

Organizational Scandals (and Field Evolution)

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Agenda.

1. What are scandals?
2. An empirical study
3. Question & Discussion

Sept. 18, 2015

VOLKSWAGEN

AKTIENGESELLSCHAFT

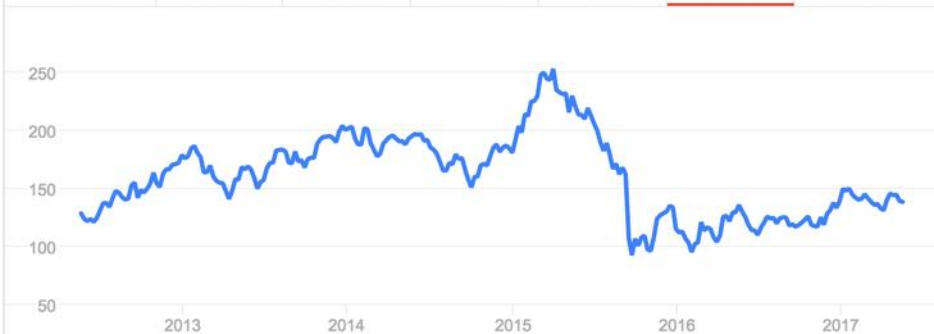
- *Sept. 18, 2015.* U.S. EPA issue a Notice of Violation after founding that VW had intentionally programmed its TDI diesel engines to activate emissions controls during lab tests. Programed to meet US standards, engines emit up to 40 times more Nitrogen Oxide (NOx) on the road.
- *Sept. 23, 2015.* CEO Martin Winterkorn steps down. Several top managers are suspended, including the head of brand development at VW.
- *Sept. 29, 2015.* VW announces plans to recall 11m vehicles VW sold since 2009 under the VW, Audi, Skoda and SEAT brands.
- *Oct. 2, 2015.* Volkswagen AG has lost 43% of its pre-scandal market value (92.36 vs. 167.80 on Sept. 17).

Volkswagen AG Preference Shares

ETR: VOW3 - 22 mai à 17:35 UTC+2

138,45 EUR 0,00 (0,00 %)

1 jour 5 jours 1 mois 3 mois 1 an **5 ans** max



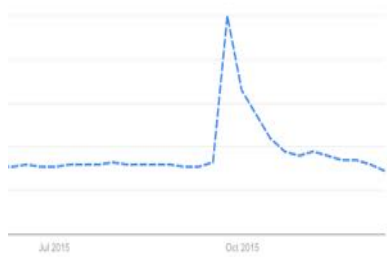
Ouverture	-	Capitalis.	70,70 Md
+Haut	-	Cours/bén.	11,23
+Bas	-	Rend. div.	1,49%



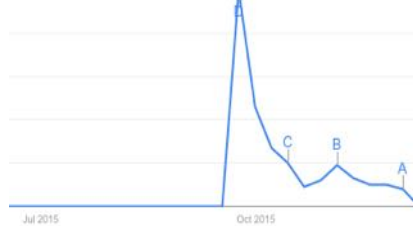
III « Dieselgate » : Volkswagen risque une amende de 19,7 milliards d’euros en France

« Le Monde », qui a eu accès à l'enquête sur le « dieselgate », révèle que le « chiffre d'affaires frauduleux » des moteurs truqués est estimé à 22,78 milliards d'euros.

“Volkswagen”



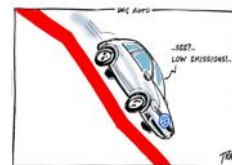
“VW emissions scandal” (news headlines)





Consequences for... Volkswagen?

October Global VW sales fall 5%.
 November sales: -25% in US, -20% in UK.
 Loss of market shares across all markets.



... bystanders?

Diesel: Increased scrutiny of all manufacturers; stricter regulations in talks.
 German automakers: tarnished image ("Das Auto"). E.g. Porsche stock -25%.

... auto makers?

The market kept growing in Europe and US (2015 close to all-time record).
 Fiat-Chrysler had its best November month in 15 years in US.
 Volvo had its best month ever with a 90% jump in US sales in November.

What are “scandals”?

The objectivist view: Scandals as revelations.

- The typical view in the media and public discourse
- Scandals as the “tip of the iceberg”
- Reveal the dark (hidden) side of social systems
- Expose villains and make their punishment possible
- Before society returns to the normal state of affairs

But overlooks how well-known deviances fail to cause scandals, sometimes for a long-time...

In 2014, the International Council on Clean Transportation (ICCT), an independent body, commissioned a study documenting:

- “Very ordinary” on-road emission tests
- Conducted by the CAFEE center at West Virginia U.



*Center for Alternative Fuels, Engines & Emissions
West Virginia University*

Final Report

In-Use Emissions Testing of Light-Duty Diesel Vehicles in the United States

The study, published May 15, 2014 found...

- Emission discrepancies in VW Passat and Jetta (None with the BMW X5)
- Yet the study remained under the radar Sept. 18, 2015 i.e., 16 months late – when the U.S. EPA issued a notice of violation

VW knew or should have known that its “road calibration” and “switch” together bypass, defeat, or render inoperative elements of the vehicle design related to compliance with the CAA emission standards. This is apparent given the design of these defeat devices. As described above, the software was designed to track the parameters of the federal test procedure and cause emission control systems to underperform when the software determined that the vehicle was not undergoing the federal test procedure.



The Wilde scandal (Adut, AJS 2005).

- On Feb. 18, 1895, the Marquess of Queensbury left a calling car at a club: "To Oscar Wilde, Ponce and Sodomite" (sic)
- For months, Queensbury had chased Wilde in restaurants and theatres to make him cease an affair with his son
- To avoid public fracas, Wilde decided to sue Queensbury...
- ...who denounced Wilde's homosexuality during trial

- Authorities called for a 2nd trial, after a 1st hung up jury
- Wilde received a 2-year prison-with-hard-labor sentence
- He was turned into a pariah in London society
- All despite weak and tainted evidence

Yet...

Homosexuality norms in Victorian England were barely enforced

- Police “looked the other way”: only 12-18 sentence/yr for sodomy in 1840s
- Sentences were kept discreet
- More than homosexuality itself, authorities were mostly preoccupied with avoiding “unnecessary publicity”
- E.g., when closing parks in 1808 to halt their use by homosexuals, the home secretary asked these measures to be taken “without divulging to the Public the disgraceful occasion of them”.

And it was not much of a surprise...

- Wilde was the darling of London society and was openly known for his proclivities
- He was going around in public with a green carnation boutonniere – the badge of French homosexuals
- He was a high-status London socialite
- Critically acclaimed and popular across all social classes



Why did society mercilessly turned against Wilde for something that was hardly news?

Why evidence of VW's misconduct remained under the radar for months?

The constructivist view:
Scandals as social control.

- Scandals are socially construed
- Express the “collective consciousness” of society
- Triggered by the media and “moral entrepreneurs”
- Scandals are social control mechanisms, enacted as rituals
- Through which groups assert their core values and mark some individuals or behaviors as *deviant*.

But fails to explain variations the dynamic of scandals:

- Why now rather than before?
- Overlooks the role (actual) publicity plays in shaping scandals

The central role of *publicity*.

- When the members of a public are exposed to a transgression (actually or discursively) from a single source of communication
 - By accident (Watergate burglary, Enron bankruptcy),
 - More often, by revelation/denunciation in the media
 - Occasionally by provocation (e.g. arts scandals).
- Different from mere knowledge of transgression (or reciprocal awareness that others know)
- Publicity “imposes the transgression on the audience and makes it costly for those who would otherwise ignore the transgression to do so” (Adut, 2005:218)

The “rational” view: Scandals as externality trigger (Adut 2005, 2008).

- Publicity unleashes externalities on third parties, through contamination and provocations costs
 - The norm will remain under-enforced as long as its transgressions are committed in, or remain, private
 - Once in motion, externalities prod third parties into showing zeal vis-à-vis the offender to signal rectitude or resolve
- “Scandal is the disruptive publicity of transgression” (2005:219).

Theoretical mechanisms.



- Contamination:
 - Spill-overs to (perceived) associates of the offender
 - Spill-overs to others categorized as similar
- Provocations:
 - Challenge of audience and authorities:
 - Public transgression of a norm
 - E.g, Serge Gainsbourg burning a F500 bill on TV
- Aggravating factors:
 - High-status of the offenders
 - Taboo properties of the transgression (e.g., sex)

What we know about scandals (not much).

- *Publicized instance of transgression* which runs counter to social norms (Adut, 2005)
- Scandals (misconducts) contaminate:
 - Network associates (Pontikes et al., 2010)
 - Industry categories (Jonsson et al., 2010; Mizruchi & Paruchuri, 2015)
 - Eventually harm the “intangible commons” of all industry members (Barnett & King, 2008)
- Key argument: generalization of culpability (through association or stereotyping)

Jonsson, Greve, & Fujiwara-Greve (ASQ 2009).

Setting: Skandia scandal in Sweden (2002-03).

Findings : Empirical evidence that Swedish mutual funds cut ties with Skandia but also with “innocent” organizations (same form, same characteristics, characteristics relevant to the wrongdoing).

Main argument: audiences generalize from deviance by one organization to others that are regarded as similar

- Social actors make sense of the world through categories
- Discovery of deviant action triggers sense-making
- Followed by generalization to other firms of the same form
- Firms cut ties to similar firms to protect from legitimacy loss

Paruchuri & Mysangy (AMJ 2015).

Setting: 725 firms, 84 misconduct cases
(accounting restatements, event analysis/CAR)

Findings: Evidence that bystanders in the same industry suffer a penalty as compared to non-industry bystanders (~-0.27% CAR) Even when no impact/upward revision statement.

Moderators: perpetrator size (+), gov probe (-), bystander size (+)...

Main arguments: heterog. generalization-instantiation process

- Depending on characteristics of the perpetrator (e.g., size)
- And characteristics of the bystander firm (e.g., governance)

What we don't know about scandals (a lot!).

- Only a limited set of cases studied so far in org. lit.
 - Focused on reactions of *external* evaluators: e.g., financial markets, individual investors
 - Short-term outcomes: CAR, transaction during scandal
 - What happens after the scandal when the dust settles?
- Unclear what happens *within* industries or fields?
 - Firm-factors such as size may influence generalization (Mizruchi & Paruchuri, 2015)
 - High-status actors may suffer more (Graffin et al., 2013)
 - Focus on negative effects: any organization likely to benefit?

How do scandals affect
competition between
organizations?
An empirical study

Piazza & Jourdan (AMJ *forthcoming*).

How do scandals affect competition?

- Contamination is only a part of the story
- Scandals create opportunities for substitution
- They are also disruptive *events* that affects how organizations are evaluated by key audiences (Sewell, 1996)
- Prediction: similar organizations may benefit (suffer less), the more so when they are perceived as enforcing stricter norms of behavior
- Empirical evidence using data on religious orgs in US

Substitution.

- Although they may damage entire fields, scandals will affect some organizations more than others, creating relative long-lasting (dis-)advantages among organizations within a field.
- Organizations proposing a similar offering to the scandal-stricken organization(s) are likely to enjoy a relative advantage in the end:
 - The implicated organization(s) will lose ground in the market
 - Consumers (members) will look for alternatives
 - The closest alternatives are more likely to be chosen
 - Eg. Big 4 audit firms benefited from the demise of Arthur Andersen after the Enron scandal (Jensen, 2006)

Shift in the evaluation of organization.

- Scandals are critical *events* (Hudson, 2008; Sewell, 1996) that deeply transform the social structure of a field (Adut, 2008).
 - Durably shift attention to moral issues (Hoffman & Ocasio, 2001).
 - Prompt key audiences to engage in “moralizing”, the “practice of offering moral lessons” (Hopkins, 2015).
- Disrupt how organizations are evaluated:
 - Shake the taken-for-granted assumption that organizations behave in a morally acceptable way.
 - Trigger scrutiny of all organizations in the field through a moral lens.

Main predictions.

After a scandal:

- Implicated organization(s) suffer(s), while competitors enjoy a (relative) benefit
- The more competitors offer a close substitute, the more they benefit (substitution)
- The more competitors are perceived as enforcing stricter behavioral norms, the more they benefit (evaluative shift)

NB: in parallel to possible contamination documented by prior studies

Data needed!

- Scandals tend to be idiosyncratic and heterogeneous,
- Data is rarely available due to the nature of the topic
- Ideally, we'd need:
 - Series of scandals with variations in terms of similarity and strictness
 - Longitudinal data (extending beyond the short-term turmoil)
 - A setting where contamination is limited

LOTTERY, PAGE 42
Volume 261
Number 6
\$2.00

Boston Sunday Globe

JANUARY 6, 2002

BREAKFAST FLAKES
Dinner. Diner. With one or
eight. Make it real!
Tossers: Don't make me,
even. Make it all
the way!
Page 16

Church allowed abuse by priest for years

Spotlight Aware of Geoghan record, archdiocese still shuttled him from parish to parish

Spotlight
This article was prepared by the Globe's Spotlight team, reporting about Catholic clergy abuse and other Boston-area news. It is written by Michael Remick and other Spotlight reporters.

First of two parts
More than 100,000 more than 100 people have come forward with horrific childhood tales about how Boston priest John J. Geoghan allegedly touched or raped them during a decade-long spree through a half-dozen Greater Boston parishes.
Clergy abuse, his victims were granted what they wanted. One was just a priest's oil.
Then came his 1994 disclosure that Cardinal Bernard F. Law knew about Geoghan's problems in 1984. Law's first step in Boston, yet assigned his transfer to St. John's parish in

Woburn, where Fr. Rogers Jr., the cardinal's attorney, defended his worst but common, saying the archdiocese had medical assessments that said Geoghan's management was "appropriate" and safe.
But now at Law's bedside tonight that the 1984 assignment of Geoghan to St. John's was in fact, he wrote the cardinal, a bribe to protect. And for good reason, the Spotlight team found. The archdiocese already had extensive evidence of Geoghan's predatory sexual habits, that included his assignment to St. John's in 1984, which was reported abuse of women boys in one instance nearly two years before Geoghan's assignment to an anti-abuse team.

The St. John's assignment proved disastrous. Geoghan was put in charge of three youth groups, including what boys in 1986, he was forced to go on sick leave after more cases

of sexual abuse, and spent months in one institution that tried to sexually abuse him. Even so, the archdiocese continued to abuse children for another three years.
Now, as Geoghan faces the brunt of one critical trial and more, details about his sexual complicity are likely to be established by a question that many Catholics find even more troubling: Why did it take a combination of three institutions and many bishops to years to place children out of Geoghan's reach?
Dennis Moriarty, a spokesman for Law, said the cardinal and other church officials would not respond to questions about Geoghan. Moriarty said the church had no intent in knowing what the Globe's questions would be.

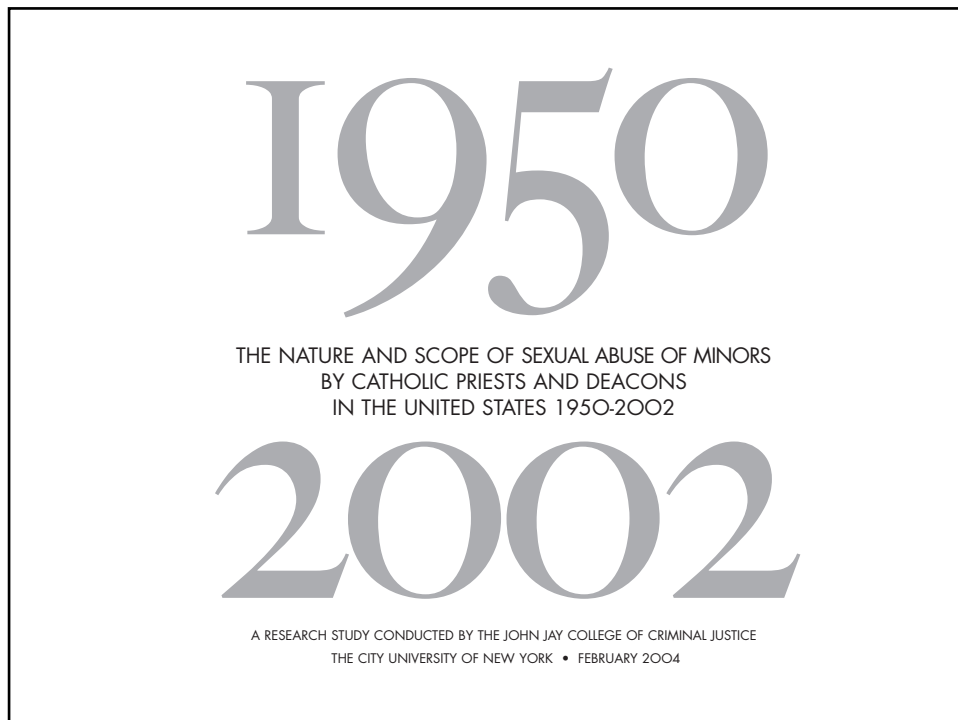


Former priest John J. Geoghan leaving his family home in Belmont in November.

Antitrust exception shields baseball
Proviso may stymie
Reilly probe of Sox
By Bob Hedder

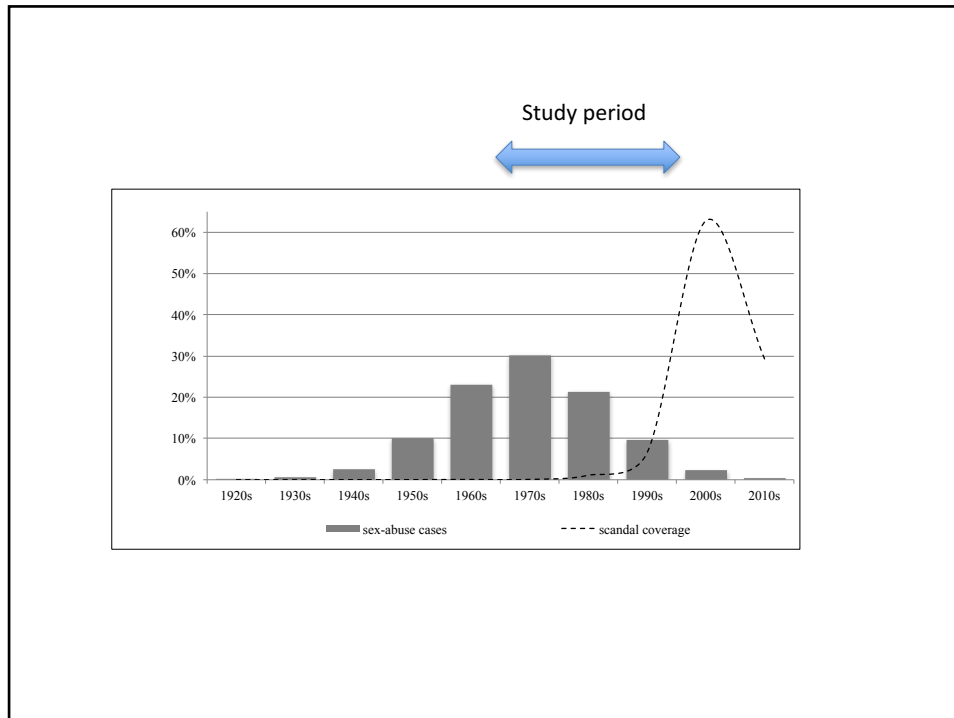


US comes up empty in search for Omar



Sex-abuse scandals in the U.S. Catholic Church.

- A long-history of sexual abuse in the US
- John Jay's report (2004) indicates that 4,392 priests had been accused and approx. 11,000 allegations made.
- 4% of priests who had served during the surveyed period (1950-2002), and 90% of dioceses were involved.
- We focus on the local scandals reported before 2002 when the Boston Globe elevated the scandal to a national level and created a discontinuity:
 - E.g., 2,000 articles published in 1990s vs. 18,000 in the 2000s
- Combined with data on Church membership since 1971 (Association for Religion Data Archives, ARDA)



Focus on organizational membership.

- “Individuals who in return for a variety of inducements, make contributions to the organization” (Scott, 1981:16)
- Critical outcome, common to all organizations
- Contrary to investors or analysts, members have close ties to the organization, and likely to be directly affected by scandals (Grandey et al., 2013)
- Members are likely to be “stickier” than investors or analysts having an arm’s length relationship with the organization

Christian organizations in the U.S.

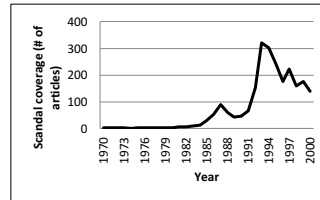
- Largest religious group: 73% in 2012 (86% in 1990)
- But fragmented: Catholic Church is the largest of 200+ denominations (23.9% in 2012)
- Denominations are multi-unit organizations with individual congregations as “local branches”
- Membership is a key resource and a focus of competition.
- Relatively fluid: 28% of Americans report they have transitioned to another faith (44% among Protestants)
- Strong categorical boundary between catholic and protestant: lower chances of contamination

Anecdotal evidence of “hidden exodus”.

- About 1 in 10 American is a former Catholic (Pew, 2009)
- Of which 21% (Pew Research, 2009) and about 2m (Hungerman, 2013) have left because of scandals
- Exit might be particularly high in areas of substantial, well-documented sexual abuse.
E.g., Former Catholics in Trenton, NJ (22 cases) identified the Church’s inadequate response to clergy sex abuse as the most important factor in their decision to leave
- About 46% of former Catholics join other Christian denominations (Pew Research, 2009).

Data & methods.

- Religious and Church Membership Study in the US (ARDA):
 - Data on 17 Christian denominations for 1971, 1980, 1990, 2000
 - Level: denomination-county-decade
- Bishop Accountability database:
 - Detailed records on US sex-abuse cases
 - Copy of related newspaper articles
- Dependent variable: ln(members)
- Explanatory variables:
 - Scandal coverage: cumulative count of press articles
Correlates with number of victims (p=.86) and accused priests (p=.80)
 - Dissimilarity and strictness measures based on Iannaccone (1994)
- Controls: socio-economic attributes, religious adherents, county population, focal denomination adherents nationwide, religious concentration (HHI)
- Catholic models. Dynamic panel data analysis (Arrelano & Bond GMM)
- Other Christian denominations. Generalized Estimated Equations (GEE)



Denomination	Distinctiveness	Dissimilarity	Strictness	Membership*	% of Christians**
Episcopal	1.1	1.9	Less strict	2,006,343	0.81%
United Church of Christ	1.3	1.7	Less strict	1,080,199	0.44%
Presbyterian	1.6	1.4	Less strict	2,775,464	1.12%
Unitarian	1.6	1.4	Less strict	221,367	0.09%
Methodist	1.8	1.2	Less strict	7,774,931	3.15%
Disciples of Christ	2.1	0.9	Less strict	658,869	0.27%
American Baptist	2.5	0.5	Less strict	1,310,505	0.53%
Evangelical Lutheran	2.7	0.3	Less strict	4,542,868	1.84%
Reformed Church	2.8	0.2	Less strict	250,938	0.10%
Catholic	3	-	-	68,503,456	27.76%
Missouri Synod Lutheran	3.6	0.6	Stricter	2,312,111	0.94%
Southern Baptist	4	1	Stricter	16,160,088	6.55%
Quaker	4.1	1.1	Stricter	~ 80,000	0.03%
Church of the Nazarene	4.5	1.5	Stricter	645,846	0.26%
Assemblies of God	4.8	1.8	Stricter	2,914,669	1.18%
Mormon	5.4	2.4	Stricter	6,058,907	2.46%
Seventh Day Adventist	5.8	2.8	Stricter	1,043,606	0.42%
TOTAL				118,340,167	47.95%

Catholic membership (county)

Table 3. Arellano-Bond dynamic panel data estimation of Catholic membership in each county (logged).

VARIABLES	Model 1	Model 2	Model 3	Model 4
Lagged number of Catholics (logged)	0.280*** (0.058)	0.099* (0.044)	0.094* (0.044)	0.053 (0.047)
Religious adherents (orthogonalized)	0.124 (0.085)	0.049 (0.070)	0.068 (0.067)	0.101 (0.082)
County population (orthogonalized)	0.024 (0.027)	-0.005 (0.021)	-0.002 (0.021)	0.006 (0.021)
Herfindahl-Hirschman index	1.706* (0.665)	1.313+ (0.671)	1.194+ (0.658)	0.827 (0.670)
Individuals of Hispanic descent (percent)	3.983*** (0.556)	3.383*** (0.536)	3.369*** (0.532)	3.377*** (0.531)
Individuals of African descent (percent)	-1.853* (0.888)	-2.748** (0.920)	-2.722** (0.912)	-2.637** (0.913)
Individuals below the poverty line (percent)	-0.377 (0.357)	-0.062 (0.359)	-0.064 (0.357)	0.078 (0.345)
Time dummies	No	Yes	Yes	Yes
Individuals accused of misconduct			0.007+ (0.004)	-0.003 (0.006)
Scandal coverage (logged)				-0.116* (0.054)
Constant	4.869*** (0.554)	6.349*** (0.412)	6.482*** (0.419)	7.056*** (0.490)
Observations	5,668	5,668	5,668	5,660
Number of counties	2,868	2,868	2,868	2,864

Robust standard errors in parentheses
 *** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Table 4. Generalized estimating equations (GEE) estimates of the logged number of adherents to non-Catholic denominations at the county level.

VARIABLES	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Individuals of Hispanic descent (percent)	-0.791*** (0.075)	-0.791*** (0.077)	-0.320*** (0.079)	-0.301** (0.093)	-0.300** (0.093)	-0.302** (0.093)	-0.301** (0.093)
Individuals of African descent (percent)	-0.941*** (0.070)	-0.941*** (0.070)	-0.733*** (0.070)	-0.258** (0.094)	-0.258** (0.094)	-0.259** (0.094)	-0.258** (0.094)
Individuals below the poverty line (percent)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Focal denomination adherents nationwide (logged)	1.430*** (0.012)	1.430*** (0.012)	1.420*** (0.011)	1.408*** (0.011)	1.416*** (0.011)	1.405*** (0.011)	1.412*** (0.011)
Herfindahl-Hirschman index	-1.574*** (0.044)	-1.573*** (0.044)	-1.468*** (0.047)	-1.302*** (0.050)	-1.302*** (0.050)	-1.301*** (0.050)	-1.301*** (0.050)
Individuals accused of misconduct	0.022*** (0.001)	0.022*** (0.001)	0.011*** (0.001)	0.003+ (0.001)	0.003+ (0.001)	0.003+ (0.001)	0.003+ (0.001)
County population (orthogonalized)	0.221*** (0.010)	0.222*** (0.011)	0.220*** (0.010)	0.200*** (0.010)	0.200*** (0.010)	0.200*** (0.010)	0.200*** (0.010)
Religious adherents (orthogonalized)	0.721*** (0.031)	0.723*** (0.032)	0.714*** (0.031)	0.625*** (0.028)	0.625*** (0.028)	0.625*** (0.028)	0.625*** (0.028)
Dissimilarity (orthog.)	0.353*** (0.016)	0.354*** (0.016)	0.342*** (0.015)	0.340*** (0.015)	0.355*** (0.015)	0.340*** (0.015)	0.355*** (0.015)
Strictness (dummy, orthog.)	0.116*** (0.012)	0.116*** (0.012)	0.113*** (0.012)	0.112*** (0.012)	0.113*** (0.012)	0.106*** (0.012)	0.107*** (0.012)
Catholic adherents (orthogonalized)	-0.150*** (0.011)	-0.158*** (0.011)	-0.172*** (0.011)	-0.199*** (0.011)	-0.199*** (0.011)	-0.199*** (0.011)	-0.199*** (0.011)
Scandal publicity (logged)		0.001 (0.002)	0.045*** (0.004)	0.029*** (0.004)	0.028*** (0.004)	0.029*** (0.004)	0.029*** (0.004)
Time dummies	No	No	Yes	Yes	Yes	Yes	Yes
State dummies	No	No	No	Yes	Yes	Yes	Yes
Scandal publicity (logged) x Dissimilarity					-0.008*** (0.002)		-0.008*** (0.002)
Scandal publicity (logged) x Stricter denom. (dummy)						0.005*** (0.001)	0.005*** (0.001)
Constant	-17.06*** (0.169)	-17.06*** (0.169)	-17.14*** (0.164)	-16.91*** (0.191)	-17.03*** (0.188)	-16.85*** (0.192)	-16.98*** (0.189)
Observations	169,698	169,390	169,390	169,390	169,390	169,390	169,390
Number of denomination-county dyads	50,249	50,149	50,149	50,149	50,149	50,149	50,149

Standard errors in parentheses
 *** p<0.001, ** p<0.01, * p<0.05, + p<0.1

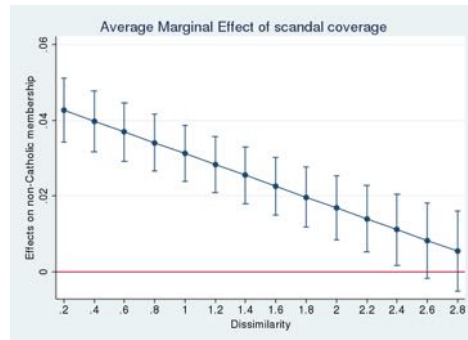


Figure 3. Marginal effect of Catholic scandal publicity on non-Catholic membership as a function of dissimilarity to the Catholic Church.

Further analysis 1.

- Findings due (at least partially) to an in-flux of Catholics?
- In-depth survey of 802 former Catholics (Pew 2009) :
 - 362 joined another Christian denomination
 - 68 mentioned sex-abuse as a reason to leave
 - Twice as many chose a similar denomination over a dissimilar one

Table 5. Breakdown of former Catholics that joined other Christian denominations and mentioned the sex abuse scandal as a reason for doing so (data from the 2009 Faith in Flux Survey).

	Count	%
Baptist	7	10.3
Methodist	4	5.9
Lutheran	11	16.2
Presbyterian	5	7.4
Episcopalian	4	5.9
Disciples of Christ	1	1.5
United Church of Christ	2	2.9
Reformed Christian	0	0.0
Adventist	0	0.0
Quaker	1	1.5
Church of Jesus Christ of Latter-day Saints	1	1.5
Other Christian	32	47.1
TOTAL	68	100.0
SIMILAR CHURCHES	24	35.3%
DISSIMILAR CHURCHES	12	17.6%
OTHER CHURCHES	32	47.1%

Further analysis 2.

- Similarity findings (H3) due to serial correlation or unobserved time-invariant characteristics?
- Split samples analysis (less strict/stricter), OLS with denomination dummies, focusing on last period (1990s):
 - No significant effect of scandal on less strict churches
 - Positive and significant effect for stricter churches

Table 6. OLS estimates of the logged number of adherents to non-Catholic denominations at the county level in 2000

VARIABLES	Model 12	Model 13
	<i>Less strict churches</i>	<i>Stricter churches</i>
Logged number of adherents to focal denomination in county, 1990	0.939*** (0.002)	0.855*** (0.004)
Focal denomination adherents nationwide (logged), 1990	-0.601** (0.200)	-1.492*** (0.178)
Focal denomination adherents nationwide (logged), 2000	0.581** (0.207)	1.718*** (0.181)
Individuals of Hispanic descent (percent), 1990	0.338 (0.237)	-0.501 (0.367)
Individuals of Hispanic descent (percent), 2000	-0.211 (0.226)	0.896** (0.333)
Individuals of African descent (percent), 1990	0.353 (0.297)	-1.043 (0.649)
Individuals of African descent (percent), 2000	-0.203 (0.298)	1.195+ (0.643)
Individuals below the poverty line (percent), 1990	-0.515*** (0.145)	-0.739* (0.304)
Individuals below the poverty line (percent), 2000	-0.330+ (0.172)	-0.545 (0.369)
Herfindahl–Hirschman index, 1990	0.318*** (0.079)	0.549*** (0.149)
Herfindahl–Hirschman index, 2000	-0.451*** (0.075)	-0.963*** (0.139)
Religious adherents (orthogonalized), 1990	-0.078 (0.074)	-0.071 (0.106)
Religious adherents (orthogonalized), 2000	0.141* (0.065)	0.194* (0.094)
County population (orthogonalized), 1990	0.005 (0.022)	0.000 (0.031)
County population (orthogonalized), 2000	0.015 (0.017)	0.030 (0.025)
Catholic adherents (orthogonalized), 1990	0.109*** (0.023)	0.145*** (0.026)
Catholic adherents (orthogonalized), 2000	-0.149*** (0.026)	-0.207*** (0.029)
Logged cumulative scandal publicity up to 1990	0.028** (0.009)	0.017 (0.016)
Logged scandal publicity, 1990-2000	0.004 (0.005)	0.025* (0.010)
Denomination dummies	Yes	Yes
State dummies	Yes	Yes
Constant	0.564*** (0.140)	-2.379*** (0.175)
Observations	27,198	21,154
R-squared	0.952	0.850

Robust standard errors in parentheses
 *** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Robustness checks.

- Spatial autocorrelation? (statewide newspapers)
 - Variable for scandal in other diocese of same state: ns
- Validity of the dissimilarity and distinctiveness measures?
 - Cosine measure of 8 dimensions of religious life using Hoge (1971) data – $r = .89$ with our measure
 - Alternative measure based on GSS data – similar results
 - Alternative measure of strictness based on the National Congregations Study datasets from ARDA – $r = .84$ with our single item measure
- Limitation of decade data? No effect at the end of the period?
 - Use of a decaying measures of scandal publicity: results unchanged

What do we learn?

- One of the first studies of a series of scandals over several decades
- Evidence of a substitution effect:
 - Competitors proposing a similar offering may benefit from the troubles of scandal-stricken actors
 - Nuance the view that “bystanders” always suffer negative consequences of scandals
- Evidence of scandals as “moralizing events”:
 - “Durable transformation” of evaluative schemas (Sewell, 1996)
 - Increase attention to the moral character of organizations, to the benefit of “stricter” organizations

Organizational scandals: More research needed!

- Only a limited set of case documented so far:
 - Major cases: e.g., Enron, Skandia, Parmalat, British MP’s expense, Oscar Wilde
 - Largely focused on short-term market reactions (e.g., CAR)
- Many, many things left in the dark...
 - How scandals break ? Who calls it a scandal? When?
 - Who gets targeted? Who escapes contamination?
 - When do scandal dies out? (etc.)
- Longitudinal, detailed data is key to make progress
 - e.g., Piazza & Jourdan (2017) leverage 40 years of archival data

A few general thoughts.

- There are other forms of organizations than large public for-profit firms
- Original/unusual datasets can yield interesting insights on the functioning of organizations, institutions and markets
- Any dataset has strengths and weaknesses:
 - Build on the strength of your data (e.g., series of scandals, several decades, county-level data - allows for variations)
 - ...be creative to address the limitations of the data:
Find complementary data (.e.g., Pew Survey, GSS, Hoge 1971...)

Selected references in sociology and management.

- Adut (AJS 2008) – Oscar Wilde
- Graffin et al. (ASQ 2013) – UK parliament
- Jonsson, Greve, & Fujiwara-Greve (ASQ 2009) - Skandia
- Paruchuri & Misangyi (AMJ 2015) – Multiples misconducts
- Piazza and Jourdan (AMJ 2017f) – US Catholic church
- Pontikes, Negro, & Rao (ASR 2010) – Red scare in Hollywood
- Sullivan, Haunschild, & Page (Org. Sci. 2007) - Multiple cases

Thank you.