The routledge companion to media and scandal

Howard Tumber, Silvio Waisbord

Corporate scandalization process

Publication details
W. Timothy Coombs, Sherry J. Holladay
Published online on: 17 Apr 2019

How to cite :-) W. Timothy Coombs, Sherry J. Holladay. 17 Apr 2019, Corporate scandalization process from: The routledge companion to media and scandal Routledge
Accessed on: 26 Sep 2023
CORPORATE SCANDALIZATION PROCESS

Unpacking the corporate scandal

W. Timothy Coombs and Sherry J. Holladay

The news media are attracted to corporate scandals because they are unusual and draw audience interest. Consider these headlines as examples: “Dog Deaths, Flushed Hamsters and Booted Peacocks: All the Airline Pet Scandals of 2018” (Dog, 2018) and “The 10 Biggest Business Scandals of 2017” (Shen, 2017). Business researchers typically refer to financial improprieties as scandals (Markham, 2015). While there is interest in corporate scandals, the area is rather vague and ill-defined. Moreover, there is less written about this topic than the many others to be found in this volume. The purpose of this chapter is to clarify the conceptualization of corporate scandal and to emphasize the corporate scandalization process.

We consider communication as central to corporate scandals. Communication is essential to the corporate scandalization process both in creating a sense of scandal and how managers respond to corporate scandals. The first section of the chapter unpacks the conceptualization of corporate scandal and the corporate scandalization process. The next two sections explore how corporate scandals emerge from self-inflicted and other initiated actions. In each process, the role of communication in creating the perception of scandal and responding to the scandal are examined.

Defining the domain of corporate scandal

While the news media are often quick to label a corporate problem as a scandal, it is a mistake to assume a corporate behavior or action is inherently such. For instance, the VW emission evasion software was dubbed the VW emission scandal by news outlets like the BBC (Clemente and Gabbioneta, 2017; Hotten, 2015). Corporate misbehavior is not automatically a scandal. In fact, identical actions can result in one being declared a scandal but another not receiving that label (Entman, 2012). We must begin by unpacking the concept of a corporate scandal. This section begins by reviewing the general characteristics of a corporate scandal and how scandal is a process rather than an entity.

Characteristics of a corporate scandal

Corporate scandal, like the term scandal in general, lacks a clear definition. Research articles frequently do not define it and assume we all agree on its character. It is problematic to assume
people know what a concept is but a specific definition of scandal is difficult to establish. Instead of a specific definition, we offer a set of common characteristics of a scandal to clarify how we are conceptualizing it in this chapter. These characteristics help to establish the parameters for corporate scandals, which share three characteristics: (1) deviant behavior that violates morality or law, (2) the need to punish the immoral action that causes outrage, and (3) media interest in the immoral action.

A corporate scandal is an action that violates the morality of law—it is a deviant behavior that is perceived as wrong. The critical point is the moral nature of scandals. A corporate scandal typically involves a moral wrong doing that violates the expectations of stakeholders. In the VW emission case, customers expect the software in their vehicles will provide accurate emission testing results. A corporate scandal occurs when stakeholders perceive the corporate behavior is immoral (De Maria, 2010). There are times when these moral violations are also legal violations, such as with the VW scandal. However, the key is the moral rather than the legal dimension of the violation.

Corporate scandals create a need for punishment. Stakeholders feel the corporation should be punished for the moral violation (Grebe, 2012). Customers, potential customers, and news media are the common stakeholders seeking punishment. This desire for punishment is fueled by the outrage created by a scandal. Customers and potential customers pledge not to buy products and services from the corporation (economic punishment) while the new media create negative stories about the corporation (reputational punishment). As Brenton (2013) argued, not all deviant acts result in public outrage, but public outrage is necessary for a deviant act to be classified as a scandal. Finally, Entman (2012) posits that media coverage is essential to creating a scandal. The media (traditional and digital) create awareness of the deviant behavior and frame the event as a scandal. Consider how the news media framed the VW emission software as a scandal. If the media is uninterested in a behavior, it is unlikely to be considered a scandal. But how does a behavior or event become a scandal?

**Scandalization: scandal as a process**

The characteristics of scandal suggest the simple existence of a deviant behavior does not mean it is a scandal. We should think of scandal as a process, what is termed “scandalization.” The first step in the process is an action that is perceived as a moral violation for stakeholders—the deviant behavior. The second step is the reaction by the stakeholders, who need a sense of outrage directed toward the event. Sass and Crosbie (2013) argued that “scandal is constituted in public outrage” (p. 857). Outrage motivates people to be interested in the deviant behavior and to demand punishment for it. Scandals should produce moral outrage because of the link to moral violation. Moral outrage can occur when people perceive an injustice from the violation of a moral standard (Hoffman, 2000). Cognitive appraisal theory, a cluster of theories that examine how certain elements in an event or situation affect an individual’s emotional response, argues that moral outrage is a form of anger and is a response to perceived injustice (Watson and Spence, 2007). Moral outrage is likely to emerge when the situation is marked by an attribution of blame, perceived to be motivated by greed, and perceived to be unfair (a violation of justice) (Antonetti and Maklan, 2016). Corporate scandals create a sense of moral outrage because they embody responsibility, greed, and injustice.

Media coverage is helpful in creating awareness of and outrage toward the deviant behavior. Both traditional and digital media spread awareness of the corporate scandal to a wider audience and should increase the number of people outraged by the situation. Scandalization begins with a corporate action followed by stakeholder reaction. That process can continue as
the corporation responds to the outrage and the stakeholders react to the corporate response. Figure 40.1 illustrates the basics of the corporate scandalization process. We will elaborate the third and fourth steps later in the chapter with a discussion of communicative responses to a corporate scandal.

**Corporate scandals and crisis: the scansis**

A final point to consider when mapping the terrain of corporate scandal is the relationship between corporate scandal and organizational crises. Unfortunately, researchers tend to use the terms scandal and crisis interchangeably in the organizational crisis communication research (e.g., Arendt, LaFleche and Limperopulos, 2017). Organizational crisis is a much broader concept than corporate scandal. Organizational crises are violations of stakeholder expectations that can have negative effects on the organization and/or its stakeholders (Coombs, 2015). Examples of organizational crises include workplace violence, product tampering, product harm, industrial accidents, and management misconduct.

Not all organizational crises are scandals because some will lack a sense of moral violation, outrage, and/or media attention. For instance, a company recalls bagged vegetables because of the possibility of Salmonella contamination detected after the product was shipped. This is unlikely to attract much media attention because food recalls are very common. Moreover, the product harm is unlikely to be viewed as a moral violation or to produce outrage. However, if the company knew about the contamination before shipping and decided to sell a contaminated product to its customers, that would be a moral violation, could produce outrage, and is likely to attract media attention. There are times when a crisis transmogrifies into a scandal, what researchers have termed a “scansis” (Coombs, Holladay and Tachkova, 2018).

A scansis can emerge because of the nature of the crisis or the response to it. According to situational crisis communication theory (SCCT), crises can be placed into one of three classifications based upon attributions of crisis responsibility: (1) victim, (2) accident, and (3) intentional...
Victim crises have very low attributions of crisis responsibility. External factors are believed to be the cause of the crisis, making the organization a victim of it. Common victim crises are natural disasters, product tampering, and workplace violence. Accident crises have low attributions of crisis responsibility. The crisis occurred but the organization had little ability to prevent its occurrence and did not intend for it to occur (Coombs and Holladay, 2002). Victim and accident crises have little potential to become a scansis because the low levels of crisis responsibility should not generate outrage.

Intentional crises produce strong attributions of crisis responsibility and have the potential to become a scansis. According to cognitive appraisal theory, an attribution of responsibility is one of the requirements for producing moral outrage (Antonetti and Maklan, 2016). Management misconduct crises occur when managers knowingly place stakeholders at risk or violate the law. These crises have the greatest potential to become scanses (Coombs et al., 2018). Still, not all intentional crises will become a scansis. Stakeholders must perceive the crisis as an injustice (violates a moral standard) which is enhanced if the crisis attracts media attention.

De Maria (2010) posited that a crisis becomes a scandal when the response is mishandled. Managers mishandle a response by failing to “morally and legally respond to a crisis” (ibid., p. 69). The failure to respond properly to the crisis is exposed publicly (media coverage) and reflects a violation of interactional justice (Coombs et al., 2018; De Maria, 2010). Interactional justice concerns the quality of interpersonal treatment and the need to treat people with respect and dignity (Skarlicki and Folger, 1997). The crisis response fails because it does not address the needs of the victims and is a violation of interactional justice because of the disrespect shown to the victims. Violations of interactional justice have the potential to create the moral outrage necessary for a scansis.

Summary

This section has articulated the chapter’s main concepts of corporate scandals and scandalization. Corporate scandals are triggered by some cognitive appraisal of intentional injustice that ferments moral outrage among stakeholders. The trigger can be an action taken by the corporation or the corporation’s inappropriate response to a crisis. Traditional and digital media coverage can intensify this process. The next two sections expand upon the two different ways corporate scandalization occurs. We also explore the role of crisis response strategies in the facilitating or inhibiting of the scandalization process.

Self-inflicted corporate scandalization

We typically think of a scandal as being caused by something a person does—the scandal is self-inflicted. The previous discussion of the connections between crisis and scandal serve as the foundation for understanding self-inflicted corporate scandals. As noted earlier, a corporate scandal can be self-inflicted either by a corporate action or by how the corporation responds to a crisis. This section will elaborate on self-inflicted corporate scandalization process and its relationship to crises.

Self-inflicted: the crisis itself

Intentional crises have been identified as the most likely type to transmogrify into a corporate scandal because of the strong attributions of crisis responsibility. While necessary, crisis responsibility is not sufficient to create a corporate scandal. As noted earlier, cognitive appraisal theory
argues that for a situation to evoke moral outrage, there needs to be an appraisal of the situation as unfair. Unfairness is a combination of injustice and greed. Stakeholders need to feel that there has been a violation of a moral code (injustice) and greed is motivating the action. Appraisals of injustice can be sufficient to produce moral outrage but greed increases the likelihood of the emotion emerging (Antonetti and Maklan, 2016).

Intentional crises are a cluster of three crisis types including human-error accidents, human-error-product harm, and management misconduct. Research has supported the belief that only management misconduct crises create the appraisals of injustice and greed necessary to generate high levels of moral outrage. Even among such crises, not all produce the appraisals necessary to transmogrify a crisis into a scansis (a corporate scandal) (Coombs and Tachkova, 2018). Management misconduct crises that seem to involve greed and an injustice and that seem to be a moral violation have the greatest potential to be viewed as a scandal. However, scandals are a social construction and other factors, such as fatigue from similar scandals, may preclude the emergence of a scandal (Entman, 2012). If there are a series of behaviors that could be considered scandals, people begin to tire of the events and may not view the latter violations as scandals.

Corporations occasionally engage in behaviors that when known publicly draw the label of scandal. Typically, the news media reveal the scandalous behavior but, in the digital world, any stakeholder can expose a potential scandal. The key is that the behavior has inherent qualities that lead people to consider it a scandal. Examples include the earlier example of VW’s software designed to fool emissions testing, Mylan Pharmaceuticals drastically raising the price of its life saving Epipens, and the Peanut Corporation of American knowingly selling Salmonella-tainted peanut paste. (For more information on the Peanut Corporation of America see Coombs 2014 and for more information on Mylan see Kozarich 2016.) Such behaviors are crises that draw public attention and can be viewed as deviant acts that need punishment driven by the moral outrage the actions create. Again, a corporate scandal is a social construction, hence, two similar acts may not both be deemed a scandal. However, some behaviors have an obvious deviant aspect that could provoke moral outrage. A revelation corporate scandal is an event that generates an immediate sense of moral outrage when exposed.

Self-inflicted: the crisis response

De Maria (2010) is the strongest proponent of self-inflicted crises being caused by an inappropriate response to a crisis. De Maria’s work builds on Frandsen and Johansen’s (2010) idea of a double crisis wherein the crisis response creates a second and perhaps even more damaging crisis. To appreciate the way an inappropriate response can create a crisis we need to understand what makes for an appropriate response.

SCCT, one of the dominant theories within crisis communication, was developed to identify “appropriate” crisis response strategies (Coombs and Holladay, 2002). The term “appropriate” means the response is effective at protecting organizational assets that are threatened by a crisis (Coombs, 2007). SCCT posits that any time a crisis produces victims (harms others in some way), the ethical base response is required, which is a combination of instructing and adjusting information. Instructing information tells people how to protect themselves physically from the crisis while adjusting information helps people to cope psychologically with it (Holladay, 2009; Sturges, 1994). The ethical base response is appropriate because it makes victim concerns a priority. SCCT further proposes that reputational management strategies can be added to the crisis response as attributions of organizational responsibility for the crisis increase.

Within the SCCT framework, management misconduct crises are located in the crisis cluster that produces the strongest attribution of crisis responsibility. When crisis responsibility is high,
compensation and/or apology is added to the ethical base response. Compensation gives victi-
ms goods, services, or money above and beyond any financial burden the crisis has created for
them. For example, if a person is hospitalized for a foodborne illness from a company’s product,
compensation would be anything beyond just covering the victim’s medical costs. An apology
is when management at the organization involved in the crisis takes responsibility for having
caused it (Coombs, 2007). However, the ethical base response is the key to an optimal response
because it follows the idea of interactional justice introduced earlier in the chapter. When an
ethical base response is missing or only partially executed, stakeholders are likely to perceive
a violation of procedural justice for the victims which could signal an appraisal of injustice
prompting the crisis to become scandalized.

**Communicative response to a scandal**

A scandal can be caused by inappropriate crisis communication that violates interactional justice
that promotes feelings of moral outrage. The inappropriate crisis response is the action that
is a moral violation, step one in the corporate scandalization process. If stakeholders are then
morally outraged by the crisis response, the situation moves to step two. Now managers must
re-evaluate their response strategy for step three of the corporate scandalization process and
decide what their next communicative response should be. Step four is an evaluation of the
response to the scandal. If stakeholders accept the scandal response, the negative effects of
the scandal begin to dissipate. Moral outrage, for example, should lessen along with more of a
willingness to purchase from the organization. If stakeholders reject the scandal response, the
negative effects of the scandal can escalate. Moral outrage may remain and intentions not to
purchase from the organization could increase.

Some corporate actions have a high potential for scandalization because people are likely to
be outraged when they first hear of the behaviors. Sometimes managers must accept the scandal
frame for their behaviors and work from within that frame. Managers will need to explain how
they are correcting the behaviors and how they intend to prevent a repeat of such behaviors in
the future. In step four, stakeholders evaluate the response, resulting in either a de-escalation or
a continuation of the crisis. VW made the mistake of trying to blame a few employees for the
emission scandal. Stakeholders, including the news media, rejected the response and the scandal
lingered. It was not until VW management began to take responsibility for their actions and took
measures to reform the organization that the scandal began to de-escalate. There are times when
there is a presumption that the events happened and stakeholders accept them as a moral violation.

**Outside-initiated corporate scandalization**

A second route for corporate scandalization is when an outside entity either reveals or attempts
to construct a corporation’s behaviors as scandalous by exposing them to public scrutiny and
condemnation. A scandal emerges when additional stakeholders begin to view the exposed
behaviors as morally inappropriate—scandalous—thereby triggering a sense of moral outrage.

**Construction: building the case for a scandal**

While a crisis or an inappropriate crisis response might produce a scandal quickly, construction
involves the process where some outside agents (stakeholders) create and promote the idea
that the corporation is involved in a scandal. The stakeholders seek to problematize and even
to scandalize existing corporate behaviors. The concepts of corporate character assassination,
Corporate scandalization process

Challenge crisis, and paracrisis all relate to the idea of stakeholders trying to create the impression that a corporation is enmeshed in a scandal—efforts to scandalize organizational behaviors.

Character assassination, like scandal, is strongly rooted in the political communication and political science literatures. Samoilenko (2016) defines character assassination as “a deliberate and sustained effort to damage the reputation or credibility of an individual” (p. 115). A variety of channels and tactics can be used to defame the character of a politician. The objective of character assassination in politics is to reduce the odds of political success or to destroy a target psychologically. While primarily found in politics, Samoilenko (2016) includes the possibility of corporate character assassination and Coombs and Holladay (in press) have advanced the argument along with exploring the process of corporate character assassination.

Corporate character assassination is derived from the concept of the challenge in crisis management. Lerbinger (1997) was the first to articulate the concept of the challenge crisis, a situation where stakeholders argue that corporate management is acting in an immoral or irresponsible fashion. To be more precise, a challenge crisis is not a true crisis but a paracrisis. A paracrisis is a situation where managers must address a crisis risk in public. The digital media have allowed many once private crisis risks to now be viewed by interested stakeholders. If mismanaged or ignored, a paracrisis can evolve into an actual crisis (Coombs, 2012; Coombs and Holladay, 2012).

As in politics, a corporate character assassination paracrisis (a distinct form or paracrisis) has objectives. For stakeholders, the objective is to reform organizational behavior and to make the organization more responsible. Consider how stakeholders in the 1990s became aware of and demanded change in the garment industry’s use of child labor and sweatshops. Corporations place a great deal of value on their reputations. Though intangible, the corporate reputation is an important asset that can enhance sales, recruitment, and stock valuation (e.g., Fombrun, Ponzi and Newbury, 2015). Hence, managers seek to protect reputations because reputational damage translates into financial losses. The Reputation Institute states that over 40 percent of the corporate reputation is now derived from perceptions of corporate social responsibility (Smith, 2012). If a corporate reputation is built in part on social responsibility, believable challenges that claim the corporation is irresponsible are credible threats that an organization must address. In essence, the need to be perceived as socially responsible creates a crisis risk because stakeholders can seek to reverse perceptions thereby damaging a reputation (Coombs and Holladay, 2015).

We must remember that not all paracrises are character assassination attempts. Some are simply efforts to push an organization toward reforming certain practices the stakeholders feel are outdated and wrong. A paracrisis that is also a corporate character assassination effort has the potential to become a scandal if the behavior becomes perceived as a deviant act that violates moral principles, incites moral outrage, and attracts sufficient media (traditional and digital) attention. Unpacking the process behind corporate character assassination and a paracrisis helps to illuminate how a scandal might form via this route.

The process of a corporate character assassination paracrisis is informed by Lange and Washburn’s (2012) model of corporate irresponsibility. Managers are interested in being socially responsible but should also fear the three-step process by which a corporation becomes perceived as socially irresponsible. Step one occurs when stakeholders learn that an undesirable social outcome exists. For instance, people living downstream of a cloth dying facility may be ill from the chemicals used in the facility. The second step requires that the organization is perceived as responsible for the undesirable social outcome. The management of the facility is considered the cause of the illnesses of the people downstream. The third step requires that the victims have not contributed to the undesirable social outcome through actions they have taken. The people living downstream have not ignored warnings or have not been using water
from a different source that is known to be contaminated. Lange and Washburn’s (2012) model is based on attributions of responsibility and reflects the social construction nature of scandals. A paracrisis in the form of a corporate character assassination attempt creates a credible threat. If the situation escalates into a scandal, the reputational damage will be greatly magnified. There is the possibility that the corporate character assassination paracrisis could promote moral outrage thereby scandalizing the organizational behaviors.

Only a small percentage of any type of paracrisis have the potential to become scandals (Coombs, Holladay and Tachkova, 2018). Consider the case of Green America and Hershey. For over five years, Green America sought to bring attention to the fact that Hershey was purchasing cocoa from suppliers that were using child slave labor. Green America used a variety of digital channels and in-person actions along with traditional media relations to create awareness of the situation. There was potential for moral outrage because child slave labor is widely accepted as morally wrong and its use would be considered a deviant act. The lack of media attention and stakeholder interest helped to prevent Hershey from facing a scandal. Eventually Hershey did begin to address the concerns of Green America and to reform its supply chain (Coombs, 2014). However, if the media had focused on the paracrisis and framed it as a deviant violation of moral values, the moral outrage necessary for a scandal might have emerged in the Hershey case.

In contrast, Nike became the focal point for a corporate character assassination paracrisis concerning its use of sweatshops in its apparel and footwear manufacturing. Eventually the attack broadened to the entire garment industry but activists, such as United Students Against Sweatshops, tabbed Nike as the “poster child” for sweatshops (Arnold and Hartman, 2003; Greenberg and Knight, 2004; Segran, 2017). The activist stakeholders were able to generate the media coverage necessary to create a scandal. People did view sweatshops as a deviant moral violation. The media attention helped to foster moral outrage that inflicted some financial damage on Nike (Wilsey and Lichtig, n.d.). Nike was embroiled in a scandal over the use of sweatshops in its supply chain in part due to the media coverage of the corporate character assassination paracrisis effort. Research has demonstrated the power of news media coverage to influence how managers react to such paracrises. News media coverage increases the likelihood of managers conceding to the demands of the stakeholders (e.g., King, 2008).

Communicative response

There are times when scandal is initiated by external stakeholders through the construction of a corporate behavior as scandalous or what we term the outside-initiated corporate scandal. If the outside efforts are successful at creating attention and moral outrage, managers then must decide how to respond to the scandal (step three in the corporate scandalization process). The communicative responses are shaped by the nature of the scandal construction.

The construction of a scandal through a corporate character assassination paracrisis is an attempt to frame the behaviors as a moral violation. Managers have a variety of options for addressing the framing attempt (Coombs and Holladay, 2015). The response options include refuse (ignore the paracrisis), refute (reframe the situation as not a scandal), recognize/receive (acknowledge a problem but take no actions to change), revise (make some changes), and reform (make the changes requested by the challenging stakeholders) (Coombs, 2017; Coombs and Holladay, 2015).

The response option selected is dependent upon the threat presented by the paracrisis, which is a function of stakeholder factors, organizational factors, and outrage potential. Stakeholder factors include whether the threat is long term or short term, the skill of the stakeholders at
communicating their position, and the legitimacy of the stakeholder concerns. A paracrisis is a greater threat when it is long term (stakeholders are committed to making a change versus momentary anger), stakeholders are skilled at communication, and their concern is legitimate. When the threat from stakeholders is high, managers are likely to favor revise or reform responses. Organizational factors include strategy (consistent or inconsistent with business strategy) and cost/benefit ratio (do costs of changes outweigh the benefits of changes?) (Coombs and Holladay, 2015). Corporate managers are likely to refuse or refute when the changes are counter to strategy and/or the cost/benefit ratio is too high. Some paracrisis have a greater potential for outrage because they are linked to highly provocative moral concerns such as racism. A high potential for outrage will push managers toward a revise or reform response (Coombs and Holladay, 2015).

The revise and reform responses work within the emerging scandal frame and attempt to de-escalate the situation. The idea is that stakeholders will react favorably to revise or reform strategies and the negative effects of the scandal will begin to subside (step four in the corporate scandalization process model). The refuse response is used when managers feel there is no real threat from the paracrisis. Refute is used when there is a perceived threat but the changes requested by stakeholders are inconsistent with the business strategy or too expensive to adopt (Coombs and Holladay, 2015). When stakeholders attacked the Cheerios brand for using an interracial couple in a television advertisement, the brand managers refuted by saying the brand stood for inclusion (Italie, 2013). Sometimes a corporation must defend its current practices as morally right by refuting the stakeholders’ claim that the behavior is scandalous.

Conclusion

Corporations, like politicians, can become embroiled in scandals. In this chapter we have made an effort to refine the conceptualization of corporate scandal and the corporate scandalization process. A scandal is characterized by a moral violation that is displayed publicly and results in moral outrage and a desire to punish the offender. But a corporate scandal is not simply a specific type of behavior such as financial misconduct. Rather, scandals are social constructed and the corporation scandalization process model details how a scandal can emerge and the communicative response it can trigger. Stakeholders must perceive the corporation as responsible for an intentional moral violation that provokes outrage over the behavior.

The scandalization of corporate behaviors can be self-inflicted or other-initiated. Sometimes a crisis has the necessary characteristics to become a scansis—the crisis transmogrifies into a scandal. The scandalization is driven by the nature of an existing crisis. At other times, stakeholders initiate and even try to enhance the scandalization process. The construction of a corporate scandal involves stakeholders trying to convince others that the corporate behavior warrants the scandal frame, which does not emerge automatically but must be cultivated by the attacking stakeholders. Finally, we considered the way the communicative response to the scandal escalates or de-escalates the negatives associated with it. More research is necessary to unpack further and to refine the conceptualization of corporate scandals and the corporate scandalization process.

References


Grebe, S. K. (2012). The importance of being genuinely sorry when organizations apologize: How the Australian Wheat Board (AWB Limited) was damaged even further by its response to a corporate scandal. *Journal of Public Affairs, 13*(1), 100–110.


Corporate scandalization process


