

‘Chimneys don’t belch out carnations!’ The (in)tolerance of corporate hypocrisy: a case study of trust and community engagement strategies

Abstract

The relationship between corporate hypocrisy and legitimacy has been articulated paradoxically in the Corporate Social Responsibility (CSR) literature. On the one hand, this literature articulates that when corporations engage in hypocrisy it erodes trust and encourages attacks upon legitimacy. On the other hand, CSR statements decoupled from core functions are an example of corporate hypocrisy that is justified through maintaining legitimacy in certain conditions. These diverse approaches in the literature are evidenced further in our case study analysis. We present a qualitative case study of how local community judgements of a corporate hypocrisy event and consequent community engagement strategies affect trust and corporate-community relations. The analysis shows that the community tolerates corporate hypocrisy to a degree. However, when hypocrisy becomes intolerable, and with the firm in question reverting to an absent community engagement strategy, this erodes legitimacy. This has implications for society's trust in business, corporate sustainability, and managerial practice.

Keywords: Corporate hypocrisy, legitimacy, trust, community engagement, case study, qualitative.

1. Introduction

As scandal after scandal has engulfed corporations around the world in recent decades, threatening firms' legitimacy, and the development and maintenance of society's trust in businesses, corporate hypocrisy has received a lot more attention in the popular press and academic literature (Bowen, 2014; Cho, Laine, Roberts, & Rodrigue, 2015; Murphy & Schlegelmilch, 2013). However, our understanding of corporate hypocrisy, the discrepancy between a firm's CSR behaviour and its stated standards of CSR (Wagner, Lutz, & Weitz, 2009), as well as its consequences and implications for business and society, is far from complete. Especially of interest is understanding why some instances of corporate hypocrisy erode legitimacy (Janney and Gove, 2011), but may enable it in others (Pache & Santos, 2013).

In this paper, we investigate community reactions to corporate hypocrisy, its consequences on community engagement strategies (Bowen, Newenham-Kahindi, & Herremans, 2010) and the corporate-community trust relationship (Greenwood & Van Buren, 2010). As wave after wave of corporate scandal ensues, more stakeholders may react badly to corporate hypocrisy (Wagner et al., 2009). Such reactions mean stakeholders may withdraw support and resources, hindering the firm's legitimacy and trustworthiness (Gillespie, Dietz, & Lockett, 2014). Additionally, a deficit of legitimacy and trust in organizations can be problematic for society as a whole (Moran, 2013; Putnam, 2001).

However, Brunsson (1989) suggests hypocrisy is essential for corporations to navigate particularly complex social environments where conflicting values compete simultaneously. For example, economic business performance often conflicts with environmental and social performance (Bowen, 2019). This is especially so for extractive industry firms because of their direct environmental impact on communities in close proximity (Banerjee, 2000; Gond, Barin Cruz, Raufflet, & Charron, 2016) and increasing concerns regarding communicative practices where there is a disconnect between a firm's environmental communication and performance

(Bowen, 2014). Such decoupling and symbolic ambiguity in the non-market arena can be seen as key to the legitimacy of organizations (Meyer & Rowan, 1977). This raises the need for a practical understanding of how stakeholders judge hypocrisy, under what circumstances hypocrisy becomes intolerable, and what its effects are on community engagement strategies and the corporate-community trust relationship.

Higgins and Walker (2012) note the social and political pressures on organizations to develop a public image of social responsibility. This leads to a potential conflict between the core competencies of the firm and the discourse of CSR in which it might engage (Bowen, 2014; Cho et al., 2015), especially so for industries where firms' operations have a direct impact on the environment. A firm's engagement with the community in close proximity to its operations can be a significant activity within the firm's broader stakeholder strategy. This is because, through a positive community interface, firms can build societal legitimacy and gain stakeholder trust (Bowen et al., 2010; Moffat & Zhang, 2014). However, corporate hypocrisy might interrupt this activity. We concentrate therefore on how a community perceives corporate hypocrisy, and its impact on corporate-community trust relations and legitimacy (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010).

In this paper, we focus on explaining how corporate hypocrisy, especially its perceived magnitude, and community engagement strategies directly affect the corporate-community trust relationship. We examine these processes over time, with the use of a rich and complex qualitative case study. In so doing, we respond to calls for more in-depth contextualized case studies (Wood & Budhwar, 2014) to answer the 'how?' question (Eisenhardt & Graebner, 2007).

Our chosen case is a multinational Concrete Aggregates Corporation (CACo) that exercised corporate hypocrisy as part of its CSR strategy in its operations in Greece, i.e. a perceived discrepancy between the firm's CSR behaviour and its stated standards of CSR (Wagner et al.,

2009). We chose such an extractive industry firm because hypocritical ‘greenwashing’ is characterized as a typical industry practice, and even a necessary precondition to gain legitimacy (Gehman, Lefsrud, & Fast, 2017; Parsons, Lacey, & Moffat, 2014). This makes the extractive industry ideal for research on what we define as *tolerable hypocrisy*, as well as its counterpart, *intolerable hypocrisy*. Due to the nature of its operations and especially their impact on the environment, such a firm is regularly subjected to legitimacy evaluations from the local community (Bowen, 2014; Mitchell, Agle, & Wood, 1997). Tolerable hypocrisy in this case manifests as a type of transactional acceptance of greenwashing. The exploitation and extraction of local natural resources for cement production, and fossil fuel pollution may be tolerated in exchange for economic growth and employment opportunities, especially in contexts of economic crisis and poverty. Within such contexts, CSR and community engagement strategies can help to further legitimise these operations (Bowen et al., 2010).

However, it is also this industry (and our case study specifically) which provides a good illustration of intolerable hypocrisy to those stakeholders that make legitimacy evaluations, such as the local community which are particularly vulnerable to the consequences of corporate hypocrisy (Bowen, 2014; Laufer, 2003). In our case study, we argue the decision to burn Refuse Derived Fuel (RDF) despite the firm’s CSR pledges of ‘reducing climate change and protecting the environment’, expressed in their sustainability report (2017, p. 29), was perceived as intolerable hypocrisy by the local community. RDF is a fuel produced by shredding and dehydrating solid waste and consists largely of combustible components of municipal waste. Although RDF is a fuel, it is still considered waste. Its storage, export and use must be carried out in accordance with the relevant regulations to avoid pollution to the environment (Environment Agency UK, 2014). The difference between burning RDF and a more tolerable hypocrisy, such as quarrying cement in the local area, is the local community’s perception of a significant comparative risk differential to health and the environment.

Despite claims that RDF could be a more sustainable fuel (CACo Sustainability report 2017), pollution to the local environment is worse. While RDF CO₂ emissions are similar to those of fossil fuels (Krawczyk, Badyda, & Mikołajczak, 2018), hazardous by-products and toxic emissions may be generated that are more deleterious. Claims to sustainability are not supported, rather the cheapness of the fuel and generous state subsidies better justify its use from a business performance perspective. In fact, studies have shown that people living near incinerators that burn waste, including RDF, are exposed to high levels of dioxins and furans (Greenpeace Research Labs, 2001). These highly poisonous substances can cause reproductive and developmental problems, damage the immune system, interfere with hormones, and cause cancer (World Health Organization, 2016). Thus, taking the decision to burn RDF can be perceived as very different in magnitude to tolerable hypocritical business practices. The claim to engage the local community stakeholder in its communications, whilst ignoring its views in the decision to use RDF in its Greek sites is, we argue, an example of intolerable hypocrisy.

In this paper, we further build on the work of Greenwood and Van Buren (2010) and Bowen et al. (2010) in several respects. Firstly, we provide a deeper understanding of community engagement strategies, the subset of a firm's CSR activities directed towards individual citizens and community groups (Bowen et al., 2010). In doing so, we provide an integrated approach to trust development and community engagement literatures, in order to unpack levels of trust and types of engagement strategies through their relation to corporate hypocrisy and legitimacy. Regarding hypocrisy, we answer the call for contextual considerations in research on corporate hypocrisy (Wagner et al., 2009). Furthermore, corporate hypocrisy is often treated in a monolithic way in the literature, where it is seen as either eroding or maintaining legitimacy. We instead explore corporate hypocrisy as a dynamic concept and deal with both perspectives without privileging one over the other. In fact, we argue that whether corporate hypocrisy erodes or maintains legitimacy will depend on its magnitude. We contribute

therefore to corporate hypocrisy literature by exploring the topic and introducing the concepts of *tolerable* and *intolerable* hypocrisy. New knowledge is gained by unpacking the process of how the perceived *magnitude* of hypocrisy is key to understanding stakeholder reactions, its consequences on trust and community engagement strategies, as well as the impact of corporate hypocrisy on legitimacy. We offer a graphical representation of this contribution with a process model.

The paper is structured as follows. In section two we review the relevant literature. Then we provide a description of our methodology and analysis process, and a detailed factual narrative of the case. In section four we present our findings and develop a more nuanced understanding of the complexities and effects of corporate hypocrisy on community engagement strategies and corporate-community trust relations. The importance of the perceived magnitude of corporate hypocrisy is shown to be crucial for organizational trustworthiness, strategy and stakeholder relationships. Then, our discussion provides support for several extant theories, identifies important challenges to the current literature and offers a novel process model of community engagement strategies, trust, corporate hypocrisy, and legitimacy. Finally, implications for future research and practice are discussed.

2. Background

The extant literature demonstrates that corporate hypocrisy can be damaging to a company's legitimacy (Wagner et al., 2009; Yoon, Gürhan-Canli, & Schwarz, 2006). Janney and Gove (2011) argue that decoupled CSR communications from actual business practices may aid a firm's legitimacy, but actually expose it to greater scrutiny and sanction for wrong-doing, or of greater perceived magnitude of hypocrisy, when this is discovered. Carlos and Lewis (2018) show how firms strategically silence their green credentials, or CSR communications, in times of reputational threats in order to minimise the scale of perceived hypocrisy and thus minimise

legitimacy concerns. These and others scholars (e.g. Seele & Gatti, 2017) demonstrate how hypocrisy damages legitimacy when perceived by external referents.

In a different conceptualisation of corporate hypocrisy, Brunsson (2007) advances that organizations, especially extractive industry firms, manage institutional complexity and multiple and conflicting claims for attention by engaging in what he terms organized hypocrisy. Corporate hypocrisy can be a means for managers to balance their core corporate functions with contrasting implicit contracts with society (Cho et al., 2015). Organized hypocrisy is “a response to a world in which values, ideas, or people are in conflict – a way in which individuals and organizations handle such conflicts” (Brunsson 2007, p. 113). He further elaborates on this by claiming organized hypocrisy is a practical necessity for organizational legitimacy, especially in complex and controversial environments, such as our case study.

Meyer and Rowan (1977) discuss this issue in a different manner, e.g. the result of high institutional scrutiny and pressure leads firms to maintain legitimacy by statements to mitigate the pressure without implementation. It is hypocritical but justified where norms of business practice derive from one logic, whereas its operational practices are drawn from another (Bromley & Powell, 2012; Thornton, 2002). Pache and Santos (2003) argue this means firms conform closely to environmental discourses, but do not attempt to implement those at the operational level. What is key to this understanding of decoupling is “that organizations are able to avoid the scrutiny of external referents, who are not aware of the misalignment between organizational policies and practices. These assumptions are likely to be challenged in contexts where institutional logics compete over long periods of time” (Pache and Santos, 2013 p.975). Corporate hypocrisy, understood in this way, legitimises the practices of organizations until external stakeholders become aware of, and refuse to tolerate the blandishments of espoused stakeholder engagement practices versus enacted business operations.

This diversity of approaches in the corporate hypocrisy literature presents a fragmented and under-researched picture (Antonetti, Bowen, Manika, & Higgins, 2018). Corporate hypocrisy has been linked to legitimacy both negatively and positively, albeit in an underdeveloped and even monolithic fashion. This is to be expected considering that corporate hypocrisy is still in its infancy in terms of empirical research and field examination. Whilst similar in many respects to decoupling in the institutional CSR literature, the differences serve to highlight the longer developed understanding in that body of literature. The questions that arise from this comparison seem then to be: what makes stakeholders react adversely to some examples of corporate hypocrisy, but not to others? What makes corporate hypocrisy almost mundane, and actually legitimise organizational engagement with stakeholders? Furthermore, what gives rise to the opposite effect? We seek therefore to understand these processes specific to corporate hypocrisy. For instance, what explains stakeholders' tolerance of hypocrisy, and why, when, and where does that tolerance end? Is there a threshold of tolerance over which erosion of legitimacy takes place? We posit that exploring and understanding the importance of magnitude of perceived hypocrisy is crucial to understanding these questions.

2.1 Corporate hypocrisy and the community

In the literature, definitions of community are more or less evenly split between individuals of the public generally, and the definition of community as groups or organizations (Dunham, Freeman, & Liedtka, 2006). Firms acknowledge local communities as stakeholders as they possess some form of stake in the firm whether it is 'contract, exchange, legal title, legal right, moral right, at-risk status, or moral interest in the harms and benefits generated by company actions' (Agle, Mitchell, & Sonnenfeld, 1999, p. 508). The CSR literature has long contended that local communities, although not necessarily financial stakeholders, have the power to seriously affect the continuity of a corporation (Freeman & Reed, 1983; Westphal & Zajac, 2001). Thomson and Boutilier (2011) in the extractive industry context demonstrate that

positive perceptions of a mining firm in this instance, gives rise to trust and goodwill, and hence a 'social license' (Moffat and Zhang 2014, p.63) for new operations to 'muddle through' (Crilly, Zollo, & Hansen, 2012). To define community in these terms highlights the importance of the community and their perceptions for our case study firm, and other organizations more broadly.

Many scholars have already noted the gap in our understanding concerning the factors that comprise community perceptions of extractive industry hypocrisy and how this might affect policy and strategic decision-making (Bowen et al., 2010; Moffat & Zhang, 2014; Parsons et al., 2014). They proceeded to identify how these perceptions are constructed (Clarke et al., 2015), drawing from studies of other contentious social issues such as social-psychological impacts of nuclear disasters such as at Fukushima, and the impacts of new technologies (Gupta, Fischer, & Frewer, 2012). This research frames discourses drawn upon by local communities in their interactions with such extractive industry firms. Community perceptions can provide practical empirical evidence of how firms manage their community engagement.

This paper seeks to unpack the dynamic relationship between corporate hypocrisy, community engagement strategies and trust. This contributes to new knowledge about corporate hypocrisy because it is the local community stakeholder that engages with, and is vulnerable to potentially hypocritical corporate activity. The local community's experience of the contiguous pollution of the firm is allied to CSR strategies, or so called 'greenwashing' and presents an ideal hypocrisy case study. Both the local community (Bowen, 2014; Laufer, 2003) and corporate communications from extractive industry firms (Miles, 2017) note the salience of the local community stakeholder. As such, how a firm interacts with this primary stakeholder is telling and can be investigated through its community-engagement strategy.

A firm's community-engagement strategy is the 'pattern of activities implemented by firms to work collaboratively with and through groups of people to address issues affecting the social

well-being of those people' (Bowen et al., 2010, p.297). Bowen et al. (2010) borrow from Bass (1990) and create a typology of community engagement strategies, namely 'transactional', 'transitional' and 'transformational'. A transactional strategy is one of one-way communication from the firm, based on calculus, and separate benefits accruing to both parties. Transitional engagement is based more on two-way communication, but not yet at the level of collaborative decision-making. It is this level at which examples of maintaining the fragile trust of communities in close proximity to polluters can be identified. Transformational, as the definition suggests, alludes to local community taking part or even leading in decision-making processes. The nature of trust differs across this typology, from limited to relational, and we borrow this typology to explore what trust entails, specifically at the transactional, transitional, and even non-existent engagement levels. In this case study, the assumption from a community engagement strategy lens is that company concerns for local community demands are one way to generate long-term value for both the business and society (Avram & Kühne, 2008).

2.2 Corporate hypocrisy and trust

It has been argued that both community engagement strategies and corporate hypocrisy may lead in their own ways to the maintenance of a firm's legitimacy. Organizational trust exists too in the space of the legitimacy of firms. Focusing on the community's perceptions of the trustworthiness of the organization, trust is defined as 'the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another' (Rousseau, Sitkin, Burt, & Camerer, 1998, p.395), where the parties engage in risk-taking activities after having evaluated their target's trustworthiness (Mayer, Davis, & Schoorman, 1995). Mayer et al. (1995) identify three factors of trustworthiness, which Gillespie and Dietz (2009), have adapted to the organizational level: *ability* – the organization's competencies necessary to function reliably and effectively so that it meets its goals; *benevolence* – organizational action that indicates concern for the stakeholders' well-being; and *integrity* – actions that adhere to moral

principles (p. 128). The level of perceived trustworthiness depends on the existence of these three factors, and a lack or decline of any of them would weaken trust (Mayer et al., 1995). A relationship between a firm and a stakeholder like the local community implies a certain amount of risk (being vulnerable and potentially powerless towards organizational decisions that are perceived harmful to the community e.g. pollution). Therefore, trust is required for a relationship to be developed and maintained. It is expected that within the corporate-community relationship, the community's members will evaluate organizational trustworthiness before deciding to engage or not in an action of trust. The dependent stakeholder of the local community (Greenwood & Van Buren, 2010) may respond positively to extractive industry firms if these entities do not take advantage of the community's vulnerabilities; demonstrate competence and integrity in managing the potential risks their operation represents; work collaboratively with them; and adhere to community expectations regarding firm behaviour (Moffat & Zhang, 2014).

It is argued that society's trust in a firm can legitimize it (Pirson, Martin, & Parmar, 2019), by promoting cooperative behaviour between the firm and various stakeholder groups (Dirks & Ferrin, 2001; Jensen, 2003) and providing a foundation for sustained firm success (Barney & Hansen, 1994; Pirson & Malhotra, 2011; Pirson et al., 2019). On the contrary, a firm's failure to provide evidence of trustworthiness, will contribute to a breach of trust and thus the weakening of the relationship between the firm and the community stakeholders and a loss of societal legitimacy (Poppo & Schepker, 2010). This can threaten the long-term sustainability of the company in that area (Sweetin, Knowles, Summey, & McQueen, 2013). Community trust can be central to societal legitimacy and a strong predictor of community acceptance of extractive industry firms' operations. The extent to which such firms can achieve and maintain societal legitimacy will depend on their trustworthiness and how they manage and mitigate operational impact and perceived hypocrisy (Moffat & Zhang, 2014). Cho et al. (2015) argue

that sustained incongruence between a corporation's talk and actions (i.e. hypocrisy) will ultimately erode its integrity and thus result in a significant loss of stakeholders' trust and consequently legitimacy.

Apart from the factors of trustworthiness, trust also needs time to develop. Repeated actions indicative of a trustworthy behaviour "generate a spiral of rising trust" (Fox, 1974, p. 71), or as Pettit (1995, p. 210) comments, "trust builds on trust" and "tends to grow with use, not diminish". An event of intolerable hypocrisy may interrupt the process of trust development. Researchers who explored trust and cooperation presumed the level of trust to begin at zero, with stakeholders relying on their predisposition and analysis of the situation to decide whether to cooperate or not (Axelrod, 1984; Lewicki, Tomlinson, & Gillespie, 2006). Based on Fox's (1974, p. 67) point that "the essential character of all trust relations is their reciprocal nature", trust is positively developing over time when individuals decide to reciprocate cooperation, and drastically declining if the other party does not reciprocate (Axelrod, 1984; Lewicki et al., 2006). Moffat and Zhang (2014) show that building trust with local communities by introducing high-quality engagement with said communities, was crucial for mining companies to obtain and maintain societal legitimacy, which is represented as meaningful stakeholder relationships based on trust (Warhurst, 2001). Thus, a firm's community engagement strategy can initiate reciprocity and a 'spiral of rising trust', the level of which can increase based on the type of community engagement strategy adopted. For example, the nature of trust in transactional engagement strategies is limited with occasional interactions between the firm and the community (Bowen et al., 2010) and therefore more restricted in allowing trust to develop, and more fragile to perceived hypocritical events.

Lewicki and Bunker (1996) suggest that trust develops gradually and matures through time and in three stages, each stage involving a different type of trust and with the transition from one

stage to the next being sequential. At the beginning, the relationship starts with a *calculus-based trust*: it is an on-going relationship based on market-oriented and economic calculations where the parties have little information on the other party's trustworthiness and relationships are mostly based on the desire to maintain a good reputation. At this stage trust between stakeholders is fragile. Given that time passes, and information and credible evidence exist, trust moves to *knowledge-based trust*. Here, parties have a history of interaction that allows them to develop expectations about the other party's actions. Predictability and a belief in the other party's trustworthiness enhance trust. Some stakeholder relationships move a step further and mature to a point where the parties identify each other's desires and intentions. Trust is now *identification-based trust* and is based on mutual reciprocity and consistent positive outcomes. The relationship has matured to a level that one can act as a substitute for the other. Rousseau et al. (1998) add two more types of trust, *deterrence-based trust*, which is based on a belief that the other party will be trustworthy because of the existence of sanctions and punishments if trust is breached, and *relational-based trust*, which is based on information from within the relationship and is characterised by high levels of reliability and dependability in previous positive outcomes. Dietz and Den Hartog (2006), in their continuum of degrees of trust, place deterrence-based trust before calculus-based, and relational-based after knowledge-based.

These stages of trust development can be very useful when exploring the corporate-community relationship and the type of community engagement strategy a firm adopts. Combining the characteristics of each community engagement strategy type and the different stages of trust development, we suggest that calculus-based trust would be associated with a transactional strategy, knowledge-based with a transitional and relational-based or identification-based trust with a transformational engagement (Figure 1). Given the characteristics of deterrence-based trust we expect that this low trust level signifies an 'absent' engagement strategy, where the

community must rely on sanctions and safeguards to trust the firm. Additionally, we expect the nature of a firm's chosen community engagement strategy to influence trust, and, arguably, any shifts in engagement strategy or withdrawal of engagement to have significantly different impacts on trust development. The two-way arrows in Figure 1 indicate the impact of the strategy on trust and *vice versa*. This figure draws upon the Bowen et al. (2010) typology and integrates it with levels of trust development.

[Figure 1 near here]

Our review of the literature attempts to deepen our understanding of corporate hypocrisy, by questioning its presentation in often monolithic terms. Understanding how some corporate hypocrisy enables legitimacy, whereas other forms of it achieve the opposite effect is a problem that needs further exploration. Further questions then arise about how firms manage the community stakeholder considering different magnitudes of corporate hypocrisy. We offer an integration of the trust development and community engagement literatures to enrich and extend our understanding. This integrated approach, as represented in Figure 1, allows us to identify types of community engagement strategies with trust development levels in different contexts. In our case study, we use Figure 1 to illustrate the varying effects corporate hypocrisy may have upon trust and corporate-community relations. We argue this depends on the perceived magnitude of the corporate hypocrisy, and the firms' choice of community engagement strategy. We have widened the scale and scope of community engagement strategies by adding absent engagement strategy and deterrence-based trust. This deepens our understanding of corporate hypocrisy through unpacking local stakeholder reactions to tolerable and intolerable hypocritical practices.

3. Methodology

Utilising a case study research design, we investigate the opinions of the local community concerning the decision by CACo to use RDF. Case studies, as a research strategy, ‘focus on understanding the dynamics present within single settings’ (Eisenhardt, 1989, p. 534) and are preferred as a method ‘when ‘how’ or ‘why’ questions are being posed, and when the focus is on a contemporary phenomenon within its real-life context’ (Yin, 2003, p. 1). The case-study approach was deemed as particularly suitable to answer the problem posed in this research project, because it allows an understanding of stakeholders’ experiences and relationships to emerge within the specific context. To understand the role of corporate hypocrisy, trust, and community engagement strategies, one must study and analyse the particular conditions relating to that context and within that context, and a case-study strategy provides the necessary tools for this.

Multiple data collection methods provide triangulation of the evidence and strengthen the findings (Eisenhardt, 1989; Creswell & Miller, 2000). To achieve this, the following data collection techniques were used: a) 22 semi-structured interviews b) official public documents c) audio-recordings of community and city council meetings and d) the firm’s annual sustainability report. Table 1 presents details of these sources and how they were used in our data analysis.

[Table 1 near here]

The interview questions were focused on gathering data about participants’ opinions regarding the firm’s operational decisions, specifically the decision to use RDF, its CSR policy, its stakeholder-relations, and its demonstration or lack thereof of trustworthy behaviour.

Following the Gioia methodology (Gioia, Corley, & Hamilton, 2013), through multiple rounds of open coding, we identify concepts, moving from *in-vivo* (e.g. simple descriptive phase) to

second order codes (e.g. thematic coding of trust concepts) (Maanen, 1979; Strauss & Corbin, 1990). Throughout the process, triangulation with other sources and comparisons of interviewees helped us to refine and strengthen our interpretations (Yin, 1994). The data structure derived from this analysis is presented in Figure 2.

[Figure 2 near here]

3.1 The research setting

CACo entered the Greek cement market in 2001 and currently operates two concrete aggregates plants. According to the company's 2017 annual sustainability report, CACo invests heavily in its CSR strategy particularly highlighting the following four areas: climate, circular economy, water and nature, and people and communities.

In 2006, the firm decided to start the procedures and planning required to use RDF alongside other fossil fuel used in their cement production until that point, namely oil and fuel grade Petroleum Coke (Petcoke). CACo formally enquired the Greek Ministry for the Environment, Energy and Climate Change whether a special permit was required for the plant to burn RDF. The Ministry replied such permit was not required, but the relevant local authorities must be notified. However, these authorities then informed the Ministry that such a decision involves additional emissions from the plant. These pollutants would have the potential to cause environmental problems and thus an environmental impact report needs to be submitted by the firm to be evaluated within a public consultation format before a decision is taken.

After the public consultation process was completed, the Ministry decided to approve the firm's request to burn RDF. This decision was then appealed by the town's environmental society, the Environmental Protection Society (EPS), the local village council in close proximity to the plant, and the 'Citizens' Association of [local town]' (CA), starting a long, and costly legal battle. A temporary decision to allow the plant to burn RDF was taken in December 2013 until

a final decision was made by the Council of State (CoS)¹ in December 2017 that allowed CACo to continue burning RDF indefinitely. Table 2 below provides a timeline of major events and decisions.

[Table 2 near here]

4. Findings

In this section, we detail the relationship both prior to, and after, the decision to use RDF was taken, the impact this had on corporate-community trust relations, and the effect of this perceived intolerable hypocritical action on both the community and the firm. Our findings highlight how processes of community engagement, stages of trust development in stakeholder relations, and hypocritical organizational decision-making interact and unfold (Langley, 1999). The result is a process model that shows the dynamic relationships among the concepts named and makes the data-to-theory connections relevant, contributing to new knowledge by highlighting the importance of the perceived magnitude of corporate hypocrisy.

4.1 Community engagement strategy and trust levels prior to event (T1)

The relationship between the plant and the local community in general could be characterized as stable until 2006, with CACo following a transactional engagement strategy (Bowen et al., 2010). Specifically, as seen from the company's website, the company's stakeholder strategy seemed to contribute to the community's social and economic development. Examples of this can be found in a number of roads that the firm built in the local municipality, the building of a new office space for the village council in close proximity and a playground in the village. The biggest contribution perceived by the community was its employment opportunities for locals. The rationale for these CSR processes and practices can be located in the literature that

¹ The Council of State is the highest court in Greece where you can appeal such decisions, with no further appeals allowed.

includes legitimacy and trust (Banerjee, 2008; Gillespie et al., 2014). Campbell (2006) and other institutional and CSR theorists have usefully theorized about field level institutional reasons for businesses adopting such practices (Matten & Moon, 2008). Other scholars highlight the need to disassociate core business functions from CSR practices – a necessary hypocrisy (Brunsson, 1989).

Community engagement was perceived by the local community as transactional at stage T1, also revealing a relationship based on calculus-based trust through market-oriented and economic calculations, for instance through local employment. *“The important thing for us, as the local community, is the matter of employment”* (P05). Included among the interviewees were former workers at the plant who viewed this aspect of the firm’s behaviour in almost glowing terms:

The people I work with, the employees are very satisfied, people who work in CACo are very satisfied. Salaries in CACo are very good. All this work in their favour.
(P06)²

The findings reveal that perceptions of the community stakeholder were nuanced. The corporate-community relationship was perceived as transactional and reciprocal prior to the firm’s decision to burn RDF, indicating an initial level of trust that had potential to develop further between the parties. It was couched in terms of reciprocal transaction and exchange, and often in the discourse of the CSR policies of the firm. This is apparent in the firm’s Greek website where it argues that *“fostering stakeholder relations based on dialogue and trust is important”* and highlights that good stakeholder relations benefit the communities that the company has an impact on and that they benefit the firm too.

² We acknowledge the somewhat unwieldy nature of the translation of our research participant quotes. However, we argue this more accurate rendition of their syntax and words gives a more candid account of our analysis.

This reciprocation is acknowledged by the community. The transactional engagement tactics of CACo included help with quelling bush fires in the region, and sponsoring local football teams.

It had helped football teams, associations which helped initially financially –because this is where everything starts– and secondly by bringing here some people who had knowledge on the subject and helped them immensely in some areas. (P03)

At the same time, because we had big problems from power failures, they rented generators for pumping stations of the villages which were left without water. (P15)

There was tolerable corporate hypocrisy in the observed discrepancy between CSR communications and actions of the firm regarding pollution because of the perceived transactional and stable nature of the firm's community engagement strategy as perceived by the local community:

'Evidence of climate change is all around us. Our long-term plans position us to play our part in reducing climate change and protecting the environment, while mitigating the risks and effects of further change' (CACo 2017 Sustainability report)

No one likes to have a plant in their town with all the pollution. But what can you do? People work there. (P13)

Bowen et al. (2010) identify limited levels of trust within such a transactional engagement strategy. Within this framework, we argue that a transactional engagement strategy corresponds to calculus-based trust, where the parties have little information on the other party's trustworthiness and trust is based on market-oriented and economic calculations (Lewicki et al., 2006). Our findings detail trust in community engagement strategies, with the community stakeholder having a sophisticated understanding of their relationship.

Now, it is a given that any industrial growth has its suffering. Chimneys don't belch out carnations! It is just that we are an industrial area now and I believe that CACo has contributed to that, in our region, to have this growth. Truth be told, with the crisis we have in our country, without CACo I couldn't guess what the situation would be in this place... So, its purpose is to produce concrete. Beyond that, it doesn't deliberately pollute the environment. But it does so, to make its product as cheap as possible. And this comes with consequences (P03)

This quote highlights the nuance of the knowledge and agency of the local community around reciprocal arrangements of transactional engagement strategy and calculus-based trust. The local community are not naïve, they are acutely aware of conflicting interests and actively make decisions regarding what business practices they find acceptable. This is voiced through reciprocal expectations they had of the company, and how they perceive the relationship in terms of costs and benefits for both parties.

This perception by the community of transactional engagement seems contradictory to the firm's own CSR statements and engagement strategy. The relationship between CACo and the community is recognized in the firm's sustainability report:

Our social investments are based on long-term strategies, implemented in collaboration with specialized local or international partners, and address clear needs in the communities where we operate. Areas of focus include health, education, shelter and infrastructure, environment, and local employment creation.

The firm's CSR statements suggest a deeper relationship than the transactional one perceived by the community, which may highlight the firm's intentions to develop the relationship further, perhaps moving to a transitional engagement strategy and knowledge-based trust. At this stage, the community has a history of interaction with CACo that allows them to develop

positive expectations about future actions by CACo (Lewicki & Bunker, 1996). However, if community engagement actions are perceived as contradictory to CACo's strategy statements, this can weaken trust instead of developing it, as the community's expectations are not realized. The CSR dialogue of CACo encompasses both statements on the environment and community, marking bluntly the discrepancy between such dialogue and the decision to burn RDF.

Such trust unpacks the importance of the perceived magnitude of hypocrisy in the community perception of the firm's engagement strategy prior to the hypocrisy event. It demonstrates a basic but developing level of trust, acceptable reciprocation, and satisfaction of the community with firm legitimacy of decision-making. One former employee remarks:

Generally I can say that these were times positive on all sides. And I think it is positive. It was a company that managers –for as long as I was there at least, I cannot express an opinion about the ones they have now– had mutual trust and sincerity so that whatever we agreed were implemented by both sides. (P15)

This level of trust perception and therefore community engagement strategy can be discerned also in the view of the community that CACo have ability and can be trusted in terms of their expertise and professional capacity when it comes to their core activity:

I've been working for CACo for eight years. So I have an opinion and some knowledge. It is a plant pretty reliable, a good plant and the main thing is that they have the raw material close. So they are producing cement of good quality, according to experts at least. (P09)

The reciprocal relationship between the firm and the community is also recognized in CACo's sustainability report. It states the communities that surround its local sites are essential parties for the success of the company's activities and that “we recognize the value of engaging with the communities in which we operate” and “understand that we have a role in supporting the

local development". However, the community's expectations were qualified. Tolerable hypocrisy at this stage has a limited, if any, effect on trust, as such hypocrisy is expected. A pragmatic approach epitomized by calculus-based trust between firm and community was identified in our thematic analysis of the data:

They are interested in the difference between the return on capital and industrial activity, from what they could get if they had invested in the stock-exchange market.

So what counts is the percentage of the return on capital. (P21)

I think every company is mainly interested in making profit. This is legitimate, this is how things work we can't put the local community as their first priority. (P09)

4.2 Corporate hypocrisy and failed community engagement initiatives (T2)

The decision to burn RDF as an alternative fuel for the operation of the plant in 2006 was perceived as inconsistent with the firm's focus on environmental protection as stated in its sustainability report: *'We play our part in reducing climate change and protecting the environment'*. This triggered the intolerable hypocritical event and had a negative impact on the corporate-community relationship, especially the established trust with the local stakeholders, namely the local authorities and especially the EPS.

Engaging in public consultation, trying to initiate stakeholder dialogue and two-way communication with the community can be interpreted as a change in CACo's community engagement strategy from transactional to transitional in an effort to seek community agreement for this decision and maintain its legitimacy. However, this move did not materialize in the eyes of the community as the firm's community engagement statements did not turn into actions. This led to increasing community frustration and resistance rather than agreement, evidenced by frequent community protests against the use of RDF outside the plant's entrance and the start of a legal fight between the community and CACo.

CACo tried to create a special committee, which eventually never materialized, consisting of relevant plant staff and local authority agents that would review and evaluate emission problems. The environmental society, which according to its mission statement represents the local community's interests regarding the environment, was never invited to take part in this committee, creating frustration and suspicion about CACo's intentions among EPS members.

'They organized two or three meetings, if I remember correctly, inviting associations that have nothing to do with environmental protection, and deliberately didn't call neither the Technical Chamber of Greece, nor EPS, nor any other association that had turned against them in court. Like we didn't exist. (P16)

Proclamations from the firm's website contrast with the perception voiced by the community. The magnitude of hypocrisy was increasing. For instance, in response to this quote on the firm website: *"Our credibility in the communities in which we operate depends upon working together fairly and honestly."* Participant 1 states *"Of course, they started it wrong, as they were trying to set about it differently. Without the local society's knowledge"*. This was elaborated upon by Participant 22:

I believe that to a certain point the company was taking decisions for which it should have informed the local community, which it never did, and from some point onward when they saw that the community slowly was organized and opposed, started informing the community with lies, with no real data, or at least not completely real data. So I think there is an issue there.

Indeed, the CSR statements of the firm become even more decoupled from community perceptions around issues of *"environmental protection and respect for local communities... active contribution to local development"* (CACo Website) which contradict the observations of the community:

With the combustion of RDF they will have profits without investment. This would have consequences in the local community, serious consequences. Because the dioxins that are expelled, if in the long-term cause cancer to some people, this is not something that can be paid. Whatever you do after that, it can't be paid off...In this case they are going to have a greater profit by undermining other things, that in my opinion should be a priority, like residents' health. Activities such as the burning of RDF that are proven to have negative effects on peoples' health, shouldn't be executed and they shouldn't insist on that. Because if you insist, that already puts you in a different position than the one you say you seek, and that is to reduce the pollution and reduce the impact on residents' health. (P09)

Because they were always –when we talked– let's say they were talking from a position of power. “We are here and if you don't want us as we are or you don't like what we do, we can leave.” Using this threat, with the gun in our heads... This is not contributory to society. Nor are they interested in society. (P11)

Whilst the relationship prior to the decision to burn RDF can be characterized as stable, even at a calculus-based trust level, corporate hypocrisy was still tolerated and legitimacy maintained. This however changed in T2 as the corporate hypocrisy became intolerable, with its magnitude increased. After the initial consultation and the start of the legal fight with the community CACo abandoned any communication efforts and focused on gaining institutional legitimacy by winning in court. Any semblance of CSR, or trying to maintain a stakeholder dialogue with the community was abandoned in the face of a decision that seemed to enhance profit but ran contrary to their own explicitly stated CSR policies, especially the ones regarding community relations and protection of the environment. For instance, in the “about us” section of the CACo website it stated: *“Fostering stakeholder relations based on dialogue and trust is important to us at CACo. Stakeholder relations benefit the communities that CACo has an*

impact on and they help the company too.” The discrepancy however between this statement and the words of the local community make clear that a hypocrisy threshold has been reached, and then breached:

The truth is that compared to the past, there are departments in the company that deal more thoroughly with the issue of pollution and the environment and the effect on residents' health and therefore they take better measures now in relation to the past. So I believe that either by necessity or because the company believes in it, they made some efforts. Certainly this doesn't apply to the combustion of RDF, which is a very important criterion in my opinion. In this context, the company is trying to make the most of this lack of social and institutional framework from the state, in order to maximize profit, ignoring the needs of a society, which ultimately has offered to this company too much. (P05)

The last sentence of this quote, in particular, highlights when tolerable hypocrisy becomes intolerable. Despite some of the corporate hypocrisy literature claiming that hypocrisy is a necessary ambiguity to maintain legitimacy, the opposite effect can be observed in the perceptions and voice of the local community. The wider the decoupling between CSR statements and action, the greater the perceived magnitude, the less trust in the firm because of its decision, and therefore more questions about its overall legitimacy emerge. These findings provide further support to scholars arguing that corporate hypocrisy does indeed harm legitimacy (Janney & Gove, 2011). Furthermore, this suggests there is a threshold effect concerning corporate hypocrisy.

Bowen et al. (2010) suggest that community engagement strategies can reduce transaction costs. Specifically, a transitional approach can be used to reconcile conflicting community demands and maintain what can be interpreted as fragile community trust. Given the community's reaction to the firm's initial seeking of approval to use RDF, CACo initiated a

consultation exercise regarding the use of RDF in order to seek community agreement for this decision and maintain its legitimacy, initiating a transitional community engagement strategy.

However, these initiatives were met with suspicion by the community:

We had some peculiar processes in terms of information. Mostly it looked like a process of deception from CACo's part and creating groups of people who would support their interests, rather than a pure transparent relationship with the community. It was a selective briefing of people and bodies and there were people and associations [EPS] not even officially invited to be informed about this process. And of course, what prevailed was an attempt to beautify anything bad, dangerous problems that could come up, hide them and only highlight the positives. (P17)

This failed consultation process led to an unravelling of the corporate-community relationship.

With the decision to burn RDF and the subsequent actions of the community, such as legally challenging the decision, communication simply broke down. There was a noticeable degeneration of the relationship to what we term 'absent' engagement strategy:

These talks of course didn't happen nice and simple and with full understanding. There was a dispute. There was a lot of lack of knowledge in the whole story and from the part of CACo many hidden things. And many secrets we never managed to clarify. And so I was and I am against it until now, because they didn't change any particular conditions that I would say 'Yes, what was said, happened. They did it. They took some measures'. I haven't seen anything change. At some point secrecy prevailed. They closed the doors and we didn't know exactly what was happening. (P11)

They were friendlier. They were trying to come closer to the local community, they organized some meetings in the plant. Now these practices have been abandoned. I see nothing. As if they are isolated. Like they have a wall around them. (P10)

This [lack of communication and transparency] doesn't indicate a serious company that wants to be responsible towards the reservations a local community may have.

Because in any case we are all wary when garbage is burned. (P16)

At first they were building playgrounds, they planted trees, gave money to local societies, schools. These especially the last two-three years are gone. But everything else is here, the environmental pollution, but there is nothing from them to smooth it somehow. (P07)

This finding extends the community engagement strategy literature by demonstrating what has happened in this corporate hypocrisy event of particularly high magnitude, i.e. intolerable hypocrisy.

4.3 Trust levels and corporate community relations after the event (T3)

The impact upon community perceptions of organizational trustworthiness were significant. The decision to burn RDF without recourse to stakeholder dialogue, and in contradiction to CACo's stated CSR, meant that the firm became perceived as secretive and lacking in transparency, damaging its integrity. This led to heightened suspicions and diminishing trust in the organization. The breach of trust and the decline in engagement were commensurate.

I believe that cooperation and 'good cards' are needed on the table. And discussion.

In order to find solutions. Have conversation with moral values, if it's possible. Not concealed solutions. Out in the open solutions I believe would eventually be acceptable by the local community. (P20)

Shouldn't they make them public? Otherwise, even if they had good intentions, even if we saw them as trustworthy, all this collapses. (P10)

This corresponding breach of trust and decline in the corporate-community relationship was conveyed by the community explicitly in Mayer et al. (1995) typology of organizational trustworthiness through their conceptualisations of ability, benevolence, and integrity. For

instance, regarding ability, whilst P01 could point to the firm's expertise in concrete manufacturing, another participant (P22) highlighted how the decision to burn RDF led to a decline in trust based on ability.

Without being an expert on the subject of concrete, but from the information that I have, it is really reliable as a company and indeed we've heard that it is going to launch a high technology cement which will be used for drilling and that sort of things.

(P01)

I am absolutely sure that they don't even have the ability to use RDF... in the way they should. (P22)

It is with regards to integrity that perhaps the greatest damage was to both organizational trustworthiness and its corresponding link to stakeholder relations. As we see in the quotes below, corporate hypocrisy has become too blatant, and intolerable – threatening societal legitimacy.

It even makes you suspicious. Because if you want to suggest some measures to solve problems that have to do with pollution or the actual operation of the plant, you should do it openly, through discussions with the residents, because it is a company that operates near a residential region. (P09)

They never came to convince us otherwise. And so we certainly don't trust them.(P18)

Mostly it looked like a process of deception from CACo's part and creating groups of people who would support their interests, rather than a pure transparent relationship with the community. (P17)

Despite the extreme proximity (0.2 miles) to a heavy industry plant that manufactured concrete, the local community was ambivalent when it came to issues concerning the environment. They let the firm police itself and did not necessarily demand safeguards or increased environmental directives from their Mayor or city-council. They let the firm essentially self-regulate (Bowen,

2019) in a reciprocal arrangement based on calculus-based trust. This however was prior to the decision to burn RDF. Such an attitude was completely reversed due to the perceived breach of trust, magnitude of the hypocrisy event, and the complete deterioration of the corporate-community relationship. The community's reaction and opposition led to an 'absent' engagement strategy by CACo. Trust has demonstrably now declined to a deterrence-based level, which is built on a belief that CACo will only be trustworthy because of the existence of sanctions and punishments if trust is breached (Rousseau et al., 1998). This means the more vulnerable party in the relationship, the community (Greenwood & Van Buren, 2010), can only rely upon regulation to retain some sort of control.

I would personally like to have an electronic board in the square of my village and see at any time what comes out of the chimney. (P03)

In the sense that there should be a system of objective measurements. In plain view.

That the local community could see online, from the internet, the amount of pollutants, anytime of the day. (P21)

With this weakening of trust in the relationship it is apparent from the above quotes that the community is no longer willing to take risks and remain vulnerable (Mayer et al., 1995) as a dependent stakeholder. Instead they revert to the safeguards of regulation and control to compensate for the lack of trust and breakdown in the corporate-community relationship.

At this stage, a pragmatic, and even cynical approach to the reciprocal relationship between firm and community is emerging. Such cynical deterrence-based trust corrodes any engagement strategy from its low form of transactional to entirely absent.

No, because the reciprocal benefits, which it should have yielded to the local community, have not been yielded to the extent that it should. Chicken feed, like playgrounds, railings here and there, a grand (1,000 euro) to a group or team, are just humiliating, derisive stuff. (P12)

Sloterdijk (1988) asserted such cynicism is actually a healthy response to the institutionalization of hypocritical communication. Cynicism, we argue, has specific causes and effects. It arises when perceived hypocrisy has become so extreme and intolerable, that stakeholders, such as the community, cannot trust the firm. This results in a breakdown in community engagement, due to the bad faith displayed. The community reverts to cynicism, and deterrence-based trust.

No, they don't have good intentions. Their intentions have to do only with the interests of the company. (P22)

It is a company that only cares about its profit. That's for sure. If they could, they would... But certainly they are interested in having good relations. It is clearly a matter of give and take, with an obvious ulterior motive. I think their presence here has no social character, just a calculating one. (P19)

4.4 Legitimacy

Previous research has shown that trust and community engagement can be fundamental to how a firm gains and maintains societal legitimacy in contexts of institutional complexity (Bowen et al., 2010; Greenwood et al., 2011; Scherer, Palazzo, & Seidl, 2013). In our case study, levels of trust and community engagement can demonstrate the ongoing maintenance of CACo's legitimacy in the local area. There was realism and pragmatism on the community's part in recognising that local jobs came with a price. The costs, and level of corporate hypocrisy necessary for extractive firms to operate in a locality (Wagner et al. 2009) could be borne by the vulnerable, dependent stakeholder of the local community (Greenwood & Van Buren, 2010). This was reflected in the articulation of the community engagement strategy as transactional.

CACo's attempts to maintain operational competitiveness with the adoption of a practice such as burning RDF however, stretched societal legitimacy beyond breaking point. That is, the

corporate hypocrisy became so severe in light of this event that all community engagement ceased, damaging CACo's trustworthiness and severely weakening trust. This led to a deterioration of the firm's societal legitimacy. In fact, it led to attacks on both institutional and societal legitimacy. For instance, it delayed the burning of RDF in the plant for seven years through objections and legal fights from the community in the planning permission process (for details see Table 2). This meant the plant had not been able to take advantage of cheaper fuel and generous state subsidies to use this energy source to make concrete. Cost-cutting measures which led to the decision to burn RDF in the first place have been so irreparably retarded that now the benefits of burning RDF are nowhere near as beneficial as they were in 2006. Other actions included the demand for state regulations and interventions from local government officials (Bowen, 2019) such as a live electronic board displaying the pollution measurements of toxic materials from the plant. These are only the attacks on the institutional form of legitimacy. In terms of societal attacks – multiple protests, the blocking of the port to prevent entry of RDF materials, and not accepting financial help from CACo for community events, has meant increased cynicism and very little good will. All in all, there is now a culture of distrust in the area which has led to making business more difficult (e.g. employee relations), even though the plant remains one of the major employers in this area of recession-hit Greece. The decision to burn RDF by CACo meant that it was necessary for it to obtain the necessary licenses that demonstrate its compliance with regulations. This is a form of institutional legitimacy (Deephouse & Suchman, 2008; Suchman, 1995). However, the perceived magnitude of hypocrisy, or the discrepancy between a firm's CSR behaviour and its stated standards of CSR (Wagner et al., 2009), became so large that it severely deteriorated societal legitimacy despite the continuing institutional legitimacy. Figure 3 shows holistically the rich and fully contextualized process of tolerable and intolerable corporate hypocrisy, community engagement strategies, and effects on trust and legitimacy in CACo.

[Figure 3 near here]

5. Discussion

The case study findings illustrate that whether a firm maintains its legitimacy after a perceived corporate hypocrisy event is influenced by the perceived magnitude of such an event. Trust and community engagement can be fundamental parts of how a firm gains, maintains, or loses societal legitimacy in contexts of institutional complexity (Bowen et al., 2010; Greenwood et al., 2011; Scherer et al., 2013). The costs, and level of corporate hypocrisy necessary for extractive firms to operate in a locality could be borne by the community, as evidenced by their realism and pragmatism in recognizing that local jobs came with a price. The corporate-community relationship was perceived as transactional and reciprocal prior to the firm's decision to burn RDF. It was couched in terms of reciprocal transaction and exchange, and often in the language of the CSR policies of the firm, voiced through expectations they had for the company, and how they perceive the relationship in terms of costs and benefits for both parties. These were market oriented and economic calculations (Lewicki et al., 2006) demonstrating calculus-based trust, and satisfaction of the community with firm legitimacy of decision-making. This level of trust perception and therefore community engagement strategy could also be discerned in the view of the community that CACo had ability and could be trusted in terms of their expertise and professional capacity when it came to their core activity. Crucially however, our findings demonstrate there is a threshold to the community's tolerance of corporate hypocrisy. Whilst the relationship prior to the decision to burn RDF can be characterized as stable, even at a basic trust level, at least it still existed. After this threshold however, any semblance of the firm's CSR activity, that could maintain a stakeholder dialogue with the community, was abandoned in the face of a decision that seemed to enhance profit but ran contrary to stated CSR policies, namely efforts to protect the environment, and community views. The magnitude of hypocrisy became too great to be endured by the local community for

a variety of factors. Some of the corporate hypocrisy literature claims that hypocrisy is a necessary ambiguity to maintain legitimacy (Brunsson, 1989; Cho et al., 2015). Whilst this is supported in the findings to an extent, it is the magnitude of the corporate hypocrisy event, and the community's tolerance of such an event, that will determine whether legitimacy can be maintained or in fact be damaged.

The impact upon community perceptions of organizational trustworthiness was significant. The decision to burn RDF without recourse to stakeholder dialogue meant that the firm was perceived as secretive, lacking in transparency and integrity. This led to heightened suspicions and diminishing trust in the organization. This corresponding breach of trust and decline in the corporate-community relationship was communicated by the dependent stakeholder explicitly in terms of organizational trustworthiness through conceptualisations of ability, benevolence, and integrity (Mayer et al., 1995). The community doubted the plant's competency to burn RDF in close proximity to their homes. They realized that the firm acted contrary to any acknowledged advantage for the local community by choosing to burn RDF purely for profit reasons, i.e. without benevolence, breaching the trifecta of trustworthiness as perceived by the community (Gillespie & Dietz, 2009). The magnitude of the hypocritical action breached trust. With this weakening of trust in the relationship it was apparent that the community was not willing to take risks and remain vulnerable (Mayer et al., 1995) as a dependent stakeholder anymore (Greenwood & Van Buren, 2010), which led to a series of consequences (Table 2).

Due to the perceived magnitude of the hypocrisy event and 'absent' community engagement strategy, the community had to rely on the safeguards of regulation and control to compensate for the lack of trust. At this stage, a pragmatic, and even cynical approach to the reciprocal relationship between firm and community was identified. Sloterdijk (1988) asserted such cynicism is actually a healthy response to the institutionalization of hypocritical communication. Our findings show that cynicism arises when perceived hypocrisy has become

so extreme, that stakeholders such as the community cannot trust the firm. As noted, cynical, deterrence-based trust corrodes any engagement strategy from its low form of transactional to its lowest of entirely absent. The wider the decoupling between symbolic statement and action, the less trust in the firm because of its decision, and therefore more questions about its overall legitimacy. Therefore, it is the perceived magnitude of hypocrisy on the part of the community which emerges as key in better understanding processes of corporate hypocrisy.

Our findings offer a process model (see figure 4 below) of the consequences of corporate hypocrisy, specifically when this is followed by an ‘absent’ community engagement strategy adoption, namely decreasing levels of trust, and consequent community attacks on legitimacy when the magnitude of corporate hypocrisy is such that it can no longer be tolerated.

[Figure 4 near here]

It is worth noting here that this process model describes a specific context. If the firm chooses a different engagement strategy, or continuing dialogue, perhaps this might repair trust, possibly leading to a different outcome, such as acceptance and eventually return of support. This has interesting implications for future research and managerial practice, which we discuss further below.

6. Conclusion

Through the in-depth study of a major corporate hypocrisy event, this paper analysed local community judgements, community engagement strategies, and trust. As a consequence, our analysis provides a number of insights into corporate hypocrisy. This is important as our understanding of corporate hypocrisy, its consequences and implications for business and society is far from complete. This is necessary given the increasingly transparent and accountable world we live in (Antonetti et al., 2018). The study also afforded a rare opportunity to analyse stakeholder reactions to corporate hypocrisy in its real-life context (Yin, 2003).

With this paper, we provide a deeper understanding of community engagement strategies. In doing so, we have presented an integrated approach to trust development and community engagement (Figure 1), and their relation to corporate hypocrisy and legitimacy (Figure 4). Specifically, we contribute new knowledge by unpacking the process of how the perceived *magnitude* of hypocrisy is key to understanding stakeholder reactions, its consequences on trust, and the impact of corporate hypocrisy on legitimacy.

Our mapping of the literature revealed interesting tensions and deepened our understanding of corporate hypocrisy by questioning its presentation in often monolithic terms. By exploring how some hypocrisy enables legitimacy, whereas other forms of it achieve the opposite effect, we demonstrate that corporate hypocrisy operates across a spectrum, where stakeholder reactions and impact on legitimacy depend on the perceived magnitude of hypocrisy.

We have demonstrated there is a threshold of tolerance, over which erosion of legitimacy takes place. For instance, tolerable hypocrisy is a normalized part of corporate-community relations. Low magnitude is observed in typical greenwashing, in transactional community engagement strategies, and calculus-based trust. Tolerable hypocrisy is accepted within the transactional nature of the relationship, and is characterized by acceptance of business operations as legitimate. Carnations are not belched out from chimneys after all. Intolerable hypocrisy however arises when trust is breached. This is evidenced when stakeholders react and voice opposition to business practices that are perceived to be too decoupled from the transactional engagement strategy, and calculus-based trust previously adhered to. Intolerable hypocrisy is evidenced by stakeholder cynicism and opposition, for example legal cases taken against the firm and protests, which represent an attack upon, and erosion of, the firm's legitimacy.

The case study evidence supports the idea that corporate hypocrisy is a tool for managers to maintain the legitimacy of their corporations to an extent (Brunsson, 1989). In contrast, it also challenges this perspective by identifying the critical role of the magnitude of hypocrisy in

stakeholders' reactions. Specifically, an intolerable hypocrisy event of perceived greater magnitude can lead to a breakdown of trust, community attacks on legitimacy, and a corporation that reverts to an absent community engagement strategy. Our findings collectively propose a process model that integrates three distinct but dynamically interactive literatures, namely, corporate hypocrisy, trust, and community engagement.

Our case analysis offers rich insights, however we must also acknowledge that such a study is not without its limitations. Whilst the exploratory nature of our study allows rich context, the problem of generalizing from single cases remains. Single case studies have considerable merit however (Dyer & Wilkins, 1991), particularly for understanding complex social processes (Siggelkow, 2007). Thus, for our aim of examining holistically the full contextualized process of corporate hypocrisy and stakeholder reactions, and using this to extend theoretical insights, the depth and narrative afforded by a single case study was appropriate. This single case was also strengthened with access to contextual data that would not usually be available and is certainly under-utilised in corporate hypocrisy research. Unfortunately, it was not possible to gain access to the actual firm's perceptions of this event as they declined our efforts to engage them in our study. We do not believe this significantly biased our analysis for two reasons. The first reason is that this perspective has already been represented heavily elsewhere (e.g. Gillespie et al., 2014; Banerjee, 2008) and our main focus is the often under-researched stakeholder of the local community. Secondly, we overcame this by triangulating community testimonies with documentary and media evidence published before, during and post the event and by accessing the symbolic presence of the firm through its CSR communications.

Since this is the first study to examine the effects of corporate hypocrisy and community engagement strategies on trust and corporate-community relations, further research is required to provide more empirical evidence related to our process model and a more complete understanding of the relationships examined here. Future research testing our process model

may highlight areas of potential improvement and even standardize it. For the purposes of replicating and testing our process model, we recommend multiple case-studies (Eisenhardt & Graebner, 2007).

The question then turns to how we can identify specific thresholds across different contexts? How does corporate hypocrisy become intolerable, and how might we be able to measure and test these new concepts? Taking into consideration the descriptions of tolerable and intolerable hypocrisy presented previously, we suggest that a specific threshold might be observed by a weakening/breach of trust in the corporate-community relationship where stakeholders are no longer willing to take risks and remain vulnerable (Mayer et al., 1995). A further possible exploration of this threshold effect could be instances where a stakeholder voices opposition and reverts to the safety of regulations and sanctions to increase control and oversight over the firm. This can be tested directly through measuring communities' trust levels. As our findings imply, deterrence-based trust is linked to intolerable hypocrisy and failed/absent engagement strategies. We demonstrated that a failed, followed by an absent, community engagement strategy increases the likelihood of perceived intolerable hypocrisy. Future research could further examine the impact of a community engagement strategy upon the perceived magnitude of hypocrisy and whether a successful strategy would moderate reactions to it. As these are new concepts there is a need for rich qualitative research in different contexts, e.g. extractive industry initiatives such as fracking. Furthermore, to standardize, quantitative research on stakeholder reactions is needed. This could be on a larger scale through survey-based methods, which both support the standardization of definitions, as well as explore the strength of relations within the process model, within and across different case contexts.

Our analysis also holds important practical implications. Managers should question the value of CSR communications if they are too decoupled from stakeholder perceptions. Instead of maintaining legitimacy, blatant hypocrisy of greater magnitude may lead in the opposite

direction – especially for societal legitimacy. A shared understanding of when corporate hypocrisy is too blatant and destroys trust and reciprocity in everyday operational decisions is a necessary precondition for a mutually beneficial corporate-community relationship. Corporate hypocrisy is a sensitive issue, and difficult to address. Managers can overcome this by embracing the value of an effective, and CSR aligned, community engagement strategy that includes a nuanced understanding of trust development at its core.

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Table 1: Data sources and use

Source	Type of data	Use in the analysis
Official public documents	<ol style="list-style-type: none"> 1. Local and High Court rulings 2. Local government documents re planning permission 3. Local and national government reports and declarations 	<p>Gather information regarding the hypocrisy event.</p> <p>Background details and further clarification of approval process.</p> <p>Understand the history of the case-study.</p> <p>Cross-check truthfulness of interview statements.</p>
Interviews	<p><i>Summer 2014</i></p> <p>22 interviews:</p> <ul style="list-style-type: none"> • 2 City Mayors • 4 City council members • 5 ex-city council members • 5 Environmental Protection Society members • 1 member of local media • 5 members of local societies e.g. Solidarity Team of [local town] <p>All audio recorded translated and transcribed for a total of 131 pages.</p>	<p>Gather data about the relationship history and expectations re corporate-community relations, community engagement strategies, corporate hypocrisy perceptions and trust.</p>
Community public gathering recordings	<p>One City council meeting: <i>17th October 2014</i></p> <p>One community forum: <i>October 2014</i></p> <p>All audio recorded translated and transcribed for a total of 32 pages.</p>	<p>Gather data regarding perceptions of various stakeholders e.g. local politicians.</p> <p>Further contextualize interview narratives.</p> <p>Triangulate facts.</p>
Other documents	<ol style="list-style-type: none"> 1. News articles 2. CACo annual sustainability report 	<p>Check for magnitude of hypocrisy event.</p>

Table 2: Timeline of major events and decisions (Legal documents provided by the EPS)

Date	Event
2006	CACo's Decision to burn RDF at the plant.
10/08/2007	Submission of initial environmental impact report from the firm to the Special Environmental Agency of the Ministry for the Environment, Energy and Climate Change to be evaluated in the public consultation process.
31/10/2007	Request from local authorities participating in the public consultation process for resubmission of the environmental impact report, stating that its current form is inadequate and faulty.
04/04/2008	Resubmission of environmental impact report.
30/05/2008	Recommendation from the County's Environmental Agency to reject request to burn RDF.
29/06/2009	Approval by the ministry for CACo to burn RDF for the next seven years.
12/11/2009	Appeal of the decision to the CoS by the EPS, the village council and CA.
18/02/2013	CACo request to the County Council's Department of Regional Development (DRDE) for approval to burn RDF.
27/03/2013	Licence is granted by the DRDE's Director for the firm to burn RDF indefinitely.
01/04/2013	Revocation of license by the County Council's Corporate Director.
04/04/2013	Appeal of the above decision by CACo to the Court of Appeals of Piraeus.
28/05/2013	Provisional Order of the President of the First Chamber of the Court of Appeals of Piraeus, temporarily suspending the revocation of the licence until a decision is made from the CoS on the 12/11/09 appeal.
09/07/2013	A judgment of 09/07/2013 A2 Cassation Department of Administrative Appeals of Piraeus said the above injunction was revoked, i.e. overthrown after this Court declined jurisdiction and referred to the CoS for any further decisions on the matter.
29/09/2013	Official complaint from EPS to the County Council, City Council, the Police and the Environmental Inspectors notifying them that the firm is illegally (according to EPS) transferring RDF for burning at its Plant.
24/10/2013	Application to the County Council (addressed to the Chief Executive) from EPS for re-evaluation of firm's application to DRDE and revocation of licence granted on 27/03/2013.
05/12/2013	Revocation of licence granted by the County Council's Chief Executive on the grounds that it is illegal.
17/12/2013	Appeal of the decision by CACo to the CoS.
18/12/2013	CoS decision for temporary suspension of 05/12/2013 decision until the hearing of the case by the CoS.
2015	Final court date to resolve issue postponed.
12/2017	CoS decides to grant CACo permanent licence to burn RDF.