organization is attacked for behaviors attached to the resistant logic, the more it is seen as being close to the industry's core values and the better it is for its status.

To test this proposition, I have examined the biases in the invitation patterns for IPO syndicates in the US from 2007 to 2011, a period when investment banks faced fierce criticism for their behaviors and values. The investment banking industry has regained legitimacy by deriving recipes from the shareholder value maximization logic that emerged during the takeover movement of the 1980s (Ho, 2009). The financial crisis has put these practices under scrutiny. Although typical practices (e.g., bonuses, risky market positions, aggressive take-overs, the cult of secrecy) were widely disapproved of by the public, they persisted. By observing how these practices are depicted in the *New York Times*, I noticed that their rationales are clearly identified by outsiders. Among the corporate clients of investment banks, these industry recipes are positively perceived in evaluations of banks' status because they reflect the banks' proximity to core industry values and thus to the logic they also support: shareholder value maximization. I inductively built a measure of the degree of banks' association with the underlying logic, based on an analysis of a sample of

28,000 *New York Times* articles. While most of the literature on syndicate invitations has assumed that offers to join a syndicate rely on the preference of other banks in the syndicate (Li and Berta 2002; Podolny, 1993; 1994), I have focused on the issuers' selection of the banks that will join the inner circle of the IPO syndicate: the bookrunners. The results confirm that the more a bank is associated with the disapproved logic, the more likely it is to be selected as a bookrunner. In the end, the results raise concerns regarding the potentially adverse selections made by corporate clients when picking bookrunners: if those bookrunners are the most rapacious, aren't they more likely to put their own interests before those of their clients?

The question of the generalizability of this result is the key to define the boundary conditions under which disapproval is beneficial. The situation we have here depends on a number of parameters. First, there needs to be a clash between a "local" logic and the broader order logic. This clash brings about the norm violation by the social actors that keep enacting the "local" logic. Second, norm violations need to be made the object of a signal. Here, we use the media as a barometer, building on prior research on the role of media in the perception of logics (Lok, 2010; Fiss and Hirsch, 2009). However, there is always noise in a signal, and it might be hard in some settings to find a source that can be the object of such a fine-grained analysis. Last but not least, the proximity to the "local" logic needs to yield tangible and measurable benefits: in our case, the benefits come from the bias clients exhibit towards banks that are close to the core values of their field. Status-related benefits may also come from actors within the same field, who naturally share the same logic.

Considering that the most necessary boundary condition is the first one, I argue that my results could hold in other contested industries or spheres. Research on

contested industries has mainly looked at tobacco and gambling (Galvin, et al. 2004), defense (Vergne, 2012), porn (Hudson, 2008), or more specifically sex-related organizations like bathhouses (Hudson & Okhuysen, 2009). While industries can be stigmatized because of norm violation, some other groups of actors might by contrast be stigmatized because of norm enforcement: the church or the police are also contested for a clash between logics at different levels. Prior research has solely focused on the adverse impact of illegitimacy on organizations. However, some organizations in those contested spheres might take the risk to violate broader social norms in a more radical way to exhibit proximity with the logic of their field. Members of the porn industry might for example go for more shocking productions to attract public attention and more "hardcore-oriented" consumers. Similarly to the case of the investment banking industry, proximity to the core values, is valued by a crucial group of stakeholders: the clients. This boundary condition fails to hold in a number of other contested spheres: a strict police or church might not seem more attractive, and the defense industry might prefer discretion rather than public disgrace. In some contexts, proximity to the "local" logic only brings about marginal benefits, when these marginal benefits are not totally offset by the defiance when facing institutional pressure.

This study's contribution is two-fold. First, while most of the literature on negative social evaluation has assumed adverse outcomes (Vergne, 2012; Pontikes, et al., 2010; Suchman, 1995), we unveil the existence of positive consequences in some specific contexts. By using the literature on stigma and disapproval as well as that on institutional logics, I have investigated a stage usually overlooked by organization theorists: the period of institutional resistance, when contested logics and the actors who enact them defy institutional change. Despite institutional pressure, social actors

may keep defending attacked logics because of social identity mechanisms but simply because they derive benefits from this support. Indeed, if loyalty to resistant logics is valued enough by crucial groups of stakeholders, it might be better for an actor to preserve the vilified logics rather than change. I demonstrate this point by showing how investment banks actually benefit from being associated with a disapproved logic. Investment banks are incentivized to keep enacting these logics: bonuses, opacity, and extreme-risk taking behaviors are encouraged because they signal loyalty to the logics that condition status hierarchies. Why would they change their practices in such a context? I consequently expect these behaviors to survive institutional pressures, including regulatory coercion. Going beyond this conjecture, transgressing the regulation can also generate similar signals to those observed in the media attacks. When New York's attorney general Andrew Cuomo publicly revealed the bonuses that investment banks were paying in March 2009, he also gave an indication regarding banks' proximity to the core values of their field. Institutional pressures can actually be counterproductive, and paradoxically generates incentives to resist. Finally, I show how institutional change can be blocked when field-level mechanisms motivate resistance.

Chapter 4:

Scapegoats, Sacrificial lambs, Turncoats & Whistleblowers
Simulating and Theorizing Blame Games

This paper has been written under the guidance of Eric Abrahamson and has be presented at the 2013 EGOS Colloquium, in Montreal. A preliminary version had also been presented at the 2012 Workshop on Tipping Points, at Durham Business School

“A man may fail many times but he isn't a failure until he begins to blame somebody else.”

Jean-Paul Getty (1892 – 1976), American petrol tycoon and industrialist

INTRODUCTION

“Exit, Voice, and Loyalty”. The title of Hirschman’s opus (1970) summarizes the three options actors have when they are unhappy with the group they belong to. When actors exhibit loyalty they decide to remain within the group, by contrast to exiting. When they decide to “voice”, they denounce a culprit within the group. Financial crises engender less loyalty and particular types of exit and voice by organizations’ and more broadly, by field members. In particular, crises tend to engender scapegoating, i.e. blaming actors that are not necessarily responsible for a situation but are expendables for the sake of keeping the system safe (Boeker, 1992). In 1929, for example, the public, his peers, as well as the U.S. government vilified Charles E. Mitchell, symbol of the financial practices of the 1920s. Historians have argued persuasively, however, that he was nothing more than just another banker among many (Huertas and Silverman, 1989).

In the aftermath of the 2008 crisis, numerous individuals, actors in the global financial sector have played an elaborate game of blaming each other for the crisis. The gamers range from organizations members, to organizations, to financial services industries, to national, financial-service sectors. The game pits smaller to smaller, equivalent, or larger actors who use various blaming modalities. Employee whistle-blowers, for instance, blame organizations. Organizations denounce particular so-called “rogue” employees. Industry competitors blame each other, or other industries, who return the favor. The press, regulators and the courts also play the game. In the

context of the Euro crisis, we have even seen countries blaming other countries. As a result, actors gain or lose legitimacy or financial capital in the courts of justice or public opinion. A number of questions motivate this theory development. How do blame games emerge? How becomes the blamer and who the blamed? With what tactics do actors play the blame game?

In this study, we indeed argue that these strategies are different facets of a same phenomenon: a blame game where actors of a field try to draw away responsibility by attributing it to other insiders. Compared to the two previous chapters, rather than looking at the strategic value of illegitimacy, this research takes a step further by looking at the strategic value of *making others actors illegitimate*. We take a dynamic approach to illegitimacy in the sense that we argue that the levels of illegitimacy of connected actors are interdependent. We theoretically document the practical implication we discuss in the previous chapter: how do actors can isolate themselves from a negatively labeled group? Blaming others is a way to create distinctiveness by transferring illegitimacy to another actor. Blame game is the consequence of an external negative evaluation that generates more micro-level processes of labeling.

We define blame games as "discursive spaces", where different points of view confront while agents try to impose their perspective on who holds responsibility. These agents are a subgroup of the "blamed sphere", the group of actors that has to face the blame, whether they are countries, industries, organizations or individuals. In his causal attribution theory, Weiner (1986) explains that the displeasure associated with negative outcomes leads to a search for the outcome's cause. There are however several layers of attribution: if stakeholders blame a field or an organization, this field or organization and its members are in turn likely to attribute the blame internally.

Extending attribution theory to a more macro level of consideration, in a similar fashion than individuals (Allport, 1979), fields and organizations explain negative outcome by looking at internal or external explanations - the locus of causality (Weiner, 1986) -. If a field or an organization suffers from external blame pressures, it is likely to blame one of its member: scapegoating is thus an internal attribution process (Boeker, 1992). Comparably, a whistleblower blames the rest of the field or the organization in an external attribution exercise (Near and Miceli, 1985).

We add an additional dimension to the scapegoat/whistleblower dichotomy by looking at the situation of this focal actor at the end of the blame game. In the case of the scapegoat, the field or the organization excludes the member. However, it can also be decided to keep it within the boundaries of the field. In this case we denote the preserved scapegoat a “sacrificial lamb”. Likewise, a whistleblower can decide to leave the field or the organization (Elliston, 1982), presumably to accentuate the positive distinctiveness earned through whistleblowing and avoid retaliation or future blame. In this case, we denote it a “turncoat”. By adding this feature, we can build a typology of blame game actors. It also unveils more interrogation: when does an actor decide to be a turncoat rather than a whistleblower? When does a group decide to exclude one of its members to escape blame?

Our objective is to build an integrative theory of blame games, encompassing scapegoating and whistleblowing behavior as a whole. We explore the connection between the literature on attribution theory, scapegoating, whistleblowing and more generally negative labeling to adopt a broader perspective on the blame game mechanisms. We begin by building theoretical assumptions regarding the unwinding of a blame game and establishing the founding propositions of a blame game theory. Then, we design an agent-based modeling of blame games, expanding on those

propositions. We flesh out our framework and explain the determinants of various blame game strategies. To discuss the limitations of our theoretical framework, we look at case studies illustrating our typology of blame game actors. The finance industry in the context of the financial crisis is a relevant setting because of the long lasting blame it has been going through since the burst of the subprime bubble.

BLAME GAME AS AN ATTRIBUTION PROCESS

We largely ignore literature bearing on the nature of loyalty. For example, organizations can decouple what they say to stakeholders from what they actually do (Ashforth and Gibbs, 1990). Or, organizations might frame in or misrepresent outcomes in such a way as to maintain stakeholder loyalty. We start instead from a corpus of research studies stemming from attribution theory. In psychology, attribution theory (Wong & Weiner, 1981; Weiner, 1986) posits that adverse, stressful or simply unexpected outcomes trigger mechanisms of causal search. We employ in particular the distinction between attribution to self and attribution to forces or conditions outside the self. This may involve two employees trying to game each other to make an external attribution of blame to other in order to shift the blame from themselves. At an organizational level of analysis corporate officers have been shown to present outcomes to stakeholders in organizational fields in a way that shift the blame for these outcomes away from themselves and to socio-economic entities or forces—like labor unions or economic conditions (Bettman & Weitz, 1983; Salancik & Meindl, 1984; Staw, McKechnie & Puffer, 1983). External attributions are not only made to human entities, but to natural entities, as when firms tend to blame weather (Bettman & Weitz, 1983).

Blaming for disasters comes from the necessity to find satisfactory explanations for something for which nobody or nothing can really hold responsibility (Bucher, 1957). The dynamics of prejudice are actually built on the attribution of causality of events believed to be within the actor's power: this attribution is "externalized", as the sources are looked for outside the actor's influence (Adorno et al., 1950: 474-475). In other words, when individuals or groups of individuals face negative situations, they look for the ideal culprit. This literature has however overlooked the existence of different layers of causal attribution. When a group of individuals is blamed for a negative outcome, it also brings about causal attribution at a more micro level: the member of the blamed group will pass the blame among themselves or on external causes. Such phenomenon is common in the management context, as shown by the extensive research on causal attribution in corporate communications to shareholders. These communications, when revealing negative results, tend to shift the blame to external causes (Bettman & Weitz, 1983; Salancik & Meindl, 1984; Staw, McKechnie & Puffer, 1983). The locus of attribution can also be internal: Gamson and Scotch (1964) were the first to coin the term scapegoating to explain why baseball team managers get blamed for poor performance while they have actually very little responsibility. Scapegoating consist in shifting responsibility to expendable members of the field or the organization to save it from condemnation (Boeker, 1992). Gamson and Scotch (1964) explain that "ritual scapegoating" is a "convenient, anxiety-reducing act". Fans are appeased and can regain hopes in future success. Boeker (1992) pointed out the process of scapegoating in organizations by showing that chief executives avoid the blame by accusing lower ranked actors. Scapegoating also occurs at different level: Khanna and Poulsen (1995) showed how companies scapegoat managers in case of financial distress. Dezso (2009) mentions

the example of Disney firing the chairman of its subsidiary ABC to cope with bad results in 2004. The fired chairman turned to be responsible for the outstanding success of the firm in the year ensuing its dismissal.

In parallel, the concept of whistleblowing has emerged in the organization studies literature. A whistleblower is a member of an organization that decides to publicly point out the wrongdoing of an organization (Near and Miceli, 1985; 1995). However, whistleblowing theories suggest that the whistleblower picks such approach because it lacks the power and the status to trigger change; it has consequently to rely on external relays. In addition, scholars have focused on ethical or moral judgment as a unique antecedent of whistleblowing (Chiu, 2003), which is a rather optimistic perspective on human behavior. These perspectives ignore strategic motives and thus the positive outcomes generated by such opportunistic move for whistleblower him- or herself. We argue that a whistleblower is not necessarily pointing out an illegal or immoral action of the collectivity, nor willing to change the situation as suggested by the founding literature on whistleblowing (Near and Miceli, 1985). Whistleblowing can be a way to differentiate when the field or the organization faces blame. Finally, whistleblowing and scapegoating are two facets of a similar phenomenon: a whistleblower scapegoats the collectivity for a wrongdoing in which he might have been involved (Near and Miceli, 1995).

Scapegoating and whistleblowing are archetypal behaviors of a blame game within an incriminated field or organization. “Exit, Voice and Loyalty” by Albert Hirschman (1970) – although it primarily looks at the interaction between consumers and a product provider - offers a general framework to understand blame games. There are three possible reactions of consumers when facing disappointing products. They can either “exit” by stopping to buy the product, “voice” their concern, or stay

"loyal" to it. In a similar fashion, when a field or an organization suffers from blame pressure, individual actors have the choice to exit and/or voice (Greenberg, Edwards, Brinsfeld, 2008). Although the whistleblowing literature has mainly assumed "voicing" without "exiting" (at the exception of Elliston, 1982), we suggest that some whistleblowers might also decide to voluntarily exit. We denote them "turncoats" later on in this study. In addition, Hirschman has not taken into consideration the fact that "voicing" could be a collective move: when several members of a group or an organization as a whole "voice" against one single actor, whether it pushes it outside the group's boundaries or not.

MAPPING BLAME GAME'S ACTORS

Blame games involve a broad set of actors in an interaction aimed at deflecting the blame by shifting responsibility. The actors trying to deflect the blame are members of the "blamed sphere", the group of agents that have to face the blame. Their views confront and interlace with each other in a discursive space where different strategies are built to shift the responsibility to other members of the group. We have seen that research has identified several phenomena of responsibility attribution such as whistleblowing and scapegoating. We articulate these phenomena as different aspects of a same situation. In this part of our theoretical argumentation, we map actors to understand in which category of blame gamer they can fall. We distinguish the horizontal dimension of the discursive space where actors choose which posture they adopt towards the blame, and the vertical dimension, attesting for the existence of various layers of causal attributions.

Horizontal dimension of blamegaming

Blame game's actors position themselves on the dimensions suggested by Hirschman's opus (1970). *A priori*, there are five kinds of actors' position when engaging into a blame game. Beyond insiders, which are the members of the blamed sphere in good standing, the typology of blame game's actors articulate around two dimensions: whether the focal member of the group stays or leaves the sphere, and whether the blame game is originated by the group or by an isolated member.

Table 10: A typology of blame game actors

	Kept as an insider	**Become an outsider**
Collective strategy (top-bottom)	Sacrificial lamb	Scapegoat
Individual strategy (bottom-top)	Whistleblower	Turncoat

Whistleblowers: They are defined as "insiders that go public in their criticism of the policy and/or conduct of power organization" (Perry, 1998: 235). Whistleblowing fundamentally differs from "voicing", the concept built on Hirschman's framework (1970) by subsequent research, as it's not aimed at building but rather focuses on criticism (Van Dyne and LePine, 1998). Most of the literature has considered that whistleblowing was driven by ethical motives (Chiu, 2003) or at least by a will to trigger change (Near and Miceli, 1985). However, Westin has suggested that whistleblowers could be motivated by the willingness to avoid potential retaliation for their responsibility in bad performance or other adverse events (Westin, 1981, pp. 134- 136). Thus, we alternatively present it as a strategic and well-calculated maneuver. The whistleblower openly criticizes its peers. In the specific context of blame game, the goal is to build positive distinctiveness by distancing itself from the

group. However, to minimize the cost of opposing the rest of the group, whistleblowers stay within the group. The literature on whistleblowing has suggested the existence of several variables impacting the likelihood of becoming a whistleblower: self-esteem, sense of ethicality, pay, job performance, age, and gender, among others (Near and Miceli, 1995). In our strategic perspective and the context of a blame game, we argue that position in the field (and thus subsequent expected loss as we explain latter in the study), and risk aversion matter. The more a whistleblower has to gain from positively distinguishing him or herself, the more likely he or she will blow the whistle.

Turncoats: A turncoat is a whistleblower that decides to leave and turn itself against the group to escape blame. To show it's credential and it's good standing to the stigmatizing actors, it will join the chorus of blamers and exclude itself from the group. This position is less ambivalent than whistleblowers. In the following sections, we will discuss the determinants of being a turncoat rather than just a whistleblower.

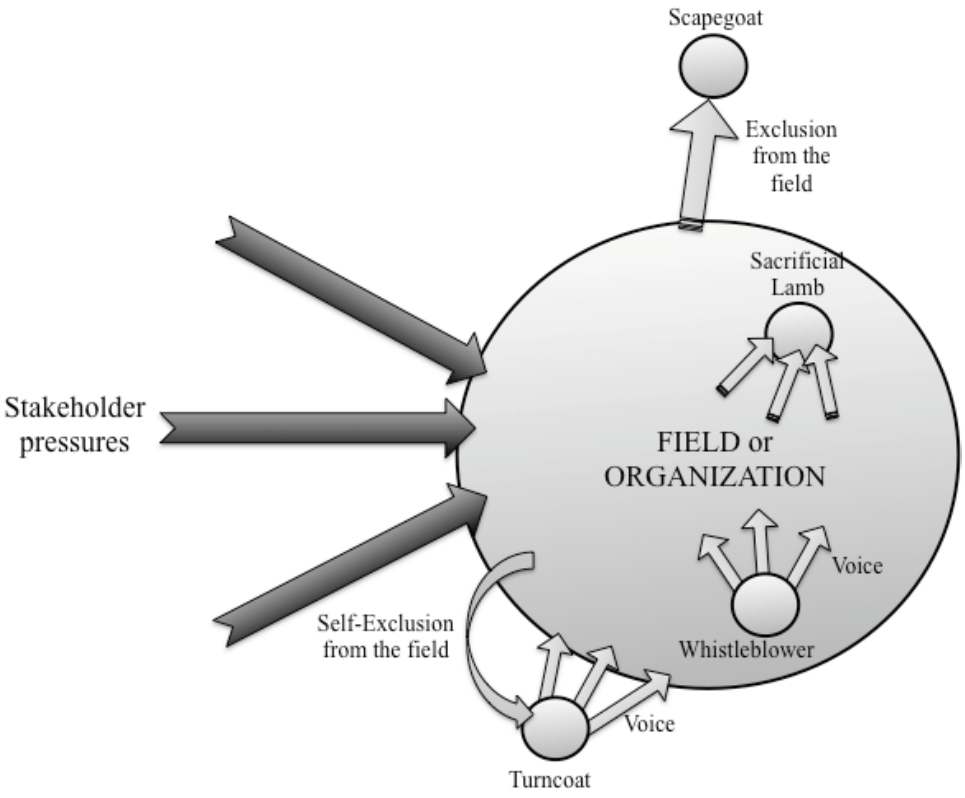
Scapegoats: A scapegoat is an actor that is not only blamed but also ejected from the group. This way, insiders put their integrity on the line and distance themselves from the blame by excluding the member that endorses the responsibility for the situation. The fans of baseball teams that fire their managers in case of poor performance can have hope again regarding future performance (Gamson and Scotch, 1964). In a similar manner, scapegoating is aimed at winning over the blaming stakeholders (the outsiders) but also the insiders to build the belief that the blamed sphere has changed in a satisfactory way. Gamson and Scotch also stress the ceremonial nature of scapegoating: the ritual has very little impact on efficiency, it is primarily aimed at affecting beliefs. Boeker (1992:419) adds that scapegoating can only target an actor that has "not enough power to prevent his or her dismissal". How exactly should

power be defined in this case? In the case of CEO dismissal, the CEO has power, but not necessarily status. Status evaluation is based the possession of characteristics denoting higher qualification (Ridgeway and Berger, 1986). When a CEO is scapegoated, the poor performance is attributed to his low qualifications.

Sacrificial lambs: A sacrificial lamb is a scapegoat - pointed out by the group - but kept within the boundaries of the group. The group tries to restrain the external blame to this particular actor, while in the meantime “absolving” it, by refusing to kick the agent outside of the group. Such move relies on the rationale that the sacrificial lamb will make amend to reintegrate the group after purging itself from the flaw that supposedly caused the blame. The ceremonial nature is similar than for scapegoating, the fact of keeping the scapegoat inside or outside being an important element of the ritual. As for turncoats, we will explain in the following sections how actors split up between scapegoats and sacrificial lambs.

The difference between whistleblowers and turncoats on one side, and scapegoat and sacrificial lambs on the other side, is that whistleblowers and turncoats contribute to increasing the blame pressure on the field or organization, while scapegoat and sacrificial lambs come out to decrease the pressure.

Figure 6: Theoretical summary



These four categories might however be permeable. We have presented blame game as a product of causal attribution at a more micro-level. There are several layers of attribution and fields of exclusion. From one audience to another, an actor might be a sacrificial lamb instead of a scapegoat and inversely. Similarly, whistleblowers and turncoats may have been previously scapegoated or sacrificed. They might actually turn into a whistleblower or turncoat as a reaction.

Vertical dimension of blamegaming

As we have suggested previously, actors at different level interact with each others through blamegame. In a specific blame game situation, we distinguish macrogamers from microgamers. Microgamers exist at a relatively lower level of analysis than a macrogamer. We don't attach to these concepts a specific level of analysis as they relate to different realities, depending on the situation.

Consider what we call “vertical blame games” wherein actors at different levels of analysis play the blame game with result that macrogamers can play a microgamer or be played by them. Employee microgamers can play the blame game with organizational macrogamer that employs them. This two way blame-games may also occur across higher levels of analysis. An organizational microgamer might blamegame with the macrogamer defined by the industry to which the organization belongs. Still yet, a national macro gamer might blamegame with a microgamer constituted by another country’s sector. Horizontal blamegaming occurs between two actors at the same level of analysis. In addition, within one blame game, the same gamer may simultaneously play as a microgamer and as a macrogamer. This because blamegaming often does not just occur dyadically.

Diagonal blamegaming occurs between gamers that don’t belong to the same macro-entity. The literature on CEO celebrity, for instance, focuses on how media organizations attribute success to business organizations’ CEOs (Hayward, Rindova, and Pollock, 2004). There might exist other types of diagonal blamegaming in which organization macrogamer might game another organization’s microgamer employee. Still yet regulatory macrogamer might blamegame with banks. Mass-media businesses sector macrogamer might blamegame with the or with a business school. Social agents might play vertical, diagonal, and horizontal blamegames simultaneously.

Core and peripheral position

To this framework, we add another crucial characteristic of blame game actors. Their position on this “blame game” map also depends on the prominence of their voice within their environment. Boeker (1992) explained that scapegoating was targeting the weaker members of a group. To explain the nature of this attribute, we

refer to the concept of “polyphony”, created by the philosopher Mikhail Bakhtin (Bakhtin, 1981; 1984). Belova, King and Sliwa (2008) defines polyphony as the intersection and clash of independent expressive signals. This approach focuses on the existence of discursive spaces where the plurality of views shape human interactions (Hazen, 1993). Hazen (1993) presents organizational change in particular as a process of resistance of marginalized against dominant voices. Following Belova et al. (2008), we argue that blame games, as discursive spaces, are also scenes of confrontation between voices from the core or from the periphery of the blamed sphere. Voices from the core of the blamed sphere are more likely to be dominant voices, which have higher chances to be heard within and outside the discursive space. Voices coming from the periphery are more marginal and elicit less attention from outsiders. We also define the core versus periphery continuum as related to what agents have to lose. Peripheral actors are by definition less engaged in the blamed sphere, and derive less value from it, while core actors have invested into reaching such dominant position. Inversely, we assume that the blamed sphere derives less value from its peripheral than from its core members.

The core versus peripheral position of the actors is a crucial determinant of the blame game strategy they enter. However, depending on the blame game context, and from one case to another, the determinants of the position of actors’ voices differ. Field or organizational level status, hierarchical position within the organization, or reputation are various ways to distribute actors on the core to periphery continuum. In this sense, we can have different continua coexisting. Despite the potential existence of competing core-periphery continua, we can define universal rules regarding the impact of actors’ position on these continua and the role played in blame game strategies. As we present whistleblowing as strategically rather than ethically

motivated, the difference between whistleblowers and non-reporters is defined by what actors can derive from this behavior. If research has found many determinants for ethical whistleblowing, strategic whistleblowing is mostly driven by self-interest and the objective to avoid blame. Thus, whistleblowing is the culmination of a cost-benefit analysis where actors evaluate the cost of leaving the blamed sphere and the benefit of avoiding blame. In addition, insiders set up retaliatory measures against turncoats and whistleblowers. As a consequence, the actors that choose this path are those that have the least to lose. As we have assumed that the peripheral actors had less to lose into loosening their affiliation with the blamed sphere, we suggest that whistleblowers and turncoats – as actors that go beyond whistleblowing and also leave the field – are more likely to be at the periphery of the blamed sphere.

Proposition 1: Whistleblowers and turncoats are more likely to be peripheral actors.

Similarly, because the blamed sphere derives less value from peripheral actors, they are the most easily expendable actors. As suggested by Boeker (1992), scapegoats are usually the less powerful actors, because they can easily more be attacked. As part of the strategy of the group to deflect the blame, peripheral actors are more likely to be targeted to hold responsibility on behalf of the group.

Proposition 2: Scapegoated and sacrificed agents are more likely to be peripheral actors.

BLAME GAMES' SEQUENCES

Now that we have defined the various categories of actors within blame game and how they position themselves, depending on how dominant are their voices, we

identify the factors predicting the emergence of such actors. From the materialization of blame games to the progress through different stages, we cut off blame games in sequences during which the dominance of each strategy varies.

The blame game "cocktail"

Being illegitimate or stigmatized is the result of categorization mechanisms (Devers, Dewett, Mishina and Belsito, 2009). A low status is due to the affiliation to other low status actors (Podolny, 1993). Although these constructs differ, the way these common perceptions surface rely on similar mechanisms bringing about a consensus among a group of stakeholders regarding the negative labeling of a focal field or organization. For example, the diffusion of innovation relies on bandwagon pressures: the adoption of innovation prompts other organization to do the same, and there is a threshold beyond which persistence occurs (Abrahamson & Rosenkopf, 1993). In a similar manner, Devers et al. (2009) have argued that negative categorization emerge on the condition that a critical mass of members within a stakeholder group share this point of view. Thus, a field or an organization is blamed when a sufficient number of stakeholders share the belief that the field or the organization is guilty for an adverse situation. In what circumstances does this consensus emerge? Does this directly lead to a blame game? In exploring these conditions, we need to make a difference between categorical elements (which are present or missing) and ordinal elements (independent variables to be situated on a scale). The literature on the diffusion of management fads and fashion is relevant because it shares some similarity in the way judgments are shared and spread. According to Abrahamson and Fairchild (1999), three kinds of triggers are necessary but not sufficient conditions for a management fashion to emerge. First, they mention "social strain" – a collective concern brought about by the collective experience of a

peril. Second, following Schmelser (1963), they use the concept of "short-circuited logic" - the mental shortcuts that lead stressed actors to precipitate causal attribution. Finally, a triggering event is also necessary. In a similar manner, for a field or an organization to be blamed several triggers are required. Some factual evidences of an adverse outcome - requiring the collectivity to make a negative causal attribution – are necessary. Second, the collectivity needs to be able to make this causal attribution: it might rely on short-circuited logic when the adverse outcome is too complex to clearly identify the actors that are actually at fault. These conditions are necessary but not sufficient for a field or an organization to be blamed. There might not be enough to elicit a pressure that requires the field or the organization to restructure itself through a blame game. The triggering event, although being a categorical element, also suggests the peak of an independent ordinal variable: blame pressure.

Indeed, beyond these necessary but not sufficient categorical elements, we suggest the existence of blame pressure as an ordinal triggering variable. What are the factors driving the level of pressure? Stigma, illegitimacy or low status are processes of negative labeling made relatively to other actors in a field (Devers, et al. 2009, Podolny, 1993). These mechanisms rely on the existence of a consensus on how a group of actors shall be collectively perceived. In particular, when defining processes of negative categorization, Devers, Dewett, Mishina, and Belsito (2009) refer to the concept of critical mass. The negative labeling must diffuse among a critical mass of actors within a stakeholder group for the categorization to materialize. The critical mass is a threshold indicating a jump-off in the diffusion of an innovation among a social network of structurally equivalent actors (Abrahamson and Rosenkopf, 1993; Abrahamson and Fombrun, 1994). This recalls the concept of "tipping point", imported from physics to sociology by Morton Grodzins. In "The Metropolitan Area

as a Racial Problem" he studies how a little change in neighborhood (when the number of black families goes beyond a threshold) would cause tremendous alteration in the population structure (white families will massively leave the locality in a process named "white flight"). More generally, a tipping point is reached when a little change implies a dramatic evolution. In our case, the tipping point is the little additional pressure that causes the consensus over the negative labeling to be spread. Triggering events, by brutally intensifying the pressure, lead the coercion level to go past the tipping point. Once this tipping point of blame pressure is reached, the field or the organization is urged to restructure to deflect, dilute and ultimately survive the blame. This restructuring is aimed at releasing the pressure, so that it goes back below the tipping point. Consequently, we argue that they might be multiple thresholds events. This implies the existence of different phases of blame games.

Visibility inside and outside the blamed sphere

What is blame pressure a function of? The process of stigma for example is the consequence of a group's engagement in illegitimate practice and how this illegitimate practice is perceived (Devers, et al. 2009). A boundary condition is thus that information regarding this illegitimate practice is available to stigmatizing agents. This raises the question of the visibility of a malpractice or wrongdoing, i.e. the availability of the information regarding the existence of this practice. As we have seen, an adverse outcome triggers the blame. Evidences that can link potential responsibility holders with this outcome needs to be visible for the collectivity. More generally, in situations where responsibility of an adverse occurrence is sought after, what matters is the visibility of a potential misconduct that can be connected to this occurrence. These evidences suggest to outsiders the existence of a group of agents that can be blamed for this adverse occurrence, the "blamed sphere".

Proposition 3: Blame pressure is a function of how visible wrongdoings are outside the blamed sphere.

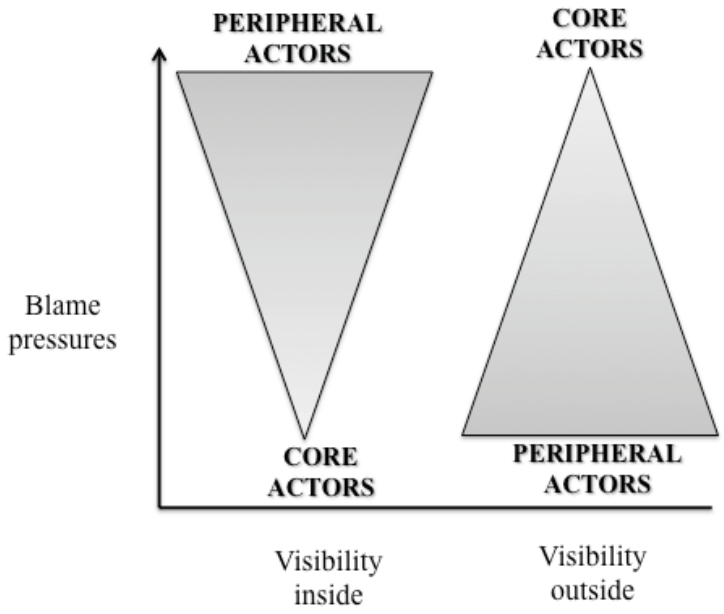
Relationship between visibility inside and outside the blamed sphere: We can distinguish visibility of wrongdoing inside the boundaries of the blamed sphere for the actors that could be held responsibility by outsiders. The awareness of malpractice indeed differs depending on whether you are an insider and have direct information on what's happening within the boundaries of the blamed sphere, or an outsider that only the tip of the iceberg. Visibility inside and visibility outside the blamed sphere are related. If an issue can be perceived from outside the sphere, it means insiders *a minima* also know about this issue.

Proposition 4: Visibility of wrongdoing outside the blamed sphere triggers visibility inside the blamed sphere.

Visibility and blame gaming strategies: We argue that visibility of wrongdoing is a key driver of blame game strategies. Depending on whether the inside of the blamed sphere knows about the factual evidence that would contribute to increasing the blame pressure, and whether outsiders have also access to this information, actors will adopt different blame game strategies. The explanation is twofold. Visibility outside the blamed sphere leads to the accusation of core actors. Core actors are the most visible to outsiders and naturally seem to hold most of the responsibility. As a consequence, they are the most likely to be attributed responsibility for an adverse occurrence. On the contrary, as long as a malpractice is purely visible inside the blamed sphere, core actors can keep blaming peripheral agents if the process stays internal, because they are easy targets, more expendables

and less influent. Blame pressure differs for core and peripheral agents and this justifies some divergence in strategy.

Figure 7: The determinants of blame pressures for peripheral and core actors



Because peripheral actors are the most likely to be blamed internally by core actors when an adverse outcome bursts out, they will also be the first to shift responsibility to other constituents of the blamed sphere to escape blame and preserve their self-interest.

Proposition 5: Visibility of wrongdoing inside the blamed sphere is related to whistleblowing and turncoating.

Inversely, if outsiders are aware of the responsibility of a group of actors regarding an adverse event, the core actors – because they are more at risk – will also initiate defensive blame game strategies to deflect blame. They will engage the group in blaming peripheral actors to escape outsiders' accusation and direct their attention to those expendable actors. As a consequence visibility outside the blamed sphere will be related to scapegoating and sacrificing.

Proposition 6: Visibility of wrongdoing outside the blamed sphere is related to scapegoating and sacrificing.

Whistleblowing, and by the same extent turncoating, bring the issue to outsiders and make it public. As a consequence, it increases the visibility of the issue outside the blamed sphere.

Proposition 7: Whistleblowing and turncoating increase the visibility of wrongdoing outside the blamed sphere.

What does drive the decision of whistleblower to turncoat? Why do some actors are scapegoated and excluded rather than just sacrificed? We argue that when picking a strategy the rationale for leaving the group or kicking the actor out depends on whether the issue is more visible inside than outside. Indeed, in case of high visibility outside, blame games become part of impression management techniques directed towards outsiders: agents try to influence them by providing selective information as it is done to suggest performance (Suchman, 1995). In the case of whistleblowers, if the issue is not yet visible outside, there is less reason to turncoat. As long as the ship does not sink, there is no reason to jump. Whistleblowers save themselves from the blame of other insiders, turncoats leave because of outsiders: they don’t want to be associated with the blamed sphere anymore to avoid retaliation by outsiders.

Proposition 8a: The ratio of the level of visibility inside on the level of visibility outside is negatively related to the likelihood for whistleblowers to turncoat (i.e. to leave the blamed sphere).

Similarly, if visibility outside has reached the required level to trigger sacrificing, but is still limited compared to inside visibility, sacrificial lambs are less likely to be scapegoated (i.e. excluded). Indeed, when the ratio of inside visibility on outside visibility is still high, the strategy to deflect the blame doesn't need such a radical move as kicking peripheral actors out of the blamed sphere: blaming a peripheral actor is enough to purge the sphere from its responsibility for outsiders. When insiders also have to justify against an increasing number of outsiders, they need to give bigger assurance of reliability.

Proposition 8b: The ratio of the level of visibility inside on the level of visibility outside is negatively related to the likelihood for sacrificial lambs to be scapegoated (i.e. to be kicked out of the blamed sphere).

Sequences of blame games

Building on the previous proposition we can theoretically distinguish a number of sequences through which blame games go.

1. Some wrongdoing becomes visible inside the blamed sphere. Because peripheral actors fear to be blamed for this malpractice, they begin to point out the issue themselves by whistleblowing.
2. Whistleblowers make the issue visible outside the blamed sphere. In turn, outsiders pressurize the blamed sphere.
3. Because of the blame pressure consequent to outside visibility, insiders deflect the blame by sacrificing peripheral actors to release pressure. Peripheral actors are even more likely to engage in whistleblowing to avoid being targeted as sacrificial lambs.
4. As outside visibility keeps going up,

(i) Whistleblowers are more likely to turncoat. As whisleblowers see the outside visibility of the wrongdoing growing, and the likelihood for the whole sphere to be blamed (including them), they tend to take more radical move and leave.

(ii) Agents that are sacrificed are more likely to be scapegoated. Kicking out agents that are pointed out as holding responsibility for wrongdoing is a more radical move: it has a greater impact on the increasing blame pressure.

5. There are two possible outcomes

(i) Despite whistleblowers, the blamed sphere has been successful in deflecting blame early enough by kicking out some of its agents. The remaining agents are at the core of the sphere.

(ii) Under the pressure, the sphere has collapsed: it has been unsuccessful at deflecting the blame quickly enough and outsiders perceive its responsibility as manifest. It faces regulative coercion or is dismantled.

MODELING BLAME GAMES

To understand how a field or an organization releases the external pressure and engage in blame games – in particular to comprehend the mechanisms that lead to the four typical cases we have studied above, and how agents are split up among these four different cases -, we built a descriptive agent-based simulation model. Agent-based models are designed to simulate the simultaneous choices of agents, and the interactions of these choices. Our model is built on the NetLogo platform (Wilensky,

1999). For simplicity's sake, we consider that agents are comparable entities. Such limitations rule out vertical blamegaming.

Presentation of the simulation and its mechanisms

The blamed sphere is represented as a 31x31 area. The center has the coordinate (0,0). The most peripheral actors are in (-15,15), (-15,-15), (15, -15), (15, 15). The situation of agents and global variables is updated at every period.

Each agent has several characteristics:

- **Core position (θ)**: Is the actor at the core or at the periphery? This variable is computed for each actor as the sum of the square of coordinates.
- **Risk aversion (σ):** risk aversion is normally distributed among actors (the normal distribution has a mean of 0.5 and a standard deviation of 0.15). It evolves at every cycle by a random amount normally distributed (mean 0, standard deviation 0.1) on the condition that the level of risk aversion is positive.
- When an agent begins to **whistleblow**, it receives a specific boolean marker and cannot become a sacrificial lamb. Similarly, when an agent becomes a **sacrificial lamb**, it receives a specific market and cannot whistleblow anymore.

There are also global variables, updated at each period:

- **Inside visibility (IV)**: Our inside visibility variable represents how much agents perceive a wrong doing within their environment, and consequently impact their propensity to point it out, to avoid being later blamed for it.

We assume that inside visibility of wrongdoing grows at a linear rate. The increase of inside visibility at each period is a user-specified parameter. The minimal value of inside visibility is at least the level of outside visibility (at each period the model tests the difference, and if necessary set inside visibility equals to outside visibility).

- **Outside visibility (OV)**: This variable represents the level of awareness of outsiders regarding potential wrongdoing that could bring about responsibility attribution by outsiders. Outside visibility grows each time agents whistleblow.
- **Blame pressure**: It reflects how outsiders pressurize the field or the organization as a consequence of outside visibility of a wrongdoing. As a consequence, blame pressure increases at each period by a function of outside visibility multiplied by a user-specified parameter, the **link between visibility and pressure**.
- **Global risk aversion (Σ)**: Global risk aversion is the average of risk aversion of the agents that are not whistleblowers or have not been sacrificed yet.
- **Threshold** is a user-specified level of visibility beyond which agents begin to whistleblow or be sacrificed.
- **Pressure decrease (ϵ)** is a user-specified parameter that determines the positive impact of whistleblowers on **outside visibility** and the negative impact of sacrificial lambs and scapegoats on **blame pressure**.
- **The number of agents** can be specified by the user.
- **The thresholds to act** are user-specified parameters that determine the threshold beyond which

- Agents whistleblow **(γ_w)**
- The collective decides to sacrifice an agent **(γ_{sl})**
- Whistleblowers decide to turncoat **(γ_t)**
- The collective decides to scapegoat an agent **(γ_{sg})**

At each period, the simulation performs a number of tests. If **inside visibility** is above the user-specified threshold, the simulation tests for each agent that have not whistleblown or been sacrificed, whether they will **whistleblow**. Similarly, if **outside visibility** is beyond the threshold, the simulation tests for each agent that have not whistleblown or been sacrificed, whether they will be **sacrificed**.

Agents whistleblow if they verify the following condition:

(1) $\frac{\theta}{\sigma} > \gamma_w$

Basically, agents engage in whistleblowing if the ratio of the distance to the center on risk aversion is superior to the likelihood to act. The more peripheral is the actor (θ), the less risk averse (σ), and the lower is the threshold to whistleblow (γ_w), the higher are the chances for an agent to engage in whistleblowing.

Agents are sacrificed if they verify the following condition:

(2) $\theta * \Sigma > \gamma_{sl}$

Basically, agents are sacrificed if the distance to the center times the global level of risk aversion is superior to the likelihood to act. The more peripheral is the actor (θ), the more risk averse is the group (Σ), and the lower is the threshold to sacrifice (γ_{sl}), the higher are the chances for an agent to be scapegoated. Indeed, the collective wants

to avoid the risk of blame, so the higher is the average risk aversion of the remaining agents, the more likely they will engage in scapegoating peripheral agents.

Each time an agent whistleblow, outside visibility goes up by the ratio of pressure decrease on the distance to the center (ϵ/θ). Similarly, when an agent is sacrificed, the blame pressure goes down by a function of (ϵ/θ) and a user-specified parameter regarding the impact of scapegoating reflecting how useful it is to scapegoat to release blame pressure.

Once agents whistleblow or are sacrificed, they are simultaneously (i.e. during the same period) tested for their respective likelihood to turncoat or be scapegoated.

Whistleblowers turncoat if they satisfy the following condition:

(3) $$\sigma * \frac{IV}{OV} < \frac{1}{\gamma_t}$$

Basically, the higher is the threshold to turncoat (γ_t), the higher is the ratio of inside visibility on outside visibility (IV/OV), the higher is risk aversion of the agent (σ), the lower are the chances for a whistleblower to turncoat.

Sacrificial lambs are scapegoated when they satisfy the following condition:

(4) $$\frac{1}{\Sigma} * \frac{IV}{OV} < \frac{1}{\gamma_{sg}}$$

Basically, the higher is the threshold to be scapegoated (γ_{sg}), the higher is the ratio of inside visibility on outside visibility (IV/OV), the lower is global risk aversion (Σ), the lower are the chances for a sacrificial lamb to be scapegoated. Each time a sacrificial lamb is scapegoated, it doubles the reduction of blame pressure.

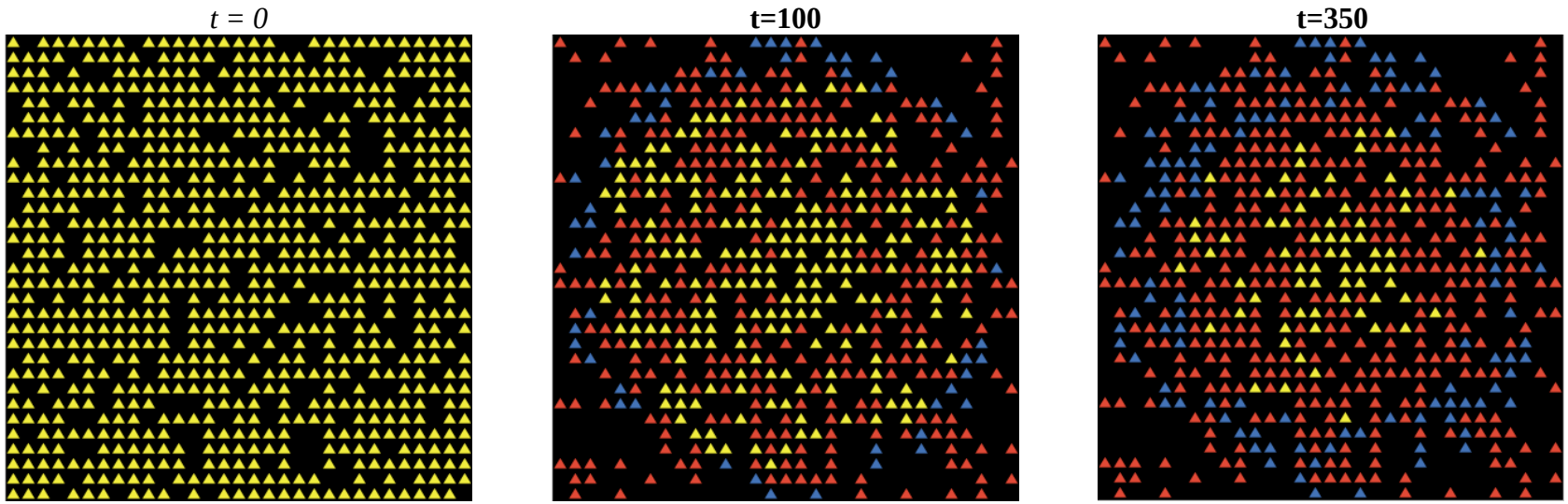
Results and observations

Figure 4 gives a visual example of our blame game simulation. A crucial point arises when inside visibility goes beyond the threshold and agent begin to whistleblow. At that time, the curve of inside and outside visibility converge because of the impact of whistleblowers on outside visibility. Beyond that point, whether the curves of inside and outside visibility may stick together (e.g. see figure 5) or diverge right away (e.g. see figure 4). The curves end up diverging because the growth in the number of whistleblowers slows down when the only remaining agents are the most risk averse. This observation questions the duration of the 4th phase of blame game we mentioned in the previous section.

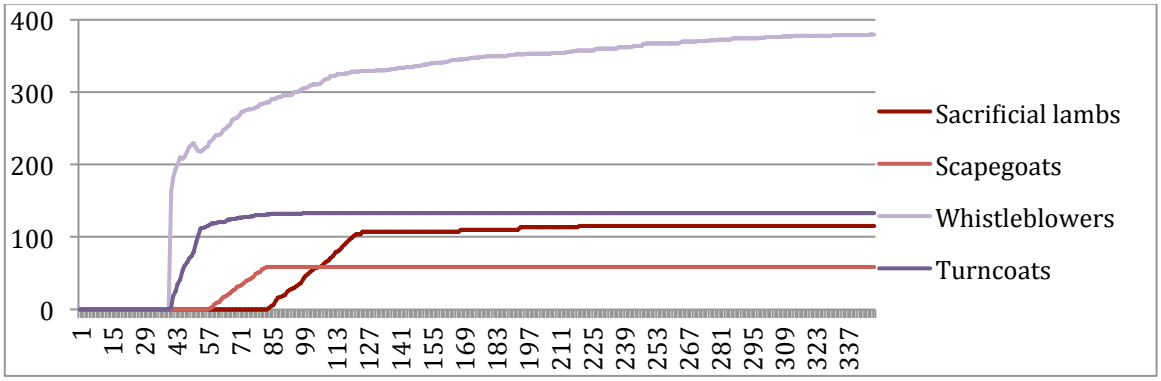
In addition, the system reaches an equilibrium at some point when the remaining agents have too high risk aversion to whistleblow, and are too much at the core to be sacrificed or scapegoated. At this point, the system becomes stable and evolves at a very steady pace.

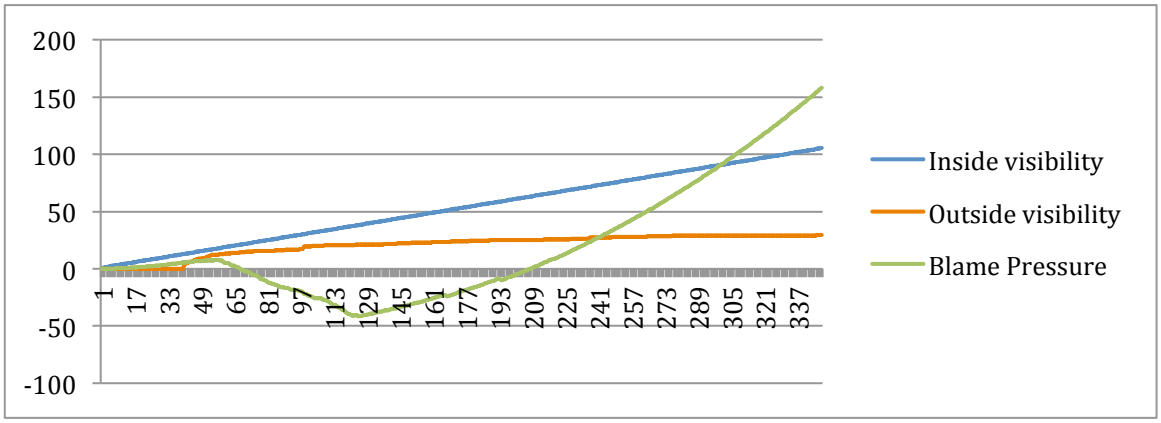
Figure 8: Example of simulated blame game where inside and outside visibility converge (lower impact of whistleblowing)

Inside visibility threshold	Number of agents	Link between outside visibility and pressure	Decrease in pressure	γ_{sl}	γ_w	γ_t	γ_{sg}	Linear increment of inside visibility	Impact of scapegoating on blame pressure
12.5	754	0.02	4	100	400	4	1.1	0.3	15

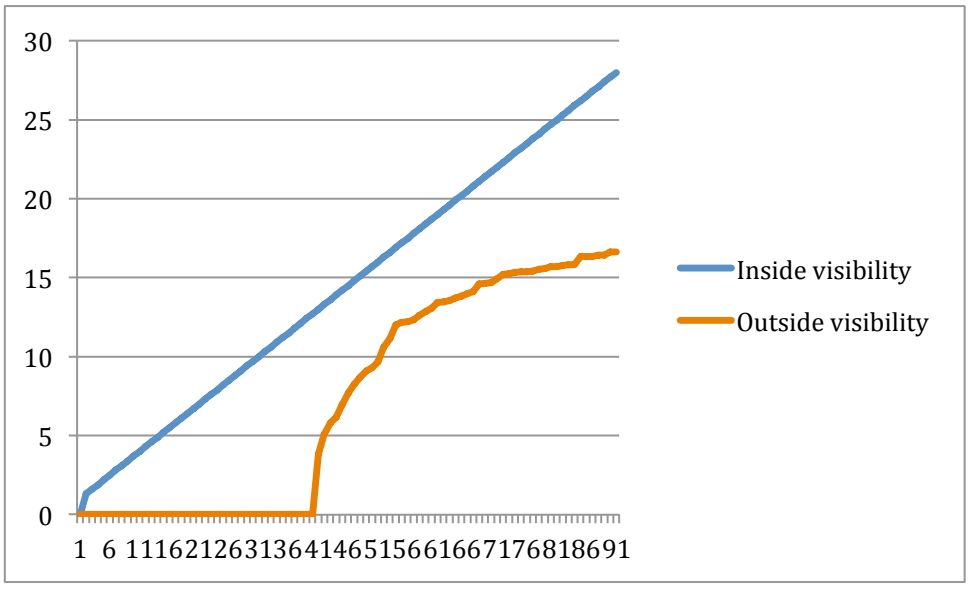


Color code: Insiders – Whistleblowers – Sacrificial lambs



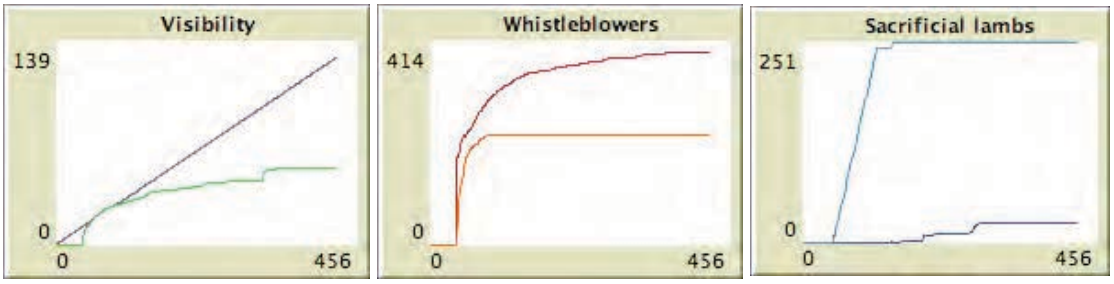


Detail of the chart at the highest value of the IV/OV ratio



The propensity to leave or to be kicked out: As we have seen, there are two alternatives: whether inside and outside visibility converge and stick together for sometime, or they slightly converge without meeting and diverge right away. These two alternatives drastically affect the likelihood for sacrificial lambs to be also scapegoated, and the propensity for whistleblowers to turncoat. Indeed, if inside and outside visibilities diverge, this likelihood tends to 0. If inside and outside visibilities intersect, because inside visibility is at least equal to outside visibility, and outside visibility grows at a faster pace than inside visibility because of whistleblowers, the two curves can stick together for some time. Such situation will minimize the IV/OV ratio, and therefore maximize the propensity of agents to leave (i.e. turncoats) or be kicked out (i.e. be scapegoated), because outside visibility of wrongdoing incentivizes agents to take more radical actions (propositions 8a and 8b).

Figure 9: Example of simulated blame game where inside and outside visibility converge (higher impact of whistleblowing)



A number of variables affect the relative trajectories of inside and outside visibilities. First, a bigger impact of whistleblowing on outside visibility (i.e. to which extent whistleblowers are able to get heard outside the blamed sphere) makes inside and outside visibilities coincide for a longer period. In these circumstances, as the number of whistleblowers peaks and the inside and outside visibility curves converge, we observe a surge in sacrificial lambs that are all scapegoated (see figure 5). Similarly, the wave of whistleblowers is closely followed by a wave of turncoats. If

the impact of whistleblowing has been strong enough for the two curves to meet, because inside visibility is at least equal to outside visibility, the curves are likely to stay close for a longer time. As a consequence, we can formulate the following propositions:

Proposition 9a: The impact of whistleblowers on outside visibility of wrongdoing is positively related to the propensity of agents to leave (i.e. the likelihood of whistleblowers to turncoat).

Proposition 9b: The impact of whistleblowers on outside visibility of wrongdoing is positively related to the propensity of agents to be kicked out (i.e. the likelihood of sacrificial lambs to be scapegoated).

Another parameter has a similar impact on the likelihood for inside and outside visibility to intersect: the total number of agents. The more agents, the more whistleblowers and the longer the IV/OV ratio will tend to its minimum. In other terms, what we look at here is the number of agents that can actually participate to the blame game. Blame game may occur in a field or an organization where very few agents can actually engage in blaming strategies. This is particularly true when blame game emerge at a more macro level (between industries) or at a very micro level (between team members).

Proposition 10a: The number of agents that can participate to the blame game is positively related to the propensity of agents to leave (i.e. the likelihood of whistleblowers to turncoat).

Proposition 10b: The number of agents that can participate to the blame game is positively related to the propensity of agents to be kicked out (i.e. the likelihood of sacrificial lambs to be scapegoated).

Finally, the periodical increase in inside visibility also influences the relative paths of inside and outside visibilities. If wrongdoing gets publicized within the organization at a faster pace than whistleblowers spread the word to outsiders, the gap between inside and outside visibilities would widen. In our simulation, this periodical increase in inside visibility may reflect and be driven by two elements:

(i) To which extent wrongdoing has actually occurred. It determines what agents will actually whistleblow about. In the whistleblowing literature, wrongdoing includes a broad set of rules or norms breaking behaviors (Near and Micaeli, 1995). Whistleblowing, as an opportunistic behavior can only arise if agents are given circumstances to whistleblow such as convincing evidences, seriousness of wrongdoing, and how directly this wrongdoing affected them (Miceli and Near, 2006).

(ii) To which extent agents are made aware of the occurrence of wrongdoing and more specifically at which speed: the previous elements are not conducive to whistleblowing unless they are drawn to agents' attention. Practically, the efficiency of internal communication channels to transfer information regarding wrongdoing favors whistleblowing and as a consequence drive outside visibility up at a faster pace.

Proposition 11a: The speed with which agents get aware of wrongdoing is positively related to the propensity of agents to leave (i.e. the likelihood of whistleblowers to turncoat).

Proposition 11b: The speed with which agents get aware of wrongdoing is positively related to the propensity of agents to be kicked out (i.e. the likelihood of sacrificial lambs to be scapegoated).

Individual versus collective blame game strategies: Finally, we investigated the determinants of the share of individual (whistleblowing or turncoating) versus collective blame game tactics (sacrificing and scapegoating). We observe another effect of the periodical increase in inside visibility (cf proposition 11): as it favors a faster although progressive emergence of whistleblowers, it limits the number of agents that can be sacrificed of scapegoated. In this sense, whistleblowers' strategy of anticipation is efficient as it enables them to avoid internal blame by pointing out wrongdoing before they can be hold accountable for it by other insiders. However, because of its progressive nature, this expansion of whistleblowers doesn't prompt sudden reaction of the collective.

Proposition 12: The speed with which agents get aware of wrongdoing is positively related to the ratio of individual versus collective strategies of blame games.

Surprisingly, the impact of whistleblowing has an opposite impact. The higher is the effect of whistleblowing on outside visibility, the higher is the proportion of collective strategies compared to individual strategies. Indeed, in this context, whistleblowing prompt other insiders to engage in collective blame game strategies as a defense tactic. When the first wave of whistleblowers come up (when inside

visibility goes beyond the threshold), it has a stronger and sudden effect on outside visibility, which induce an immediate reaction of the collective to deflect the growing blame. As a consequence, the wave of whistleblowers is followed by a wave of scapegoats, which in turn limits the number of potential whistleblowers for the future periods.

Proposition 13: The impact of whistleblowers on outside visibility of wrongdoing is negatively related to the ratio of individual versus collective strategies of blame games.

ILLUSTRATION AND DISCUSSION

In this study we have articulated the literature on whistleblowing and scapegoating around the idea of causal attribution, to build an integrative theory of blame games. Blame game occurs when a field or an organization and its members engage in tactics to release the blame pressure and avoid public condemnation. To take in account the existence of boundaries against the blamed field or organization, we added two potential blame game strategies: turncoating (when an agent leaves to avoid blame) and sacrificing (when the group decides to keep a scapegoat within its boundaries). Two factors are determinant in the emergence of these maneuvers: the visibility of a wrongdoing that can link the group with a broader issue for which responsibility is sought - both for insiders and outsiders -, and the position of agent on core-periphery continua. Our strategic approach to whistleblowing suggests that agents at the periphery, because they anticipate the risk of being blamed by other insiders, decide to engage in whistleblowing. Outsiders get to have good reasons to blame insiders, and as a consequence the “blamed sphere” engage in sacrificing the most expendable agents at the periphery of the field in an attempt to deflect the

blame. Our simulation model further explains how agents split up between whistleblowers and turncoats on one side, and sacrificial lambs and scapegoats on the other side. The number of agents, the impact of whistleblowers on making things public, and the strength of internal communication - because it generates more whistleblowing - tend to make blame game moves more radical. As outsiders get to know more intensely about a wrongdoing they can use for their short-circuited causal attribution, the pressure on the remaining insiders tend to make them jump off the sinking ship or push others out to maintain it afloat. We also observe the opposite impact of the strength of internal communication and impact of whistleblowing on the proportion of individual versus collective strategies of blamegaming. The stronger is the impact of whistleblowing, the more radical is the answer by the collective to deflect blame, and the more collective blame game strategies are initiated. On the contrary, when the internal diffusion of potential whistleblowing material favors the prominence of individual strategies. Because of the progressive expansion of whistleblowers it induces, it doesn't prompt radical defensive moves of the collective.

This chapter takes a step further in presenting illegitimacy as a commodity. Taking a strategic approach to legitimacy enables us to integrate literatures on whistleblowing and scapegoating, but also tackle them in an original way. The positive distinctiveness we mention in the previous chapter as a way to face stigma goes through the vilification of others. This vilification is aimed at distracting the initial condemners. This work brings up two main contributions. We pave the way for the theoretical understanding of interactions between negative social evaluations at different levels: when an organization or field is made illegitimate, it may become the theater of negative labeling processes at a more micro-level. Second, we connect a number of streams of literature on processes of attribution. Attribution can be an

individual (whistleblowing) or a collective move (scapegoating). We assert that those two types of attribution should be treated as two sides of the same coin rather than separately.

In this discussion section, we first explore concrete situations of blame games to confront our theoretical approach to practical cases of blame games. Then, we discuss the potential issues it raises when it comes to the empirical testing of this theory.

The blame game in the finance industry in the context of a global crisis

After the burst of the subprime bubble in 2007, the finance industry was held responsible for the global financial crisis. In fall 2008, Lehman Brothers collapsed, Merrill Lynch was bought back by Bank of America, and Goldman and Morgan Stanley –followed by the major actors of the finance industry- obtained the protection of the state by becoming bank holding companies. Through the TARP (Troubled Asset Relief Program), the U.S. government organized a large-scale bailout plan, purchasing $250 billion worth of bank equity shares. At that time, the finance industry was already suffering external blame for its responsibility in the financial crisis. But concerns grew bigger when banks were caught red-handed distributing taxpayers' money as bonuses, using it to buy weaker banks or carrying out lobbying activities. The media focused their attacks on these behaviors, putting the banks under growing pressure.

To illustrate our theoretical framework and investigate its potential limitations, we present two short case studies of blame games related to the finance industry. To back up our understanding of these cases, we triangulated information from

traditional media and from specialized media targeted at finance professionals, such as the Wall Street Oasis[7] forum.

Jerome Kerviel, Société Générale's Rogue Trader: Société Générale is one of the main actors in the banking industry in Europe and the 6th French capitalization In January 2008, the president Daniel Bouton announced a € 7 billion loss, including a € 4.9 trading loss caused by a single employee: Jerôme Kerviel. It was the largest trading loss in the history. Jerome Kerviel, a relatively young trader on the futures markets, had a position, which was worth € 50 billion (more than the bank's value) on the future direction of European shares. To hide this position, which was going far beyond the risk limits, the trader used its knowledge of the middle office control systems (he previously worked as a trade administrator in the middle office) and virtually balanced out his bets. Daniel Bouton accused Kerviel of fraud, while according to him, his hierarchy was ambivalent (closing eyes on risk when traders make profit).

At first sight, Kerviel was a scapegoat: he was excluded to purge the bank from its responsibility in the trading loss. The top-management asked the employees to stand together with them to support the company during these troubled times. "During the Kerviel affair, we were asked to fully support the company" mentioned Alain Treviglio, a trade union representative[8]. The idea was to mobilize the organization – not only the representatives - against the scapegoat. This way, the

[7] "Wall Street Oasis" defines itself as "one of the largest online finance communities"[7] with 4 million pages views a month. It has been created in May 2006 and progressively gathered a broad range of finance actors.

[8] 20minutes.fr (2009) Les salariés de la Société Générale en grève, 20 Minutes.fr, November 29th 2009, http://www.20minutes.fr/article/563577/Economie-Les-salaries-de-la-Societe-Generale-en-gr-egrave-ve.php

members of the organization can also enjoy the release of the pressure: "We, as members of the blamed organization, are not guilty, Kerviel is." The Kerviel affair also burst out at a time where banks were scrutinized for their practice because of the subprime crisis. The field of banking is blamed for the crisis, and SocGen as a member of this field is pressurized. Kerviel triggers mixed reaction among insiders. As expected, rogue traders - because they result from the high-risk high-reward finance logic mentioned by Ho (2009) – sparks off admiration. In this sense, Kerviel has not been really secluded from the field; he is still seen as a prominent incarnation of the finance logics. He might be a scapegoat for SocGen, as he has been kicked out of the firm, but he might be a sacrificial lamb for the field of finance as a whole.

Greg Smith, "Why I am leaving Goldman Sachs": Goldman Sachs is a prominent US investment bank with more than 33,300 employees worldwide. It's also one of the most blamed actors of the banking industry as it went through several controversies since 2007. In March 2012, Greg Smith – the executive director of the US equity derivatives business of the firm, based in London - published a resignation letter as an op-ed in the New York Times. Playing the role of a whistleblower, he pointed out a progressive change of corporate culture, switching from client oriented to a "toxic and destructive" environment where the norm is to "rip off" the clients, often called "the muppets" in internal emails. What he identified has a strong asset - the corporate culture of Goldman Sachs, based on "teamwork, integrity, a spirit of humility" – got lost in the way.

The resignation letter triggered skeptical reactions from journalists. Commentators pointed out the fact it took Greg Smith 12 years to realize his environment was toxic. During this period he went through the credit boom, the 2008 bailout and the 2009 skyrocketing bonuses without raising his eyebrows. His criticism

could apply to any bank and not only Goldman Sachs (Warren and Bates, 2012). In some sense, he is not a whistleblower as “A hero or whistleblower reveals new information about something he feels is wrong when there is still time to stop it, at great social and personal cost to himself," (Kingkade, 2012). For some, the fact that he was still Vice President after 12 years suggests that his days at Goldman Sachs were numbered and it makes his behavior clearly opportunistic (Tamny, 2012). In the end, Greg Smith, by betraying his company and maneuvering to get fame from it (and publish a book!), is perceived as no better than the culture he incriminates. His behavior doesn’t enable him to distance himself from the values associated with the investment banking industry. He is a turncoat from bankers’ point of view, but by attracting the spotlight on himself, he is likely to be scapegoated by the public opinion as epitomizing the banking culture. Outsiders but also insiders scapegoat Greg Smith, because he contributes to increasing the blame pressure on the industry, while also benefitting personally from this move. A turncoat can be scapegoated by the field or the organization he is leaving, for the responsibility he or she holds regarding the detrimental effect his or her whistleblowing can have on the peers. A simple whistleblower – who doesn’t leave the field or the organization but stays inside – receive a better treatment as long as he remains “one of them”.

The complexity induced by the multiple levels of attributions

We have seen that the positioning of actors during blame games can evolve but also strongly depends on the audience. There is permeability between the different sets of blame game actors. Outsiders might buy scapegoating strategies (the public opinion buying SocGen’s argument in the Kerviel case) but insiders can have a totally different perspective. They may value what is condemned outside the field. This difference can be explained by the difference of norms, values and beliefs inside and

outside the finance industry. In addition, the focal actor trying to deflect the blame also matters: if it's the move of a field as a whole, it is more likely to elicit the support of insiders, rather than if it's just an isolated organization scapegoating one of its members. In a similar manner, whistleblowers can be accused of increasing the blame on the betrayed entity. Finally, whistleblowers can be scapegoated for the blame suffered by this entity. There are multiple layers of attribution: an attribution at the organizational level may bear a different meaning at the field level. The case studies also showed us that scapegoats and sacrificial lambs could also turn into whistleblowers as the situation matures. They strategically rip off some benefits from their exclusion by joining the enemies of their former friends. For example, Kerviel is working on book and movie projects. This complexity makes research on this topic difficult as it suggests the importance of investigating multiple levels of analysis at the same time.

Implications for future research

By looking at how agents strategically act to make some of their peers illegitimate, we endorse the strategic approach to legitimacy (Suchman, 1995). We contribute to the literature on negative social evaluation by not only suggesting that actors can manipulate their legitimacy, but also hurt the legitimacy of others in the process. The case studies also illustrate the strategic nature of blame game moves. Is blame game a process of redistribution of social capital (i.e. legitimacy is transferred from one agent to another) or does it alter the general level of social capital of a field or an organization? Going back to the example of finance, the fact that broad ranges of actors were accusing each other turned the public opinion against them. There was no consensus on who held responsibility, and the cacophony required the public

opinion to make radical categorization against the finance industry as this context made impossible the identification of a clear culprit.

Turncoats and whistleblower benefit from their move by creating a positive distinctiveness. Sub-groups are more attractive when they opt for distinctive choices of action (Blau, 1964). However, there is an decreasing marginal return in doing so: the more actors opt out and join their voice to the public criticism, the less it will make additional whistleblowers stand out of the crowd. Insiders are likely to question the behavior of the whistleblowers and expose their true motives. As a consequence, outsiders deconstruct whistleblowers and turncoats' rationales.

In addition, we show that the strategies of actors to devaluate their peers in outsiders' eyes are contingent upon the strategies of others. The strategy of each actor, and the strategy of a group as a whole depend on the choices made by other agents, and it also determines the outcome of those strategies. This element, added to the existence of competing levels of causal attribution, complicate empirical testing. Qualitative research would help understand the vertical dimensions of blame gaming and complement our theoretical approach by explaining how causal attribution changes scope. Once this issue is cleared out, empirically testing blame games would require a setting with clear boundaries and where agents are comparable.

Another promising area would be to look at blame games' outcomes, especially in terms of learning processes. How do the remaining agents benefit from the blame game? Scapegoating doesn't help performance (Gamson & Scotch, 1964). However, Miliken and Nam (2008) suggested that voicing concerns contributes to organizational learning. The fundamental difference is that we add a strategic dimension to whistleblowing rather than seeing it as solely ethical (Chiu, 2003). A

field or an organization engaged in blame game will loose a significant part of its peripheral agents (whether they whistleblow or turncoat, or are scapegoated). In the meantime, core agents are also supposed to be the most useful to organizational learning while peripheral agents are those benefitting from transfers of knowledge (Moon and Carley, 2007). In addition, fields or organization may specifically learn on how to avoid future wrongdoing as an outcome of blame game. It however supposes that the remaining agents (i.e. those who scapegoated peripheral agents) are exemplary, and that strategic whistleblowers pointed out some generally relevant wrongdoing and not some malpractice that was more useful to make their point.

Conclusion

I opened this dissertation with two main interrelated questions: how does organizational illegitimacy emerge and why do illegitimacy persist? Because of the strategic approach adopted towards legitimacy (Suchman, 1995), a follow-up question is: how can illegitimacy be beneficial? To address those questions, I investigated the context of investment banking in the aftermath of the financial crisis.

In Chapter 2, I look at the antecedents of organizational illegitimacy, and norm violation, through the lens of institutional logics. I bring insights on how a contested industry can be disapproved through the condemnation of its dominant logic. I explain how logics and institutional contradiction are used as framework for stigmatizing actors to build the "stigma theory" (Goffman, 1963); the arguments to rationalize the negative labeling process.

In Chapter 3, I tackle the second research question, while presuming that illegitimacy might persist because of potential benefits it generates. In particular, I consider the variety of audiences, and how disapproval from one audience might be a positive signal from other stakeholders' point of views. In this sense, I go against the popular assumption that firms in contested industries should necessarily contain disapproval (Vergne, 2012).

In Chapter 4, we go beyond Suchman's approach to strategic management of legitimacy by positing that managing one's legitimacy also implies to manipulate others' legitimacy. We articulate the literatures on scapegoating and whistleblowing around the idea of blaming others for the sake of one's legitimacy.

LIMITATIONS AND RESEARCH AGENDA

In this part of the dissertation, I acknowledge the limitations of the three essays, but also the next steps, I/we could take to bring the papers up to the submission level, in particular for Essays 1 and 3.

Limitations and agenda for Essay 1 (Chapter 2)

In the first essay, I adopt an abductive approach to establish that institutional contradiction is sufficient but not necessary to generate organizational stigma. In other terms, I establish one possible condition to generate a category of stigmatized organizations. This approach implies that other antecedents to organizational stigma as a form of illegitimacy may exist. For example, Vergne (2012) or Galvin et al. (2004) identify the association with death as an antecedent of stigmatization. Here, the norm violation is related to the action of killing. The action of killing is however perceived as ordinary at the field-level. Thus this kind of norm violation can also be connected to a conflict between logics at different levels.

Another potential limitation regarding the generalizability of the findings comes from the specificity of the investment banking industry as a stigmatized category. If we consider other stigmatized categories, is it as easy for to identify a field-level dominant logic and a contradicting societal logic? In the case of the investment banking industry, the practices derived from the shareholder value maximization logic are easily spotted. Gavin et al. (2004) identifies similar attitudes towards societal logics among contested industries. They however do not look at the potential clash that might arise between the evolving societal logics and the field-level logics of these contested industries, once the latters are “out-of-date”.

Stigma diffusion patterns in print media

Devers et al. (2009) argue that stigma emerges when a critical mass of stakeholder share the same belief regarding the negative labeling of a category of organizations. In this paper, I do not examine the process of diffusion (how) but rather on what "platform" it does, in other terms, the arguments used to rationalize and emotionalize the negative labeling, and thus spread it. The mechanisms and dynamics of diffusion themselves are still to be explored. A way to investigate this research question would be to look at the vocabulary patterns in newspapers. If I take as starting points the newspapers that are likely to be the most hostile towards the shareholder value maximization logic, how do their stigmatizing rhetoric diffuse in more shareholder-value friendly outlets? Left-wing bias (as documented by Groseclose and Milyo, 2004) could be used as a proxy for hostility to shareholder-value maximization logic. Finally, I could build theoretical propositions on the basis of agent-based simulations of diffusion models.

Limitations and agenda for Essay 2 (Chapter 3)

One limitation of essay 2 is the generalizability. I present a specific situation in which disapproval can be beneficial. The boundary conditions we have in our context of study are (i) there must be a situation of institutional contradiction (ii) there must be a signal brought about by organizations' norm violation (i.e. when their practice enter in conflict with an alternative logic) (iii) this signal must be appreciated by a crucial group of stakeholders. In other terms, my research is not aimed at contradicting the fact that disapproval should usually be avoided (Pfeffer and Salancik, 1978; Suchman, 1995; Vergne, 2012), but more at identifying in which conditions it can generate positive spillover effects.

A logic space?

Status evaluation is used by social actors to determine with whom to partner (Podolny, 1993; 1994). This assessment is made at the organizational level and is necessarily subjective; each organization gauges the status of its peers on the basis of the information it has access to. However, we can expect this judgment to be biased in some sense. The more an organization identifies with its industry, the more it is likely to be embedded within industry-level logics (Thornton and Ocasio, 2008), and thus to be publicly disapproved of if these logics are responsible for subsequent criticized behaviors and beliefs. In addition, social identity theory has shown the existence of in-group bias; social actors are prone to favor the members of their group (Tajfel and Turner, 1986; Ashforth and Mael, 1989). This in-group favoritism appears to the extent that the actor identifies with the ingroup (Tajfel and Turner, 1986; Hewstone, Rubin and Willis, 2002). Similarly, because actors pledge for the values of their social group (Kreiner, Ashforth and Schluss, 2006), they hold in higher esteem the peers who share the most their codes of behavior. As a result, when an organization is embedded in the same logics, it is likely to take even more into account the logic embeddedness of this counterpart as a signal of status when deciding whether to select it or not. This is the consequence of their proximity in the "logic space".

As a consequence, I could formulate an additional hypothesis testing a moderating effect of the issuers' industry on the relationship between association with disapproved logic and the likelihood to be selected as a bookrunner. Issuers that are the closest to the disapproved the logics will be the most biased in favor of banks embedded in those logics. The issuer's industry will thus matter when it comes to the selection of bookrunners.

To test for this additional hypothesis, I create an interaction term by multiplying the measure of association with disapproved logics and industry dummies. The issuer belongs to one among 4 main groups of firms (agency, utility, industry and finance).

In the table 11, following Jaccard's approach (2001:30-32) I test the interaction with industry dummies to see which are the issuers that are the most biased in favor of banks associated with disapproved logics. I focus on three kinds of issuers: industrial firms, utility firms and finance firms. Model 1 integrates the interaction terms of the utility dummy and the industry dummy on one side, and the association with disapproved logics on the other side. Model 2 includes the two interaction terms with finance and utility dummies. Finally, model 3 includes the interaction between association with disapproved logics on one side, and respectively industry and finance dummies. For example, in model 1, the coefficient corresponding to the association with disapproved logics is 103.6 (significant at the $p < 0.1$ level), and the exponent of this coefficient is 9.838e44. Because association with disapproved logics is part of the other interaction terms of the model, the coefficient associated with it represents a conditional rather than a main effect: it stands for the effect of association with disapproved logics when the utility and industrial firms dummies are both equal to 0. Consequently, 9.838e44 is the multiplicative factor by which the odds of being selected as a bookrunner for a 1-unit increase in association with disapproved logics *for finance firms*. However, the range of our measure of association with disapproved logics is much smaller, with an average of 2.66e-03 and a standard deviation of 1.31e-03.

Table 11: Period fixed-effects logistic regression of syndicate invitation with robust variance estimation clustered by banks, including interaction with industry dummies

VARIABLES	(1)	(2)	(3)
Association with disapproved logic	103.6*	140.6**	193.9**
	(58.81)	(56.94)	(83.37)
Commercial banking activities	-0.673	-0.673	-0.673
	(0.432)	(0.432)	(0.432)
Sales and trading activities	-0.424	-0.424	-0.424
	(0.400)	(0.400)	(0.400)
Research activities	0.704**	0.704**	0.704**
	(0.284)	(0.284)	(0.284)
Retail banking activities	0.644	0.644	0.644
	(0.425)	(0.425)	(0.425)
Asset management activities	0.242	0.242	0.242
	(0.297)	(0.297)	(0.297)
Wealth management activities	0.257	0.257	0.257
	(0.289)	(0.289)	(0.289)
Number of Bookrunners	0.505***	0.505***	0.505***
	(0.0392)	(0.0392)	(0.0392)
Principal amount	-5.50e-05**	-5.50e-05**	-5.50e-05**
	(2.30e-05)	(2.30e-05)	(2.30e-05)
Hot issue index	-0.00596	-0.00596	-0.00596
	(0.0644)	(0.0644)	(0.0644)
Bank’s US total assets	2.47e-07	2.47e-07	2.47e-07
	(2.14e-07)	(2.14e-07)	(2.14e-07)
Bank’s volume of shares syndicated	7.29e-05***	7.29e-05***	7.29e-05***
	(1.37e-05)	(1.37e-05)	(1.37e-05)
Bank's reputation	0.0813	0.0813	0.0813
	(0.0535)	(0.0535)	(0.0535)
Selectivity Instrument	0.0381**	0.0381**	0.0381**
	(0.0160)	(0.0160)	(0.0160)
Industrial firm * Association with disapproved logics	37.02		-53.35
	(64.94)		(61.44)
Utility firm* Association with disapproved logics	90.37	53.35	
	(60.01)	(61.44)	
Finance firm * Association with disapproved logics		-37.02	-90.37
		(64.94)	(60.01)
Industrial Firm	-0.0993		0.242
	(0.284)		(0.254)
Utility Firm	-0.342	-0.242	
	(0.279)	(0.254)	
Finance Firm		0.0993	0.342
Controls included:			
Dummies for the issuer’s state			
Dummies for the stock exchange			
Constant	-6.239***	-6.338***	-6.580***
	(1.466)	(1.555)	(1.470)

Observations	92,464	92,464	92,464

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The following table compares the multiplicative factors for the three industry groups. These results contradict the hypothesis I formulated. Utility firms are the most biased in favor of banks associated with the disapproved logic, and finance firms are actually the *least* biased. This result can indicate that finance firms in general feel the urge to distance themselves from the disapproved logics to create a positive distinctiveness compared to the rest of the stigmatized category.

Table 12: Multiplicative factors by which the predicted odds change for a 1-unit increase in association with disapproved logics for three different industries

	Finance firms	Industry firms	Utility firms
Multiplicative factor	9.83803E+44	1.15293E+61	1.62069E+84

Do logic-based choices lead to adverse selection?

In the conclusion of the essay, I posit that because issuers select the banks that are the closest to the shareholder value maximization logic, they might also pick the worst service providers. These "core" values of banking also include a somehow self-centered attitude: the best bankers are the most aggressive and the most rapacious.

IPO underpricing is mentioned in the literature as the most crucial indicator of IPO performance (Corwin and Schultz, 2002). If the IPO is underpriced, it is understood as a "gift" from the bank to the investors (i.e. the shares' buyers). The share price will go up and the investors that have subscribed the IPO will have bought the shares at a discounted price. The issuer, on the other side, is despoiled. I suspect that once banks have been selected to syndicate an issue, the most rapacious (the ones

that were also the most likely to be selected) will also be the one that underprice IPOs the most. I conducted preliminary analysis to test this idea: I regressed the average association with the disapproved logic for the banks selected as bookrunners and various IPO characteristics on IPO underpricing. The results are inconclusive.

Why not including those hypotheses in the paper?

The theoretical proposition regarding the existence of a logic space suggests a moderating effect of industry (as a proxy for the position of the issuer in the logic space) on the biases towards banks that are associated with disapproved logic. Finance firms seem the less biased in favor of those banks. But among the finance industry, the investment banks are the most biased issuers. Although I provide an explanation for these surprising results, I am unable at this stage to build a more comprehensive understanding of the theoretical underpinnings this result implies. In addition, building this hypothesis requires me to give more room to social identity theory in the theoretical framework, taking the risk of muddying the water.

The second hypothesis looks at IPO underpricing as a consequence of the biases towards banks associated with the disapproved logic. The first issue is the inconclusive results. I have spent a significant amount of time manipulating the dataset to test this hypothesis at the IPO level. The independent variable is the average association to the disapproved logic among the banks selected as bookrunners: I also probably lose some explanatory power with this rough measures the word categories have been designed to measure the association of a single bank. In addition, those questions are strategy- rather than organization theory related, which would contribute to blur out the framing of the paper.

Limitations and agenda for Essay 3 (Chapter 4)

We have found difficult to present the paper as the audience seeks to challenge the basic propositions. General propositions are usually questioned, and the rest of the paper, in particular the simulation, builds on those propositions. Some commentators have suggested we should reframe our main constructs and create new concepts instead of trying to use he denominations of whistleblowers and scapegoats. In particular, because we suggest whistleblowers can have strategic rather than ethical motives (following Westin, 1981), it could be less tricky to introduce a new concept rather than adding this dimension to an existing one. At this stage, we also believe there is more to take away from the simulation, whether we keep it this way or make it simpler.

In the study, we suggest that one area of development is to look at the group-level outcome of blame games. We argue that learning processes might result from blame games. To empirically examine this question, we would need to compare different cases of blame games. The task is difficult because of the different scopes blame games can take. A case-study approach would be appropriate. The main challenge is the selection of relevant cases. In a qualitative study, we could compare case studies with different characteristics. Although we illustrate blame games with examples taken from the financial crisis, there are many other fields in which we can find cases. Crises generally trigger blame game and there are many types of crises: food crisis, political crisis, diplomacy crisis, etc.

Multiplicity of audiences

In an earlier version of the paper, we discuss other examples of blame games that also question the generalizability of our work. In particular, we mention the case of Robert Wilmers, the CEO of what he calls the “good bank” (M&T bank, a major

US commercial bank). Wilmers has received considerable media attention for his attempts to positively distinguish himself and his bank from other actors of the industry. In March 2012, the issue of the 2011 M&T annual report took the shape of an anti-Wall Street manifesto. He accuses the “big banks” to tarnish the reputation of the whole industry. He points out the differences between Wall Street banks - which are pointed out for their responsibility in the financial crisis - and Main Street banks (including his own bank) - which are supporting the economy by financing honest businesses while suffering from the crisis -. Wilmers builds a historical perspective on the development of the banking industry and how some of them had lost their way in the products that brought about the financial crisis. The CEO of M&T bank was already targeting the banks that were “too big to fail” and their “unsafe business model” in the 2010 annual report and in a Bloomberg op-ed in the spring of 2011. He was invested “Banker of the Year” by the American Banker newspaper in December 2011. However, his own field challenged his legitimacy as a whistleblower. He was not perceived as a “real banker” by investment bankers, as he was managing a commercial rather than an investment bank.

This example stresses the importance of multiplicity of audiences. In this essay, we only consider the interactions between the blamed sphere and an external audience. However, as suggested in our cases, the agents within the blamed sphere often have to deal with multiple audiences to establish the legitimacy of their claim.

SUMMARY OF THE CONTRIBUTION

Contribution to organization theory

By using a logic lens, this dissertation enriches the theorization of stigma and disapproval of organizations. It creates a bridge between illegitimacy-related

constructs and other major streams of research in organization theory such as the status or the identity literatures. Those literatures are useful tools to build up innovative and more complex propositions regarding the antecedents and outcomes of illegitimacy. If the causes of stigma are partly identified in the current literature, understanding the construction and the emergence of such occurrence enlightens the role of language. Rather than seeing stigma as a purely rhetorical process, I present rhetoric as a filter to analyze the defaming arguments and connect them with broader-order constructs. In the meantime, infusing the concepts of logics in the theorization of stigma and disapproval is a lever to envision a larger scope of possible outcomes.

Inversely, looking at illegitimacy from the logic perspective also informs the literature on institutional logics: institutional resistance can be motivated by field-level incentives for obstructing actors to maintain the institutional contradiction. In this context, institutional pressures might delay rather than prompt change.

Contribution to strategic management

By exploring the strategic approach to legitimacy - as stated by Suchman (19995) - I aim at contributing to the strategic management literature. I more specifically tackle the strategic value of illegitimacy: firms cannot stay passive when their legitimacy is questioned. While the firm can confront claims regarding its legitimacy, it can also derive some tangible benefits from illegitimacy in some contexts. Illegitimacy is in “the eye of the beholder”, and the beholder may not be salient when it comes to the firm’s performance. Negative perceptions from some audience can be turned into a positive signal to the stakeholders that drive the firm performance. Because of this finding, this thesis also contributes to the role of media in strategy. Media play a crucial role of intermediary when it comes to information flows. It can even be argued that media remain a source of desirable external

endorsement, even when they have a bad perception of the firm. This stance confirms the idea that having bad press is better than having no press at all.

The strategic approach to legitimacy can also be used to explore the phenomena of whistleblowing and scapegoating. In this dissertation, these maneuvers are presented as strategies to face legitimacy struggle. In the same context, we give salience to both collective and individual strategies of illegitimacy transfers.

IMPLICATIONS FOR PRACTICE

Implications for managerial practice

This dissertation conveys some take aways for managers regarding the management of social evaluation. My central argument is that negative social evaluation should not necessarily be avoided. The appraisal of the organizational level outcomes of social evaluation needs to take in account the diversity of audiences. What are the audiences that matter the most? Are all audiences permeable to the point of view of others? Although we have not discussed this speculation in Chapter 2, there is no reason to believe that "stigma theory" can similarly penetrate all audiences. In Chapter 3, we clearly show that negative social evaluations from some audiences can translate into positive social evaluations for other audiences that might matter more in the end.

If disapproval is a necessary evil, actively managing social evaluation is not necessarily required. The dissimulation of stigma might bring even more adverse outcomes (Goffman, 1963), and as shown in Chapter 3, disapproval can bring about positive consequences. In other terms, this dissertation suggests that in some situations, organizations – for their own sake - should accept illegitimacy and refuse to change under the pressure of those negative social evaluations. I show that

investment banks have no incentives to change under the pressure of negative social evaluations, and that pointing out banks for their practices is not an efficient way to make them change. As suggested by the previous literature, organizations and social agents can survive despite bearing a stigma (Devers, et al. 2009).

In another project related to negative social evaluations, I show that disapproval of organizations can have a positive impact on job satisfaction if employees perceive this external disapproval as illegitimate (Roulet, 2013). This suggests that the organization has however a positive role to play when it comes to juggling the go-between different audiences. There are a number of interfaces between different audiences (e.g. employees and outsiders, customers and outsiders, customers and employees, etc.). For example, disapproved organizations should take care of explaining to their employees the reasons for this disapproval and its persistent or temporary nature. In a similar fashion, investment banks could be tempted to draw attention of their corporate customers on how bad they are perceived in the media.

Beyond concrete corporate actions that might trigger positive normative evaluation of the organization, the way the organization frames its discourse is also crucial. Pfeffer & Salancik (1978:195) have argued that “the manipulation of social legitimacy [...] can be achieved only if one is able to argue convincingly that what the organization is doing is just and worthy”. According to Pfeffer and Salancik (1978), organizational legitimacy is the outcome of an interpretation of the organization’s behavior: organizations may describe its actions and decisions in a way that make them appear as legitimate. For example, Total, the oil company, stresses the importance of renewable energies in its advertising while it actually represents a minor part of its business. Total prefers to advertise green energies rather than oil or

gas, which are associated with pollution. Employees can have a biased image of how well their organization is judged by outsiders.

Policy implications

When earlier in this dissertation, I asked the question "What good is Wall Street?" I also meant to derive an important policy reflection from this dissertation. What should policy makers, government, and regulators do with the banking industry? If they want to impose more regulatory constraints, how should they be framed? Another more general field of policy implications revolves around the incentives and structures to encourage whistleblowing.

Chapter 4 indeed conveys some suggestions regarding regulation when it comes to white-collar crimes. Whistleblowing and scapegoating have sometimes been perceived as means of self-regulation (Pemberton, et al. 2012). Our blame game perspective takes a more pessimistic stance and suggests blaming others actors within an organization or a field can also be built on egoistic intentions. There is no way to ensure *ex-ante* that whistleblowing and scapegoating actually target the right actors. Another stream of arguments and actual legislations defend the idea of institutionalizing whistleblowers' safety. For example, the 2002 Sarbanes Oxley act has improved the protection of whistleblowers. In addition, firms are required to have infrastructures to receive anonymously whistleblowing reports and take action. These arguments also ignore the potentially strategic nature of whistleblowing. The focus should thus be on the means allocated to the investigation rather than necessarily on the whistleblower's protection at any price.

I have argued in favor of the societal benefits that are possibly brought about by the financial industry. The intention of banking regulation should thus to be to

preserve those societal benefits while limiting the impact (in particular the systemic impact) of adverse behaviors. The question of what are adverse behaviors would in itself trigger vivid debates. For example, the relationship between bonuses and extreme-risk taking is debatable (Matthews and Matthews, 2013). In addition, the cycles of regulation and deregulation (e.g. the Glass Steagall Act and its revocation in 1999 with the Gramm-Leach-Bliley Act) have been pointed out: deregulation is often accused to be one of the causes of the financial crisis. This has been seen as a major prejudice by a number of commentators including left-wing politicians.[9] It can be said that toxic loans were syndicated by the investment bank divisions and sold to customers by the commercial divisions. Separating banks would just have created an additional intermediary but would not have prevented toxic loan from being transferred to individual customers. In addition, separating the banking activities raise important competitiveness issues, as stand-alone investment banks have less access to liquidities than fully integrated banks that have access to customers' deposits. The first banks to fail in 2008 were actually stand alone investment banks. The question of regulating the practices of bankers has been asked at a very early stage of the crisis (Cuomo, 2009).

Chapter 3 of this dissertation suggests that regulating practices in the finance industry is doomed to fail in its current state. Although it implies a penalty for the misbehaving firms, it also potentially signals to outsiders their proximity to the typical norms of behaviors. Pointing out behaviors is not the right way to go. More generally, it raises the question of regulating professional service firms (e.g. law firms, audit, strategy consulting, etc.) as they are embedded in an "ideology", also understood as a

[9] See for example the testimony of Jacob Lew http://www.huffingtonpost.com/2010/09/21/obama-nominee-jacob-lew-f_n_732594.html

set of norms that drive the merit of the services and govern their interaction with customers (Von Nordenflycht, 2010). Indeed, what customers in this industry seek is whether the service provider conforms to the norms of the field. Von Nordenflycht (2010) adds that these industries tend to self-regulate. Another difficulty is the lobbying power of the Wall Street industry. In 1999, the Glass Steagall Act was repealed under the Clinton administration and widely approved by both sides of the political field. The OpenSecrets.org database has specifically pointed out the lobbying and the contributions of the finance industry to the campaigns of both Republican and Democrat candidates (see the following figure). In Europe, the bill to cap bank bonuses to one year of salary has been rebuffed in the United Kingdom, London being the heart of the European financial service industry. Cameron's government is afraid to lose its finance hub to less regulated locations. In addition, there are still many ways to bypass this constraint. These setbacks and obstacles do not mean that the society should accept the systemic risk and the public outrage brought about by some of the bankers' practices. One solution could be to make penalties heavier than the benefits derived from being pointed out for those practices. However, those benefits are hardly measurable. Penalties also generate competitiveness issues for banks established in countries with more stringent regulation.

As the reader would understand, I am unable to offer a clear answer on how to create comprehensive regulation of financial services that would address the issues I have raised in this dissertation. I however hope these reservations can help regulators understand the need for more sophisticated answers than capping bonuses or separating banking activities.

Figure 10: Campaign Contributors, Romney (in Red) vs Obama (in Blue)

(source: Center for Responsive Politics (CRP), Washington DC-based Think tank, 2012)

References

Abrahamson, E. & Fairchild, G. (1999). Management Fashion: Lifecycles, Triggers, and Collective Learning Processes, *Administrative Science Quarterly*, 44(4), pp. 708-740

Abrahamson, E., and Fombrun, C. J. (1994). Macrocultures: Determinants and Consequences. *Academy of Management Review*, 19(4): 728-755.

Abrahamson, E., & Rosenkopf, L. (1999). Institutional and Competitive Bandwagons: Using Mathematical Modeling as a Tool to Explore Innovation Diffusion. Academy of Management Review, 18(2), p. 487-517

Adorno, T. W., Frenkel-Brunswik E., Levinson. D. & Sanford N. (1950)., The Authoritarian Personality, N. Y.: Harper and Row, pp. 474-475.

Allport, G. (1979). (First published in 1954.) *The nature of prejudice*. New York: Doubleday Anchor.

Ashforth, B.E. and Gibbs, B. W. (1990). The Double-Edge of Organizational Legitimation. *Organization Science*, 1(2), 177-194.

Ashforth B. E. and Humphrey R. H. (1997). The Ubiquity and Potency of Organizations. *Organization Science*, 8(1), pp. 43-58

Ashforth B. E. and Kreiner, G. E. (1999). "How can you do it?": Dirty work and the challenge of constructing a positive identity. *Academy of Management Review*, 24(3), p. 413-434

Bakhtin, M. M. (1981). The dialogic imagination: Four essays (trans. C. Emerson & M. Holquist). Austin: University of Texas Press.

Bakhtin, M. M. (1984) Problems of Dostoevsky's poetics (trans. C. Emerson). Minneapolis: University of Minnesota Press.

Baskin, J. B., and Miranti Jr, P. J. (1999). A history of corporate finance. Cambridge University Press.

Belova, O., King I., and Sliwa, M. (2008). Polyphony and Organization Studies: Mikhail Bakhtin and Beyond. Organization Studies, 29, pp. 493-500

Berger P. L. and Luckman T. (1966). *The Social Construction of Reality*, Anchor.

Bettman, J. R., & Weitz, B. A. (1983). Attribution in the Board Room: Causal reasoning in corporate annual reports. *Administrative Science Quarterly*, 28, 165 183.

Bitektine, A. B. (2011). 'Toward a theory of social judgments of organizations: the case of legitimacy, reputation, and status'. Academy of Management Review, 36(1), 151-179.

Blau, P. (1964). *Exchange and Power in Social Life*. New York: Wiley.

Boeker, W. (1992). Power and Managerial Dismissal: Scapegoating at the Top. *Administrative Science Quarterly*, 37 (3), pp. 400-421

Bourdieu, P. (1977). *Outline of a Theory of Practice*, Cambridge: Cambridge University Press.

Bourdieu, P. (1984) *Distinction: a social critique of the judgement of taste*, London: Routledge.

Bourdieu, P. (1990). *The Logic of Practice*, Stanford University Press.

Bourdieu, P. (1996). *The Rules of Art: Genesis and Structure of the Literary Field*. Stanford University Press.

Bradley M. and Sudaram A. K. (2003). The Emergence of Shareholder Value in the German Corporation, *EFA 2004 Maastricht Meetings*, Paper No. 1467.

Bucher, R. (1957). Blame and Hostility in Disaster. *American Journal of Sociology*, 62(5), pp 475-475.

Carter, R. B., and Manaster, S. (1990). Initial public offerings and underwriter reputation. *Journal of Finance*, 65: 1045-1067.

Chiu, K. (2003). Ethical Judgment and Whistleblowing Intention: Examining the Moderating Role of Locus of Control. *Journal of Business Ethics*, 43, 65-74.

Clark, N. (2008) . Bank Outlines How Trader Hid His Activities. New York Times, 28 January 2008, http://www.nytimes.com/2008/01/28/business/worldbusiness/28bank.html?em&ex=1201669200&en=9787a96b4e941d12&ei=5087%0A

Core, J., W. Guay, and D. Larcker (2008). The Power of the Pen and Executive Compensation. *Journal of Financial Economics*, 88(1), 1–25.

Corwin, S. A. and Schultz, P. (2002). The Role of IPO Underwriting Syndicates: Pricing, Information and Underwriter Competition. *The Journal of Finance*, 60(5), pp. 443-486.

Creed W. E. D., DeJordy R., Lok J. (2010). Being the Change: Resolving Institutional Contradiction through Identity Work. *Academy of Management Journal*, 6(3), pp. 1336-1364.

Cuomo, A. (2009), *No Rhyme or Reason: The" Heads I Win, Tails You Lose" Bank Bonus Culture*, New York State Attorney Report

De Long, J. B. (1991) 'Did J.P. Morgan's Men Add Value? An Economist's Perspective on Financial Capitalism,' in P. Temin (ed) *Inside the Business Enterprise: Historical Perspectives on the Use of Information*, Chicago: University of Chicago Press, pp. 205 – 36

Deephouse D. L. (1996). Does Isomorphism Legitimate. Academy of Management Journal, 39(4), pp. 1024-1039

Deephouse, D. L. (2000). Media reputation as a strategic resource: An integration of mass communication and resource-based theories. Journal of Management, 26(6) pp. 1091–1112.

Devers, C. E., Dewett, T., Mishina Y. and Belsito C. A. (2009). 'A general theory of organizational stigma'. *Organization Science*, 20(1): 154-171

Dezso, C. L. (2009). Scapegoating and Firm Reputation. *Robert H. Smith School Research Paper* No. RHS 06-105. Available at SSRN: http://ssrn.com/abstract=1473207 or http://dx.doi.org/10.2139/ssrn.1473207

Dourroux, Philippe (2010), Mat, l'ami imaginaire de Jerome Kerviel, Slate, May 28th 2010 http://www.slate.fr/story/23075/proces-kerviel-mat

Dowling J. and Pfeffer J. (1975). Organizational Legitimacy: Social Values and Organizational Behavior. *Pacific Sociological Review* 18(1), pp. 122-136

Dubois A. & Gadde L.E. (2002). Systematic combining: an abductive approach to case research. *Journal of Business Research*, 55, pp. 553-560

Dunn, M. B., and Jones, C. (2010). Institutional logics and institutional pluralism: The contestation of care and science logics in medical education, 1967-2005. *Administrative Science Quarterly*, 55(1), pp. 114-149.

Dutton, J. E., J. M. Dukerich, C. V. Harquail. (1994). Organizational images and member identification. *Administrative Science Quarterly*. 39 239–263.

Eccles, R. G., and Crane D. B. (1988). *Doing Deals: Investment Banks at Work*. Boston: Harvard University Press.

Elliston, F.A.,(1982) 'Anonymity and whistle-blowing', *Journal of Business Ethics*, 1, pp. 167-177.

Elsbach, K. D. and Kramer, R. M. (1996). 'Members' responses to organizational identity threats: encountering and countering the business week rankings'. *Administrative Science Quarterly*, 41, 442–476.

Elsbach K. D. & Sutton R. I. (1992). Acquiring Organizational Legitimacy through Illegitimate Actions: A Marriage of Institutional and Impression Management Theories. *Academy of Management Journal*, 4, pp. 699-738

Fiss, P. C., and Hirsch, P. M. (2005). The discourse of globalization: Framing and sensemaking of an emergent concept. *American Sociological Review*, 70, pp. 29 –52.

Forsyth, D. R. (1990). *Group dynamics*. Pacific Grove, CA: Brooks/Cole Publishing.

Freud, S. (1951). *Group psychology and the analysis of the ego.* (First published in 1922.) New York: Liveright.

Fligstein, N. (2001). *The architecture of markets: An Economic Sociology of Twenty-First-Century Capitalist Societies.*. Princeton, NJ: Princeton University Press.

Fraser, S. (2004). *Every Man a Speculator: A History of Wall Street in American Life.* New York: Harper Collins Publisher.

Friedland, R., and Alford R. (1991).Bringing Society Back In: Symbols, Practices and Institutional Contradictions. In *The New Institutionalism in Organizational Analysis*, ed. W.W. Powell and P. DiMaggio, 232–67. Chicago: University of Chicago Press.

Gamson W. and Scotch, N. (1964). Scapegoating in Baseball. *American Journal of Sociology*, 70, p. 69-76

Galvin T. L., Ventresca M. J., Hudson B. A. (2004). Contested Industry Dynamics. *International Studies of Management and Organization*. 34(4), pp. 56-82

Geddes R. (2003). *IPOs and Equity Public Offerings*. Butterworth-Heinemann.

Goffman, E. (1963). *Stigma: Notes on the Management of Spoiled Identity*. Prentice-Hall, Englewood Cliffs, NJ.

Gladwell, M. (2002), *The Tipping Point: How Little Things Can Make a Big Difference*. Back Bay Books

Greenberg J., Edwards M., and Brinsfeld C., (2008). *Voice and Silence in Organizations*, Sage.

Grodzins, M. (1958). *The Metropolitan Area as a Racial Problem*. University of Pittsburgh Press

Groseclose T. and Milyo J. (2005). A Measure of Media Bias, *The Quarterly Journal of Economics*,120 (4): 1191-1237.

Hansen, A., Cottle, S., Negrine, R. & Newbold, C. (1998). *Mass communication research methods*. London: Macmillan.

Haveman, H.A., and Rao H. (1997). Structuring a Theory of Moral Sentiments: Institutional and Organizational Co-evolution in the Early Thrift Industry. *American Journal of Sociology* 102 (6), pp. 1606–51.

Hayward, M. L., Rindova V. P., and Pollock, T. G. (2004). Believing one own's press: The causes and consequences of CEO celebrity. *Strategic Management Journal*, 25, 637-653.

Hazen, M. A. (1993). Towards polyphonic organization. *Journal of Organizational Change Management*, 6 (5), pp. 15–26.

Heckman, J. J.(1979). Sample Selection Bias as a Specification Error. *Econometrica*. 47: 153-162.

Hewstone M., Rubin M. and Willis H. (2002). Intergroup bias. *Annual Review of Psychology*, 53, pp. 575-604

Hijmans E. (2006). The logic of qualitative media content analysis : A typology. *Communications*, 21(1), pp. 93-108

Hirsch, P. (1985). The Study of Industries. *Research in Sociology of Organizations* 4: 271–309.

Hirschman, A. O. (1970). *Exit, Voice, and Loyalty: Responses to Decline in Firms*, Organizations, and States. Cambridge, MA: Harvard University

Ho, K. (2009). *Liquidated: An Ethnography of Wall Street*. Duke University Press.

Holsti O. R. (1969). *Content analysis for the social sciences and humanities*. Reading, MA: Addison-Wesley.

Hudson B. A. (2008). Against All Odds: A Consideration of Core-Stigmatized Organizations. *Academy of Management Review*, 33(1), 252-266

Hudson, B. A. and Okhuysen, G. (2009). Not with a Ten-Foot Pole: Core Stigma, Stigma Transfer, and Improbable Persistence of Men's Bathhouses. *Organization Science*, 20 (1), pp. 134-153

Huerta T. F. and Silverman J. L. (1986). Charles E. Mitchell: Scapegoat of the Crash? *The Business History Review*, 60(1), pp. 81-103

Jaccard, J. (2001). *Interaction effects in logistic regression*. Newbury Park: Sage.

Jelzer J. (2004). 'Rhetorical Analysis: Understanding How Texts Persuade Readers' in Bazerman C. and Prior P. A. *What writing does and how it does it: an introduction to analyzing texts and textual practices*, Taylor & Francis.

Jensen, M. (2006). Should we stay or should we go? Accountability, Status anxiety, and client defections. *Administrative Science Quarterly*. 51: 97-128.

Khanna, N. and A. B. Poulsen. (1995). Managers of Financially Distressed Firms: Villains or Victims? *Journal of Finance*, 50, 919-940.

King, B., Clemens E. S. and Fry M. (2011). Identity Realization and Organizational Forms: Differentiation and Consolidation of Identities Among Arizona's Charter Schools. *Organization Science*, 22(3), pp. 554-572.

Kingkade, T. (2012). Greg Smith, Former Goldman Sachs Director, Shouldn't Expect 'Warm And Fuzzy' Support From Ivy League Students. *Huffington Post*, 20 March 2012.

Kitsuse, J. I. (1962). Societal reaction to deviant behavior: Problems of theory and method, *Social Problems*. 9, p. 247-256.

Koopmans R. and Olzak S. (2004). Discursive Opportunities and the Evolution of Right Wing Violence in Germany, *American Journal of Sociology* , 110(1), pp. 198-230

Kraatz M. and Zajac E. (1996). Exploring the limits of new institutionalism: The causes and consequences of illegitimate change. *American Sociological Review*, 61(5), pp. 812-836

Kreiner G. E., Ashforth B. E. and Schluss D. M. (2006). Identity dynamics in occupational dirty work: Integrating social identity and system justification perspectives. *Organization Science*, 17(5), pp. 619-636

Kulik C. T., Bainbridge H. T. J., Cregan C. (2008). Known by the company we keep: Stigma-by-association workplace effects. Academy of Management Journal, 33(1), pp. 216-230

Lasswell H. (1971). *Propaganda Technique In World War*, MIT Press.

Leach J. (2000). Rhetorical Analysis in Bauer M .W. and Gaskell G. *Qualitative researching with text, image and sound: a practical handbook*, SAGE.

Leary, M. R. and L. S. Schreindorfer (1998).The Stigmatization of HIV and AIDS: Rubbing Salt in the Wound. in T. I. Derlega and A. Barbee (eds.), *HIV Infection And Social Interaction*, pp. 12–29 (Aage, Thousand Oaks, CA).

Levina, N., Orlikowski, W. (2009). Understanding Shifting Power Relations within and across Organizations: A Critical Genre Analysis, *Academy of Management Journal*, 52(4), pp. 672-703

Li, S. X. and Berta W. B. (2002). The Ties that Bind: Strategic Actions and Status Structure in the US Investment Banking Industry. *Organization Studies*, 23, pp. 339-368

Link B.G and Phelan J. C. (2001). Conceptualizing Stigma. *Annual Review of Sociology*, 27, pp. 363-395.

Locke K., Golden-Bilde K. & Feldman M. (2008). Making Doubt Generative: Rethinking the Role of Doubt in the Research Process. *Organization Science*, 19(6), pp. 907-918

Lok, J. (2010). Institutional Logics as Identity Projects. *Academy of Management Journal*, 53(6), pp. 1305-1335

Loughran, T., and B. McDonald (2010). When is a liability not a liability? Textual analysis, dictionaries, and 10-Ks. Journal of Finance, 66(1), pp. 35-65.

Lounsbury, M. (2007). A Tale of Two Cities: Competing Logics and Practice Variation in the Professionalization of Mutual Funds. *Academy of Management Journal* 50, pp. 289–307.

Mael, F., and Ashforth, B. E. (1992). Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior*, 13, 103—123.

Madrick, J. (2011). *Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present*. Alfred a Knopf Incorporated.

March, J. and Olsen J. (1989). Rediscovering Institutions. *The Organizational Basis of Politics*. New York: Free Press.

Marquis, C. and Lounsbury, M. (2007). Vive la Résistance: Competing logics and the consolidation of U.S. community banking. *Academy of Management Journal* 50(4), pp. 799-820.

Matthews, K. and Matthews, O. (2013). A cap on bankers' bonuses will do little to reduce risk-taking in the banking industry. *LSE Europp Blog*, 13 March 2013, http://blogs.lse.ac.uk/europpblog/2013/03/06/a-cap-on-bankers-bonuses-will-do-little-to-reduce-risk-taking-in-the-banking-industry/

Meyer, R. E., and Hammerschmid, G. (2006). Changing institutional logics and executive identities: A managerial challenge to public administration in Austria. *American Behavioral Scientist*, 49, pp. 1000–1014.

Micaeli, M. P. and Near, J. P. (2006). Characteristics of Organizational Climate and Perceived Wrongdoing Associated with Whistle-Blowing Decisions. Personnel Psychology, 38(3)

Milliken. F. J. and Lam, N. (2008). Making the decision to speak up or not: Implications for Organizational Learning. In J. Greenberg, M. Edwards, and C. Brinsfeld, (Eds.), *Voice and Silence in Organizations*, Sage.

Mishina Y. and Devers C. A. (2011). On being bad: Why stigma is not the same as bad reputation. in M. Barnett and T. Pollock (Eds.) *The Oxford Handbook of Corporate Reputation.* Oxford: Oxford University Press. Forthcoming.

Moon, I-C. and Carley, K. (2007). Evolving Multi-Agent Network Structure with Organizational Learning. *Proceeding of SpringSim'07, Norfolk, VA, Mar 25-29, 2007*, 1348-1355.

Morrison, A. D., & Wilhelm, W. J. (2007). Investment of Banking: Past, Present, and Future. *Journal of Applied Corporate Finance*, *19*(1), 42.

Nacos, B., Shapiro R., Young J. T., Fan D. P., Kjellstrand T. , McCaa, C. (1991). Content Analysis of New Reports: Comparing Human Coding and a Computer-Assisted Method. *Communication*, 20, pp. 111-128.

Near, J. P. and Miceli M. P. (1985). Organizational Dissidence: The Case of Whistleblowing. *Journal of Business Ethics*, 4, pp. 1-16

Near, J. P. and Miceli M. P. (1995). Whistle-blowing: Myths and Reality. *Journal of Management*, 22(3), pp. 507-526

Nigam, A. and Ocasio, W. (2010). Event attention, environmental sensemaking, and change in institutional logics: An inductive analysis of the effects of public attention to Clinton's health care reform initiative. *Organization Science*, 21.4, 823-841.

Nocera, J. (2011). The Good Banker. *New York Times*, 30 May 2011.

Nørreklit H. (2000). The balanced scorecard: what is the score? A rhetorical analysis of the balanced scorecard. *Accounting, Organizations and Society*, 28, pp. 591-619.

Ocasio, W. (1997). Towards an Attention-Based View of the Firm. *Strategic Management Journal*, 18, pp. 187–206.

Ocasio, W. (1999). Institutionalized Action and Corporate Governance: The Reliance on Rules of CEO Succession. *Administrative Science Quarterly*, 44 (2), pp. 384–416

Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review*, 16, pp 145-179.

Oliver, P. E., and Maney G. (2000). Political Processes and Local Newspaper Coverage of Protest Events: From Selection Bias to Triadic Interactions, *American Journal of Sociology*, 106, pp. 463–505.

Pemberton, S., Tombs, S., Chan, M. M. J., & Seal, L. (2012). Whistleblowing, organisational harm and the self-regulating organisation. *Policy & Politics,40*(2), 263-279.

Pennebaker J. W., Francis L. E., and Booth R. J. (2001). *LIWC: Linguistic Inquiry and Word Count.*

Perry N. (1998). Indecent Exposures: Theorizing Whistleblowing. Organization Studies, 19(2), 235-257

Pfeffer, J., and Salancik, G. R. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper and Row.

Phillips, M. (1994). Industry Mindsets: Exploring the Cultures of Two Macro-organizational Settings. *Organization Science*, 5 (3), pp. 384–402.

Phillips, N., and Hardy, C. (2002). *Discourse Analysis: Investigating Processes of Social Construction*, Thousand Qaks, CA: Sage,

Podolny, J. (1993). A status-based model of market competition. *American Journal of Sociology*, 98(4), pp. 829-872.

Podolny, J. (1994). Market Uncertainty and the Social Character of Economic Exchange. *Administrative Science Quarterly*, 39(3), p. 458-483

Pollock T. and Rindova V. (2003). Media Legitimation Effects in the Market for Initial Public Offerings. *Academy of Management Journal*, 46(3), pp. 631-642

Pontikes E., Negro G. Rao H. (2010) Stained Red: A Study of Stigma by Association with Blacklisted Artists during the 'Red Scare' in Hollywood, 1945-1960. *American Journal of Sociology*, 75(3), pp. 456-478

Porac, J., M. Ventresca, and Y. Mishina. (2002). Interorganizational Cognition. In *Companion to Organizations*, ed. Joel Baum, pp. 579–98. Oxford: Blackwell.

Pozner, J.E. (2008). Stigma and settling up: An integrated approach to the consequences of organizational misconduct for organizational elites. *Journal of Business Ethics*. 80: 141-150.

Reay, T., and Hinings, C. R. (2005). The recomposition of an organizational field: Health care in Alberta. *Organization Studies*, 26: 351–384.

Reuters (2009), 'U.S. bailout recipients spent $114 million on politics'. 4 February 2009. http://www.reuters.com/article/2009/02/04/us-usa-bailout-lobbying-idUSTRE51377B20090204

Ridgeway C. and Berger J. (1986). Expectations, legitimation and dominance behaviors in task groups. *American Sociological Review*, 51(5), p. 503-517

Rosenberg S. D., Schnurr P. P., and Oxman T. E. (1990). Content analysis: A comparison of manual and computerized systems. *Journal of Personality Assessment*, 54, 298-310.

Roulet, T. (2013). Me and My Firm Against the World: Exploring the Relationship between Public Disapproval of Organization and Job Satisfaction. *Under Review*.

Salancik, G. R., and Meindl, J. R. (1984). Corporate attributions as strategic illusions of management control. *Administrative Science Quarterly*, 29, 238 254.

Sandefur, R. (2001). Work and honor in the law: Prestige and the division of lawyers' labor. *American Sociological Review*, 66(3), pp. 382-403

Scott, W. R. (2008). *Institutions and Organizations.* A Thousand Oaks: Sage.

Scott, W. R., Ruef M., Mendel P., and Caronna C. (2000). *Institutional Change and Health Care Organizations: From Professional Dominance to Managed Care*. Chicago: University of Chicago Press.

Semadini, M., Cannella, A.A., Fraser, D.R., and Lee, D.S. 2008. Fight or flight: Managing stigma in executive careers. *Strategic Management Journal*. 29: 557-567.

Seo, M.-G., and Creed, W. E. D. (2002). Institutional contradictions, praxis, and institutional change: A dialectical perspective. *Academy of Management Review*, 27, pp. 222–247.

Shamir, B. (1991). 'Meaning, self and motivation in organizations'. *Organization Studies*, 12, 405-424.

Shiller, R. J. (2012). Finance and the good society. Princeton University Press.

Short J. C., Broberg C., Cogliser C. C., Brigham K. H. (2010). Construct Validation Using Computer-Aided Text Analysis (CATA) : An Illustration Using Entrepreneurial Orientation. *Organizational Research Methods*, 31, pp. 321-347

Smelser, N. (1963). *Theory of Collective Behavior*. New York: Free Press.

Staw, B. M., McKechnie, P. I., and Puffer, S. (1983). The justification of organizational performance. *Administrative Science Quarterly*, 28, 582-600.

Suchman M. (1995), Managing Legitimacy: Strategic & Institutional Approaches, *Academy of Management Review*, 20(3), p. 571-610

Suddaby R. and Greenwood R. (2005). Rhetorical Strategies of Legitimacy. *Administrative Science Quarterly*, 50, pp. 35-67.

Sullivan B. N., Haunschild P. and Page K. (2007). Organizations Non Gratae? The Impact of Unethical Corporate Acts on Interorganizational Networks. *Organization Science*, 18(1), pp. 55-70

Sutton, R. I., and Callahan A. L. (1987). The Stigma of Bankruptcy: Spoiled Organizational Image and Its Management. *Academy of Management Journal*, 30(3) pp. 405-436

Tajfel, H. and Turner, J. C. (1986). The social identity theory of inter-group behavior. In S. Worchel and L. W. Austin (eds.), *Psychology of Intergroup Relations*. Chicago: Nelson-Hall

Tamny, J. (2012). Greg Smith's Gratuitously Opportunistic Departure from Goldman Sachs, *Forbes*, 18 March 2012

Tetlock, P. C. (2007). Giving Content to Investor Sentiment: The Role of Media in the Stock Market. *Journal of Finance*, 62, 1139-1168.

Tetlock, P. C., Saar-Tsechansky, M. and Macskassy, S. (2008). More Than Words: Quantifying Language to Measure Firms' Fundamentals, *Journal of Finance*, 63, 1437-1467.

Thornton P. and Ocasio W. (1999). Institutional Logics and the Historical Contingency of Power in Organizations: Executive Succession in the Higher Education Publishing Industry, 1958-1990. *American Journal of Sociology*, 105(3), pp. 801-843

Thornton P. and Ocasio W. (2008). Institutional Logics, pp. 99-129 in *The Sage Handbook of Organizational Institutionalism*. London: Sage

Tippett, E. (2006). The Promise of Compelled Whistleblowing: What the Corporate Governance Provisions of Sarbanes Oxley Mean for Employment Law. *Employee Rights and Employment Policy Journal, Vol. 11, No. 1, 2007*

Van Dyne, L. and LePine, J. A. (1998). Helping and Voice Extra-Role Behaviors: Evidence of Construct and Predictive Validity. *Academy of Management Journal*, 41, pp. 1108-1119

Vardi, N. (2012). Greg Smith Isn't A Whistleblower, He's Just A Goldman Sachs Executive Having A Midlife Crisis, *Forbes*, 14 March 2012

Vaara, E. and Monin P. (2010). A recursive perspective on discursive legitimation and organizational action in mergers and acquisitions. Organization Science, 21(1): 3-22

Vergne, J-P (2012), Stigmatized Categories and Public Disapproval of Organizations: A Mixed Methods Study of the Global Arms Industry (1996–2007). Academy of Management Journal, 55(5), 1027-1052

Von Nordenflycht, A. (2010). What is a professional service firm? Toward a theory and taxonomy of knowledge-intensive firms. *Academy of Management Review, 35*(1), 155-174.

Warren, L. and Bates D. (2012). 'Courageous stuff... he's a legend': Goldman Sachs executive who quit over firm's 'toxic' culture hailed a hero by friends (but bosses hit back at flamboyant public resignation). *Dailymail*, 14 March 2012

Washington M. and Zajac E. J. (2005). Status evolution and competition: theory and evidence. *Academy of Management Journal*, 48(2), pp. 282-296

Watson, T. J. (1995). 'Rhetoric, discourse and argument in organizational sense making: A reflexive tale'. *Organizational Studies*, 16(4), pp 805–821.

Weber, M. (1946). *From Max Weber: Essays in Sociology*. Ed. H. H. Gerth and C. Wright Mills. New York: Oxford University Press.

Weiner, B. (1986). *An attributional model of motivation and emotion*. New York: Springer-Verlag.

Westin, A.F. (1981). *Whistle-blowing: Loyalty and dissent in the corporation*. New York: McGraw-Hill

Westphal, J. D. and Deephouse, D. L. (2011). Avoiding Bad Press: Interpersonal Influence in Relations Between CEOs and Journalists and the Consequences for Press Reporting About Firms and Their Leadership. *Organization Science*, 22(4), pp. 1061-1086.

Whitman, M. (1999). *New World, New Rules: The Changing Role of the American Corporation*. Boston: Harvard Business School Press.

Wiesenfeld, B. M., K. Wurthmann, D. C. Hambrick. (2008). The stigmatization and devaluation of elites associated with corporate failures: A process model. *Academy of Management Review*. 33(1), p. 231–251.

Wilensky, U. 1999. NetLogo. http://ccl.northwestern.edu/netlogo/. Center for Connected Learning and Computer-Based Modeling, Northwestern University. Evanston, IL.

Wong, P. T. P., and Weiner, B. (1981). When people ask "why" questions, and the heuristics of attributional search. *Journal of Personality and Social Psychology*, 40: 650–663.

Zanoni P. and Janssens M. (2004). Deconstructing Difference: the Rhetoric of Human Resources Managers' Diversity Discourse, *Organization Studies*, 25, pp. 55-74.

APPENDIX A

Table A1: Period fixed-effects logistic regression of syndicate invitation with robust variance estimation clustered by IPOs

VARIABLES	Model 1	Model 2	Model 3
Association with disapproved logics		134.3***	273.4***
		(10.67)	(21.95)
Association with disapproved logics^2 (standardized)			-0.143***
			(0.0384)
Commercial banking activities	-0.608***	-0.675***	-0.850***
	(0.168)	(0.168)	(0.171)
Sales and trading activities	-0.386***	-0.422***	-0.466***
	(0.106)	(0.107)	(0.109)
Research activities	0.741***	0.701***	0.682***
	(0.102)	(0.103)	(0.104)
Retail banking activities	0.564***	0.646***	0.810***
	(0.171)	(0.171)	(0.174)
Asset management activities	0.311***	0.242***	0.151**
	(0.0591)	(0.0597)	(0.0624)
Wealth management activities	0.274***	0.257***	0.241***
	(0.0462)	(0.0467)	(0.0468)
Number of Bookrunners	0.505***	0.505***	0.506***
	(0.0264)	(0.0263)	(0.0260)
Principal amount	-5.56e-05**	-5.51e-05**	-5.36e-05**
	(2.18e-05)	(2.17e-05)	(2.15e-05)
Hot issue index	-0.00570	-0.00596	-0.00649
	(0.0374)	(0.0373)	(0.0371)
Bank's US total assets	2.50e-07***	2.47e-07***	2.31e-07***
	(2.81e-08)	(2.81e-08)	(2.84e-08)
Bank's volume of shares syndicated	7.31e-05***	7.28e-05***	6.43e-05***
	(3.15e-06)	(3.12e-06)	(3.24e-06)
Bank's reputation	0.0850***	0.0813***	0.0792***
	(0.0110)	(0.0102)	(0.00937)
Selectivity instrument	0.0493***	0.0381***	0.0232***
	(0.00864)	(0.00870)	(0.00889)
Controls included:			
Dummies for the issuer's state			
Dummies for the issuer's industry			
Dummies for the stock exchange			
Period fixed-effect			
Constant	-6.080***	-6.340***	-6.879***
	(0.434)	(0.435)	(0.339)
Observations	92,464	92,464	92,464
Cragg-Uhler(Nagelkerke) R2	0.222	0.224	0.228
% of obs classified correctly	94.47%	94.47%	94.47%

Robust standard errors in parentheses - *** p<0.01, ** p<0.05, * p<0.1

APPENDIX B

Table B1: Panel-data GLS random effect regression of the number of words testifying for the association with disapproved logic for a specific quarter at the bank level

VARIABLES	Model 1
Total number of words	0.00136***
	(2.21e-05)
US States in which the bank has an office	-0.109
	(0.0837)
Bank's volume of shares syndicated	0.000170
	(0.000168)
Rank in the league tables	0.0219
	(0.0301)
Reputation	-0.341
	(0.223)
Bank's US total assets	-0.743
	(0.587)
Commercial banking activities	-1.013
	(8.282)
Sales and trading activities	3.490
	(5.780)
Research activities	-0.459
	(5.507)
Retail banking activities	-1.786
	(8.897)
Asset management activities	0.123
	(4.455)
Wealth management activities	2.488
	(3.375)
Constant	5.354
	(7.301)
Observations	504
Chi2	5087.47

Robust standard errors in parentheses - *** p<0.01, ** p<0.05, * p<0.1

Banking on illegitimacy:
Logics, disapprobation and inter-organizational relationships in the post-crisis finance industry (2007-2011)

Abstract. This dissertation explores the antecedents and outcomes of organizational illegitimacy. How do organizational illegitimacy emerge? Why does it persist? Using an institutional logic perspective, I investigate the materialization of a stigmatized category, and how variance in disapproval within this category can signal proximity to a field-level logic and yield beneficial outcomes. The stakes of transferring and manipulating illegitimacy set the stage for blame games at the field or organizational level. These questions are examined in the empirical context of the US investment banking industry in the aftermath of the 2007 crisis. I focus in particular on its perception in print media. This work sheds light on the strategic nature of negative social evaluations, and provides implications for corporate image management and policy practice.

Keywords. Organizational Illegitimacy, Institutional Logics, Discourse, Sociology of Finance, Stigma, Disapproval.

“Banquer” sur l’illégitimité:
Logiques, désapprobation, et relations inter-organisationnelles dans l’industrie de la finance en période d’après crise (2007-2011)

Abstract. Cette thèse explore les antécédents et conséquences de l’illégitimité organisationnelle. Comment l’illégitimité organisationnelle émerge-t-elle ? Pourquoi persiste-t-elle ? En utilisant une approche fondée sur les logiques institutionnelles, j’étudie la matérialisation d’une catégorie stigmatisée, et comment la variance en termes de désapprobation au sein de cette catégorie peut signaler une certaine proximité vis-à-vis d’une logique de champ, et se révéler bénéfique. Les enjeux que représentent les transferts et manipulations de l’illégitimité favorisent l’apparition d’échanges sociaux dans lesquels les acteurs se rejettent la faute. Ces questions sont étudiées empiriquement dans le contexte de l’industrie de la banque d’investissement aux États-Unis dans la période d’après crise, à partir de 2007. Plus particulièrement, j’observe la perception de cette industrie dans la presse écrite. Ce travail de recherche révèle la nature stratégique des évaluations sociales négatives et délivre des enseignements pour la gestion de l’image de l’entreprise et les politiques publiques.

Keywords. Illégitimité Organisationnelle, Logiques Institutionnelles, Discours, Sociologie de la Finance, Stigmate, Désapprobation.