

AFTER THE FALL: REINTEGRATING THE CORRUPT ORGANIZATION

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We propose a four-stage model of the organizational actions that potentially increase the speed and likelihood that an organization will restore its legitimacy with stakeholders following a transgression. Organizations that work to discover the facts of the transgression, provide an appropriate explanation of their wrongdoing, accept and serve an equitable punishment, and make consistent internal and external rehabilitative changes increase the likelihood of meeting stakeholder demands and, consequently, have a higher probability of successfully achieving reintegration with stakeholders than those that do not.

For more than five decades, organizational researchers have examined and hypothesized about the antecedents of corrupt and unethical business practices (cf. Baucus, 1994; Finney & Lesieur, 1982; Simpson, 2002; Staw & Szwejowski, 1975; Sutherland, 1949). For example, scholars have emphasized the culture of competition pervasive in American industry (e.g., Coleman, 1987) and the impact of complex, uncertain, dynamic, and munificent environments as significant causes of corrupt acts by organizations (Baucus, 1994). Finney and Lesieur (1982) have offered perhaps the most comprehensive model of the antecedents of organizational corruption, which includes environmental pressures, industry and organizational structure, and leader decision making. All told, research on the antecedents of organizational corruption has been both extensive and rich (see Ashforth & Anand, 2003, for a review).

Nevertheless, there have been few attempts to examine organizations' behavior *after* committing a transgression. Thus, the research question we address is "How can an organization restore its

legitimacy and achieve reintegration with a diverse group of stakeholders after committing a publicly known transgression?" In particular, we develop a stage model that details the interaction between an organization and its stakeholders as the organization passes through each of the four stages of the reintegration process. Recognizing that reintegration is a *stakeholder-driven* process, we focus on those organizational actions or behaviors in each stage that respond to the specific demands of stakeholders in that stage. An organization's progress through the different stages of the model toward reintegration can be observed by parallel changes in stakeholder demands and organizational actions.

For the purpose of this paper, we define a transgression as a corrupt or unethical act by an organization that places its stakeholders at risk (Coombs, 1995). We propose that the steps to reintegration are similar for both corrupt and unethical behaviors, because stakeholders judge the worthiness of an organization not just on whether it breaks laws but also on whether it violates society's standards.¹ *Corrupt behavior*

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¹ While the steps to reintegration for both illegal and unethical behaviors are very similar, we recognize they may not be identical, depending on the organization, its stakeholders' expectations, and the transgression itself. We thank

includes the misuse of authority for organizational gain (Ashforth & Anand, 2003), as well as conduct by an organization that is proscribed and punishable by criminal, civil, or regulatory law (Braithwaite, 1984). *Unethical behavior* includes organizational actions that are deemed immoral or unacceptable according to societal norms or general standards of conduct (Sharpe, 1993). An organization's stakeholders are those diverse individuals and groups that affect or are affected by an organization's actions (Freeman, 1984; Grunig, 1992), including consumers, employees, investors, communities, regulators, suppliers, governments, and the media (DiMaggio & Powell, 1983; Elsbach, 2003; Freeman, 1984).

An organization's legitimacy may be undermined when it commits a transgression (Ashforth & Gibbs, 1990; Meyer & Rowan, 1977; Zimmerman & Zeitz, 2002). We define legitimacy as a generalized perception by stakeholders that an organization's actions are appropriate within a socially constructed system of norms and values (Ashforth & Gibbs, 1990; Suchman, 1995). Stakeholders perceive legitimate organizations as "more worthy . . . more meaningful, more predictable, and more trustworthy" (Suchman: 1995: 575). Thus, organizations that experience decreased legitimacy because of a transgression will likely suffer from diminished stakeholder support and will have more limited access to resources and a higher probability of failure than will legitimate organizations (Elsbach, 2003). Consequently, the steps that an organization must follow if it is to successfully reintegrate after a transgression involve rebuilding its legitimacy among multiple stakeholders (Sethi, 1979; Shapiro, 1991; Sutton & Callahan, 1987). Organizations that successfully reintegrate recognize the evolving demands of stakeholders throughout the reintegration process and take appropriate actions along the way to reflect these changes.

Our purpose in this paper is to advance the literature on organizational corruption, renewal, and legitimacy by proposing an interactive stage model of organizational reintegration with stakeholders following a transgression. In general, ours is an open systems approach (Berger & Luckmann, 1966; Scott, 2003; Thompson, 1967). That is, we reject the idea that the appropriateness of an organization's actions is independent of stakeholder

perceptions (Chen & Meindl, 1991). Organizations take actions, stakeholders provide feedback, and stakeholders ultimately decide on the appropriateness of organizations' actions. Organizations and their stakeholders, therefore, "lead and are led by each other" (Bernays, 1923: 86).

Expressly, we take a broad theoretical lens, drawing from stakeholder (e.g., Freeman, 1984), image management (e.g., Elsbach, 2003), organizational justice (e.g., Shapiro, 1991), and crisis management (e.g., Benoit, 1995) theory to explain reintegration. This broad lens is necessary, because recovery from a transgression requires a number of complex and sequential actions that are designed to address changing stakeholder questions and concerns. Specifically, we describe the process by which organizations interact with stakeholders, and we identify the organizational actions for each of the four stages of the reintegration process, including (1) *discovering* the transgression, (2) *explaining* their wrongdoing, (3) *-serving penance* by accepting punishment, and (4) internally and externally *rehabilitating* or rebuilding the organization's processes and legitimacy.

Our model is purposefully normative. Illegal and unethical organizational actions have enormous costs for society as well as for the organizations themselves. We use the legitimacy literature to argue that there are appropriate actions and responsibilities for transgressing organizations that seek reintegration, and the conceptual and empirical research that serve as a foundation for the model indirectly support this claim. In presenting a normative model of reintegration, we seek to encourage future research that may eventually discover the means to reduce the impact of negative organizational behavior on internal and external stakeholders of transgressing organizations.

Before turning to the model itself, we explain the interactive process between multiple stakeholder groups and the transgressor organization, as well as the nature and role of these stakeholder groups in the reintegration process.

ORGANIZATION-STAKEHOLDER INTERACTION

Organizations maximize their chances for survival to the extent that there is a fit between their actions and the demands of various affected stakeholder groups (Pfeffer & Salancik,

an anonymous reviewer for pointing out these nuances to us.

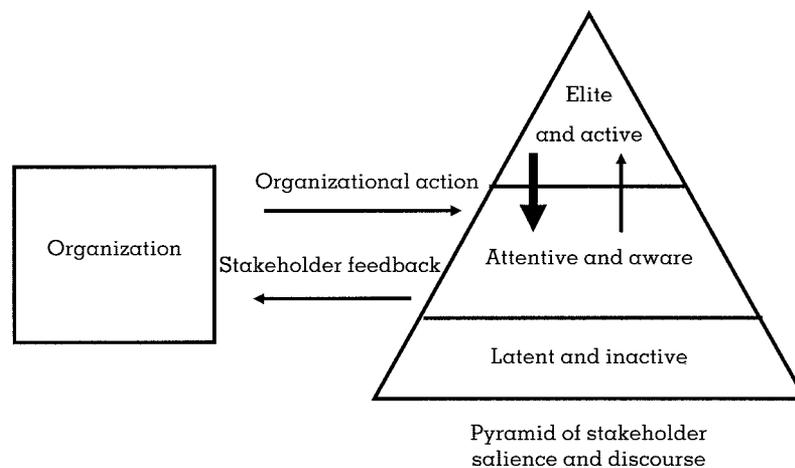
1978). However, an organization may be able to satisfy the demands of certain stakeholder groups only at the expense of others (Emerson, 1962; Post, Preston, & Sachs, 2002). Consequently, organizations that are the most successful at restoring legitimacy and being reintegrated with their stakeholders following a transgression will be those that more heavily weight and respond to the demands of *salient* stakeholder groups, or those that have the most legitimacy, power, and urgency of claims (Mitchell, Agle, & Wood, 1997).

Figure 1 portrays the transgressor organization as it interacts with a set of stakeholders in its desire to rebuild support and restore legitimacy with them. The horizontal lines in the figure portray the iterative interaction between the organization and its stakeholders—the organization takes actions and, in response, stakeholders provide feedback on the appropriateness of the actions. Note, however, that the salience or importance of these groups will vary with the type of transgression and the stage of the reintegration process. For example, employees and investors may be the most salient stakeholders in cases involving fraud, whereas activist groups and the local community may have a high level of salience regarding environmental transgressions. Similarly, the media, local community, and environmental groups may be the

most salient stakeholders in the discovery stage involving an environmental transgression, whereas employees, investors, and suppliers may be most salient in the rehabilitation stage.

The pyramid shown in Figure 1 identifies three stakeholder groups: (1) elite and active, (2) attentive and aware, and (3) latent and inactive (Price, 1992). At the top of the pyramid, the *elite and active* are the most salient stakeholders for the organization. Depending on the transgression, the elite category may include the media, regulators, politicians, special interest groups, institutional investors, and powerful leading organizations (Pollock & Rindova, 2003; Price, 1992; Van Leuven & Slater, 1991). Elite stakeholders facilitate the interaction between the organization and its other stakeholders and also facilitate the discourse among stakeholder groups (Fombrun & Shanley, 1990; Price, 1989; Rogers, Dearing, & Bregman, 1993). In doing so, they have the greatest power to affect perceptions about the appropriateness of the transgressing organization's actions (Price, 1989, 1992; Van Leuven & Slater, 1991). For example, amid Texaco's 1994 discrimination scandal, elites such as print and TV media outlets disseminated information to the organization's other stakeholders, helping shape their opinions and perhaps galvanizing them into action (Brinson & Benoit, 1999; Coombs & Schmidt, 2000; Singer, 2004).

FIGURE 1
Organization-Stakeholder Interaction and Stakeholder Discourse



Note: The organization takes action and stakeholders respond with feedback on the appropriateness of the action. Discourse occurs between elite and attentive stakeholders. The arrows' breadth represents the level of salience and influence. Stakeholders can move up and down the pyramid based on their salience given the transgression and/or the stage of reintegration.

The second tier of our pyramid shows *attentive and aware* stakeholders, who, although knowledgeable and interested in the organization's actions, do not enjoy the same extent of influence and power as elite and active stakeholders (Vercic & Grunig, 1995). Depending on the transgression, attentive stakeholders may include employees, investors, consumers, or the local community. For example, following the 1989 *Exxon Valdez* accident, the local Alaskan community and environmental groups were attentive stakeholders for Exxon. Initially, they did not possess the power of the media or government; however, through discourse with elite stakeholders, they gained sufficient influence to require Exxon to hear and satisfy their concerns (e.g., specific cleanup and restitution). Similarly, employees were attentive stakeholders amid the events surrounding the Texaco discrimination case. Although surely interested in the firm's actions in responding to the allegations, most employees probably did not have the power to influence company policy before the allegations were publicized by the media (Brinson & Benoit, 1999; Coombs & Schmidt, 2000).

At the base of our pyramid sit the *latent and inactive* stakeholders, who tend to be "uninterested and uninformed" (Price, 1992: 36). Organizations often believe they need not concern themselves with this stakeholder group because of its low level of involvement in the discourse process (Van Leuven & Slater, 1991). Recall, however, that stakeholder salience can vary based not only on the nature of the transgression but also on the organization's actions during a particular stage of the reintegration process, moving different stakeholder groups up or down the pyramid (represented by the bidirectional arrows in Figure 1). Thus, we suggest that the relationship between organizations and stakeholders is dynamic, and, when feasible, organizations need to monitor all stakeholders, including those that appear latent and inactive at any given time (Price, 1992).

As the stakeholder groups of different levels of influence become aware of an organization's transgression, discourse among them occurs. This discourse serves to crystallize key demands and questions, promote certain views, shape opinions, and diffuse them across multiple constituencies (Green, 2004). Although discourse initially may be a "clash of narratives" among stakeholders (Heath, 2000: 77), these dis-

cussions eventually result in *concurrence*—a generally shared opinion among stakeholders regarding the transgression and the appropriateness of an organization's actions (cf. Ashforth & Gibbs, 1990; Sturges, 1994). Conversely, if stakeholders deem the organization's actions inappropriate, they may withhold support and demand further organizational action. Thus, Figure 1 assumes that multiple iterations generally occur between the organization and its salient stakeholders, taking the form of organizational action–stakeholder discourse–stakeholder feedback.

As a final point, it is important to note that concurrence does not require 100 percent agreement among stakeholder groups. Instead, it requires a "threshold of endorsement" (Ashforth & Gibbs, 1990: 183; Deephouse, 1999) or a "dominant opinion" that most stakeholders are willing to accept or tolerate (Sturges, 1994: 302). As suggested by the pyramid, those stakeholders at the top (i.e., those with more power, legitimacy, and urgency) have a greater impact on the process and outcome of concurrence than those toward the bottom. Hypothetically, then, a threshold or dominant opinion regarding an organization's actions could be formed by a minority group of salient stakeholders. At the same time, concurrence among this group may be more important to the organization than *lack* of concurrence among a larger majority group of less salient stakeholders. Thus, in any given stage, an organization is more interested in having the elite and attentive stakeholders judge its actions as appropriate than it is in the opinions of latent stakeholders.²

As described in the next section, stakeholder concurrence is contingent on the organization's ability to satisfy key stakeholder demands, often

² The term *concurrence* is different from *consensus* or *tipping point*. "Consensus" is used in the communications literature and public opinion literature to describe a simple majority, or it is often left undefined (e.g., Price, 1992; Van Leuven & Slater, 1991). Unlike consensus, concurrence among stakeholders can be reached by a minority group of powerful stakeholders. "Tipping point" is used in social psychology research to define a "critical mass" or "threshold" at which collective behavior begins (e.g., Gladwell, 2000; Granovetter, 1978). Like concurrence, a tipping point may be reached without a majority number. Unlike concurrence, however, a tipping point does not recognize the greater weight ascribed to salient stakeholders; instead, it treats all actors as relatively equal in terms of influence.

expressed as questions. For example, early in the reintegration process, stakeholders may ask, "What happened?" If the organization appropriately addresses this demand through specified actions, it can advance to the next stage. As this issue fades, stakeholders subsequently focus on other questions in the remaining three stages, such as "Why did the transgression occur?" "How should the organization be punished?" and "What changes will be made?" We suggest that the shift in stakeholder demands from the key question in one stage of the model to the key question in a subsequent stage indicates the transgressing organization's transition from one stage to the next.

STAGE MODEL OF REINTEGRATION

Organizational stage models suggest that organizations follow certain steps as they evolve and develop (Chandler, 1962; Haire, 1959). The assumption is that organizational evolution is linear and sequential (Chandler, 1962). In particular, these models suggest that the requirements for organizational success vary with different stages, and, thus, organizational actions must change as the stages change (Smith, Mitchell, & Summer, 1985). In our stage model of organizational reintegration, we focus on the actions that an organization might take in a particular stage in response to varying stakeholder demands while attempting to reestablish its legitimacy. We theorize that since stakeholders' demands change in different stages, so too must an organization's actions. This change in stakeholder demands or questions and organizational actions signifies the evolution of the reintegration process from one stage to the next.

Our stage model of organizational reintegration is based on four assumptions that also serve as boundary conditions for our propositions. First, we assume that the target organization has committed a transgression and that there is public awareness of this event. In the absence of public awareness, we do not suggest that the model would unfold as presented. Second, our model depicts the reintegration process that can occur in the United States and similar Western-based cultures. The importance of saving face as well as the ignominy of public shame in Eastern cultures may alter the course of action as shown here (Farh, Zhong, & Organ, 2004; Hasegawa, 2001). For example, Bridge-

stone's CEO Yoichiro Kaizaki's decision to avoid disclosing the company's problems despite a highly publicized recall of faulty tires seems likely to have been influenced by aspects of the Japanese culture, where silence is generally viewed as an appropriate way to convey an image of calm and control (Dawson, 2001). Nevertheless, Bridgestone's American stakeholders interpreted the CEO's actions as indicative of secrecy and stonewalling, which most likely hampered the organization's reintegration with them. Because of the potential for these mixed signals, we limit our model to address primarily Western-based organizations.

Third, the model is developed under the assumption that attaining and maintaining legitimacy are important to a transgressor organization—and that it is therefore willing to take the steps necessary for reintegration. Our stage model focuses on those organizations that must "work . . . to solidify their social standing by demonstrating their conformity to accepted practice" (Phillips & Zuckerman, 2001: 382). Hence, our model may not necessarily apply to organizations with few salient stakeholders and/or limited public exposure.

Finally, time and speed play important roles in each stage of our model. Ideally, an organization would like to be reintegrated as quickly as possible, because time spent under suspicion may impact its ability to acquire resources and, consequently, its very survival (Elsbach & Sutton, 1992; Meyer & Rowan, 1977). Therefore, we assume that an increased amount of time spent in any one stage can jeopardize the organization's chances of being reintegrated with its stakeholders.

We present our model of organizational reintegration below, specifying a four-stage process that explains how an organization can repair its legitimacy and facilitate its reintegration with stakeholders following a publicized transgression. Since legitimacy is a "social judgment accorded to the organization" by its stakeholders (Ashforth & Gibbs, 1990: 177), the reintegration process is essentially stakeholder driven. That is, the organization structures its actions based on the changing demands of stakeholders as it progresses through the four stages of reintegration.

Table 1 summarizes the nature of the four stages by depicting the stage title, relevant literature, salient stakeholders, key stakeholder demands (posed as questions), additional dis-

TABLE 1
Model of Reintegration

Stage	Relevant Literature	Salient Stakeholders	Key Stakeholder Question	Additional Stakeholder Discourse	Possible Organization Actions	Concurrence on ... (outcome)
Discovery	Image management Voluntary disclosure	Media Regulators Consumers	What happened?	How egregious? Was the company forthcoming and cooperative? Do we have all the facts? Who is to blame?	Voluntary disclosure Internal investigation Public cooperation	Facts of the transgression
Explanation	Organizational justice	Investors Employees Consumers Media	Why did it happen?	Does the explanation fit the transgression? Has leadership accepted responsibility? Was the explanation adequate and sincere?	Acknowledge wrongdoing Express regret Accept responsibility Offer amends Apologize	Appropriateness (i.e., adequacy and sincerity) of explanation
Penance	Organizational justice Equity theory Research on forgiveness Shaming theory	Media Consumers Investors Activists	How should the organization be punished?	Does the punishment equal the crime? Was the official punishment adequate? What should the unofficial punishment be?	Accept verdict Acknowledge that verdict is equitable Serve time without resistance	Equity of punishment
Rehabilitation	Organization renewal Crisis management Public relations	Employees Investors Consumers Activists Local community	What organizational changes have been made?	Are internal and external changes consistent? Do symbolic changes reflect real behavior? Are changes real or simply window dressing?	Changes in line with transgression Internal changes in management, reward structures, and personnel External portrayal of new ethical image Corporate responsibility New mission statement Code of conduct	Reintegration into group of legitimate organizations

course among stakeholders, possible organizational actions, and the potential outcome of each stage. For example, in the discovery stage we draw from image management and voluntary disclosure research to posit that the organization could engage in due diligence by undertaking a publicized internal investigation or by cooperating with official inquiries to appropriately address stakeholder demands. Meanwhile, salient stakeholders, including the media, regulators, and consumers, ask, "What happened?" and further discuss the transgression, as well as the organization's behavior surrounding the event. The outcome of the discovery stage is that stakeholders reach concurrence on the basic facts of the transgression, although this may require multiple feedback loops between the organization and its constituents (as shown in Figure 1). Once a threshold level of concurrence is reached (i.e., stakeholders feel the organization has appropriately answered their key question

as to what happened), the organization is able to complete the discovery stage and may concentrate on taking actions needed to address changing stakeholder demands as it passes through the explanation, penance, and rehabilitation stages.

Stage 1: Discovery

Research on image management and voluntary disclosure informs our discussion of the discovery stage. The model begins at the point of initial public awareness that an organization has committed a transgression. This awareness may arise from many sources, including a company's voluntary disclosure of wrongdoing, an external investigation of the organization by a public agency, a whistle-blower, investigation by the media, or even internet blogs. Initially, the discovery stage is characterized by a high degree of uncertainty surrounding the trans-

gression. As discovery progresses, however, more information becomes available from stakeholder investigations and the organization's reporting of events.

In essence, discovery is an information-gathering stage where stakeholders attempt to collect information and to arrive at an understanding of the event by asking, "What happened?" Referring back to Figure 1, active and attentive stakeholders pose this key question as an expression of their initial demands to understand the nature of the transgression. Stakeholders then engage in discourse in order to debate the facts of the transgression and the appropriateness of the organization's fact-finding actions. If salient stakeholders cannot concur on these issues, they will provide feedback to the organization, indicating that they require more information. The action-discourse-feedback process continues until concurrence is reached among active and attentive stakeholders.

The outcome of the discovery stage is concurrence among stakeholders about the occurrence of the transgression and its key elements. We propose that the transgressor organization can facilitate concurrence by taking actions that address the stakeholders' demands. These actions may include voluntarily disclosing the transgression, engaging in open internal investigations, and cooperating promptly and openly with regulatory officials and elites.

Consistent with the above, empirical studies have shown that organizations that come forward and disclose their wrongdoing often suffer less reputational and performance damage than those that do not come forward, but whose wrongdoing is later made public (Lee, Peterson, & Tiedens, 2004; Marcus & Goodman, 1991; Salancik & Meindl, 1984). In particular, research has shown that managers facing negative organizational performance often claim responsibility for the bad news in order to show stakeholders that they are in control (Salancik & Meindl, 1984). Similarly, other research has shown that when managers have accepted responsibility, admitted wrongdoing, and attempted to remedy a transgression, their organization's stock price has outperformed those organizations that publicly ascribed external at-

tributions for their failure (Lee et al., 2004; Marcus & Goodman, 1991; Siegel & Brockner, 2005).³

For example, Texaco acted "quickly and decisively" to provide details of its discrimination scandal (Brinson & Benoit, 1999; Singer, 2004: 33). Instead of denying the allegations or hoping the charges would disappear, CEO Peter Bijur publicly announced his intent to investigate the allegations in order to "learn the truth" (Brinson & Benoit, 1999: 490). By using this strategy, Texaco ensured that salient stakeholders were aware of the facts of the transgression. More generally, we posit that organizations that quickly address stakeholders' demands by voluntarily coming forward, openly investigating the potential transgression, and cooperating with stakeholders will facilitate faster completion of the discovery stage.

In contrast, some organizational actions may negatively affect stakeholder concurrence during the discovery stage. Organizations often downplay a negative incident in order to avoid embarrassment (Benoit, 1995; Tyler, 1997), or organizational leaders might deny that a transgression has occurred because they are unaware of it or of its severity. Even when there is public knowledge that a transgression has occurred, the organization may still communicate multiple "accounts" designed to positively influence stakeholders' perceptions (Elsbach, 2003).

Accounts are statements that depict transgressions in the most favorable light (Benoit, 1995; Benson, 1985; Elsbach, 1994). In other words, organizations may prefer to provide opaque representations of their actions rather than to engage in a full fact-finding endeavor (Benoit, 1995; Elsbach & Sutton, 1992). For example, in the wake of the *Exxon Valdez* disaster, Exxon attempted to shift blame to the ship's captain and even to the State of Alaska for delaying the environmental cleanup (Benoit, 1995). More recently, Rite Aid blamed Wall Street and its culture of performance for its accounting fraud (Lieberman, 2004). In other cases, organizations continue to deny that a transgression has

³ Interestingly, even the NCAA stresses the importance of disclosure:

Regulation 32.2.1.2 Self-Disclosure by an Institution. Self-disclosure shall be considered in establishing penalties, and, if an institution uncovers a violation prior to its being reported to the NCAA and/or its conference, such disclosure shall be considered as a mitigating factor in determining the penalty (National Collegiate Athletic Association, 2004).

occurred, even when aware that it has; for example, Merck consistently denied knowing the dangers of Vioxx, despite evidence dated as early as 2001 that it distributed internal memos headed with "Dodge Vioxx" to its sales force (Angell, 2004; Martinez, 2004).

In the above examples, each organization tried to avoid disclosure through various types of accounts. Consistent with Figure 1, an organization may take actions to deny or spin the facts in order to influence salient stakeholders. Later, when stakeholders discuss these actions and provide feedback demanding more information, the reaction may be further delays. Thus, we propose that organizational actions intended to create false impressions to stakeholders about the actual transgression will tend to extend the discovery stage. These actions can lead to perpetual discordance, lack of stakeholder concurrence, and a continuous cycling through the organization action–stakeholder discourse–stakeholder feedback process (Figure 1).

The outcome of the discovery stage is the organization's appropriately addressing "What happened?" By doing so, salient stakeholders reach concurrence on the facts of the transgression and transition to a new question, therefore permitting the organization to progress toward the explanation stage. In contrast, organizational attempts to avoid addressing the stakeholders' demands through deliberate confusion and obfuscation will tend to decrease the likelihood of concurrence.

Proposition 1: The more actions an organization takes to discover the facts of its transgression (e.g., voluntarily disclosing wrongdoing, openly investigating the potential transgression, and cooperating with stakeholders—in contrast to denials, obfuscation, and delays), the greater the speed and likelihood that it will complete the discovery stage and advance to the explanation stage.

Stage 2: Explanation

For the explanation stage, we draw from the organizational justice literature that examines explanations, trust, sincerity, and forgiveness. This stage commences after the facts of the transgression emerge and stakeholder concu-

rence about the transgression has been reached. Salient stakeholders are satisfied that the organization has appropriately answered the question, "What happened?" and now demand answers to a new issue—"Why did it happen?" At this point we propose that the organization can speed up and increase the likelihood of reintegration by offering an appropriate explanation for its wrongdoing.

An explanation is a statement that makes something clear or understandable (Shaw, Wild, & Colquitt, 2003), while an appropriate explanation is one that is adequate and sincere—that is, honest, forthcoming, and free of guile (Bies, Shapiro, & Cummings, 1988; Shapiro, Buttner, & Barry, 1994). An appropriate explanation also personifies the "stated goodness of [the organization's] intentions" (Shapiro, 1991: 628) and reflects the egregiousness of the transgression (Bottom, Gibson, Daniels, & Murnighan, 2002; Goffman, 1971; Shaw et al., 2003).

In Table 1 we list a number of possible actions that can be taken so that organizations' explanations are more likely to be deemed appropriate. Organizations can acknowledge their own wrongdoing, express regret, accept responsibility, offer amends, and even offer an apology (Goffman, 1971). Our proposal is supported by prior theorizing that an explanation including all of the actions mentioned above will be viewed by stakeholders as the *most* appropriate explanation (Ohbuchi, Kameda, & Agarie, 1989; Schwartz, Kane, Joseph, & Tedeschi, 1978). While all these actions may not be necessary in order for the explanation to be accepted by salient stakeholders, we propose that the likelihood of its acceptance increases with each action that is included.

Research has shown that appropriate explanations also improve perceptions of trustworthiness among stakeholders and can help mitigate negative reactions to the initial transgression (e.g., Bies et al., 1988; Shapiro, 1991). They can also assuage stakeholders' feelings of disapproval and injustice about or regarding another party's harmful act (Bies et al., 1988), which, in turn, can limit the organization's punishment (Schlenker, 1980; Sutton & Callahan, 1987). Similarly, appropriate explanations can personify an organization's concern about its transgression, can attract sympathy from stakeholders, and can serve as a reaffirmation to stakeholders

that the organization has learned from its mistakes (Ashforth & Gibbs, 1990).

In contrast, inappropriate explanations—those that are neither adequate nor sincere—tend to decrease levels of cooperation among stakeholders while simultaneously increasing their retaliation and withdrawal, as well as their angst and agitation (Blumstein et al., 1974; Gundlach, Douglas, & Martinko, 2003; Shaw et al., 2003). Thus, the issuance of an inappropriate explanation may hamper the organization's efforts to move forward in the stage model and to achieve reintegration. By doing so, the organization signals to salient stakeholders that its actions do not intend to address their demands nor answer their key question, "Why did it happen?"

Proposition 2: The more actions an organization takes to explain its transgression (e.g., acknowledging wrongdoing, accepting responsibility, and expressing remorse—in contrast to inadequate and insincere explanations), the greater the speed and likelihood that it will complete the explanation stage and advance to the penance stage.

Stage 3: Penance

When stakeholders reach concurrence that the organization's actions have addressed their demands in the explanation stage, they will allow it to advance to the penance stage and will begin to focus on the question, "How should the organization be punished?" Drawing again from the organizational justice literature, including equity theory and research on forgiveness, as well as shaming theory, we argue that an organization's acceptance of an equitable punishment is generally needed to validate an appropriate explanation. Otherwise, stakeholders may view the explanation as "cheap talk" (Bottom et al., 2002). In the penance stage, stakeholders expect the organization to serve punishment equal to the egregiousness (i.e., severity and scope) of its transgression (Bottom et al., 2002; Tripp, Bies, & Aquino, 2002).

Stakeholders view punishment as a necessary part of an organization's path to restoring its legitimacy and being reintegrated (Bottom et al., 2002; Farrell & Howard, 2004). Therefore, the or-

ganization normally should expect to receive some punishment for its transgressions (Bottom et al., 2002; Gamson & Scotch, 1964; Singer, 2004). However, we argue that the way an organization responds to stakeholders' attempts to punish it for an acknowledged transgression will affect its chances of reintegration (Table 1, column 6). The organization that accepts its verdict, acknowledges that it is equitable, and serves its time without resistance will facilitate stakeholder concurrence at this stage and, thus, increase the speed and likelihood of its reintegration. These actions likely will lead stakeholders to believe that the organization has learned from its mistakes, intends to change its ways, and now has good intentions (Ashforth & Gibbs, 1990; Shapiro, 1991; Sutton & Callahan, 1987).

There is also empirical support for the proposed explanation. Prior research has shown that the acceptance of punishment signifies a willingness to cooperate in rebuilding a damaged relationship, a key component of the interpersonal forgiveness process (Bottom et al., 2002). Using game theory, Bottom et al. (2002) have also suggested that, conversely, a transgressor who refuses to accept punishment will leave the relationship "unbalanced" and in danger of dissolution. Thus, an organization's acceptance of the penalty dealt out in response to a transgression is viewed as a more substantial and tangible demonstration of its change in future behavior than is a verbal explanation alone (Bottom, et al., 2002). In contrast, resistance to punishment signals opposition to addressing stakeholders' key concerns, as well as to conforming to social expectations, and can create negative perceptions in stakeholders (Bottom et al., 2002; Schachter, 1951). Further, such resistance may also increase the punishment necessary for penance to be deemed equitable, decreasing the likelihood that the organization will complete this stage.

Proposition 3a: The more actions an organization takes to accept its punishment (e.g., acceptance of verdict, acknowledgement that it is equitable, limited resistance to sentence in contrast to denouncing the verdict, decrying harsh punishment, and delaying sentencing), the greater the speed and likelihood that it will complete the

penance stage and advance to the rehabilitation stage.

The penance stage is characterized by both official and unofficial punishment. Official punishment is imposed on the organization by established bodies with the authority to pass judgment and assign penalties (e.g., through criminal indictments, court fines, delistings), whereas unofficial punishment is levied on the organization by stakeholder groups (e.g., through public shaming, like boycotts and negative press coverage).

While the goals of official punishment are primarily punitive and deterrent in nature (Simpson, 2002), unofficial punishment serves two additional purposes. First, it provides a social voice that allows stakeholders to give additional feedback to transgressing organizations through shaming. Shaming occurs when stakeholders publicly denounce the organization for its actions (Braithwaite, 1989). Shaming theory proposes that stakeholders can effectively discourage negative behaviors in an organization without creating resistance and counterproductive responses by publicly embarrassing the transgressor and thereby demonstrating that such behaviors are not acceptable (Braithwaite, 1989). Shaming stigmatizes organizations just enough so that they feel the sting of large-scale public disapproval but not so much that they are unable to recover and, presumably, achieve reintegration (Ayres & Braithwaite, 1992; Braithwaite, 1989). The resulting consequences encourage transgressor organizations to conform to social rules in order to avoid further stakeholder pressures and stigmatization.

Second, unofficial punishment can be retaliatory, serving as a form of revenge that allots an "equal amount of harm [on] the harmdoer" to that inflicted on stakeholders (Tripp et al., 2002: 970). Organizational justice theory predicts that stakeholders view such revenge as socially just and equitable, especially if the official punishment dealt by the authorities is deemed lacking. Thus, the transgressor organization's total punishment (the sum of official and unofficial) will be equivalent to the egregiousness of its offense.

Proposition 3b: If the official punishment given to a transgressor organization is deemed inequitable by stakeholders, they will seek to levy their own form of unofficial punishment in

order to offset the perceived imbalance between the egregiousness of the transgression and the severity of the official punishment.

Stage 4: Rehabilitation

The rehabilitation stage begins as stakeholders transition away from the question, "How should the organization be punished?" and begin to demand—to ensure that the transgression doesn't happen again—"What organizational changes have been made?" To develop theory behind the rehabilitation stage, we use research from organization renewal, crisis management, and public relations. We propose an approach to rehabilitation that involves a close consistency between internal and external actions.

The primary focus of internal actions involves rebuilding the technical, human, infrastructural, and social aspects of the organization (Pearson & Mitroff, 1993) that were previously identified as having led to the initial transgression. Internal actions may include changes in management, in reward structures, and in codes of conduct. Such renovation signals to internal stakeholders that the organization is determined to purge negative influences and focus its energy on renewal (Seeger & Ulmer, 2001, 2002). For example, in the wake of its discrimination scandal, Texaco fired one executive, suspended another, and revoked the retirement benefits of two other high-ranking officials (Singer, 2004). Similarly, CEO Bijur created a special committee to review the organization's diversity programs, as well as to assess its human resource policies (Singer, 2004). By making these changes, Texaco reinforced its commitment to new standards of appropriate behavior. Such actions reduced uncertainty among internal stakeholders and indicated that the organization was determined to regain its legitimacy.

The key focus of external actions involves outwardly portraying the same new image that was presented to internal stakeholders. Thus, external actions may include a focus on renewal, charitable giving, and implementation of corporate social responsibility measures. In order to effectively transmit these intentions, the transgressor organization must rely on its public relations function to convey the need for dialogue and mutual understanding with its stakeholders (Bowen, 2000; Grunig, 2000). For example, Tex-

aco's Bijur was careful to ensure that the external actions the firm took represented the same commitment to change as the actions he took internally (Brinson & Benoit, 1999). These coordinating efforts helped ensure external stakeholders that the organization was serious about its rehabilitation and potential reintegration.

We contend that the organization must ensure that the actions it takes internally and externally are consistent and, thus, connote the same renewal message to all stakeholders (Egelhoff & Sen, 1992; Seeger & Ulmer, 2001; Seib & Fitzpatrick, 1995; Sturges, 1994). Inconsistent internal and external actions may distort the renewal message and likely will lead to a lack of stakeholder trust (Turner, 1976). Stakeholders will then be more likely to negatively evaluate the organization's efforts to address their demands and will hinder its progress toward reintegration. For example, the organization may make appropriate changes but fail to inform external stakeholders. Or it may announce changes externally but never actually implement them (Westphal & Zajac, 2001).

When an organization employs myths and symbols to restore its legitimacy instead of implementing observable actions that appropriately address stakeholder concerns (Meyer & Rowan, 1977; Weaver, Treviño, & Cochran, 1999), it may jeopardize the completion of the rehabilitation stage (Sturges, 1994; Turner, 1976). Such inconsistencies generate skepticism from stakeholders inside and outside the organization, increase discourse among them, and may threaten reintegration (Turner, 1976). We therefore posit that the consistency between an organization's internal and external actions is needed for salient stakeholders to deem the actions successful.

Proposition 4: The greater the consistency between an organization's internal and external rehabilitative actions, the greater the speed and likelihood that it will regain legitimacy.

Reintegration

We propose that regaining legitimacy requires the transgressor organization to sequentially complete all four stages of the reintegration process (Chandler, 1962; Haire, 1959; Smith et al., 1985). Although an organization may un-

dertake actions classified in different stages simultaneously (e.g., acknowledge wrongdoing while making internal and external changes), we posit that it will be unlikely to complete more than one stage at a time because stakeholders may not have all the necessary information to decide favorably on the appropriateness of its actions. For example, to make judgments on the appropriateness of the organization's penance after a transgression, stakeholders will first have to discover the facts of the transgression and hear the organization's explanation.

Given that reintegration is stakeholder driven and that stakeholder demands vary across stages, organizational actions will have to change to properly address evolving demands and key questions. Specifically, satisfying the stakeholder demands in one stage provides input and information for how stakeholders will evaluate the appropriateness of the organization's actions in the next stage. This stage completion dependency makes the reintegration process sequential. Thus, we contend that facts about a transgression must be clear, and an organization must sequentially offer an appropriate explanation, serve an equitable punishment, and make proportional and consistent changes in order for its stakeholders to deem it legitimate and worthy of reintegration.

The summary proposition of our stage model addresses the reintegration of the transgressor organization with its stakeholders. To the extent that the transgressor organization completes each of the four stages (i.e., concurrence among stakeholders is reached, meaning their demands have been met), it is more likely to regain stakeholder support, restore its legitimacy, receive access to critical resources, and return to profitability. Table 1, column 6 shows the possible actions an organization can take in order to complete each stage, and columns 3, 4, 5, and 7 depict salient stakeholders, key stakeholder demands/questions, potential stakeholder discourse, and concurrence on the stage outcome. Our model's premise is that stakeholders require the transgressor organization to undertake certain actions in order to address their demands in each stage. Only by successfully proceeding through each of the previous four stages can the transgressor organization hope to regain its legitimacy. Successful completion of each stage will be marked by stakeholder demands evolving from one question to the next,

while successful reintegration will be marked by stakeholder attention again being refocused on the normal everyday behavior of the organization rather than on the transgression.

Proposition 5: Organizations that pass through each of the four stages are more likely to regain their legitimacy (be reintegrated among stakeholders) than those that do not.

MODERATING EFFECTS

In this section we propose a set of moderators that will affect the overall likelihood and speed with which the transgressor will complete each stage and, hence, the overall ability of the organization to reintegrate with its stakeholders: transgression prominence, transgressor prominence, stakeholder heterogeneity, and repeat transgressions by a given firm.

Transgression Prominence

The timing of the target organization's transgression vis-à-vis the public's recognition of similar corrupt or unethical acts can impact the time it spends in the reintegration process. The organization that is first to commit a transgression is often remembered for its mistakes, and it receives a much higher degree of scrutiny than those that follow it, even when their actions are similar (Hastie & Dawes, 2001). This is the "primacy error," where stakeholders can more easily retrieve initial conceptualizations of an event from memory than later events, which tend to become blurred together because of their lack of novelty, as well as the general tendency of stakeholders' interest to wane (Grunig, Grunig, & Dozier, 2002; Hastie & Dawes, 2001).

For example, stakeholders identify the current wave of corporate scandals with names like Enron, WorldCom, and Tyco, even though hundreds of similar cases have occurred since then (Johnson, 2005). While these "first mover" organizations may not recover because of the overwhelming stigma attached to their names (Goffman, 1963), later offenders committing similar transgressions are likely to progress more quickly through the reintegration process because their transgression is less prominent and is less likely to generate stakeholder discourse. This then increases the likelihood of the later

movers' eventual reintegration because they will receive less stakeholder feedback and media attention than those organizations that were among the first to offend.

Proposition 6a: The relationship between an organization's actions and its reintegration will vary with the prominence of the transgression such that a decrease in transgression prominence will increase the likelihood and speed with which the organization will be reintegrated with stakeholders.

Transgressor Prominence

Similarly, certain organizations that commit transgressions are more visible to stakeholders than other offending organizations. Prominent organizations are those that attract a high level of public attention among stakeholders (Rindova, Williamson, Petkova, & Sever, 2005). Organizational prominence can derive from rankings, media coverage, and certifications (e.g., *Consumer Reports*, *Moody's*, *U.S. News & World Report* [Rindova et al, 2005]). In the context of committing a transgression and attempting to rebuild legitimacy, such highly familiar organizations may remain in stakeholders' consciousness longer, independent of the transgression itself. As a result, they may be viewed more negatively than lesser-known organizations (Brooks, Highhouse, Russell, & Mohr, 2003).

Referring back to Figure 1, prominent organizations will most likely have more elite and attentive stakeholders than the average public or private organization and will therefore be less likely to see the impact of their transgression fade. As the number of stakeholders with dissimilar agendas involved in discourse increases, the prominent organization will remain longer in the spotlight. This potentially decreases the likelihood of concurrence among these multiple groups that the organization has appropriately addressed their key questions. Thus, the reintegration process may be altered not only by the salience of the transgression but also by the salience of the organization committing it.

Proposition 6b: The relationship between an organization's actions and its reintegration will vary with the or-

organization's prominence such that an increase in organizational prominence will decrease the likelihood and speed with which the organization will be reintegrated with stakeholders.

Stakeholder Heterogeneity

Organizations operate in multidimensional environments (Grunig, 1992; Thompson, 1967), and demands from heterogeneous stakeholders can vary. For example, shareholders may file civil suits, employees may stage strikes, consumers may boycott, industry regulators may intensify audits, and activists may publicize organizational actions in the media. Thus, an organization cannot respond completely to every stakeholder demand (Heath, 2000; Pfeffer & Salancik, 1978), and it therefore runs the risk of not being deemed legitimate by certain salient stakeholders.

At the beginning of this paper, we assumed that the organization interacts with multiple stakeholders who often have conflicting agendas. At each stage, stakeholder discourse takes place in order to determine the effectiveness of the organization's actions on the road to reintegration. When the actions are deemed unacceptable, stakeholders provide feedback to the organization, demanding clarification and additional action (see Figure 1). This cycle continues until concurrence among salient stakeholders is reached. However, transgressions that involve multiple salient stakeholder groups with dissimilar agendas will increase the discourse among them, potentially delaying feedback and concurrence on organizational actions. In any stage, then, increased discourse will delay completion and advancement through the reintegration process.

Proposition 7: The relationship between an organization's actions and its reintegration will vary with stakeholder heterogeneity such that an increase in heterogeneity will decrease the likelihood and speed with which the organization will be reintegrated with stakeholders.

Repeat Transgressions

Illegal and unethical organizational actions have enormous costs for society as well as for the organizations themselves. Thus, it appears rebuilding legitimacy is in the best interests of both the transgressing organization and its stakeholders. However, organizations that reoffend are susceptible to higher levels of official and unofficial punishment, as well as increased stakeholder skepticism that they truly are interested in being reintegrated (Braithwaite, 1989; Simpson, 2002). New transgressions may decrease levels of trust between an organization and its stakeholders because of the organization's additional "betrayal" of social norms (Ab-bink, Irlenbusch, & Renner, 2000; Fehr & Gächter, 2000). Ultimately, repeat offenders run the risk of having stakeholders decline to restore their legitimacy—their reintegration is simply too costly in light of the heightened scrutiny and the time required to properly monitor the appropriateness of their actions.

In short, stakeholders may agree that they are "better off" without the repeat offender. That is, they may conclude that they no longer want to interact with organizations that continually "defect" from social norms and fail to acknowledge the importance of reciprocity in relationships with their stakeholders (Chaudhuri, Sopher, & Strand, 2002). We therefore posit that if a transgressor organization reoffends, its subsequent trip through the model will take longer.

Proposition 8: The relationship between an organization's actions and its reintegration will vary with repeated transgressions such that an increase in the number of repeated transgressions will decrease the likelihood and speed with which the organization will be reintegrated with stakeholders.

DISCUSSION

Organizational failure after a transgression incurs huge costs for the organization, its stakeholders, and society in general. Hence, the four-stage model developed in this paper fills an important void in the literature to illustrate a process through which organizations might regain legitimacy with their stakeholders after committing a transgression. While prior re-

search has emphasized antecedents of organizational corruption (cf. Ashforth & Anand, 2003), our focus is on reintegration "after the fall." Our unique contribution includes (1) developing a model that is applicable to a wide range of transgressions, including both illegal and unethical acts; (2) specifically identifying different actions that organizations take in response to stakeholder demands and questions in different stages of reintegration; and (3) illustrating the process by which discourse and concurrence take place among stakeholders as organizations attempt to reintegrate. Below, we first identify and explicate several important features of the stage model of organizational reintegration and then suggest several ways that empirical tests of its propositions might best be designed. We close with a summary of the model's primary contributions and implications for future research.

Model Applicability

We contend that stakeholders will demand similar actions or behaviors from organizations along the path to reintegration, whether a transgression was illegal, unethical, or both. Since legitimacy originates in a "relationship with an audience, rather than being a possession of the organization" (Suchman, 1995: 594), any act, whether criminal or immoral, that violates social norms will damage this relationship and will require the offending organization to take steps to restore its legitimacy. Naturally, illegal or unethical acts of similar severity and scope may require slightly different reintegration actions—not all transgressions have equivalent consequences.

For example, public firms found guilty of accounting fraud may face stronger demands from regulators and shareholders than they would have experienced had they engaged in patently legal but suspectedly unethical accounting practices (e.g., aggressive income smoothing, earnings management, off balance sheet activities). Similarly, an organization accused of illegal hiring practices may face more scrutiny from internal and external stakeholders than one that treats employees unethically by voiding their pensions or dropping their health care coverage.⁴ Moreover, while the power of society to

correct illegal behavior through laws and regulation is well known, the self-correcting or policing power of society to reform the transgressing organization is less apparent. Yet our model emphasizes the importance of organization legitimacy as a goal for most organizations (Phillips & Zuckerman, 2001) and recognizes the power of stakeholders to reform unacceptable organizational behavior, be it unethical or illegal. Ultimately, however, only empirical testing will determine whether our beliefs are valid and, thus, whether the model is indeed applicable for both types of actions.

Organizational Actions and Stakeholder Demands

We have identified the possible actions that an organization will take in each stage in response to stakeholder demands. Stage models in general suggest that an organization's actions change over time because the requirements for success change as well (Chandler, 1962; Smith et al., 1985). In our model we recognize that an organization's actions change in response to changes in stakeholder demands and that fulfillment of these demands is akin to success—in this case, reintegration. Since "success" after a transgression is the restoration of the organization's legitimacy with its stakeholders, our stage model shows the progression toward success as the evolution of stakeholder demands (and organizational responses to these demands) over time. In other words, the transgressor organization successfully completes each stage of the reintegration process when stakeholder demands in that stage wane and are replaced by new demands.

Further, we introduced our model of reintegration by assuming that the events surrounding the transgression are "publicly known." We recognize, however, that organizations may attempt to positively spin the facts and circumstances surrounding the transgression and that certain stakeholder groups may not recognize this organizational falsity or insincerity (cf. Westphal & Zajac, 2001). For example, organizations might complete the discovery stage by voluntarily disclosing some but not all of the facts of the transgression, and certain stakeholders might accept this announcement. Similarly, organizations may also complete the explanation stage by offering fake promises or decoupling

⁴ We thank an anonymous reviewer for this insight.

their explanation from their actual procedures. Nevertheless, because of initial public awareness of the organization's potential transgression, we contend that these covert actions undertaken to hide transgressions will fail at some point, since organizations will be closely monitored and scrutinized by both internal and external stakeholders. Thus, whereas some stakeholder groups may be duped at certain stages and at certain times, most likely others over time will not.

Our view is consistent with research that has demonstrated that transgressors are more closely evaluated for evidence of an additional violation than nontransgressors, owing to the fragility and uncertainty inherent in the damaged relationship (Bottom et al., 2002). So, although concurrence may be forthcoming in the early stages of the reintegration process because of effective impression management, over time, gaps between an organization's observed actions and its underlying actions (or inaction) will probably be revealed, delaying or stopping the reintegration process as a consequence. In addition, this would mean that the organization had transgressed a second time by not following through on its promises to stakeholders regarding its behavior, and the organization would therefore suffer the legitimacy penalties associated with restarting the reintegration process.

Stakeholder Salience, Discourse, and Concurrence

By emphasizing the role of multiple stakeholders, as well as the discourse process among them, we added a level of complexity and dynamism to our model. Our explication of how salient stakeholders discuss the appropriateness of an organization's actions, as well as how they reach concurrence, uncovers the fine-grained nuances of organization-stakeholder interaction that is mostly missing from the stakeholder, mass communications, and public opinion literature. Here, we contend that salient stakeholders drive the reintegration process, and organizations must tailor their actions toward these stakeholders' demands. However, salience may change based on the transgression or stage of the model. Therefore, organizations must be cognizant of these variations when taking actions aimed at restoring their legitimacy.

In addition, the reader should note that our use of "concurrence" differs from traditional measures of "consensus" or "tipping point" found in the mass communications, public opinion, and sociology literature. The latter two expressions have often failed to address the impact of powerful stakeholder groups and their inordinate ability to sway a firm's action, regardless of whether or not they have majority status (Gladwell, 2000; Granovetter, 1978; Price, 1992; Van Leuven & Slater, 1991). By introducing the term *concurrence*, we extend research on stakeholder salience and also further attempts in the stakeholder literature to more accurately measure the disproportionate impact of certain stakeholder groups on firm actions (cf. Agle, Mitchell, & Sonnenfeld, 1999).

To date, operationalization methods of stakeholder salience have primarily been qualitative in nature (e.g., Agle et al., 1999). Perhaps researchers could use the Gini coefficient⁵—a measure of inequality typically reserved for income distribution. Criminologists have used the Gini coefficient to measure the disproportionate weight of culpability in top executives versus employees when analyzing corporate crime (see Simpson, Harris, & Mattson, 1993). By analogy, the Gini coefficient could be used to measure the disproportionate weight (salience) among an organization's stakeholder groups. For example, in many circumstances attentive stakeholders outnumber actives, but actives still maintain a higher degree of power and therefore are more effective at steering the discourse process. Similarly, latent stakeholders may be the largest group—but also the one with the least power—making their contributions to discourse and concurrence minimal. Empirical tests of our stage model of reintegration could assign weights to stakeholder groups based on their salience during each stage, ensuring that elite and attentive stakeholders, even if they hold minority posi-

⁵ The Gini coefficient is a measure of inequality developed by the Italian statistician Corrado Gini. It is usually used to measure income inequality but can be used to measure any form of uneven distribution. The Gini coefficient is a number between 0 and 1, where 0 corresponds with perfect equality (where everyone has the same income) and 1 corresponds with perfect inequality (where one person has all the income, and everyone else has zero income). For more information, please see http://en.wikipedia.org/wiki/Gini_coefficient.

tions, are properly accounted for in gauging the firm's actions and responses to their discourse.

Empirical and Methodological Implications

As our stage model suggests, achieving reintegration after a transgression is a complex process involving multiple stages, organizational actions, and stakeholders. No single theory or body of scholarly literature is able to explain all of these processes and stages. As a result, we draw from a broad body of literature, including stakeholder, image management, organizational justice, and crisis management theory, while readily acknowledging that the breadth of our model is both a strength and a weakness. Strengths of the model include the recognition of many different kinds of transgressions, the inclusion of numerous organizational behaviors that affect the likelihood of reintegration, and the model's ability to generate interesting and substantive research questions that can improve our understanding of the reintegration process. However, since the complete reintegration process typically entails multiple interactions with multiple stakeholder groups across many years, empirical testing becomes more demanding.

In addition, our model is intentionally normative. Our assumption that organizations desire to be reintegrated presupposes that this outcome is indeed the preferred one under most circumstances, and the conceptual and empirical research that serve as a foundation for the model support this assertion. Nonetheless, there may be other unintended and unrecognized consequences of the remedial organizational actions "recommended" by the model. For example, the same organizational actions that result in progress toward reintegration may also stimulate some stakeholders to file lawsuits against a firm because of conflicts of interest. Yet we argue that research-based recommendations, while probabilistic and potentially risky, are a step in the right direction in the study of ethical behaviors and corruption.

Despite the model's complexity, however, it lends itself to empirical testing. Table 1, column 6 provides examples of visible and measurable organizational actions, and columns 4 and 5 offer key questions that stakeholders might pose and discuss in each stage. For example, one could examine different types of actions, their

visibility, and their frequency from press releases (e.g., Smith, Grimm, & Gannon, 1992), while also investigating the impact of such actions on stakeholders' salience at a given point in time and the amount and nature of the discourse they generate. Similarly, we suggest that an organization's progress toward reintegration can be observed by studying the transition of stakeholder discourse from one type of question to the next. That is, analysis of media coverage of a transgression may show an evolution of organizational actions in response to new stakeholder demands along the reintegration process.

In terms of methodological recommendations, we suggest that tests of the complete model will be more effective when incorporating longitudinal case study designs, whereby a researcher identifies a set of transgressors, perhaps with the same or related types of transgressions, and then studies each organization's actions and press coverage over time to examine reintegration. In this way, it would be possible to keep track of changes in organizational performance and reputation ranking or social standing as recovery proceeds.

We also advocate a finer-grained examination of specific propositions by using a methodology that focuses on specific model stages. For example, it would be interesting to examine a set of organizations in the discovery stage to explore how voluntary disclosure facilitates stage completion and how denials and obfuscation may delay discovery of the facts, as well as reintegration (cf. Pfarrer, Smith, Bartol, Khanin, & Zhang, *in press*). Or one could specifically study the effect of an appropriate explanation after a transgression to examine how this affects stakeholder discourse and the subsequent stage of penance.

In conclusion, we contribute to research on organizational corruption, image management, stakeholder discourse, and organizational legitimacy by proposing a stage model of organization reintegration following a transgression. In doing so, we better conceptualize the reintegration process and lay the groundwork for an important new body of empirical work that may effectively guide organizational rehabilitation after a loss of legitimacy, with many resulting benefits for stakeholders and society in general.

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