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Working Paper

Linking organizational crises and reactive strategies via dimensions of legitimacy

Schumpeter Discussion Papers, No. 2009-005

Provided in Cooperation with:

Schumpeter School of Business and Economics, University of Wuppertal

Suggested Citation: Breitsohl, Heiko (2009) : Linking organizational crises and reactive strategies via dimensions of legitimacy, Schumpeter Discussion Papers, No. 2009-005, University of Wuppertal, Schumpeter School of Business and Economics, Wuppertal, <http://nbn-resolving.de/urn:nbn:de:hbz:468-20090593>

This Version is available at:

<http://hdl.handle.net/10419/68672>

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SCHUMPETER DISCUSSION PAPERS

**LINKING ORGANIZATIONAL CRISES
AND REACTIVE STRATEGIES VIA
DIMENSIONS OF LEGITIMACY**

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The Schumpeter Discussion Papers are a
publication of the Schumpeter School of
Business and Economics, University of
Wuppertal, Germany

For editorial correspondence please contact
SSBEditor@wiwi.uni-wuppertal.de

SDP 2009-005
ISSN 1867-5352

Impressum
Bergische Universität Wuppertal
Gaußstraße 20
42119 Wuppertal
www.uni-wuppertal.de
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**BERGISCHE
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LINKING ORGANIZATIONAL CRISES AND REACTIVE STRATEGIES VIA DIMENSIONS OF LEGITIMACY

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ABSTRACT

Research on organizational crises has typically focused on case studies or measures for crisis prevention, while the social dimension of crises has remained largely unexplored. In some rare exceptions, differences in the efficacy of reactive strategies depending on the type of crisis have been reported. However, the mechanisms behind these differences remain unclear. This paper aims to fill this gap by arguing that organizational crises and effective reactions are linked by different dimensions of legitimacy perceived by stakeholders. To this end, after elaborating on the role of legitimacy in organizational crises, typologies of crises as well as reactive strategies are presented, accompanied by propositions about possible links.

INTRODUCTION

Studies of organizational crises have been a fruitful stream of research for several decades (e.g. Hermann, 1963; Pearson & Clair, 1998; Shrivastava, Mitroff, Miller, & Miglani, 1988; Turner, 1976; Yu, Sengul, & Lester, 2008), from which two main foci can be identified. First, there is a rich body of literature presenting case studies of crises and analyzing with great precision the development of catastrophic events. Examples are the Tenerife air disaster (Weick, 1990), the loss of the space shuttle Challenger (Vaughan, 1990), the industrial accident at Bhopal (Shrivastava, 1992), or the Mann Gulch fire (Weick, 1993). These studies typically discuss organizational sensemaking (Weick, 1988, 1993), intraorganizational regulatory relationships and social control (Vaughan, 1990), and information processing (Rudolph and Repenning, 2002) as factors contributing to crises. Second, the causes thus identified have prompted other authors to provide prescriptions for organizational design in order to prevent crises or minimize their effects (e.g., Hedberg, Nystrom, and Starbuck, 1976; Turner, 1976; Smart and Vertinsky, 1977).

Only more recently has research on organizational crises directed its attention to the role of stakeholders, and the social environment within which crises unfold and upon which the organization depends for survival (Marcus & Goodman, 1991; Pearson & Clair, 1998; Pfarrer, Decelles, Smith, & Taylor, 2008; Yu et al., 2008). More specifically, the interaction between organization and stakeholders as well as the organization's influence on stakeholder perception has been recognized as a field worthy of inquiry. In their study of organizational signalling during crises, Marcus and Goodman (1991) drew upon the literature on organizational impression management (e.g. Benoit, 1995; Elsbach, 2003; Schlenker, 1980; Tedeschi, 1981). They showed that two types of signals – accommodative vs. defensive – sent in communicating with investors differed in successfully evoking positive responses, depending on the kind of crisis. This implies

that organizations may actively influence stakeholder perception of reactions to crises, possible easing recovery through improved stakeholder support. Similarly, Elsbach (2001) suggested that organizations adjust their reactions depending on how foreseeable the threatening event was.

Although these valuable findings point to the importance of the topic and provide a starting point, the social dimension of organizational crises remains understudied. For instance, theory on impression management provides a suitable background for framing organizational reactions and the study by Marcus and Goodman (1991) employs it effectively by pointing out differences in efficacy between reaction types. However, it remains unclear *why* some reactions are useful in overcoming a certain type of crisis while others are not. Filling this gap by identifying the mechanism behind stakeholder perception of crises and organizational reactions may deepen our understanding of the crisis phenomenon. It may also provide a basis for improved recommendations for effective crisis management.

Therefore the aim of this paper is to present “missing links” between organizational crises and corresponding effective reactions. To this end, I argue that the construct central to stakeholder perceptions of crises is that of organizational legitimacy (e.g. Aldrich & Fiol, 1994; Dowling and Pfeffer, 1975; Scott, 1995; Suchman, 1995), in that crises are characterized by a sudden loss of legitimacy. More specifically, I suggest that different dimensions of legitimacy are affected by different types of crises and by different organizational reactions. Crisis management strategies are effective if the reaction on the part of the organization matches the dimension of legitimacy affected by the crisis. In order to develop my argument, I proceed by explaining the suitability of legitimacy as the central construct in organizational crises and by identifying four dimensions of legitimacy from the literature. I then turn to developing a typology of organizational crises and presenting a set of propositions linking these types to dimensions of legitimacy. In the following

section, I present a second set of propositions on links between legitimacy and reactions, based on a typology of the latter. The paper closes with a brief discussion and conclusion.

ORGANIZATIONAL LEGITIMACY AS THE CENTRAL CONSTRUCT IN ORGANIZATIONAL CRISES

Like all change in and around organizations, the evolution of crises is embedded in a social system constituted by various groups of stakeholders (e.g. Freeman, 1984). Such groups may comprise employees, customers, suppliers, or stockholders. With regard to events such as accidents and product safety issues, a new group of stakeholders – victims – may be created (Marcus & Goodman, 1991; Shrivastava et al., 1988). Furthermore, stakeholders have considerable influence on the cause of crises (Milburn, Schuler, & Watson, 1983), and their spreading across organizations (Yu et al., 2008).

More generally, organizations depend on positive evaluation by stakeholders because such evaluations have significant influence on decisions concerning membership, market transaction, and financing (Carroll & Hannan, 2000). Crises threaten positive stakeholder evaluation in that they cause a loss of shared values and commonly held beliefs (Pearson & Clair, 1998) and may be regarded as a violation of uncertainty-reducing social codes (Carroll & Hannan, 2000; Milburn et al., 1983). Stakeholders may punish such transgressions by terminating transactions, boycotting sales activities, quitting jobs, or withdrawing funds (Yu et al., 2008).

These aspects are usefully framed through the construct of organizational legitimacy (e.g. Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Meyer & Scott, 1983; Suchman, 1995). According to Suchman (1995: 574), an organization is deemed legitimate if its actions are “desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Because crises are perceived by stakeholders as a breach of social codes,

i.e. norms, values, beliefs, and definitions, they may be characterized as an unexpected loss of legitimacy. In reaction to the problematic event, stakeholders challenge organizational performance or values (Hirsch & Andrews, 1984). From this perspective, other issues, such as financial hardship, are mostly consequences of reduced legitimacy, while the latter lies at the core of organizational crises. Exceptions to this rule are loss of life or of assets occurring in events triggering organizational crises, e.g. accidents, although the assessment of such losses may differ in the perception of stakeholders (Billings, Milburn, & Schaalman, 1980).

Dimensions of Organizational Legitimacy

The literature on organizational legitimacy contains several classifications, differing in breadth, depth, and delineations. Aldrich and Fiol (1994) distinguished between *cognitive* legitimacy, which reflects the degree to which knowledge about an organization has spread, and *sociopolitical* legitimacy, which focuses on the acceptance of the organization “as appropriate and right, given existing norms and laws” (Aldrich & Fiol, 1994: 648). In its highest form, cognitive legitimacy implies acceptance of an organization as part of the sociocultural landscape to the point of being ‘taken for granted’. Aldrich and Ruef (2006) refined sociopolitical legitimacy by subdividing it into two components. *Moral acceptance* results from conformance with cultural values and norms, while *regulatory acceptance* requires conformance with governmental rules and regulations.

A similar concept was proposed by Scott (1995) based on the seminal work by DiMaggio and Powell (1983), comprising three types of legitimacy corresponding to three pillars of institutions: regulative, normative, and cognitive. *Regulative* legitimacy is awarded based on accordance with legal or quasi-legal requirements, where possible sanctions coerce organizations into adherence to rules. By comparison, *normative* legitimacy tends to have a deeper, moral base, and thus

conformance to it is likely to stem from intrinsic as well as extrinsic motivation. It mirrors perceived appropriateness in terms of values and norms, which govern what is important, and how things should be done, respectively. Normative legitimacy is achieved through social obligation. Attributions of *cognitive* legitimacy are governed by shared definitions and frames of reference. They reflect the extent to which an organization and its activities are culturally supported and conceptually correct, i.e. taken for granted. Elements of cognitive evaluation specify the meaning of structural and procedural features of organizations – basic characteristics of social systems (Ruef & Scott, 1998). The similarity of the typologies developed by Aldrich and colleagues (Aldrich & Fiol, 1994; Aldrich & Ruef, 2006; Hunt & Aldrich, 1996), and Scott (1995) have caused some researchers to equate their respective dimensions of regulative, normative, and cognitive character (e.g. Zimmerman & Zeitz, 2002).

The most fine-grained typology has been provided by Suchman (1995), who distinguished twelve types of organizational legitimacy by combining three dimensions (pragmatic, moral, and cognitive) with two temporal textures (episodic vs. continual) and two foci (actions vs. essence). Accordingly, *pragmatic* legitimacy comprises exchange, influence, and dispositional legitimacy. It is based on stakeholders' self-interest calculations with respect to expected value provided by the organization, responsiveness and commitment to their larger interests, or – in an anthropomorphic fashion – the interests and character of the organization. *Moral* legitimacy comprises consequential, procedural, structural, and personal legitimacy. It reflects a normative evaluation of what the organization accomplishes, which technologies and procedures it employs in doing so, its structure and capacity for producing results, and the charisma of individual organizational leaders. *Cognitive* legitimacy comprises comprehensibility and taken-for-grantedness. It stems from the extent to which organizational activities are predictable and plausible, and are perceived to be permanent and inevitable. In addition to the various flavors of

legitimacy outlined above, some authors have proposed legitimacy types related to their specific research context, such as industry-derived legitimacy (Zimmerman & Zeitz, 2002), or corporate environmental legitimacy (Bansal & Clelland, 2004).

The dimensions of these models of organizational legitimacy are broadly similar, yet they exhibit some differences in their emphasis and delineation. Suchman's (1995) pragmatic type of legitimacy is treated by Aldrich and Ruef (2006) as an aspect of organizational learning and therefore excluded from their typology. These authors, in turn, consider moral and regulatory acceptance to be sub-dimensions of sociopolitical legitimacy, which, according to Scott (1995), are two separate types. Thus, Scott (1995) places relatively strong emphasis on legal aspects of legitimacy, while these are only implicitly incorporated in Suchman's (1995) approach. Moreover, Deephouse and Suchman (2008) noted that there is some confusion concerning the meaning of the term normative legitimacy, since some authors tend to restrict normative aspects to those associated with particular ethics of formal professions, as opposed to norms ubiquitous in social systems. In consonance with the proposition put forward by Deephouse and Suchman (2008), the term is used in the more general sociological sense within the context of this paper.

Although conceptually distinct, interrelations and (non-)correlations between dimensions of legitimacy may exist. Suchman (1995) explained that both moral and cognitive legitimacy require cultural frameworks, while pragmatic legitimacy rests on individual utility calculations. Therefore, offering tangible rewards to stakeholders may be effective in gaining pragmatic legitimacy, but may be regarded unacceptable in moral and cognitive terms. Similarly, the discursive nature of both pragmatic and moral legitimacy stands in contrast to cognitive legitimacy, whose implicit taken-for-granted base may be threatened by public discussion. Furthermore, Scott (1995) pointed out that assessing the legitimacy of a certain organization on different dimensions may lead to varying conclusions. For instance, normative standards may

require an organization to break regulative prescriptions. Also, the borderline between legitimate and illegitimate is fuzzy in cases such as street gangs or organized crime, which are culturally constituted yet illegal, or pornography, which is often legal but morally tainted (Solari, 2007). Organizations suffering from ‘core-stigma’ due to their very nature fall into this category (Hudson, 2008). However, the focus of this paper lies on organizations which are free from core-stigma, but are exposed to ‘event-stigma’ resulting from a crisis.

It should be noted that there has been some debate as to how much influence an organization has on its own legitimacy. While some authors propose that a single organization is relatively weak and passive compared to the dynamics shaping its industry or economic sector (e.g. Dacin, 1997; DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991; Zucker, 1987), others emphasize a wide variety of activities an organization can employ to actively influence its environment and, consequently, the way it is perceived and attributed legitimacy (e.g. Aldrich & Fiol, 1994; Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Suchman, 1995). Like Suchman (1995), I take a middle road between those two approaches, conceptualizing the organization as faced with external pressures *and* equipped with a repertory of strategies for influencing its stakeholders. Institutional environments do shape the course of an organization’s evolution and create boundaries of action for the organization, but not independently of it. Conversely, stakeholders are susceptible to organizational legitimation activities to some extent, albeit a limited one.

As described in the preceding portion of this paper, the respective literature suggests that organizational crises are closely tied to a loss in reputation, built on shared values and beliefs (Pearson & Clair, 1998), and a violation of social codes (Milburn et al., 1983; Yu et al., 2008). Although the constructs of reputation and legitimacy may be considered distinct (Deepphouse & Carter, 2005), I follow Aldrich and Fiol (1994) in subsuming reputation under the antecedents of

organizational legitimacy, the definition of which comprises the aspects just noted. According to various authors, organizational legitimacy consists of three dimensions (Scott, 1995; Suchman, 1995), although some scholars diverge slightly from that division (Aldrich & Ruef, 2006). Treating moral (Suchman, 1995) and normative (Scott, 1995) legitimacy as equivalent, I employ a concept of organizational legitimacy consisting of the four major dimensions identified in this section, namely pragmatic, moral, cognitive, and regulative legitimacy. The remainder of this paper is dedicated to providing a summary of the possible relationships between crisis types, dimensions of legitimacy, and organizational reactions, and to creating a series of propositions on those relationships.

CRISES TYPES AND DIMENSIONS OF LEGITIMACY

Types of Organizational Crises

Organizational crises are high-impact, low-probability events (Hermann, 1963). They prevent the organization from reaching its goals and may threaten its very survival (Milburn et al., 1983; Pearson & Clair, 1998). Thus, they are associated with the possibility of great loss (Billings et al., 1980), while being ambiguous with respect to their causes, effects, and means of resolution (Hermann, 1963; Pearson & Clair, 1998). Crises restrict organizational capabilities of information processing and decision making by inducing individual stress, resulting in misunderstandings and failures (Hermann, 1963; Smart & Vertinsky, 1984; Turner, 1976).

This rather broad characterization of crises allows the inclusion of a wide variety of events. Consequently, the literature on organizational crises offers extensive lists of incidents related to crises (e.g. Pauchant & Mitroff, 1992; Pearson & Clair, 1998), while few scholars have attempted to develop consistent typologies. Exceptions include Marcus and Goodman (1991), Milburn et al.

(1983), Pauchant and Mitroff (1992), and Shrivastava et al. (1988). Interestingly, these typologies are diverse in scope, dimensionality, delineation, and detail.

Milburn et al. (1983) presented a typology consisting of three dichotomous dimensions: the degree of control the organization has over its external environment (high vs. low), the general perceived character of the crisis (positive vs. negative), and the degree of organizational susceptibility (high vs. low). This results in eight different types of crises, although the authors did not specify these types or provide examples. Rather than a framework for describing or analyzing past or future events, the model is intended as an instrument for deducing the likelihood of an organization facing a severe crisis, given its characteristics as positioned in the model space. It is also used to form hypotheses about antecedent aspects of organizations and crises.

Pauchant and Mitroff (1992) took a very different approach by inductively developing a two-dimensional concept of crises. Based on a survey of corporate managers, they identified six clusters of crises, namely 'external economic attacks' (e.g. extortion), 'external information attacks' (e.g. counterfeiting), 'breaks' (e.g. product defects), 'occupational health diseases', 'psycho' (e.g. copycats), and 'megadamage' (e.g. environmental accidents). These groups are positioned on two dimensions denoted 'technical/economic' vs. 'human/social', and 'normal' vs. 'severe'. The former specifies the underlying cause of a crisis, although the authors point out that technical defects and social problems may be intertwined. The latter describes the extent to which the "underlying cause can be explained more easily in terms of everyday or 'normal' human behavior" (Pauchant & Mitroff, 1992: 29). Accordingly, analyzing crises types at the 'severe' end of the spectrum, such as the 'psycho' cluster, requires "a great deal of psychological sophistication" (Pauchant & Mitroff, 1992: 29).

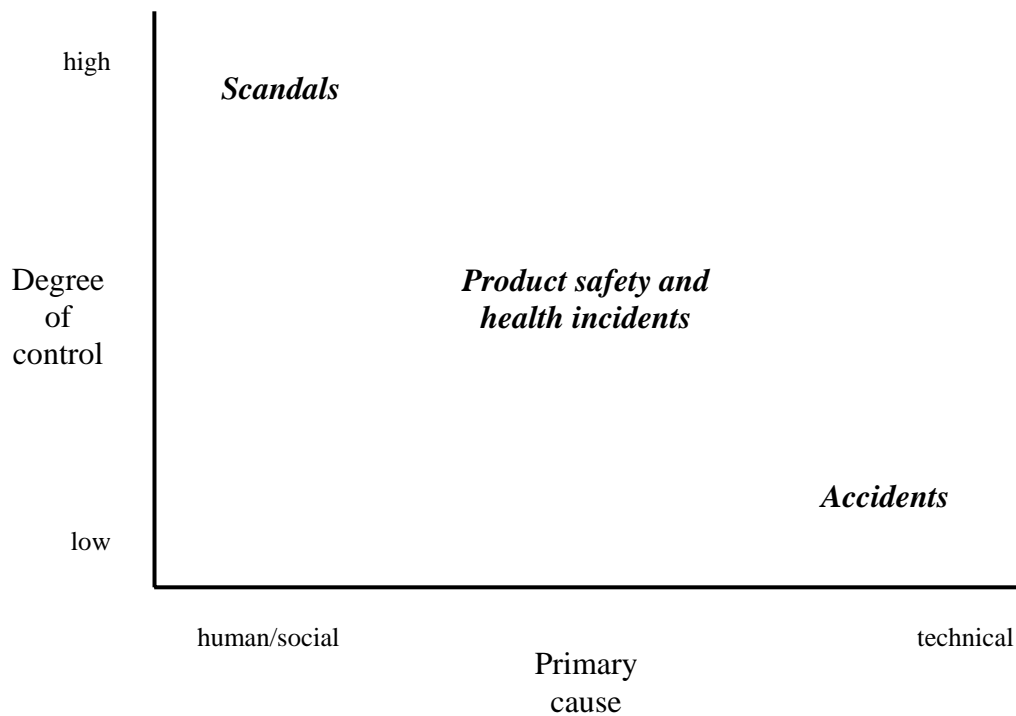
Shrivastava et al. (1988) focused on events associated with industrial production. They differentiated between production-related and consumption-related harm. Production-side harm includes risks linked to the production system (personal or transportation accidents, system failures), the production environment (e.g. occupational diseases), and post-production effects (e.g. chronic pollution). Consumption-side harm includes risks linked to product use (misuse, sabotage, defects), and side-effects of consumption (e.g. diseases such as smoking-related cancer). These authors stressed that the events noted in their typology are merely the triggers of the actual crises, which may consist of large-scale damage to human life and the environment as well as large economic and social costs. Furthermore, they identified two sets of causes. First, human, organizational, and technological factors, such as operator errors or sabotage, policy failures, or faulty design, respectively, lead to the triggering event. Second, due to the interaction of these causes with regulatory, infrastructural, and preparedness failures, triggering events escalate into crises.

The classification presented by Marcus and Goodman (1991) adopts a shareholder perspective by distinguishing between three crises types (accidents, product safety and health incidents, and scandals) in terms of their deniability, and the ease of identification of victims. Thus, accidents have an easily identifiable group of victims and are plausibly deniable, because they occur unexpectedly. Conversely, scandals have a diffuse group of victims and are difficult to deny since their causes are misdeeds within the organization. Product safety and health incidents lie between the other two types on both dimensions.

In sum, the literature on organizational crises offers relatively few and very different attempts at categorizing threatening events. While Milburn et al. (1983) deductively assess the general exposure of an organization to crises – without regard to the character of the event – the other typologies outlined above identify common traits according to which crises may be classified.

Pauchant and Mitroff (1992) cover a wide range of crises and group them into several clusters. However, the consistence of this approach appears to be questionable. For instance, it remains unclear why rumors are both highly technical *and* highly human in nature, and why they are crises at all. Moreover, it appears implausible why events such as sabotage or tampering are psychological in nature and particularly difficult to analyze, while boycotts are primarily economic. By contrast, Shrivastava et al. (1988) offer a very stringently organized catalogue of triggering events, in combination with suggestions on the causal structure of crises resulting from such events. Unfortunately, their typology is restricted to industrial crises, ignoring problems such as corruption and other illegal arrangements. Marcus and Goodman (1991) incorporate these types, resulting in a comprehensive – albeit more coarse-grained – classification, which is able to accommodate the types described by Shrivastava et al. (1988) in addition to covering non-industrial crises. Their approach is also unique in that it takes a stakeholder perspective, accounting for the social and psychological aspects of organizational crises.

Within the context of this paper, I employ a classification combining elements of those summarized above. It is visualized in Figure 1. Like Marcus and Goodman (1991), I divide crises into three broadly delineated types: scandals, product safety and health incidents, and accidents. Adapting one criterion used by Milburn et al. (1983), I classify them in terms of the degree of control the organization has over the triggering event, in principle, reflecting stakeholder expectations of organizational control (Salancik & Meindl, 1984). Furthermore, I follow Pauchant and Mitroff (1992) in distinguishing between two primary causes: human/social, and technical.

FIGURE 1**Classification of crises**

Scandals comprise crises triggered by, e.g. bribery, insider trading, price-fixing, or sexual harassment. They allow a relatively high degree of control since their roots often lie within the organization, among its members. It is therefore generally feasible to identify the perpetrators and possibly even prevent the crisis. Scandals have primarily human and social causes, since they are based on member interaction and are influenced by social processes (e.g. Ashforth & Anand, 2003; Finney & Lesieur, 1982). *Accidents* comprise events categorized by Shrivastava et al. (1988) as related to the production system, such as explosions, airplane crashes, or the sinking of ships. By contrast, they are much more difficult to control, since they are often caused by the complexity of tightly coupled systems (Perrow, 1984a). While failures of such systems are relatively rare, even when compared with other crises, they do occur, are difficult to prevent, and

are often devastating in their effects. Due to these reasons, accidents are also primarily technical in nature, although flawed human perception and decision making may contribute to their development. Finally, *product safety and health incidents* comprise post-production effects and consumption-side harms (Shrivastava et al., 1988), like sabotage, product defects and associated recalls, and production-related pollution. Since these are not as rare and causally ambiguous as accidents, but feature a combination of internal (production systems) and external (e.g. consumers) influences, they are in the mid range in terms of controllability. The same is true for the second criterion, due to their inherent mixture of technical and human causes.

Proposed Links

A few authors have pointed to a connection between crises and reputation, shared values and beliefs, and social codes (Pearson & Clair, 1998; Milburn et al., 1983; Yu et al., 2008), which may be subsumed under organizational legitimacy. Yet, in general, little is known about the exact nature of this relationship. Hudson (2008), in contrasting persistent lack (core stigma) against temporary loss of legitimacy (event stigma), proposed that core stigma is primarily related to sociopolitical (Aldrich & Fiol, 1994) or moral, rather than pragmatic or cognitive (Suchman, 1995) legitimacy. Indeed, as Hudson (2008) elaborated, an organization may be pragmatically and cognitively legitimate, yet core-stigmatized. While this description contributes to the understanding of ‘spoiled image’ (Sutton & Callahan, 1987) of organizations, it remains unclear how dimensions of legitimacy relate to event-stigma associated with crises. I therefore turn to discussing possible links.

Scandals, such as those involving bribery, corruption or insider trading, are almost invariably connected to ‘white-collar crime’ (e.g. Fisse & Braithwaite, 1983). The discovery of such deeds is typically followed by criminal investigation, since they violate rules and regulation governing

bidding procedures or securities trading. Furthermore, scandals often evoke public outcry since they point to greed among leading personnel in the ranks of the organization. They also put into question the ability of the organization's structures and processes to adequately police its employees' decisions (Marcus & Goodman, 1991). Since those responsible for the scandal often draw significant financial benefit from their actions, they also appear as primarily focused on their own well-being instead of their stakeholders'. Note that the problematic behaviors associated with scandals are relatively unrelated to specific products, services, or industries.

Product safety and health incidents, such as product defects or sabotage, have a weaker legal connotation than scandals, although they may violate standards of quality or consumer protection laws. Moreover, they may create legal action from victims of faulty or tampered products. However, they primarily call into question the organization's status as an exchange partner, i.e. provider of economic benefit. They also challenge previous perceptions of the organization's trustworthy, honest and reliable character. In a related vein, product safety and health incidents cast doubt on organizational predictability and the capacity to deliver goods or services at a constant level of quality.

Accidents, such as explosions or oil spills, are typically complete surprises to all parties involved. They occur in tightly coupled systems and have their causes in the inherent complexity of modern production or transportation technology. Therefore, accidents tend to be relatively free from perceptions of moral injustice or deliberate wrongdoing, although there may be inquiries into the efficacy of procedures for accident prevention. Neither do they cast serious doubt on the organization's disposition as a 'good' exchange partner. They do, however, evoke questions concerning predictability and permanence, especially since accidents can be devastating enough to jeopardize the organization's existence (e.g. Sipika & Smith, 1993). Thus,

Proposition 1. Scandals affect regulative, normative (Scott, 1995) and moral (Suchman, 1995) legitimacy more than pragmatic and cognitive legitimacy.

Proposition 2. Product safety and health incidents affect pragmatic legitimacy more than moral/normative, regulative, and cognitive legitimacy.

Proposition 3. Accidents affect cognitive legitimacy more than moral/normative, pragmatic, and regulative legitimacy.

CLASSES OF REACTIONS AND DIMENSIONS OF LEGITIMACY

A Typology of Reactions to Crises

Organizations react to crises in a variety of ways, which are all aimed at influencing stakeholder perceptions of the organization's role within the context of the crisis. One stream of research which has contributed to the understanding of such tactics is impression management theory (e.g. Elsbach, 2003; Schlenker, 1980; Tedeschi, 1981). Impression management can be defined as "the conscious or unconscious attempt to control images that are projected in real or imagined social interactions" (Schlenker, 1980: 6). Grounded in social psychology, the concept originally focused on individual and intraorganizational behavior (e.g. Giacalone & Rosenfeld, 1989, 1991) and has since been applied to organizations in a variety of studies (e.g. Aldrich & Fiol, 1994; Arndt & Bigelow, 2000; Bansal & Clelland, 2004; Elsbach, 2003; Elsbach & Sutton, 1992; Ginzler, Kramer, & Sutton, 1993; Lounsbury & Glynn, 2001).

The literature on impression management provides numerous typologies of activities directed at influencing stakeholder perception (e.g. Arndt & Bigelow, 2000; Elsbach, 1994, 2003; Ginzler et al., 1993; Schlenker, 1980; Suchman, 1995; Sutton & Callahan, 1987; Tedeschi & Melburg, 1984), varying in terms of their scale. For example, while Scott and Lyman (1968), and Tedeschi (1981) distinguish between two strategies – excuses and justifications –, Schlenker (1980)

identifies no less than seven different activities. Moreover, the typologies differ in their scope, i.e. the kinds of behavior they cover. Some authors focus on verbal accounts, such as denials or excuses (e.g. Elsbach, 2003), whereas others include withdrawing from communication (Sutton & Callahan, 1987) or restructuring (Pfeffer, 1981; Suchman, 1995). What's more, there is no consistent distinction between different impression management activities. Note how Suchman (1995) named explanations as one kind of technique besides excuses and justifications. According to Elsbach (2003), however, the latter two are subtypes of explanations. Similarly, Elsbach (1994) described denials as accounts negating either the involvement in an event or the occurrence of the event itself. However, these two variants may alternatively be considered two distinct tactics (Sutton & Callahan, 1987).

Several authors used a rather general classification by distinguishing between *defensive* and *accommodative* behaviors, where defensive means avoiding association with a threatening event, while accommodative means accepting responsibility for it (Elsbach, 1994, 2003; Marcus & Goodman, 1991; see also Sutton & Callahan, 1987). Although this is a useful distinction, it does not account for the various different types of reactions listed in the typologies noted above. More specifically, there may be more than one step between an organization denying all possible connections with a problematic incident, and the organization assuming full responsibility and offering compensation for the damage inflicted on victims.

In order to obtain a more fine-grained overview of organizational reactions to crises, I developed a new typology, drawing upon the measure used by Marcus and Goodman (1991) in their study of the conflict between shareholders and victims during crises. These authors operationalized accommodative tactics as “those in which managers accepted responsibility, admitted to the existence of problems, and attempted to take actions to remedy a situation” (Marcus & Goodman, 1991: 291). Based on this definition, I propose four classes of strategies,

defined by three dichotomous criteria. First, in its communication with stakeholders, the organization may or may not agree that a problem, i.e. a crisis, exists to begin with. Second, if there is a problem, the organization may or may not assume responsibility for the crisis. Finally, if responsibility for the problem is accepted, the organization may or may not actively attempt to solve it. The three criteria and the four resulting classes of reactions are shown in Table 1, along with the individual reaction types within the classes, which are described below. Within each class, individual strategies are ordered according to the same general logic, i.e. from resistant to conforming (Oliver, 1991; Suchman, 1995).

Evasive strategies. The first class of reactions is employed if the organization seeks to avoid any connection to the threatening event and the related stakeholder disapproval (Schlenker, 1980). It may therefore attempt to retreat from the scene, conceal the problematic event, or simply deny that it occurred. The most comprehensive form, *retreat* – or withdrawal (Sutton & Callahan, 1987) – entails not commenting on the unfolding crisis at all in order to “hide away until the storm passes” (Schlenker, 1980: 134). This strategy offers the general advantage of providing the organization with some time needed to gather information and resources, and to form a more elaborate response. However, since stakeholders may be aware of the organization deliberately refraining from communication, this may be effective only over short time spans. Extending retreat over a longer period of time can be counterproductive, as will be discussed for several reaction types later in this section of the paper.

Concealment is aimed at avoiding the necessity to cope with the confrontation following a negative event. It may take passive forms aimed at leaving stakeholders in their ignorance, such as avoiding situations in which the crisis must be revealed. Concealment may also be applied more actively by providing deceptive information (Sutton & Callahan, 1987). For instance, the vast majority of organizations studied by Arndt and Bigelow (2000) strived not to draw attention

TABLE 1
Reactions to organizational crises

	Organization			Strategies
	acknowledges problem	accepts responsibility	actively seeks resolution	
Evasive	no	no	no	Retreat Concealment Denial
Defensive	yes	no	no	Disassociation Excuses Defining
Appreciative	yes	yes	no	Explanation Justification Apologies
Accommodative	yes	yes	yes	Restitution Divorce Restructuring

to the fact that they were restructuring, and, even when describing their new structure, kept quiet about its novelty to the industry. If successful, concealing a crisis may allow the organization to circumvent negative evaluation by stakeholders. Since this is rather unlikely, it may at least serve as temporary measure, similarly to the tactic of retreat.

If stakeholders do suspect that a threatening event has occurred, the organization may choose to *deny* the event (Suchman, 1995). The strategy of denial is a borderline case in that it may be used in two different versions, asserting that the event did not occur, or that the organization had nothing to do with (Schlenker, 1980; Elsbach, 1994, 2003).

Defensive strategies. The second class of reactions is employed if the organization does not question whether a crisis is occurring, but refuses to accept responsibility for the event and its consequences. To this end, the organization may disassociate itself from the crisis, make excuses for its actions, or attempt to define the situation in more favorable terms. In the case of *disassociation*, the goal is not to keep stakeholders from discovering the threatening event, but from drawing a connection between the event and the organization (Tedeschi & Melburg, 1984; see also Cialdini, 1989). This may be attempted by shifting the blame to other problematic entities, such as business partners or an identifiable group of employees (e.g. Benoit & Brinson, 1994). Disassociation may therefore be considered one form of defense of noncausation (Schlenker, 1980) or pleading lack of control over the situation (Benoit, 1995).

Excuses are aimed at downplaying the organization's responsibility for the negative consequences of an event (Scott & Lyman, 1968; Tedeschi & Melburg, 1984). Tedeschi and Riess (1981) offered a typology of excuses. Accordingly, the actors may claim they did not intend to cause the negative effects and were mistaken, uninformed, or deceived about the potential results of their actions. They may also claim that the action causing the harm done was beyond their control. Finally, excuses may take the form of claiming not to be the true perpetrator, including the use of alibis and witnesses. For instance, the environment may be blamed as a reaction to negative evaluation (Staw, McKechnie, & Puffer, 1983).

Alternatively, the organization may avoid the necessity to admit any wrongdoing through the strategy of *defining* the situation as apparently discrediting, but really harmless (Sutton & Callahan, 1987). This may be done by claiming that there is a general misunderstanding of the crisis, i.e. that the situation is not as normatively objectionable as it seems to be. Bankruptcy, for example, has been found to be defined by affected companies as an every-day phenomenon

independent of misconduct. Another type of defining involves the organization describing its individual case as unique, implying that the violated norm does not apply.

Appreciative strategies. The third class of reactions requires that the organization accepts the existence as well as its responsibility for a crisis, but does not offer any remedial action. Instead, it reverts to explaining, justifying, or apologizing for its involvement. *Explanations* may be used if responsibility for the event cannot be successfully avoided. A general fit with stakeholders' norms and expectations may be preserved by constructing an account conveying that the unfolding situation is at least understandable. For instance, Perrow (1984b) described how accidents are labeled as 'discrete' in order to make them appear unfortunate but unavoidable in an imperfect world, a tactic which provides the image of some conformance while avoiding the necessity to redesign the system as a whole.

Justifications go one step further by providing "over-riding or compensating positive consequences as outweighing the harm done" (Tedeschi & Melburg, 1984: 35). They signal acceptance of the responsibility for an event – at least to some extent – but not for its implications (Schlenker, 1980; Scott & Lyman, 1968). This is done by downplaying the negative connotations of the event in an attempt to realign the organization's image with stakeholder beliefs (Elsbach, 2003; Suchman, 1995). Justifications may take many forms, such as appeals to organizational rules or missions, economic doctrines, or standards of equality (Tedeschi & Riess, 1981).

Apologies offer a confession of responsibility for the incident. Unlike justifications, they include regret, the acceptance of punishable wrongdoing and possible restitution (Elsbach, 2003; Tedeschi & Melburg, 1984). The purpose of apologies is to suggest that the organization is ill-represented by the negativity of the crisis. They serve to redress the past, combined with a

promise of more appropriate behavior in the future (Schlenker, 1980). Due to their comprehensive nature, apologies are the most conforming type of appreciative strategies.

Accommodative strategies. Finally, the fourth class of reactions involves the organization taking full responsibility for the crisis and responding by offering restitution, divorcing from problematic entities, or modifying its structure or processes. *Restitution* may be offered to persons, groups, or organizations negatively affected by the crises as a form of prosocial behavior (Tedeschi & Melburg, 1984). As a swift response to the perceived violation associated with crises, this may provide some compensation, although this kind of relief may be mandated as a result of legal action (James & Wooten, 2006; Marcus & Goodman, 1991; Shrivastava et al., 1988). Charitable giving may also be considered one type of restitution after a threatening event (Pfarrer et al., 2008).

While offering restitution to affected stakeholders may effectively provide temporary remedy after a crisis, the strategy of *divorce* is more fundamental. The most common form of divorce is executive replacement, which, in some cultures, has become institutionalized to the point of taken-for-grantedness (Marcus & Goodman, 1991). Other subjects of divorce may be organizational units or geographic locales, whereby the organization attempts to increase the perceived – or actual – distance between itself and the problematic entity (Suchman, 1995).

Instead of actively trying to get rid of reminders of inappropriate situations of the past, the threatened organization may also *restructure* by changing organizational processes or creating monitors (Milburn et al., 1983; Suchman, 1995). These approaches signal some degree of commitment to the future since they are aimed at preventing the reoccurrence of crises through optimized structures and processes. Even in the event of another threatening situation, units such

as monitors or watchdogs suggest a more effective handling of the ensuing challenges (Pfarrer et al., 2008; Pfeffer, 1981; Suchman, 1995).

Symbolism and associated risks in reactions to crises

An aspect related to the strategies outlined above which has received some attention is the role of symbolism in and around organizations (e.g. Pfeffer, 1981; Pondy, Frost, Morgan, & Dandridge, 1983; Russ, 1991). Organizational attempts to influence their evaluation by stakeholders vary in their degree of symbolism, i.e. their degree of association with attitudes, values, and perceptions vs. physical referents (Pfeffer, 1981). If stated as a dichotomy (Ashforth & Gibbs, 1990), substantive management involves real change in goals, structures, and processes, while symbolic management seeks to appear consistent with social values and expectations. Note that most of the reaction types described above would be classified as symbolic activities, since they focus primarily on stakeholder perception of the crisis and the organization's involvement. In fact, the accommodative class of reactions is the only one associated with actual change. Moreover, symbolic and substantive actions may be combined in what is known as the practice of decoupling (Meyer & Rowan, 1977; e.g. Fiss & Zajac, 2006; Westphal & Zajac, 1994, 1998). By separating symbolic reactions from substantive ones, organizations can create a buffer against external pressures on its structures and processes (Sutton & Galunic, 1996). Aside from the greater effort required for substantive change, organizations often resort to symbolic action because their actual influence is limited. Due to their dependence on external resource providers, focusing on the perception of conformance is much more effective than attempting real accommodation (Pfeffer & Salancik, 1978; Pfeffer, 1981).

Due to their partially symbolic nature, some of the possible reactions to threatening events carry inherent risks which may severely curtail the intended effects of crisis management.

Specifically, these risks are associated with stakeholder trust, perceptions of control, and conflicting demands and expectations. First, *trust* is essential to stakeholder relations and organizational survival (e.g. Aldrich & Fiol, 1994). However, the evasive strategies outlined above, namely retreat, denial, and concealment, are ‘double-edged’ in this respect (Ashforth & Gibbs, 1990). Although they may serve the organization well in buying some time, stakeholder demands have to be confronted eventually. A significant loss of trust – if not withdrawal from the relationship – may ensue once stakeholders discover that the initial reaction was merely tactical and misrepresentative in nature (Ginzel et al., 1993; Schlenker, 1980; Turner, 1976).

Second, organizations are expected to exert *control* over their environment. Some defensive strategies, particularly disassociation and excuses, imply a lack of control on part of the organization, although retaining an image of control, even in an effectively uncontrollable environment, may buffer against negative evaluation by stakeholders (Salancik & Meindl, 1984; Sutton & Callahan, 1987). Finally, organizations typically interact with diverse groups of stakeholders, voicing different, sometimes *conflicting demands and expectations*. For instance, some audiences may be generally more sympathetic, while others may be more antagonistic. Depending on their respective power over and relationship with the organization, this may create a dilemma in deciding whose interests should be addressed primarily (Ginzel et al., 1993; Marcus & Goodman, 1991).

Proposed Links

Although a few scholars have investigated strategies of influence within the context of problematic legitimacy (e.g. Ashforth & Gibbs, 1990; Elsbach, 1994, 2001; Elsbach & Sutton, 1992; Suchman, 1995), most of these works treat legitimacy as a one-dimensional construct. In a rare exception, Suchman (1995) proposed that certain types of strategies for repairing legitimacy

may apply to specific dimensions of it. Accordingly, and in terms of my classification presented above, denial and the creation of monitors address pragmatic legitimacy, excuses, justifications, and restructuring can be employed to rebuild moral legitimacy, and explanation are useful in defending cognitive legitimacy. Note that denial is an evasive reaction, whereas creating monitors is rather accommodative. Similarly, excuses are defensive, justifications are appreciative, and restructuring is accommodative. Thus, while there may be differences in the compatibility of specific strategies with dimensions of legitimacy, there is no tendency as to what *class* of behaviors may be suitable to restore a given aspect of legitimacy. However, Suchman (1995) does not further explain the assignment of strategies to legitimacy dimensions as just summarized, and his review does not comprise all legitimization strategies described in the literature. Therefore, I turn to a discussion which covers all four dimensions of legitimacy as well as the strategies classified above.

Evasive reactions to threatening events, such as retreat, concealment, and denial, are aimed at avoiding confrontation with negative evaluation by stakeholders. This is attempted by refraining from providing information, dissemination deceptive information, or repudiating any connection to the event. In other words, while retreat may also be useful in buying time, evasive tactics are employed in order to avoid any public discussion of the problematic incident. If such discussion cannot be prevented, the goal is to restrict information, so as to keep stakeholder re-evaluation at a shallow level, as opposed to in-depth investigation of the organization's core values and *raison-d'être*. Moreover, these reactions aid in upholding the impression that the organization is acting in congruence with current rules (Scott, 1995). In consonance with Suchman (1995), I therefore suggest that denial, as well as the two other evasive strategies – retreat and concealment – are primarily linked to pragmatic, as well as regulative, legitimacy. It should be noted, however, that

evasive strategies carry the risk of backfiring if perceived as misrepresentations (Sutton & Callahan, 1987; Ashforth & Gibbs, 1990).

Defensive reactions, such as disassociation, excuses, and defining, generally seek to distance the organization from the threatening events, if the latter cannot be ignored or denied. In contrast to evasive reactions, however, defensive strategies are more diverse in their specific goals. Disassociation may be used to avoid stakeholder perceptions of there being anything problematic about the organization – similar to denying connections to the crises. In addition, they are to prevent ‘contagion’ of negativity from the event to the organization. Thus, disassociation may be pragmatic, moral, and regulative in effect. Excuses are used to downplay this negativity by appealing to a lack of intention or control. They are, as Suchman (1995) suggested, aimed at moral legitimacy. The third defensive tactic, defining, is applied if the organization wants to affect the connection between stakeholders’ understanding and evaluation of the situation, making it appear more positive. It may therefore influence moral and cognitive legitimacy.

Appreciative reactions, such as explanations, justifications, and apologies, require the acceptance of at least some responsibility of the crises. In this vein, explanations are an attempt to make the organization’s conduct at least understandable, i.e. cognitively compatible (Suchman, 1995), by delivering a plausible account of what happened. Justifications have a more normative flavor in that they stress positive connotations of the event, trying to outweigh any perceived inappropriateness. Even more conformant, apologies signal full recognition of unacceptability and regret of past actions, combined with an indication of possible remedial activities. Thus, they are mostly aimed at reestablishing the organization’s moral integrity and rightness.

Accommodative reactions, such as restitution, divorce, and restructuring, go beyond the acceptance of responsibility by comprising active responses to the crises, directing attention away from the inglorious past to a more promising future. Restitution affects both moral and pragmatic

legitimacy, since it provides compensation for the damage done, while also conveying the image of an organization striving to ‘make things right again’. Divorce, usually through the replacement of personnel, signals the parting from old, ‘bad’, illegal influences, and reorientation towards more morally appropriate, and regular, behavior (Suchman, 1995; Scott, 1995). Finally, changing procedures and practices, and creating monitors, is aimed at demonstrating that the organization possesses the capacity to perform its tasks in a morally acceptable and rule-conforming manner and therefore should be considered a predictable exchange partner worthy of support. Thus,

Proposition 4. Pragmatic legitimacy is primarily influenced by evasive and some accommodative reactions.

Evasive tactics keep stakeholder attention away from more fundamental reassessment and thereby preserve taken-for-grantedness, while carrying the risk of undermining legitimacy. Accommodative activities, particularly restitution and the creation of monitors, direct attention back to a transactional level when general acceptability has been restored.

Proposition 5. Moral legitimacy is primarily influenced by the more resistant defensive reactions, the more conformant appreciative reactions, and by accommodative reactions.

Defensively, disassociation aims at reducing perceived negativity, while appreciatively, justifications and apologies try to emphasize positive connotations of the event. Restitution, divorce, and the reconfiguration of procedures suggest a favorable outlook.

Proposition 6. Cognitive legitimacy is primarily influenced by the least resistant and the least conformant, i.e. the most neutral, reactions.

Defining and explanations seek to increase the understandability of the situation, preserving compatibility to mental frames of reference and avoiding normative reevaluation. To some extent, restructuring may additionally suggest increased future predictability and permanence.

Proposition 7. Regulative legitimacy is primarily influenced by evasive, the most resistant defensive, and the most conformant reactions.

Retreat, concealment, denial, and disassociation maintain the perception that the organizations' actions adhere to established rules. Divorce and restructuring signal the departure from illegal entities and reorientation towards conformance.

DISCUSSION AND CONCLUSION

The two preceding sections of this paper posit the existence of links between types of organizational crises and dimensions of legitimacy on one hand, and links between dimensions of legitimacy and reactions to crises on the other. From this, it follows that certain ways of reacting to crises may be particularly effective for certain types of crises, connected by the respective dimensions of legitimacy they affect. Although the literature on both organizational crises and perception management is extensive, there are few sources combining the two subjects. What's more, none of them explicitly incorporate organizational legitimacy as a framework. Therefore, I shall provide a brief discussion of how my argument matches extant findings for a link between crisis types and classes of reactions, along with the combinations inferred from the above explanations.

Scandals affect regulative legitimacy, since they are often a result of corporate crime. They also influence normative legitimacy due to the morally reprehensible behaviors associated with them. This suggests that scandals may be addressed by a wide variety of strategies: evasive and accommodative reactions for regulative legitimation, and defensive, appreciative, and accommodative reactions for moral legitimation. This is congruent with empirical evidence to some extent. Marcus and Goodman (1991) found that "accommodative" (i.e. appreciative and accommodative in my classification of reactions) signals evoked significantly more positive

responses by investors than “defensive” signals. Moreover, Elsbach (2001) proposed that expressing consideration of stakeholders’ views may be more effective when facing relatively foreseeable controversies. A possible implication is that evasive strategies should only be employed if the violation of rules has not already become obvious.

Product safety and health incidents primarily affect pragmatic legitimacy in that they threaten the organization’s image as a reliable exchange partner. Thus, they may be resolved by choosing evasive or accommodative reactions. Similarly, Ashforth and Gibbs (1990) suggested that when goal performance is challenged, the focal organization typically resorts to denial, concealment, and coercive isomorphism (i.e. adopting established practices). This combination may constitute decoupling (Meyer & Rowan, 1977), which may be difficult to uphold under increased scrutiny by stakeholders. Marcus and Goodman (1991) reported that none of the two classes of signals they studied (accommodative vs. defensive) was significantly more effective than the other.

Accidents primarily affect cognitive legitimacy since their surprising occurrence and causal ambiguity challenge perceived comprehensibility and taken-for-grantedness. It follows that the most neutral types of reaction – at the boundary between defensive and appreciative – may be the optimal choice in countering them. There is limited congruence of this notion with the evidence provided by Marcus and Goodman (1991), who found no evidence of efficacy for defensive signals following accidents. Elsbach (2001) posited that unforeseeable controversies should best be countered by communicating rationality. This seems to be broadly congruent with the strategies of defining and explaining, although Elsbach described denial as most effective. Finally, when abstracting away from individual crisis types, accommodative behaviors appear to be the most promising because they address moral, regulative, and pragmatic legitimacy. This does not come as a complete surprise, however, since it involves conforming unreservedly to stakeholder expectations (e.g. Ashforth & Gibbs, 1990; Elsbach, 1994).

Organizational crises have only recently received attention by researchers from a social interaction perspective. And while there have been successful attempts at incorporating image restoration strategies in order to explain effective crisis management, the mechanisms behind the social dimension of crises remained unclear. Therefore, in this paper, I introduce organizational legitimacy as the missing construct linking crises types and organizational reactions. I provide overviews of the literature on dimensions of legitimacy, types of crises, and types of reactions to crises, respectively. For crisis types and organizational reactions, I also develop new typologies, taking account of and refining extant approaches. Based thereon, I present two sets of propositions. The first posits links between scandals and regulative and moral legitimacy, product safety and health incidents and pragmatic legitimacy, and accidents and cognitive legitimacy. The second suggests connections between these four dimensions of legitimacy and a variety of reactive crisis management strategies. These proposed connections tie well into the extant evidence and provide an explanation of why certain reactive strategies are more appropriate in restoring normalcy after a threatening event.

While I argue that the ideas put forward in this paper refine and extend our knowledge about organizational crises, some caution is in order. Aside from the caveats of attempting to defend organizational legitimacy noted above, i.e. potential loss of trust and image of control, another source of failure lies among the groups of stakeholders the organization has to face. Since these groups may be highly diverse, so may be their demands and expectations. This may not only considerably complicate information processing and decision making (Ginzel et al., 1993). In some cases, the affected organization may have to choose which group of stakeholders to favor over others (Marcus & Goodman, 1991). Moreover, the diversity of members of any one group may also require employing a complex mixture of signals in order to regain legitimacy (Elsbach, 2003), rendering the already challenging task of crisis management even more daunting.

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