

A GENERAL THEORY OF ORGANIZATIONAL STIGMA

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ABSTRACT

In recent years, the term stigma has been widely applied to organizations. However, scholars have yet to advance a theoretically consistent definition or comprehensive theory of organizational stigma. The purpose of this paper is to define the construct of organizational stigma and provide a general theory that explains the conditions under which organizational stigmas are likely to arise, how this process unfolds, and the initial effects stigmas inflict on organizations. In doing so, we distinguish organizational stigma from both individual level stigma and the organizational-level constructs of reputation, status, celebrity, and legitimacy. We then build upon multiple streams of research to develop a richer theoretical explanation of the roles social context, social processes, and social actors play in the origination and effects of an organizational stigma.

A rash of corporate scandals and failures has stimulated recent interest in organizational stigmas (e.g., Semadeni, Cannella, Fraser, & Lee in press; Wiesenfeld, Wurthmann, & Hambrick in press). However, while references to stigmatized organizations are commonplace, the term stigma is often applied to organizations in loose and ambiguous ways. We argue that several theoretical limitations contribute to this confusion. First, whereas social evaluation constructs such as reputation, status, celebrity, and legitimacy are regularly studied at the organizational level, extant stigma research occurs almost exclusively at the individual level of analysis (Devers, Dewett, & Belsito 2005). Although this research provides meaningful insight into the effects of stigmatization on the negative life consequences encountered by individuals stigmatized by their affiliation with particular organizations (e.g., elites of failed firms – see Semadeni et al. in press; Wiesenfeld, et al. in press), our understanding of what an organizational stigma is and how organizational stigmas differ from individual stigmas and other more theoretically developed organizational-level evaluation constructs remains unclear.

Second, while relative to organizational-level stigma research, the reputation, status, celebrity, and legitimacy literatures are more fully developed, theoretical and empirical examinations of these constructs generally focus on the neutral to positive end of their respective continua (Mannor, Block, & Mishina 2006). Organizational stigmas, on the other hand, clearly register only on the negative side of the social evaluation spectrum. Nevertheless, because the literature is mostly silent with respect to the “dark side” of organizational-level evaluations (Hirsch & Pozner 2005), our understanding of the consequences of negative social assessments, such as stigma, for organizations is underdeveloped.

Third, the preponderance of stigma research focuses on the outcomes of stigmatization on members residing in organizations (e.g., bankrupt firms, strip clubs) or social categories (e.g., convicts, HIV patients) widely accepted as stigmatized across societies or cultures. In other words, this research examines preexisting stigmas. Therefore, a theoretical conceptualization of stigma origination has been virtually overlooked at any level of analysis. Indeed, in a recent review, Link and Phelen cautioned that a clear understanding of the origins of stigma “is badly needed – for while cognitive processes may be necessary causes for the production of stigma, they are not sufficient causes. We need to further

understand the social processes that allow one group's views to dominate so as to produce real and important consequences" (2001: 378). Relatedly, while scholars routinely suggest that stigmatization can remain confined to a particular social context (e.g., a particular culture), or spread across multiple contexts (e.g., society as whole) (Crocker, Major, & Steele 1998; Kurzban & Leary 2001; Stafford & Scott 1986), the nature of the social contexts in which stigmatization manifests has yet to be systematically characterized. This lack of focus on context, combined with the dearth of knowledge regarding stigma origination, leaves us with no cogent theoretical understanding of the processes that drive the formation of an organizational stigma¹. Accordingly, we know little about the types of actions or situations that cause or prevent organizational stigmatization or why some organizations are stigmatized while others are not.

While our understanding of organizational stigmas remains underdeveloped on several important fronts, scholars have produced a well-developed understanding of the individual life consequences associated with individual-level stigmas. We extend this rich tradition of research by developing a general theory of organizational stigma that addresses the limitations discussed above. In doing so, we make several important theoretical contributions to the study of organizations. First, we offer a theoretically-based definition of organizational stigma. Specifically, we define an organizational stigma 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.

Second, we distinguish organizational stigma from the organizational-level constructs of reputation, status, celebrity, and legitimacy on six important dimensions. We also explicate the key differences between organizational and individual stigmas. In doing so, we highlight the importance of recognizing organizational stigma as an important and distinct organizational-level construct.

Third, addressing Link and Phelan's (2001) call for illuminating the origins of stigma, we draw on multiple literatures to develop a more complete theoretical understanding of the process by which a new organizational stigma emerges within a particular social context (in this case a stakeholder group). In

¹ Importantly, this same criticism has been levied against individual stigmatization (see Link & Phelan 2001).

this way, we demonstrate how stakeholder groups utilize organizational stigmas as a means of social control to define, clarify, and enforce collectively-held values and norms. Finally, we clarify the immediate negative consequences of organizational stigmatization for subsequent interorganizational interactions. Specifically, drawing on multiple theoretical bases, we examine the effects of stigmatization on stakeholder disidentification (Elsbach & Bhattacharya 2001) and the quantity and quality of stakeholders' interactions with the stigmatized organization.

In sum, in order to function as a meaningful construct within the organizational literature, a more fully developed theoretical explication of organizational stigma is critical. Given the absence of clarity regarding the condition, we argue that this theoretical explanation fills important gaps in the literature that will allow scholars to more effectively discuss, measure, and evaluate organizational stigmas.

CONCEPTUAL DEVELOPMENT

We argued earlier that our understanding of negative organizational social evaluations and their consequences is underdeveloped. Addressing this gap, we show how organizational reputation, organizational status, firm celebrity, organizational legitimacy, and organizational stigma differ in terms of: 1) definition; 2) whether the evaluation is individuating; 3) foundational theoretical literature; 4) underlying social basis; 5) whether an affective response is required; and 6) subsequent outcomes (see Table 1 for a summary).

[Insert Table 1 about here]

Construct Differentiation

Organizational Reputation. Reputation is a firm-specific evaluation used by organizational audiences as a signal of quality and likely behavior when more specific information is unavailable or too costly (e.g., Fombrun & Shanley 1990; Shamsie 2003; Weigelt & Camerer 1988). Because reputation is a signal of quality (e.g., product/service quality and financial performance) and the capacity to meet expectations, it necessarily entails a unique assessment of a particular firm and, thus, is individuating, in that a reputation sets the organization apart from others, such that it is perceived as a unique entity.

The reputation construct is grounded in signaling theory (e.g., Milgrom & Roberts 1982; Shapiro 1982; Spence 1974). Specifically, organizations can build a strong reputation by sending performance and quality signals in order to meet the “expectations of multiple stakeholders” (Fombrun & Shanley 1990: 235), thereby gaining both prominence and perceived quality (Rindova et al. 2005). Once a firm gains a strong reputation, it can accumulate a host of other advantages, such as performance (e.g., Hall 1992, 1993; Shamsie 2003) and increased attractiveness as a partner (e.g., Dollinger, Golden, & Saxton 1997).

Organizational Status. Status, on the other hand, is based on an organization’s position in the hierarchical order (e.g., Podolny 1993, 1994) and agreed-upon social rank (Washington & Zajac 2005). In other words, status is a relational concept predicated on an organization’s rank relative to other relevant organizations. However, like reputation, status is also individuating, in that it sets the organization apart from others.

The underlying theoretical foundation of the status construct derives from network theory, which demonstrates how organizations can build status by displaying high quality affiliations (e.g., Podolny 1993, 1994; Washington & Zajac 2005). In this way, status is argued to reduce uncertainty about particular actors for others that are interested in engaging in potential exchange with those actors (e.g., Podolny 1994, 2001; Podolny & Stuart 1995; Stuart, Hoang & Hybels 1999). Organizations that are able to achieve a high status are accorded preferential interpretations of both statements and actions, such that high status actors are given greater rewards for the same actions than low status actors, a condition called the Matthew effect (Merton 1968). These benefits have been found in such diverse contexts as the NCAA basketball tournament (Washington & Zajac 2005), California wine industry (Benjamin & Podolny 1999), biotech IPOs (Stuart, Hoang, & Hybels 1999), and investment banks (Podolny 1993, 1994).

Firm Celebrity. A third concept, firm celebrity, is based on attracting attention and positive social evaluations through nonconformance (either over- or under-conformance) to normative practices (Rindova, Pollock, & Hayward 2006). Celebrity firms are set apart from other firms and treated as unique, special, and particularly worthy of attention; thus, celebrity is also an individuating force (Rindova, Pollock, & Hayward 2006).

The sociology of media (e.g., Gamson, Croteau, Hoynes, & Sasson 1992) provides the foundational literature for the notion of firm celebrity. Firm celebrity is developed through dramaturgical narratives generated by the media about the organization and its actions (e.g., Gamson et al. 1992). The dramatization of narratives focuses scarce public attention (Hilgartner & Bosk 1988) and shapes public perception and evaluation of particular firms. When firms gain celebrity, they engender positive affective reactions and large-scale positive public attention, which affords these firms greater access to resources and opportunities (Rindova, Pollock, & Hayward 2006). Thus, similar to the notion of idiosyncrasy credits, their unique positively-evaluated character allows celebrity firms to defy social conventions and norms without sanctioning (e.g., Hollander 1958).

Organizational Legitimacy. A fourth construct, legitimacy, is “a generalized perception or assumption that the actions of the entity are desirable, proper, or appropriate within some socially constructed system of norms, values, and definitions.” (Suchman 1995: 574). Neoinstitutional theory (e.g., DiMaggio & Powell 1991; Meyer & Rowan 1991) provides the theoretical foundation for the construct of legitimacy. In general, this literature suggests that organizations gain legitimacy by conforming to normative standards (DiMaggio & Powell 1983), as well as by engaging in various types of symbolic activities to deflect controversy and placate stakeholders (e.g., Meyer & Rowan 1991; Westphal & Zajac 1994, 1998). In doing so, organizations perceived as legitimate are able to demonstrate normative fit and garner preferential access to resources (e.g., DiMaggio & Powell 1983).

Unlike reputation, status, and celebrity, legitimacy is a non-individuating construct, such that rather than conveying the unique aspects of organizations, it categorizes organizations into those either having legitimacy (legitimate) or not having legitimacy (nonlegitimate). In this way, organizations viewed as legitimate are perceived as demonstrating appropriate standards and structures while those viewed as nonlegitimate are not perceived as demonstrating appropriate standards and structures. It is important to note that while specific actions and practices may be considered illegitimate or inappropriate, (e.g., Elsbach & Sutton 1992; Kraatz & Zajac 1996), neoinstitutional scholars do not define nonlegitimate organizations in terms of *inappropriateness* or *illegitimacy*. Instead, as earlier mentioned, discussions of

legitimacy and other organizational-level social evaluations are generally silent with respect to negative assessments (i.e., illegitimacy and inappropriateness). Rather, theoretical discussions of how organizations are perceived remain confined to the positive (appropriate) and neutral (not appropriate, but not inappropriate) perspectives. The key distinction here is that an organization perceived as not having legitimacy might actually have appropriate standards and structures; however, these appropriate standards and structures may not yet be recognized (i.e., as in a new firm context) or publicly displayed.

Organizational Stigma. As earlier noted, we define an organizational stigma 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 (e.g., Goffman 1963). Therefore, different from how the other organizational-level constructs described above are generally discussed, an organizational stigma represents a negative social evaluation.

We argue that an organizational stigma arises through a labeling and attribution process that links an organization to a negatively-evaluated category of organizations collectively perceived by a specific stakeholder group as having values that are expressly counter to its own (e.g., Ashforth & Humphrey 1995, 1997). This categorization leads those stakeholders to stereotype the organization, such that it is defined in terms of the attributes of this category, rather than as a unique entity (c.f., Selznick 1984). As a result, a stigmatized organization is viewed as fundamentally flawed in the sense that it is perceived as emblematic of the negatively-evaluated category to which it is linked and, thus, caricatured as an embodiment of values that explicitly conflict with those of the stakeholder group. Therefore, rather than setting an organization apart by its unique and distinct aspects, an organizational stigma de-individuates an organization (Ashforth & Humphrey 1995, 1997; Link & Phelan 2001). In this way, an organizational stigma is based on a negative social evaluation that casts the firm specifically as what that group “is not,” which leads stakeholders to “disidentify” with the organization (e.g., Elsbach & Bhattacharya 2001) and to actively impose harmful social and economic sanctions on it (c.f., Sutton & Callahan 1987).

An organization is stigmatized as a means of social control (e.g., Ashforth & Humphrey 1995, 1997; Link & Phelan 2001). Specifically, as we discuss in the following sections, an important antecedent

to an organizational stigma is the collective perception of generalized value incongruence between the focal organization and the stakeholder group. By assigning a label to the value incongruent organization, and thereby linking it to a negatively-evaluated category, a stakeholder group is able to better define, clarify, and enforce its collectively-held values and norms (e.g., Erickson 1962; Kurzban & Leary 2001) and protect its social identity (e.g., Elsbach & Bhattacharya 2001; Sutton & Callahan 1987). As a result, the theoretical basis for both individual and organizational stigma is labeling theory grounded in the sociology of deviance (e.g., Erickson 1962; Gibbs & Erickson 1975; Kitsuse 1962) and mental illness (e.g., Scheff 1974), which illustrate how labels and interpretations of social actors give meaning to particular acts. As Kitsuse notes, “Forms of behavior per se do not differentiate deviants from non-deviants; it is the responses of the conventional and conforming members of the society who identify and interpret behavior as deviant which sociologically transforms persons into deviants.” (1962: 253). This work suggests that the reactions of stakeholders are a critical component of stigmatization. Indeed, research has shown that in addition to “hot” cognitions (Dutton & Dukerich 1991), stigmas elicit strong negative affective reactions, such as disgust, fear, and repulsion, from the non-stigmatized that heighten awareness and intensify negative behavioral reactions (Archer 1985; Crocker et al. 1998; Devine, Evett, Vasquez-Suson 1996; Goffman 1963, Kurzban & Leary 2001). In this way, unlike reputation, status, and legitimacy, affective reaction is a critical component of an organizational stigma².

Distinctions Across Levels of Analysis

The concept of stigma originated in ancient Greece, where it functioned as a mechanism of social control, in which a “mark” (e.g. burn, scar) was intentionally inflicted on individuals to represent their inferior moral status (Goffman 1963) and to signify that contact with them should be avoided (Kunreuther & Slovic 2001). In his seminal book, *Stigma: Notes on the Management of Spoiled Identity*, Goffman defined stigma as an “attribute that is deeply discrediting” and reduces the bearer “from a whole and usual

² While some scholars have defined media reputation in terms of affect (Deephouse 2000), in general, definitions of firm reputation do not specify an affective component. Instead, positive affect is generally discussed as a potential outcome, as opposed to a necessary characteristic, in that reputation could lead to positive affect, but it is not necessarily a characteristic thereof.

person to a tainted, discounted one” (1963: 3). Goffman (1963) also identified three conditions that lead to stigma: 1) abominations of the body (e.g., physical deformities, illnesses), 2) tribal stigma (e.g., race, religion, gender) and 3) blemishes of individual character (also referred to as a “conduct stigma,” Page 1984), caused by acts that fall foul of norms and values (e.g., dishonesty, deviant behavior). Extending Goffman’s work, Leary and Schreindorfer argued that a stigma results when one is perceived as a member of a category that is collectively viewed “as a basis for disassociating from (that is, avoiding, excluding, ostracizing, or otherwise minimizing interaction with)” (1998: 15). Empirical evidence demonstrates that, due this collectively-held nature, a stigma can be extremely harmful and can lead to devastating adverse social and economic outcomes for the stigmatized that can ultimately threaten survival (Crocker & Major 1994, 1989; Goffman 1963; Jacoby 1994; Jones et al. 1984; Link & Phelen 2001; Major, & O’Brien 2005). We argue that, as with individuals, a stigma can produce negative consequences for an organization.

While our definition of organizational stigma draws, in part, from the concept of stigma at the individual-level, key distinctions demonstrate that it functions as more than the organizational analogue to the concept of individual level stigma. In particular, we suggest that, in addition to their level of analysis, individual and organizational stigmas differ primarily along three dimensions — the types of conditions that stigmatize, the prevention and removability of a stigma, and the pervasiveness of stigmatizing categories. Below we discuss each of these dimensions (see Table 2 for a summary of these distinctions).

[Insert Table 2 about here]

Stigmatizing Conditions. The first distinction between individual and organizational stigmas is in the types of conditions that stigmatize. As discussed earlier, individuals may acquire a stigma due to physical ailments and imperfections, “tribal” characteristics such as race and gender, and deviant or non-conforming behaviors (Goffman 1963). At the organizational level, however, not all of these categories are necessarily applicable. For example, in general, the individual notion of “abominations of the body” does not directly translate to the abstract organization as organizations may have offices and/or production facilities, but no true physical body, per se. Further, although some derivative of a tribal

stigma is possible, based, for example, upon the organization's affiliation with a particular geographic market (e.g., the made in China label), we argue instead that most organizational level stigmas are conduct stigmas, based on the specific actions and choices of organizational members (e.g., scandals, earnings restatements, or choice of business model or industry - e.g., tobacco producers, pornography). This difference in the types of conditions that lead to a stigma at individual and organizational levels has implications for the influence of stigma controllability. Specifically, controllability is based on others' perceptions of whether the stigmatized are responsible for acquiring the stigma (e.g., voluntary group membership vs. a birth defect) or whether the stigma can be removed (e.g. discontinuing voluntary group membership) or not (e.g. terminal paralysis) (Crocker et al. 1998). While stigmas perceived as uncontrollable generate pity or concern, those perceived as controllable elicit assessments of blame and elicit strong negative cognitive, affective, and behavioral reactions from others (Crocker et al. 1998; Goffman 1963). In particular, although stigmas at the individual level vary in the amount of responsibility attributed to the individual for acquiring the stigma, an organization is seen as largely responsible for any stigma that it acquires. Thus, organizational stigmas are generally perceived as more controllable by stakeholders because most organizational characteristics and outcomes are seen as resulting, at least in part, from the actions taken by organizational participants, even if the outcomes are not always those that are intended or desired (e.g., Merton 1936; Selznick 1984). Consequently, an organization's characteristics, from the identity of its employees and business associates, to its policies and practices, and even its presence in particular product and geographic markets, are viewed as a result of organizational decision making, and thus few organizational attributes are seen as completely out of the control of the organization (Meindl, Ehrlich, & Dukerich 1985).

Prevention and Removability. The second distinction between individual and organizational stigma lies in the capacity for stigma prevention and removal. Organizations are comprised of collectives of components (i.e., individuals, departments, and, often, units), each of which has some ability to act independently, and organizational boundaries are somewhat fluid, permeable, and arbitrary (e.g., Scott 2003). The former characteristic allows organizations to credibly claim that the offending part acted

without the consent or knowledge of the rest of the organization, and the latter characteristic allows organizations to selectively redraw its boundaries to exclude the offending part(s). Consequently, these two characteristics provide organizations with a greater ability than individuals to potentially neutralize or minimize a stigma by isolating and removing the offending component(s) through decoupling efforts (Elsbach & Sutton 1992), such as divestitures and firings (e.g., Boeker 1992) before it infects and corrupts the rest of the organization. For example, to decouple themselves from the taint and stigmatization from connection with the recent subprime lending (lenders who specialize in making risky home loans) meltdown in the home mortgage markets, several financial firms, including Lehman Brothers and Capital One Financial, have closed their subprime units and exited the business altogether (Bel Bruno 2007). We note that an organization may also engage in attempts to prevent or remove the derivative of a tribal stigma discussed above (i.e., affiliation with a particular geographic market) by physically and symbolically decoupling their organization from that market (Elsbach & Sutton 1992). For instance, a Chinese firm may decide to move its operations from its home country to another country and rename itself in an attempt to remove the “made in China” stigma.

Whereas an organization can attempt to decouple itself from the stigma by removing offending members (e.g., terminations) and units (e.g., divestitures), absent complete identity change, avenues for decoupling are rarely available to individuals (Goffman 1963). For example, individuals who claim that some part of his or her person acted without the knowledge or consent of the rest are likely to be seen as deluded or insane, which could lead to an additional stigma rather than isolating an offending component. Similarly, save for some cosmetic and reconstructive surgery procedures, there are few ways for individuals to alter the boundaries of their person without being seen as damaged or partial and thereby potentially evoking additional stigmas. Hence, prevention and removal of a stigma is much more difficult for individuals who, in most cases, remain “stuck” in stigmatizing categories (Goffman 1963). As such, the only recourse available to stigmatized individuals may be to try to change societal definitions and assumptions. On the other hand, through active decoupling, organizational membership in a stigmatizing category is potentially more fluid.

Pervasiveness. The third dimension along which individual and organizational stigmas differ is in terms of the pervasiveness of stigmatizing categories. People use social categorization to more easily make sense of the world by bounding individuals and groups into meaningful categories (e.g., Ashforth & Humphrey 1995, 1997; Tajfel 1982). Individuals use these social categories as a way to reduce their cognitive load when processing social information (e.g., Lambert & Wyer 1990) and hence categories are differentially useful to the extent that they can be used to “accurately predict the values of features for members of that category” and “efficiently communicate information to others about the features of instances of that category” (Corter & Gluck 1992: 293). Because stigmas are socially constructed, it is possible that the definitions of particular stigmas could shift over time; however, Crocker, Major, and Steele (1998) note that the majority of individual stigma categories, such as race, obesity, and disabilities, for instance, are pervasive across contexts and, thus, result in long-standing, widely-accepted stereotypes that are treated as social facts. This pervasiveness serves to maintain the cultural salience of stigmatizing categories, and hence while the rules regarding the application of a label at the individual level may change, the labels themselves tend to remain stigmatizing over time.

On the other hand, the organizational environment is “taken for granted to a much lesser degree” than the individual environment (Czarniawska-Joerges 1992: 120). Indeed, interorganizational cognition research demonstrates that the cognitive frameworks and market ontologies that develop at the organizational level tend to be much more context-specific (Porac, Ventresca, & Mishina 2002; Spender 1989; White 1981a, b) and often differ substantially from the representations perceived by those outside of these contexts (Porac et al. 1995). For example, whereas firm failure is condemned in low-tech, stable industries, as illustrated by the maxim “fail fast, fail cheap, move on,” high-tech, dynamic industries are more inclined to accept failure as a cost of doing business (Lee, et al. 2007; Saxenian 1994). Further, in the circles of academic researchers, the label “teaching school” is often viewed a pejorative one, suggesting that the institution does not value research. As such, it can induce negative visceral responses from those who consider themselves serious researchers. On the other hand, for stakeholders in other

contexts, the label “teaching school” is viewed in a much more positive way, suggesting that the institution values teaching quality and, thus, is not populated by “ivory tower academics.”

Moreover, organizational environments are often characterized by relatively transient beliefs and fads or fashions (e.g., Abrahamson & Fairchild 1999). For instance, the stigma that was attached to U.S. corporate bankruptcies in past decades (see Sutton & Callahan 1987) has virtually disappeared in more recent times (Lee, Peng, & Barney 2007). As a result, we argue that the abstract nature of organizations, coupled with the context-specific cognitive ontologies and fluid beliefs that exist at the organizational level, make the formation and existence of broad, cross-context stigmatizing labels and categories more rare at this higher level of analysis.

While examples of pervasive stigmas do exist at the organization level (e.g., Enron), taken together, the research above suggests that relative to individual level stigmas, organizational level stigmas are more likely to arise in and remain context-specific. Consequently, organizational level labels and the stereotypes they evoke tend also to remain context-specific, suggesting that organizations may be stigmatized in one context and not in others. In fact, anecdotal evidence supports this view. Specifically, labor advocates regularly allege that Wal-Mart discriminates against minority employees (Bianco & Zellner 2003), hires and mistreats illegal immigrants (CBS News.com 2004), and illegally obstructs the efforts of organized labor (Bianco & Zellner 2003). As a result, activist groups have labeled Wal-Mart evil and protested vigorously against the firm in public (e.g., Mavroudis 2002) and on websites (e.g., walmartwatch.com and walmartsucks.com). However, in spite of these protests, the firm reaps glowing accolades from many customers and financial analysts, suggesting, “Wal-Mart might well be both America’s most admired and most hated company” (Bianco & Zellner 2003). Thus, while Wal-Mart has a stigma in the labor context, stakeholders in other contexts may or may not view the firm as stigmatized.

THE STIGMATIZATION PROCESS

We outline the emergence of a new organizational stigma by examining the process in two phases. First, we examine one individual stakeholder’s assessments and judgments of an organization viewed as having engaged in illegitimate behavior (Elsbach & Sutton 1992; Kraatz & Zajac 1996) and

how these assessments and judgments cause that stakeholder to perceive generalized value incongruence with the offending organization (Sitkin & Roth 1993)³. In turn, we propose that generalized value incongruence motivates the stakeholder to label the offending organization and begin the process of vilification (Klapp 1959; Wiesenfeld et al. in press). However, because stigmatization is a collective and social process, attempts at vilification may or may not diffuse collectively across members of the stakeholder group. As a result, in the second phase we move to the collective level of analysis to discuss the social processes that combine to result in organizational stigmatization within a particular stakeholder group and, further, we examine the initial consequences a stigma produces.

Individual Labeling Process

We argue that the initial catalyst for the emergence of a new organizational stigma is a perception by one or more stakeholders that an organization has engaged in an illegitimate practice (Kraatz & Zajac 1996)⁴. Although many organizational actions do not conform to institutional norms and, hence, are not specifically legitimate, a practice is considered illegitimate by a stakeholder when it is perceived to be “fundamentally inconsistent with deeply institutionalized norms and values” (Kraatz & Zajac 1996: 817). When an organization engages in a practice that is considered illegitimate by one or more stakeholders, it is viewed as behaving in a way that is specifically contrary and threatening to existing institutions and values (Elsbach & Sutton 1992; Kraatz & Zajac 1996).

³ An organization’s stakeholders can exist in multiple levels of analysis within the same stakeholder group. For example, among other levels, customers of Wal-Mart clearly reside at the individual-level (a retail customer) and organizational-level (a commercial customer - e.g., a restaurant chain). While such multilevel dynamics may be an interesting extension, given the complexity of articulating the process of organizational stigmatization, we limit our discussion to the stakeholder in general without specific reference to levels. In this way, when referring to a stakeholder we make no distinction between individuals and organizations and coarsely treat an organization as a single entity with a single perception. Because an organization’s actions toward other stakeholders are heavily influenced by its top managers and those top managers typically have a “dominant logic” or shared beliefs about appropriate organizational and institutional behaviors (Prahalad & Bettis 1986), we believe that this coarse depiction of organizational-level stakeholders is appropriate at this early stage of theorizing.

⁴ Some recent scholars have chosen to refer to practices as “institutionally-contested” rather than “illegitimate” because, while powerful actors in the institutional environment may oppose a contested practice, some important actors in the environment may favor and advocate use of that contested practice (e.g., Fiss & Zajac 2004; Sanders and Tuschke 2007). For our purposes, however, we are not discussing the objective characteristics of a practice, but rather a stakeholder-specific perception.

Generalized Value Incongruence. Stakeholders engage in social and economic interactions as a means of securing vital information and resources (Das, Sen, & Sengupta 1998; Hitt, Dacin, Levitas, Arregle, & Borza 2000). Within the organizational environment, these interactions are generally guided by a system of shared values, assumptions, and behavioral expectations (Abrahamson & Fombrun 1994). Because confidence that other stakeholder group members will conform to these behavioral expectations is vital for interaction to occur (Barnard 1938; Blau 1964; Pfeffer 1998), any signal to the contrary becomes a salient threat to members (Dutton & Dukerich 1991). We argue that perceptions that an organization has engaged in an illegitimate practice is a particularly strong threat, as it projects the probability of future illegitimate behavior, which is likely to cause a stakeholder to perceive incongruence between their values and those of the offending organization (Bies & Tripp 1996; Lewicki, McAllister, & Bies 1998). This value incongruence becomes *generalized* when observers begin to view the illegitimate behavior as not just some idiosyncratic event, but rather indicative of some stable, underlying features of the organization, suggesting that the organization's values are globally and completely incongruent with their own (Sitkin & Roth 1993). The perception of generalized value incongruence may arise from a severe, controllable, and salient single illegitimate practice that is immediately recognized as a breach of deeply institutionalized norms and values (e.g., the Exxon Valdez oil tanker spill) or from a series of actions, each which individually may be less controllable yet, when viewed together, generate the perception that the organization's values are incongruent with those deeply-institutionalized norms and values (e.g., the pattern of violence among U.S. Postal employees that gave rise to the phrase "going postal")⁵.

Generalized value incongruence motivates distrust and creates the suspicion that illegitimate behavior will continue because the organization "doesn't think like us" and, thus, is likely to do the "unthinkable" (Sitkin & Roth 1993: 371). Thus, scholars suggest that because generalized value incongruence is viewed as a strong threat to the stability of the group, members perceived as value incongruent are categorized as deviants (Marques, Abrams, Paez & Hogg 2001). Nevertheless, simply

⁵ We thank an anonymous reviewer for this important insight.

perceiving that an organization has behaved in an illegitimate manner does not ensure that the perception of generalized value incongruence will emerge. Building on prior research, we argue that perceptions of the severity and controllability of the illegitimate activity exhibit important influences on the emergence of generalized value incongruence (Jones, et al. 1984).

Routine and predictable behaviors are prized by partners (Suchman 1995), thus, practices perceived as illegitimate provide strong signals, which attract and retain mainstream attention (Dutton & Dukerich 1991; Fiske & Taylor 1991; Wrzesniewski, Dutton, & Debebe 2003). This has been demonstrated repeatedly at the individual level (e.g., Vonk 1993; 1996; 1999; Vonk & Knippenberg 1994). More specifically, research on impression formation has long acknowledged the general pattern of valence imbalance (e.g., Kanouse & Hanson 1972), or *positive-negative asymmetry*, which demonstrates that negative information has a more extreme influence on perceptions than positive information (e.g., Peeters & Czapinski 1990). Further, the severity of a negative event is positively associated with assessments of inappropriateness (Cooper, Ducet, & Pratt 2005) and anger, which increases the likelihood of negative and aggressive reactions (Ferguson & Rule 1983). In further support, Afifi and Burgoon's (2000) research on social interaction demonstrates that in the context of a relationship, the reactions to changes in others' behaviors is more pronounced when the shift is from positive to negative versus negative to positive. Similarly, Yzerbyt and Leyens (1991) demonstrated that negative information leads to quick exclusionary judgments, while Skowronski and Carlston (1992) found that the impact of morally positive behavior on one's impressions was easily overridden by new information demonstrating immoral behaviors. Finally, Martijin, Spears, van der Pligt, and Jakobs (1992) found that the severity of negative behaviors affected global assessments of an individual's values more than positive behaviors did. Combined, this research suggests that the perceived severity of an illegitimate practice has a profound and positive effect on the likelihood of perceived generalized value incongruence.

Proposition 1: The perceived severity of an illegitimate practice will increase the likelihood that a stakeholder will perceive generalized incongruence between its values the offending organization's values.

We argue that the perception of controllability of engaging in an illegitimate practice or not also influences the likelihood that a stakeholder will perceive generalized value incongruence. As discussed earlier, research demonstrates that the perception of controllability increases the amount of negative information, anger, and concern conveyed about illegitimate behavior (Crocker et al. 1998; Dutton & Dukerich 1991; Goffman 1963). For instance, accidents in which no controllability is attributed to an organization generally engender responses of sympathy and support from organizational audiences (e.g., organizations located in the World Trade Center during the September 11 terrorist attacks), whereas those in which controllability is attributed to the organization (e.g., the Union Carbide's Bhopal disaster or the Enron scandal) elicit contempt, disgust, and scrutiny from observers (Goffman 1963). In addition, we argue that perceptions of controllability can also arise when a stakeholder perceives the organization as responsible for resolving an existing illegitimate situation, even when attributions for the action that led to that state are absent. For example, in their study of the stigmatization of the Port Authority of New York and New Jersey, Dutton and Dukerich (1991) found that while external stakeholders (e.g., customers) did not perceive the Port Authority as responsible for causing the homeless problem that plagued its facilities and disgusted its patrons, these stakeholders did hold the organization responsible for solving the problem. As a result after a decade-long association with the problem, stakeholders eventually perceived generalized value incongruence with the Port Authority (Dutton et al. 1994).

The research and examples above demonstrate that the more controllable an illegitimate practice is perceived to be, the more salient that action becomes to organizational audiences. In turn, this salience commands persistent attention (Dutton Dukerich, & Harquail 1994), raises intense questions about the organization's values (Crocker et al. 1998; Goffman 1963) and, thus, strongly influences stakeholders' propensity to perceive generalized value incongruence. Extending these ideas above we propose:

Proposition 2: The perceived controllability of or responsibility for an illegitimate practice will increase the likelihood that a stakeholder will perceive generalized incongruence between its values the offending organization's values.

Labeling and Social Control. Drawing on an evolutionary perspective, Kurzban and Leary (2001) argued that the process of stigmatization begins with the rejection and distancing from those

deemed deviant and unfit for social exchange. These evaluations and subsequent reactions are made with respect to “the shared values and preferences of members of a particular group” (Kurzban & Leary 2001: 188). Thus, for successful interaction to occur, exchange partners must gauge members’ values, views, and intentions (Cosmides & Tooby 1992) and, in turn, predict actions from inferences (Dennett 1987). Making such predictions is difficult when those values portend that one is unwilling or unlikely to comply with prevailing expectations (Kurzban & Leary 2001). This unpredictability complicates interaction by creating uncertainty about future intentions and triggers a sensemaking process designed to resolve the uncertainty (Ashforth & Humphrey 1997; Starbuck & Milliken 1988; Wrzesniewski et al. 2003). Indeed, the results of research suggest that once the perception of generalized value incongruence develops between a stakeholder and an offending organization, that stakeholder is likely to engage in labeling and attempts at social control to stabilize its environment (Ashforth & Humphrey 1995, 1997).

Social control involves imposing a label and negative categorization on a perceived value incongruent organization, through “coercion, bargaining, and coalition formation” (Ashforth & Humphrey 1997: 54). In this way, a label is an “affective tag” (Fiske & Taylor 1991) used by social actors to develop and communicate shared meanings that aid in providing the basis for stable social interactions (e.g., Ashforth & Humphrey 1995, 1997). Groups need ways to “describe and anticipate those areas of being which lie beyond the immediate borders of the group” (Erickson 1962: 310). An important way in which labels facilitate social control is by emphasizing what is considered permissible and impermissible within the social context (Ashforth & Humphrey 1995, 1997; Erickson 1962). By labeling an organization and casting it as emblematic of what the group *is not*, social actors are able to give form to “what evil looks like, what shapes the devil can assume,” and thereby demonstrate “the difference between kinds of experience which belong within the group and kinds of experience which belong outside it” (Erickson 1962: 310). Drawing on this research we argue that when a stakeholder perceives an organization as value incongruent, in the generalized sense, that organization will be viewed as a threat and labeled as a dangerous deviant by that stakeholder.

By labeling the organization as a dangerous deviant, the stakeholder touches off the process of ritually transforming the organization from one that has merely behaved in a problematic manner, to an entity that is the embodiment of everything that the stakeholder group considers “wrong.” In order to do so, the labeler (claim-making stakeholder) engages in vilification (Ducharme & Fine 1995; Klapp 1954, 1956, 1959) of the labeled firm. During vilification, the labeler sets the offending organization apart from “normal” members by selectively highlighting its negative qualities, denying any positive qualities, and reinterpreting prior events and actions in a negative light in order to symbolically transform it from a positive or equivocal entity into one that is viewed as “fully, intensely, and quintessentially evil.” (Ducharme & Fine 1995: 1311). Extending these ideas suggests the following proposition:

Proposition 3: The perception of generalized value incongruence will increase the likelihood that a stakeholder will label the value incongruent organization as a dangerous deviant and begin to symbolically transform the labeled organization through vilification into the antithesis of everything that the stakeholder group values.

Collective Labeling Process

Above, we described the process of how a single stakeholder may label and make claims about an organization. However, one entity cannot stigmatize another. Rather, a stigma is socially constructed and emerges only when group members “compare their emergent perceptions and triangulate on a common perception” (Ashforth & Humphrey 1997: 54). As a result, by definition, the process of organizational stigmatization is decidedly a social phenomenon that aggregates the collective perceptions of the members of a particular group (Crocker et al. 1998; Leary & Schreindorfer 1998; Link & Phelan 2001). However, the stigma literature is silent with respect to how this common perception emerges, leaving important theoretical questions as to how new stigmatizing categories arise unanswered. Below, we extend physics, sociology, and diffusion research to address this gap in the stigma literature.

The construct of critical mass is used across many domains to represent the collective level required for a specific result to spread across a particular context. For example, in the physics literature, the critical mass refers to the least amount of fissionable material needed to sustain a nuclear reaction at a constant level (Oliver, Marwell, & Teixeira 1985). Similarly, innovation diffusion scholars suggest that a

critical mass occurs when enough organizations have adopted an innovation such that further adoption becomes persistent and self-sustaining (Abrahamson & Fombrun 1994; Rogers 1995). Drawing on this research we argue that because an organizational stigma represents a collective perception, for a stigma to materialize, the social labeling and categorization process discussed above must diffuse across a critical mass of members within a stakeholder group. Thus, we argue that critical mass, then, is reached at the point that the acceptance of the label and vilification of the organization becomes self-sustaining and persistent across the stakeholder group, as a whole. In this way, critical mass represents the “tipping point” (Grodzins 1958) between stigmatization and non stigmatization⁶. This work suggests the following proposition:

Proposition 4. An organizational stigma results when a critical mass of stakeholder group members accept a label and vilifying claims made about the offending organization that idealize the organization as the antithesis of everything the stakeholder group values.

While scholars argue that stigmas arise within a particular social context (Crocker, et al. 1998; Kurzban & Leary 2001), the stigma literature is virtually silent with respect to what a collective social context consists of or how critical mass is achieved. In response, we extend the social network and diffusion literatures to develop a theoretical explanation of the collective social process by which critical mass is reached and an organization is stigmatized.

In this section, for ease of description, we limit our analysis of the collective social context of stigmatization to a specific set (type) of organizational stakeholders (e.g., suppliers), referred to as a stakeholder group. Following this definition, suppliers and customers represent separate stakeholder groups. While all individual stakeholders of a specific type may not have direct contact with one another, the social network literature demonstrates that common values and beliefs tend to diffuse among such structurally equivalent actors (e.g., all suppliers), even absent direct ties (Abrahamson & Fombrun 1994; Burt 1982). It follows that stakeholders of a specific type are likely to “use each other as a frame of

⁶ Sociologists have developed sophisticated methodologies to operationalize and measure the construct of critical mass across various environments (see Oliver and Marwell 2001 for a more thorough explication of the operationalization and measurement of critical mass within the sociology domain).

reference for subjective judgments and so make similar judgments even if they have no direct communication with each other” (Burt 1987: 1293). Thus, similar to other social networks we expect stakeholders of a specific type to function as a group inasmuch that these members exchange important social cues that lead to the emergence of a collectively-held system of values and beliefs.

Organizational scholars have produced a well-developed literature documenting the social processes underlying the diffusion of various behaviors and beliefs across groups and networks, including managerial practices (Abrahamson 1991; Abrahamson & Fairchild 1999), the adoption and rejection of innovations (Abrahamson 1991; DiMaggio & Powell 1983), and values and expectations (Abrahamson & Fombrun 1994). We draw on this work to further guide our explication of organizational stigmatization by examining the homogeneity of the macroculture and the status of the claim maker.

Macroculture Homogeneity. As noted in their study of Benedict Arnold, Ducharme and Fine (1995) argued that in order for a deviant label to diffuse and persist, it must resonate with existing cultural frames, the situational context, and social actors. Indeed, the notion that a claim attains credibility and salience to the degree to which it syncs with existing cultural frames and understandings has been explored in the diffusion of hostile takeovers (Hirsch 1986), as well as in the social movements literature (e.g., Benford & Snow 2000; McAdam 1999). The social network literature suggests that the homogeneity of a groups’ macroculture may enhance the likelihood that the labels and claims about the offending organization are likely to resonate with existing beliefs and cultural frames. Drawing on this work, we suggest that macroculture homogeneity plays an important role in the production of an organizational stigma.

Abrahamson and Fombrun (1994) conceptualized the system of shared assumptions and values that emerge within a group as a macroculture. Scholars have documented the existence of macrocultures in a variety of specific groups, including Scottish knitwear producers (Porac, Thomas, & Badden-Fuller 1989); U.S. airlines (Marcus & Goodman 1986); small town retailers (Gripsrud & Gronhaug 1985), hotels, and automobile manufactures (Abrahamson & Fombrun 1994). Because it is grounded in common values and beliefs, a group’s macroculture informs actions and, thus, encourages normative behavior of

members (Burt 1982; Friedkin 1982; Porac & Thomas 1990; Uzzi 1997). Scholars have argued that when a member's behavior conflicts with this system of values and beliefs, other macroculture members will engage in social control by implementing sanctions that "define and reinforce the parameters of acceptable behavior by demonstrating the consequences of violating norms and values", which can ultimately result in "ostracism (exclusion from the network for short periods or indefinitely)" (Jones, et al. 1997: 931-932). In this way, macrocultures serve as coalitional adaptive systems capable of detecting and excluding unfit members (cf. Kurzban & Leary 2001). Nevertheless, while stakeholders are motivated to reduce threats to the structure and balance of their macroculture (Ashforth & Mael 1989), because members must be aware of violations in order to collectively ostracize offenders (Jones et al. 1997), the efficiency with which the acceptance of label and claims made about an organization spreads across stakeholders is important.

Abrahamson and Fombrun argued that when confronted with threats or ambiguity about macroculture issues "people turn to others with whom they have social ties and develop shared answers to such questions through a reciprocally socializing debate" (1994: 740). They further noted that decision makers within homogeneous macrocultures "tend to pay attention to the same strategic issues, recognize the same challenges to their industry, more readily see their common interest and, therefore, may have greater capacity to engage in collective strategies necessary to counter threatening events and trends" (Abrahamson & Fombrun 1994: 750). Because macroculture homogeneity increases the extent and efficiency of information sharing among members (Abrahamson & Fombrun 1994), collective action is more likely to occur within highly homogeneous macrocultures as opposed to less homogenous macrocultures (Marwell, Oliver, & Pahl 1988), encouraging a piling on effect that attracts other stakeholders' attention (Wiesenfeld et al. in press). In this way, the likelihood that a critical mass of stakeholders will accept the label and claims made about the offender increases with the homogeneity of the stakeholder group's macroculture. This leads us to propose:

Proposition 5. During the collective labeling process, macroculture homogeneity increases the likelihood that a critical mass of stakeholder group members will accept the

label and claims made about the offending organization and, thus, stigmatize the organization.

Status of the Claim Maker. As discussed above, a threat to a group's value and belief system will motivate some members to make claims about an offending organization in attempts to initiate the social control process (Ashforth & Humphrey 1997). However, stigmatization is a collective process that requires a critical mass to accept the claims of these members. Accordingly, the status of the claim maker within the particular stakeholder group represents an important influence on the emergence of organizational stigma.

As mentioned earlier, status refers to social rank (Washington & Zajac 2005) and is based on an actor's pattern of affiliation within a network (e.g., Podolny 1993, 1994; Washington & Zajac 2005). Status confers numerous benefits to a social actor, including greater attention and visibility (Merton 1968) and increased resources and connections (Brass 1995; Pfeffer & Salancik 1978). Status also reduces others' uncertainty about an actor's contributions and claims (e.g., Podolny 1994, 2001, 2005; Podolny & Stuart 1995; Stuart, Hoang & Hybels 1999). For example, Merton (1968) found that high status actors received greater recognition for their accomplishments than low status actors, and that the visibility of their accomplishments were heightened because other actors were paying particular attention to the work produced by high status actors, thereby providing this work with a greater chance of dissemination. Similarly, Podolny and Stuart (1995) found that other actors were more confident that an innovation in question was likely to be of high quality and the area worthy of subsequent research when produced by high status actors. As a consequence of this added attention and reduction in uncertainty, *ceteris paribus*, observers will pay greater attention to claims made by a high status actors and view those claims as more credible than those made by a lower status actor (Blumstein, Carssow, Hall, Hawkins, Hoffman, Ishem, Maurer, Spens, Taylor & Zimmerman 1974). As earlier noted, the labeling process is inherently a negotiated process (Ashforth & Humphrey 1995, 1997). As a result, we argue that the credibility of the claim maker(s) is likely to enhance the likelihood that observers will accept the claim and that a particular label "sticks" (Benford & Snow 2000). Thus, we propose:

Proposition 6. The higher the status of the claims maker(s), the greater the likelihood that a critical mass of stakeholder group members will accept the label and claims made about the offending organization and, thus, stigmatize the organization.

IMMEDIATE STIGMA OUTCOMES

Considerable research has examined individuals' attachment to organizations in the form of organizational identification (Dutton, et al. 1994; Scott & Lane 2000; Tajfel 1982, Tajfel & Turner 1979, 1986). More recently, scholars have begun to empirically examine organizational disidentification, which occurs when one actively cognitively disassociates from an organization (Elsbach & Bhattacharya 2001, Bhattacharya & Elsbach 2002). Although nascent, disidentification research enriches the discussion of organizational stigma by explicating theoretically distinct definitions of identification and disidentification. Specifically, organizational identification occurs when one's values are perceived as aligned with the values projected by a focal organization and reflects a cognitive perception of attachment or connectedness with that organization (Dutton et al. 1994; Mowday, Porter, & Steers 1982). Conversely, the foundation for the disidentification construct is grounded in social psychological research indicating that actors disidentify (disassociate) from organizations having values that are negatively aligned with their own (Ellemers, Kortekaas, & Ouwerkerk 1999; Elsbach and Bhattacharya 2001).⁷ Importantly, disidentification also differs from nonidentification. Whereas nonidentification implies that individuals hold no knowledge or opinion about an organization, individuals disidentify with an organization when they perceive the organization as completely value incongruent. For example, in their study of the National Rifle Association (NRA) Elsbach and Bhattacharya (2001) found that individuals' disidentification with the NRA was motivated by the desire to affirm positive distinctiveness and avoid negative distinctiveness by cognitively disassociating themselves from what they perceived as the value

⁷ Organizational identification and disidentification refer to cognitive judgments concerning the degree to which one's values and beliefs align with a focal organization. Whereas earlier work in this area was concerned with understanding employees' perceptions of organizations to which they belong, more recent empirical evidence has demonstrated that individual organizational observers can, and do, identify and/or disidentify with organizations, even in the absence of formal membership (e.g., Bhattacharya & Elsbach 2002; Elsbach & Bhattacharya 2001; Scott & Lane 2000).

incongruent NRA. Given that an organizational stigma is predicated on generalized value incongruence, we argue that stakeholders will disidentify with a stigmatized organization. Formally stated:

Proposition 7: Stakeholder group members will cognitively disidentify with a stigmatized organization.

Extending this research further, we propose that an organizational stigma produces negative behavioral consequences beyond the disidentification process described above. Paralleling the antisocial nature of the relationship between the non-stigmatized and stigmatized, we propose that the threat a stigmatized organization presents motivates stakeholders to protect themselves through flight (physical or psychological distancing), fight (e.g., aggression and retaliation), or both (Blascovich & Mendes 1999; Blascovich, Mendes, Hunter, Lickel, & Kowai-Bell 2001). In support, Elsbach & Bhattacharya (2001) found that disidentification led to extreme perceptions that motivated disidentifiers to engage in active counterorganizational actions and public condemnation aimed at clearly affirming their disconnection with the NRA. This view is also consistent with the results of Sutton and Callahan's (1987) research of bankrupt computer firms. Specifically, Sutton and Callahan found that an organizational stigma (bankruptcy) motivated two types of negative behavioral reactions from stakeholders. First, they found that suppliers negatively modified their existing relationships with the bankrupt firms through "disengagement, reduction in the quality of participation, and bargaining for more favorable exchange relationships" (1987: 431). For example, even after some the firms' suppliers argued for and obtained cash on delivery terms, once the bankruptcy became public, several of those same suppliers stopped shipping parts to the bankrupt firms, while others shipped defective materials. Second, other stakeholders publicly denigrated the stigmatized organizations, either informally, via rumor, or formally through direct confrontation (Sutton & Callahan 1987).

This body of research suggests that members of a stakeholder group will negatively react to a stigma by minimizing the quantity and quality of interaction with the stigmatized organization, demanding attractive economic exchange at the expense of the stigmatized organization, or severing ties completely – all which are likely to inflict social and economic hardships on the stigmatized organization.

However, we note that other research suggests that long-time or embedded stakeholders may not be predisposed to minimize or exploit interactions with the stigmatized organization. For example, the contact hypothesis suggests that exposure to and interaction with members of different groups tends to ameliorate negative reactions, conflict, and discrimination (Allport 1954). Nevertheless, prior stigma research demonstrates that those who affiliate with the stigmatized are prone to contract a secondary or “courtesy stigma” as a result of this relationship (Page 1984) and, in turn, suffer negative consequences similar to those imposed on stigmatized organizations. Building on Axelrod’s work (1985), Jones and colleagues (1997) note that the enforcement of collective sanctions is often supported by metanorms, which mandate penalties for organizations that continue to interact with the stigmatized. The existence of these norms increases the likelihood of bandwagon effects on the negative behavioral reactions to a stigmatized organization as the threat of courtesy stigma intensifies (Abrahamson & Rosenkopf 1993).

Many compelling illustrations of courtesy stigma threat exist. For example, in the 1990s Philip Morris (now Altria) found that simply distributing grant money to charities in the United States was difficult, due to its tobacco-related stigma. Specifically, fearing activist castigation and stigmatization-by-association from ties to the organization, more than half of the charities offered funding from the firm rejected the offers (Byrne 1999). Further, in an examination of the defunct Arthur Andersen, Jensen (2006) demonstrated that the audit failure surrounding the Enron scandal led to numerous defections of clients who were concerned about how external audiences to whom they were accountable viewed them.

In sum, the research and examples above suggest that given the threat a stigma produces and the possibility of contracting a courtesy stigma from a continued relationship with a stigmatized organization, in addition to cognitive disidentification, we expect group members to be motivated to modify, in some way, all ties with a stigmatized organization as a means of protection. As a result, these threats will increase the negative behavioral reactions to a stigma by motivating members to negatively modify interactions with the stigmatized organization, irrespective of initial predispositions to do so. In sum, we propose,

Proposition 8: An organizational stigma reduces the quantity and quality of stakeholder group interaction and exchange available to an afflicted organization.

DISCUSSION

We argued above that systematic accounts of what an organizational stigma is, how an organizational stigma develops, and the effects a stigma has on organizations had yet to be clearly articulated. In response, we have drawn on multiple disciplines to develop a general theory of organizational stigma. We believe that our framework is the first attempt to rigorously conceptualize the construct of organizational stigma and the process by which an organizational stigma develops. Our intent is to lay the theoretical foundation necessary for future inquiry that can advance our knowledge of organizational stigma. Accordingly, we believe that the theoretical arguments developed in this paper make several contributions to the organizational literature.

First, we define an organizational stigma 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. This definition advances the organizational literature by enabling scholars to differentiate organizational stigma from other related, but distinct, concepts such as reputation or legitimacy, thus, allowing researchers to more effectively evaluate organizational stigmas and their effects. We also believe that by rooting the definition in well-established social-psychological theories, we have provided a useful basis for future research.

Second, while scholars have discussed the negative effects of stigma for decades (Crocker, Major, & Steele 1998; Goffman 1963; Kurzban & Leary 2001), the origins of stigma and the nature of the social contexts in which stigmas materialize have been largely ignored. By conceptualizing the context as a particular stakeholder group in which an organization is embedded, we address this gap. Focusing initially on a single context enables us to more precisely examine the complex processes that shape stigmas and allows us to develop a richer theoretical explanation of the roles social context, social processes, and social actors play in the development of a stigma. As we noted, organizational stigmas are likely to be much more context-specific than individual stigmas. However, because stakeholder groups are often

embedded within broader interconnected social systems (e.g., industries, societies, countries), we recognize that an organizational stigma may move beyond its immediate context and diffuse more broadly. Indeed, Astley and Fombrun (1983) argued that networks such as stakeholder groups often have interdependencies with organizations residing in *separate* networks altogether, such as different stakeholder types and stakeholders of various organizations (Abrahamson & Fombrun 1994; O'Neill, et al. 1998). These cross-group and cross-network linkages encourage information sharing across group boundaries (Friedkin 1982; Granovetter 1973, 1982) and can facilitate the development of common values and behavior patterns that span groups (O'Neill et al. 1998). As a result, such interdependence may encourage the likelihood that stigmatization will diffuse across boundaries, thus expanding the scope and severity of stigmatization. For example, it is readily apparent that the organizational stigma surrounding Enron has diffused into the broader culture, thereby transforming Enron into a symbol of corporate governance failure and managerial greed. As a result, we suggest that future research is necessary to more fully understand the factors that can cause stigmatization to diffuse out of or into connected stakeholder groups, or spiral out of a given network of stakeholder groups into the broader organizational environment.

Third, we proposed that the severity of an illegitimate practice increases the likelihood that stakeholders will perceive generalized value incongruence; however, we suggest that future work must more thoroughly examine how the intensity of the deviance, salaciousness, or malice associated with the event influences the manner in which subsequent value incongruence emerges. For example, are actions related to perceived ethical issues more likely to lead to generalized value incongruence than non-ethical issues? Controllability also deserves further attention. Will the perception of responsibility for an illegitimate practice be more or less damaging than the perception of responsibility for maintaining or continuing perceived illegitimate behavior? And, if so, under what conditions might this be true? Each of these issues represents fertile areas for future research.

We also argued that organizations have greater opportunities at their disposal to prevent or remove stigmas. However, because conduct stigmas are not about behavior, per se, but rather inferences

of underlying fundamental characteristics based on the behavior (Goffman 1963), depending on the severity and controllability, behavioral changes may not be enough on their own to signal change and prevent or remove a stigma⁸. While space limitations prevented us from examining these prevention and removal tactics, we suggest that more thoroughly explicating how organizational actions (e.g., terminations and divestures) and verbal accounts or impression management contribute to stigma prevention and removal represents interesting and important avenues for future research. For example, scholars have demonstrated that in the wake of negative events organizational spokespersons frequently engage in perception management techniques, such as verbal accounts, to protect their organization (Elsbach 2003; Ginzel, Kramer, & Sutton 1992). When observers accept these accounts, negative social evaluations and perceptions of blame are generally reduced and positive organizational perceptions are reinforced (Ginzel et al. 1992). We suggest that empirical investigations of the moderating effects of various accounts and actions on the development of an organizational stigma would prove useful for understanding why a particular illegitimate practice may lead to a stigma in one instance and not in another.

Fourth, we also examined the immediate cognitive and behavioral consequences of organizational stigmatization. As discussed above, in addition to disidentification, we expect stakeholders to also negatively alter the quantity and quality of their interaction with the stigmatized organization, both which are likely to inflict social and economic hardships. Moreover, we demonstrated above that an organizational stigma is distinct from other social evaluation constructs (e.g., status, reputation, celebrity, and legitimacy) on several dimensions. Nevertheless, questions remain about how they may be related. For example, Washington and Zajac (2005) argued that many questions remain regarding the manner in which organizational status differences arise. As Garfinkel (1956) noted, successful status degradation

⁸ The social psychological literature on cue diagnosticity, for example, has found that negative cues are perceived to be more diagnostic in assessments of underlying character than positive cues, in part because favorable behavior may merely be an indication of conformance with societal expectations and norms, thereby conveying relatively ambiguous or equivocal information about underlying attributes (e.g., Hamilton & Huffman, 1971; Hamilton & Zanna, 1972). The implication, then, is that the negative conduct that resulted in the stigma is likely to be weighed heavier than the subsequent positive cues to try to cleanse and enhance one's character.

ceremonies occur when both an event and the perpetrator are shown as being “out of the ordinary” and “objectively wrong” in the minds of witnesses. As such, we speculate that an organizational stigma represents one particular way an organization’s status may be damaged. That said, this notion gives rise to additional questions. For example, are the effects of stigma on the status of the target conditioned by prior target status levels? Relatedly, does a high degree of prior target status ameliorate the assertions of claim-makers and, thus, impede the formation of a stigma? Further, while we specifically hypothesized about the status of the claim-maker, we speculate that claim-maker status, target status, and their relative status to one another might interactively impact the stigmatization process. This idea gives rise to further questions regarding how these relationships should be conceptualized, measured, and modeled. Accordingly, we call for future research that empirically examines these questions.

Further, organizational scholars have demonstrated that positive reputations can create economic value (Hall 1993) and improve an organization’s bargaining power and capacity to secure resources (D’Aveni & O’Neill 1992; Fombrun 1996; Weigelt & Camerer 1988). Thus, as with status, interesting questions remain. For example, does a positive reputation suppress the effects of a stigma on negative behavioral reactions, or inhibit the formation of a stigma? In addition, because an organization’s reputation is predicated on its ability to perform in the future, access to tangible and intangible assets that influence organizational performance are critical (Fombrun 2001; Tsui 1990; Weigelt & Camerer 1988). Taking a longer-term view, given that a stigma will reduce this access, we also expect a stigma to negatively affect an organization’s performance and, ultimately, harm its reputation. Thus, examining the roles reputation plays both before and after stigmatization provides compelling future research opportunities. We argue that similar questions remain regarding the effects of organizational stigmas on organizational legitimacy and firm celebrity and suggest that event studies, media analyses, organizational ethnographies, and surveys may be useful approaches for addressing these questions. In sum, we call for research that begins to examine the relationships that exist among these social evaluation constructs.

Finally, although the literature suggests that a stigma can reduce the power of the stigmatized (Jones et al. 1984), we argue instances exist in which this relationship may not hold. Specifically, a

stigmatized organization may have complete or near complete control over assets necessary to another organization. Research indicates that power is an important influence on the amount of attention allocated to interorganizational relationships (Mitchell, Agle, & Wood 1997) and the dynamics of those ties. This suggests that when an observer perceives a stigmatized organization as having more power, they may not be able to completely react until the power balance shifts. For example, it seems unlikely that many organizations could minimize or sever their exchange relationships with a powerful retailer, such as Wal-Mart, even in the presence of a stigma (Bianco & Zellner 2003). Consequently, we suggest that examining the effects of power perceptions on others' behavioral reactions to a stigma is another important research opportunity.

Conclusion

Organizational scholars have focused little attention on what organizational stigma is, how an organizational stigma develops, or the effects of a stigma on organizations. We believe our theoretical explanation serves as an initial step toward closing these gaps. It is our hope that this work lays the foundation for more systematic theoretical and empirical inquiry into organizational stigmas and organizational stigmatization.

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Table 1
Comparison of Different Social Evaluation Constructs

	Reputation	Status	Celebrity	Legitimacy	Stigma
Definition	Signal of quality and behavior	Agreed-upon social rank	Combination of prominence and under- or over-conformance to norms	Perceptions of appropriateness	A label that evokes a collective perception that the organization is deeply flawed and discredited
Individuating?	Individuating	Individuating	Individuating	De-individuating	De-individuating
Foundational Literature	Signaling theory	Network theory	Sociology of media	Neoinstitutional theory	Labeling theory
Social Basis	Performance and quality signals	Pattern of affiliations and centrality	Media stories	Normative fit	Labeling and social control
Requires Affective Response	No	No	Yes Positive Affect	No	Yes Negative Affect
Outcomes	Performance, attractiveness as a partner	Preferential interpretation of statements and actions	Access to resources and opportunities	Access to resources	Disidentification and social and economic sanctions

Table 2
Comparison of Individual and Organizational Stigma

	Individual Stigma	Organizational Stigma
Types of Stigmatizing Conditions	<p>Abominations of the body</p> <ul style="list-style-type: none"> e.g., physical deformities, illnesses <p>Tribal stigma</p> <ul style="list-style-type: none"> e.g., race, religion, gender <p>Conduct stigma</p> <ul style="list-style-type: none"> e.g., dishonesty, deviant behavior 	<p>Primarily conduct stigmas based on actions</p> <ul style="list-style-type: none"> e.g., bankruptcies, scandals, firm failure <p>Some tribal stigmas possible based on presence in particular product or geographic markets</p> <ul style="list-style-type: none"> e.g., “Made in China”
Prevention & Removability	<p>Prevention and removal is difficult</p> <p>Conduct stigmas may be removed through successful complete identify change, but removal is rare and difficult</p> <p>Tribal stigmas and “abominations of the body” are even more difficult to remove.</p> <ul style="list-style-type: none"> plastic surgery and/or medical treatment may remove the mark of some stigmas (e.g., disfigurements and illnesses) 	<p>Increased capacity to prevent, remove, or dilute through active removal of (decoupling from) certain components (e.g., firings and divestitures).</p>
Pervasiveness	Generally more pervasive across contexts	Generally context-specific