Corporate Scandals

In The Age of 'Responsible Business'

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CORPORATE SCANDALS

- in the age of 'responsible business'

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Foreword

First and foremost, I thank the anonymous respondents who have agreed to be interviewed by me for this thesis. The respondents have with great courage allowed me to understand one of the biggest corporate scandals in Danish history from the inside. This despite the many consequences the case has had.

Failures offer learning opportunities. Only by examining the failures can we learn, evolve, and fix broken systems. Shortly after starting my business school studies, the fall of Lehman Brothers sent shock waves around the world and caused a global financial recession. With that, I began a quest – empirically and later practically – of investigating why corporate governance systems fail us. I wanted to know if it would be possible to create a “good corporation” that not only were reaching for economic prosperity, but also were doing it with positive, not negative, spillovers for its surroundings.

After my business school studies, I chose to work for Novo Nordisk, as its purpose-orientated way of doing business appeared to me. After some years, a senior position as Investor Relations Officer offered me the opportunity to travel with executive management to hotspots for capital markets, such as London, Paris, Boston, and San Fransisco. This taught me how investors think and act. While Novo Nordisk has a serious commitment to running the business responsibly, I experienced the investor environment as rough – at times incompatible from the tone presented in corporate branding communication. To solve the problem of why the corporation at times are failing us, I decided to turn to academia, and in doing so, take my corporate scandal interest into the age of ‘responsible business’.

I want to thank my supervisor Professor Steen Thomsen: for showing the way for how academia and practice can learn from each other; for supporting my obsession for understanding scandals; and for not only guiding me along the way, but also supporting my journey into the qualitative research field – despite the quantitative tradition of Center for Corporate Governance. I want to thank my great colleague and co-writer, Professor Tom Kirchmaier. I am grateful for our collaboration and for your persistent academic quest of remedying corporate fraud and white color crime. I want to thank my secondary supervisor, Professor Peter Skærbæk, for whom I am grateful for opening my eyes for the beauty of Goffman and Callon and for offering to enter as secondary supervisor, guiding me through the qualitative academic path. I thank Professor Aziza Laguecir from EDHEC Business School who has taught me the craft of theorizing and conceptualizing, and who has been kind to comment on my work from an editor perspective with specialty in fraud and scandals. I want to thank Professor Marco Clemente from ZHAW and HEC Paris for helpful comments on my work and for guiding me into to the academic field of social evaluation – having an “academic home” is unsurpassed. I am very grateful and thank the assessment committee, Professor Ann-Christine Frandsen (University of Birmingham), Associate Professor Kristina Jonäll (Gothenborg University), and chair Professor Trond Randøy (Copenhagen Business School). I have with great joy read and worked with the detailed and useful review, entailing very relevant and insightful comments. I have implemented all possible comments within the limitations of time before submitting for print. Remaining comments from the detailed assessment report will be implemented upon journal submissions. I thank Jette Steen Knudsen and Niels Westergaard for reviewing and discussing my work and providing helpful comments. I thank Andreas Rasche for having discussed and commented on my work with helpful comments. I thank Lars Thøger Christensen for helpful comments. I thank Jørgen Valther Hansen for helpful comments. I thank Thomas Poulsen for tremendous support; Tim Neerup Themsen for detailed minutes of my pre-defense. I thank Terry McNulty and Bill Judge for comments on my early work. I thank the many people who have offered their valuable time: Carsten Lønborg Madsen, Jesper Brandgaard, Thomas Thune Andersen, Lars Thøger Christensen, Kalle Johannes Rose, Lars Ohnemus, Gudrun Johnsen, David Schröder, Thomas Riise Johansen, Anders Bylund. I thank my colleagues at Center for Corporate Governance, in particular Therese Strand and Casper Berg Lavmand Larsen for superior collegial support. I thank Head of department Carsten Rohde for the support along the way. I thank the participants at the EDHEC Business School seminar for helpful comments. I thank the participants and faculty at the Corporate Governance and Boards Effectiveness Summer School Groningen University for helpful comments. I thank Alessandro Zattoni from LUISS University for helpful comments. I thank Kenny Dekoster for discussing my work. I thank the participants at the 2023 EIASM Workshop on Fraud and Accounting Scandals for providing helpful comments to my work. Thank you to Ph.D. support and the Ph.D. School at Copenhagen Business School for your support. All mistakes remain my own.

My biggest gratitude goes to you, Anders, for watching out for our family. Thank you for being there for our boys, Villum and Carl-Emil. I am forever grateful for having been able to drive off to work on early mornings before the house woke up, knowing that the family was doing well on your watch. Lise Kingo once gave me her best career advice: choose the right husband. I have certainly done so. I am forever grateful for having had the opportunity to dedicate myself fully to the topic of corporate scandals and academia – it has evolved me as a human being. Thank you for being my rock, Anders. I love you.

Abstract in English

This thesis examines how corporate scandals work, the circumstances that make them possible, and how they are accounted for by wider society. The thesis finds that first, companies with high social responsibility scores (according to environmental, social, and governance (ESG) ratings) are *more* prone to scandals compared to a matched control group. Second, it finds that the Danske Bank money laundering scandal emerged and endured through the interaction of different social-control agents who formed a *framing coalition* against the alleged company. Third, the thesis finds that identities of companies ending up in scandals are configurated through interactions of human and nonhuman actors, including framing devices and experts. Recently a new stream of literature has emerged within the social-evaluation literature, analyzing the role of social-control agents in scandal emergence, and in doing so, viewing scandals as a social construction. Addressing this emerging stream of scandal research, this thesis examines the phenomenon of corporate scandals in the age of 'responsible business.' The first chapter, *Deceived by 'S': corporate scandals and ESG*, examines if ESG ratings (a measure of good behavior) can predict scandals. The empirical inquiry is built on a comprehensive data material: a unique, hand collected sample of 113 global corporate scandals and a corresponding control group. Using logit regressions, the first chapter finds that scandals happen in otherwise perceived 'socially responsible companies' (with high 'S' scores, according to ESG rating agencies). In doing so, this thesis contributes with new empirical evidence to a growing stream of literature that takes a critical view on the reliability of ESG rating providers. This unexpected – and thought-provoking – finding not only raises questions about the reliability of the ratings, but also about how scandals work and are accounted for. The subsequent two chapters address these questions. The second chapter, *How social-control agents interact in scandal emergence: insights from Danske Bank*, examines how scandals emerge and endure. In doing so, it examines how different *social-control agents* interact therein. Shifting the methodological approach to a qualitative deep dive case study, this chapter analyzes the Danske Bank money laundering scandal through large data material and original interviews with central persons involved. Drawing on Goffman (1959) and Entman (1993) allows for analyzing interactions of multiple social-control agents. In doing so, the analysis reveals how a *framing coalition* of different social-control agents were formed to create a case against Danske Bank in the money laundering scandal. With this framing coalition the case went from being isolated to misconduct in the bank's Estonian branch to being a global scandal. This chapter contributes to existing social evaluation literature with the theory concept of a *framing coalition* developed by combining Entman (1993) and Goffman (1959). It shows how different social-control agents impose each their framings on the audience and interact with each other with each their frontstage and backstage. In the third chapter, *Framing and overflowing in corporate scandals*, the focus shifts to the *company*. Drawing on actor-network theory (ANT) and Callon's (1998) twin notions of framing and overflow, this chapter examines how company identities are configurated before and during scandal emergence. The analysis of four corporate scandals finds that nonhuman framing devices, such as medical labels and certifications, contribute to establishing a frame of companies, serving as façades. In addition, it shows how experts played a central role in purifying the frame of the scandal firm.

Abstract in Danish

Denne Ph.d.-afhandling undersøger, hvordan virksomhedsskandaler fungerer, de omstændigheder, der gør dem mulige, og hvordan de bliver adresseret af omgivelserne. Afhandlingen finder for det første, at virksomheder med høje karakterer for "social ansvarlighed" (høje 'S'-scorer ifølge ESG-vurderingsbureauer) er mere involveret i skandaler sammenlignet med en kontrolgruppe. For det andet, viser afhandlingen, at Danske Bank hvidvask-skandalen blev skabt og bed sig fast i et samspil mellem forskellige social-kontrolagenter med hver deres framing. Tilsammen dannede disse en framing-koalition. For det tredje, viser afhandlingen, at identiteter på virksomheder, der ender i skandaler, består af flotte facader, der er konfigureret gennem kontinuerlige interaktioner mellem aktører, herunder fysiske enheder af særlig betydning og eksperter. For nylig er der opstået en ny strøm af litteratur inden for social-evalueringslitteraturen, der analyserer den rolle, som sociale kontrolagenter spiller i skandalefremkomsten, og i den forbindelse betragter skandaler som en social konstruktion. Denne afhandling behandler denne spirende strøm af skandaleforskning og undersøger fænomenet virksomhedsskandaler i æraen af virksomheds-ansvarlighed – både med bred kvantitativ såvel som dybtgående kvalitative metoder. Det første kapitel undersøges om ESG-rating (et mål for god opførsel) kan forudsige skandaler. Den empiriske undersøgelse er bygget på et omfattende datamateriale: en unikt, håndsamlet stikprøve af 113 globale virksomhedsskandaler og en tilsvarende kontrolgruppe. Ved hjælp af logit-regressioner finder det første kapitel, at der sker skandaler i ellers opfattede "socialt ansvarlige virksomheder" (med høje 'S'-scores ifølge ESG-vurderinger). Derved bidrager dette speciale med ny empirisk evidens til en voksende strøm af litteratur, der anlægger et kritisk syn på ESG-rating-udbyderes pålidelighed. Dette uventede – og tankevækkende – resultat rejser ikke kun spørgsmål om ESG målingernes pålidelighed, men også om, hvordan skandaler fungerer og bliver bedømt af omverdenen. De efterfølgende to kapitler behandler disse spørgsmål. I andet kapitel undersøges, hvordan skandaler opstår og varer ved, samt hvordan forskellige sociale kontrolagenter interagerer deri. Ved at skifte metodisk tilgang til et kvalitativt dybdegående casestudie opnås en dybdegående analyse af Danske Banks hvidvaskskandale. Med udgangspunkt i Goffman (1959) og Entman (1993) adresserer kapitlet interaktioner mellem flere sociale kontrolagenter. Herigennem afslører analysen, hvordan en framing-koalition af forskellige sociale kontrolagenter blev skabt og styrkede en "folkedom" over Danske Bank i hvidvaskskandalen. Med denne framing-koalition gik sagen fra at være isoleret til misbrug i bankens estiske filial til at blive en global skandale. Dette kapitel bidrager til eksisterende social evalueringslitteratur med konceptet, en framing-koalition, som er udviklet ved at kombinere teori fra Entman (1993) og Goffman (1959). Konceptet viser, hvordan forskellige social-kontrol-agenter fører hver deres framings over på publikum og interagerer med hinanden med hver deres ansigt udadtil og indadtil. I det tredje kapitel flyttes fokus til virksomhedens identitet. Med udgangspunkt i aktør-netværksteorien (ANT) og Callons (1998) begreber om framing og overløb undersøger dette kapitel, hvordan virksomhedens identiteter er konfigureret før og under skandalefremkomsten. Analysen af fire virksomhedsskandaler viser i dette kapital, at fysiske framing-enheder, såsom medicinske indlægssedler og sikkerhedscertificeringer, bidrager til at etablere forståelsesrammer, der fungerer som facader for virksomheder, men som ikke følger med på substans. Her var eksperter afgørende i at forme vores opfattelse af virksomheder til det bedre, før skandalerne indtraf.

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General introduction

I. Research motivation and research question

Corporate scandals often constitute detrimental and outrageous events and are acknowledged as one of the most pressing and enduring social problems in business (Gabbioneta et al., 2023; Laguecir et al., 2020; Neu et al., 2013). Scandals inflict turmoil in markets, get CEOs fired, bring down giant corporations, harm company surroundings, and trigger changes in society (Jourdan, 2022). For the companies on the stand, reputational cost swamp legal and regulatory penalties associated with scandals (Healy & Serafeim, 2016; Karpoff et al., 2008). Reputational damage, in terms of penalties imposed by the market, are estimated to be over 7.5 times[1] the sum of all penalties imposed through the legal and regulatory system for firms 'cooking the books' (Karpoff et al., 2008). Corporate scandals impact not only sales, stock price, employee engagement, productivity, and employee turnover, but also management time spent on cleaning up the mess (Healy & Serafeim, 2019), leading back in a vicious circle putting pressure on business results.

To counter this, companies and the surrounding society invest significant resources in avoiding such events by strengthening governance and regulation (Soltani, 2014). In the wake of a declared crisis of trust in corporations (Mayer et al., 2017), scholars have called for attention to alternative varieties to *and* of capitalism itself, and many companies started to allocate substantial resources to – if not actual then stated – commitments to conducting business responsibly (Aouadi & Marsat, 2018). In recent years, inflows into mutual funds who invest according to environmental, social and governance (ESG) responsibility have increased dramatically and is now exceeding $100 trillion in combined assets (Berg et al., 2022).

This leaves us in a situation where – at one and the same time – companies invest more than ever in control systems (Laguecir et al., 2020) and sustainability (Dorfleitner et al., 2022), and yet, reports of wrongdoing happen ever more frequently (Gabbioneta et al., 2023). The upward trend of number of scandals prevails regardless of control systems becoming increasingly sophisticated, designed to counter and avoid creative accounting (Jones, 2011), misconduct, and other type of fraud (Laguecir et al., 2020). ESG ratings, provided by independent ratings agencies (e.g., MSCI, Sustainalytics, Moody's, Refinitiv, and S&P Global) claim to measure companies' commitment to responsible behavior (Utz, 2019). If the ratings reflect firms' real efforts to act responsibly, the expectation is a negative relationship between scandal occurrence and companies with high ESG ratings (prior to scandals). To my surprise, the findings of this thesis confirm the opposite.

In recent years, when opening a newspaper, one cannot keep up with the number of disclosures of corporate wrongdoing (Gabbioneta et al., 2023). This despite new regulation and policies, scandals continue to increase (Hail et al., 2018). Scholars acknowledge a rise in scandals both in

[1] Karpoff et. al (2008) examine the penalties imposed on the 585 firms targeted by SEC enforcement actions for financial fraud. Reputational cost is measured by expected loss as the net present value of future cash flows as a result of lower sales and higher costs of entering into agreements and obtaining financing.

terms of number of reported cases of scandals (an objectivist view of scandals) and in terms of more attention being paid to it (social-constructivist view of scandals) as in Gabbioneta et al. (2023). Behavior that *"a social-control agent judges to transgress a line separating right from wrong"* (Greve et al., 2010, p. 56) seems to have become the norm rather than the exception (Gabbioneta et al., 2023). Social-control agents represent a larger collectively and can impose sanctions on its behalf – and they can take the form of authorities, organizations (Greve et al., 2010), or the media (Clemente & Gabbioneta 2017). Despite the frequency and the significance of these events for organizations and society, the emergence of scandals in relation to ESG, how scandals become 'sticky', and how identities are formed during scandal, have received relatively limited attention in management research (Jourdan, 2022; Laguecir et al. 2020).

Motivated by this, the overall research question for this thesis is: **how do scandals work, what are the circumstances that make them possible, and how they are accounted for by surroundings?** This research focus is particularly relevant in a time where responsible business has reached top management agenda. I am interested in scandals as defined by negative public events rooted in moral allegations evoking public blame through mediated representations of the behavior itself (Thompson, 2005). Scandals is the kind of misconduct that not only reaches the newspapers, but also gets sticky to the company, causes public outrage, and endures. I unfold the overarching research question in three chapters with each their focus:

1. Do ESG ratings (a measure of good behavior) predict scandals?
2. How do scandals emerge and endure? And what role do social-control agents play therein?
3. How are company identities configurated before and during scandal emergence?

Already in the first chapter, I stumbled over a surprising discovery: companies with *high* socially responsible scores (rated by ESG rating agencies) are associated with *higher* incidences of scandals. This discovery got me thinking: if "good" companies are more involved in scandals, could it either be due to bad measurements of "social responsibility", manipulation the scores, or it could be due to higher audience expectations towards higher rated firms? This finding was both counterintuitive and thought provoking and it motivated me even more to investigative how scandals are constructed. Following the empirical discovery, I therefore shifted the thesis focus from quantitative methods into more in-depth investigations based on qualitative methods. In two consecutively chapters, I zoomed in on how scandals are accounted for and how companies configurate their identities before and during scandals, respectively.

II. Existing literature and the positioning of this thesis

Existing fraud research has tended to take an individualizing stance on fraud and wrongdoing (Free & Murphy, 2015) often drawing upon the fraud triangle (Morales et al., 2014). Such individualization perspective promotes control systems to prevent and detect the tendencies of individuals or "bad apples" to engage in wrongdoing (Ashkanasy et al., 2006). In contrast to this, I am more interested how interactions of different actors form scandals (Clemente & Gabbioneta, 2017; Detzen, 2023; Jourdan, 2022). This thesis focuses on how scandals work, the circumstances that make them possible, and how scandals are accounted for. In doing so, I view scandals as an *added* layer to its focal multi-faceted origin, being: fraud, illegalities, white collar crime, misconduct, wrongdoing, as well as product and human rights violations (Ashforth & Anand, 2003; Cohen et al., 2010; Doherty et al., 2011; Sutherland, 1949; Szwajkowski, 1985). Scandals involves moral judgements and public outrage, and they differ from transgressions of the law (Thompson, 2005), in the sense that they concern moral transgressions rather than legal transgressions. Acknowledging this, I draw on the sparse but growing stream of research that views scandals as a social construction (Clemente & Gabbioneta, 2017; Dewan & Jensen, 2020; Greve et al., 2010) and as processes of moral interactions (Jourdan, 2022). Building on the emerging social evaluation literature within management research (Piazza et al., *forthcoming AMJ*; George et al., 2016; Roulet & Pichler, 2020), encompassing both the role of social-control agents (Greve et al., 2010), rating providers (Etter et al., 2019; Utz, 2019), and the media (Clemente & Gabbioneta, 2017) enables me to analyze corporate scandals in a time where the demands to act responsibly as a business have never been higher (Mayer, 2021).

In doing so, this thesis addresses the track of scandal research in the social evaluation literature[2], by empirically investigating the phenomenon of scandals from different methodological outsets. Acknowledging the complexity of the phenomenon, scholars and editors address the "*importance of cross-fertilization between disciplines"* in the study of corporate scandals (Laguecir et al., 2020, p. 2). The social evaluation literature, that this thesis is positioned in, is a rapidly growing field that takes in multiple disciplines (Pollock et al., 2019) – that is, organizational, management as well as accounting literature. Following the contribution of Greve, Palmer & Pozner (2010), the role of social-control agents in the judgement of misconduct has been the research agenda (Clemente & Gabbioneta, 2017; Dewan & Jensen, 2020; Gabbioneta et al., 2023). Studies have elevated our understanding of scandals by showing how scandals are constructed by the media, acting as a social-control agent (Clemente, Durand, & Porac, 2016; Clemente & Gabbioneta, 2017). The media assign meaning as they frame selected aspects of events (Cornelissen & Werner, 2014), offering specific interpretations of these events to their audiences (Kepplinger et al., 2012). These framings can shape public opinion and support subsequent handling of misconduct or fraud (Neu et al., 2019).

Whereas Jourdan (2022) shows how scandals are constructed by moral interactions, it leaves open to analyze how social-control agents interact with multiple frames, taking into account the elements of media framing (Entman). Moreover, Cho et al. (2015) argues that contradictory societal pressures force organizations to engage in hypocrisy and develop façades, however it leaves open to investigate the role of nonhuman actors in the configuration of company identities prior to and during scandals. In line with this, literature examining the reliability of ESG ratings, argue that there is an "aggregate confusion problem" between rating providers, however examining corporate scandals as a function of ESG ratings (a measure of good behavior) has been left open.

[2] Journal of Management Studies, Call For papers: Special Issue Managing social evaluations in a complex and evolving world, 4 Jul 2022. link

II. Theoretical framework

Addressing these gaps, I am interested in advancing our understanding of how scandals work, the circumstances that make them possible, and how they are accounted for by surroundings – media, organizations, and wider society – in a time where 'responsible business' has reached top management agenda. This implies a theoretical emphasis on contextualizing scandals and examining their construction through a network of actors. I use a theoretical lens that helps me to examine the phenomenon. Guided by the research questions, I demonstrate how the theoretical approach of the dissertation has a link between the chapters, but also differ in its approaches to address the individual research questions. I use theories that are not always easily combined, however applying different looking glasses enables me to understand the phenomenon of scandals from different perspectives. Social evaluations of company behavior are non-observable, intangible assets, not controlled or 'owned' by the firm, but resting on audience perceptions and interpretations (Pollock et al., 2019). Based on this, I draw on Goffman's impression management theory (Goffman, 1959) from *Presentation of Self in Everyday Life* as foundation for approaching the three research questions as a golden thread between the papers. The Goffmanian theatrical metaphor is throughout this thesis used as a foundation to describe the interactions of the actors where performers have a *front* and a *back* (Goffman, 1959). When the acts performed represent a *"false front"* or *"'only' a front"*, Goffman describes how the performer deludes the audience:

> "It is not assumed, of course, that all cynical performers are interested in deluding their audiences for the purposes of what is called "self-interest" or private gain. A cynical individual may delude his audience for what he considers to be their own good, or for the good of the community, etc." (Goffman, 1959, p. 37)

In scandals, the audience discover new information that do not correspond with previous impressions. To address this, I apply the lens of Goffman (1959), as he explains using the notion of *"misrepresentation"* and the performer's *"masquerade"*:

> "When we discover that someone with whom we have dealings is an imposter and out-and-out fraud, we are discovering that he did not have the right to play the part he played, that he was not an accredited incumbent of the relevant status. We assume that the impostor's performance, in addition to the fact it misrepresents him, will be at fault in other ways, but often his masquerade is discovered before we can detect any other difference between the false performance and the legitimate one which it simulates." (Goffman, 1959, p. 44)

Goffman's concept has been adapted to organizational theory (e.g., Gaim & Clegg, 2021) and entails: a performer, an audience, and a surrounding frame. The impressing management framework helps me to motivate the hypothesis development in my first chapter: in my desire to understand if ESG ratings (a measure of good behavior) can predict scandals, I set up competing hypothesis. If ESG ratings do mitigate risks (Refinitiv, 2022), high ESG ratings should be associated with a *lower* incidence of corporate scandals. On the other hand, if ESG ratings are merely working as talk (as opposed to action, cf., Brunsson, 1986), or if audience expectations are higher for companies that have provided impressions of high ESG ratings (cf., Goffman, 1959), the opposite relation might prevail. To motivate this relation, I borrow the mechanisms of impression management, however, without *showing* the mechanisms or causality per se. To comprehend and understand how the mechanisms work, I need to take a step deeper.

This leads me to the theoretical application of Goffman in my second and third chapter. To answer the research questions here, I continue to apply the impression management framework. I do this in combination with two different theoretical concepts of 'framing' that entail each their strengths, respectively. To analyze the role of the social-control agents and the media in how scandals emerge (second chapter), I follow prior social constructivist literature on media framing (Clemente & Gabbioneta, 2017) and draw on Entman's framing theory (1993). Entman enables me to look at meaning-making and analyze how the media *"select some aspects of a perceived reality and make them more salient in a communicating text"* (Entman, 1993, p. 52). I contribute to existing scandal literature by combining Entman and Goffman to examine multiple framings of *different* social-control agents.

When I then shift the research focus to how companies develop identities (third chapter), I draw on Callon's notion of framing and overflow (Callon, 1998). Actor-network theory (ANT) enhances our understanding of organizational arrangements and the system as a whole, including how networks of human and nonhuman actors affect the continuous reconfiguration of company identity (Callon, 1998) during scandal. These looking glasses enables me to add to existing literature that have a social constructivist outset. Whereas Goffman (1974) has offered a framework for how actors *draw on a particular frame* when providing impressions to an audience, Callon's concept of framing (1998) are particularly useful when analyzing how these *frames are shaped* by interactions of a network of actors. Whereas social constructivists focus on meaning-making, research in the actor-network tradition is interested in the processes and *material* arrangements that render behavior, rules and games (Berndt, 2015). Actor-network theory is not always easily combined with a social-constructivist approach, however the common outspring from Goffman's impression management theory unites the perspectives. With scandals being a multi-faceted construct (Laguecir et al., 2020), different lenses allows a nuanced analysis.

III. Methodological approach

The methodological approach is comprehensive and combine of quantitative and qualitative empirical methods, allowing for a deep and nuanced understanding of the phenomenon of scandals. In support for this choice, scholars have called for the integration of quantitative and qualitative research methods emphasizing the value, yield, and advantages of mixed methods research (Molina-Azorín, 2011). The central premise of my choice of mixed methods studies is that the use of both quantitative and qualitative approaches in combination *"may provide a better understanding of research problems and complex phenomena than either approach alone, incorporating the strengths of both methodologies"* (Molina-Azorín, 2011, p. 8)" Although this method choice implies increased complexity, the complementary nature of the different methods proves useful for uncovering the overarching research question: it allows me to demonstrate how our understanding of scandals benefit from not only embracing and drawing on interdisciplinary fields of literature, but also take into account different methods. The mixed method approach allows me to build my three chapters more effectively than I could with less diverse approaches to gathering data (Bloomfield et al., 2016).

I base the first chapter on a comprehensive quantitative data method, where I have gathered direct and original facts – a unique, hand collected matched sample of 113 global corporate scandals and a control group. I have deliberately approached the data collection in multiple steps, detailed the first chapter. By using Dow Jones Factiva database, an international news database, I have crawled through companies based on the word search "scandal" and selected the companies with the highest mentions of the word "scandal" across languages. I have identified the scandal year, reviewed a minimum of three news articles per company, produced a scandal description, and divided the scandals into four categories. After establishing this comprehensive dataset, I have created a non-scandal control group through propensity score matching. The empirical foundation of the first chapter provided me with rich opportunities to concretely understand how scandals differed between types and industries.

Using a quantitative method in this first chapter also left out some open unanswered questions. These included how scandals evolve and accounted for by wider society as well as how company identities are formed prior to and during scandal emergence. I address the latter in my second chapter, where I use a case study of Danske Bank, which is known as *"probably the largest money laundering scandal in history"* (The Guardian, 21 September 2018),[3] with an estimated $160 billion processed from Danske Bank's Estonian affiliate through U.S. banks for the non-resident portfolio clients (US Department of Justice, 13 Dec 2022). In analyzing this complex case I conducted seven original interviews with stakeholders and senior executives close the scandal: both on the company and the social-control agents. This unique access on both bank insiders and different social-control agents provides rare and unique insights into a highly sensitive case. Through a high focus on integrity, I have established a trusted ground to conduct the interviews respectfully. Being aware of the potential value-based information that interviews entail, I have triangulated information with official reports, court documents, and media articles. This extensive data material – both primary and secondary – has allowed me to comprehend and produce new information in this very complex case, that characterizes the Danske Bank scandal.

In the third chapter, I shift the focus to examine four scandals to understand patterns of how two European and two US corporate scandals unfolded from a company perspective. Due to the large public interest in the four cases, I have had rich amount of publicly available reports and documents to base the analysis on. This approach based solely on secondary data follows previous research of fraud and scandals with legal investigations[4] to follow (Gabbioneta et al., 2013; Laguecir & Leca, 2019). In this third chapter I differ from the traditional actor-network theory methodological approach where single cases studies have been used to reconstruct events. Instead, I unfold the theoretical framework of this paper on four cases to understand potential patterns between two US and two European case studies on how different companies that are involved in scandals configurate their identities.

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[3] The Guardian, 21 September 2018: link

[4] Legal settlement, US Department of Justice, 13 December 2022: link

IV. How the chapters come together

In the first chapter, *Deceived by 'S': corporate scandals and ESG*, I am looking scandals more broadly to get an understanding of ESG ratings in scandal firms. In a unique, hand collected matched sample of 113 global corporate scandals, I examine if company commitments to ESG (as reflected by their ESG ratings) reflect real efforts to act responsibly, or if it constitutes some kind of deception. In doing so, I join a growing stream of literature that takes a critical view on ESG rating providers (Berg et al., 2022). Consistent with previous literature (Utz, 2019), I look at scandals across scandal types, that includes, but are not limited to, community scandals, such as Goldman Sach's role in the Malaysian 1MDB scandal, product safety scandals, such as Boeing's MAX 737 scandal, and emission scandals, such as the Volkswagen diesel gate scandal. Using logit regressions, I find (in joint work with my co-writer Tom Kirchmaier) that scandals are happening in otherwise perceived "socially responsible companies" (with high 'S' scores, according to ESG ratings). This unexpected – and thought-provoking – finding raises some questions: are firms with high social responsibility scores more prone to scandals because of audience having higher expectations towards their behavior, or do scandal firms intentionally overstate their merits on social responsibility (potentially to cover up misbehavior)? Before looking at the dynamics of scandal firm behavior, I zoom in on the how scandals are accounting for by the audience, allowing for a better understanding of the phenomenon of scandals as such.

In doing so, I examine the role of social-control agents in my second chapter, *How social-control agents interact in scandal emergence: insights from Danske Bank*. Some scandals are sticky to the company, and I want to understand the dynamics that makes a scandal emerge, endure and that create stickiness. Drawing on Goffman (1959) and Entman (1993), I develop a multiple framing perspective that allows me to analyze interactions of multiple social-control agents. Through a deep dive case study on the Danske Bank money laundering scandal, I find that a framing coalition of different social-control agents were formed to create a case against Danske Bank in the money laundering scandal. With this framing coalition the case went from being isolated to misconduct in the bank's Estonian branch to being called out as *"probably the biggest money laundering scandal in history"* (Guardian, 21 September 2018)[5] and *"one of the biggest corporate scandals in Danish history"* (Quote, Minister of Business, Denmark).[6] In the third chapter, I shift the focus from how scandals are accounted for by outside organizations to a focus on *company identity*. In the third chapter, *Framing and overflow in corporate scandals,* I analyze the patterns of four scandals to understand how company identities are reshaped before and during scandal emergence. The scandals include the otherwise German poster-child, Wirecard, who ended in an accounting fraud scandal after admitting that nearly two billion euros was missing from the company's accounts[7]; Purdue Pharma who falsely promoted and played down the side effects of using addictive opioids, particularly Oxycontin; the German automobile manufacturer Volkswagen, who implemented a cheat device to manipulate with emissions from their so-called

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[5] The Guardian, 21 September 2018: link

[6] Minister of Business, Rasmus Jarlov quote, DR.dk 19 September 2018: link

[7] The New Yorker, 27 February, 2023: link

"clean diesel" vehicles; and, Boeing who concealed the faulty software of their 737 Max, leading to two planes crashes shortly after take-off with deathly outcomes of all passengers onboard. This research focus allows me to examine how company frames are continuously configurated. In doing so, I take a closer look at the mechanisms behind the findings from the first chapter, where I found that scandals happened more often in companies with higher social responsibility scores (according to ESG ratings). I draw on actor-network theory (ANT) and Callon's (1998) twin notions of framing and overflow to uncover these mechanisms. This theoretical foundation allows me to analyze human and nonhuman actors and how their interactions contribute to a continuous configuration of company identities (Callon, 1998). In the analysis of four corporate scandals, I find that nonhuman framing devices, such as medical labels and certifications, contribute to establishing a frame of companies, serving as façades (Cho et al., 2015). In addition, experts played a central role in purifying the frame of the scandal firm.

V. Findings and implications

In a nutshell, this thesis demonstrates how scandals are outrageous events that constitute the ultimate contradiction between words and deeds. Contrary to what we might expect, I start out this thesis by showing that high S-scores are associated with a higher incidence of scandals. What does this tell us? That ESG ratings do not work as intended? That they are being manipulated? Or that the audiences expect more from high rated ESG companies? Relating the findings from the third chapter back to the first chapter, the analysis provides an understanding of *why* there was a positive relationship between high ESG ratings and incidences of scandals: that is, with glossy façades or frames (high ESG ratings), the audience expectations increase of what is behind. And if the façade starts to crack (overflowing) – as it is made up by fabricated claims (using framing devices and experts) – the initial stage of scandal emergence begins.

The analysis also shows that complex mechanisms of company innovations and technologies are turned into black boxes and simplified to the audience. When the contents of the black boxes are leaking (through overflowing), the leaks can contradict with the audience expectations. To make sense of the overflows, negotiations and a reframing game takes place. The analysis of the cases demonstrates that scandals happen when these – often complex – matters are translated by the media to simple events. Scandal framing by the media contain stereotypes in stories we have heard before, hence we make the mental connections. Through the formation of a coalition of different social-control agents, who each confirm sub-elements of a (and not necessarily a complete) scandal framing, the scandal framing imposed by the media becomes dominant. In doing so, the melody is played over and over, and it becomes sticky, thereby evoking emotions, blame, and eventually outrage. The analysis shows that the social-control agents are activated with time and emotional messaging, outraging the public. Moreover, changes in societal norms, culture and perception of corporations' responsibility and liability changes the nature and focus of the scandals, as it was the case in the case of Danske Bank with an increased focus on money laundering from international authorities and with scrutiny on the stereotypical "greedy bank" following the global financial crisis. In the cases included in second and third chapter, the CEOs were framed as the villain based a two-fold public judgement: not only is top management framed as knowing of the misconduct, but they are also framed as having lied about it when confronted with the allegations (a dark secret according to Goffman).

Findings suggest that – to counter scandals – companies ought to limit the gap between their stated intentions and actual deeds. The ESG ratings make a case in point: these ratings are provided by third party rating providers and contain measurement difficulties. Hence, they do not always paint an accurate picture of the firm's real commitments to responsible behavior. Sustainability and safety claims as well as well other impressions provided to a company's audience ought to be rooted in substance. Top management in this encompassing 'age of responsibility' may benefit from anchoring their commitments to ethics, safety, environmental and social responsibility at the core of the business. Decoupling of words and deeds is not an option, emphasized by recent public scrutiny showing that wider society *does* hold companies up against their claims. The cases in this thesis show that scandals happen when the audience (the public) is persuaded that management is guilty. The media played a central role but did not act as a sole actor. The findings of this thesis show how a coalition with other social-control agents play a central role in creating a tipping point. Top managers may thus pay attention to stakeholders and wider society – and secure an understanding of the mechanisms of how social-control agents interact and how they form framing coalitions.

Whereas Jourdan (2022) addresses how scandals emerge through *moral* interactions of different social-control agents, this paper contributes to this recent stream of literature of the role of social-control agents (Clemente & Gabbioneta, 2017; Detzen, 2023; Jourdan, 2022) by showing how interactions by social-control agents are not always moral in nature. By confirming *sub-elements* of the scandal framing presented by the media (as opposed to the full scandal frame and moral assessments), other social-control agents (authorities) can enter a framing coalition. In doing so, a dominant framing endures, making a scandal stick. Through this discovery, this thesis not only confirm existing literature who show media's participation scandal emergence, but it also adds to social evaluation literature with two new insights: how social-control agents differ in what framings they impose on the audience; and how a framing coalition with different social-control agents are central to make a scandal stick. By demonstrating the skills to conduct deep academic analysis, I derive this *new theoretical concept* from the interesting and complex case of how money laundering in the bank's Estonian branch turned into a global money laundering scandal. My theoretical contribution of a new framing coalition concept is derived from the second chapter of this thesis – after I have presented the thought-provoking discovery of *higher* social responsibility in companies being linked to higher incidences of scandals. The theoretical construct of a *framing coalition* is derived from combining two theoretical concepts, Goffman's impression management theory (1959) and Entman's framing theory (1993).

The central premise for this thesis is: how should companies and society be able to counter the enduring social problem of corporate scandals, if there is limited understanding of how scandals work, the circumstances that make them possible, and how they are accounted for? My aim is to remedy this.

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Chapter 1

Deceived by ‘S’: corporate scandals and ESG*

Co-authored with Tom Kirchmaier[8]

Abstract

In this paper we study the impact of environmental, social, and governance (ESG) ratings on the likelihood of subsequent corporate scandals. The underlying question that we want to address with this paper is whether the ESG rating agencies are able to establish ratings that reflect firms’ real efforts to act responsibly towards the society, or whether the ratings may contribute to deceiving the audience. Contrary to our expectation, the ‘S’ score is positively correlated with the likelihood of corporate scandals, suggesting that the ‘S’ score does not live up to measuring a company’s social responsibility, including the ‘commitment to being a good corporate citizen’ (Refinitiv, 2022). Based on a hand-collected matched sample of 113 global corporate scandals, our work contributes to the ongoing ‘aggregate confusion’ discussion amongst ESG scholars, questioning the reliability of the ratings as such.

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1. Introduction

Until the ‘diesel gate’ scandal broke, Volkswagen had an image of being frontrunners on sustainability.[9] The company was in fact rated best in class on environmental, social, and governance (ESG) responsibility amongst rating providers[10] and awarded the ‘Ethics and Business Award’ (World Forum for Ethics, 2012)[11]. Likewise, Danske Bank, who was involved in the ‘the largest money laundering case in European history’ (Guardian, 2018)[12] exceeded ESG ratings of its peers prior to the scandal.[13] Based on this, we must ask ourselves if ESG rating agencies measure firms’ real efforts to act responsibly or if the ratings constitute some kind of deception. Given the multidisciplinary nature of the phenomenon of scandals, our work contributes to three streams of literature: 1) management ESG rating reliability literature (Berg et. al., 2022); 2) organizational accounting literature (Cho et al., 2015); and 3) the scandal literature (Utz, 2019).

Existing literature is increasingly examining and questioning ESG rating reliability (Berg et al., 2022) and how ESG assessments are used by practitioners and scholars (as for example adressed by Kotsantonis & Serafeim, 2019). In recent years, sustainable investing is increasing (Serafeim, 2020) and inflows to mutual funds that invest according to ESG ratings are dramatically growing (Berg et al., 2022). This was especially fueled by the CEO of BlackRock, Larry Fink, in his famous newsletter to CEOs in 2020 positing a ‘reshaping of finance towards sustainable investments’ (BlackRock, 2020). Consequently, ESG metrics increasingly influence decisions and potentially have far-reaching effects on corporate policies, investor behavior, and asset prices (Berg et al., 2022). Berg et al. (2022) have recently published an insightful paper examining the ESG measurement itself through a comparison of six rating providers. The authors find that the problems about ESG reliability are partly rooted in an ‘aggregate confusion’ problem. The overall ESG rating, assigned to a company, is decomposed of E, S, and G, which are further decomposed of sub-indicators that can vary between 40 to 280 in numbers, depending on the rater (Berg et al., 2022). By extending the work of Chatterji *et al.* (2016), Berg et al. (2022) identify a convergence between six ESG raters and as well as the relative importance of the sub-indicators. Together with papers such as Christensen et al. (2022) and Hoepner & Schopohl (2018), showing disagreement amongst ESG rating agencies, the authors leave open to what extend the ratings have been useful in predicting empirical phenomena of corporate irresponsibility, such as corporate scandals. We

[9] The Guardian, 25 Sep 2015: link
[10] CSR indices (Volkswagen Annual Report 2014): CDP Global 500 Climate Performance Leadership Index: listed A; CDP Global 500 Climate Disclosure Leadership Index: 99 points out of 100; Dow Jones Sustainability Index World: 88 points out of 100; Dow Jones Sustainability Index Europe: 88 points out of 100; CDP Supplier Climate Performance Leadership Index: listed A; Thomsen Reuters ESG ratings 84 points out of 100. Listed on ECPI Ethical Indices (Europe, EMU, Global), Ethical Sustainability Index Excellence Europe, Euronext Vigeo Eurozone 120 Index, Global Compact 100, STOXX Global ESG Leaders Indices (Environmental, Social, Governance).
[11] World Forum for Ethics in Business: link
[12] The Guardian, 20 Sep 2018: link
[13] CSR indices (Danske Bank Annual report 2017): Corporate Knights, Sustainalytics, MSCI, Thomsen Reuters.

fill this gap by analyzing scandals as the outcome variable and the ESG ratings, and in particular the ‘S’ score, as the predictive variable.

According to the rating agencies, the ‘S’ score in ESG is supposed to measure a firm’s commitment to social responsibility (Dorfleitner et al., 2015) and consists of the four categories: workforce, human rights, community and product responsibility (Refinitiv, May 2022)[14]. More specifically, the community score *“measures the company’s commitment towards being a good citizen, protecting public health and respecting business ethics”* (Refinitiv, May 2022, p. 25).[15] As scandals can be a mix of ethics breaches, human rights abuse, corruption and product safety issues and fraud (Zona et al., 2013), we on one hand hypothesize that the ‘S’ score is associated with a lower incidence of scandals – that is, if the measurement reflects the promise of risk mitigation and ‘good corporate citizen’ by the rating providers (Refinitiv, 2022). On the other hand, we also test for the competing hypothesis that a high ‘S’ score might be associated with a higher incidence of scandals. The competing hypothesizes are rooted in the more thought-provoking relation between the two variables: that a high ‘S’ score should lead to a higher incidence of scandals. We also test for the aggregated ESG ratings. To theorize the opposite relation between ESG ratings (in particular the ‘S’ score) and scandals, Cho et al. (2015) argue that contradictory social and institutional pressures can require organizations to engage in hypocrisy and develop façades. In their work they analyze the contrast between talk, decision and action of two high profile US oil companies (Cho et al., 2015). Our work contributes with an empirical regression model based on a global sample, where we question the role of ESG rating agencies in labelling companies’ commitment to environmental, social and governance responsibility. In doing so, we question the reliability of ESG ratings per se.

Besides adding to the specific stream of research on ESG rating reliability, we also add to the organizational and accounting literature more broadly, including Cho et al. (2015). In doing so, we present a critical view of the rating providers in their role as rater of company claims that from a company perspective are at the stage of “talking”, and not at the stage of “action” (in accordance with Brunsson, 1986). To understand these mechanisms in the context of corporate scandals, we borrow Goffman’s theory of impression management (Goffman, 1959), also applied by Gaim & Clegg (2021) in their case study of Volkswagen under the heading ‘managing impressions rather than emissions.’ The role of ESG rating agencies in creating a perception of high-rated companies as truly responsible become relevant, as companies often decide to communicate about their achieved ESG merits through for example their annual reports.[16] For the purpose of addressing this mechanism, whereby third party experts validate the actions of companies, we borrow the useful notion of ‘purification’ from Skærbæk & Christensen (2015). If ESG rating agencies are purifying companies, this might contribute to a problematic mismatch between the impressions raters provide about high-rated companies, and the companies’ actual behavior.

We show that a high ‘S’ score in the year prior to the scandal is strongly correlated with the likelihood of ending up in a corporate scandal. This finding holds for all specifications. While the descriptive statistics show higher aggregated ESG ratings for the scandal group, this effect is cancelled out by controlling for market capitalization. As we have matched our control group on

[14] Refinitiv is the former Asset 4. In 2021, Refinitiv was bought by London Stock Exchange link
[15] Refinitiv ESG scores report: link
[16] See e.g., Volkswagen’s annual report from 2014, listing more than five different ESG ratings.

size and industry, our results indicate that investors assess higher market value to scandal companies before the scandal happens. In addition, we do not find evidence that the incidence of scandals and higher market capitalization is driven by higher debt levels.

In our empirical model, we focus on the ex-ante aggregate and decomposed assessments, as we seek to deepen the understanding of how ESG rating providers rate scandal firms. Utz (2019) has taken a first step in this regard, assessing the effect of scandals on ESG. However, his analysis leaves open to what extend ESG can predict corporate scandals. A key reason for this remaining gap is that Utz (2019) designs the empirical model with scandals as the independent variable. Building on his contribution, this paper provides a regression analysis set up to predict scandals as the dependent variable, based on a unique dataset of 113 global corporate scandals of listed companies with corresponding aggregate ESG ratings and a decomposed 'S' score.

We approach the problem in seven steps. First, we examine the phenomenon of corporate scandals in the literature to identify what the phenomenon entails. We define scandals as corporate misconduct (see Greve et al., 2010) that causes general public outrage in a process of disclosure (Dorfleitner et al., 2022). This first step is a crucial step in our methodology, as it allows us to identify scandals and collect our data accordingly.[17] Second, we collect our sample through a search on the word 'scandal' across several languages[18] on Dow Jones Factiva, an international news database.[19] We select the companies with the highest mentions of scandals for the period 2004-2020. Companies with less than 100 mentions of the word 'scandal' are deselected. Third, we identify the scandal year, as the first time the behavior caused public outrage and the particular event was recognized as a scandal in the media (news articles). We review at least three news articles per scandal to identify scandal year. Fourth, in the research process we produce a scandal description based on the media articles. Fifth, we divide the scandals into four categories, according to Utz (2019), applying the Thomsen Reuters categorization: Community, human rights, emission, and product safety scandals (Utz, 2019). Sixth, we create a non-scandal control group through propensity score matching on the two matching criteria: size (in terms of total assets) and industry. Last, we conduct logit regressions with scandals as the dependent variable.

Our results make us question the reliability of the ratings per se. Implications of the findings are three-fold: 1) They support the need for more rigorous, decomposed measures for companies' responsibility commitments, and 2) they invite for further research examining what behavioral mechanisms that can explain the relation between high ESG ratings ex-ante and a higher likelihood of scandal. This is both relevant from a firm and rater perspective. In this research, we leave open the question of whether scandal companies intentionally try to improve their ESG scores, in particular the 'S' score before the scandal happens. The rating agencies and their relationship to the companies they rate would also be relevant future topics of research. Our work suggests that if the audience expected a high 'S' score to serve as risk mitigation against behavior

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[17] We chose not to use ESG raters' controversy scores as proxy for scandals, as our paper test the reliability of ESG ratings and the raters' methodology.

[18] We searched for the word 'scandal' in English, German, French, Spanish, Mandarin Chinese, Danish (Scandinavian) and Arabic.

[19] "Dow Jones Factiva is a current international news database produced by Dow Jones, one of the leading global provider of economic and financial information. This database combines over 30,000 sources to give students, faculty, and librarians access to premium content from 200 countries, in 32 languages." link

that transgresses the line from right to wrong (in accordance with Greve et al. (2010)'s misconduct definition), there is an element of deception in these ratings.

The remainder of this paper comes in six sections. Section 2 is the theoretical foundation with a review of the theory of corporate scandals and ESG ratings. In section 3 we address the data foundation contribution of this paper as well as the methodological considerations. In section 4 we address the measures and variables, we use in our analysis, and section 5 describes the method. Section 6 provides the results of the descriptive statistics as well as regression analysis and results description, and section 7 discusses the implications and concludes.

2. Existing literature on corporate scandals and ESG

We hear a lot about the scandals through the media, as it makes good newspaper stories to uncover secrets and evoke public blame (Thompson, 2005). A range of complex phenomena often accompanies corporate scandals. These include the disapproval of company actions by stakeholders, break of stakeholder trust, significant economic damage for most stakeholders, dismissal of executives, legal prosecution, modifications in ownership and control, and, in some cases, corporate bankruptcy (Zona et al., 2013). Corporate scandals are considered important enough for the media to be concerned and for stakeholders to act (Thompson 2005). Corporate scandals are moral in nature and can include fraud, human rights breaches, embezzlement, corruption, harassment, safety or environmental breaches (Kuhn & Lee Ashcraft, 2003). With the expansion of the internet at the turn of this century, the phenomenon of scandals as a mediated event was defined by Thompson (2005). Thompson argues that a scandal involves the disclosure of an event through the media, which previously was hidden from the public (Thompson, 2005).

2.1 Corporate scandals

The literature attempted to define corporate scandals on many occasions (e.g., Thompson, 2005; Zona et al., 2013; Utz, 2019). We view scandals as negative public events rooted in moral allegations evoking public blame through mediated representations of the behavior itself (Thompson, 2005). In doing so, we view scandals as an add-on element to phenomena such as corporate wrongdoing (see Palmer, 2012), corporate misconduct (see Greve et al., 2010), corporate illegality (see Szwajkowski, 1985), corporate fraud (see Soltani, 2014) or corruption (see Ashforth & Anand, 2003). These phenomena can trigger scandals in a process of disclosure (Dorfleitner et al., 2022), but neither legal nor moral violations inevitably result in scandals. For that to happen there is widespread debate about the behavior when information about it is released to the public (Utz, 2019). Literature within organizational and management theory increasingly acknowledge social-control agents as central to the phenomenon of misconduct (Greve, Palmer & Pozner, 2010) and scandals (Clemente & Gabionetta, 2017). A social-control agent represent a collectivity that enforces rules and norms with the authority to bring a charge of misconduct against an organization for its alleged violation (Dewan & Jensen, 2020). Whereas Greve, Palmer & Polzner (2010) view social-control agents as authorities who have the capacity to impose significant sanctions on its behalf, Clemente & Gabbioneta (2017) argue that also the media can act as a social-control agent on its own in the case of scandals. The media has the power to influence the perception of a company, thereby imposing public scrutiny and sanctions, which is a form of sanction (Clemente & Gabbioneta, 2017). The infamous Wirecard scandal – included in our sample – make a case in point of the media acting as a social-control agent. According to media outlets[20], it was the Financial Times reporter, Dan McCrum, who brought the public's attention towards the fraud of Wirecard (Jo et al., 2021). He fought for years to prove his point and according to his testimonials, he experienced strong resistance from the established system, which he later referred to as "professional enablers"[21] covering up and protecting Wirecard.

Through this definition of corporate scandals, we use public outrage in the media addressing company behavior that social-control agents judge to transgress norms, to identify corporate scandals. As there are several means to measure media outrage and bad publicity, we will address this matter in the data description in section 3.

2.2 The mechanisms of ESG rating agencies

The wave of corporate scandals combined with the global climate crisis and investor demand for sustainable investments (BlackRock, 2020; Flammer, 2013) underline the burning platform for transparent means to detect which companies are acting responsibly towards the environment and society, and which are not (see for example Giannarakis, 2014; Hahn & Kühnen, 2013; Mayer, 2021; O'Dwyer, 2011). Simultaneously, ESG is "extremely important and nothing special" (Edmans, 2022, p. 4). Edmans (2022) argues that ESG is nothing special, as these factors are equally important as other intangible assets that create long-term financial and social returns, such as corporate culture, management quality, and innovative capability. We know from anecdotal evidence that companies that have been caught up in scandals "produced CSR reports and won awards for them" (Herzig & Moon, 2013, p. 1874). One of the most notable of these are Volkswagen who prior to the 'diesel date' scandal was awarded best-in-class ESG ratings by a list of rating providers.[22]

ESG ratings offered by ESG rating agencies such as MSCI, Sustainalytics, Moody's, Refinitiv, S&P Global, and KLD (as analyzed by Berg et al., 2022), are one approach to measure if corporations act responsibility towards their surroundings and to detect if companies are 'good' or 'bad' (Dorfleitner et al., 2015). ESG investment products are the fastest-growing segment of asset management industry and assets rising to $2.7 trillion dollars in 2021[23] (Financial Times, 2022; Gillan et al., 2021). With increased investor demand and societal focus on sustainability and responsible behavior (BlackRock, 2020; Fiaschi et al., 2020), there is an increased risk that

[20] The Economist, 16 June 2022 link
[21] Financial Review: link
[22] CSR indices (Volkswagen Annual Report 2014): CDP Global 500 Climate Performance Leadership Index: listed A; CDP Global 500 Climate Disclosure Leadership Index: 99 points out of 100; Dow Jones Sustainability Index World: 88 points out of 100; Dow Jones Sustainability Index Europe: 88 points out of 100; CDP Supplier Climate Performance Leadership Index: listed A; Thomsen Reuters ESG ratings 84 points out of 100. Listed on ECPI Ethical Indices (Europe, EMU, Global), Ethical Sustainability Index Excellence Europe, Euronext Vigeo Eurozone 120 Index, Global Compact 100, STOXX Global ESG Leaders Indices (Environmental, Social, Governance).
[23] Financial Times link and Morningstar link.

companies tend to present themselves better than they really are (Fiaschi et al., 2020; Laufer, 2003) – for example – through sustainability statements on their websites (Parisi, 2013). Amongst major US companies, 90% make commitments, but only 35% are able to prove that they follow their principles in practice (Parisi, 2013). Brunsson (1986), who is known for his nuanced work on organized hypocrisy adds a time dimension to the sustainability discussions, distinguishing between sustainability talk, decision and action. He emphasizes that organizations knowingly navigate between these three distinctions, as every action starts with talk followed by decision (Brunsson, 1986). Building on Brunsson's work, Cho et al. (2015) argue that contradictory social and institutional pressures require to engage in hypocrisy and develop façades.

While the literature on ESG, sustainability and corporate social responsibility is extensive (see Lindgreen & Swaen, 2010 for an overview and discussion), little attention has been given to ESG as predictor of corporate scandals (Utz, 2019). The literature nonetheless includes important contributions, for example about the effects of corporate scandals on ESG ratings (e.g. Dorfleitner et al., 2020; Utz, 2019, Lundgren & Olsson, 2009). Other papers contribute with models assessing the effects of ESG ratings on US class-action lawsuits (Fauser & Utz, 2021), and on cultural and political aspects (Dorfleitner et al., 2022). However, the link between the corporate scandals as a measure of actual irresponsible behavior and ESG ratings has been left open. In this study, we intend to fill this gap and explore whether ESG ratings reflect actual responsible company behavior.

As suggested by Utz (2019), we try to provide investors with information about which companies are at risk of ending up in corporate scandals. Corporate scandals are the ultimate contradiction between words and deeds and "between a deceiving glossy façade and a rotten structure behind" (Sims & Brinkmann, 2003, p. 243), hence we use corporate scandals as a test of whether or not companies' actual behavior reflect their stated intensions.

While ESG assessment providers, such as MSCI, Sustainalytics, Moody's, Refinitiv, S&P Global, and KLD (as analyzed by Berg et al., 2022), function well as means of increasing ESG awareness (Amir & Serafeim, 2018), the methodologies are criticized for lack of transparency and consistency between rating providers (Chatterji et al., 2016; Gibson et al., 2019; Gürtürk & Hahn, 2016). Research on ESG metrics points in two directions. Some papers question the reliability of the data as the ratings are based on companies' own self-reported data (Kotsantonis & Serafeim, 2019; Walter, 2019). The shortcomings of the methodologies further include lack of standardization, lack of transparency in the applied methodology, varying focuses, lacking independence, a big cap bias in the rating universes (Windolph, 2011; Utz, 2019; Chatterji et al., 2016; Berg et al., 2022; Del Giudice & Rigamonti, 2020; Fiaschi et al., 2020; Gibson et al., 2019; Ioannou & Serafeim, 2012; Kotsantonis & Serafeim, 2019; Stubbs & Rogers, 2013; Walter, 2019) and the issue of aggregate scores on multiple indicators – the offsetting effect (Escrig-Olmedo et al., 2014).

Despite the methodological shortcomings, the ESG rating literature also points to that a high ESG rating has risk-reducing characteristics (Harjoto & Laksmana, 2018). Investors look to ESG to reduce information asymmetries and company risk and thereby increase investment performance (Amir & Serafeim, 2018; Bouslah et al. 2013). While the field of ESG increasingly gets scholarly attention, scholarly interest of corporate scandals in the context of ESG remains limited (with the exception of Utz, 2019).

Research examining the relationship between scandals and corporate social performance mostly focus on the topic in the context of financial due diligence. Utz (2019) examines the reliability of ESG ratings in the case of corporate scandals from a due diligence point of view with a dataset of 67 corporate scandals from 2004-2014, identified by using the press releases of corporate scandals. In this paper, scandals are regarded as unknown weaknesses of a firm that causes a widespread debate when information about it is released to the public. Utz' applies an event study methodology to investigate whether scandals have an impact on ESG assessments, with ESG assessments as the dependent variable. Utz (2019) finds a significant decline in ESG ratings during the scandal. After the scandal, the analysis shows a rebound in ratings (Utz, 2019). Other papers apply class action lawsuits as proxy for scandals (Bonini & Boraschi, 2010; Fauser & Utz, 2021). Based on 7,671 observations, Fauser & Utz (2021) find that ESG ratings have an insurance-like-effect against class action lawsuits, meaning the companies with high ESG ratings experienced a faster recovery compared to the companies with low ESG ratings (Fauser & Utz, 2021).

The literature in the field is mixed, and one of the explanations might come from the measurement issues of ESG and the aggregate confusion problem, raised by Berg, Kölbel and Rigobon (2022). Some of the literature shows that companies with strong financial performance are more likely to be involved in corporate misconduct, others find that misconduct happens in low-performing organizations (Greve et al., 2010). In both cases, papers that focus on the organizational level find that corporate culture and tone at the top play a central role (Greve et al., 2010; Soltani, 2014). They argue that corporate scandals happen when cultures of making the numbers at all costs trumps any concerns about how the targets are being met (P. Healy & Serafeim, 2019).

2.3 ESG ratings and the incidence of scandals

According to Refintiv, the ESG aggregated score measures a firm's 'commitment to environmental, social and governance responsibility' (Refinitiv, 2022). Refintiv claim that their ESG data 'mitigate risks' and 'improve returns'.[24] Based on this promise, we first test the following relationship between ESG ratings and the incidence of corporate scandals:

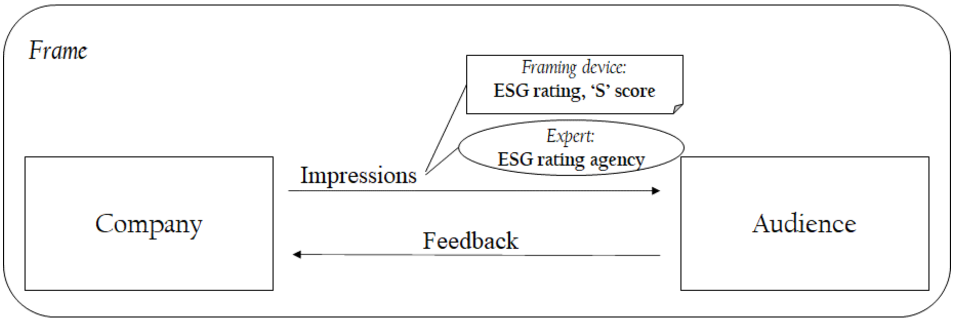
Hypothesis 1a: High ESG ratings ex-ante are associated with lower incidence of corporate scandals

In addition to the *negative* relation between the two variables, we are also interested to examine if there is a *positive* relation between high ESG ratings as independent variable and incidence of scandals as the outcome variable. As ESG rating agencies claim to offer third party ratings of firm's commitments to environmental, social and governance matters (Refnitiv, 2022), these ratings may likely contribute to framing the audience's impressions of a company (Goffman, 1959). From Goffman's theory of impression management, we know that companies explicit and implicit form the stakeholders' perceptions of their company and establish a frame of understanding (Goffman, 1959). In a theatrical metaphor, as applied by Goffman (1959), we view the company as the performer, and the ESG rating agencies as experts who provide impressions about a company's responsibility commitments (see Figure 1). We view the public, the social-

[24] Refinitiv: link

control agents, the media, and the investors as potential audiences (see Figure 1). ESG ratings can be used actively by companies to establish frames (Goffman, 1959) and create an understanding of the companies as being truly responsible companies, being committed to being "good public citizens protecting human rights and business ethics" (Refinitiv, 2022).

Figure 1: Impression management mechanisms



The scandal literature (including Gaim & Clegg, 2021; Thompson, 2005; Kjaer, 2023) argue that the likelihood of scandals increase once there is a problematic mismatch between what the audience expect through company impressions and new disclosed behavior (Kjaer, 2023). The framing of a company can be done through human and non-human arrangements, also referred to as framing devices (Vinnari & Skærbæk, 2014), such as ESG ratings. To test the hypothesis, we view ESG rating agencies as experts that claim to be independent and to offer trustworthy evaluations of companies' responsibility.[25] If there is a positive relation between high ESG ratings and the incidence of scandals, these raters can potentially be functioning to purify companies (see Skærbæk & Christensen (2015) and Vinnari & Skærbæk (2014) for eleboration of the mechanism of purification). The increased awareness of corporate responsible behavior create incentives for firms to communicate more about their responsibility initiatives (Nyilasy et al., 2014). With increased economic interest in being 'responsible', there is also an increased risk of 'hot air' and green washing (Fiaschi et al., 2020).

Dorfleitner et al. (2020) examine the mid- to long-term effects of controversies on global listed companies in a portfolio context by using Fama and French five-factor risk-adjusted performance of positive screened best and worst portfolios with a 10% cutoff. They apply a dataset of Thomsen Reuters controversy score and the combined ESG score of an average of 2,500 companies from 2002-2018. The paper assesses the mid-to-long-term financial effects of scandals. Findings suggest that small companies with low ESG ratings and firms who are not involved in controversies are significantly outperforming the sample. According to Dorfleitner et al. (2020), investors should focus on low-rated smaller companies, which they name "small sinners" and clean-coated firms with regard to controversies, referred to as "silent saints". These findings suggest that ESG ratings in itself do not serve as risk mitigation. In support of this, and opposite of Hypothesis 1a, we can also analyze ESG ratings as just another target that needs to be met. As targets for many companies include not only financial aspects, but also sustainability targets, there is an active debate in the literature in support of analyzing ESG ratings in the context of corporate

[25] Refinitiv state on their Website that ESG ratings help risk mitigation against risky companies, e.g. financial crime. link

scandals (e.g. Healy & Serafeim, 2019, and Utz, 2019). Based on this, we test for the competing scenario of Hypothesis 1a:

Hypothesis 1b: High ESG ratings ex-ante are associated with higher incidence of corporate scandals

In the case of Hypothesis 1a, high ESG ratings by the rating providers could have risk protecting effects. In the case of Hypothesis 1b, ESG ratings would merely be function as creating impressions about a company as being responsible, meaning in the case of corporate misconduct, the risk of a problematic deception increases. Some argue that sustainability merits, including but not limited to, ESG ratings can be used as a window dressing (as addressed by Muñoz et al., 2022) and green washing (as addressed by Yu et al., 2020).

Studies examining ESG ratings in the context of scandals predominantly examine the ex-post effect. Lundgren & Olsson (2009) assess the effects on firm value of 142 environmental incidents among firms in a global sample from 2003 to 2006. The paper applies daily stock market return data from a panel of the largest firms in the world together with data on environmental incidents supplied by GES Investment Services. They find that the revelation of environmental incidents (scandals) has a non-significant negative impact on firm value. For firms with low goodwill capital in terms of higher environmental risk value, the decline in firm value ex-post is larger in relative terms (Lundgren & Olsson, 2009). Literature on mutual fund fraud and misconduct shows a significant decline in performance and lack of investor trust following scandals (Chapman-Davies et al., 2014; Houge & Wellman, 2005). Chapman-Davies et al. (2014) examine 196 mutual fund scandals, which they hold up against a control group. They find that investors who stay with a scandal fund underperform by 4.8% the following year.

2.4 The 'S' score and the incidence of scandals

To investigate the impact of ESG ratings on corporate scandals, we use Refinitiv data as one of the largest ESG rating databases for publicly listed firms (Berg et al., 2022; Cheng et al., 2014). Refinitiv rates firms' performance on three dimensions: social, environmental, and corporate governance. We chose this data provider due to their approach to measuring the 'S' score (i.e. social pillar) and their transparent scoring methodology (Cheng et al., 2014; Dorfleitner et al., 2020). We illustrate the description of the social pillar on Table 1 below.

Refinitiv evaluates a company's environmental, social and corporate governance performance with regard to ten categories based on publicly available data, reported by the company (Dorfleitner et al., 2020). Each of these categories receives an individually calculated category score and a category weighting within its pillar. These data result in three so-called 'pillar scores', 'E', 'S' and 'G', respectively. To calculate the overall ESG score, these pillar scores are aggregated and in the last step, the ESG rating score is ranked by percentile and benchmarked against the industry (Refinitiv, 2022).

Table 1: Description of the 'S' score (i.e., social pillar)

'S' score categories:	Description:
Workforce	The workforce score measures a company's effectiveness in terms of providing job satisfaction, **a healthy and safe workplace**, maintaining **diversity** and **equal opportunities**, and development opportunities for its workforce
Human rights	The human rights score measures a company's effectiveness in terms of **respecting fundamental human rights conventions.**
Community	The community score measures the company's commitment to **being a good citizen, protecting public health** and **respecting business ethics**.
Product Responsibility	The product responsibility score reflects a company's capacity to produce quality goods and services, integrating the **customer's health and safety, integrity** and **data privacy**
Source: ENVIRONMENTAL, SOCIAL AND GOVERNANCE SCORES FROM REFINITIV, May 2022, Refinitiv	

According to Refintiv, the community score "measures the company's commitment towards being a good citizen, protecting public health and respecting business ethics."[26] The 'S' score is decomposed of workforce, human rights, community and product responsibility.[27] As we test the impact of ESG ratings on corporate scandals, the 'S' score becomes interesting as the rater argues that it measures a "company's commitment to being a good citizen, protecting public health and respecting business ethics" (Refinitiv, 2022). Therefore, we are interested to examine the relation between the 'S' score and the incidence of scandals:

Hypothesis 2a: High 'S' scores ex-ante are associated with lower incidence of corporate scandals

With this hypothesis, companies that score high on social responsibility, such as human rights responsibility, community responsibility (e.g. less corruption) and product responsibility, would be less likely to end up in corporate scandals. As with hypothesis 1a and 1b, we also here test for the reverse relationship. As for the competing hypothesis, if a high 'S' score is merely contributing to creating the *impression* that a company is responsible on human rights, workforce, community and product safety, the audience might be deceived when contradicting behavior is disclosed to the public (Kjaer, 2023). Some scholars question if these claims are merely window dressing (Candelon et al., 2021; Muñoz et al., 2022) or green washing (Yu et al., 2020). Brunsson (1986) argues that from a company perspective, there is a natural difference between talk, decision and action, and that action must start with talking. Therefore, our work zooms in on the ESG rating agencies and question their role and promises of the scores. We also open up for the possibility that the companies themselves could have an interest in boosting their 'S' scores (and their overall

[26] Thomson Reuters ESG Scores: link
[27] Refinitiv ESG Scores Methodology: link

ESG score), even though there might be problematic issues backstage at risk of being exposed. Based on this, we test for the relationship between high ‘S’ scores and the incidence of scandals:

Hypothesis 2b: High ‘S’ scores ex-ante are associated with higher incidence of corporate scandals

Summing up, we test for four hypotheses examining the relationship between high ESG rated companies (as well as high ‘S’ scores) ex-ante and the incidence of corporate scandals. The structure of the hypothesis testing is depicted in Figure 2 below. If the overall ESG ratings and the ‘S’ score works as intended by the ESG ratings agencies (Refinitiv, 2022), we would expect H1a and H2a to be confirmed in the regression models. If these are rejected – or if competing hypothesis are confirmed – this reflects a more ‘thought provoking’ outcome: that companies, which according to raters should be ‘more responsible’ than their peers, in fact are ‘less responsible’ (as measured by the event of scandal).

Figure 2: Hypothesis overview

	The expected relationship:	The unexpected relationship:
ESG ratings:	***H1a:*** High ESG ratings ex-ante are associated with **lower** incidence of corporate scandals	***H1b*:*** High ESG ratings ex-ante are associated with **higher** incidence of corporate scandals
S' score:	***H2a:*** High ‘S’ scores ex-ante are associated with **lower** incidence of corporate scandals	***H2b*:*** High ‘S’ scores ex-ante are associated with **higher** incidence of corporate scandals

**We test for the competing hypothesis, which reflects the thought provoking outcome, that companies - which on paper should be "more responsible" than their peers (according to ESG ratings) - in fact are "less responsible" (as measured by the event of scandal)*

3. Data

3.1 Data collection: A global sample on corporate scandals

To test our hypothesis, we construct a sample of global corporate scandals from 2004-2020 in publicly traded firms. As corporate scandals trigger public outrage (Thompson, 2005) about actions that social-control agents judge to transgress the line from right to wrong (Greve et al., 2010), we apply press coverage to measure public outrage. We chose not to use ESG raters’ controversy scores as proxy for scandals, as our paper test the reliability of ESG ratings and the raters’ methodology. We identify the scandals through four steps as described below.

First, we conduct an automatic search on the word ‘scandal’ in the Dow Jones Factiva database in the universe of common newspapers and financial news. Dow Jones Factiva is an international news database that combines over 30,000 sources with access to content from 200 countries, in

32 languages.[28] We search for 'scandal' in seven different languages[29] and exclude political scandals. We identify which companies have the highest amount of mentions across the period. We include companies appearing in news articles more than 100 times in connection to the word 'scandal' across news providers. Due to the expansion of the Internet since the turn of the century, corporate scandals between 2004 to 2020 have been receiving extensive media attention. This way we identify our raw list.

Second, we verify if the company are mentioned in the news media connection with the word 'scandal' due to its direct or indirect link to a scandal. E.g., a company name can be mentioned over and over again if a scandal concerns their competitor's practices. We add a scandal description in order to be able to classify the scandals into types. This way we sort out the data and verify the scandal content.

Third, we do a deep dive reading of newspaper articles to identify the type of scandal and to identify the correct scandal year with significant mentions in the press. To double check the scandal year, we investigate stock shocks for the company in question. For some companies there are clear stock reactions, e.g., Volkswagen, Danske Bank. For other companies the scandal is clearly there, but there is no stock reaction, e.g., Facebook's Cambridge Analytica scandal. Through these steps, we have identified the scandal year of 167 corporate scandals between 2004 and 2020.

Finally, we group corporate scandals in four groups: Community scandals, human rights abuse, product responsibility and emission scandals. This classification is based on recent re- search on the impact of corporate scandals on ESG ratings (Utz, 2019). Community scandals include corporate crime, bribery, corruption and accounting fraud and other fraud controversies. Human rights scandals include child labour and employee safety. Product responsibility includes product safety, product recalls and product misinformation. Emission scandals include oil spills, emission misinformation and greenwashing cases.

We have included a selection of the corporate scandals from our sample in Table 2 in Appendix.

3.2 Control group

We apply two match variables to construct our control group: size and industry. We use the match year t-1, the year prior to the scandal, to make sure the scandal group and the control group matches in the year we measure the effect. As size measure we apply total assets. As industry match, we apply 2-digit SIC code to secure balanced groups. To prepare for propensity score matching, we identify 4279 companies between 2004 and 2020. We use this sample to search for two automatically matched control companies for each scandal firm. We use the information on these companies to build a non-scandal control group.

[28] Factiva Dow Jones: link

[29] We searched for the word 'scandal' in English, German, French, Spanish, Mandarin Chinese, Danish (Scandinavian) and Arabic.

3.3 Data provider of ESG ratings

Following the extensive and recent critique around the reliability of ESG rating providers and the convergence between those (Berg et al., 2022), we will in this section describe our choice of data provider, being Refintiv. As our paper aims to contribute to the discussions around ESG reliability with empirical evidence, we focus on providing precise definitions of the applied measures, sources and constructs. Amongst scholars, Refinitiv is known for their transparent scoring methodology (addressed in papers, such as Cheng et al., 2014; Dorfleitner et al., 2020). The rater is one of the largest ESG rating databases for publicly listed firms, dating back to 1997 and with data coverages from more than 70 countries[30] (Berg et al., 2022; Cheng et al., 2014). For the purpose of this paper, we choose ESG data from Refinitiv for three reasons.

First, Refinitiv states in their official risk mitigation report on their webpage that ESG is "a fundamental tenet of the risk mitigation process" (Refinitiv, 2021, p. 1).[31] They actively market their belief that there is a "global recognition of the serious impact of green crime" that threatens peace and security (Refinitiv, 2021, p. 5). Due to Refinitiv's promotion of the merits of their ESG data, we can test if the ESG ratings reflect actual risk mitigation towards corporate scandals.

Second, when it comes to measuring the 'S' score, Refinitiv applies sub-indicators within the categories of workforce, human rights, product responsibility, and community. In our sample, more than half of the scandal companies are community scandals (i.e., corruption, bribery, fraud), and two thirds are either human rights or product product-related (product responsibility scandals), justifying the relevance of the measure.

Third, this paper applies the same scandal categories as previous research by Utz (2019), who refer to Thomson Reuters (Refinitiv) for the purpose of categorization. Consistency between scandal category definition as well as measures for the 'S' score allows us to verify or raise critique of the measurement itself – depending on the regression outcome. In doing so, we make a focused analysis on Refinitiv's value proposition with consistent application of the descriptions of how the aggregated ESG score and the decomposed 'S' score are constructed. We have shown the subcomponents of 'S' in Table 1, in Section 2.3.

Refinitiv evaluates a company's environmental, social and corporate governance performance with regard to ten categories based on publicly available data, reported by the company (Dorfleitner et al., 2020). Each of these categories (e.g., resource use, innovation, and emissions in the environmental pillar) receive an individually calculated category score and a category weighting within its pillar. These data result in three pillar scores. To calculate the overall ESG score, these pillar scores are aggregated and in the last step, the ESG rating score is ranked by percentile and benchmarked against the industry (Refinitiv, 2022). For instance, a score of 0.90 on ESG performance indicates that the company belongs to the top 10% (Fauser & Utz, 2021). In total the aggregated ESG ratings consist of 178 sub-indicators, that are selected by Refinitiv. The underlying measures are assessed according to comparability, data availability and industry relevance. According to Refinitiv, updates happen continuously on the database, however scores

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[30] Refinitiv: link
[31] Refinitiv, Risk Mitigation and the Pivotal Role of ESG: link

are updated once a year depending on a firm's ESG disclosure (Refinitiv, 2022). In rare cases scores can be recalculated on a weekly basis (Refinitiv, 2022).

Besides Refinitiv, there are other large rating providers. These include, but are not limited to, Sustainalytics, MSCI, S&P 500, KLD and Moody's (see Berg et. al., 2022, for a description). According to Berg et al., 2022, the correlations between the 'S' score of Refinitiv and the other raters are as follows: Sustainalytics (SA) 0.55, Moody's 0.66 and Standard & Poor's 0.65. With these correlations, Refinitiv data resonates with their counterparts. There is, however, low correlation with the counterparts, KLD and MSCI, being -0.05 and 0.27, respectively. We will discuss these issues in section 7.

3.4 Sample description

Table 3 in Appendix shows the breakdown of industry and scandal type. In our sample, 55% of the scandal companies are community scandals, meaning there is an alleged or actual criminal action element involved. Out of total scandals, 16% is human rights scandals, 15% is product-related (product responsibility scandals) and 13% is emission scandals. Firms with community scandals have on average the largest total assets. This is consistent with the findings of Utz (2019). In the financial industry, the scandals are mainly community scandals involving either bribery, corruption or fraud. Amongst the manufacturing scandals, there is a split between the nature of the scandal. Pharmaceutical companies in our sample have either community, product responsibility or human rights scandals, usually involving product safety controversies, or corruption scandals.

Based on our unique global data set, we define a binary variable to identify the treatment status. It switches to one if a company had a scandal during the period of study and zero otherwise. This is our main dependent variable. For our independent variable, we use ESG ratings from Refinitiv (see section 3 for a description).

4. Method

Our primary method for estimation uses a logistic regression model to examine the likelihood of a scandal in a company based on its past year's ESG rating. Before estimating the average treatment effect on the treated (ATT), we use a matching method to obtain comparison companies for each treated company. Propensity score matching provides us with a straight- forward method to estimate the probability of treatment based on a set of observable characteristics. Matching allows us to observe a valid counterfactual outcome Y_0 for the scandal companies (i.e., treatment group) had they not been treated. This process produces a treatment and control group through re-weighting thereby establishing the conditions for an experimental setting.

4.1 Empirical strategy

Propensity score $P(Xi)$ measures the probability of being assigned to treatment $Di = 1$ conditional on the covariates Xi. It is defined as $P(Xi = P(D_{scandal} = 1 \mid Xi))$. Identification is based on two central assumptions of common support and conditional independence (Rosenbaum & Rubin, 2006). Common support requires the propensity score for the treatment and the control group to be within $0 < P(D_{scandal} = 1 \mid Xi) < 1$ range. Conditional independence requires the potential outcomes to be independent of the treatment status (Rosenbaum & Rubin, 2006).

This matching technique requires further steps before implementation. The comparison group is chosen for the treatment group within a pre-defined proximity for propensity scores. This means that the average difference in propensity score between the treated and control groups should be less than a predefined level. Furthermore, within this sample, defining a neighborhood allows to reweight and select the non-treated observations within the neighborhood of each treated observation.

Through this method, we match the scandal companies to the non-scandal firms based on total assets, the sic-industry code and the event year lagged by one. We refer to this as year t-1. Excluding companies with missing ESG rating data either for the scandal company or the control company, the propensity score matching within two nearest neighbors gives us a sample of 113 scandal companies and 219 non-scandal firms. The weights for the non-scandal companies ranges between 0 to 1. Thus, our final sample consists of 332 observations.

After obtaining the treated companies and their counterfactuals, we estimate a logistic regression model. First, we run the regression model as a function of the main outcome (the ESG score), where the treatment indicator is the dependent variable ($D_{scandal}$). We include controls for market capitalization, leverage, and industry dummies to control for variations. From Table 3 we can observe that firms from different industries have different types of scandals. Firms with scandals in product responsibility may be systematically different from firms that have emission or human rights scandals. Therefore, we control for specific firm characteristics. Besides matching the control group on total assets and industry (Utz, 2019), we control for market capitalization and leverage. This is estimated using the following specification:

$$D_{scandal,\,t} = \beta_0 + \beta_1 \cdot \text{ESG Score}_{t-1} + \beta_2 \cdot \text{Market cap}_{t-1} + \beta_3 \cdot \text{Leverage}_{t-1} + \beta_4 \cdot Industry_i + \epsilon_{it} \quad (1)$$

This yields the coefficient of interest β_1. It estimates average likelihood of predicting scandal for treated companies as compared to the counterfactual based on the past year's ESG rating. In simple terms, the estimate provides suggestive evidence for using ESG as a valid parameter for predicting scandals in companies. Next, we expand our baseline model by estimating the effect of each component of the ESG score. We include the environmental pillar ('E' score), social pillar ('S' score) and the governance pillar ('G' score) as the main independent variables in the equation.

$$D_{scandal,\,t} = \beta_0 + \beta_1 \cdot \text{E Score}_{t-1} + \beta_2 \cdot \text{S Score}_{t-1} + \beta_3 \cdot \text{G Score}_{t-1} + \beta_4 \cdot \text{Market cap}_{t-1} + \beta_5 \cdot \text{Leverage}_{t-1} + + \beta_6 \cdot Industry_{i} + \epsilon_{it} \quad (2)$$

This regression allows testing for the impact of E, S and G scores in the year prior to the scandals happen on the likelihood of predicting a scandal. β_4 and β_5 yields the estimates for market capital and leverage respectively. To facilitate comparison, we convert market capital and leverage to a binary variable, which takes a value equal to one if the observed value is greater than the average. β_6 provides estimates for the industry dummy.

4.2 Descriptive statistics

Table 4 describes the summary statistics of the key variables in our study. It shows the means and standard deviations for scandal companies vs control companies on ESG, E, S, G, ROA, market capitalization, revenue, net income before tax, total assets, total debt, and the number of employees. The average ESG ratings for scandal companies are higher as compared to the ESG ratings of non-scandal companies. This difference remains persistent across the environmental, social and governance pillars. The financial indicators including ROA, total assets and market capitalization indicate that scandal companies are more likely to be better- performing firms. However, the average total debt for scandal companies in our sample is higher than the average total debt for the control group.

Table 4: Descriptive statistics for scandal and control companies

	Scandal Companies			Non-Scandal Companies		
Variable	N	Mean	SD	N	Mean	SD
ESG	113	61.27	21.83	219	54.86	22.55
Pillar Scores						
E	113	59.24	30.83	219	55.52	30.61
S	113	64.10	23.13	219	55.37	25.83
G	113	60.29	23.47	219	55.81	24.62
ROA	113	4.81	0.17	219	3.99	0.07
Total Assets (USD Billion)	113	306.20	538.17	219	267.67	528.27
Total Debt (USD Billion)	113	62.59	100.50	219	38.18	80.15
Net Income Before Taxes (USD Billion)	113	7.72	11.02	219	2.54	4.57
Full Time Employees (thousands)	113	124.2	222.5	207	55.0	68.8
Market Capitalization (USD Billion)	111	96.53	135.86	211	24.81	28.80
Total Revenue (USD Billion)	93	59.20	83.76	167	22.99	32.01

5. Results

The first baseline results show that the raw ESG results do not hold when controlling for market capitalization, leverage, and industry dummies (Table 5). These are in line with descriptive statistics. This means we would need to reject our Hypothesis 1b that higher ESG rated companies are correlated with a higher likelihood of corporate scandals, like all other competing hypothesis. There might be an endogenous issue: The higher market capitalization for scandal firms compared to our control group can be driven by the fact that higher valued companies are more known (as adressed by Zona et al., 2013) and receive more media coverage (as adressed by Barkemeyer et al., 2020).

Table 5: Logit regressions, aggregated ESG ratings

	(1)	(2)	(3)	(4)
ESG	0.014**	0.004	0.004	0.009
	(0.006)	(0.007)	(0.007)	(0.007)
High Market Cap		0.962*** (0.284)	0.964*** (0.283)	1.358*** (0.315)
High Leverage			-0.058	0.188
			(0.256)	(0.277)
Finance, Insurance, Real Estate				-2.573
				(1.587)
Manufacturing				-1.214
				(1.551)
Mining				-1.422
				(1.675)
Retail Trade				-1.524
				(1.649)
Services				-0.113
				(1.597)
Transportation & Public Utilities				-2.026
				(1.614)
Observations	332	332	332	324

It gets more interesting when decomposing the ESG ratings into its three parts, 'E', 'S' and 'G' (see Table 6). When further decomposing the 'S' score, we see that it is made up from a rating of the firm's workforce, human rights, community and product responsibility.[9] In practice, the 'S' score should capture if a company is committed to being a "good corporate citizen" according to

Refinitiv's own description (Refinitiv, 2022)[32]. In support of Hypothesis 2b, we observe that a high S rating is strongly correlated with a higher likelihood of ending up in a scandal. This finding holds for all our specifications (Model 1-6, Table 6). With confirmation of this hypothesis, a high 'S' score merely functions as window dressing for companies pretending to be more responsibility than they really are – according to social-control agents and the public (i.e., section 2.1).

We also observe the inverse effect for the E score, where a higher E score is correlated with a lower probability of scandals. In fact, these two effects cancel each other out in part, which explains why we did not observe an effect for the aggregated ESG score. The G score appears to be uncorrelated with corporate scandals. These effects are not driven by multi collinearity, as the effects are stable over the full spectrum of specifications (Model 1-6).

Table 6: Logit regressions, extended model, 'E', 'S' and 'G' score

	(1)	(2)	(3)	(4)	(5)	(6)
E Score	0.004	-0.009	-0.011*	-0.016**	-0.016**	-0.010
	(0.004)	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
S Score		0.023***	0.023***	0.018**	0.018**	0.018**
		(0.007)	(0.008)	(0.008)	(0.008)	(0.008)
G Score			0.006	0.005	0.006	0.003
			(0.006)	(0.006)	(0.006)	(0.007)
High Market Cap				1.045***	1.048***	1.357***
				(0.293)	(0.292)	(0.317)
High Leverage					-0.111	0.122
					(0.260)	(0.281)
Finance, Insurance, Real Estate						-2.308
						(1.410)
Manufacturing						-0.991
						(1.367)
Mining						-1.242
						(1.522)
Retail Trade						-1.554
						(1.462)
Services						-0.091
						(1.419)
Transportation & Public Utilities						-1.905
						(1.438)
Observations	332	332	332	332	332	324

[32] Thomsen Reuters ESG Scores, 2017: link

Size appears to be associated with the incidence of corporate scandals. However, we need to keep in mind that we have a matched sample (matched on total assets), which would mean that the market ex-ante attaches a higher market value, measured by market cap, to companies, that later on end up being more prone to scandals. Despite a matched sample on total assets, market capitalization is almost four times higher for the scandal group compared to the control group (Table 4). In the following section, we discuss this relation.

In Table 7, we are interested to understand if scandal companies create the value through higher leverage, but in fact we cannot establish such correlation. This means that the market genuinely believes ex-ante that scandal companies are of higher value.

Table 7: OLS regression, leverage

DV (Leverage)	(1)	(2)	(3)	(4)
Scandal	8.420	8.651	8.939	14.843
	(8.632)	(8.900)	(9.013)	(15.034)
E Score	-0.287	-0.264	-0.229	-0.167
	(0.241)	(0.221)	(0.208)	(0.144)
S Score		-0.039	-0.016	0.074
		(0.092)	(0.092)	(0.104)
G Score			-0.115	-0.136
			(0.077)	(0.090)
Market Cap (in log)				-6.345
				(6.713)
Observations	319	319	319	310
R-squared	0.029	0.029	0.030	0.048

6. Conclusion and discussion

In contrary to what we expected, we find that good behavior – when measured by ESG ratings – is not a predictor of (fewer) corporate scandals. Surprisingly, our empirical model shows that companies with high social responsibility (measured by high ‘S’ scores) are associated with a higher incidence of corporate scandals. With these results, we confirm the concern (Berg et al., 2022) that when it comes to ESG, there is a risk of rating agencies capturing only superficial commitments to responsible behavior by companies. We address the problem of unreliable ESG ratings, in particular the ‘S’ score and the issue of aggregated, transparent measures. On their webpage, Refinitiv states that *“ESG ratings serve as risk mitigation”* (Refinitiv, 2021). However, opposite to its self-stated merits of being “risk mitigating”, our analysis show that ESG ratings do not serve as risk mitigation in the case of scandals (see also the portfolio risk mitigation study by Kaiser & Welters, 2019). We question the ability of ESG rating providers to provide trustworthy ratings that serve as risk mitigation. In doing so, we join the literature of ESG rating reliability (Berg et al., 2022), scandal literature (Greve et al., 2010; Utz, 2019), as well as organizational accountability research (Cho et al., 2015). Although we do not show a causal link between high ratings and the incidence of scandals, the results invite for further examinations of the role of the companies in ESG washing (Candelon et al., 2021) and green washing (Yu et al., 2020). Recent stream of the literature address the problems of ethical window dressing (Muñoz et al., 2022). Our work suggests that a high ESG rating does not mean that the companies have integrated ‘good behavior’ and conducts business ethically and responsibly. Findings of this paper propose future research projects, which examine the relationship between a deeply ethical culture and the likelihood of ending up in corporate scandals (see for example Dorfleitner et al., 2022) as well as culture and good corporate sustainability practices (see for example Eccles & Serafeim, 2011), respectively. It further suggests more rigor in how responsible business behavior is measured.

Our work is based on one rating provider, Refinitiv. As the ‘S’ score of Refinitiv correlates with Sustainalytics (0.55), Moody’s (0.66) and S&P 500 (0.65), similar picture could potentially be observed by conducting the analysis by using those raters. There is, however, low correlation with some of the other rating providers, KLD and MSCI, being -0.05 and 0.27, respectively. This means, the result of such analysis could look different. Moreover, we emphasize that conducting the analysis of the ‘S’ score will imply decomposing the measure according to the respective rating provider.

The analysis invites for discussion of the relationship between market capitalization and corporate scandals. In the regression analysis, we find that even though the descriptives show higher ESG ratings in the scandal group in t-1 compared to the control group, this difference is cancelled out by controlling for market capitalization. Market capitalization ex-post scandals have been described in the literature (Utz, 2019) however if high valued companies are more prone to corporate scandals have been left out. When organizational norms stress the need to achieve high profit performance and on the other hand do not stress the need for legal and ethical behavior, pressures for corporate misconduct may build within the organization (Ashforth & Anand, 2003; Courtois & Gendron, 2017). Companies with high market capitalization may be more prone to corporate scandals due to increased expectations from investors and surroundings, as argued for in section “2.3 ESG ratings and the incidence of scandals”. Stretched goals theory (as for example applied by Gaim & Clegg, 2021) may supposedly lead firms to higher achievements, such as high market cap. Organizational failure to achieve stretched goals may be a *“misrepresentation”* (Goffman, 1959, p. 44) and lead to *“loss of face”* (Goffman, 1959, p. 46). This concept is closely linked to Goffman’s impression management theory which Goffman describes as a *“masquerade”* where the performer is described as an imposter (Goffman 1959, p. 44). Companies can appear to have achieved their goals, while the reality might be different (Gaim & Clegg, 2021). In the case of Volkswagen’s ‘diesel gate scandal’ stretched goals were resolved by illusion rather by practice, which created a gap between the promise and actual practice (Gaim & Clegg, 2021). Upon reveal, there would be a drop of masque or a loss of face (Goffman, 1959, p. 46), in the sense that the impressions performed in the front do not correspond to the back.

Our paper addresses whether the ESG rating agencies are able to establish ratings that reflect firms' real efforts to act responsibly towards the society, or whether the ratings may contribute to deceiving the audience. Through this analysis, we have studied the impact of ESG ratings on the likelihood of subsequent corporate scandals and found that the 'S' score has a predictive power on scandals, while the overall ESG ratings has not. While our work contributes to the ongoing 'aggregate confusion' discussion amongst ESG scholars by showing that there is little informational content in the aggregate Refinitiv ESG rating, we also show that the 'S' score is positively correlated with the likelihood of corporate scandals. This is in contrast to our expectation, suggesting that the 'S' score not only fails to measure a company's social responsibility, including the 'commitment to being a good corporate citizen' (Refinitiv, 2022). A high 'S' score is in fact associated with a higher incidence of corporate scandals – a thought provoking result that calls for further attention.

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8. Appendix

Table 2: Description of selected corporate scandals 2004-2020 from our sample

Company	Scandal year	Description	Scandal category	Country
ALPHABET INC.	2019	Sexual harassment - Google board tried to cover up sexual misconduct	Human Rights	USA
AMAZON.COM INC.	2018	Poor working conditions with delivery service	Human Rights	USA
BOEING COMPANY (THE)	2019	The 'MAX scandal' - plane crashes caused by lack of safety training in MCAS system.	Product responsibility	USA
BP	2010	Oil spill Gulf of Mexico	Emission	United Kingd
COCA COLA	2004	Child labor on sugar plantations	Human Rights	USA
DANSKE BANK	2018	Money laundrying in Estonian branch	Community	Denmark
EXXON MOBIL	2013	Oil spill in Arkansas	Emission	USA
FACEBOOK	2018	Cambridge analytica - violation of personal data protection (changed name to Meta)	Product responsibility	USA
GOLDMAN SACHS	2016	Corruption scandal related to 1MDB and the fraud-convicted Malaysian prime minister.	Community	USA
HERBALIFE	2019	Pyramid scheme cheating sales personnel selling heatlh nutrition	Community	Cayman Islan
HSBC HOLDINGS	2012	LIBOR manipulation and money laundering	Community	United Kingd
JOHNSON & JOHNSON	2014	Baby powder scandal. J&J is called "America's most admired lawbreaker"	Product responsibility	USA
LEHMAN BROTHERS	2007	Bankruptcy as a results of unethical business practice and excessive risk-taking	Community	USA
PETROBAS	2015	Bribery. 130+ convicted and former President Lula serves a 12-year prison sentence	Community	Brazil
PETROCHINA	2005	Chemicals in drinkable water after an explosion in chemestry factory	Emission	China
PFIZER	2007	Unauthorized drug testing with children in Nigeria 1997	Human Rights	USA
PG&E CORP	2017	Northern California wildfire killed 85 people. Management repeatedly ignored warnings	Human Rights	USA
ROCHE HOLDING	2009	Misrepresenting clinical studies of the drug, Tamiflu, with false effeciency claims	Product Responsibility	Switzerland
SNAP INC.	2019	Spy on users	Product Responsibility	USA
SOCIETE GENERALE	2017	Fraud and corruption allegations Libya with settlement of 963 billion EUR	Community	France
STATE BANK OF INDIA	2020	Accounting fraud and money laundrying. Multiple scandals before that	Community	India
TESLA INC.	2018	Fraud allegations	Community	USA
UBS GROUP	2011	LIBOR manipulation	Community	Switzerland
VALEANT PHARMACEUTIC	2016	Drug pricing manipulation (changed name to Bausch Health)	Community	USA
VOLKSWAGEN	2015	Dieselgate scandal - defeat device	Emission	Germany
WALMART INC	2012	Mexican bribery scandal	Community	USA
WALT DISNEY	2010	Child labor at suppliers	Human Rights	USA
WELLS FARGO & CO	2016	Accounting fraud. Creation of millions of fake savings accounts, exploiting clients	Community	USA
WESTPAC BANKING CORP	2019	Money laundrying	Community	Australia
WIRECARD AG	2018	Accounting fraud	Community	Germany

Note: We have listed a subset of our sample. In total we have included 113 corporate scandals that all have ESG ratings. We have identified the sample through Dow Jones Factiva Database by searching for the word 'scandal' in seven languages across media outlets. For further information, see Chapter 1, Section 3. Method.

Table 3: Descriptive statistics of corporate scandals

INDUSTRY AND SCANDAL CATEGORIES					
	Scandal Category				
Industry	Community	Emission	Human Rights	Product Responsibility	Total
Finance, Insurance, Real Estate	25	2	0	0	27
Manufacturing	17	10	10	15	52
Drugs	*7*	*0*	*1*	*7*	
Automotives	*6*	*6*	*0*	*4*	
Others	*4*	*4*	*9*	*4*	
Mining	1	2	1	0	4
Retail Trade	2	0	2	2	6
Services	7	0	4	3	14
Transportation & Public Utilities	5	1	3	0	9
Wholesale Trade	1	0	0	0	1
Total	58	15	20	20	**113**
Total Assets (USD Billion)	480,2	281,6	62,6	63,7	
Full Time Employees	126.596	169.682	101.039	105.168	
Market Capitalization (USD Billion)	86,0	100,5	128,3	93,3	

Chapter 2

How social-control agents interact in scandal emergence: insights from Danske Bank*

Abstract

The paper's aim is to examine how different social-control agents participate in the emergence of corporate scandal. The analysis shows how a framing coalition of different social-control agents turned misconduct in the Estonian branch of Danske Bank into a global scandal. Existing literature focuses on how media framing participates in the emergence of scandal, and on how social-control agents judge if a company transgresses a line between right and wrong. However, it falls silent in addressing the interplay between the different social-control agents in the emergence of scandal. Combining Goffman's impression management theory (1959) and Entman's framing theory (1993), I show how different actors participate in the emergence of corporate scandal through interrelated and sometimes competing frames (holding different backstage and frontstage). In doing so, I contribute to the understanding of corporate scandal emergence by developing the concept of framing coalitions (of different social-control agents). The empirical inquiry is informed by the 2018 Danske Bank money laundering scandal. The analysis reveals how the media framing plays a central role in the public blame and in creating coalitions of social-control agents through timely, emotional messaging, rather than reporting the technical details of the money laundering itself. By conceptualizing the dynamics of multiple frames, this thesis develops a new framing coalition concept, thereby contributing to the literature on corporate scandals with implications for research on social evaluations.

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1. Introduction

If misconduct is a tango (cf. Greve et al., 2010), scandal is a symphony. In a symphony, different instruments with each their tone complement each other and contribute to the melody. The conductor guides, rather than dictates. Specialists might pay attention to specific instruments; however, the general audience hears only the melody.

This paper examines the emergence and enduring of corporate scandals. The first motivation of the paper lies in the increasing number of corporate scandals, expressed by more attention being paid to misconduct (the social-constructivist view),[34] sometimes taking boards and senior management off guard (Gabbioneta, Clemente & Greenwood, 2023). Scandals are defined as negative public events rooted in moral allegations evoking public blame through mediated representations of the behavior itself (Thompson, 2005). While large amount of research has been dedicated to examining antecedents and consequences of misconduct, the process through which misconduct allegations make their way to the public eye arguably call for more extensive examination (Piazza & Jourdan, *forthcoming AMJ).* As societal norms change over time for how an audience judge transgressions, so does the nature of scandals (Adut, 2005). While some incidents indue stories in the traditional or social media that spread at high speed (Crockett, 2017; Etter et al., 2019), some evolve slower or even blow over. Nevertheless, there are some scandals that are sticky[35] to the company. This paper seeks to understand how a scandal emerges and endures.

The second motivation of the paper lies in the recent increasing academic interest on the role of media in scandals. Scholars have acknowledged that our understanding of scandals about organizational wrongdoing and fraud is, in a large part, constructed by the media, acting as a social-control agent, reporting about the related events (Clemente, Durand, & Porac, 2016; Clemente & Gabbioneta, 2017; Greve, Palmer, & Pozner, 2010). Organization and communication studies have emphasized that the media do not only objectively report about fraud or misconduct related events but they also assign meaning (through a framing process) as they select specific aspects (Cornelissen & Werner, 2014) and offer specific interpretations of these events to their audiences (Kepplinger et al., 2012). This framing significantly shapes public opinion and support or impede subsequent handling of the misconduct or the fraud, as the media assign responsibilities and may trigger reforms (cf., Clemente et al., 2016; Neu, Everett, Rahaman, & Martinez, 2013; Neu, Saxton, Rahaman, & Everett 2019; Roulet, 2019). In line with this, I seek to explore how the media coverage of fraud or misconduct participates in the emergence of a scandal, adopting a constructivist approach (Anand, Dacin, & Murphy 2015; Cooper & Morgan,

[34] cf., the recent Special Issue "Organizational wrongdoing as the "foundational" grand challenge" by Gabbioneta, Clemente and Greenwood, 2023. Corporate scandals are on the rise according to corporate crime statistics (PWC) and anecdotal evidence, such as Harvard Business Review, 28 December 2016 link and Observer, 10 September 2019 link. According to PWC (link), corporate crime on the rise. In 2012, 34% had experienced some form of economic crime in the 12 months preceding the survey. In 2022, 46% of the respondents had experienced some form of economic crime.

[35] I use "stick" and "stickiness" to describe when bad press and negative media stories attach to the company for longer periods of time.

2008; Palea, 2017). While recent increasing attention is paid to the role the media plays in constructing fraud or organizational wrongdoing as scandalous (Clemente & Gabbioneta, 2017; Detzen, 2023; Gabbioneta et al., 2023; Greve et al., 2010; Oelrich, 2023) and of how past transgressors create different contexts that shape the likelihood of scandalization (Han et al., *forthcoming AMJ*), it is still under-explored how the interplay with media and other actors affect scandal emergence. This paper seeks to address this first lacuna in the literature, by empirically investigating how scandals are framed by the media as a social-control agent and how they emerge.

The third motivation of the paper consists in understanding the mechanisms that eventually make a scandal stick, building on Jourdan's (2023) recent work on scandals as moral interactions between social-control agents, broader audience members and the alleged perpetrators (cf., Special Issue on "Organizational wrongdoing as the 'foundational' grand challenge", Gabbioneta, Clemente and Greenwood, 2023). In examining the interactions in scandal emergence, I build on the contributions on the role of the media framing in scandals (Clemente & Gabbioneta, 2017), and the role of social-control agents (Greve et al., 2010; Dewan & Jensen, 2020). According to Moore (2014) and Greve et. al (2010), social control agents[36] seek to uphold compliance or social accountability, and they are not necessarily enshrined in law. To describe their role, Moore (2014) applies the notion of 'court of public opinion' as being composed of *"many different kinds of social actors who seek to impose external accountability on large, powerful organizations"* (Moore, 2014, p. 633). Social-control agents evaluate and judge organizations on whether they are sufficiently respectful of the rights of their surroundings (Greve et al., 2010). The literature on the social-control agents, that I build this paper on, argues that social-control agents give voice to their claims, predominantly through the media, and encourage others to support them (Moore, 2014).

While literature on media framing have recently gotten momentum in the context of corporate scandals (Clemente & Gabbioneta, 2017; Gabbioneta, Clemente & Greenword, 2023), misconduct (Greve et al., 2010; Roulet, 2019) and media coverage of firms (Graf-Vlachy et al., 2020), scant attention is paid to how the scandal emergence is affected by an interactive process between different social-control agents. The paper seeks to remedy this by introducing a multiple framings perspective, that builds on a combination of Goffman's impression management theory (1959) and Entman's framing theory (1993). The conceptual categories of multiple backstages and frontstages (Laguecir & Leca, 2019) will be mobilized, together with the framing as defined by Entman (1993, p. 52), in his work on the media framing of political scandals: *"Framing essentially involves selection and salience. To frame is to select some aspects of a perceived reality and make them more salient in a communicating text*." Previous research has adopted Entman's concept of media framing (An & Gower, 2009; Clemente & Gabbioneta, 2017; Van Erp, 2013, Oelrich, 2023). The combination of Goffman and Entman allows me to conceptualize on the one hand, how frames are constructed to elicit a certain interpretation of events (Entman, 1993), and the

[36] In this paper, I use social-control agents, social accountability agents and actors of social control interchangeably.

aspects of selection and salience involved in media framing; and on the other hand, how social-control agents refer to certain framing of events (Goffman, 1974).

In doing so, I try to enhance the understanding of how scandals are dynamically unfolding. I address how each group of social-control agents hold and promote their own frame of the scandal. Following framing theory (Entman, 1993) and in line with Clemente & Gabbioneta, (2017), I view the media as a specific social-control agents, who is also a central conveyors of framing, as the public depends on information that is often almost exclusively relayed by mass media. According to Goffman, this relates to what is kept in focus (front) as it is about what is left out of focus (back): "An individual who relays an occurrence through himself is, of course, in a position to edit what he relays" (Goffman 1974, 450).

More specifically the paper seeks to address the following research question: **how do scandals emerge and endure? And what role do different social-control agents play therein?**

In answering this question, I build my inquiry on a case-based study of the largest bank in Denmark, Danske Bank, known as being involved in *"probably the largest ever money-laundering scandal in history"* (The Guardian, 21st September 2018).[37] Besides the increased political focus on money laundering in recent years (Financial Action Task Force (FATF), 2016)[38], the empirical focus of Danske Bank is particularly interesting, as the scandal involved national and international social-control agents, extensive media coverage, legal sanctions, CEO and chairman exits, shareholder claims, and policy implications.[39] As the topic of money laundering involves a high level of technical complexities, the case was particularly vulnerable to the media selecting some aspects of perceived reality in their coverage of the case. Besides this, societal norms towards money laundering were evolving from when the bank noticed the incidences (in 2014) to the publication of the incidence. The visit from FATF changed the frames of money laundering in Denmark: *"before FATF's visit [in 2016, edited], money laundering was not a priority in Denmark. The national measures did not mitigate the inherent risk in Denmark and thereby left the Danish open economy severely vulnerable for being misused for money laundering purposes"* (interview, scholar in anti-money laundering).

This paper provides insights into the interactions between the different social-control agents. First, the analysis shows that different social-control agents hold different framings that may be sometimes competing and sometimes consistent. Our case study, Danske Bank, provide insights into how initial competing frames later complimented each other, as in the case of the Financial Supervisory Authorities (FSA) and the prominent Danish newspaper, Berlingske. Second, the analysis reveals that the formation of a dominant coalition between different social-control agents with converging framings contributes to the creation of scandal. More specifically, I show how different social-control agents influence the creation of corporate scandal through interrelated frames where each performer has their respective backstage and frontstage. When multiple framings converge into one dominant frame that is agreed upon by multiple social-control agents,

[37] The Guardian, 21 September 2018: link
[38] The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. FATF assessments Denmark: link
[39] US Department of Justice press release settlement, 13 December 2022: link

there is a ‘case for the public court’ (borrowed from Moore, 2014), that can evoke a scandal (Detzen, 2023). The formation of coalitions entails that the framing of the social-control agents, promoting each their frame, are not necessarily consistent, but instead they are complementing each other. Third, the paper finds that the scandal emerges when key social-control agents (including the media) converge in the framing they promote. The analysis reveals how the media framing plays a central role in evoking public blame through timely, emotional messaging, rather than reporting the technical details revealing the extent of the money laundering itself. In the interview, I learn the importance of ‘stereotype’ framing (Entman), as “too many details about technicalities [about the money laundering, red.] did not evoke public blame” (Interview, investigative reporter, Berlingske).

I contribute to existing literature that shows that if media do not form part of the dominant coalition, the scandal has low chance to endure (Laguecir & Leca, 2019; Thompson, 2005), by not only showing the importance of media, but adding a layer that shows how the converging frames of the media and other social-control agents plays a key role in scandal emergence. In doing so, I contribute with a new framing coalition perspective of how corporate scandals endure and stick.

The paper is organized as follows. Next, I review previous research on the interaction between social-control agents and the creation of scandals, to develop the conceptual framework whereby I will approach the analysis. Before the analysis, I present the research method used here, a detailed case study drawing upon primary and secondary data and an abductive process. Following this, I present the analysis of how the Danske Bank scandal emerged from the interaction between multiple frames held and promoted by different social control agents. Finally, I discuss the results of the analysis, outlining the paper’s contributions and implications.

2. Theoretical background

Here, I briefly review the literature on framing and corporate scandals in management, organization, and accounting studies, and subsequently present the theoretical framework on which I draw to elaborate the notion of framing coalition and to conduct the empirical case analysis.

2.1 Literature review on framing, social evaluation, and corporate scandal

Since the contribution of Greve, Palmer & Pozner (2010), the role of social-control agents in the judgement of misconduct has been on management and organization studies research agenda (Clemente & Gabbioneta, 2017; Dewan & Jensen, 2020; Gabbioneta et al., 2023). Specifically, the phenomenon of corporate wrongdoing has been treated through the social-constructivist view (Clemente & Gabbioneta, 2017; Gabbioneta et al., 2023; Palmer, 2012), that I adopt here. Scholars have acknowledged the merits of this new perspective, perceiving wrongdoing as a two-way interaction between companies and social-control agents, as “it takes two to tango” (Greve et al., 2010, p. 78), that is, the company behavior itself, and the one who judges the behavior.

Social-control agents include authorities or professional organizations on a local, national, or international level (Greve et al., 2010), however they also include other entities, such as the media (Clemente & Gabbioneta, 2017) or rating agencies (Espeland & Sauder, 2007; Kjaer & Kirchmaier, 2023). More specifically, social-control agents represent a larger collectively and possess capacity to impose sanctions on its behalf (Dewan & Jensen, 2020). According to Moore (2014), the social-control agents[40] seek to uphold compliance or social accountability without necessarily being enshrined in law. To describe their role, Moore (2014) applies the notion of ‘court of public opinion’ as being composed of “many different kinds of social actors who seek to impose external accountability on large, powerful organizations” (Moore, 2014, p. 633). Social-control agents evaluate and judge organizations on whether they are sufficiently respectful of the rights of their surroundings (Greve et al., 2010). In doing so, they give voice to their claims, predominantly through the media, and encourage others to support them (Moore, 2014). Organizations are constantly subject to social evaluations by their stakeholders and society (George, G., Dahlander, L., Graffin, S.D., & Sim, 2016). These social evaluations forms the basis for audience perceptions targeted the organizations as well as interactions with audience and stakeholders (Ertug et al., 2016).

In light of the public opinion’s influence by traditional and social media (Barkemeyer et al., 2020), literature on framing has gotten momentum (Clemente & Gabbioneta, 2017; Gabbioneta et al., 2013, 2023; Oelrich, 2023). The news outlets can mediate the presentation of the scandal narrative, either in their own role as social-control agent (see Clemente & Gabbioneta, 2017), or as intermediaries for other social-control agents (see Greve et al., 2010). Studies show how media evoke blame of irresponsible behavior rooted at the top of large, powerful companies (Thompson, 2005, Detzen, 2023). Scholars outline how the misdeeds are rooted in flawed corporate cultures, pushing employees to meet the numbers at all cost (as addressed by Healy & Serafeim, 2019). Executive management of the companies were framed as acting in their own interests and that the behavior is rooted in fundamental flaws in the company culture (see Clemente & Gabbioneta, 2017 for framing categories on the media framing of the Volkswagen 'dieselgate' scandal). The media often present a causal analysis of the misdeeds (Kepplinger et al., 2012; Roulet & Pichler, 2020). When locating who is to blame for a negative incident, scholars – but also the media – apply the popular narratives of ‘bad apples’ versus ‘bad barrels’ (used by Kish-Gephart et al., 2010) or ‘bad apples’ versus ‘rotten to the core’ (used by Guckian et al., 2018). Etter et al. (2019) show that emotional responses from the audiences are critical to production and distribution of social evaluations on social media.

This new stream of literature has found that our understanding of scandals is largely constructed by the media, acting as a social-control agent and reporting about corporate misdeeds (Clemente, Durand, & Porac, 2016; Clemente & Gabbioneta, 2017; Greve, Palmer, & Pozner, 2010). Organization and communication studies have emphasized that the media assign meaning as they

[40] Moore (2014) applies the notion “actors of social control”.

frame selected aspects of events (Cornelissen & Werner, 2014), offering specific interpretations of these events to their audiences (Kepplinger et al., 2012). These framings can shape public opinion and support subsequent handling of the misconduct or the fraud, as the media assign responsibilities, induce public scrutiny, and may trigger public humiliation and reforms (cf. Clemente et al., 2016 Neu, Everett, Rahaman, & Martinez, 2013; Neu, Saxton, Rahaman, & Everett 2019; Roulet, 2019). Han et al. (*forthcoming AMJ*) argues that status of industry companies that earlier were involved in a scandal affect how a company is being framed and scrutinized by the media, and thereby judged. In doing so, the media tend to highlight the commonalities with previous high-status transgressors of the same industry (Han et. al, *forthcoming* AMJ). As social-control agents are judged on their ability to sanction wrongdoers (Greve et al., 2010), agents may very well be incentivized to interpret the line from right to wrong according to their own interests (Detzen, 2023). Consequently, organizations may thus engage in wrongdoing unknowingly, as the labelling happens from the outset of social-control agents and include moral allegations with room for interpretation (Palmer, 2012). While some journalists take on a self-claimed role of being 'guardian of the moral', literature suggests that they are endogenous to transgressions, as they actively interpret corporate behavior and shape public opinion in their own interest (Detzen, 2023).

Some incidents of misconduct receive scant media attention or never receives attention from other stakeholders or social-control agents. Piazza & Jourdan (*forthcoming AMJ*) combine social network theory (Granovetter, 1985) with the concept of norm underenforcement (Adut, 2005) to examine why that is. In doing so, Piazza & Jourdan add to Adut (2005) who assigns external norm underenforcement to why some transgressions can be overlooked for a long time by authorities and the media, that is, weakness of the norms, high status of the alleged offender, and practical obstacles to enforcement. The process by which misconduct gets publicized gives birth to 'externalities' from third parties (cf. Adut, 2005), or 'social cost' to for communities when confiding allegers (cf., Piazza & Jourdan, *forthcoming AMJ*). If it is costly to speak out against allegators, it can explain on one hand why social-control agents and audiences hesitate to do so, and on the other hand why publicization of misconduct can suddenly elicit very harsh reactions after being known privately, not publicly, for a long time:

> "Once a scandal breaks, however, the externalities that are put in motion by the publicity of the transgression may prod polluted or provoked third parties into showing extraordinary zeal vis-a`-vis the offender, to signal rectitude or resolve."
>
> (Adut, 2005, p. 216)

In an analysis using data from sex abuses in the U.S. Catholic Church between 1980-2010, Piazza & Jourdan (*forthcoming AMJ*) test how an act of organizational wrongdoing become widely publicized. Adding to Adut's norm enforcement theory, they find that community-level structures and embeddedness of deviant organizations within these structures affect the likelihood of misconduct emerging into a scandal or blowing over (Piazza & Jourdan, *forthcoming AMJ*). Likewise, in his insightful work on cooperative social control, Piazza (*forthcoming AMJ*) argues that cross linkages in terms of preexisting relationships can create common ground between the alleged company and social control agent to solve the conflict without the deviance evolving into scandal emergence. Benefiting from the insights from Piazza & Jourdan's work on embeddedness, I can develop the multiple framing perspective between different social-control agents that I use for the analysis (see section 2.3).

To further understand the process through which a scandal emerges and endures, I turn to Jourdan (2023) and Detzen (2023). Until recently, the interaction between different social-control agents have only scarcely been examined in the literature (Jourdan, 2023; Detzen, 2023). Clemente and Gabbioneta (2017) showed that different media outlets can promote competing frames applicable to scandal events. Two recently published studies have opened for new insights on interaction between the media and other social-control agents, that is Jourdan (2023) and Detzen (2023). The ladder finds that the actions of one social-control agent may prompt another to inspect and sanction, and that the pressure that motivates social-control agents may arise from public opinion or from the stimulus of other social-control agents. While Detzen (2023) argues that the sanctions ('remedies' according to Entman) which social-control agents choose to impose are affected by their reputation (in line with the social cost of speaking up, by Piazza & Jourdan, *forthcoming AMJ*), it leaves open to analyze how frames of different social-control agents interact with each other. In his theoretical paper, Jourdan (2023) breaks with the view that scandals are treated as discrete events. Instead, we ought to see scandals as "social processes that bring together different groups of actors" (Jourdan, 2023, p. 79). Some of these actors are individuals, and some are organizations, and Jourdan (2023) propose to divide them into three groups: the perpetrators (the scandal companies), the social-control agents, and the audience. Social control agents act as moral entrepreneurs (Jourdan, 2023; Becker, 1963), however:

> "they [social-control agents] may be motivated by morality concerns and/or self-interest. The two dimensions are typically intertwined and hard to disentangle empirically: social control agents may genuinely push a moral agenda and, in doing so, obtain valuable resources and advantages for themselves or their group." (Jourdan, 2023, p. 80)

Theories of social control have been concerned with how deviant behavior is channeled via various pathways through which allegators and social control agents interact with the purpose of resolving the conflict, whether in court, through the actions of a legislative body, or at the negotiating table (Alessandro Piazza, Patrick Bergemann & Wesley Helms, 2023, *forthcoming AMJ*). In this paper, I focus the attention on the interaction between different social-control agents and their respective frames. In doing so, I follow Jourdan's invitation for further research in the gap of "how frames, narratives, and labels are crafted" (Jourdan, 2023, p. 88), including how the interactional process of different social-control agents and other actors affect scandal emergence and endurance.

2.2 Combining Goffman and Entman

In this subsequent section, I will introduce the concepts of impression management (Goffman, 1959) and framing (Entman, 1993), which allows me to analyze the processes of interaction of different social-control agents through a multiple framing perspective.

To understand how actors present themselves within a scandal framing context, this paper turns to Goffman's dramaturgical analysis, developed to understand how individuals present themselves in everyday life (Goffman, 1959). According to Goffman's conceptual framework, individuals are actors that adopt archetypal roles, depending upon the context of social life they are in. These roles are idealized presentations of the self, shared between the performer and the audience through impressions that can be direct or tacit. The role is performed by presenting a frontstage: *"that part of the individual's performance which regularly functions in a general and fixed fashion to define the situation for those who observe the performance"* (Goffman, 1959, p. 22). The front is visible to the audience, as opposed to the backstage, and consists of the way in which, the role is performed and the appearance of the performer. The actor must offer a compelling front and perform the social duties specific to this role, so that the performance will appear consistent to the audience. In Goffman's analytical framework, the front allows others to understand and categorize the individual based on the projected image, which conveys normative meanings. Aspects of the individual that do not match the front will be hidden backstage, in the part of the self that individuals will hide from the audience. Goffman's approach has recently been used in accounting and organization research to investigate how organizations engage in impression management regarding sustainability reports and sustainability ratings (Cho et al., 2015; Kjaer & Kirchmaier, 2023). Cho, Laine, Roberts & Rodrigue (2016) apply the concept of frontstage/backstage in uncovering and further documenting the deceptive nature of the discourse contained in standalone sustainability reports.

Goffman describes dark secrets as consisting of facts which the performer "knows and conceals and which are incompatible with the image of self" that it attempts to maintain towards its audience (Goffman, 1959/1974, p. 141). Goffman refers to them as 'double secrets' since they are both hidden and not openly admitted. In his book *Frame Analysis* (1974), Goffman presents the idea of frames to locate, perceive, identify, and label incidents. With Entman (1993), frame analysis evolved into a methodology, that have been widely accepted by media scholars (Linström & Marais, 2012). Since Goffman introduced the concept of frame analysis and Entman applied framing to understand the mass media, scholars have applied this concept to understand how the media structures delivery of news, promoting certain interpretations of events by selecting certain facts. Entman (1993) defines framing as *"the process of culling a few elements of perceived reality and assembling a narrative that highlights connections among them to promote a particular interpretation"* (Entman, 1993, p. 164).

Entman (2012) introduces the scandal frame for political scandals, that is later adopted by Clemente & Gabbioneta (2017) for organizational studies. In doing so, Entman argues that a scandal originates not only when the media discloses a transgression (as proposed by Thompson, 2005), but also when the media applies a scandal frame. In Entman's (2012) theory, a media frame is central for a scandal to emerge. Focusing on political scandals, he shows that U.S. presidential scandals emerged when media framed the behavior of a president in a way that include the four elements, by which Entman in 1993 argued would make a frame 'fully complete': 1) problem definition; 2) causal analysis; 3) moral judgment; and 4) remedy promotion (Entman, 1993; 2004; 2012; Clemente & Gabbioneta, 2017). Entman argues that a fully developed frame includes those four elements (Entman, 1993, 2004).

By building on Goffman's and Entman's work, I develop the multiple framing perspective to conceptualize and examine how different social-control agents interact with each other in creating and making a scandal stick. In such multiple framing perspective, I draw on Piazza & Jourdan, (*forthcoming AMJ)*, and argue that the 'back' of social-control agents might entail social cost in terms of contamination of closely tied networks. In case of misconduct, it may be that some social-control agents are reluctant to speak up, until the social cost of not doing so will exceed the potential cost of spillovers in the case of closely tied networks. The framing of one actor, e.g., the media might not be sufficient to build a case against the company. More actors with complementing frames may be needed to make scandal stick. Entman argues *that "the more congruent the frame is with schemas that dominate the political culture, the more success it will enjoy"* (Entman, 2004, p. 14), with congruence measuring the ease with which a news frame cascades through the framing process. Entman argues for a frame to be put into people's thoughts, journalists should balance *"a good match between a news item and habitual schemas"* (Entman, 2004, p. 15). Through this, the audience can relate to the stories promoted by the media or political forces and 'make the connections' and 'mental pathways' (Entman, 2004). Entman explains that reporters construct associations that match the public's habits of thinking as a *"novel embodiment of an existing stereotype"* (Entman, 2012, p. 103). To explain how the media evoke emotional reactions, Kepplinger et al. (2012) combine Entman, scandal research and appraisal theory. In doing so, they argue that media promote a guilt frame consisting of five aspects: *"high damage, human agency, selfish goals, prior knowledge and freedom of action"* (Kepplinger et. al, 2012, p. 662).

Whereas Piazza refers to the importance of consensus between the deviant company and the social control-agents in publication of misconduct, I use this approach to address the greater consensus between different social-control agents. If central social-control agents show no interest in the efforts, despite efforts of one social control agent, this might result in silence rather than scandal (Entman, 2012). I argue that with the greater the consensus, the more that social control agents will feel pressured to take unequivocal action to deal with the deviant behavior decisively (Piazza, *forthcoming AMJ*). While Piazza & Jourdan (2023) address the embeddedness of companies and social-control agents, I use the notion of embeddedness in understanding the multiple framing perspective and the interrelatedness of different social-control agents that I use for the analysis.

Previous literature has mostly focused on the two-way notion of wrongdoing, as being judged by social-control agents and in particular the media (Greve et al., 2010), thereby leaving open the questions of how the interaction of different social-control agents affect how scandals emerge and endue. To understand the interaction between multiple framings of social-control agents in scandal emergence, I adopt two concepts and apply them to scandals: 1) the concept of impression management from Goffman (1959), rooted in sociology, and 2) the concept of scandal framing from Entman (2012), rooted in political research. Focusing on the role of social-control agents, this paper aims to look for empirically informed answers to how scandals emerge and endure. To do so, I analyze the links between different social-control agents, including the media, and in particular how convergence and the interaction between different social-control agents affect the emergence of corporate scandal.

3. Method

This analysis examines the case of the Danske Bank money laundering scandal, which manifested itself as a corporate scandal during 2018[41] – after numerous disclosures in the media of perceived problematic hidden behavior since March 2017.

3.1 Data collection

This research is based on a combination of seven original interviews with central parties involved in the scandal, official public records, as well as media articles. Due to the nature of the case, there are rich amount of publicly available reports and documents to base the analysis on. This approach follows previous research of fraud and scandals with legal investigations[42] to follow (Gabbioneta et al., 2013; Laguecir & Leca, 2019). As I am particularly interested in the different social-control agents and their interactions, I have been able to triangulate data between interviews with public records. The data sources are illustrated in Table 1. To examine how the media is interacting with other social-control agents and framing the scandal, I use newspaper articles in combination with official documents, including releases from authorities and lawyer examination reports.

Table 1: Data collection and sources

Interviews

Senior executive, Danske Bank
Investigative reporter, Berlingske
Senior executive, FSA Denmark
Scholar within money laundering, Copenhagen Business School
Employee, Danske Bank
Anonymous 1
Anonymous 2

Media articles

Berlingske (Danish newspaper)	15
Bloomberg (UK)	1
Børsen (Danish newspaper)	2
FINANS (DK)	2
Finans Watch (DK)	4
Financial Times (US)	2
Jyllandsposten (DK)	5
Organized Crime and Corruption Reporting Project	2
Reuters	3
The Guardian (UK)	2
Wall Street Journal (US)	1

Reports and documents

The Financial Action Task Force (FATF) report, Aug 2017
Internal legal report (preliminary investigation), Kroman Reumert, Feb 2018
US Department of Justice, press release 13 Dec 2022
Offical legal report, Bruun & Hjejle, 19 Sep 2018 - Report on the Non-Resident Portfolio at Danske Bank's Estonian branch
The Financial Supervisory Authorities, (FSA), Denmark, report 5 May 2018
The Financial Supervisory Authorities, (FSA), Denmark, report 4 Oct 2018
The Financial Supervisory Authorities, (FSA), Denmark, report 28 Jan 2019
The Court in Lyngby, 8 Nov 2022, sentence
State Prosecutor for Special Crime, press release
Organized Crime and Corruption Project (OCCRP), 4 Sep 2017

Press releases, social media and books

The Financial Supervisory Authorities, (FSA), Denmark, press releases
The Financial Supervisory Authorities, (FSA), Estonia, press releases
Danske Bank, company announcements, press releases
Twitter
Book by investigative reporter Michael Lund, Simon Bendtsen og Eva Jung *- Beskidte Milliarder, Gyldendal Business (2019)*

[41] Stage 1: March 2017 – January 2018. Stage 2: February 2018 – August 2018. Stage 3: September 2018 –
[42] Plea agreement, US Department of Justice, 13 December 2022: link

To gather this information, I focused my search on three types of newspaper coverage. I found that the Danish newspaper, Berlingske, covered the entire period of the scandal, from March 2017 onwards, while other newspapers entered a joint investigation from September 2017. I refer to this joint investigation as a 'media coalition' in the analysis, and it included: Berlingske (Denmark), OCCRP, The Guardian (UK), Süddeutsche Zeitung (Germany), Le Monde (France), Tages-Anzeiger and Tribune de Genève (Switzerland), De Tijd (Belgium), Novaya Gazeta (Russia), Dossier (Austria), Atlatszo.hu (Hungary), Delo (Slovenia), RISE Project (Romania), Bivol (Bulgaria), Aripaev (Estonia), Czech Center for Investigative Journalism (Czech Republic), and Barron's (US).[43] In the second half of 2018, other newspapers became more active as the scandal began to emerge (Financial Times, Børsen, Wall Street Journal, The Guardian, Reuters, Jyllandsposten, FINANS as well as Bloomberg). Based on secret sources, newspaper articles provided data including police interrogations, internal documents, and information on discussions at internal meetings, control report and whistleblower as well as alerts from national and international authorities. In accordance and consistent with previous research on fraud (Courtois & Gendron, 2017; Laguecir & Leca, 2019), I consider them crucial sources of information. Furthermore, I have used press releases from national authorities (such as Financial Supervision Authorities in Denmark and Estonia) and Danske Bank and public reports, such as the Financial Action Task Force (FATF) report released in August 2017, the lawyer reports from Kromann Reumert (February 2018) as well as Bruun & Hjejle (September 2018). Lastly, I have used other official documents and court verdicts, such as the settlement between Danske Bank and the US authorities (US Department of Justice) and the non-guilty sentence from the Danish court against Thomas Borgen (The court in Lyngby, 8 November 2022). All sources are illustrated in Table 1.

Although the scandal has been well-covered through official records and substantial media coverage, I have conducted seven interviews with sources close to and on different sides of the scandal. Due to sensitivity of the case, the interviewees are held anonymous. Four of these interviews were tape-recorded; a senior executive in Danske Bank, an investigate reporter at Berlingske, a senior executive from FSA Denmark, and a scholar with special knowledge about anti-money laundering from Copenhagen Business School. Notes were taken during the interview of the Danske Bank employee. Two further interviewees wish to stay anonymous without being recorded. In these cases, notes were taken. One investigative reporter from Berlingske provided an interview lasting two hours, followed by follow-ups by e-mail, thus giving me further insight about the various measures being taken to promote the framing on Danske Bank. During these interviews, the case was reconstructed and enabled me to create a timeline with events, and to get an understanding of mechanisms in the different phases of the scandal. To understand the interplay between the different social-control agents, I use the references to direct releases of e.g., statements made by politicians, taken from the three investigative journalists' book released on 29th August 2019.

[43] OCCRP, 4 September 2017: link

3.2 Data analysis

I approached the documents knowingly that each text was written from a specific standpoint. In doing so, the analysis considered that all actors had interests. In the Danske Bank scandal, the stakes were high, both for the bank itself, its owners, for Denmark as a country and for former CEO, Thomas Borgen, as well as former chairman, Ole Andersen. In addition, the investigative reporters from Berlingske as well as other media might also have subjective interests, such as fame, career prospects or economic incentives. Consequently, I considered that all documents and statements were potentially biased and value loaded with potential intentions of serving a cause. An example is the whistleblower, Howard Wilkinson, who was later revealed to be one of Berlingske's main sources might also have his motives for sharing the information. In the aftermath of the scandal, it was revealed that Wilkinson made an agreement with a US-based law firm that ensured economic rewards in cases of fraud exposure with legal penalties to follow[44]. The potential economic incentives of the whistleblower is shown in the article from Jyllandsposten, 11 January 2019.[45] Being aware that in sensitive cases like corporate scandals, each source of information has a specific bias (Neu et al., 2013), I used number of different data sources to triangulate them while also here acknowledging their specific biases (Laguecir & Leca, 2019).

3.3 Delimitation

This study is limited to examine how the Danske Bank money laundering scandal emerged and endured, and how the different social-control agents interacted therein. To ensure a deep level of analysis to answer this research question, the analysis considers interactions by social-control agents starting from March 2017 to December 2018. The formation of the framing coalition of social-control agents during 2018, leading up departure of the CEO and chairman in fall 2018, are central events that made the scandal endure. While not part of this paper, from January 2019 onwards, the scandal continued to be sticky with sanctions continuously imposed on the bank. The Danske Bank money laundering case is a complex one. I emphasize and acknowledge that many analytical perspectives as well as theoretical approaches can be taken.

4. Findings

In this section, I examine how the different social-control agents became active during the scandal emergence and eventually contributed making the scandal endure and become sticky to the company. I structure the findings as follows: first, I set the scene by giving an overview of the scandal. I then account for the different stages of the scandal by introducing different social-

[44] FINANS, 1 October 2023: link

[45] Jyllandsposten 11 January 2019, "Milliardbøder til Danske Bank kan forgylde whistleblower" (not available online)

control agents and their respective frontstage/backstage (using Goffman) as well as framings (using Entman). I do this to understand how multiple framings were imposed to create a case against Danske Bank. I finally present the findings that reveal how a dominant framing appeared, and how a *framing coalition* turned misconduct in the Estonian branch into a global scandal for Danske Bank. I derive the conceptual construct, *a framing coalition*, from analyzing the case through a multiple framing perspective, developed by mobilizing Entman and Goffman. In the subsequent discussion section, I discuss this novel framing coalition concept and how it can be applied for future research.

4.1 Setting the stage

In 2007, Danske Bank acquired the Finish Sampo Bank in 2007 to strengthen its position in the Nordics (Bruun & Hjejle, 2018). With the acquisition followed affiliates in the Baltic countries, including the Estonian branch (Bruun & Hjejle, 2018). In the years to follow, the collapse of Lehman Brothers sent shock waves around the world, and Danske Bank struggled with survival (Børsen, 15 September 2023)[46] and was twice rescued from bankruptcy by the Danish state (Bruun Hjejle, 2018).

In 2017, the prominent Danish newspaper, Berlingske, brought the first articles in what would later be known as one of the largest money laundering scandals in European history (The Guardian, 20 September 2018). The 'hidden behavior' that initiated the scandal was money laundering from the Estonian branch of Danske Bank, that began in 2007, following Danske Bank's acquisition of Finnish Sampo Bank with an Estonian branch (Bruun & Hjejle, 2018). In the period between 2007 and 2015 over 200 billion euros of suspicious transactions that originated mainly from Russian non-resident clients flowed through Danske Bank's Estonian affiliate (US Department of Justice, 13 December 2022). Danske Bank's Estonian affiliate not only facilitated money laundering of an amount that alone was larger than the money laundering scandals of Deutsche Bank and BNP Paribas together,[47] media articles and the legal settlement also stated that management knowingly lied about it (US Department of Justice, 13 December 2022). With that, the money laundering was perceived by the audience as being 'hidden' and 'not openly admitted'[48], making it a 'dark secret' in Goffman's terminology. Danske Bank's top executives' perceived lack of responsible action were framed in news articles from February 2018 onwards.[49]

The consequences of the scandal included a stock decline of 49% from February to October 2018[50] (with one dramatic month of stock declines of 25%[51]), CEO and chairman exits, legal sanction,

[46] Børsen 15 September 2023, "Så tæt var Danske Bank på at gå ned i kølvandet på Lehman Brothers kollaps": link
[47] Comparison presented in the book "Beskidte Milliarder" written by the three prize-winning investigative reporters from Berlingske
[48] Top management in Danske Bank framed as covering up, e.g., The Dispatch Global, 30 April 2019: link
[49] The first story that Danske Bank ignored warnings was brought in Berlingske on 12th September 2018, seven days before the press meeting where former CEO Borgen left Danske Bank: link
[50] Closing price, stock, CPH, DANSKE: 2th March 2018 DKK 244,90, 26th October 2018 DKK 126.00.
[51] Closing price, stock, CPH, DANSKE: 28th September 2018 DKK 168.70, 26th October 2018 DKK 126.00.

public humiliation, reputational damage, policy implications, and “money laundering” called out as the “word of the year” in Denmark in 2018.[52] By 2022, the bank’s responsibility was cemented in a US context in a press release from US Department of Justice, saying: *“For its years-long criminal conduct, today Danske Bank pled guilty to conspiring to commit bank fraud”*[53] (US Department of Justice, 13th December 2022). As expressed in a speech at a Danish state visit by the Estonian Minister of Finance, US authorities wished to hold someone accountable (interview, scholar with expertise in anti-money laundering). US authorities sanctioned Danske Bank to *“demonstrate that the Department of Justice will fiercely guard the integrity of the U.S. financial”* (Deputy Attorney General Lisa O. Monaco, US Department of Justice, 13 December 2022). Led by a dominant scandal framing by the media, the management of Danske Bank was judged by the public as being responsible for the money laundering (see more in Section 4.2, 4.3 and 4.4). Management was framed and accused for not acting responsibly when confronted with the money laundering and having *“lied to its U.S. partners about the strength of those safeguards”* (Wall Street Journal, 13 December 2022).[54]

However, in the aftermath of the scandal, no legal court rulings in neither the US nor in Denmark had found evidence that Danske Bank’s top management had broken their legal obligations (FINANS, 1 October 2023).[55] The State Prosecutor for Serious Economic and International Crime in Denmark dropped indictment with *no* signs of serious negligence by Danske Bank’s top management, and *“no basis for bringing charges for having violated the Money Laundering Act”* (FINANS, 29 April 2021).[56] Furthermore, in a lawsuit initiated by investors, it was found that the CEO Thomas Borgen was clean, with the conclusion that he acted on the information he was given, that is, no covering up of knowledge about the money laundering (The court in Lyngby court, 8 November 2022).[57]

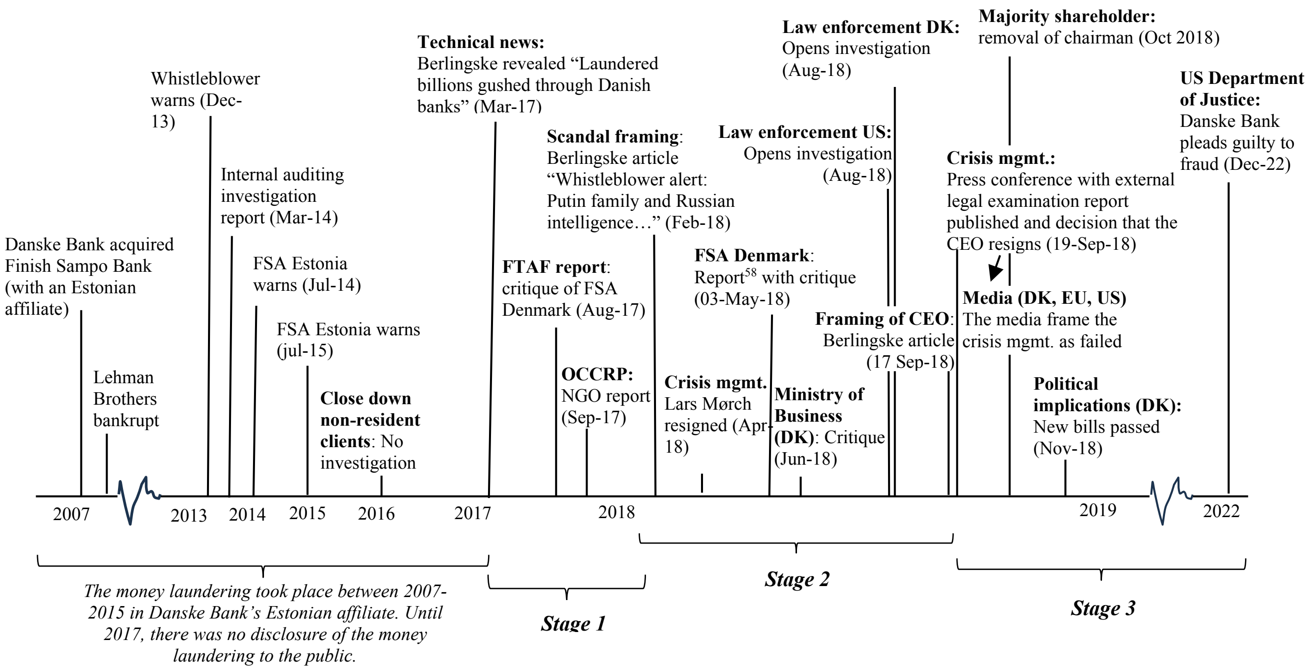
With that, we have a case study with contradicting verdicts: the legal court found Danske Bank top management *not* guilty, but the ‘court of the public’ opinion found Danske Bank top management *guilty*. Adding to this, Danske Bank agreed to plead guilty to fraud in a legal settlement agreement with the US authorities (US Department of Justice, 13 December 2022), but without having defended itself in court. According to anonymous sources, this settlement and admission of guilt towards the US authorities was a necessity to settle matters with the US authorities and to keep the bank’s license to operate (interview, Anonymous).

Summarizing and reconstructing the case, the timeline of events is depicted on Figure 1. As illustrated on the figure, there were three stages of continuous scandal emergence after disclosure: 1) the interactions at Stage 1 (March 2017 and February 2018) entail the initial disclosure where media is mobilized, but where competing frames from social-control agents dominate the

[52] Every year, a “word of the year” is appointed by the Danish radio channel, Danmarks Radio ”Klog på Sprog” and ”Danish Language Board”.
[53] Plea agreement, US Department of Justice, 13 December 2022: link
[54] Wall Street Journal, 13 December 2022: link
[55] FINANS, 1 October 2023: link
[56] FINANS, 1 October 2023: link
[57] The Court in Lyngby, verdict, 8 November 2022: link

audience; 2) interactions at Stage 2 (February 2018 – September 2018) entail a complete scandal framing with timely and emotional messaging is presented by media, activating the audience interest, including other social-control agents; and 3) the interactions at Stage 3 (September 2018 – December 2022) the scandal gets sticky. The coming three sections provide an analysis of interactions and events through the theoretical lens of Entman and Goffman in combination.

Figure 1: Timeline of the Danske Bank money laundering scandal



FATF: The Financial Action Task Force (FATF) – the global money laundering and terrorist financing watchdog.
OCCRP: Organized Crime and Corruption Reporting Project
FSA: Financial Supervision Authorities

4.2 Stage 1 – Competing frames (March 2017 – February 2018)[59]

At Stage 1, I analyze the interactions taking place between the media, the audience, and the social-control agent, FATF. The first newspaper disclosure of the money laundering in Danske Bank, that should later be the trigger of an international corporate scandal, happened on 20 March 2017. Investigative journalists from the Danish newspaper, Berlingske, revealed on the newspaper frontpage that millions of dollars had been laundered through Danske Bank (see timeline on Figure 1).[60] By that time, Danske Bank was known to be a *"trusted and proper bank – the largest bank in Denmark with a proud history"* (interview, anonymous; Lund, Bendtsen & Jung, 2019). Despite its struggles during the financial crisis, the bank was considered by many as an important

[58] FSA Denmark, press release, 3 May 2018 link
[59] March 2017 – February 2018
[60] Berlingske, 20 March 2017: link

institution in Denmark, and it had best-in-class scores on environmental, social, and governance (ESG) ratings, set out to measure how responsible companies are[61]. In an anonymous interview, a respondent explains that *"I could simply not imagine a situation where the bank [Danske Bank, red.] had criminal employees."* The view of Danske Bank as being decent is consistent with other statements presented in the media (Lund, Bendtsen & Jung, 2019) [62] as well as through the interview of investigative reporter (interview, investigative reporter, Berlingske). In Goffman's terminology, it shows that the audience had the impressions of Danske Bank as a trusted, reliable bank, not a place with criminal employees. Having criminal employees inside the bank appeared 'antithetical' and did not 'resonate with the original frame' and the conventional rituals and ways of thinking in the bank.

Following the disclosure in March 2017[63], a process of negotiation began, where the bank's suspicious conducts were examined by primarily media outlets, who acted central 'conveyors of framing' to the public. The first framing element, the 'problem definition' was initially presented in March 2017 focusing on the technical details of money laundering, that have taken place in Denmark's largest bank (reporter, interview).[64] In this initial coverage of Danske Bank 'the problem of money laundering' was made salient to the audience. In doing so, they selected technical (as opposed to emotional) terms such as *"money laundering act"*, "*tax shelter*", and "*shelf companies*" and "*straw man*".[65] The second framing element, Berlingske's 'causal analysis' was linked to failing control mechanisms: "*we have not had enough control over this type of customers and have not been good enough to monitor suspicious transactions in the Estonian branch. We have since then corrected that [red. translated]"* (Berlingske, 20 March 2017). The third framing element, the 'moral assessment' was in series of articles in 2017 not directed on blaming management, but instead it allowed the bank to present their assessment of the case in the article. The Group General Counsel, Flemming Pristed, was mentioned with a quote that underlines the newspaper's scant 'moral assessment' and that confirmed the bank's noninvolvement in the criminal conduct: *"It is certainly a serious matter for us, and naturally, we would like to avoid such cases. We do not want to be misused for money laundering [red: translated]*" (Berlingske, 20 March 2017).[66] The fourth and final framing element, 'remedy promotion', was not conveyed to the audience at this stage of the disclosure. This framing is illustrated in Figure 2.

The reaction from Danske Bank on the disclosure was to openly admit that they *"had not been good enough at overseeing suspicious transactions in the Estonian branch"* and that they had *"taken too long to close down the clients"* (Berlingske, 20 March 2017). Danske Bank initiated a

[61] According to CSR indices (Danske Bank Annual report 2017): Corporate Knights, Sustainalytics, MSCI, Thomsen Reuters. See Kjaer & Kirchmaier (2023) for more details on ESG ratings (and the agencies) and corporate scandals.
[62] Beskidte Milliarder (2019) by Lund, Jung & Bendtsen (book)
[63] Berlingske, 20 March 2017: link
[64] This is also stated by the reporters Lund, Jung and Bendtsen in their book Beskidte Milliarder (2019)
[65] Berlingske, 20 March 2017: link
[66] Berlingske, 20 March 2017: link

legal investigation to map out the events and understand what had happened. According to Danske Bank, they had no insight into the extent of the problem:

> "At the newspaper release [in March 2017, red], we had no insight into this, and we did not know what this was all about. So, of course, we asked someone [the law firm, Kromann Reumert, red.] to start looking into this. To figure out what was up and down. We knew that we had closed down Estonia in 2014[67]. We thought that we had delt with it. We closed it down, and it was years ago, so we thought 'what's new here'?"
>
> (Interview, senior executive Danske Bank)

While the bank asked themselves "what's new here?" (interview, senior executive, Danske Bank), the political environment and norms around anti-money laundering were evolving (interview, researcher in money laundering). The frame (cf., Goffman) whereby the audience understood money laundering were changing. The change in money laundering efforts in Denmark was kickstarted by the visit by the Financial Action Task Force (FATF) and the following evaluation report released August 2017 by FATF, whose recommendations are recognized as the United Nation's global anti-money laundering and counter-terrorist financing. In this official evaluation report[68], Danish authorities received harsh critique for their inadequate anti money laundering efforts. The change in how money laundering was prioritized was testified by the fact that the FSA Denmark had *"at the time of FTAF's visit, three or four employees allocated to preventing money laundering, and after the visit this number was tenfold"* (interview, scholar with expertise in money laundering). In the media, Danske Bank was blamed of not sufficiently reporting to authorities, however according to an interview, the problem was not Danske Bank's handling, but merely that the Danish authorities did not sufficiently *enforce* the anti-money laundering law (interview, scholar with expertise in anti-money laundering). During 2007-2015, the Danish anti-money laundering defense system did not provide banks with clear guidelines on how to act upon detection of money laundering (FATF, August 2017). In support of this observation, the evaluation report by FATF (released in August 2017) criticized the general level of anti-money laundering efforts in Denmark:

> "Denmark does not have national AML/CFT strategies or policies. The objectives and activities of individual competent authorities are determined by their own priorities and are not coordinated. Coordination and cooperation tend to occur informally and on an ad hoc basis." (FATF report, August 2017)

Concurrently, in July 2017, reporters at Berlingske together with the Organized Crime and Corruption Reporting Project (OCCRP), a global network of investigative journalists with staff on six continents, deliberately formed a 'media coalition' with international media to *"make the scandal international"* (interview, investigative reporter, Berlingske).[69] The reporters from Berlingske had received internal files, which they shared with OOCRP:

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[67] The close down was finally completed in 2016 (see Figure 1). It took 18 months to close the affiliate.
[68] Released nine months later in August 2017. Anti-money laundering and counter-terrorist financing measures, Denmark. Report: link
[69] This information is triangulated and confirmed here: link

> “The Co-founder of OCCRP called us shortly after having looked at the files and said ‘*This is big guys’.* From that on, we decided to make the scandal international.”
> (Investigative reporter, Berlingske)

The international media coalition consisted of a total of 17 media outlets, e.g., The Guardian, Le Monde, Financial Times, and Süddeutsche Zeitung.[70]. At a meeting where the investigative journalists from Berlingske laid out the evidence received by anonymous sources, Co-founder of OCCRP Estonia, Paul Radu, expressed to the Danish reporters that *“this is big guys”* (interview, investigative reporter Berlingske) OCCRP and Berlingske formed a media coalition: *“We decided to make this an international story, so we involved media from many countries”* (interview, investigative reporter, Berlingske). By September 2017, the coalition of news outlets launched the story of money laundering in Azerbaijan.[71] According to the investigative reporter, the international media collaboration required a *“lot of work”*, but it proved useful to make the story explode outside Denmark (interview investigative reporter, Berlingkse). The Azerbaijan-stories were the first time Berlingske released their articles in English.[72] In this series, the ‘problem definition’ was now framed as a serious criminal matter – with known villains and victims involved.[73] Moreover, the first framing and negative ‘moral assessment’ of the CEO had been presented. With that, a seed was planted of the CEO’s untrustworthiness by selecting ‘some aspects of perceived reality’ and make them more salient. The OCCRP coverage makes a case in point*:*

> “In response to the Russian Laundromat, Thomas Borgen, the CEO of Danske Bank, apologized and stated that the bank had only discovered the situation in 2014. However, according to an internal email obtained by Berlingske, the bank was aware of problems with its foreign customers in the Estonian branch as early as spring 2013.”
> (OCCRP, 5 September 2017)[74]

At Stage 1, competing framing to the one of Berlingske were rarely covered in media outlets outside of the media coalition. Aside from Berlingske, other Danish prominent newspapers (such as Jyllandsposten and FINANS) largely refrained from reporting and framing Danske Bank. Other social-control agents (such as the FSA Denmark) were not noticeably interacting and imposing their framing of the case through official statements at this stage.

In conclusion, Stage 1 of the scandal emergence included the mobilization of an international media framing coalition with increased political focus nationally and internationally on combatting money laundering. FSA Denmark had in August 2017 been receiving harsh critique from FATF for their ‘uncoordinated and ad-hoc’ approach to anti-money laundering oversight.

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[70] “The scheme was uncovered through a joint investigation by Berlingske (Denmark), OCCRP, The Guardian (UK), Süddeutsche Zeitung (Germany), Le Monde (France), Tages-Anzeiger and Tribune de Genève (Switzerland), De Tijd (Belgium), Novaya Gazeta (Russia), Dossier (Austria), Atlatszo.hu (Hungary), Delo (Slovenia), RISE Project (Romania), Bivol (Bulgaria), Aripaev (Estonia), Czech Center for Investigative Journalism (Czech Republic), and Barron's (US).” OCCRP, 4 September 2017: link
[71] E.g., Berlingske, 5 September 2017 link and OCCRP link
[72] Berlingske, 5 September 2017: link
[73] Berlingske, 5 September 2017: link
[74] OCCRP, 5 September 2017: link

The framing presented by the coalition of different international media did not – yet – entail a fully complete scandal frame implicating Danske Bank management but merely had the nature of factual reporting of the technical details about the money laundering. The problem definition in early 2017 was focused on explaining the money laundering itself, the causal analysis related to lack of controls, and with scant moral assessment of the bank's leadership. At this point, the framing did not include stereotypes and habitual schemas. Gradually though, the framing evolved along with activation of the international media coalition to framing top management of Danske Bank and planting the seed of the CEO's untrustworthiness.

4.3 Stage 2 – Forming a framing coalition (February 2018 – September 2018)

At Stage 2, I analyze the strips of interactions taking place between the respective social-control agents and audience (the public). The social-control agents include the media, FSA Denmark, US economic crime authorities (US Office for Terrorist Financing and Financial Crime), Danish economic crime authorities (Unit for Serious Economic and International Crime, known as 'SØIK'), and the Danish Ministry of Business. In this section, I show how February 2018 was a gamechanger in two ways: first, in how the Danske Bank money laundering case was framed, and second, in who contributed to the frame.

On 26 February 2018 Berlingske released an article with the title *"Whistleblower alert: Putin family and Russian intelligence used Danske Bank to launder money"*. This time, management was accused, and the framing included novel embodiments of existing stereotypes. The first scandal framing element, the 'problem definition', was by Berlingske presented as being a serious criminal matter where the bank no longer presented as a victim. The words *Putin*, *Russia* and *criminals* were conveyed in the article. In doing so, the reporters accessed the 'habitual schemas' of the audience, that not only elicited a negative interpretation of the events, but also accessed mental pathways. Consequently, the Putin-story of February 2018 intentionally *"hit people right in the stomach"* (explained by investigative reporter Berlingske in interview), thereby evoking emotions and public blame. In an interview with the investigative reporter of Berlingske, the journalist explained how the coverage of the Danske Bank case applied the techniques of emotional storytelling to evoke public outrage.

Reporter:	"When we started putting faces and villains on stories, it became big."
Interviewer:	"When was something big?"
Reporter:	"When it hit people right in the stomach."
Interviewer:	"When it became emotional?"
Reporter:	"Yes."

(Interview with investigate reporter, Berlingske)

This statement indicates that while the frontstage of the newspaper was to be "guardians of the moral", the backstage was more related to evoking public outrage and emotions (see Appendix, table 2). By February 2018, the 'moral assessment' had now found its way to the top of the news article, and the 'causal analysis' was presented and clearly blaming the lack of decent handling by Danske Bank.[75] The villain was still the exploiters of the Estonian affiliate, this time Russian criminals, however the scandal framing of Danske Bank's top management in this article stood out. Already in the second line, the bank's top management was highlighted as the supportive villain (i.e., an increase in salience compared to previous articles) which according to Entman increases probability that audiences will perceive the information, discern meaning, process it, and store it in their memories. In the header's second line, it said:

> "This information, which has only now come to light, indicates that top management was aware of far more serious conditions than the bank has previously indicated."
> (Berlingske, 26th February 2018).

The seed, that was planted in September 2017 of Borgen's untrustworthiness, was now confirmed again – with new details.[76] In the February 2018 reveal, Berlingske and OOCRG released their articles without involving the other 15 partners in the media coalition *"which several of them [the other media outlets, red.] probably got a little annoyed about, but we [the Berlingske reporters] were in a bit of a hurry"* (interview, investigative reporter, Berlingske). Despite not having been informed about the reveal, the media coalition and other media outlets were active in following up on their previous stories released back in 2017[77]. With the storytelling from the February 2018 reveal with salience of the involvement of 'Russia' and 'Putin', more high-profile US media outlets, such as Wall Street Journal, New York Times, and Washington Post (interview, investigative reporter, Berlingske)[78].

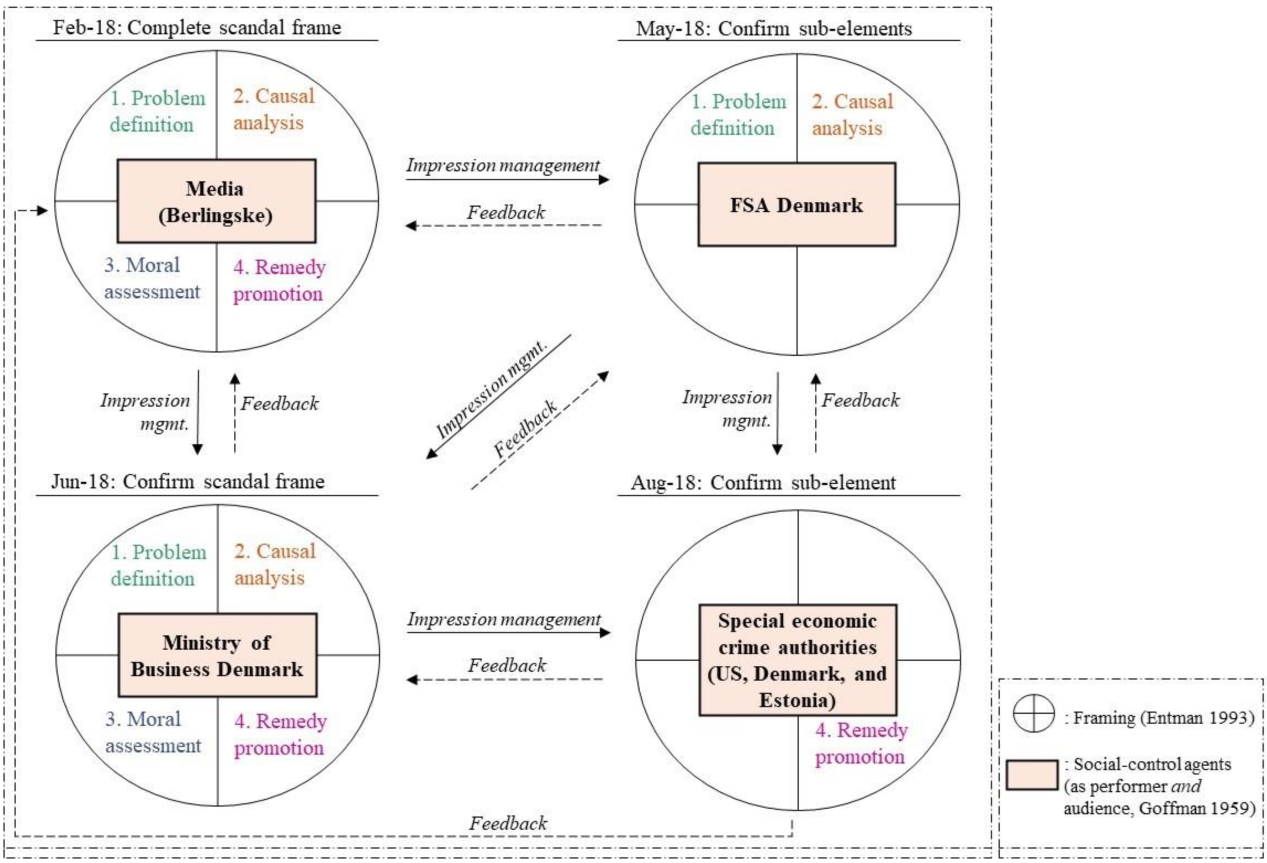
In response to the media's framing of the case, Danske Bank performed a crisis management exercise in April 2018 by the departure of the Head of Business Banking, Lars Mørch (according to Berlingske and Finans Watch 5 April 2018).[79] This exercise was framed by the media to be the first in the line of more failed crisis management exercises (Lund et al., 2019). Shortly after, rather than applauding the move, the media could edit and relay its version and speculated if Mørch had been sacrificed to protect top management: *"Executive-exit may increase the pressure on Thomas Borgen and supervisory chairman"* (Finans Watch, 5 April 2018).[80]

Based on the high media coverage and increasing public interest in the case, another social-control agent, the *FSA Denmark,* decided to investigate the money laundering case and management's role therein (Lund et. al, 2019). One month later (on 3 May 2018), the FSA Denmark concluded in a report that Danske Bank's governance in terms of internal reporting, decision processes and company culture did not safeguard sufficient clarification of the problems with the non-resident portfolio (FSA report, 3 May 2018)[81]. Without presenting a fully complete frame with 'remedy

[75] Berlingske, 26 February 2018: link
[76] Berlingske, 26 February 2018: link
[77] Triangulated and confirmed by news coverage related to "scandal" and Danske Bank (Dow Jones Factiva Database)
[78] Statement triangulated and confirmed in actual increase in news coverage (Dow Jones Factiva Database).
[79] Finans Watch, 5 April 2018: link
[80] Finans Watch, 5 April 2018: link
[81] FSA public report (3rd May 2018): "Danske Bank's management and governance in the money laundering case in the Estonian branch"

promotions', 'moral assessments' or 'causality assessments', the report confirmed sub-elements, thereby complimenting the overall scandal framing of Danske Bank, that was imposed on the audience (see Figure 2). The report raised critique of lack adequate controls, hence presented *a* causal analysis, however it did not confirm the *same* causal analysis as presented in Berlingske. According to a senior executive at FSA Denmark, *"Danske Bank had a hierarchical problem that prevented proper sharing of information all the way to the top"* (interview, senior executive FSA Denmark). According to the FSA report (3 May 2018) and when asked in interview, the FSA rejects the causal analysis presented by the media that top management had covered up and been hiding information from authorities (interview, senior executive FSA Denmark). While the frontstage of FSA Denmark is to prevent money laundering, their backstage was according to anonymous sources to "washing hands" and absolve themselves for responsibility. The FSA in Denmark was in 2017 and 2018 increasing their staffing from just a few employees working on anti-money laundering to that number being tenfold (interview, scholar with expertise in anti-money laundering). Figure 2 illustrates that the FSA Denmark contributed to confirming the problem definition and partly the causal analysis (two sub-elements) of the media scandal framing.

Figure 2: Formation of framing coalition (Stage 2):
Interactions of multiple frames of social-control agents in the Danske Bank scandal



Note: In the figure, I distinguish between the different frames for analytical application, however, as the analysis shows, the media framing is continuous and is fed by and reenforced by the framing of incoming social-control agents.

As further illustrated in Figure 2, the *Ministry of Business* as social-control agent were active in the debate around Danske Bank during the Summer of 2018[82]. Several politicians across political parties were active, providing impressions to the public and other social-control agents (Greve et al., 2010). Politicians are not social-control agents in their own authority. For that to happen, they need to represent a larger collectively and have the capacity to impose sanctions on its behalf (Dewan & Jensen, 2020). In this case, the newly appointed Minister of Business, Rasmus Jarlov, who represented the institution, the Ministry of Business, became active in the public debate concerning Danske Bank (interview, anonymous). Through Twitter, he enacted social control, through promotion of public humiliation, and not only confirmed, but also elevated the 'moral assessment' of the framing:

> "It is a very serious matter which concerns the credibility of the entire financial sector. I give this case a very high priority, and it is a disgrace and a scandal that Denmark's largest bank has been involved in money laundering for billions" (Jarlov, R. Twitter, 24 June 2018).

The case evolved in a process of interactions, as exemplified by the Danish Minister of Business who directed a clear message to central social-control agent, the FSA Denmark: *"I expect that when there is new information brought forward, then the FSA will take this into account in their judgement of whether they can raise a case"* (Jarlov's Twitter, 25 June 2018). The Danish Minster's framing of the case was focused on making aspects of the money laundering case that related to the Danish financial system salient: the Minister focused the framing of the case on the problematic leadership in Danske Bank and on the responsibility of the Danish authorities. While the Danish Minister took the lead, several other Danish politicians[83] carried active roles in this debate as well. In their framing, they 'left out of focus' to blame the criminal elites of Russia or Azerbaijan when they conveyed impressions to the public. The blunt critique from the Minister of Business meant that, not only was a new framing coalition being formed between the Ministry of Business and the media, but it was also being formed with one of Danske Bank's *former* close allies (Lund et. al, 2019). In fact, the Danish Conservative party and Danske Bank had been closely embedded (cf., Piazza & Jourdan, *forthcoming AMJ*) for many years. Examples are that the Conservative party used to receive financial support from the bank and used to host their annual meetings at the Danske Bank's headquarters (Lund et. al, 2019). Now the Conservative party cut the ties with the bank to avoid contamination and with the explanation *"Danske Bank could damage Denmark's reputation"* (Finans Watch, 5 May 2018)[84]. It sent a clear signal to society when former allies – who had 'social cost' associated with speaking up (cf., Piazza & Jourdan, *forthcoming AMJ*) as well as financial dependency of the bank – started to turn on the bank. 'Remedies' (the fourth scandal framing element) had not only been promoted but had also been executed upon (see Figure 2). The economic crime authorities in Denmark (SØIK) opened in August an investigation of the bank (Prosecutors Office Denmark, 6 August 2018).[85] The

[82] Lisbeth Bech, Joachim B. Olsen, Rasmus Jarlov, Pernille Skibby, Torsten Schack, Jeppe Kofoed (Interview, investigative reporter, Berlingske)
[83] Lisbeth Bech, Joachim B. Olsen, Rasmus Jarlov, Pernille Skibby, Torsten Schack, Jeppe Kofoed (Interview, investigative reporter, Berlingske)
[84] Finans Watch, 7 May 2018: link
[85] Public prosecutor, 6 August 2018: link

information about politicians' framing as well as the special crime authorities' investigation of Danske Bank were selected and made salient by the media. The conscious framing is confirmed by the investigative reporter, saying that Berlingske printed the kind of information, which supported their story (interview, investigative reporter, Berlingske).[86]

During 2018, Berlingske kept receiving information from 'sponsors' such as anonymous insiders and activist sources, who provided continuous information about the case (Lund et. al, 2019). A human rights activist, Bill Browder, had an active role in calling on prosecutors in Estonia to investigate the branch of Danske Bank for money laundering.[87] As a single human rights activist did not 'represent a larger collectively' or had the 'capacity to impose sanctions', Bill Browder is thus not considered a social-control agent in its own merit. However, according to a senior executive in Danske Bank, Browder was *"central to escalating the case as he kept feeding the press with information*" (interview, senior executive Danske Bank). Bill Browder is not illustrated in the framing coalition figure; however, he indirectly contributed to the framing presented by Berlingske.

According to the investigative reporter of Berlingske, the *US authorities* as social-control agent became more interested in the case as a result of the article release about Russian intelligence service's involvement (Berlingske, 26 February 2018), initiating Stage 2. Head of the Danish National Bank, Lars Rohde, expressed concern for the reputational damage for Danish financial institutions, as *"the tone from international authorities have been strongly sharped"* (Børsen, 2 July 2018).[88] These were indications that the authorities were active backstage, but the interest from US authorities was not confirmed frontstage until 29 August 2018 when Marshall Billingslea who was heading the Office of Terrorist Financing and Financial Crimes held a speech. Here Billingslea said to Berlingske that the US authorities, who could render the impressions to audience that the US was *"following this case very close"* and that they *"had a close collaboration between authorities in Denmark and Estonia"* (Berlingske, 29 August 2018).[89] The consequences of such investigation could potentially destroy the bank, as it has been seen in other cases (interview, scholar with expertise in anti-money laundering). As depicted on Figure 2, the US authorities opened the investigation of the money laundering in Danske Bank by August 2018; a confirmation of the sub-element 'remedy promotion.' The scandal now evolved to new highs, and the impressions provided by US authorities put pressure on Danish Ministry of Business and Danish authorities[90]. While the frontstage of US authorities was to prevent money laundering of US Dollars, the backstage was unknown until recently. In the settlement description from US Department of Justice (released by 13 December 2022), assistant Attorney General Kenneth A. Polite Jr. confirmed the collaboration between social-control agents across countries. In forming this coalition, national authorities in Denmark, US, and Estonia had not only converging frames,

[86] Beskidte Milliarder (2019) by Lund, Jung & Bendtsen (book)
[87] OCCRP, 30 July 2018: link
[88] Børsen, 2 July 2018: link
[89] Berlingske: link
[90] Confirmed by anonymous sources

but they also had partnered up to investigate and condemn the fraud. In the statement, the backstage of the US authorities wanting to make an example out of the Danske Bank case:

> "This coordinated resolution with the Securities and Exchange Commission (SEC) and Danish authorities sends a clear message that the Department of Justice stands ready to work with our partners around the world to investigate corporate wrongdoing and hold bad actors accountable for their criminal conduct."
>
> (Department of Justice, Assistant Attorney General Kenneth A. Polite Jr., 13 December 2022)

In conclusion, Stage 2 was initiated by timely and emotional scandal framing imposed on the audience by the media. In doing so, the framing entailed a causal analysis and moral assessment of top management in Danske Bank having a dark secret, that is, management was framed as having prior knowledge of the money laundering *and* as having lied about it (a double secret). As the analysis shows and illustrated in Figure 2, the media provided impressions to other social-control agents (as well as the public), affecting FSA Denmark to investigate the matter (interview, senior executive FSA Denmark). Subsequently, sub-elements of the media scandal framing were confirmed by other social-control agents: FSA Denmark confirmed the 'problem definition' by releasing a report with criticism of the bank's handling of the incident (3 May 2018); Danish Ministry of Business acted as social-control agents by imposing a complete scandal frame of Danske Bank's top management as having acted highly irresponsibly (June 2018); and, Danish and US economic crime authorities confirmed the sub-element of scandal framing, 'remedy promotions', by opening investigations (August 2018). As the analysis shows, the media framing was continuous and fed as well as reenforced by the framing of incoming social-control agents. This forming of the framing coalition imposed the dominant framing on the audience, who accepted the scandal framing of the case, causing the scandal to emerge and mature.

4.5 Stage 3 – Sticky scandal framing (September 2018 – December 2022)[91]

After the formation of the framing coalition (at Stage 2), the scandal frame not only increasingly became accepted by the broader audience, but it also created outrage (see Appendix, Table 2). Media outlets with initial competing frames (such as Jyllandsposten and FINANS), converged at Stage 3 to the dominant framing. At Table 2, the dynamics at different analytical levels of the three stages are illustrated. The model is interactive, meaning ongoing negotiations and impressions continuously impact the audience.

Stage 3 of the scandal emergence was triggered on 19 September 2018 when CEO Thomas Borgen stepped down and Danske Bank held a press conference, releasing their official legal investigation on the money laundering (Bruun and Hjejle report; Danske Bank stock exchange announcement,

[91] September 2018 – December 2022

19 September 2018)[92]. Unprecedented, the impressions provided to the audience was out the hands of the bank management, as the conclusions from the report was communicated by leading lawyer Ole Spiermann (Lund et. al, 2019). Top management had decided to be as open and transparent as possible by not only giving the public to have full access to the report (interview, senior executive Danske Bank), but also by having the lawyer present the findings. In doing so, Danske Bank opted out of the opportunity to assemble a narrative that highlighted connections among a few elements to promote a particular interpretation. Instead, the impressions that the bank wanted to provide to the audience was that they had nothing to hide (interview, senior executive Danske Bank). At the press conference, there were reporters from all over the world, including Wall Street Journal, New York Times, Financial Times, Bloomberg and The Guardian. When I asked for the reason for making the full report public, the senior executive from Danske Bank answered:

> "It's a very good question, and we have been criticized for this. Someone said that 'you don't launder your dirty laundry in front of the public.' But it was the board decision that we wanted to be transparent. We knew that we had nothing to hide, and we wanted the market to have all the information, that we had." (interview, senior executive, Danske Bank)

Likewise, I asked the investigative reporter of Berlingske on how they perceived the banks' willingness to lay out all investigations publicly. The response was:

> "I think all this happened to Danske Bank, because they felt they had an obligation to act decent and transparent. They couldn't just look the other way, as other banks would have done in similar situations. Danske Bank is Denmark's largest bank and known for its decency. They had twice been rescued from insolvency by the Danish state ['Bankpakke I' and 'Bankpakke II'], so they might have felt they owed to society to be open about this investigation and lay out all evidence."
>
> (Interview, investigative reporter, Berlingske)

At the frontstage, the media did however not hesitate to relay the version of the story that promoted the interpretation of the bank as villains (interview, investigative reporter, Berlingske). Two days before the press conference, Berlingske released an article with the heading *"Danske Bank's chief executive was well informed early on about the money laundering case."* The article states that Thomas Borgen, CEO of Danske Bank, had explained that he previously *"was not adequately informed about the money laundering case"*, while at the same time *"several sources say that he received key warnings both orally and in writing already early in 2014"* (Berlingske, 17 September 2018).[93] The seed that was planted of Borgen's untrustworthiness[94] at Stage 1 had been enforced by the framing coalition at Stage 2, and it turned into a perceived 'pattern' at Stage 3, enforced by the media's continuous repetition of the scandal framing. It became a melody, further evaluating and making the scandal sticky. The media framing promoted a 'stereotype' of an arrogant bank leadership with no moral concerns (Lund et al., 2019) – mobilizing existing mental pathways to evoke public emotions and blame.

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[92] Danske Bank company announcement: link
[93] Berlingske, 17 September 2018: link
[94] See *Section 4.2 Stage 1.*

The press conference (19 September 2018) represented a tipping point of the scandal: much of the evidence that had been disclosed by Berlingske was now confirmed in the investigation (interview, investigative reporter Berlingske). However, in contrast to the scandal framing presented by Berlingske, the Bruun and Hjejle also concluded that *"the Board of Directors, the Chairman and the CEO have not breached their legal obligations towards the bank"* (Bruun & Hjejle, 2019, p. 10). However, this conclusion did not get much attention in the media coverage following the release. After the tipping point, media outlets which previously had competing frames began converging into the dominant scandal framing. Despite the bank's wish to be transparent and open, and despite the announced departure of the CEO, the bank was not acquitted in the eyes of the media following the press conference 19 September 2018 (Lund et al., 2019). The existing framing and stereotype storytelling continued in the media coverage. Following the press conference, The Guardian wrote the headline: *"Is money-laundering scandal at Danske Bank the largest in history?"* (The Guardian, 21 September 2019). The remedy promotion imposed by the media proposed that the chairman of the board should exit as well, as he was effectively responsible for the scandalous handling of the case (Lund et al., 2019).

Following this, different social-control agents, including a diverse range of prominent international media outlets (e.g., Financial Times, Wall Street Journal, The Guardian, Bloomberg), converged to the dominant framing. A month after the press conference, the largest shareholder (the Maersk family) forced out chairman of the board, Ole Andersen (AP Møller Holding, notice for general meeting, 6 November 2018). In this case, the majority shareholder seized the performing role as an actor of social control, presenting a larger collectively and imposing sanctions on its behalf. The pattern (or *melody)* of the bank as someone not to be trusted was presented in news articles with official records from social-control agents as sponsors, such as reports of FSA Denmark (4 October 2018). FSA's report on 4 October was used by the media to confirm the 'causal analysis' that management had a pattern of hiding information from authorities, thereby enabling money laundering:

> "The bank's report published on 19 September 2018 shows that in 2007 the bank also provided incorrect information to the Financial Supervisory Authority in connection with a request from the Russian central bank [red., translated]" (FSA report, 4 October 2018)

By November, the social-control agents, the economic crime authorities in Denmark (SØIK), filed charges against Danske Bank for violating they money laundering act (SØIK, 28 November 2018).[95] Incoming actors that established an overall audience agreement of the complete scandal framing also included Her Royal Highness The Queen of Denmark, Margrethe II, who in the New Years speech to the Danish people said:

> "With trusted positions comes a special responsibility and a special duty to do one's best where one is placed. It makes me sad if morals slip. What about common decency? One have to know the difference between yours and mine, between right and wrong. It shouldn't be so difficult." (H.R.H. The Queen of Denmark, Margrethe II, 31st Dec 2018)

[95] Berlingske, 28 November 2018: link

At Stage 3, the causal analysis of top management having hidden central information became a melody that was played again and again – from different sources – and all complimenting the dominant framing, presented by the reporters of Berlingske. At Figure 3, I have depicted how the media framing (Berlingske) developed during the scandal emergence.

Figure 3: Different framings during the scandal stages (Berlingske)

	Stage 1	*Stage 2*	*Stage 3*
Problem definition	The money laundering itself	Deceitful top mgmt.	Deceitful top mgmt.
Causal analysis	Lack of control systems	Mgmt. looked the other way	Mgmt. looked the other way
Moral assessment	The bank exploited by criminals	Profit over moral	Profit over moral
Remedy promotion	Implement better control	Mgmt. to be held accountable	Mgmt. to be held accountable

In conclusion, Stage 3 entailed a repeated melody imposed on the audience, conveyed by the press and by political voices through social media. The main causal analysis and moral assessment was that management did not live up to its responsibility. This judgement was imposed even after all the full legal investigations was made public by Danske Bank, and the departure of the CEO and the chairman. The media, nationally and internationally kept repeating the same sticky melody that the bank did not take full responsibility. The political interest of money laundering had changed dramatically since August 2017, where FATF had evaluated the anti-money laundering defense in Denmark to be insufficient, *"not coordinated"* and taking place *"informally"* (as stated by the FATF evaluation report 2017, p. 3).[96] At Stage 3 the money laundering case of Danske Bank became the most discussed topic on the Danish political scene, which put pressure on authorities. The economic crime authorities enforced social control by raising charges against the bank in November 2018. By the end of 2018, the money laundering was mentioned in the New Years speech of H.R.H. The Queen of Denmark, and *"money laundering"* had become a public topic, confirmed by its appointment of *"word of the year"* in 2018.[97]

For events from 2019 onwards, I refer to *Section 3.3 Delimitation* and *Section 6. Epilogue*. In Section 6 events, sanctions, and court rulings from 2019 are listed.

5. Conclusion and discussion of the framing coalition concept

This paper provides insights into the how different social-control agents contributed to the emergence of the Danske Bank money laundering scandal in 2018.

First, the analysis shows that different social-control agents imposed different framings that were sometimes competing and sometimes consistent. The case provides insights into how initial competing frames later complimented each other. The analysis shows that during scandal emergence, a framing game was dynamically unfolding between different social-control agents

[96] FATF, Anti-money laundering and counter-terrorist financing measures, Denmark, mutual report, Aug 2017: link
[97] Every year, one "word of the year" is appointed by DR "Klog på Sprog" and "Danish Language Board".

and political actors who imposed multiple frames on the audience with each their backstage and frontstage. More specifically, I show how different actors influence the creation of corporate scandal through interrelated frames with each their backstage and frontstage.

Second, the analysis shows that during 2018 different social-control agents formed a framing coalition that encompassed a dominant scandal framing of Danske Bank's top management. The framing coalition not only included the media's framing, but also complementary (though not competing) framings by other social-control agents. The Danish newspaper, Berlingske, imposed a scandal framing, activating other social-control agents: FSA Denmark, Danish Ministry of Business, and the US and Danish authorities for economic crime. These social-control agents eventually converged in their frames, not by confirming the complete scandal framing, but by confirming sub-elements of the scandal framing, thereby leaving the audience with the impression that the overall scandal framing of the media was being verified. Besides the media, Danish Ministry of Business provided a complete scandal framing in accordance with Entman's scandal framing theory. The dominant framing coalition provided the audience with impressions through different performers, channeled through traditional and social media channels. I find that the formation of a dominant coalition between different social-control agents with converging framings contributed to scandal emergence and endurance. Importantly, it is the combination of the dominant framing from multiple sources as well as when the pattern is recognizable and emotional relatable for the public, that the scandal become sticky.

Third, the paper adds to prior studies with the finding that the scandal emerges when the media takes part in such coalition. The analysis reveals how the media framing plays a central role in evoking public blame through timely, emotional messaging, as shown with the "Putin article" in Berlingske in February 2018, rather than reporting the technical details revealing the extent of the money laundering itself, as it was the case in the disclosure of money laundering in March 2017. According to the investigative reporters from Berlingske, *"too many details about technicalities [about the money laundering] did not evoke public blame"* (Interview, investigate reporter, Berlingske). While the investigative reporters at Berlingske take on a self-claimed role of being 'guardian of the moral' (Interview, investigate reporter, Berlingske), they were endogenous to the transgressions, as they actively interpreted corporate behavior and shape public opinion according to their beliefs. Importantly, while disentangling morality concerns and self-interest of the media and the 'experts' used by the media is hard empirically, the analysis reveals that the frontstage of media is to advance moral agenda, while their corresponding backstage are related to evoking blame (confirmed in interview by investigative reporter) and by potentially advancing self-interest. The latter is only vaguely confirmed empirically; however, the reporters – who wrote a book on the scandal and won the prestigious journalist award "Cavling" in Denmark[98] – have been criticized for providing too aggressive and persona-oriented journalism (Pind, S., 3 September 2021)[99]. In the aftermath of the scandal, the former CEO Thomas Borgen was found non-guilty by the legal courts. Critics have raised voices and encouraged the journalists to give back their award (Pind, S. 3 September 2021). But who holds the media accountable?

[98] Journalist Association, Denmark. List of "Cavling" award winners: link
[99] Berlingske, 3 September 2021: link

Implications for future research on social evaluations are to examine other structures and effects of framing coalitions. With the discovery of the importance of a framing coalition in understanding how the Danske Bank scandal emerged, I add a layer to Goffman's impression management theory as well as Entman's media framing theory. Whereas I have based this analysis on a money laundering scandal (community scandal, cf. Utz, 2019), the theoretical framework can be applied to other scandal cases. Further research can for example explore how the agents and framing coalitions are structured in the context of other industries and scandal types, including human rights, emission scandals and product safety scandals. This could include formation of coalitions at a cross-national level. The social cost of (not) participating in such coalition can also be further explored at different stages of the scandal (utilizing the insights from Piazza & Jourdan, *forthcoming AMJ*). In addition to this, I propose further research to investigate the role of US authorities and their interaction with national authorities in Europe in particular. This could include a cross-examination of what role US authorities play in bank scandals in Europe. While the impressions provided by the US authorities is that the sanctions and fines, they impose are rooted in legal security measures, the reality can from the outset look more as commercial extortion. In the case of Danske Bank and the sanctions imposed by US Department of Justice, 13 December 2022, it from the outset looked like this: if Danske Bank wanted to continue, they had to come up with the required confessions and not challenge the US authorities, e.g., through a legal process based on fundamental legal principles such as the adversarial principle.

Based on the analysis of the Danske Bank money laundering scandal, I contribute to the scandal literature with the concept of framing coalition. To describe the concept and process mechanisms of a framing coalition, I follow the tradition of metaphors, rigorously applied by Goffman (in a theater play) and by Greve et al. (with the reference to the social construction of misconduct, as "it takes two to tango", Greve et al. (2010), p. 78). If misconduct is a tango, I find through analyzing the case of Danske Bank, that a scandal is more like a symphony (involving multiple parties). In this metaphor, the instruments illustrate the various social-control agents taking part in the overall melody. The conductor illustrates the media, in this case particular the Berlingske newspaper. In a symphony, different instruments with each their tone complement each other and contribute to the melody. The conductor guides, rather than dictates. If there are no instruments, the conductor is redundant – and vice versa. Specialists might pay attention to the sound of specific instruments; however, the general audience hears only the melody. This melody emerges with the effects of orchestration, rhythms, and repeats, and affects the audience's impressions. In doing so, it can evoke emotions and thereby stick to the mind – even after the concert is over.

Like a symphony, a scandal emerges with different social-control agents playing their part, with different tunes, different stories, and sometimes different framings. Together they contribute to a common narrative where the different social-control agents complement each other. The audience (i.e., the public) thereby receives impressions from not only one performer with one frame, but from multiple social-control agents with sometimes consistent, sometimes competing frames. The common melody is guided, though not directed, by (different sources) media, with instruments that together are complementing each other.

The findings have implications for future research on social evaluations, as the findings differ from Jourdan (2022) whose work addresses how scandals emerge through *moral* interactions of different social-control agents. Instead of moral interactions, this paper shows how moral assessments are only imposed in the framing of the media and the Ministry of Business, however *not* by the FSA Denmark, and by US authorities (not until 13 December 2022). These social-control agents only confirmed sub-elements of the framing, e.g., problem definition and remedy promotion. Through this finding, this paper adds to the social evaluation literature by confirming media's participation scandal emergence and by showing how social-control agents differ in what framings they impose on the audience.

For application of the concept of framing coalition in future research, I propose that a framing coalition consist of three building blocks: 1) the performers with each their front and back, 2) the respective framings of the performers, including the impression management tactics applied to impose the framing, and 3) the united 'case against the company' theoretically expressed as the dominant framing. The first building block entail the performers, who consist of different social-control agents trying to impose each their frame on the audience. Each of the agents can have different backstage motives and different frontstages, and each of them select what they convey to the audience (see Appendix, Table 2). The second building block is the respective framing of the performers. A complete scandal framing requires four elements according to Entman (see Figure 2). In a framing coalition, a scandal framing is imposed on other social-control agents through timely and emotional messaging by one social-control agents (in this case the media). The impression management by one social-control agent affect activation of other social-control agents, that then enter the coalition. The third building block entails the dominant framing. Despite that incoming social-control agents not necessarily confirm all four elements in the scandal frame, their confirmation of sub-elements adds to the overall impressions of the scandal frame being verified. The coalition of social-control agents (confirming a dominant framing) thereby strengthens the united case against the company.

Summing up on how the Danske Bank money laundering scandal emerged and endured, the analysis found that the media served as conductor of the scandal, gradually developing scandal framing by imposing a complete scandal framing of top management and by mobilizing a framing coalition of different social-control agents. Despite found non-guilty in the legal court as well as in investigations, the former CEO Thomas Borgen was framed by the media as having known about the money laundering and as having covered up the deception. The media applied framing techniques, using stereotypes – such as Russian criminals and a greedy CEO – to evoke public blame. Experts (with potential self-interests) were used by the media to decompose complexity for the public to understand the case. Insiders and activists (with potential self-interests) kept feeding the press, and the publicly available investigations was openly shared with the public, enabling the press to convey and make salient selected elements. Further contribution to scandal emergence was the change in the political environment around money laundering in Europe and Denmark, as a result of a stronger focus from US authorities. This meant that the *enforcement* of Danish anti-money laundering efforts significantly shifted. In a system attack on "greedy banks" Danish politicians confirmed and actively imposed a complete scandal framing on Danske Bank and top management, as opposed to addressing the problems with the system as a whole. Although just confirming sub-elements of the framing, incoming social-control agents contributed to the overall melody of the scandal framing (see Appendix, Table 2). The social-control agents that participated in the framing coalition in 2018 (Stage 2, Figure 2), causing the scandal to emerge and endure, included:

a. The media scandal framing (presented in Berlingske, 26 February 2018, and continuously imposed on the audience).

b. FSA Denmark, confirming sub-elements of Berlingske's framing (FSA report, 3 May 2018).

c. Ministry of Business, confirming and enforcing Berlingske's scandal framing (Twitter, June 2018).

d. Danish law enforcement opening of investigation, confirming the remedy sub-element of Berlingske's framing (SØIK, Prosecutors Office Denmark, 6 August 2018).

e. US law enforcement opening of investigation of the bank, confirming the remedy sub-element (US Office for Terrorist Financing and Money Laundering, 26 August 2018).

By 19 September 2019 the scandal reached a tipping point: the CEO departed, and an official legal report made fully public by Danske Bank confirmed parts of Berlingske's accusations (Bruun & Hjejle, 2018). Although the legal investigation found that the CEO fulfilled his legal obligations (Bruun & Hjejle), this conclusion was not made salient in the media. Hence, the scandal became a *sticky melody*, further strengthened by sanctions by social-control agents in the months after the tipping point at Stage 3. Sanctions included that the largest shareholder laid off the chairman (in October 2018), that new anti-money laundering bills were passed (in October and November 2018), that Danish economic crime authorities prosecuted Danske Bank (November 2018), and that the topic became a topic in H.R.H. The Queen of Denmark's New Years speech (December 2018).

6. Epilogue

The analysis of this thesis ends by 31 December 2018 (see Section 3.2 Delimitation). From 2019 onwards, the media and political voices in Denmark were still highly critical of Danske Bank and social-control agents were imposing sanctions. The money laundering scandal had become sticky to Danske Bank. The events that followed included:

- 4 January 2019, the investigative reporters won the journalist "Cavling" award for their coverage of the Danske Bank money laundering scandal.

- During 2019, critics raised doubt about the intentions and economic incentives of the whistleblower (Jyllandsposten, 11 January 2019; Jyllandsposten 12 December 2019)

- By May 2019, the police in Denmark searched the homes of 12 former top executives, including Thomas Borgen, and the Danish prosecutor charged them for criminal violations.

- By January 2021, Danish law enforcement dropped their charges against former top executives, as there was found no evidence of any criminal violation. (Anonymous sources claim that SØIK was forced by political forces in Denmark to open the case in the first place).

- In March 2019 Danske Bank and Thomas Borgen were sued in civil action by an association of Danish shareholders claiming compensation (Berlingske, 5 March 2019)

- In February 2020, Thomas Borgen was sued in a civil action by the litigation funder "Deminor" for an amount of DKK 2.7 billion (DR, 21 February 2020)

- By September 2021, the former Danish Minister of Justice suggested that the Berlingske journalists should apologize for misjudging Thomas Borgen's part in the case by returning their journalist "Cavling" award (Pind, S., Berlingske debate post, 3 September 2021)

- On November 2022, the court in Lyngby concluded that Thomas Borgen was not responsible for the bank's Estonian branch being run irresponsibly and thereby incurring a loss to the shareholders (the Court in Lyngby, 8 November 2022)

- On 13 December 2022, a plea agreement between US authorities and Danske Bank was reached. Sources point to the fact that there was a strong pressure from the US authorities on FSA Denmark and Danske Bank, forcing the bank to admit guilt.

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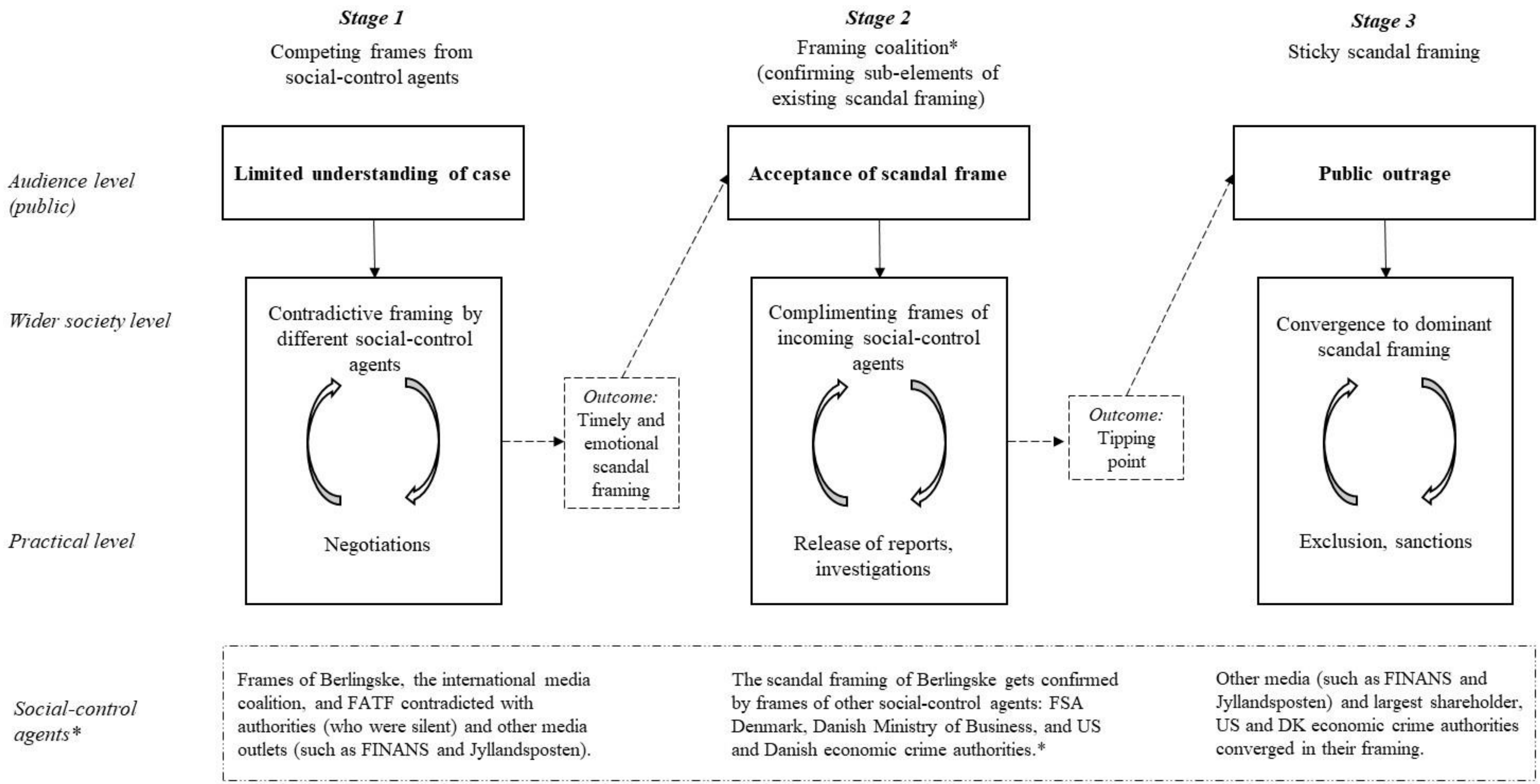
8. Appendix

Table 2: Different social-control agents and their frontstage and backstage (Goffman) and framing elements (Entman)

		Media (Berlingske)	*FSA Denmark*	*Ministry of Business (DK)*	*US economic crime authorities*	*DK economic crime authorities*
	Frontstage	Guardian of moral	Prevent money laundering	Protect the stability in the Danish financial sector	Prevent money laundering of USD and terrorist financing	Prevent money laundering
	Backstage*	Evoke emotions (inteview investigative reporter, Berlingske)*	Potentially "washing hands" and wanting to absolve FSA for responsibility (interview anonymous)*	Potentially driven by public support with a wish to seem forceful (interview anonymous)*	Make an example out of Danske Bank's case (later confirmed in US Department of Justice, 13 Dec 2022)*	Ordered by the Danish politicians to take action (confirmed by anonymous sources)*
Faming of different social-control agents, Stage 2 and 3	**1. Problem definition**	Deceitful top mgmt in the largest bank in Denmark	Danske Bank "did not live up to its responsibilities" and "provided the FSA with incorrect information" (FSA Denmark report, 4 Oct 2018)	Deceitful top mgmt in the largest bank in Denmark	(silence)	(silence)
	2. Causal analysis	Top management looked the other way	Procedures and governance systems inadequate	Top management looked the other way	(silence)	(silence)
	3. Moral assessment	Profits over moral	(silence)	Profits over moral (Danish Minister of Business called the case "a disgrace")	(silence)	(silence)
	4. Remedy promotion	CEO & chairman should be held accountable	(silence)	Conservative party broke financial and social ties to the bank. Danish minster promoted authorities duty to investigate Danske Bank (Jun 2018)	Opens investigation of Danske Bank (Aug 2018)	Opens investigation of Danske Bank (Aug 2018) and charges (Nov 2018)

**Disentangling self interests and/or morality concerns is hard emperically, hence the backstage should be treated with caution.*

Figure 3: Process model for scandal emergence in the Danske Bank money laundering scandal.



**See Figure 2 for detailed interaction of the different social-control agents in the forming the framing coalition.*

Chapter 3

Framing and overflowing in corporate scandals*

Abstract

The paper's aim is to examine the role of humans and nonhumans in the continuous reconfiguration of company identity during scandal emergence. Drawing on the notions of 'framing and overflowing' by Callon (1998), I find that prior to scandal, alleged companies build façades (or *frames*) using framing devices, such as medical labels and official certifications, and by using experts purifying the frame. Whereas one stream of literature position wrongdoing as an abnormal event attributable to either single or limited number of individuals, a second stream of research views wrongdoing as a natural, even expectable, outcome of organizational arrangements. I adopt the ladder perspective and contribute to this stream of literature by unfolding the role of actor networks, including human and nonhuman actors, on the continuous process of identity reconfiguration prior to and during the scandal. In doing so, I apply framing and overflowing (Callon, 1998) to study how company identities are continuous reframed through interaction of actor networks before and during scandals. The empirical inquiry is informed by four cases of corporate scandals: Boeing, Wirecard, Purdue Pharma and Volkswagen. Once overflowing happens, the analysis shows that a process of negotiation and blame game take place. In the case studies companies tries – but fails – to contain and reframe the overflowing as being the act of a few 'bad apples' or failing control systems. Summarizing the findings, I discuss the implications for applying 'framing and overflowing' on the phenomenon of corporate scandals and future research allies.

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1. Introduction

Despite an increased focus on responsible business, scholars call for action to solve the crisis of trust in corporations after recent corporate scandals (Mayer, 2021). Corporate scandals, such as Volkswagen, Purdue Pharma, Boeing and Wirecard cause harm to a wide range of stakeholders, and the environment and society at large. On top of this, scandals are harmful to the companies themselves in terms of stigma and lost reputation (Karpoff et al., 2008), which affects the company market value, partnership agreements, employee satisfaction as well as management time spent on cleaning up the mess (Healy & Serafeim 2019). Yet, our understanding of what creates a corporate scandal is relatively underexplored (Dewan & Jensen, 2020).

Scandals are defined as negative public events rooted in moral allegations evoking public blame through mediated representations of the behavior itself (Thompson, 2005). When a corporate scandal happens, corporate governance and management literature have often been limited to explaining individual problems requiring specific individual solutions, e.g., better governance, better regulation, better management, or better taxation (as addressed by Colin Mayer in his book *Firm Commitment*, 2013). Literature often entail limitations to examine subcategories of scandals, e.g., qualitative analysis of selected cases of corporate accounting fraud (Soltani, 2014), quantitative research through class-action lawsuits (Utz, 2020) or through ESG controversies (Dorfleitner et al., 2022). Important contributions are made on the antecedents of corporate wrongdoing, for example about corporate illegality (David et al, 2007; Szwajkowski, 1985), corporate fraud (Soltani, 2014), corporate misconduct (Bundy et al., 2017; Greve et al., 2010; Liu, 2016) and corporate wrongdoing (Hill et al 1992; Solas, 2019). While acknowledging the complexity of the phenomenon of scandals, antecedents to the wrongdoing itself is treated in the literature either as an abnormal event attributable to either single or limited number of individuals (Soltani, 2014), or as a social construction by judgement of social-control agents (Greve et al., 2010). Recently, a new stream of research views adds to Greve et al. (2010) and views wrongdoing as a natural, even predictable, outcome of organizational arrangements (see Jourdan, 2022).

This paper addresses the ladder. Whereas Dewan & Jensen (2020) and Greve et al. (2010) argue that literature has neglected the role of social-control agents[101] in labelling misconduct, this study analyzes the role of social-control agents *in combination with* networks of other actors before and during scandal emergence. In doing so, this paper not only examines how companies' identities are formed by interactions with individuals or 'humans', but in interactions with also 'nonhumans' (Turner, 2009) or material arrangements.[102] The tradition of ANT treats *"everything in the social and natural worlds as a continuously generated effect of the webs of relations within which they*

[101] Social-control agents can be authorities that can bring a charge of misconduct against an organization for its alleged violation (Dewan & Jensen, 2020).

[102] Material arrangements can include, but are not limited to, objects, machines, ideas, organizations, inequalities, and geographical arrangements. According to John Law (2009, p. 2), the *"actor-network approach thus describes the enactment of materially and discursively heterogeneous relations that produce and reshuffle all kinds of actors including objects, subjects, human beings, machines, animals, 'nature', ideas, organisations, inequalities, scale and sizes, and geographical arrangements."*

are located" (Law, 2009, p. 2). With that, companies and actors only have reality or form those relations – as legitimate companies or scandal companies. Somerville (1999) argues that ANT *"offers an alternative to existing public relations theory which cannot be easily ignored."* ANT originates from sociology and organizational studies and proposes that any incidence can most effectively be approached if we look at all of its parts – whether they are natural, human, or technological – as interacting and acting members of the system (Latour, 2007). In a scandal context, scholars acknowledge that a broad network of actors influences the incidence e.g., corporate governance structures, the cultural aspect, the technological development, natural environment, the societal context as well as actors surrounding the company (Soltani, 2014; Zona et al., 2013). Prior literature has examined the how organizations handle inconsistency in norms and often respond to the demands from wider society through organized hypocrisy (Brunsson, 1986). Cho et al., (2015) address how *"an organization's façades is not unitary, but has several facets that serve different roles in managing stakeholders"* (Cho et al., 2010, p. 82). Literature on scandals, however, falls silent in examining the role of 'nonhumans' in the configuration of identities prior to and during corporate scandal emergence. While a process approach (such as ANT) involves biases and vices, including the lack of input-output and propositions, it brings the virtues of deep analysis, as addressed in Huse et al. (2011) in their paper how perspectives on board research are changing the research agenda argue that *"process-oriented data should be used to help scholars explore what they do not know"* (Huse, Hoskisson, Zattoni, Viganò, 2011, p. 11).

Drawing on Callon (1998) and Skærbæk & Tryggested (2010), I add to this by proposing an approach based on framing and overflowing to analyze the process of corporate scandal emergence from a company identity perspective. In doing so, I focus on how actor networks shape company identities in an interactive framework. In understanding how company identities are formed during scandal emergence, I draw on Callon's twin notions on framing and overflowing (1998). Rooted in the fundamentals of Goffman's impression management theory (1957), Callon is amongst scholars acknowledged for his consideration of structures and systems as a whole – including the importance of many different actors, nonhuman as well as human, which interact with each other in a processual framework (Skærbæk & Tryggestad, 2010). In accordance with Callon (1998), this paper considers the company as an actor, whose ontology is variable: the company objectives and interests and thus identity *"are caught up in a process of continual reconfiguration, a process that is intimately related to the constant reconfiguration of the network of interactions in which [the company, red.] is involved"* (Callon, 1998, p. 253).

This paper contributes to management and organizational literature by unfolding ANT on the phenomenon of corporate scandals. More specifically, this paper seeks to address the following research question: **how are company identities configurated before and during scandal emergence?**

In answering this question, I use a case-based approach to explore the active role of framing and overflowing (Callon, 1998) in the emergence of corporate scandals. While ANT emphasizes the importance of grounding theory in praxis through deep analysis of case studies (Law, 2009), the empirical focus is on four global corporate scandals: two European and two US companies. A case-based approach of four cases (as opposed to a single case study) provides the virtues of comparison and mapping of patterns of how identities are configurated across scandals. This paper is informed by the Wirecard accounting fraud scandal, the Purdue Pharma opioid scandal, the Volkswagen diesel gate scandal, and the Boeing MAX 737 scandal. To unfold framing and overflowing for the purpose of analyzing different categories of scandals, the empirical focus represents different scandal categories and different destinies for the companies, that is: bankruptcy vs no bankruptcy.

Through the analysis, the company identities of all four scandals were configurated by interacting actors in a network. This paper finds that nonhuman actors (framing devices) and experts (to purify company behavior) played a central role in the continuous figuration of company identities. Before scandal emergence, companies were building façades, and during scandal emergence – sometimes with several overflowings – these façades or *frames* were torn down. In the case of Purdue Pharma, the medical label, approved by the Federal Drug Association (FDA) of OxyContin as an opioid to treat patients with mild, chronic pain, was crucial as framing device of Purdue's framing before the scandal. I find that human and nonhuman actors, such as devices, marketing messages, experts, associations, authorities, and entities, participate in interactional processes to establishing the framing of the four scandal companies. The analysis shows that the framing of the scandal firms was extensive and resourceful exercises undertaken by the companies. The processes of building company identities included interactions by nonhuman actors (in the form of framing devices) and human actors (in the form of experts purifying the company frame). In the case of Purdue Pharma, the company framing included continuous configurations of a façade by using medical labels, patient organizations, patient material, doctor guidelines.

In addition, this paper finds that when a scandal happens, the company in question often seeks to frame the incident as being the act of one individual (Bundy et al., 2017). Boeing's MAX scandal make case in point. When two 737 MAX airplane crashes happened with few months in-between and killed everyone onboard, Boeing's management tried to blame it on the pilots[103]. According to Department of Justice, Boeing *"chose the path of profit over candor by concealing material information from the FAA*[104] *concerning the operation of its 737 Max airplane and engaging in an effort to cover up their deception"* (Department of Justice, 7th January 2021).

The remainder of this paper comes in four sections. Next, I address the phenomenon of corporate scandals as displayed in extent scandal literature. Then, I explore the phenomenon of corporate scandals through ANT and Callon's notion of framing and overflowing (Callon, 1998). Following this, I describe the methodology for the purpose of analyzing four selected cases of corporate scandals through the theory framework. I analyze the four cases of corporate scandals using outlined theory. Last, I discuss the implications, limitations as well as proposals for future research.

[103] https://www.justice.gov/opa/pr/boeing-charged-737-max-fraud-conspiracy-and-agrees-pay-over-25-billion
[104] Federal Aviation Association

2. Literature on corporate scandals

We hear a lot about corporate scandals in the media, as it makes good stories to uncover secrets and evoke public blame (Thompson, 2005; Skærbæk & Christensen, 2015). Corporate scandals are often accompanied by a complex set of phenomena, including the disapproval of company actions by stakeholders, break of stakeholder trust, significant economic damage for most stakeholders, dismissal of executives, legal prosecution, modifications in ownership and control, and, in some cases, corporate bankruptcy (Zona et al., 2013). These events are considered important enough for stakeholders to act and for the media to be concerned (Thompson 2005). Corporate scandals can include fraud, embezzlement, corruption, harassment, safety or environmental breaches (Kuhn & Lee Ashcraft, 2003). Given this nature, the phenomenon holds ambiguity and can seem too complex to grasp scientifically. We must even ask ourselves; is it at all possible to study corporate scandals?

For researchers to be able to compare and cumulate their scientific work, precise concepts are fundamental (as addressed by Greve et al., 2010). Similar to studies of corporate misconduct (Greve et al., 2010), the academic field of corporate scandals offer many definitions of the phenomenon (e.g., Soltani, 2014; Utz, 2019; Zona et al., 2013). As companies are situated in different environments and are studied by scholars who apply different disciplinary perspectives as well as different distinctions between appropriate and inappropriate behavior, consistent definitions are lacking (Greve et al., 2010). This paper acknowledges the complexity of the field of corporate illegality, misconduct, wrongdoing and fraud (Clemente & Gabbioneta, 2017). Antecedents to corporate wrongdoing itself have historically been examined in many variations, e.g. through control mechanisms (through agency theory) or culture, norms and values (through organizational theory), as further elaborated on in Section 2.3 in this paper, and as addressed by Sims & Brinkmann (2003), Soltani, (2014), and Clemente & Gabbioneta (2017). Recently, a new perspective has emerged where organizational misconduct is considered to be socially constructed (Clemente & Gabbioneta, 2017; Greve et al., 2010; Palmer, 2012). What is considered right and wrong differs between groups, over time and across places (Greve et al., 2010).

2.1 Social-control agents

Social-control agents can be the media or stakeholders, who bring the public's attention towards wrongful behavior in the company (Clemente & Gabbioneta, 2017). The media can both act as a social-control agent on its own (as defined by Clemente & Gabbioneta, 2017) or as intermediary for other social-control agents, such as professional associations (e.g., the Federal Aviation Association), international governing bodies, and national as well as local governmental bodies (as defined by Greve et al., 2010). A social-control agent represents a collectivity that enforces rules and norms and has the authority to bring a charge of misconduct against an organization for its alleged violation (Dewan & Jensen, 2020).

The line between right and wrong is judged by social-control agent and can separate legal, ethical, socially, and environmentally responsible behavior from their opposite (Greve et. al, 2010). To overcome the complex nature of scandals, papers tend to adopt certain specific definitions of the phenomenon. One example is Zona et al. (2013 p. 265) who define corporate scandals as *"rare, extreme events occurring at the apex of the corporate fame when managerial fraud suddenly emerges in conjunction with a significant gap between perceived corporate success and actual economic conditions."* The ladder implies an element of a gap between what is expected and what is reality. When companies transgress the line between acceptable and unacceptable, it becomes more complex and involves boundedly rational actors (Dewan & Jensen, 2020). Who are to judge the behavior? Are they even right to do so?

> [as the expression goes "it takes two to tango." Organizations cannot engage in misconduct unless a line is drawn between acceptable and unacceptable behavior. (Greve et al., 2010)

Greve et al. (2010) emphasize the social construction of misconduct, as it takes two to tango: the company and a social-control agent. The ladder judges whether behavior by a company transgresses the line from right to wrong. Greve et al. (2010) provide useful insights into the concept of corporate misconduct, which is not the same as corporate scandals. Corporate scandals are the type of corporate misconduct that causes general public outrage (Thompsen, 2005; Utz, 2019). Based on the sociology tradition, Greve et al. (2010) provides a useful definition of corporate misconduct with a link it to the phenomenon of social-control agents:

> [we define organizational misconduct as behavior in or by an organization that a social-control agent judges to transgress a line separating right from wrong; where such a line can separate legal, ethical, and socially responsible behavior from their antitheses. (Greve et al., 2010 p. 56)

These social-control agents include stakeholder groups, who draw the lines that define legal, ethical, and socially responsible behavior and assess whether companies have violated the accepted behavior (Greve et al., 2010). According to Greve et al. (2010) social-control agents include professional associations (e.g., the American Medical Association and the American Bar Associations), the world polity (i.e., international governing bodies), the state (i.e., national and local governments). With that, they view the media as the intermediary social-control agent that discloses the transgressions, which other agents might have brought to attention. Whereas Greve et al. (2010) view social-control agents as those who have the capacity to impose significant sanctions on its behalf, Clemente & Gabbioneta (2017) argue that the media can act as a social-control agent as well with the power to influence the perception of a company. The phenomenon of corporate scandals are argued to be socially constructed due to its nature of transgression of values (Clemente & Gabbioneta, 2017). Clemente & Gabbioneta (2017) apply a constructivist approach on corporate scandals, as it argues that a behavior becomes a transgression only if it is perceived as such.

Scholars argue that little is known about the antecedents to labelling behavior as 'misconduct', including why social-control agents label the behavior of some but not all organizations as misconduct (Greve et al., 2010). The lack of research of *when* social-control agents label misconduct is surprising for two reasons: the significant adverse consequences for the organization in question as well as the considerable discretion in labeling a behavior as misconduct (Dewan & Jensen, 2020). Based on this, corporate scandals can be seen as the successful outcome of a misconduct labelling from the viewpoint of the social-control agent.

2.2 Company identities and societal demands

Scholars have acknowledged the how sustainability efforts have can be understood through the three levels: 'talk, decision and action' (Brunsson, 1986), meaning sustainability begins with talking, then decisions follows, and then actions may become. Inherent in Brunsson's framework is that 'talk' is not always followed up by action, however, to get to 'action', one must begin with 'talk'. In understanding how companies establish identities, the literature on organizational façades builds on Brunsson's work. Cho et. al (2015, p. 82) apply three different façades: *"rational façade; a progressive façade; and a reputation façade."* Each façade can be viewed as an organizational substructure, that can either be labeled formally (e.g., the sustainability department) or through informally through statements to manage conflicting stakeholder demands (Cho et al., 2015). Organizations have tried to align the responsible practices with the rational morality of the wider society. In doing so, identities can be transformed through processes (Tregidga et al., 2014). Tregidga et al., (2014) investigates identity over time and shows *"how organizations have maintained a 'right to speak' within the sustainable development debate, despite the fundamental challenges and hegemonic threat that a broader reading of sustainable development might imply"* (Tregidga et al., 2014, p. 477). Whereas much literature understands organizational identity to be social constructions, Tregidga et al. (2014, p. 480) focus is on *"how a group of organizations are represented to both their members and to others through corporate reports in relation to sustainable development and in doing so construct what it means to be a 'sustainable organization.'"* In *Section 3. ANT as an approach to studying corporate scandals*, I will address this paper's approach.

For a scandal to happen, companies do not necessarily break the law, but instead they break with values and norms (Clemente & Gabbioneta, 2017; Thompson, 2005). On being disclosed this transgression causes disapproval and outrage (Thompson, 2005). In contrast to the boundedly rational social-control agents (Dewan & Jensen, 2020), corporate illegality is more tangible and decisive (Szwajkowski, 1985). Either you break the law, or not. The legal judgement is made by rational actors (Schuchter & Levi, 2016), however unlike corporate crime, actions leading to corporate scandals can be (but do not have to be) punishable by law (Braithwaite, 1884 & 2013). In many cases, like the case of the Volkswagen Diesel scandal in 2015, the actual unethical corporate behavior remains hidden for some time before the public gets to know about it. Dorfleitner, Kreuzer & Sparrer (2022) argue that a corporate scandal posit two aspects:

> 1) the unethical corporate behavior itself and 2) the process of societal disclosure of corporate scandals. The unethical behavior alone does not result in a scandal. For that to happen, stakeholders often perceive a pattern of unethical behavior. (Dorfleitner et al. 2022, p. 763)

The disclosure process is described in literature as involving an interaction between the company and the social-control agents (Dorfleitner et al., 2022). The behavior has to cause certain level of indignation in order to be considered relevant for stakeholders to act (Dorfleitner et al., 2022). The media functions as means to get to the public. The phenomenon of scandal as a mediated event was defined by Thompson (2005). Thompson argues that a scandal involves the disclosure of an event through the media, which previously was hidden from the public. The ladder part of the phrasing is applied by Utz (2019, p. 490) who define a corporate scandal as *"a publicly unknown weakness in a firm which triggers a widespread debate when information about it is released to the public."* Dorfleitner et al. (2022) contribute with a theoretical model for corporate scandals based on institutional theory and legitimacy theory. It argues that a high level of institutional pressure forces companies to adopt ethical behavior, and that the threat of losing legitimacy incentivizes firms to behave ethically (Dorfleitner et al., 2022). The paper focus on one common institutional logic, the ethical behavior, to explain a two-step conceptual model of corporate scandals.

The role of external governance mechanisms, such as the media, is addressed in several papers that posit different theoretical perspectives. Aouadi and Marsat (2018) argue that companies' relationships with the media are particularly useful since different stakeholders' opinions are driven by media attention. They combine stakeholder and legitimacy theory to address the connection between ESG controversies and firm value (Aouadi & Marsat, 2018). Legitimacy theory is based on the generalized perception that the actions of a company are appropriate within a socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995). In the process of scandals disclosure (i.e., Dorfleitner et al., 2012), firms experience their legitimacy challenged (Palazzo & Scherer, 2006). Legitimacy theory addresses the societal issue of declining public trust on the morality of firms (Palazzo & Scherer, 2006) and the role of Non-Governmental-Organizations (NGO's) in scrutinizing firm activities (Teegen et al., 2004). In order for an event to cause indignation and outrage with stakeholders and media, Zona et al (2013) finds that the size and knowledge of the company matter:

> [only major managerial fraud occurring in large and well-known firms reach a wide resonance and become a corporate scandal (Zona et al. 2013, p. 266).

Papers deploy other organizational-based theories to analyze corporate scandals and the interaction with the media, including the paradox theory and theory of impression management (Gaim & Clegg, 2021). Using the case of the Volkswagen scandal, Gaim & Clegg (2021) find that paradoxical promises through stretched goals provided the public with false impressions. Due to their nature of being contradictory but interdependent (Schad et al., 2016), paradoxes are seen as costly and difficult to achieve (Gaim & Clegg, 2021). Gaim & Clegg (2021) contribute to paradox theory by discussing how dysfunctional behaviors can be caused by an illusion of a so-called 'paradox embrace.' With inspiration from Goffman (1959), they bring useful insights of how impression management theory can be used to describe a conscious or subconscious process by which perceptions can be influenced by others (Gaim & Clegg, 2021). In the case of Volkswagen, the impressions projected to the public was the promotion of fast, cheap and green diesel cars – something that did not reflect reality, as it was falsely achieved by installing an emission cheat device (Aurand et al., 2018). This paper will elaborate on this in further detail in section 3, where ANT and impression management are applied on cases.

ANT has also been applied to study frameworks and practices for managing organizational risks in a public sector setting (Vinnari & Skærbæk, 2014). Motivated by the corporate scandals and failures that have occurred since the 1990s, Vinnari and Skærbæk (2014) develops a theoretical model of Michel Callon's framing theory, explaining how such a thing as risk management can develop into another setting with yet further framings. The ideas underlying ANT (Latour, 2004) have been applied in management, governance and organizational studies. One of these papers are Laura Spira (2000) who investigates the role of audit committees through ANT, following the evidence of audit committees broadly applied to secure good governance in a UK context (Conyon, 1997).

2.3 Antecedents to wrongdoing

The literature finds that the drivers of wrongdoing are multifold (see e.g., Soltani, 2014), and depending on the theoretical perspective applied (see Greve et al., 2010, for a detailed review). Shortcomings of definitions of corporate scandals or corporate misconduct mean that researchers tend to neglect central the dynamics concerning stakeholders and media as social-control governance mechanisms in examinations of drivers of corporate misconduct (Greve et al., 2010). While acknowledging the complexity of the phenomenon and field itself, two overall theoretical distinctions have been used to address why corporate misconduct happens. The papers distinguish between if the unethical behavior is driven by 1) individual choices caused by lack of controls (agency theory), or by 2) culture and norms (organizational theory) (Greve et al., 2010).

Organizational-based perspectives increasingly point to the fact that the causes of scandals reach beyond control systems (Contreras et al., 2020; P. Healy & Serafeim, 2019; Soltani, 2014). Serafeim & Healy (2019) state in their Harvard Business Review article "How to scandal-proof your company" that the root cause of the problems cannot be assigned to the failure of control systems or lack of compliance. The problems causing corporate scandals are found in flawed corporate cultures pushing employees to make the numbers at all cost (P. Healy & Serafeim, 2019). Rockness & Rockness (2005) have suggested further research exploring the interactions between and within culture, internal control and societal controls. Corporate fraud increasingly take place at a deeper level within the company and the environment in which it operates (Soltani, 2014). More specifically, papers examining the causes of corporate scandals find that culture and management ethics play a central role (Aurand et al., 2017; Boyd, 2012; da Silveira, 2012; Schuchter & Levi, 2016). Culture as defined by Hills and Jones (2001) is a specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization (Eccles et al., 2011). [105] Companies are not seen as soulless entities, but instead they have a seemingly invisible hand that dictates their inner workings (Grennan & Li, 2022).

One the last century's influential voices within criminology and sociology, Edwin Sutherland, coined white color crime and formulated the theory differential association (Sutherland, 1949),

[105] Hill, C., and Jones, G. 2001. Strategic Management. Houghton Mifflin.

broadly referred to as social learning theory (Hill et al, 1992). According to differential association, managers' behavior is strongly influenced by existing norms within their company and industry (Szwajkowski, 1985). Fraud entanglement, as occurring in small, incremental steps is later shown, e.g., by Suh et. Al (2020) and Rose et al. (2012). To illustrate how organizational norms influence behavior, Sutherland describes an example:

> [t]he utility corporations for two generations or more have engaged in organized propaganda to develop favorable sentiments. They devoted much attention to the public schools in an effort to mold the opinion of children. Perhaps no groups except the Nazis have paid so much attention to indoctrinating the youth of the land with ideas favorable to a special interest, and it is doubtful whether even the Nazis were less bound by considerations of honesty in their propaganda. (Sutherland, 1949, p. 210).[106]

When organizational norms stress the need to achieve high profit performance and do not stress the need for legal and ethical behavior, pressures for corporate misconduct may build within the organization (Ashforth & Anand, 2003; Courtois & Gendron, 2017). In the wake of the new century scandals, management scholars with a sociologist focus found that corporate wrongdoing can become 'normalized' in organizations by the use of rationalization tactics (Anand et al., 2004). Rationalizations are mental strategies that convince employees to view their corrupt actions as justified and to neutralize any regrets (Ashforth & Anand, 2003). Rationalizations can be linked to socialization tactics through which newcomers entering corrupt units are persuaded to practice the unethical acts (Anand et al., 2004).

> [o]ne of the most important factors that abet rationalizing and socializing is the use of euphemistic language, which enables individuals engaging in corruption to describe their acts in ways that make them appear inoffensive. (Anand et al., 2004, p. 47)

In organizations where unethical behavior has been normalized, Anand et al. (2004) finds that misconduct happens more frequently. In this case, misconduct is associated with the same processes that give rise to right doing (Anand et al., 2004). This also includes compensation systems that can facilitate the performance of not only efficient behavior, but also inefficient and wrongful behavior (Harris & Bromiley, 2007; Larkin & Pierce, 2016).

Summing up, literature either position wrongdoing as an abnormal event attributable to either single or limited number of individuals (Mayer, 2013), or focuses on the role of social-control agents (Greve et al., 2010) and the media (Clemente & Gabbioneta, 2017) in judging misconduct. A recent stream of literature views wrongdoing as an expectable outcome of organizational arrangements (Jourdan, *forthcoming AMJ*). I adopt the ladder and contribute to management and organizational literature by examining how identities before and during scandals forms as a function of processual interactions of networks. Prior literature has left open to examine the role of nonhumans as framing devices (Vinnari & Skærbæk, 2014) and experts as purification mechanisms (Skærbæk & Tryggestad, 2010) in before and during corporate scandal emergence. This paper seeks to examine this in address the question: **how are company identities configurated before and during scandal?**

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[106] Edwin H. Sutherland, White Collar Crime (New York: Dryden, 1949), p. 210.

3. Framing and overflowing as an approach to studying company identities during scandals

In this subsequent section, I will first introduce the notions of framing and overflowing (Callon, 1998), which allows me to analyze the initial process and mechanisms of corporate scandal emergence. Next, I introduce Callon's theory of emergent concerned groups (2008), which allows me to analyze the subsequent phase of corporate scandal emergence where concerned groups interact and intervene in a 'negotiation of the matter of concern' (Latour, 2007).

I build this inquiry on the notions of framing and overflowing from Callon (1998) and ANT, for two reasons: first, ANT proposes that an incidence can most effectively be approached when looking at all of its parts – whether they are natural, human, or technological – as interacting and acting members of the system (Latour, 2007). Second, reviewing existing literature on the phenomenon, the importance of examining corporate scandals through a theoretical approach that allows me to examine how a network of actors influences the incidence (Hassard & Law, 2007) becomes prevalent. These include corporate governance structures, the cultural aspect, the technological development, natural environment, the societal context as well as actors in and outside the company. ANT differs from previous literature that tends to take an individual stance and focus on social interactions in the understanding of fraud and scandals. Instead, ANT attempts to analyze systems and "social structures comprising both social *and* natural entities" (Callon, 1984, p. 211). The theoretical perspective assumes that impressions and actors shape the outcome and understanding of incidences such as scandals – that includes the so-called 'material arrangements' in framing the perceptions of companies (Callon, 1998), which I will explain in further detail in the following section. Upon discovery of company behavior that transgresses the line from right to wrong, analyzing the incidence requires understanding what frame(s) surround the company (Callon, 1998). When companies establish a frame, the inevitable conduit for a so-called 'overflowing' occur. I will further address the interrelatedness of framing and overflowing in the following section (described as the "twin notions" by Skærbæk & Tryggestad, 2010).

3.1 Framing and overflowing

Callon develops from Goffman's theory of impression management (1959) in his work on framing and overflowing (Callon, 1998). To illustrate the impression mechanisms, later adopted by Callon, Goffman used a theatrical metaphor, where there is a common frame of understanding on what will take place. As with other situations or settings, a theater has its boundaries of interaction (Callon, 1998). There is a frontstage, a backstage, a performer, an audience, theater light, a start, an ending, informal rules about how the audience behave (Callon, 1998). This study adopts Goffman's metaphor of "backstage" about the information that is only known to the company and hidden from the public. Likewise, "frontstage" refers to the information known or revealed to the public (Goffman, 1959). The performer communicates with an audience through impressions (Goffman, 1959). While Goffman refers to impression management as the process by which people attempt to influence the perceptions of others about a person, event or object, this paper applies the theory from an organization's point of view. This is useful in relation to how they seek secure a desired identity (as also applied in Gaim & Clegg, 2021). Impression management is useful in an organizational context to analyze how companies build their brand and storytelling (addressed by Nyilasy et al., 2014). According to ANT, the elements through which the outside world understands a company is referred to as 'the frame' (Callon, 1998), which I will describe in detail next.

According to Callon (1998), actors take part as interacting members of a system and thus develop a frame that establishes the boundaries of interaction. Rather than only one frame, there can be more frames of understanding depending on the interaction between various groups of outside stakeholders (Callon, 1998) and the links to each other (Vinnari & Skærbæk, 2014). Framing of companies can be done through nonhuman arrangements, also referred to as framing devices (Vinnari & Skærbæk, 2014), such as product certifications, medical labels as well as sustainability reports and ESG ratings. Companies can also use experts (also referred to as professional enablers[107]), such as governments, regulatory authorities, rating agencies, key opinion leaders and auditors, to build their image and frame (Skærbæk & Tryggestad, 2010). A performer, here a company, can frame reality, depending on which stakeholder group it communicates with and which story the company intends to tell (Gaim & Clegg, 2021). According to the ANT tradition, actors agree (implicit or explicit) on a frame that establishes the boundaries of interaction. Rather than just one existing frame, more frames of understanding can exist depending on the interaction between various groups of outside stakeholders (Callon, 1998). Moreover, the ANT perspective stresses the fact, that each individual perceive reality differently, meaning one type of impression might be understood differently depending of the audience (Goffman, 1959). As addressed in the literature review section, for a scandal to happen there is an element of something unexpected (Thompson, 2005), which can be caused by misleading company impressions. In accordance with Callon (1998), the framing of the company before the overflowing has an impact on how the outside world judges the behavior (Gaim & Clegg, 2021).

In accordance with ANT, actors can be human and the so-called 'nonhuman' actors (Callon, 1998). Devices, written texts, ESG reports, FDA labels, DAX approvals and Federal American Aviation certifications, are examples of 'nonhuman actors' (Skærbæk & Tryggestad, 2010). These reports and certifications can act as devices contributing the establishing a frame of how the company is understood by its audience (Skærbæk & Tryggestad, 2010). When a frame is not openly contested by other actors, it can be termed pure (Skærbæk & Christensen, 2015). This purification occurs when experts, such as consultant or decision makers, confirm the relevance of the framings (Skærbæk & Tryggestad, 2010). Company executives who typically will be promoting and imposing the implementation of the framing might justify its superiority to the fact that it is based on the work of experts (Skærbæk & Christensen, 2015). The perceived purity of the frame from the outside world can increase when companies apply experts, as they help to reduce or stop debate and distrust (Skærbæk & Tryggestad, 2010). The interactions occurring

[107] AFR: link

within the frame are connected to the outside world (Callon, 1998). Callon (1998) claims that stability of the frame requires substantial investments.

When an event or a behavior is disclosed to the public, that do not match with the frame of the company, there is an 'overflow' of the frame. The company has built and invested resources to build the frame, and overflows are according to Callon seen as the norm (Callon, 1998). The identity of the company is caught up in *"continuous configuration of the network of interactions"* (Callon, 1998, p. 253). As overflows happen, the frame is subject to reconfiguration and no longer represents the impressions of identity previously adopted by the audience (Callon, 1999). The company might then seek to stabilize the situation and reframe these previous uncontained overflows (Vinnari & Skærbæk, 2014). After such overflow, Vinnari & Skærbæk (2014) argues that companies often seek to stabilize the situation and reframe these previously uncontained overflows by investing in more efficient or tried-and-tested framing devices. This can include compliance systems that would uncover violation of safety-procedures, as in the case of the Boeing MAX 737 scandal[108]. Callon (1998) argues that for the reframing to be (momentarily) successful, the actors who previously were excluded by the framing or negatively impacted, subsequently perceive themselves as being acknowledged – at least to the degree where they no longer declare disagreement (Callon, 1984). The reframing can include formal apologies, new corporate programs, new management teams, new incentive structures as well as commissions of inquiries (Vinnari & Skærbæk, 2014).

3.2 Interventions, negotiations, and reframing

To contain overflows or reframe, Callon applies the distinction between 'hot' and 'cold' situations (Callon, 1998). When an overflow happens and it is a 'cold' situation, there is a situation of agreement regarding how to contain the overflow (Callon, 1998). In a 'hot' situation, the overflow is considered controversial, often by multiple actors. Using Callon, Skærbæk & Tryggested (2010) argues, that a process of negotiating over the nature of the overflows initiates. Here the identities and responsibilities of the actors are at stake (Callon, 1998).

In addition, to understand the interaction between the social-control agents, I draw on Callon & Rabeharisoa (2008) and their work on the formation of 'emergent concerned groups', that consist of groups that *"strive to have their problems taken into consideration"* and/or *"groups affected by overflowing, the nature and effects of which they want to understand"* (Callon & Rabeharisoa, 2008, p. 232). The concept outlined in Callon & Rabeharisoa (2008) on 'emergent concerned groups' builds on the formation of 'obligatory point of passage' (Callon, 1984). Callon & Rabeharisoa (2008) offers an approach to analyze the formation of a coalition of actors that are *"incited to undertake investigations and research"* (Callon & Rabeharisoa, 2008, p. 232), resulting from an overflow. Callon (1984) argues that the individual groups cannot attain what they want by themselves, as *"their road is blocked by a series of obstacles-problems."* (Callon, 1984, p. 206). Through a formation of an obligatory point of passage, Callon describes how the

[108] I elaborate on this in the analysis of the Boeing MAX scandal, Section 5.1

groups are ‘locked into place’ by joining forces through their problematization (Callon, 1984, p. 206) and how the formation is formed and adjusted during ‘action’, which is implemented by using different devices (Callon, 1984).

Based on the literature review, the behavior that initiates a scandal can happen long before the information about it is disclosed to the public (e.g., addressed in Thompson, 2005; Dorfleitner et al., 2022), that is, the behavior can happen long before the overflow. In his book, *The Presentation of Self in Everyday Life* (1959), Goffman distinguished between three types of secrets – that is, ‘inside secrets’, ‘strategic secrets’ and ‘dark secrets’ (Goffman, 1959; White & Hanson, 2002). Strategic secrets are intentions and capacities of an organization which it conceals from its audience in order to prevent them from adapting the intention that the organization is planning to bring about (Goffman, 1959). In the case of misjudged opportunity or failure, strategic secrets may become ‘dark’ secrets. Goffman writes that dark secrets:

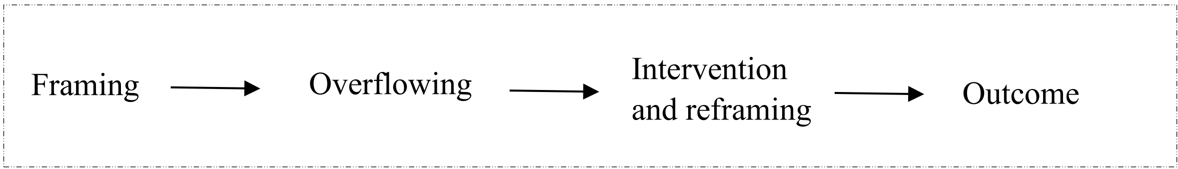
> [consist of facts about a team which it knows and conceals and which are incompatible with the image of self that the team attempts to maintain before its audience. Dark secrets are, of course, double secrets: one is the crucial fact that is hidden and another is the fact that crucial facts have not been openly admitted (Goffman, 1959/1974, p. 141).

Backstage behavior can cause overflowing to the frame and can later be negotiated by concerned groups as a matter of concern (Latour, 1984). If the backstage behavior is considered a dark secret, the scandal can become hot overflowing. In this paper, I propose that several factors affect how the concerned groups negotiate the overflow: societal values (what is accepted and what is certainly not?), time (has it happened long ago?), and place (geographical distance to the behavior?).

3.3 Summing up the conceptual framework

Based on above, I suggest that a corporate scandal using a framing and overflowing approach from ANT can be summarized into four processual building blocks: 1) the framing process whereby the company is understood by its audience, 2) the overflowing resulting from behavior that falls outside the focal frame, 3) the intervention by concerned groups, continuously configurating the identity of the company, and lastly, 4) the outcome. These four elements are illustrated in Figure 1. In developing the framework, I adopt Callon’s notion of framing and overflow (1998), as well as his work on emergent concerned groups (Callon, 2008) – with the ladder to include the mechanisms of social-control agents. I will unfold this framework and analyze four cases with regards to how scandal companies configurate their identities prior to scandal and how they react when their frames are destabilized by scandal.

Figure 1. Theoretical approach for the study of continuous configuration of company identity before and during scandal



As ANT is as much a theory as it is a methodological approach (Latour, 2007), this paper proposes that above conceptual framework serves as analytical approach to study the how identities are continuously configurated during the phenomenon of scandals.

4. Research methodology

The analysis of the case studies is based on reports of regulatory bodies, authorities (national, local, and international), professional and academic literature as well as newspapers. I have equally selected two corporate scandals in Europe and two in the United States. To examine the 'black box' of how the configuration of identities across scandal categories is undertaken, I have selected scandals that represent different scandal categories (product safety, emission, and accounting fraud scandal[109]) and different destinies for the companies: One European and one United States corporate scandal caused subsequent bankruptcy (Wirecard and Purdue Pharma); and one European and one United States corporate scandal did not suffer bankruptcy, but sanctions and public outrage (Boeing and Volkswagen). In the selection of the four scandal companies, I have chosen scandals in accordance with the scandal definition outlined in this paper. The incidents represent company behavior that is judged by social-control agents to transgress the line from right to wrong (as addressed by Greve et al., 2010) and have resulted in *"outraged members of the public"* (Callon, 1998, p. 261). I reemphasize that transgression of the law is *often* accompanied with transgression of the norms, however norm and law transgressions may differ (Laguecir et al., 2020).

The choice of corporate scandals is based on the following criteria:

- The scandals occurred in the same period (2015-2019).
- The scandals are topping the list of mediated scandals when searching for scandals in Dow Jones Factiva Database amongst news outlets worldwide.[110]
- The selected companies are large, well-known companies that competed for (or were in) industry leading positions (listed companies, except for one (Purdue Pharma))
- The scandals are all international, as measured by international mediated public outrage.

In opposition to the typical ANT approach that implies deep single-case studies, often as ethnographies (Nimmo, 2011), this paper explores how the theory framework can be useful on different mini-cases in a comparative case study methodological approach. Comparative case studies involve the synthesis and analysis of the similarities and differences, as well as patterns across more cases with a common dependent variable (Dion, 1998). In this study, the common dependent variable is corporate scandal. Rather than analyzing the causes of corporate scandals on individual-based measures, this study attempts to provide insights into how scandals emerge by analyzing the system as a whole (Law, 2009) in the case of four different scandals. Comparing four cases enables me to analyze how company identities are configurated through interactions of

[109] Accounting fraud belongs to the category of 'community scandal' according to Refinitiv link

[110] See Kjaer, Christina and Kirchmaier, Tom, Deceived by 'S': Corporate Scandals and ESG (April 25, 2023). Available at SSRN: https://ssrn.com/abstract=4428468 or http://dx.doi.org/10.2139/ssrn.4428468

humans and nonhumans, and to understand similarities, patterns and differences in how corporate scandals emerge. In doing so, I develop insights based on official records, however, with the limitations that follows with the lack of deep-dive interviews.

5. Analysis

In this subsequent section, I will examine how the 'framing and overflowing' can contribute to the understanding of the continuous configuration of company identities of four corporate scandals. In doing so, I will split the analysis into three parts: first, I analyze the identities of four corporate scandals through the conceptual framework, 'framing, overflowing, intervention and reframing, and outcome' (section 5.1-5.4). Second, I analyze major similarities between the corporate scandals (section 5.5), and finally, I analyze major differences between the cases (section 5.6). I analyze the empirical inquiry by applying the notions of framing and overflow (Callon, 1998).

5.1 The Boeing MAX scandal

The framing of Boeing had for many years been a trusted aircraft engineering company with certifications from Federal American Aviation. Boeing had a proud history from its engineering heritage and a safety-first culture, and it was a company that employees historically had been proud working for.[111] To their customers and investors as audiences, Boeing promoted that "safety is our DNA" and the MAX 737 as being eco-friendly, safe and well-tested, as the model reminded of its predecessor.[112] They promoted the additional – and important – feature that the new safe and eco-friendly MAX 737 "did not require additional training".[113] The frame around Boeing with the launch of the new MAX 737 was that the company was responsible, sustainable with a continued focus on safety. Framing devices, the eco-friendly marketing campaigns and airplane certifications by the Federal American Aviation contributed to building this frame. Having created this new frame of MAX 737 with safety as outspoken qualities, then disconcerting events happened.

The overflow happened with the event of two Boeing MAX 737 crashes with deathly outcomes of every passenger happened in October 2018 and again in March 2019[114]. More specifically, on October 29th, 2018, the Lion Air Flight 610 crashed after takeoff into the Java Sea killing all 189 passengers (Robinson, 2021). Following the crash, the Federal Aviation Administration (FAA) learned that the MCAS system was activated during the flight and may have caused the crash (US Department of Justice, 7 Nov 2021).[115] According to news outlets, Boeing had not openly

[111] The Downfall of Boeing (2022)
[112] New York Times 7 January 2020: link
[113] New York Times 7 January 2020: link
[114] Corruption, Crime and Compliance, JDSupra: link
[115] US Department of Justice: link

informed about the change to the MCAS, but instead they had concealed from the FAA.[116] Five months later, on March 10th, 2019, Ethiopian Airlines Flight 302 crashed shortly after takeoff, killing all 157 passengers on board. Once again, the administration learned that the MCAS was activated during the flight (Robinson, 2021). This new information did not match with the previous given impressions of Boeing as trusted airplane manufacturer, that is, there was an overflow to the established frame around Boeing. The hidden behavior in the Boeing MAX scandal happened years before the actual crashes of two Boeing MAX 737 airplanes, triggering the scandal. According to Department of Justice, Boeing "chose the path of profit over candor by concealing material information from the FAA [Federal Aviation Administration] concerning the operation of its 737 MAX airplane" (Department of Justice, 7th January 2021). From news outlets, it became known that management deliberately provided wrongful information about the new airplane software system, called MCAS,[117] to the authorities, putting passenger safety at high risk.[118] Facts about the how dangerous it was not to inform the FAA that the MCAS system needed pilot training were 'known' and 'concealed' by management (Department of Justice, 7th January, 2021). The impressions Boeing would have provided if not hiding the facts were 'incompatible with the image' of the company, and incompatible with the market position Boeing aimed for. The secret was a double secret in nature of, on one side, hiding the fact, and on the other side not openly admit they had been hiding the fact. With statement of deception by an important actor, the social-control agent Department of Justice, the hidden behavior can be termed a 'dark secret' (Goffman, 1959).

An intervention and negotiation of the matter of concern subsequently played out. Three days after the second crash, the *social-control agent*, the Federal Aviation Administration, decided to ground Boeing's 737 MAX, sending a clear signal of corporate misconduct with tangible and immediate sanctions that created news headlines worldwide.[119] When the grounding and information about the second crash was broken to the public, the company behavior became 'a matter of concern' (expression used by Latour, 2004). Questions arose about how the public was going to think of Boeing. From this followed a 'hot situation' (cf. Callon, 1998) that entailed a controversial reframing game by actors having different blame agenda (Robinson, 2021). One of the evidence reports, was the Ethiopian report by the Ministry of Transport and Logistics, released on 23th December, 2022, that concluded Boeing carried the entire responsibility. The conclusion was that it was impossible for a pilot who had not received training in the new MCAS system to maneuver the flight in the right position. More specifically, the MAX 737 would force the front of flight down if activated without the pilot being able to bring the flight back into its correct position. The Ethiopian report concluded that the "repetitive and uncommanded airplane-nose-down inputs" from the new flight control system put the airplane in an "unrecoverable" dive (The Federal Democratic Republic of Ethiopia, December, 2022)[120]. Following ANT, reports like the

[116] link
[117] MCAS stands for Maneuvering Characteristics Augmentation System. It is a flight control software designed to push down the plane's nose in certain situations.
[118] Financial Times: link
[119] The Verge: link
[120] Report: link

Ethiopian report are material arrangements or nonhuman actors that, in line with humans, possess agency and contribute to establishing a new frame around Boeing.

On the other side of the table, Boeing was on the defense. According to the Department of Justice, Boeing top executives engaged "in an effort to cover up their deception" (Department of Justice, 7th January 2021). In the attempt to avoid scandal and to win the reframing game against social-control agents, Boeing spent time and resources on containing the overflows. Boeing tried frame the pilots as scapegoats with the arguments that the pilots of the airline companies did not have adequate competences.[121] Boeing tried to contain the overflow and reframe the incident as being innocent and to rebuild trust with stakeholders (Nirino et al., 2021). The blame game started already after the first crash, where Boeing's CEO kept framing the incident as being a mistake of the pilot. According to news outlets[122] and the author of the book "Flying Blind", Peter Robinson, there were two reasons why Boeing did not admit the software flaws. First, Boeing's Safety Review Board, a formal gathering of engineers and pilots, discussed the software issues shortly after the first crash early November. Based on rudder design blamed for two crashes in the 1990s, the Safety Review Board knew that writing openly about a flaw exposes the manufacturer to additional liability for having known about the issues in advance (Bloomberg, 16 Nov 2021). *"Some at Boeing had seen the anguish it caused colleagues who were asked to explain themselves years later, and they became more careful about what they put in writing"* (Bloomberg, 16 Nov 2021). Second, race and nationality were acknowledged in the media to play a role.[123] The crashes happened in Ethiopia and in Indonesia. It was well-known that Boeing's pilots, predominantly older White men, *"had long shared private jokes about the incompetent crews they ran into overseas. "Too dumb to spell 737," went a frequent refrain of one pilot, according to someone who heard it"* (Bloomberg, 16 Nov 2021). As admitting the software shortcomings would be costly, Boeing management used indirect hints of racial stereotypes to frame the pilots and point to their inadequacy in understanding the safety instructions provided in the manual (US Department of Justice, 7 Jan 2021).

The outcome of the negotiation was a common understanding in the public and as judged by Department of Justice that management had deceived the authorities by 'concealing' facts before the crashes happened, thereby causing the deaths of first 189, then 157 passengers. The public was outraged when it became known that management covered up their initial lies and kept deceiving the public, the families left behind, governments, and customers (the double secret according to Goffman, 1959): According to Robinson (2021), an investigative Bloomberg journalist and author of "Flying Blind: The 737 MAX Tragedy and the Fall of Boeing", the tipping point was when it was disclosed to the public, that Boeing's management all the time had known that the MAX 737 had some problems (Robison, 2021). As journalists, authorities and politicians dug deep, they uncovered that the real problem was not faulty software or engineering, as framed by Boeing — but in the leadership and culture of Boeing.[124] With this framing and causal analysis of the incident, it went from being 'a matter of concern' to 'a matter of fact'. Through news outlets

[121] US Department of Justice: link
[122] Bloomberg: link
[123] Bloomberg: link
[124] JD Supra, legal news: link

as well as the Netflix documentary "The Downfall of Boeing", it was revealed that, after the takeover by the CEO, McDonnell Douglas, top management began to cut corners for the sake of beating competition and increasing stock prices.[125] This information served to frame the management as being highly irresponsible and unethical – not someone you would trust with your life (Robinson, 2021). The scandal consequences were multi-fold and included: losses of more than $1 billion in sales due to the grounding of the MAX 737, temporarily shutting down production of the planes, firing of former CEO Dennis Muilenburg.[126] In addition, it left Boeing scrambling to win back trust from regulators and repair its stained image.[127] According to United States Securities and Exchange Commission, the "corporate reputation is now directly responsible for an average of 38% of market capitalization across the FTSE 100 & 250" (from the 2018 Reputation Dividend Report).[128]

Summing up, the framing that Boeing had established was being a trusted, eco-friendly and safe airplane company with its certifications and procedures in place to be trusted. The overflow was when two MAX 737 planes crashes with only five months in-between. In the following, authorities and media were negotiating the matter of concern: what had caused this – was it bad pilots, or a more fundamental problem related to Boeing as a company? Boeing themselves tried to frame the incidence in their favor by blaming the incidence on the pilot's lack of training, however, it was later revealed that Boeing's management all the time had known that the newly installed software system was dangerous if pilots did not receive training. The deception of Boeing's management revealed that it was a dark secret, not openly admitted, triggering the incident to become a scandal.

5.2 The Wirecard scandal – 'The German Enron'

The framing of Wirecard was a resourceful exercise with activities that displayed Wirecard as sophisticated fintech innovators and "embraced by the German elite" (The New Yorker, 2023).[129] Wirecard's management was framed – and widely acknowledged by the audience – as being intelligent, modern, and perceived as 'the smartest guys in the room'.[130] After the fall of Wirecard, the failure has been referred to in the media as 'the German Enron.'[131] The German fin-tech darling, Wirecard, that went from €22.5 billion to zero in market capitalization, was more than twice as valuable as Commerzbank.[132] The German government proudly toured with the story around Wirecard as Germany's new proud tech invention. According to news outlets, the fintech darling became Germany's answer to the US tech giants, such as Google or Facebook.[133] The

[125] Knowledge Bank: link
[126] CNBC: link
[127] NPR.org: link
[128] SEC press release: link
[129] New Yorker: link
[130] Expression used about Enron's management and coming from the book "The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron" by McLean, Bethany, (2004).
[131] link
[132] Markets.com: link
[133] Reuters: link

frame of Wirecard was that it was highly innovative, doing things smarter than the traditional heavy banks were doing (Jo et al., 2021). Under the CEO, Markus Braun, the growth rates skyrocketed, with an aggressive acquisition strategy of more than 18 companies, it outgrew Münich's start-up scene. "That year [2018, red], it replaced Commerzbank AG in Germany's 30-company DAX stock index, alongside titans such as Volkswagen AG, Siemens AG, and Deutsche Bank AG" (Washington Post, 2022).[134] One of the contributors to the frame, whereby outsiders understood Wirecard, was that it was from a country known for its "gründlichkeit", as depicted in media outlets.[135] Framing devices served the purpose of rubberstamping company activities – these includes approved auditor reports and a fast track DAX approval from the German government to trade in the top stock index in Germany (Langenbucher et al., 2020). Certifications, reports and DAX approvals contain 'knowledge claims' (expression used by Latour, 1987) through which actors can construct a particular frame in their efforts to convince other actors into accepting the frame (Callon, 1998).

The overflow initiating the scandal and following bankruptcy happened in 2019 when the "Financial Times published a series of articles accusing the company of improper accounting in Asia and the Middle East" (Washington Post, 9 Dec 2022)[136]. Financial Times brought up accusations of fraudulent conduct in what was perceived as "once the poster child for Germany's financial technology sector."[137]

The intervention and negotiation by concerned groups, that followed from Financial Times' disclosure of news articles in 2019, involved short sellers betting on further declines of a stock.[138] The concerned groups were mainly reporters and short sellers, who conducted research to identify and get further evidence on the matter of concern. On the other side of the framing game was Wirecard together with forceful support from the German government, consulting firms, and other experts. As the first time in history, the German financial supervision authorities, BaFin, put a temporary ban on short selling of Wirecard shares (BaFin General Administrative Act, 18th February 2019).[139] According to McCrum and his colleague, Stefania Palma, they were framed by authorities and parts of German media as being in coalition with short sellers.[140] The framing game was lengthy and – according to McCrum – containing personal counter attacks from not only the company, but also authorities and experts, which he later referred to as "professional enablers."[141] In an interview with, McCrum describes the battle with the German authorities in an interview:

> "No matter what we wrote – it didn't seem to matter. And then I was investigated personally by the German authorities. They opened a criminal investigation into my colleague and I.

[134] Washington Post: link
[135] AMLC: link
[136] Washington Post: link
[137] DW Germany: link
[138] Washington Post: link
[139] BaFin issued a General Administrative Act prohibiting with immediate effect the establishment of net short positions in shares of Wirecard AG (DE0007472060). This was called a "General Administrative Act" and applied from 18 February 2019 until 18 April 2019, 12.00 midnight CET": link
[140] Pressgazette: link
[141] AFR: link

> And all of that was very intimidating. And then Wirecard also, with these private detectives, constructed this sort of sting operation which made it again look like we were in league with short sellers." (Dan McCrum, Interview, 8 December, 2022)[142]

Through years of investigation, McCrum brought the public's attention to the corporate fraud after, what was described as a struggling fight with German authorities (Jo et al., 2021). As the framing of Wirecard was termed pure through endorsement of the German Elite (The New Yorker)[143], the reporters and, in particular, McCrum expressed his frustration of what he referred to as "professional enablers" as one of the mechanisms enabling the fraud.[144] Entities, that was meant to secure transparency, such as law firms, auditors and the German government, was perceived in the press as being enablers covering up and purifying the systematic fraud orchestrated from the top of Wirecard's leadership (as described by Jo et al., 2021). According to statements from McCrum, the frame was termed pure with the support from professional enablers – that is, the German government's support of the enrolment in DAX in 2018 and BaFin, the German financial regulatory authorities' support and certification of the products offerings of Wirecard (Langenbucher et al., 2020). The scandal went from 'a matter of concern' to 'a matter of fact' with "the admission that about $2 billion of company funds had gone missing" (The Washington Post, 2022).[145] In June 2020, auditor Ernst & Young refused to sign Wirecard's long-delayed 2019 financial report, that the public sentiment changed. Ernst & Young's decision sent Wirecard's shares down, and a couple of days later, Wirecard admitted that €1.9 billion in reported assets probably never existed.

The outcome of the research and negotiation was that Wirecard's CEO for more than a decade, Markus Braun, resigned and Wirecard pulled its financial results for fiscal 2019 and the first quarter of 2020. By 20th June 2020, Wirecard filed for bankruptcy. Evidence, highlighted by European Parliament, stated that the accounting fraud and corruption happened at least 10 years before the scandal, as red flags were raised as early as 2008 when the head of a German shareholder association raised concerns of Wirecard's balance sheet irregularities (European Parliament, 2020).

5.3 The Purdue Pharma opioid scandal

The framing of Purdue Pharma was a well-established pharmaceutical company, owned by one of America's most wealthy families, the Sackler family. Purdue Pharma invested heavily in establishing an understanding of opioids as being safe and non-addictive. In doing so, they not only got OxyContin approved by the Food and Drug Administration (FDA) to treat mild pain, they developed a well-designed system of global pain education programs through American Pain Society[146] (Gourd, 2019). The pain treatment awareness program was mainly funded by Purdue

[142] EQS: link
[143] The New Yorker: link
[144] AFR: link
[145] Washington Post: link
[146] The Lancet: link

Pharma with the intention to reframe how doctors were thinking of pain medication around the world.[147] In doing so, Purdue invested in various nonhuman devices such as doctor and patient material, e.g., pain chart faces, still used today (European Pain Federation)[148] According to Dr. Andrew Kolodny, an opioid addiction specialist, Purdue Pharma managed to change the perception of opioids. Under the slogan "we want to cure the world for its pain" [149], Purdue Pharma reframed opioids from previously being perceived dangerous to now being safe to use.[150] One doctor told in an interview brought in a Netflix documentary, "they told us that if you didn't use them [OxyContin], you were a bad doctor."[151] In establishing this framing, the Sacklers took special interest in promoting Purdue's opioids in Massachusetts, as described in the Superior Court file from 31st January 2019:

> "The Sacklers decided to spend millions of dollars to establish the Massachusetts General Hospital Purdue Pharma Pain Program. Similarly, the Sacklers and Purdue pursued an intense relationship with Tufts University, which named its School of Biomedical Sciences as the Sackler School of Graduate Biomedical Sciences, and created an entire degree program, the Master of Science in Pain Research, Education, and Policy, funded by Purdue. The Tufts program is also home of an annual Sackler Lecture, which Purdue sales managers arranged for Purdue sales reps to attend.[152] The Sacklers also tracked Purdue initiatives to promote opioids at Boston University, Northeastern University, and the Massachusetts College of Pharmacy."
>
> (Superior court in Commonwealth of Massachusetts, 31st January 2019)

Public records later revealed that medical key opinion leaders and management consulting firms participated in creating a framing of Purdue as being trustworthy. In the media it has later been highlighted how the FDA and McKinsey assisted both Purdue Pharma and the FDA in reaching consensus thereby purifying the frame.[153] Purdue Pharma established a framing by using framing devices, such as the misleading medical label (faulty approved by the FDA) and the manipulated results from clinical trials, illustrated in sales rep training material. The graphs in the marketing material intended for prescribers depicted the so-called 'Extended-Release System', which was used to convince doctors of the safety and low addiction rates of the drug (Gourd, 2019).

The overflow happened by 2006, when "prosecutors found damning evidence that Purdue intentionally deceived doctors and patients about its opioids" (Superior court in Commonwealth of Massachusetts, 2007 and 2019). From that followed a process involving further research of the company's activities by social-control agents. This included more disclosure of information that compromised the existing framing of Purdue.

The interventions and interactions following the disclosure of evidence involved American authorities, protest organizations, and the American Drug Enforcement Agency (DEA). Social-control agents challenged the established frame of Purdue as being a lawful medical company:

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[147] Stat News: link
[148] Europe Pain Federation: link
[149] Center for Health: link
[150] Center for Health: link
[151] The Crime of the Century (2022), Netflix documentary
[152] 2007-03-30 emails from Russell Gasdia and Windell Fisher, PPLPC012000137174; PPLPC012000137178.
[153] https://fingfx.thomsonreuters.com/gfx/legaldocs/akpezyejavr/2022-04-13.McKinsey%20Opioid%20Conflicts%20Majority%20Staff%20Report%20FINAL.pdf

authorities opened court cases against Purdue Pharma; protest groups organized demonstrations in the name of their loved ones in a call out to protect others against the dangers of the opioid medication, Oxycontin;[154] and the DEA played a central role as social-control agent in sanctioning the wide-spread marketing of the opioid drug, OxyContin (Humphreys et al., 2018). The counter-framing of Purdue Pharma to contain overflows was two-fold: first, the company decided to plead guilty and state in a Consent Judgment from 2007 that Purdue "shall not make any written or oral claim that is false, misleading, or deceptive" in the promotion or marketing of OxyContin (The 2007 Judgement, Superior Court in Commonwealth of Massachusetts).[155] Second, the Sackler forcefully drove the communication strategy of blaming the addiction rates and overdoses on the user, not on the drug. In Purdue Pharma's attempt of containing the overflow, Purdue invented new paradigms, such as "break-through-pain" to convince doctors, that patients were not addicted, but just needed higher doses.[156]

The case went from being 'a matter of concern' to 'a matter of fact' when public court documents were released from the superior court in Commonwealth of Massachusetts (31st January 2019) for the first time revealing internal communications of Purdue Pharma senior management.[157] In the official court files, it became known to the public that Purdue manipulated clinical trials to make opioids seem less addictive and trained medical specialists to convince doctors to prescribe doses of the infamous drug, OxyContin, in doses as high 160 mg to patients.[158] Amongst other evidence of Purdue Pharma's carelessness, the court documents included a letter[159] by a mother who wrote to the company:

> "My son was only 28 years old when he died from Oxycontin on New Year's Day. We all miss him very much, his wife especially on Valentines' Day. Why would a company make a product that strong (80 and 160 mg) when they know they will kill young people? My son had a bad back and could have taken Motrin but his Dr. started him on Vicodin, then Oxycontin then Oxycontin SR. Now he is dead!"
>
> (Superior court in Commonwealth of Massachusetts, 31 January 2019)

In response to the mother's letter, internal email revealed that a Purdue staff member noted: "I see a liability issue here. Any suggestions?" (Superior court in Commonwealth of Massachusetts, 31 January 2019)[160]. In the court files from 2019 it was documented that the CEO, Richard Sackler, had already in 2001 had been warned by a Purdue Pharma sales representative stating that "OxyContin sales were at the expense of dead children and the only difference between heroin and OxyContin is that you can get OxyContin from a doctor" (Superior court in Commonwealth of Massachusetts, 31st January 2019).[161] Back then, Sackler's solution to the overwhelming

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[154] Reuters: link
[155] Report titled "PURDUE'S MEMORANDUM OF LAW IN SUPPORT OF ITS MOTION TO DISMISS AMENDED COMPLAINT": link
[156] US House Hearing, 116 Congress: link
[157] Reuters: link
[158] Superior court in Commonwealth of Massachusetts, 31st January 2019: link
[159] 2001-02-14 email to Robin Hogen, #3072810.1, (Superior court in Commonwealth of Massachusetts, 31st January 2019)
[160] 2001-02-14 email from James Heins, #3072810.1, (Superior court in Commonwealth of Massachusetts, 31st January 2019)
[161] 2001-01-26 email from Joseph Coggins, #171855.1.

evidence of overdose and death was to blame and stigmatize people who become addicted to opioids. Sackler wrote in a confidential email: “we have to hammer on the abusers in every way possible. They are the culprits and the problem”.[162]

The outcome. By 2020, the US Department of Justice found that Purdue Pharma had colluded with the Food and Drug Association (FDA) to get OxyContin approved. More specifically the drug assessment process of OxyContin was led by Curtis Wright, who at the time was employed in the FDA, and later hired by Purdue Pharma themselves (US Department of Justice, 2020). Shortly after, in 2021, Purdue Pharma was dissolved and the Sackler family were ordered to pay $4.5 Billion to settle opioid claims.”[163] The Sackler family however walked away with billions and avoided criminal prosecutions.[164] From the rich amount of court rulings, reports, and media coverage on Purdue’s behavior, it is the public sentiment that Purdue’s unethical conduct was rooted in a culture of aggressively making the numbers at all costs, regardless of patient safety.[165] The misconduct is seen as fierce fully led by Chief Executive Officer, Richard Sackler, and the board, highly dominated by the Sackler family (Keefe, 2021).

Summing up, the hidden behavior originated more than two decades before the Purdue Pharma opioid scandal broke and caused subsequent bankruptcy. The dark secret was that Purdue knew that many of their patients died from overdoses and became addicted to the synthetic opioid, OxyContin (US Department of Justice, 2020). According to the Stanford-Lancet Commission on the North American Opioid Crisis[166], more than 600,000 have died in the U.S. between 1999-2022.[167] Despite deaths, addicted users leaving jobs, homes and families, sales representatives were incentivized by Purdue Pharma’s top executives to ignore the safety concerns (US Department of Justice, 2020). Purdue trained its sales representatives to convince doctors of the safety of OxyContin by saying that the risk of addiction was “less than one percent” (Van Zee, 2009, p. 223). From official reports and media statements, it was revealed that sales reps were highly incentivized to convince, and even bribe, doctors to prescribe higher doses and to increase the doses without concern for the safety of the patients (Council on Foreign Relations, Humphreys et al., 2018). Backstage, when adverse events and death rates were reported, Purdue looked the other way (US Department of Justice, 2020).

5.4 The Volkswagen ‘diesel gate’ scandal

The framing of Volkswagen’s clean diesel car was dominated by their promotion of fast, cheap and green diesel cars, in their efforts to be frontrunners on green vehicles and sustainability (Rhodes, 2016). In the company’s attempts to enter the US market and become the world’s leading automaker, Volkswagen made diesel cars their main priority (Gaim & Clegg, 2021). While diesel

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[162] Reuters: link
[163] New York Times: link
[164] Bloomberg: link
[165] Bloomberg: link
[166] Stanford University: link
[167] This number included all synthetic opioids, e.g., also from Johnson & Johnson and Endo International plc

cars were common in Europe, this was not the case in the US. Diesel engines emit more nitrogen oxides (NOx) and smoke emission (Gaim & Clegg, 2021). Moreover, the German car-manufacturer had an image of being reliable with good safety procedures in place (Aurand et al., 2018). At the time of the Volkswagen diesel gate scandal, the company was rated 'best in class' according to ESG data rating providers[168] and awarded the 'Ethics and Business Award' (World Forum for Ethics 2012) – both awards serving as framing devices, forming the frame and thus identity of Volkswagen. Volkswagen framing was viewed as the an important *"gem of the German Economy"* and *"a symbol of products from Germany"* (Clemente & Gabbioneta, 2017, p. 294).

The overflow took place when it was revealed that the company had been cheating with a defeat device in emission tests. Volkswagen claimed to have fast, cheap, and green diesel vehicles, this did not reflect reality. Their frame was inscribed by installations of a defeat device, a framing device, "that switched on emission controls only when vehicles were undergoing emission testing" (Gaim & Clegg, 2021). This was considered a hot overflow, as it contradicted with the impressions that Volkswagen had given to the audience earlier.

The intervention included sanctions by the US government: "The US government has sued Volkswagen over allegations that the German company illegally installed special software to cheat emission tests" (The Guardian, 4 January 2016).[169] From the side of Volkswagen, the company tried to frame the engineers who had developed the cheat device instead of placing the responsibility on management. The tipping point was when the media could reveal that management had directly ordered the engineers to implement a cheat device to manipulate the diesel emission tests.[170] The 'dark secret' (Goffman, 1959) is now being exposed frontstage in the spotlight. At the same time, it was also disclosed that not only had the management part in the unlawful conduct, they had also tried to cover up the lie (Aurand et al., 2018). Through that disclosure, stakeholders now considered it as a 'matter of fact' that the Volkswagen and the old CEO Martin Winterkorn had an unacceptable and 'scandalous' behavior (Rhodes, 2016).

The outcome of the Volkswagen diesel gate scandal detrimental value losses for investors, sales dealers, and customers. The consequences also affected diesel cars in general, thereby having industry-wide consequences (Gaim & Clegg, 2021). For Volkswagen, the impact was not only immediate declines in market value, but also reputational and legal cost became sticky to the company. There were lawsuits filed against the company from investors and against the former CEO, Martin Winterkorn. There were recall costs, higher capital costs for borrowing money, impact on car prices, and resignations affecting the company. The 'dark secret' was considered a matter of fact with detrimental cost to follow: that management had engaged in applying a cheat device to manipulate emission tests of diesel cars, known as "clean diesel". Without the cheat

[168] CSR indices (Volkswagen Annual Report 2014): CDP Global 500 Climate Performance Leadership Index: listed A; CDP Global 500 Climate Disclosure Leadership Index: 99 points out of 100; Dow Jones Sustainability Index World: 88 points out of 100; Dow Jones Sustainability Index Europe: 88 points out of 100; CDP Supplier Climate Performance Leadership Index: listed A; Thomsen Reuters ESG ratings 84 points out of 100. Listed on ECPI Ethical Indices (Europe, EMU, Global), Ethical Sustainability Index Excellence Europe, Euronext Vigeo Eurozone 120 Index, Global Compact 100, STOXX Global ESG Leaders Indices (Environmental, Social, Governance).
[169] The Guardian: link
[170] Forbes: link

device, the engines emit nitrogen oxide pollutants up to 40 times above what is allowed in the US (Gaim et al. 2019).

5.5 Similarities

In all cases, there was a hidden company behavior, being perceived by the audience as a dark secret, that is, a double secret: a secret and hiding of that secret. In the case of Volkswagen, the dark secret was implementation of a cheat device. In the case of Boeing, the dark secret was that management knew that the MCAS system required training. For Purdue Pharma, management was hiding safety information, bribing the FDA and paying unlawful kickbacks to doctors. For Wirecard, the dark secret was accounting fraud and corruption. In all four cases, the companies were caught in covering up their deceit. When behavior was disclosed, the impressions that the companies had provided to their audience did not align with the initial disclosure (Goffman, 1959). The companies experienced a 'mask drop' (Goffman, 1959), and the initial focal frame whereby its audience previously understood the companies no longer lasted (Callon, 1998). In the analysis of the role of impressions, framing and overflow, it became evident that in all four scandal cases, the company framing was heavily affected by framing devices and the use of experts as purification means.

Two companies, Wirecard and Purdue Pharma, had a similar pattern of *establishing a new framing from scratch*. Wirecard was a tech company entering the banking scene, and Purdue Pharma entered a new treatment paradigm, convincing doctors to prescribe synthetic opioids to treat mild, chronic pain. Both companies invested heavily in establishing the frame with various framing devices (FDA medical labels in the case of Purdue Pharma), DAX approval (in the case of Wirecard). In accordance with ANT, these framing devices are nonhuman actors contribute to establishing a frame of how the company is understood by its audience (Callon, 1998). As the frames of all four case companies were recognized by other actors before the disclosure of the scandal, the company frames were termed pure (Skærbæk & Christensen, 2015). This purification occurred when experts, such as authorities, consultants, or governments, confirmed the relevance of the framings. While all four case in this paper made extensive use of experts and framing devices in establishing the frame, Wirecard and Purdue Pharma were applying practices to the largest extend. Once the façade started to crack and overflowing happened, Wirecard and Purdue Pharma were correspondingly also the ones to end up in bankruptcy.

There is a pattern across the scandal companies of the role of experts, e.g., large management consulting firms' role in enabling purification of the actions of scandal companies. This structure has been criticized by scholars since the Enron scandal (Kuhn & Lee Ashcraft, 2003). McKinsey's role as experts in purifying the actions of Purdue Pharma during the opioid scandal. Media outlets point to the fact that McKinsey helped enabling the wrongdoing – that is, helped lobbying on both sides of Purdue Pharma and the FDA simultaneously (US House of Representatives, 13 April, 2022).[171] Because we are trained to trust experts, these can help establish the frame whereby a company is perceived by its surroundings. Daniel McCrum, who was the investigative Financial

[171] Thomsen Reuters: link

Times journalist in the Wirecard fraud, was chocked by how experts such as strategy consulting firms, law firms and governments, contributed heavily in this negation of the matter of concern in order to protect the company.[172]

In the cases analyzed in this paper, the social-control agents won the narrative or the 'game' of reframing the companies. Through a continued process of disclosure, the companies all failed to re-establish a legitimate frame, while at the same time one or more social-control agents managed to label the behavior as misconduct (in accordance with the concept of misconduct borrowed from Greve et al., 2010). Besides imposing sanctions (as described by Dewan & Jensen, 2020), the interaction process between social-control agents and the companies contributed to a new frame of the company (Callon, 1998). The analysis identified a pattern of *blaming control systems or individual people* in the organizations for the mistakes and misbehavior of management became evident. In the case of the 737 MAX scandal, Boeing tried frame the pilots. In the case of the diesel gate scandal, Volkswagen tried to blame the engineers. With Purdue Pharma, top management tried to frame the drug users as the problem with the notion of "it is not the drug that is the problem, but the users."[173] The analysis identifies social-control agents that are active in negotiating the matter of concern by establishing concerned groups (Callon, 2008). At this subsequent scandal phase, the empirical inquiry identifies a framing game between the company and the social-control agent. Companies can choose to engage the game and fight for their legitimacy, or to reject allegations with a more quiet communication strategy (Racine et al., 2020), the analysis of the cases all ends up with a failed strategy. While companies at this stage of the scandal escalation often have an interest to frame the behavior as a one-off mistake, caused by mistakes or by 'a few bad apples' (Guckian et al., 2018), this strategy does not prove useful in the cases in this paper.

In the cases analyzed, the hidden behavior went from being 'a matter of concern' to 'a matter of fact' (as formulated by Latour, 2004) – the general public in the believed the allegations of fraud, deception and hiding of safety information to be truthful. On top of this, according to news outlets, the behavior was being framed as linked to top executives and rooted in a fundamentally flawed corporate culture rather than being the problem of 'a few bad apples.' The social-control agents can in the cases of Boeing's MAX scandal, Wirecard, Volkswagen's diesel gate scandal and Purdue Pharma's opioid scandal, be seen as the winners of the game of reframing the company.

The social-control agents often investigate the event, uncover more information, and have opposite interests. If the social-control agents judges the behavior to transgress a line from right to wrong, they label it as misconduct (Greve et al., 2010). In the analysis, the different social-control agents are researching the matter of concern. In doing so, their judgement of "how unacceptable the behavior is" depends on several factors, including what kind of impressions the company has provided to stakeholders before the disclosure of the unethical behavior as well as during the process of disclosure. The analysis find that the framed root cause of the actual behavior itself matters for the verdict of the behavior. When something unethical happens in a company, the behavior can either be perceived as being caused by 'a few bad apples' or by a fundamentally

[172] AFR: link
[173] New York Times: link

flawed corporate culture (as addressed by Healy & Serafeim, 2019), also referred to as 'rotten to its core' (as decribed by Guckian et al., 2018). The cases in this paper entail general public sentiment being *against* the alleged company. In the digital age, the story telling – the framing of the situation – can be more difficult to control for companies than previously where impressions were sent to one particular audience and feedback consequently received (Goffman, 1959). The corporate scandals in this paper can be seen as a successful outcome of a misconduct labelling from the viewpoint of the social-control agents. All cases end with a moral outrage and a public perception being brought forward as being 'a pattern of unethical behavior.' Once the concerned groups establishes a successful framing of the incidents as being normalized bad behavior (Ashforth & Anand, 2003), the four cases ended with outrage and scandal.

As the outcomes of the negotiations are preselected in the research design to be a scandal event, all cases involve public outrage, rather than just 'bad press'. From the analysis of the four cases, company behavior becomes a scandal when there is an overflow to an established company framing, and this is being investigated by concerned groups, and finally judged by the public as outrageous or scandalous. Multiple actors are participating in scandal creation. When a company is caught in covering up a dark secret that is not openly admitted, the public audiences in our analysis took it as a sign of normalized deception – that there is something rotten going on (see e.g., MacLean et al., 2015). During the process of disclosure, the company behavior in the cases analyzed goes from being considered as a 'matter of concern' to a 'matter of fact' (as referred to by Bruno Latour, 2004). This negotiation process took years in the cases of this paper: if the event ends up being a scandal, there is a 'tipping point' where the alleged behavior is considered a 'matter of fact' amongst certain stakeholder groups (Latour, 2004). In line with the scandal literature, the analysis

5.6 Differences

While the mechanisms of the theory framework provided insightful information about how corporate scandals unfold, different actors as interactive members of the system participated in creating the company identities. Wirecard, as an up-and-coming company, and Purdue Pharma with their new treatment paradigm, had relative to the other scandal companies invested heavily in establishing the frame before the scandal broke (see above section for similarities between Wirecard and Purdue Pharma). Likewise, the overflows happened differently in the four scandal cases. Some overflows that initiated the scandal emergence was being clearly identified (such as the Boeing plane crashes), while others were experiencing gradual overflows for different audiences (such as Wirecard). In the case of Wirecard, the overflow can be said to be a long process, driven by the investigative reporter from Financial Times, Dan McCrum. In the case of Boeing, the overflow came immediately as two plane crashes happened of the MAX 737 and the aviation authorities grounded the MAX 737. In the case of Wirecard, some audiences in fact experienced an overflow earlier than others. One reason being that there was a strong frame established around the company, and therefore, behavior that fell outside this frame, was difficult to grasp for some audiences (e.g., the German politicians, BaFin, German media, and German public). This means that despite the negotiation of the matter of concern had taken place by social-control agents, parts of the audience had not yet experienced the overflow to the frame.

The negotiation of the matter of concern played out with different actors and dynamics in the four cases. In the case of Wirecard, the push back from the government was mainly related to the fact that the short sellers were framed as being subjective, as they were having agendas and invested interests in creating a scandal and taking the companies down. Wirecard. The short seller, Fahmi Quadir[174], known for uncovering high profile scandals such as Valeant Pharmaceuticals and Wirecard (Connelly et al., 2021). In an interview in a Netflix documentary, Fahmi Quadir shares her belief that high-performance companies often master the impossible, hence that being the secret for their success[175]. She explains that amongst the true innovative high performers, there are the companies that frame themselves better than they really are. Fahmi Quadir states that "when companies start to act like barons, it can be a sign that something wrong goes on."[176]

The four cases represent geographical differences. The analysis indicates that large gaps between the norms of society and the norms of the company could increase the risk of scandal and be linked to the geographical location. Wirecard and Volkswagen who both had the outspring form Germany were surrounded by a general sentiment of adherence to the stakeholder model. In the recent decade there has been a growing public resistance towards the traditional shareholder-oriented view. Colin Mayer (2013) argues that while the corporation is a source of prosperity and economic growth, there is a common problem causing scandals to happen. That is, when corporations exist only to maximize value for owners and shareholders in accordance with the Friedman-doctrine (Mayer, 2013). A new corporate purpose is emerging (Business Roundtable 2019) that companies should profit from solving problems for society, not by producing problems (Mayer 2021). The framing of Volkswagen as the reliable German automobile manufacturer in conjunction with the high ESG ratings defined the company as not only a reliable actor, but also an ethical one, which would receive the benefit of moral satisfaction from taking care of the environment. This difference lies in the expectation to uphold the frame the company themselves had laid out.

6. Conclusion and discussion

In this paper, my intention was to examine how company identities are shaped before and during corporate scandal emergence. The theoretical lens of ANT (Callon, 1998) enables me to analyze how frames, thereby identities, are configurated through continuous interactions. By unfolding the theory framework on four cases, I have analyzed how company identities are formed through processes of continuous interactions of actor networks of human and nonhuman actors. In doing so, the analysis fits into the overarching research question helping us to understand the circumstances that make scandals possible. I find that nonhuman and human actors contributed to configurating the identity of companies. Devices, marketing messages, certifications, experts, associations, authorities, and entities all contribute to establishing the framing of companies and

[174] Chief Investment Officer, Safkhet Capital, New York.
[175] Documentary, Dirty Money, 2021
[176] Quote Documentary, Dirty Money, 2021, Fahmi Quadir Chief Investment Officer, Safkhet Capital, New York.

the audience impressions. The circumstances that made the scandals possible were that companies were black boxes with glossy façades prior to scandals. The frame was termed pure by the audience, as was not contested by the audience. However, the overflows – or leaking black boxes – could not be contained in the cases of Purdue Pharma, Wirecard, Boeing and Volkswagen. From the literature, we know that scandals are increasingly becoming “the norm rather than the exception” (Gabbioneta et al., 2023)

In the case of Purdue Pharma, an approved medical label (by the FDA) was used as an effectful framing device in convincing doctors of the safety of the synthetic opioid, OxyContin. Through the application of framing devices, a continuous configuration of the identity of Purdue Pharma was formed. The analysis shows that the framing of Purdue Pharma was an extensive and resourceful exercise, that besides the label included various actors: patient organizations, patient material, experts, and doctor guidelines. Once the overflowing happened of the many overdose deaths on opioids, the *façade* started to crack (i.e., an overflow to the frame) – and through interventions and negotiations, it was revealed that sales reps were highly incentivized to convince, and even bribe, doctors to prescribe higher doses and to increase the doses without concern for the safety of the patients. It was also revealed how the FDA had approved the medical label of OxyContin through lobbying and incentivizing FDA to approve the label with strong marketing merits. Eventually, the reframing of the Purdue Pharma’s identity was configurated as the villain and a criminal, incapable to run a pharmaceutical company. Through numerous legal court rulings, US authorities decided cease business and transfer Purdue Pharma to being state-owned.

Like Purdue Pharma, Wirecard configurated their identity in a framing process from scratch. Starting as a tech startup, the story telling, narrative, the virtues of the company formed company identity through framing devices such as technologies, innovations and through buy-in from central governmental stakeholders. From analyzing the case, right from the very beginning of Wirecard, the foundation was fragile and with illegalities and fraud built in the business model. The glossy façades were established and purified through experts, such as the German government, consulents, the stock market and experts who took an active role in continuous confirmation of the relevance of the frame. While all four cases in this paper made extensive use of experts and framing devices in establishing the frame, Wirecard and Purdue Pharma were applying practices to the largest extend. Once the façade started to crack and overflowing happened, Wirecard and Purdue Pharma were correspondingly also the ones to end up in bankruptcy. Daniel McCrum, who was the investigative Financial Times journalist in the Wirecard fraud, was particularly raising his concern for how experts, such as strategy consulting firms, law firms and governments, contributed heavily in this negation of the matter of concern in order to protect the company. The investigative reporter called these professional experts “professional enablers.”

Likewise, Boeing had established their identity through a frame, or *façade*, of the MAX 737 airplane as being a trusted, eco-friendly and safe airplane with its certifications and procedures in place to be trusted. The overflow was when two MAX 737 planes crashed, and when authorities demanded grounding and the media were negotiating the matter of concern: what had caused this

– was it bad pilots, or a more fundamental problem related to Boeing as a company? Boeing tried to frame the overflowing in their favor: they did by blaming the incidence on the pilot's lack of training. However, it was later revealed that Boeing's management had knowledge about the problems and dangers regarding the software system. The deception of Boeing's management revealed that the event was rooted in a dark secret, not openly admitted, triggering the incident to become a scandal.

In the case of Volkswagen, the dark secret was that management knowingly had been implementing a cheat device. The stood in stark contrast to the framing of Volkswagen as the reliable German automobile manufacturer as well as the best-in-class ESG ratings. The identity was configurated through various framing devices including cheat technologies: the cheat device as the framing device. This, alongside with its ethical awards and responsibility ratings defined the company as not only a reliable actor, but also an ethical one. For Boeing, the dark secret was that management knew that the MCAS system required training. For Purdue Pharma, management was hiding safety information, bribing the FDA and paying unlawful kickbacks to doctors. For Wirecard, the dark secret was management's orchestration of accounting fraud and corruption. In all four cases, the companies were caught in covering up their deceit. In the four cases, the respective social-control agents won the narrative (or the reframing the companies) in a trial of strengths. Through a continued process of disclosure, the companies themselves all failed to re-establish an accepted frame, while at the same time one or more social-control agents managed to label the behavior as misconduct.

The theoretical lens of 'framing and overflowing' was useful in understanding the process whereby company identities are formed before and during emergence of corporate scandals. Unfolding the theory framework on four cases helped creating an understand of how the four-stage scandal theory framework could be applied for analyzing different corporate scandals across types, sectors and geographical locations. While this paper analyzes company identity during corporate scandal by using four well-known cases, I emphasize the importance of grounding theories in practice. This goes for most scholarly traditions, including ANT, where deep analysis of case studies enable an understanding of events (Law, 2009).

As opposed to input-output based theories, such as for example agency theory, process theories such as ANT enable scholars to explore processes without examining individual factors as cause of incidents such as corporate wrongdoing or scandal creation. With the evolvement of societal norms as well as companies, the boundaries of what constitute good governance also evolve (addressed by Huse et al., 2011). As corporate scandals include normative assessments of right and wrong, unfolding the phenomenon through 'framing and overflowing' was found useful in this paper. This especially due to ANT's approach to analyze situations according to its surroundings (as argued by for example Spira, 2000). Linking the application of the ANT in this paper back to existing literature on scandals, I find that ANT was useful in dealing with the complexity coming from involvement of multiple actors – that is, the company in question, one or more social-control agents (Dewan & Jensen, 2020; Greve et al., 2010) as well as the public audiences (Thompson, 2005). I nevertheless acknowledge the complexity of the phenomenon of scandals, and hence potential exceptions or adjustments to the model.

The theory framework of scandals proposed in this paper have its strength in mapping the process of scandals. The identity of the actors involved, for example the social-control agents, changes depending on the scandal and the situation. Importantly is the analysis finding that the scandal analyzed reflects the social-control agents and the public's perception of company behavior: Is it the tip of the iceberg and is there a 'rotten structure' causing the behavior? Or is the behavior caused only by 'a few bad apples', often framed as an honest mistake by the company? In the same way as evidence presented in court will entail one frame of judging the companies, the frame presented in the media of company behavior will entail another frame. I emphasize that the frame stage 'intervention and reframing', entailing a negotiation of the matter of concern, does not imply that the social-control agents are serving the 'good cause' while the company is the 'bad guys'. Important to note is that companies ending up in scandals have been reframed and judged to be scandal companies by an audience. Scandals do nevertheless entail a framing game and with that changing frames through the use of various framing devices and experts. Moreover, overflowing can happen at any time and have different nature. New information about the company is continuously imposed on the audience with new actors entering and contributing to the framing of the company. Overflows that do not fit into existing frame are either contained or create 'hot' or 'cold' situations with negotiations from concerned groups to follow.

Linking the findings to the literature, we know that behavior that causes corporate scandals can include matters that are legal, ethical, and socially and environmentally responsible matters (Greve et al., 2010), there are cases where the company might not be aware that certain behavior will cause an overflow to the frame. In other situations, companies might be aware of corporate behavior that risks overflows, such as legal charges. However, legal charges with corporate settlements to follow do only in some cases end up in a corporate scandal. Examples of such behavior include corporate settlement cases that is rarely covered in the media (McCulloch, 2014). More specifically, it can be settlements made by pharmaceutical companies for unethical marketing practices. By companies, these settlements are merely referred to as "cost of doing business."[177]

Further looping back the findings to existing literature, we know that in the process of disclosure of the scandals, social-control agents (or concerned groups) often look to identify if the unethical conduct is a one-off event, or if the behavior is normalized and caused by a deeper underlying problem in the company (as addressed by Ashforth & Anand, 2003). When new information about unethical conducts by a company is disclosed, the social-control agents often put an investigation in motion to find out if the unethical behavior is caused by "a few bad apples" or if the company is "rotten to the core" (Guckian et al., 2018). Traditional agency theory assigns corporate scandals to the failure of control systems (Jensen & Meckling, 1976). Rooted in extended agency theory, scholars have focused on control mechanisms to secure that CEOs act in accordance with the interests of the owners and other stakeholders (Dinu et al., 2010). Through this notion, unethical conducts are driven from unethical conducts by "a few bad apples." Boards and executives often argue that it is possible to fix the governance problem and remove the "bad apples" from power.

[177] http://www.sb-kc.com/news/2016/11/litigation-the-cost-of-doing-business/

Given its significant impact on society, companies and stakeholders, the phenomenon of corporate scandals holds potential for scholars for continued research. This especially in a time where companies more than ever invest in impact and sustainability, while at the same time corporate scandals are on the rise, and scholars call for action to solve the crisis of trust in corporations (Mayer, 2021). I propose further research to be done addressing the framing mechanisms that exist in the crucial phase where multiple social-control agents (including the media) as well as experts and nonhuman arrangements take part in framing the company and forming it's (new) identity. Based on the theory framework proposed in this paper, future research allies could address the corporate governance interventions along the process of scandal involvement. Examples of interventions that could be analyzed could be 1) whistleblower services and safe reporting cultures in companies, 2) corporate actions consistent with the company framing, e.g., counter-greenwashing initiatives, and 3) effective crisis management tools, e.g., CEO removal, the value of apology, as well as crisis management engagement with social-control agents.

Critical for reaching concrete solutions to countering scandals is to understand that the circumstances that make scandals possible include company identities formed by glossy company façades. These façades (or *frames*) can be torn down in the case of overflowing. In configurating identities, companies use of framing devices and experts prior to scandals continuously forms (problematic) identities through interacting members of the system. During scandal emergence these identities are easily torn apart and replaced by new identities through interactions of concerned groups in a reframing process.

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9. Appendix

Table 1: ANT framework for understand evolvement of company identity before and during corporate scandals

	Framing	Overflowing	Intervention and reframing	Outcome
Boeing **"The MAX scandal"** **2019** Industry: Aviation Scandal type: Product safety	Boeing configurated a framing with "safety is our DNA" and the MAX 737 as being eco-friendly, safe and well-tested, as the model reminded of its predecessor. The new safe and eco-friendly MAX 737 "did not require additional training". The frame around Boeing with the launch of the new MAX 737 was that the company was responsible, sustainable with a continued focus on safety. Framing devices, the eco-friendly marketing campaigns and airplane certifications by the Federal American Aviation contributed to building this frame.	Two Boeing MAX 737 crashes with deathly outcomes of every passenger happened in October 2018 and again in March 2019. Three days after the second crash, the social-control agent, the Federal Aviation Administration, decided to ground Boeing's 737 MAX, sending a clear signal of corporate misconduct creating news headlines worldwide.	When the grounding and information about the second crash was broken to the public, the company behavior became 'a matter of concern' Boeing management argued that the pilots didn't pay attention to training - the blaim was on the pilots.	The tipping point was when it was disclosed to the public, that Boeing's management all the time had known that the MAX 737 had some problems. According to United States Securities and Exchange Commission, the "corporate reputation is now directly responsible for an average of 38% of market capitalization across the FTSE 100 & 250" (from the 2018 Reputation Dividend Report).
Wirecard **"The German Enron"** **2018** Industry: Banking Scandal type: Community	According to news outlets, the fintech darling Wirecard became Germany's answer to the US tech giants, such as Google or Facebook. The frame of Wirecard was that it was highly innovative, doing things smarter than the traditional heavy banks were doing (Jo et al., 2021). Nonhuman fintech innovations shaped the understanding of Wirecard. Wirecard got a fast-track DAX approval and strong support from German government, German media.	In 2019, Financial Times published a series of articles accusing the company of improper accounting in Asia and the Middle East (Washington Post, 2022). Financial Times brought up accusations of fraudulent conduct in what was perceived as "once the poster child for Germany's financial technology sector."	Dan McCrum, Financial Times reporter reframed Wirecard as a fraudulent company. On the other hand, Wirecard management argued that their fintech solutions were highly innovative - that they were "the smartest guys in the room". Wirecard was supported by the German government, and BaFin who prohited investors for shortening the stock to protect the stock.	The scandal became a matter of fact, when Markus Braun, resigned and Wirecard pulled its financial results for fiscal 2019 and the first quarter of 2020. By 20th June 2020, Wirecard filed for bankruptcy.
Purdue Pharma **"Opioid scandal"** **2018** Industry: Pharmaceuticals Scandal type: Product safety	Purdue framed OxyContin as safe and non-addictive. (Humphreys et al., 2018). Framing devices included a medical label of OxyContin approved by the FDA label, stating that less than 1% of patients get addicted due to the synthetic release "system". Other nonhuman actors included medical training material, clinical reports and marketing material with graphs shown to doctors. Experts purified the frame (e.g., McKinsey, FDA, Key Opinion Leaders and "pain experts" in Medical Committees and pain programs).	The overflowing was dramatic increases in opiod overdoses, not corresponding with the framing as "non-addictive." According to the Stanford-Lancet Commission on the North American Opioid Crisis, more than 600,000 have died in the U.S. between 1999-2022. Despite deaths, addicted users leaving jobs, homes and families, sales representatives were incentivized by Purdue Pharma's top executives to ignore the safety concerns (US Department of Justice, 2020).	Trial of strengths between the company and social-control agents, including the American Drug Enforcement Association (the DEA), and protest organizations. Purdue management defended its marketing messages with the argument that it was the drug addict's fault that they got addicted to OxyContin.	By 2020, the US Department of Justice found that Purdue Pharma had colluded with the Food and Drug Association (FDA) to get OxyContin approved (US Department of Justice, 2020). Purdue used false marketing and was hiding safety information about OxyContin. They colluted with the FDA and bribed doctors to increase prescriptions at increasingly higher doses. They overlooked adverse events reports (US Department of Justice, 2020). Shortly after, in 2021, Purdue Pharma was dissolved and the Sacklers were ordered to pay \$4.5 Billion to settle opioid claims."61
Volkswagen **"Diesel gate scandal"** **2015** Industry: Automotive Scandal type: Emission	Volkswagen established a frame of being reliable German car manufacturer. Promotion of fast, cheap and green vehicles (Gaim et al. 2019) . Best-in-class ESG ratings (VW annual report 2014 showed best-in-class ESG ratings vs competitors. VW won Ethics awards: Some years before, they were ackknowledge for their high ethical standards through Ethics Awards (VW, Annual report 2014).	Overflowing happen once it was known that Volkswagen had implemented a cheat device to manipulate emission tests of diesel cars, known as "clean diesel". Without the cheat device, the engines emit nitrogen oxide pollutants up to 40 times above what is allowed in the US (Gaim et al. 2019)	US Environmental Protection Agency (national authority) labelled behavior "misconduct." VW management argued that their engineers were responsible for implementing the cheat device - management did not know (Clemente & Gabioneta, 2019).	Finally it became a matter of fact, that top management knew about the cheat device (as opposed to the action of an engeneer, as framed by VW initially). The outcome of the Volkswagen diesel gate scandal detrimental value losses for investors, sales dealers, and customers. The consequences also affected diesel cars in general, thereby having industry-wide consequences (Gaim & Clegg, 2021).

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