Journal of Management and Governance
https://doi.org/10.1007/s10997-022-09639-4

Corporate social irresponsibility and stakeholders' support: evidence from a case study

Arabella Mocciaro Li Destri[1] · Anna Minà[2] · Pasquale Massimo Picone[1]

Accepted: 15 May 2022

Abstract

Stakeholders' decisions regarding whether to continue to support a firm after it has been perceived as culpable for socially irresponsible behaviour is "coin of the realm" in selecting which firms (or which parts of a firm) will be able to survive a corporate social irresponsibility (CSI) scandal. Our empirical setting is an embedded polar case of audience support, the Parmalat case, following a severe CSI scandal. The scandal represented a "trigger event" that ignited an active reevaluation of the firm on behalf of its stakeholders. We show that, while the firm's cognitive legitimacy was not harmed by the CSI scandal, two dimensions of legitimacy played a key role in stakeholder evaluations: moral and pragmatic legitimacy. The capacity to manage the interplay between these two dimensions emerged as a key factor underlying stakeholders' support. Finally, we argue that if pragmatic legitimacy is feeble it is unlikely that the firm is able to maintain stakeholders' support. Our study suggests that possessing a sound source of competitive advantage in one (or more) of the businesses in which the firm operates is decisive to maintain the support of independent stakeholders following CSI scandal.

✉ Pasquale Massimo Picone
pasqualemassimo.picone@unipa.it

Arabella Mocciaro Li Destri
arabella.mocciaro@unipa.it

Anna Minà
a.mina1@lumsa.it

1 University of Palermo, Viale delle Scienze Parco d'Orléans, 90128 Palermo, Italy

2 University of Rome LUMSA, Rome, Italy

Published online: 28 October 2022

1 Introduction

The upsurge of ethical scandals that rocked the corporate world since the end of the twentieth century no doubt contributed to reinforce the debate on the antecedents of Corporate Social Irresponsibility (CSI) (Ashforth et al., 2008; Chiu & Sharfman, 2018; Grant & Visconti, 2006; Kuznetsov et al., 2009; Phillips et al., 2019; Schrempf-Stirling et al., 2016; Zahra et al., 2005). Today, given the time lag since the wave of CSI scandals that occurred during the 1990 and 2000s, allows us to focus on the factors that influence culpable firms' capacity to survive such scandals (Kang et al., 2016). The relevance of firm survival goes beyond the direct interests of its primary stakeholders and affects the economic wellbeing of entire territories (Price & Sun, 2017).

Studies regarding post-CSI scandals have taken for granted that the consequence for the firm of being perceived as socially irresponsible is the *loss of legitimacy* and, consequently, of the support of its main stakeholders (Ashforth & Gibbs, 1990; Lange & Washburn, 2012; Meyer & Rowan, 1977; Pfarrer et al., 2008, 2010; Walker et al., 2019).

Drawing on extant research regarding legitimacy, the possibility of maintaining stakeholders' support after a CSI scandal depends on the effectiveness of the firms' strategies of manipulation, isomorphic adaptation, and moral reasoning (Scherer et al., 2013; Stachowicz et al., 2017). Consistent with this stance, when institutional fields are not fragmented or disputed, isomorphic adaptation is the only strategy for firms to maintain their legitimacy. Nonetheless, the alignment to a dominant institutional logic is considered relatively straightforward and environmentally determined; decoupling and impression management techniques have been identified as means that allow firms some flexibility in the adaptation process (Elsbach, 1994; Elsbach & Sutton, 1992; Scherer et al., 2013).

Literature on managing legitimacy in unfragmented and institutional fields leaves unanswered how come many firms fail to maintain legitimacy after breaching formal or informal institutions. In particular, whether it is just a problem of weak adaptive strategy formulation or whether implementing an adaptive legitimacy maintenance strategy is more problematic and articulated than this literature would suggest. How come assumptions that adaptive legitimacy maintenance initiatives lead to different results have been taken-for-granted? For instance, frequently, a scapegoating strategy to restore moral legitimacy is observed. Why is such strategy sufficient in some cases and not in others? The comprehension of the dimension(s) considered in stakeholder evaluation processes following culpable behaviour in unitary and stable institutional environments remains to be clarified.

Our study is inspired by the puzzling case of Parmalat's CSI scandal. The Italian firm, famous worldwide for its dairy products, was responsible for one of the most relevant corporate social irresponsibility instances in the world over the last decades (Grant & Visconti, 2006). Yet after a much-publicized CSI scandal in 2003, Parmalat maintained both its license to operate and its legitimacy, whilst consumers' support sustained its sales. Therefore, the question that oriented our explorative research initially was how come the taken-for-granted assumptions that scandals lead to the loss of legitimacy and *the consequent withdrawal of stakeholders' support did not hold* *for the Parmalat case*? Our in-depth inductive study of post-CSI crisis effects in the Parmalat case offers some answers to this question. More specifically, the contribution that this paper provides is summarized as follows. First, implementing isomorphic adaptation strategies (i.e., the stigmatization and substitution of corporate elites), though appropriate for unitary and stable institutional fields, is more challenging than extant research would suggest (Scherer et al., 2013). Accordingly, our first contribution to legitimacy literature is that the CSI scandal harmed the firm's *moral* legitimacy and placed the firm's market legitimacy under the limelight but did not destroy it automatically. In particular, while the actions taken to restore the harmed moral legitimacy were a crucial procedural phase to consent the firm's survival, they cannot be considered sufficient to reintegrate the firm with its main stakeholders.

Second, we argue that CSI ignites an active re-evaluation of *all* the dimensions underlying firm legitimacy on behalf of stakeholders, rather than the focused assessment of the bases of the firms' harmed moral legitimacy alone. In the case at hand, the analysis of stakeholder evaluations, controversies and public discourses allowed the identification of the logic that drives stakeholder decisions regarding the maintenance or withdrawal of their implicit social contract with the transgressing organization. While stakeholders evaluated the moral harm caused, and the substantive and symbolic actions taken to implement an adaptive strategy to restore the tarnished legitimacy of the firm, an equally important role was played by the stakeholders' evaluation of the firm's capacity to satisfy their self-interested benefits in the long run. Thus, we contribute to legitimacy research by calling attention to the interplay between moral and pragmatic legitimacy in the context of post CSI events.

Third, we contribute to the literature regarding CSI and legitimacy drawing attention to an additional neglected aspect (Lange & Washburn, 2012): social identification. We argue that social identification with harmed parties leads independent stakeholders to support the firm or, conversely, to refrain from rehabilitating the firm even after effective moral legitimacy restoration processes have been implemented. Therefore, we enrich legitimacy research by stressing the importance of social identification in the context of post CSI events.

2 Literature review

"Financial fraud refers to the deliberate actions taken by management at any level to deceive, con, swindle or cheat investors or other key stakeholders" (Zahra et al., 2007, p. 122). In the short run, financial fraud can generate advantages for the culpable firm; for example, it may reduce taxes, increase income or profit rates, and decrease capital cost (Robinson et al., 2012). Nonetheless, when information regarding financial fraud is rendered public, the culpable firms' legitimacy is harmed (Zahra et al., 2005) as its stakeholders develop negative evaluations regarding the degree to which the firms' actions "are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995, p. 574). Legitimacy originates in a "relationship with an audience, rather than being a possession of the organization" (Suchman, 1995, p. 594) and it is attributed to the organization by its stakeholders.

Firms considered legitimate are perceived to be more worthy of active and passive support by stakeholders and as “more meaningful, more predictable and more trustworthy” (Suchman, 1995, p. 575). Legitimacy is a peremptory condition for the uninterrupted access to resources and support from the firms’ stakeholders (Pfeffer & Salancik, 1978) and, as such, is critical for its survival (Scott, 1995). Of course, in the context of ongoing globalization, also the host nations in which the firm wants to perform its business should be considered key stakeholders (Carroll, 2004).

The loss of legitimacy typically leads critical organizational stakeholders to change both enacted relationships and espoused firm evaluations. Such changes imply a high risk of giving way to a self-fulfilling prophecy, as the effectiveness of any organization depends on the continued participation and support of its stakeholders (Baucus & Baucus, 1997; Cameron & Whetten, 1983; Davidson et al., 1994; Fombrun, 1996; Freeman et al., 2008; Haunschild et al., 2006; Karpoff et al., 2008; Salancik & Meindl, 1984; Strachan et al., 1983).

In his seminal work, Suchman (1995) underscores that legitimacy may rest on: (a) the taken-for-granted and often sub-conscious acceptance of the organization as “normal” and understandable (*cognitive legitimacy*); (b) the “sociotropic” judgment of the organization and its activities according to the stakeholders’ socially constructed value system and its evaluation of whether the latter promotes societal welfare (*moral legitimacy*); (c) constituent stakeholders’ perception of self-interested benefits that derive from the organizations’ existence and activities (*pragmatic legitimacy*). Johnson et al. (2006, p. 55) add that “legitimacy is a problem in the construction of social reality.” Legitimacy appears to be connected by the consensus among actors in considering a specific object as legitimate.

As Suddaby et al. (2017) argue, the analytical focus on the relationship between the firm and its environment in positioning the source of legitimacy is a good starting point to understand the “legitimacy-as-property view.” Legitimacy maintenance becomes a crucial issue for established organizations as a consequence of the activation of challenges to its status quo. Specifically, Lange and Washburn (2012) identify three primary mechanisms affecting observer attention and interpretation of CSI: (1) the rational inference of a causal relationship between the firm and the harmful event, and a moral judgment of the firms’ moral responsibility; (2) the effects’ undesirability, related to threat avoidance and norms for moral behaviour; (3) the affected parties’ noncompliance, based on their lack of power to prevent the damaging event.

The challenge to maintain legitimacy after a CSI case usually requires a “trigger event” or a destabilizing cue as, once gained, legitimacy tends to be taken for granted (Alcadipani & de Oliveira Medeiros, 2020; Ashforth & Fried, 1988) and accorded to organizations based on an “evidence of ongoing performance vis-à-vis [stakeholders’] interests and with periodic assurances of business as usual” (Ashforth & Gibbs, 1990, p. 183). Therefore, it is not surprising that studies regarding CSI-scandals have taken for granted that the immediate consequence of the public perception of these scandals is the loss of legitimacy (Ashforth & Gibbs, 1990) and have focused their inquiry on the specific negative consequences that follow them. Lange and Washburn (2012) argue that the attribution of social irresponsibility is based on moral judgments of the social harm caused, they further specify that the stimuli that “evoke deep-seated negative moral reactions (…) include perceptions of suffering, unfairness, violations of in-group/out-group boundaries, disrespect, and impurity" (Lange & Washburn, 2012, p. 2012) and the violation of "hypernorms" that describe the principles of human existence that work globally "as a guide in evaluating lower level moral norms" (Donaldson & Dunfee, 1994, p. 265). No other legitimacy trait of the firm is considered in this model.

2.1 CSI and the loss of legitimacy

Drawing on long-standing literature (Baucus & Baucus, 1997; Elsbach & Sutton, 1992; Paetzold et al., 2008; Pfarrer et al., 2008), we consider firms to be perceived as socially irresponsible as a consequence of instances in which firms cause social harm, they are deemed at least somewhat culpable for the harm caused and for which the affected party is regarded as at least somewhat non-complicit (Lange & Washburn, 2012). This definition embraces corporate actions that breach both formal and informal institutions of what is deemed morally or cognitively appropriate according to a given social value system. It is not surprising, therefore, that studies regarding CSI have taken for granted that the immediate consequence of the public perception of these scandals is the loss of legitimacy (Ashforth & Gibbs, 1990; Lange & Washburn, 2012) and have focused their inquiry on the specific negative consequences that follow them.

The results reached by extant research underscore that the *loss of legitimacy* following instances of CSI leads firm stakeholders to change both enacted relationships and espoused firm evaluations. For instance, Sutton & Callahan (1987) illustrated how the loss of legitimacy consequent to filing for bankruptcy leads suppliers to refuse to send parts to the focal firm even though they were promised cash on delivery. Other consequences reported include suppliers sending faulty products, customers who stop buying the firms' products, and the remaining customers, creditors, suppliers, and employees who bargain to obtain more favourable exchange terms. In general, the loss of legitimacy reduces stakeholder support to firms (Ashforth & Gibbs, 1990; Meyer & Rowan, 1977). In turn, the loss of critical firm constituent support leads to damaged firm performances and slower sales growth rates (Baucus & Baucus, 1997), loss of access to essential resources, raised capital costs (Komisarejevsky 1983), severely tarnished firm reputations (Weiselfeld et al., 2008). Furthermore, recent research suggests that firms may suffer negative reputational spillovers (Barnett & King, 2008; Jonsson et al., 2009; Lange et al., 2011).

2.2 Legitimacy maintenance strategies and stakeholder evaluations

Literature regarding legitimacy maintenance strategies distinguishes three approaches: the strategic approach, the institutional approach, and a third approach that balances the firsts two. According to the *strategic approach*, firms can significantly influence legitimization processes and engage in symbolic and substantive strategies to create, maintain, and repair legitimacy (Pfeffer & Salancik, 1978). Instead, managerial agency and the interaction between firms and stakeholders in legitimacy processes are downplayed in the *institutional approach*. Seeing as institutionalists focus on the collective structuration of entire sectors (DiMaggio & Powell, 1983), legitimacy is primarily viewed as a question of the conformity of firm actions, procedures, and structures to external institutional frameworks (Meyer & Rowan, 1991; Meyer & Scott, 1983; Zucker, 1987). The *third approach* acknowledges both the role of institutional fields and value systems as a constraint to firms and their stakeholders, on the one hand, and the role of agency and rhetoric on the formation of societal expectations, on the other hand (Suchman, 1995; Hossfeld, 2018; Patriotta et al., 2011; Scherer et al., 2013). Following the third approach to legitimacy processes, it is possible to distinguish the conditions that trigger legitimacy regards specific firms and the appropriate firm strategies to address them (Scherer et al., 2013), based on the characteristics of the institutional framework in which the latter operate (stable frameworks versus more dynamic and fragmented frameworks).

The process through which stakeholders challenge firm legitimacy represents self-correcting policies that societies use to pressure, reform, or eliminate transgressing firms. In this context, Brown (2005) recognizes the capacity of texts and their narratives to re-establish legitimacy after a case of CSI. These processes complement the application of legal rules and sanctions through formal institutions. In line with a balanced view of firm agency within institutional fields, adopting firm strategies to maintain challenged legitimacy depends on the institutional frameworks' characteristics. The costs of error or delay may be extensive, not inevitable, and very relevant (Hood et al., 2009). While the elaboration of firm legitimacy maintenance strategies to tackle tensions within dynamic and fragmented institutional contexts may be extremely complex, strategies to correct firm behaviours that do not adhere to relatively stable institutional frameworks are considered relatively unproblematic (Scherer et al., 2013; Patriotta et al., 2011).

In financial fraud, firm moral legitimacy is challenged due to the breaching of formal institutions and legal frameworks that are typically stable. The usual way out is to remove the culpable actors so firms can go back to being consistent with the institutions and legal frameworks of the contexts they belong to. Such initiatives automatically create the circumstances that allow the firm to be legitimated again (Gephart, 1992). Therefore, maintaining legitimacy after a financial fraud has been considered relatively unproblematic (Patriotta et al., 2011; Scherer et al., 2013), as it entails following adaptive strategies and conforming substantially to the prevailing institutional logics (Suchman, 1995; Elsbach, 1994; Elsbach & Sutton, 1992; Scherer et al., 2013).

Nonetheless, this line of reasoning leaves unanswered how come organizations that have implemented effective adaptive strategies may fail to maintain legitimacy sufficiently to assure necessary stakeholder support or why at times firms may manage to maintain legitimacy only for parts of the organization. The purpose of this paper is to pinpoint the dimension(s) taken into consideration in stakeholder evaluation processes following culpable behaviour in unitary and stable institutional environments. These dimensions are identified by analysing an empirical polar case of legitimacy maintenance after a CSI scandal.

3 Research method

Given a limited understanding of the processes activated to re-evaluate firm legitimacy after a CSI case in unitary and stable institutional contexts, we relied on a qualitative research design (Eisenhardt, 1989, 1991; Yin, 2009).

We propose an inductive investigation of the Parmalat case, representing a relevant and richly documented instance of social irresponsibility in Europe in 2003 (Grant & Visconti, 2006). According to the basic principles of theoretical sampling (Pettigrew, 1990), the selection of our case study is motivated by its *revelatory potential* for the research question rather than for statistical reasons. First, although the widespread perception that Parmalat acted in a socially irresponsible manner, CSI did not cause problems for the sustainability of the firm's milk and food businesses, as it maintained the consumers' license to operate sales (in volume and in value) and the support of all other constituent stakeholders.

Second, Parmalat allows to adopt a "nested approach" to individual case investigation (Yin, 2009). In December 2003, when the CSI scandal emerged, Parmalat was a multi-business firm. This allows us to distinguish between business-level and corporate-level data and analysis. The possibility to conduct within-case comparisons between businesses belonging to the same firm allow us to recognize factors that influence post-scandal performance at the business level, reducing the variety of exogenous factors that may have influenced the turnaround results at the business level (as, for example, firm characteristics, industry characteristics, macroeconomic phases and so on).

Third, given that the effects of Parmalat's CSI on its stakeholders' support decisions were very different for the single businesses in its portfolio, Parmalat's post-scandal may be considered a "polar case" (Pettigrew, 1990) in which within-case comparisons may allow to identify the dimension(s) underlying successful and unsuccessful adaptive legitimacy maintenance strategy implementation.

Finally, our case ensures the development of converging lines of inquiry, starting from different views concerning the investigated phenomena and the triangulation of facts (Jick, 1979).

Following the way Baum and Powell (1995, p. 530) use media archives to measure legitimization, we analyse press coverage to reconstruct and portray the public discourses on Parmalat (e.g., Zilber, 2006). To answer our research question, we reconstruct the public discourses and the corresponding societal-level representations that emerged following the Parmalat scandal. Media archives allow us to assess how the media emphasized Parmalat's success before and its culpability after the CSI scandal in 2003, guiding positive and negative emotional responses towards Parmalat. We collected 12,235 newspaper articles published between 1984 and 2005 in *Il Sole24Ore* (i.e., the most important Italian economic and financial newspaper), *La Repubblica* and *Il Corriere della Sera* (i.e., the most widely read newspapers in Italy)[1].

[1] For parsimony, we do not report in the references list the titles of the articles consulted in these newspapers. Nonetheless, the reader can easily find the articles analysed for this study by using the same search, combined with the same data, indicated above.

Furthermore, we use traditional primary data sources, such as official reports and balance sheets following the year of the scandal and the statistic data that Parmalat commissioned.

Because of the considerable volume of accessible journal articles and other secondary data sources available, we portrayed stakeholder perspectives on Parmalat in two different moments: before and after the scandal. Precisely, we picked the quotes that journals attributed to stakeholders. This process helped us limit journalists' influence due to tone and text contexts, on the one hand, and to channel a large amount of data into a limited number of constructs of interest, on the other. Initially, the analysis of data sources was informed by the elements of CSI attribution as identified in Lange and Washburn (2012). Successively, through the comparison between the businesses from which stakeholders' withdrew their support and the business that maintained their audiences' support, a limited number of significant new dimensions underlying audience support decisions emerged. These dimensions are described and their impact on stakeholders' decisions are clarified during the discussion of the case study.

4 Case study analysis

4.1 Parmalat's background

Parmalat is a milk firm that Mr. Calisto Tanzi founded in 1961. In the beginning, Parmalat was a family-run firm that aimed to achieve a competitive advantage uniquely in the milk and food industry.

During the 1980s, the firm started diversifying from the milk business into other product businesses (*Il Sole24Ore* 18/03/1988; *Mondo Economico* 21/09/1987) by offering bakery products, fruit juices, tomato sauces. Coherently with Mr. Tanzi's aspirations to make Parmalat «the Coca-Cola of the milk world» (*La Repubblica*, 02/01/2004; *Financial Times* 21/11/2004), Parmalat's vision became "grow to compete". In a few years, Parmalat had a corporate portfolio of more than 250 products that were offered to the market with different brand names (such as Santal, Malù etc.) (*Il Sole24Ore* 19/01/1988; 01/03/1988; 09/06/1988; 21/06/1988; *Mondo Economico* 13/05/1996), distributed in national and international markets (*Il Sole24Ore* 26/03/1991; 11/12/1994). The key element of Parmalat's corporate strategy was its rapid growth orientation (Grant & Visconti, 2006), also through unrelated diversification.

In 1990, the group was listed on Milan's Stock Exchange and changed its name to Parmalat Finanziaria SpA (*Il Sole24Ore* 20/12/1989, 08/04/1990, 11/04/1990 20/07/1990, 12/10/1990, 31/10/1990). All through the following decade, Parmalat increased its debt ratio to finance an aggressive acquisition-based growth strategy. The firm acquired over 200 companies, spread across 30 countries (*Il Sole24Ore* 11/12/1994, 31/05/1995, 22/03/1997). By the end of 2002, over 36,000 employees worked for Parmalat.

Unfortunately, most of the investments and acquisitions the firm made, inspired by Mr. Tanzi's hubris (Dagnino et al., 2013), were not as profitable as expected.

Grant and Visconti (2006) underscore that a few strategic mistakes originally made owing to overconfident decision-making were then reiterated in the quest to pursue the entrepreneur's ambitious goals. As Robert E. Mittelstaedt, Vice-dean and Director of Executive Education at Wharton reported in 2003, «In some ways, it is no more than a symptom of the times; these are people who had great ambitions, and when those ambitions were not being realized, they wanted to create what was not there»[2]. To show good returns on its investments, accounting practices "adjusted" Parmalat's net earnings and downplayed its debts (*La Repubblica* 21/04/2004).

4.2 The emergence of Parmalat's social irresponsibility

Following the 2003 scandal, investigations conducted by the Italian authorities revealed systematic and creatively planned accounting misrepresentations since the late 1980s (*La Repubblica* 20/01/2004; *Il Sole24Ore*, 24/12/2003 and 30/12/2003).

Although some requests for 'explanations' regarding the firm's solvability had begun to emerge since the end of November 2003 (*Il Sole24Ore* 18/11/2003), Parmalat could count on the support of well-regarded institutional investors and creditors, as well as a solid credit rating, until December 2003. Even when Standard and Poors downgraded the firm applying a negative credit watch to it (*Il Sole24Ore* 12/11/2003), and Parmalat's CFO Alberto Ferraris resigned (*Il Sole24Ore* 18/11/2003), the firm under the watch of Calisto Tanzi announced: «the huge solidity of the financial structure, the complete validity of financial communication and the lack of any liquidity problems» (*Il Sole24Ore* 12/11/2003).

The crack came to light in December 2003, when the Bank of America denied the existence of an account in which Parmalat claimed to have $3.9billion in liquidity. Since Parmalat could not reimburse a bond payment that had become due, the firm was suddenly hit by a financial crisis that led to judicial inquiries involving both the owners and the management team. After the CSI scandal surfaced, the illicit procedures through which Mr. Tanzi led Parmalat to its ruin became apparent.

Initially, the accounting manoeuvres were designed to allow the firm to survive the erroneous investments made in South America. Later, Tanzi confessed transferring some $620million from Parmalat to other unrelated activities linked to his family (such as Parmatour, the family football team, and Odeon TV) (*Il Sole24Ore* 27/12/2003).

The unrelated businesses were not obtaining appreciable performances. Though Parma football gained the fifth position in Italy's major league in 2004, it was absorbing huge amounts of capital and, as a consequence, the financial results were not satisfactory (Malagutti, 2004). Also, Parmatour and the tourism business absorbed significant amounts of money from Parmalat (ANSA, 05/01/2004).

After a long-standing reputation of being a responsible firm, Parmalat was immediately perceived as socially irresponsible. Italians were shocked by the financial collapse of the firm (*Il Corriere della Sera* 13/01/2004). Parma's mayor, Elvio Ubaldi, commented the scandal declaring: «Parma feels cheated. It is a betrayal that goes

[2] "How Parmalat Differs From U.S. Scandals" How Parmalat Differs From U.S. Scandals - Knowledge@ Wharton (upenn.edu) Available on line 30/08/2021.

beyond money, since it concerns the trustworthiness and the image of the city» (*La Repubblica* 29/12/2003). Several TV news reported how Italians, and people from Parma in particular, would never have predicted the firm's wrongdoing and still «could not believe it».

Even Parmalat's employees were shocked by the financial fraud. No one imagined that the firm was in dire straits. Although the Parmalat group had diversified into other unrelated businesses, such as soccer, tourism, and TV broadcast, Parmalat's image continued to be centred on milk and dairy products.

Furthermore, Parmalat had always been considered a «good corporate citizen» (Malagutti, 2004) as it had, for example, made donations for the restoration of Parma's City Cathedral and published reports monitoring its environmental impact. The unexpectedness and the concentration in time of the news regarding Parmalat's accounting fraud increased the stakeholders' perception of its socially undesirable effect (*La Repubblica* 17/01/2004).

4.3 The stigmatization and substitution of Parmalat's corporate elites

According to the American Securities and Exchange, the public opinions' condemnation was unanimously directed towards Mr. Tanzi and his closest accomplices for leading «one of the biggest operations of financial fraud in Italian history» (*Il Corriere della Sera* 02/01/2004). Parmalat's corporate elites were immediately singled out as accountable for the fraud and stigmatized by legitimacy arbiters such as journalists and industry analysts (ANSA[3] 19/12/2003). Notwithstanding the difficulty to accept the idea that Mr. Tanzi defrauded many people, the common person, as well as the international press, underscored that «the rise and fall of the Italian dairy firm is linked to its patron Mr. Calisto Tanzi, who founded Parmalat in 1961» (*The New York Times* 11/01/2004).

Calisto Tanzi, together with Fausto Tonna, Alberto Ferraris, and Luciano del Soldato, the firm's CFOs, were 'marked' as the elites responsible for the intentional fraud and for cooking the books leading to the firm's financial crack in December 2003. The giudiciary court of Milan immediately filed legal actions against Mr. Tanzi. The firm's founder and more than a dozen other former Parmalat elites and advisers were charged with financial fraud, false accounting, and money laundering a few weeks after the collapse (*Il Corriere della Sera* 28/06/2005; *The New York Times* 26/07/2007).

While long-standing corporate elites were stigmatized, a new leader became fully empowered to manage the post-scandal turnaround phase. In fact, in December 2003, Mr. Tanzi himself had hired Mr. Bondi as the firm's technical advisor and CFO (*La Repubblica* 10/12/2003). As reported by the press, the business community expressed significant consideration and appreciation for Mr. Bondi and his well known ability to lead firms in difficulty (*La Repubblica* 14/01/2004; 14/02/2004; *Il Sole24Ore* 16/12/2003). Once the firm's financial scandal was diffused through the press, the presence of Mr. Bondi at the helm of the firm and his highly regarded reputation helped consolidate the public opinion that the firm had the chance to be pulled through

[3] ANSA is the acronym for Italy's leading news agency.

the administrative procedure with success (*La Repubblica* 11/12/2003; *Il Sole24Ore* 16/12/2003). This explains how come the stock market welcomed Bondi as the new CEO of Parmalat so warmly to require a series of suspensions for excessive rises in the stock quotations of the company following his nomination. Overall, following Bondi's nomination in Parmalat, the firm's stock rose 31.87%, closing at 1.05 euros per share (*Il Sole24Ore* 17/12/2003). These results appear to confirm that the actions taken and the media press had managed to restore the legitimacy of Parmalat in the aftermath of its CSI (Brown, 2005).

Besides, the conversion of Parmalat's old bonds into new shares of the firm renovated shareholder meetings. The new Parmalat was a public firm with about 1,600million euro of capital subscribed by 78,757 shareholders, approximately 78,000 individuals, and 757 institutions (such as banks and funds). The new corporate governance system and Mr. Bondi's highly regarded reputation restored Parmalat's credibility in the eyes of the business community.

4.4 Stakeholders' support

Consumers' reactions in Parmalat's post-scandal phase. Parmalat has always made dairy products for which trust, quality, and technology were critical success factors. Though the market much appreciated Parmalat's dairy products, there were many well-known and well-regarded alternatives for customers to choose from (i.e., Centrale del latte, Danone, Galbani, Muller, Yomo, and so on). Therefore, customers were undoubtedly not dependent on Parmalat's survival to continue to satisfy their desire for high-quality dairy products. Nonetheless, during the first 20 days of 2004, there was an increase in Parmalat's products' consumption. Parmalat reported sale increases of juices (+18%), yogurt (+2%), and UHT milk (+8%) compared to the same period in 2003, while the sales of its fresh products were substantially stable (ANSA, 22/01/2004). Thus, Parmalat's consumers did not withdraw their support for the firm's dairy and food business.

An analysis that Parmalat commissioned from Ipsos regarding consumer reactions to the CSI scandal in this market is very revealing. The highest percentage of consumers answered that they were confident the quality of products had not changed. Furthermore, many consumers chose to purchase Parmalat's products to support the firm and its employees. The customer community's attention turned mainly to the employees who would have lost their jobs had the firm not overcome the financial crisis. After the financial meltdown, a sort of "solidarity case" emerged to support the firm and avoid harming its employees'.

Figure1 reports the survey analysis results to explore how consumer buying behavior had changed after the scandal. Specifically, according to the investigation released by Ipsos, about 11% of the consumers (Parmalat users) maintained or increased their level of consumption, proving that the financial scandal had triggered the whole community to support Parmalat. Such support is also confirmed by the second histogram, in which about 85% of the consumers were shown to have never changed their buying behavior.

Also, according to an analysis released by GPF&A, Parmalat was perceived to have a broader product portfolio and, generally, the best quality and healthiest prod-

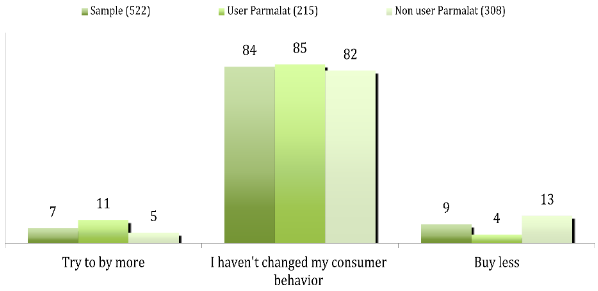

Fig. 1 Parmalat users and non-users' decision about consumer behavior after the financial scandal. (Source: Marketing department of Parmalat)

ucts in the industry in Italy at the time. This showed the relevance of innovation, research, and technology as crucial elements for business success. Furthermore, public opinion saw Parmalat as the firm that cared most about consumer needs and expectations.

Suppliers' reactions in Parmalat's post-scandal phase. Parmalat's CSI was perceived as a threat to the performance of suppliers' businesses. For instance, Confagricoltura called attention to the potential impact of the firm's demise for Parmalat's satellite activities (*Il Sole24Ore* 19/12/2003), underscoring that it would have implied the destruction of its milk supply chain (*Il Corriere della Sera* 31/12/2003). Thus, while milk suppliers awaited the Court's decisions regards the firm's bankruptcy, they continued to supply milk to Parmalat's Italian factories for months without hesitation. During this period, they did not receive any form of payment in return for their products (*Il Sole24Ore* 28/12/2003). Their only form of guarantee was that they would have been granted the status of preferential creditors, with a fast track in settlement of amounts owed by Parmalat, if the firm were to be declared bankrupt.

One of the most significant steps taken by Enrico Bondi, was to meet TetraPak's chief executive in Italy, Paolo Nigro, especially after the media reports on TetraPak's threat to suspend its supplies to Parmalat. Following the meeting with Mr. Bondi, TetraPak affirmed: «TetraPak has been working with Parmalat for several years, and it was never our firm's intention to interrupt supplies, although we need to take measures to secure our financial position» (*La Repubblica* 31/12/2003).

Creditors' reactions in Parmalat's post-scandal phase. Before the financial crack became apparent, Parmalat bonds had been considered an attractive Italian investment, able to grant rewarding returns (*Il Sole24Ore* 16/12/2003). Creditors were not in a position to suspect the firm's actual financial situation and state of insolvency. On the one hand, rumors on the firm's financial difficulties were firmly denied on several occasions by Calisto Tanzi (*Il Sole24Ore* 20/11/2003). On the other hand, banks failed to perceive the firm's problems and continued encouraging investors to buy Parmalat bonds right until the scandal burst.

As the debtholders' lawyer, Carlo Federico Grosso, reported in an interview on the website of the Italian newspaper *La Repubblica*, the typical 'victims' identikit' is that of retirees who had invested their severance pay in order to guarantee a peaceful future for themselves and their families, workers who had trusted a historic brand and other small savers. Similarly, *Financial Times* (05/10/2004) titled: «Parmalat sting hits Italian pensioners.» About 110,000 small investors held Parmalat bonds or shares when the firm collapsed. They had bought Parmalat bonds only months before the roof fell in and were completely unaware of their investments' risks (*Financial Times* 05/10/2004).

Furthermore, several retired people were interviewed and declared they were distraught for having lost all their money. They had invested in Parmalat because they were convinced that the firms was trustworthy and its shares were a good investment. For instance, *La Repubblica* (05/10/2004) reported the following credit holder's story: «I am a 76 years old retired man. I invested all my life's savings to buy Parmalat shares».

The stories reported in the newspapers of the time show how thousands of investors were afraid of losing the savings they had invested in Parmalat bonds (*Financial Times* 18/11/2005). Among them, there were also farmers, local vendors, and Parmalat's employees who had invested their money in the firm's bonds as they were convinced that it entailed a low risk when all the creditors turned to the banks to have their money back, bank employees responded that it was no longer possible (*La Repubblica* 02/01/2004). This created significant anger and anxiety against the banking system. Generally speaking, the banking system began to be considered complicit in the harm caused by Parmalat's crack, as it should have monitored the firm more closely to protect investor savings.

Employees' reactions in Parmalat's post-scandal phase. The end of 2003, when Parmalat's collapse emerged, was a very dark phase for the town of Parma too. Thousands of employees started worrying about their jobs, and several dairy farmers feared Parmalat's demise would wipe out the credits they had with the firm (*Il Sole24Ore* 19/12/2003). Italian business press underscored that such social irresponsibility had effects for both the community and roughly 36,000 Parmalat employees spread all over the world (*Il Sole24Ore* 31/12/2003). Parmalat's employees were unaware of the firm's difficulties before the financial scandal became public in December 2003. Many interviews highlight that the possibility for the post-crisis turnaround processes to succeed was the possession of sound source(s) of competitive advantage and that Parmalat continued to have valuable assets.

The Secretary of the Labour Union Association, Mr. Luigi Angeletti, said that the main risk for Parmalat was that banks could stop sustaining the firm. Although Parmalat is a healthy and strong firm, based on a strong core business, its financial problems have been caused by Tanzi's overconfidence and, hence, have huge consequences for firm survival (*La Repubblica* 19/12/2003).

Italian Government's reactions in Parmalat's post-scandal phase. In the days following the emergence of Parmalat's scandal, labor union representatives frequently underscored that the real risk for Parma was the economic meltdown that may arise as a consequence of the skepticism of investors. However, Parmalat's scandal also significantly impacted other areas in Italy (*La Repubblica* 24/12/2003). In the ten years before the scandal, Parmalat had acquired historical brands in the dairy industry all around Italy, making it a lead player in different regions. For example, through the acquisition of Sole and Ciappazzi, Parmalat had built the most significant business ecosystem of dairy products of the Sicilian Island.

Before the end of 2003, the Italian Government resorted to emergency legislation to give Parmalat a chance to protect its industrial activity, payrolls, vendors, and basic operations from creditor claims. A few days later, the Italian Government updated emergency legislation and produced a decree-law (better known as the “Prodi-bis” decree) that regulated the crises of large firms for which there were *real prospects of value recovery* (*La Repubblica* 23/12/2003).

This decree-law placed the group under an extraordinary administration proceeding that granted a window of a maximum of two years to intervene to turn the firm back to economic and financial stability. However, if this aim was not reached once the two-year period expired, Parmalat would be left to fail even though they it was a relevant economic players.

According to the minister of productive activities of the time, Antonio Marzano, to guarantee Parmalat’s survival it was necessary «to dispose of the businesses that lacked a clear strategy and positive results, which are not part of the core business and which affect the management of the group» (*La Repubblica* 23/02/2004). Amongst the firms’ businesses, milk had always been the core business of the group. Furthermore, though the mass media had very pervasively reported the scandal to all stakeholders, the firm’s brand in the milk industry had never suffered from it.

5 Discussion

The narrative approach adopted in this study describes how the emergence of Parmalat’s financial fraud represented the *trigger event* that challenged the status-quo and pushed stakeholders to reassess the firm’s legitimacy actively. As a consequence of its CSI, legitimacy maintenance became a crucial issue for Parmalat’s survival. Though several substantive actions were rapidly adopted in the attempt to restore Parmalat’s harmed legitimacy and maintain stakeholders’ support, the successful outcome of such strategies proved to be more problematic than extant literature on legitimacy maintenance would suggest (Scherer et al., 2013). The case at hand suggests that the emphasis given to the role of macro-forces underlying legitimacy maintenance in stable and unitary institutional environments downplays the fact that also in these contexts, organizational stakeholders that had faded into the background once legitimacy was acquired are brought back into the limelight as a consequence of trigger events.

5.1 CSI and strategies to maintain moral legitimacy

Parmalat’s CSI, ignited by Mr. Tanzi’s hubris (Dagnino et al., 2013) and insider interests, damaged the *firm’s moral legitimacy* (Wang, 2010). The firm harmed market investors’ interests and the weakness of the control mechanisms, both internal to the organization’s corporate governance system and the banking system, proved unable to provide sufficient protection for them. Consequently, stakeholders perceived Parmalat as socially irresponsible and unable to foster societal prosperity, according to their socially constructed value system (Suchman, 1995). Prior research has suggested that providing an explanation for CSI (Suchman, 1995; Pfaffer et al., 2008), enforcing a suitable punishment (Pfaffer et al., 2008), and carrying out strategic restructuring (Suchman, 1995; Pfaffer et al., 2008) are aspects of a rehabilitating process through which corporations may restore their legitimacy and, thus, achieve reintegration with their stakeholders. Extant literature has analysed an incredibly incisive configuration of the general restoration process mentioned above regards the stigmatization of corporate elites (Wiesenfeld et al., 2008; Paetzold et al., 2008; Sutton & Callahan, 1987).

Leveraging the work of Meindl et al. (1985) and Pfeffer (1977), this literature explains that critical stakeholders tend to interpret the corporations' problems as personal attributes of their elites, independently from the fact that the latter have intentionally carried out the CSI act(s) or not. This occurs because there is a widespread assumption that corporate elites have the function of maintaining healthy relationships with key stakeholders, should prevent others from denigrating their firms, and are responsible for keeping their organizations alive (Sutton & Callahan, 1987). CSI harms the personal legitimacy of corporate elites. In other words, the stigmatization of corporate elites responsible for CSI is a critical phase for corporate reintegration with the firm's main stakeholders. Drawing on Gephart (1993), we acknowledge the role of Tanzi's and the corporate elite's as scapegoats to find a responsible to prevent the failure of the system. From this perspective, the stigmatization of Mr. Tanzi as the foremost scapegoat undoubtedly contributed to save Parmalat.

Consistent with Scherer et al. (2013), adopting an isomorphic adaptation strategy is appropriate for firms to maintain challenged legitimacy in stable and unitary institutional fields. Specifically, the above-mentioned stigmatization process showed that culpable actors would have been adequately punished (Hampel & Tracey, 2017). Furthermore, it suggested that firm leaders maintained control of the organization, allowing to convey the idea that the firm would change its course of action by changing leaders. The choice of a highly reputed leader, Mr. Bondi, as responsible for managing the post-scandal phase contributed substantially to the perception of a positive change in the firm's course of action. Finally, changes in governance had the side-effect of further reinforcing the credibility of the adaptive strategy implemented. The new leadership granted higher access to information and monitoring power to many small investors, creating the conditions to avoid the repetition of CSI events in the future. Drawing on Gephart (1993), we acknowledge the role of the Italian Judiciary and media press in orienting stakeholders to consider the firm's old governance as culpable for CSI. The investigation by the Italian Judiciary joint with press representations led to a new construction of Parmalat (Gephart, 1993). The new governance system is presented by the media press and used by Parmalat as a sensemaking resource. The new corporate governance was constructed as an interpretive scheme in the post-scandal phase. Such new governance epitomizes the social construction of the new Parmalat. However, while the loss of Parmalat's moral legitimacy and, consequently, the adaptation strategies implemented involved the firm as a whole, stakeholders' support was not maintained evenly by the entire firm. The loss of moral legitimacy that follows CSI scandals attracts stakeholders' attention to each business. Therefore, the reconstruction of the firms' harmed moral legitimacy does not automatically lead to the reintegration with its stakeholders and their support for all (or part) of the organization. In formal terms,

> P1: *Stakeholders evaluate the maintenance of their support for the firm based on a more fine-grained business-level analysis rather than at the corporate level.*

To assess the extensibility of our first proposition, we can compare the Parmalat and the Enron cases. Both firms have had financial scandals in which the primary stakeholders – the creditors – have been damaged by underreporting debts and overstating revenues and earnings (Kaminski & Martin, 2001; Swartz & Watkins, 2004). Parmalat has always had a strong core business, mainly based on dairy products. The firm has invested an enormous amount of money in research and development activities to improve the quality of its products and create a brand image. Conversely, in Enron there is a tighter link between scandal and core business. Over the years, Enron has changed its core strengths, which became more focused on financial rather than strategic aspects (Dembinski & Bonvin, 2006; Healy & Palepu, 2003; McLean & Elkind, 2013). Since the conglomerate diversification strategy aims to capitalize on the governance of financial resources, Enron's CSI towards investors is related to the foundation of its strategic intent. Enron officials acted following an agency-reasoning individual (Kulik, 2005) and irresponsibly toward investors by failing to take needed actions, exercising proper oversight, and shoulder responsibility for the ethical miscues of their organization (Anand et al., 2004). Thus, Enron's financial meltdown had eroded its competitiveness. Enron's rapid failure shows that CSI had reduced the firm's credibility and investors' evaluations of the firm elite's trustworthiness in managing financial resources (Livingston, 2002; Hake, 2005; Healy & Palepu, 2003). The Enron case confirms that there is no possibility of saving the firm without solid competitiveness in the core business (McLean & Elkind, 2013). Parmalat's turnaround worked because, having removed the irresponsible people and behaviors, its combination of assets and processes enabled Parmalat to carry on achieving economic gains from its core business.

5.2 CSI and the firm's pragmatic legitimacy

Once moral legitimacy was restored, stakeholders focused on aspects underlying pragmatic legitimacy. Parmalat's financial scandal sparked stakeholders' active re-evaluation of the solidity of each of the firm's businesses' capacity to deliver value to the market. Attention and support rapidly converged towards the business with a solid and positive pragmatic evaluation, while support from all other businesses was withdrawn. Stakeholders' attention immediately polarized towards the firm's relevant capacity to deliver value in its dairy business. Market qualitative and quantitative evaluation of the firm's dairy products strongly indicates a sound capacity to create value for its customers in this business. The fact that 85% of its consumers never changed their buyer behaviour was driven primarily by their satisfaction with Parmalat's dairy products. This positive feeling towards Parmalat is determined by the recognition and appreciation of the advantages associated with its milk business.

The constant continuing use of Parmalat's dairy products after the CSI scandal confirmed that the firm had never reduced the level of its customers' satisfaction and reinforced confidence in the fact that its business model in the dairy industry was able to continue to deliver value to the market. However, the firm's business model's validity in the dairy industry extended its effects well beyond the consumers. The maintenance of consumer support through sales was a strong signal to all the other constituent stakeholders. Suppliers and employees maintained their support for Parmalat's dairy business, even at the risk of not being paid in the event of the firm's bankruptcy. Their decision, parallel to that of consumers, was based on the high evaluation of Parmalat's capacity to deliver value to the dairy market. Mr. Bondi, the Italian Government, the banking system, and the small investors all further flocked to support the dairy business, as it had immediately maintained market support after the scandal. Thus, each of the stakeholders considered had the possibility to reach its own benefits by guaranteeing support to the business that, first and foremost, was able to satisfy consumer desires and create value for the market. The data gathered, thus, underscore a dialogue between stakeholders that leads to the polarization of support towards the only business of the firm that demonstrated to have a solid capacity to satisfy market demands and, therefore, to generate value for each and every one of the evaluating constituent stakeholders in time.

In Suchman's (1995) study, a firm's capacity to satisfy stakeholder's self-interested benefits through its existence and activities is based on its pragmatic legitimacy. Therefore, this study suggests that if the transgressing firm has the ability to deliver value to its stakeholders, it has a chance to survive scandals through the implementation of effective adaptive strategies to restore its harmed moral legitimacy. Conversely, the lack or destruction of the bases underlying pragmatic legitimacy leads stakeholders to withdraw their support from the weak business(es) (or the whole firm) even if effective actions to restore the culpable firms harmed moral legitimacy have been taken. The presence of an unharmed pragmatic legitimacy is crucial to select which parts of an organization (or the organization as a whole) can be reintegrated with all the firm's main stakeholders after a CSI scandal, including the "harmed" stakeholders. In formal terms,

> P2a: *If effective adaptive strategies have been implemented after a CSI scandal, stakeholders will maintain their support to a business (or a firm) for which they evaluate the self-interested benefits that derive from its existence and activities positively.*
> P2b: *Even if effective adaptive strategies have been implemented after a CSI scandal, stakeholders will not maintain their support to a business (or a firm) for which they do not evaluate the self-interested benefits that derive from its existence and activities positively.*

5.3 CSI and the victim's social identification

The last issue that remains unexplained. Customers of Parmalat's dairy products reacted in a way that does not sustain a pure idea that stakeholders maintain their support to a business able to generate self-interested benefits for them. Parmalat's customers are fully independent stakeholders. Though the market much appreciated the firm's dairy products, there were many well-known and well-regarded alternatives to choose from.

We note that in the case at hand, customer support varied from the desire to "punish" the firm for its lost moral legitimacy, to those that, on the contrary, increased their support to help "sustain" corporate survival for the wellbeing of harmed (or potentially harmed) stakeholders. Further, in the Parmalat case we observe some important victims of the scandal. For instance, on the 24th of December 2003, *La Repubblica* reported that "Farmers, who produce 300,000 kilos of milk a day, declare they are exhausted by months of waiting to be paid, with noncertainty regards the settlement of previous credits and payments for future supplies". As Corno (2006) reports, Fausto Bertinotti, the secretary of an Italian left party, declared "Our specific interest in the Parmalat crack is to protect Parmalat workers and all the people who work in firms connected to Parmalat, as well as small investors.". Fausto Bertinotti's words summarize the dominant view of Italians as emerging from the media press. Humans tend to organize their perception of others in social categories and derive self-concepts in part from these categories, based on those with which they see their identities corresponding (Haslam & Ellemers, 2005; Hogg et al., 1995; Lange & Washburn, 2012; Tajfel & Turner, 1979). The direction of the practical effects of social identification with the affected party, however, is unclear. On the one hand, social identification with harmed stakeholders should enhance the negative attribution of irresponsibility to the firm (Lange & Washburn, 2012, p. 314–315). On the other hand, contemporarily, identification with the dependent stakeholders should push to maintain their support for the firm's survival to help the victims of CSI increase their feelings of self-esteem. In formal terms,

> P3: *Social identification with harmed parties leads independent stakeholders to support the firm and refrain from rehabilitating the firm even after effective moral legitimacy restoration processes have been implemented.*

To assess the extendibility of our third proposition, we can straightforwardly compare the Parmalat and the Volkswagen cases. The loss of moral legitimacy that follows CSI scandals attracts stakeholders' attention to each business's value chain and, interestingly, the entire system value of each business. We noted that the Italian press represented milk suppliers and workers as victims of Tanzi's system. In the Parmalat case, the Italian press shaped a positive view of the entire *business system value.* Accordingly, the customers sympathized not only with the workers but with farmers and other suppliers. Differently, Siano et al. (2017, p. 33) show that Volkswagen "was accused not only of false claims but also of the intentional manipulation of the products (through the addition of rigged software), by re-designing business processes to circumvent the U.S. anti-smog standards". Accordingly, Clemente and Gabbioneta (2017) found multiple media frames in Volkswagen's CSI scandal. Specifically, Clemente and Gabbioneta (2017) explain that a part of the media represented the Volkswagen scandal as mainly due to managers' choices and considered the entire car industry as responsible. In particular, Clemente and Gabbioneta (2017) reported a quote from the Die Süddeutsche Zeitung "it is hard to imagine that the technician Winterkorn did not know (or at least suspect) what has become known in the United States: that [Volkswagen] deliberately and consciously manipulated the emission tests of over 400,000 diesel cars and, by doing that, deceived the authorities, its customers, and the public". As a result, Crête (2016, p. 25) concludes that the multiple and negative effects have suddenly become clear at the economic, organizational and legal levels. From this perspective, Rhodes (2016) argues that in the Volkswagen case, stakeholders were able to essentially challenge corporate malfeasance. In November 2015 "sales results reported in the USA were even worse as Volkswagen sales declined 25%. While sales in Germany, Volkswagen's home market, only declined 2 per cent that November, it was a noteworthy result, as the overall auto market in Germany grew 8.9 per cent in the same period" (Welch, 2019, p. 7). This last proposition is linked to Johnson et al. (2006, p. 57) who add "although legitimacy is mediated by the perceptions and behaviors of individuals, it is fundamentally a collective process". From the comparison of Parmalat and Volkswagen, we can infer that social identification with harmed parties is expected to build beliefs, norms, and values and, therefore, construe firm legitimacy.

6 Conclusions

Through an in-depth narrative approach applied to the Parmalat case, this study aims to identify the mechanisms and dimensions that play a role in maintaining legitimacy after a CSI scandal. When the institutional context is stable, we found that firm legitimacy has two dimensions that influence stakeholders' support following CSI scandals: moral and pragmatic. CSI scandals harm firms' moral legitimacy and place their pragmatic legitimacy under the limelight but do not destroy it automatically. While implementing a moral restoration process to rehabilitate the firm with its main stakeholders is critical, it cannot be considered sufficient to maintain stakeholders' support. Once moral legitimacy is restored, stakeholders evaluate pragmatic legitimacy and other sources of reassurance that supporting the firm is worthwhile from a rational perspective. When the firms' market legitimacy is untouched, the rehabilitation of moral legitimacy leads to stakeholders' support and successful business rehabilitation processes with all stakeholders, even those initially harmed. However, if pragmatic legitimacy is feeble, stakeholders will not sustain the weak business (or a firm) even if moral legitimacy has been restored. The relationships between pragmatic and moral legitimacy are essential for the success of the reintegration process. The presence of an unharmed market legitimacy is crucial to select which parts of a firm (or the firm as a whole) can be reintegrated with *all* the main stakeholders of the firm after a CSI scandal, including the "harmed" stakeholders.

The case outlined above underscores how several firm characteristics influence the perception of CSI and, in particular, the subjective assessments of corporate culpability. In particular, the perceived disposition to act in a socially irresponsible way, corporate prominence, and corporate size correlate positively to stakeholders' evaluation of corporate culpability (Lange & Washburn, 2012). We enrich the debate on legitimacy in multiple ways. First, while Lange & Washburn (2012) fail to highlight that there may be conflicts or synergies between the different dimensions of the firms' legitimacy, the Parmalat case underscores how the re-awakening of stakeholders' attention towards organizational characteristics and the re-evaluation of the firm's implicit contract with its stakeholders (Scherer et al., 2013) may render the adoption of an adaptation strategy *insufficient* to maintain stakeholders' support for the culpable firm. This study suggests that firms may adopt an effective adaptation strategy to restore moral legitimacy, but they may fail to maintain legitimacy sufficiently. Stakeholders may withdraw the firms' license to operate or maintain their support only for parts of the firm. We therefore also contribute to the multifaced links between stigma and legitimacy (Patterson et al., 2019).

Second, through the analysis of the discourses and controversies that arose as a consequence of Parmalat's scandal, this study identifies two *dimensions in the legitimacy maintenance* debate: the former relative to the firms' moral legitimacy and the latter at the basis of the organization's pragmatic legitimacy. Both aspects played a crucial role in stakeholders' evaluation processes leading to support maintenance or withdrawal decisions. Although a failure in moral legitimacy had disrupted the maintenance of the implicit contract with the firms' stakeholders, the pragmatic dimension of firm legitimacy was re-evaluated. Both needed to be considered favorably for stakeholders to decide to maintain their support for the culpable firm.

Third, we contribute to the literature regarding CSI and legitimacy drawing attention to the presence of different levels of analysis. In particular, studies regarding CSI have taken for granted that the direct consequence of these scandals' widespread perception is the loss of legitimacy at the firm level (Lange & Washburn, 2012). The study proposed shows that the evaluation of the firm's capacity to satisfy each stakeholder's self-interested benefits was based on a scrutiny conducted at the business level, rather than at the firm level. Stakeholders' re-evaluation of their implicit contract with the firm was also motivated by the capacity of the dairy business to deliver value to this market, as proven by the maintenance of sales levels and degrees of customer satisfaction also after the scandal. The firms' business models' validity in one (or more) specific industry(ies) is the basis for a progressive and rapid polarization of the different stakeholders' support, provided moral legitimacy is restored at the corporate level. In the case analyzed, CSI was conducted at the corporate level and did not influence the firm's single businesses' capacity to deliver value to its stakeholders. Therefore, stakeholders' support was distributed between businesses based on their pre-existing stronger or weaker capacity to deliver value to its market. Arguably, in such evaluations, we recognize the role of subjective perception; a firm will be considered "socially irresponsible only to the extent that observers perceive [them] as such" (Lange & Washburn, 2012, p. 301). Thus, though the firm's image of social illegitimacy becomes an objective attribute of the badly behaved corporation, it is nonetheless created subjectively (Wry, 2009). This, for example, helps explain how come firms whose socially irresponsible actions go unnoticed may comfortably continue to maintain their legitimacy (Crane, 2013).

Finally, this study also offers critical practical insights regarding substantial legitimacy maintenance strategies to implement after financial fraud. At the managerial level, we draw attention to the essential relationships between pragmatic and moral legitimacy for the maintenance of stakeholder support in the aftermath of a financial fraud scandal. Once moral legitimacy has been restored, firm leaders will need to assess the presence of an unharmed pragmatic legitimacy for the selection of which parts of a firm (or the firm as a whole) can be reintegrated with *all* the main stakeholders of the firm after financial fraud. Regarding the policy-maker implications, this study suggests the opportunity of a nuanced approach to institutional support of turnaround processes following instances of CSI, rather that the adoption of a "one size fits all" regulation. In particular, we argue that policy-makers should orchestrate the turnaround processes of large and diversified firms by investigating whether CSI actions destroy strategic resources and capabilities or not. When CSI events do not destroy the foundations of the culpable firms' competitive advantage, it should be possible (and appropriate) for public actors to intervene to help leverage the healthy parts of the firm and support the turnaround process (as in the Parmalat case). On the contrary, we suggest that when CSI events destroy the bases of the culpable firms' competitive advantage, no institutional support should be offered for the organizations' survival.

6.1 Open questions and directions for future research

In this sub-section, we gather a few hints that emerge from the discussion of the Parmalat case and propose a few paths for future research. First, the cognitive legitimacy of the businesses Parmalat had in its portfolio was in no way dubious. However, it would be interesting to extend the analysis to cases in which the cognitive legitimacy of one or more businesses of a firm culpable of CSI is dubious or debatable. In particular, it would be interesting to assess whether a CSI event triggers the re-evaluation of all three aspects of legitimacy identified by Suchman (1995) – the moral, the pragmatic, and the cognitive – on behalf of stakeholders, as this study seems to hint.

Second, in this paper, we have analysed a single extreme case. The conduction of comparative case studies would undoubtedly help overcome our evidence's circumstantial nature. Comparisons highlighting specific distinctive dimensions between cases would help highlight relevant moderating relationships or alternative explanations for the relationships identified. For example, we have studied a case in which the CSI was created at the corporate level and was in no way connected to the value chains or activities underlying any of the firm's businesses. However, it is of interest to analyse cases in which the harm of moral legitimacy infringes on the firm's pragmatic legitimacy. More specifically, it seems appropriate to underscore that the unethical corporate action may be carried out directly within the firms' business to cut costs or sustain revenues beyond the results correct ethical behavior would consent. In these instances, how would independent stakeholders react? Cases of customer boycott that follow well-known CSI cases - like those of Nike and Nestlé - seem to suggest that only a part of the firm's independent stakeholders react and change their support for the firm. Whether there are significant differences between the reactions of a firm whose CSI actions originate at the corporate or at the business level remains to be clarified.

Third, another aspect of interest is whether nuances in the product characteristics influence the strength of pragmatic legitimacy's role in maintaining stakeholders' support for the firm after the CSI scandals. The case we studied considered non-problematic dairy products and food products. However, would the role of pragmatic legitimacy have been equally sufficient to maintain customer engagement with the firm if its products had been more durable and/or part of a modular system of interconnected components? In the latter cases, the fear of remaining with an "orphan" product hinders or puts off customers' intention to buy the firm's products and other stakeholders to support the firm before they gain confidence in its capacity to survive the CSI.

Acknowledgements We wish to express gratitude to participants in research seminar held at University of Palermo, as well as in sessions of the Academy of Management Annual Meeting in Philadelphia, and EGOS Colloquium 2014 for their constructive insights. An abridged version of this paper has received the *"History of Corporate Social Responsibility Award* 2014" of the Academy of Management, Social Issues in Management Division.

Funding Open access funding provided by Università degli Studi di Palermo within the CRUI-CARE Agreement.

References

Alcadipani, R., & de Medeiros, O., C. R. (2020). When corporations cause harm: A critical view of corporate social irresponsibility and corporate crimes. *Journal of Business Ethics*, *167*(2), 285–297

Anand, V., Ashforth, B. E., & Joshi, M. (2004). Business as usual: The acceptance and perpetuation of corruption in organizations. *Academy of Management Perspectives*, *18*(2), 39–53

Ashforth, B. E., & Fried, Y. (1988). The mindlessness of organizational behaviors. *Human Relations*, *41*(4), 305–329

Ashforth, B. E., & Gibbs, B. W. (1990). The double-edge of organizational legitimation. *Organization Science*, *1*(2), 177–194

Ashforth, B. E., Gioia, D. A., Robinson, S. L., & Treviño, L. K. (2008). Re-viewing Organizational Corruption. *Academy of Management Review*, *33*(3), 670–684

Barnett, M. L., & King, A. A. (2008). Good fences make good neighbors: A longitudinal analysis of an industry self-regulatory institution. *Academy of Management Journal*, *51*(6), 1150–1170

Baucus, M. S., & Baucus, D. A. (1997). Paying the Piper: An Empirical Examination of Longer-Term Financial Consequences of Illegal Corporate Behavior. *Academy of Management Journal*, *40*(1), 129–151

Baum, J. A. C., & Powell, W. W. (1995). Cultivating an Institutional Ecology of Organizations: Comment on Hannan, Carroll, Dundon, and Torres. *American Sociological Review*, *60*(4), 529–538

Brown, A. D. (2005). Making sense of the collapse of Barings Bank. *Human Relations*, *58*(12), 1579–1604

Cameron, K. S., & Whetten, D. A. (Eds.). (1983). *Organizational effectiveness: A comparison of multiple models* (733 vol.). Academic Pr

Carroll, A. B. (2004). Managing ethically with global stakeholders: A present and future challenge. *Academy of Management Perspectives*, *18*(2), 114–120

Chiu, S. C., & Sharfman, M. (2018). Corporate social irresponsibility and executive succession: An empirical examination. *Journal of Business Ethics*, *149*(3), 707–723

Clemente, M., & Gabbioneta, C. (2017). How does the media frame corporate scandals? The case of German newspapers and the Volkswagen diesel scandal. *Journal of Management Inquiry*, *26*(3), 287–302

Corno, F. (2006). La crisi come testimonianza di una (ir)responsabilità sociale: Lezioni da Enron e Parmalat. *Rivista Italiana di Ragioneria e di Economia Aziendale*, *25*, 1–32

Crane, A. (2013). Modern Slavery as A Management Practice: Exploring the Conditions and Capabilities for Human Exploitation. *Academy of Management Review*, *38*(1), 49–69

Crête, R. (2016). The Volkswagen scandal from the viewpoint of corporate governance. *European Journal of Risk Regulation*, *7*(1), 25–31

Dagnino, G. B., Minà, A., & Picone, P. M. (2013). "The Hubris Hypothesis of Corporate Social Irresponsibility: Evidence the Parmalat Case". In A. Stachowicz-Stanusch (Ed.), *Integrity in Organizations - Building the Foundations for Humanistic Management*. Palgrave MacMillan
Davidson, W. N., Worrell, D., & Cheng, L. T. W. (1994). The Effectiveness of OSHA Penalties: A Stock-market- based Test. *Industrial Relations*, *33*(3), 283–296
Dembinski, P. H., & Bonvin, J. M. (2006). Enron: Visiting the Immersed Part of the Iceberg. *Enron and World Finance* (pp. 237–251). London: Palgrave Macmillan
Di Maggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, *48*(2), 147–160
Donaldson, T., & Dunfee, T. W. (1994). Toward a unified conception of business ethics: Integrative social contracts theory. *Academy of Management Review*, *19*(2), 252–284
Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *Academy of Management Review*, *14*(4), 532–550
Eisenhardt, K. M. (1991). Better Stories and Better Constructs: the Case for Rigor and Comparative Logic. *Academy of Management Review*, *16*(3), 620–627
Elsbach, K. D. (1994). Managing organizational legitimacy in the California cattle industry: The construction and effectiveness of verbal accounts. *Administrative Science Quarterly*, *39*(1), 57–88
Elsbach, K. D., & Sutton, R. I. (1992). Acquiring Organizational Legitimacy through Illegitimate Actions: A Marriage of Institutional and Impression Management Theories. *Academy of Management Journal*, *35*(4), 699–738
Fombrun, C. J. (1996). *Reputation: Realizing value from the corporate image*. Harvard Business Press
Freeman, R. E., Harrison, J. S., & Wicks, A. (2008). *Managing for Stakeholders: Survival, Reputation, and Success*. New Haven: Yale University Press
Gephart, R. P. Jr. (1992). Sensemaking, communicative distortion and the logic of public inquiry legitimation. *Industrial Crisis Quarterly*, *6*(2), 115–135
Gephart, R. P. Jr. (1993). The textual approach: Risk and blame in disaster sensemaking. *Academy of Management Journal*, *36*(6), 1465–1514
Grant, R. M., & Visconti, M. (2006). The Strategic Background to Corporate Accounting Scandals. *Long Range Planning*, *39*(4), 361–383
Hake, E. R. (2005). Financial illusion: Accounting for profits in an Enron world. *Journal of Economic Issues*, *39*(3), 595–611
Hampel, C. E., & Tracey, P. (2017). How organizations move from stigma to legitimacy: The case of Cook's travel agency in Victorian Britain. *Academy of Management Journal*, *60*(6), 2175–2207
Haslam, S. A., & Ellemers, N. (2005). Social identity and industrial and organizational psychology: Concepts, controversies and contributions. *International Review of Industrial and Organizational Psychology*, *20*, 39–118
Haunschild, P. R., Sullivan, B. N., & Page, K. (2006). Organizations Non- Gratae? The Impact of Unethical Corporate Acts on Interorganizational Networks. *Organization Science*, *17*, 101–117
Healy, P. M., & Palepu, K. G. (2003). The fall of Enron. *Journal of Economic Perspectives*, *17*(2), 3–26
Hogg, M. A., Terry, D. J., & White, K. M. (1995). A tale of two theories: a critical comparison of identity theory with social identity theory. *Social Psychology Quarterly*, *58*, 255–269
Hood, C., Jennings, W., Dixon, R., Hogwood, B., & Beeston, C. (2009). Testing times: Exploring staged responses and the impact of blame management strategies in two examination fiasco cases. *European Journal of Political Research*, *48*(6), 695–722
Hossfeld, H. (2018). Legitimation and institutionalization of managerial practices. The role of organizational rhetoric. *Scandinavian Journal of Management*, *34*(1), 9–21
Jick, T. D. (1979). Mixing Qualitative and Quantitative Methods: Triangulation in Action. *Administrative Science Quarterly*, *24*(4), 602–611
Johnson, C., Dowd, T. J., & Ridgeway, C. L. (2006). Legitimacy as a social process. *Annual Review of Sociology*, *32*, 53–78
Jonsson, S., Greve, H. R., & Fujiwara-Greve, T. (2009). Lost without deserving: The spread of legitimacy loss in response to reported corporate deviance. *Administrative Science Quarterly*, *54*(2), 195–228
Kaminski, V., & Martin, J. (2001). Transforming Enron: The Value of Active Management. *Journal of Applied Corporate Finance*, *13*(4), 39–49
Kang, C., Germann, F., & Grewal, R. (2016). Washing away your sins? Corporate social responsibility, corporate social irresponsibility, and firm performance. *Journal of Marketing*, *80*(2), 59–79
Karpoff, J. M., Lee, D. S., & Martin, G. S. (2008). The Cost to Firms of Cooking the Books. *Journal of Financial and Quantitative Analysis*, *43*, 581–612

Komisarjevsky, C. P. (1983). Trial by media. *Business Horizons*, *26*(1), 36–43

Kulik, B. W. (2005). Agency theory, reasoning and culture at Enron: In search of a solution. *Journal of Business Ethics*, *59*(4), 347–360

Kuznetsov, A., Kuznetsova, O., & Warren, R. (2009). CSR and the legitimacy of business in transition economies: The case of Russia. *Scandinavian Journal of Management*, *25*(1), 37–45

Lange, D., & Washburn, N. T. (2012). Understanding Attributions of Corporate Social Irresponsibility. *Academy of Management Review*, *37*(2), 300–326

Lange, D., Lee, P. M., & Dai, Y. (2011). Organizational reputation: A review. *Journal of Management*, *37*(1), 153–184

Livingston, P. (2002). Financial management after Enron. *Bank Accounting & Finance*, *15*(3), 27–29

Malagutti, V. (2004). *Buconero Spa, dentro il crack Parmalat*. Bari: Laterza Editori

McLean, B., & Elkind, P. (2013). *The smartest guys in the room: The amazing rise and scandalous fall of Enron*. Penguin

Meindl, J. R., Ehrlich, S. B., & Dukerich, J. M. (1985). The romance of leadership. *Administrative Science Quarterly*, *30*(1), 78–102

Meyer, J. W., & Rowan, B. (1991). "Institutionalized Organizations: Formal Structure as Myth and Ceremony". In W. W. Powell, & P. J. Dimaggio (Eds.), *The New Institutionalism in Organizational Analysis* (pp. 41–62). Chicago: University of Chicago Press

Meyer, J. W., & Scott, W. R. (1983). *Organizational Environments: Ritual and Rationality*. Beverly Hills, CA: Sage

Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, *83*, 340–363

Paetzold, R. L., Dipboye, R. L., & Elsbach, K. D. (2008). A New Look at Stigmatization in and of Organizations. *Academy of Management Review*, *33*(1), 186–193

Patriotta, G., Gond, J. P., & Schultz, F. (2011). Maintaining Legitimacy: Controversies, Orders of Worth, and Public Justifications. *Journal of Management Studies*, *48*(8), 1804–1836

Patterson, K. D., Hudson, B. A., & Helms, W. S. (2019). Introduction: A Dialog on Stigma Versus Legitimacy, and How They Relate to Organizations and Their Actors. *Journal of Management Inquiry*, *28*(1), 3–4

Pettigrew, A. M. (1990). Longitudinal Field Research on Change: Theory and Practice. *Organization Science*, *1*(3), 267–292

Pfarrer, M. D., Decelles, K. A., Smith, K. G., & Taylor, M. S. (2008). After the fall: Reintegrating the corrupt organization. *Academy of Management Review*, *33*(3), 730–749

Pfarrer, M. D., Pollock, T. G., & Rindova, V. P. (2010). A Tale of Two Assets: The Effects of Firm Reputation and Celebrity on Earnings Surprises and Investors' Reactions. *Academy of Management Journal*, *53*(5), 1131–1152

Pfeffer, J. (1977). The ambiguity of leadership. *Academy of Management Review*, *2*(1), 104–112

Pfeffer, J., & Salancik, G. (1978). *The external control of organizations: a resource dependence perspective*. New York: Harper and Row Publishers

Phillips, R., Schrempf-Stirling, J., & Stutz, C. (2019). The Past, History, and Corporate Social Responsibility. *Journal of Business Ethics*, 1–11

Price, J. M., & Sun, W. (2017). Doing good and doing bad: The impact of corporate social responsibility and irresponsibility on firm performance. *Journal of Business Research*, *80*, 82–97

Rhodes, C. (2016). Democratic business ethics: Volkswagen's emissions scandal and the disruption of corporate sovereignty. *Organization Studies*, *37*(10), 1501–1518

Robinson, S. N., Robertson, J. C., & Curtis, M. B. (2012). The effects of contextual and wrongdoing attributes on organizational employees' whistleblowing intentions following fraud. *Journal of Business Ethics*, *106*(2), 213–227

Salancik, G. R., & Meindl, J. R. (1984). Corporate Attributions as Strategic Illusions Management Control. *Administrative Science Quarterly*, *29*(2), 238–254

Scherer, A. G., Palazzo, G., & Seidl, D. (2013). Managing legitimacy in complex and heterogeneous environments: sustainable development in a globalized world. *Journal of Management Studies*, *50*(2), 259–284

Schrempf-Stirling, J., Palazzo, G., & Phillips, R. A. (2016). Historic corporate social responsibility. *Academy of Management Review*, *41*(4), 700–719

Scott, W. R. (1995). *Organizations and Institutions*. Thousand Oaks, CA: Sage

Siano, A., Vollero, A., Conte, F., & Amabile, S. (2017). More than words": Expanding the taxonomy of greenwashing after the Volkswagen scandal. *Journal of Business Research*, *71*, 27–37

Stachowicz Stanusch, A., Amann, W., & Mangia, G. (Eds.). (2017). *Corporate Social Irresponsibility: Individual Behaviors and Organizational Practices*. IAP

Strachan, J., Smith, D., & Beedles, W. (1983). The Price Reaction to (alleged) Corporate Crime. *Financial Review*, *18*, 121–132

Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, *20*(3), 571–610

Suddaby, R., Bitektine, A., & Haack, P. (2017). Legitimacy. *Academy of Management Annals*, *11*(1), 451–478

Sutton, R. I., & Callahan, A. L. (1987). The stigma of bankruptcy: Spoiled organizational image and its management. *Academy of Management Journal, 30(3), 405–436.*

Swartz, M., & Watkins, S. (2004). *Power failure: The inside story of the collapse of Enron*. Broadway Business

Tajfel, H., & Turner, J. (1979). An integrative theory of the intergroup conflict. In W. G. Austin, & S. Worchel ((Eds.) (Eds.), *The social psychology of intergroup relations* (pp. 33–47). Monterey, CA: Brooks/Cole

Walker, K., Zhang, Z., & Ni, N. (2019). The Mirror effect: Corporate social responsibility, corporate social irresponsibility and firm performance in coordinated market economies and Liberal market economies. *British Journal of Management*, *30*(1), 151–168

Wang, P. (2010). Restructuring to repair legitimacy–A contingency perspective. *Corporate Governance: An International Review*, *18*(1), 64–82

Welch, J. (2019). The Volkswagen recovery: leaving scandal in the dust. *Journal of Business Strategy*, *40*(2), 3–13

Wiesenfeld, B. M., Wurthmann, K. A., & Hambrick, D. C. (2008). The stigmatization and devaluation of elites associated with corporate failures: A process model. *Academy of Management Review*, *33*(1), 231–251

Wry, T. E. (2009). Does Business and Society Scholarship Matter to Society? Pursuing A Normative Agenda with Critical Realism and Neoinstitutional Theory. *Journal of Business Ethics*, *89*(2), 151–171

Yin, R. K. (2009). *Case Study Research: Design and Methods*. Thousand Oaks: Sage

Zahra, S. A., Priem, R. L., & Rasheed, A. A. (2005). The antecedents and consequences of top management fraud. *Journal of Management*, *31*(6), 803–828

Zahra, S. A., Priem, R. L., & Rasheed, A. A. (2007). Understanding the Causes and Effects of Top Management Fraud. *Organizational Dynamics*, *36*(2), 122–139

Zilber, T. B. (2006). The Work of the Symbolic in Institutional Processes: Translations of Rational Myths in Israeli High Tech. *Academy of Management Journal*, *49*(2), 281–303

Zucker, L. G. (1987). Institutional Theories of Organization. *Annual Review of Sociology*, *13*, 443–464

Arabella Mocciaro Li Destri is Full Professor of Management at the University of Palermo, Italy, and Deputy Chair of the Department of Economics, Management and Statistics. She is the Delegate for Strategic Planning of the University of Palermo, represents the field of Business & Management in the University of Palermo's Scientific Council and is part of the Committee of the University of Palermo for the application of the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers. She has held visiting positions at MIT's Sloan School of Management, the Tuck School of Business at Dartmouth, and IAE Business School, Buenos Aires. She earned her PhD from the University of Catania. Her research interests cover issues related to: network governance and cognitive performance, strategic alliances management, institutional contexts and firm innovation, post-scandal recovery and managerial irresponsibility. For her research, she has received several recognitions, including the Best Paper on the History of Corporate Social Responsibility Award 2014 from the Social Issues in Management Division of the Academy of Management and the 2016 "Outstanding Reviewer" Award from the Strategy Division of the Academy of Management. She has published three books and numerous articles in leading journals, such as *Journal of Managerial Psychology, Advances in Strategic Management, Organization Studies and Long Range Planning*.

Anna Minà is Associate Professor of Management at the University of Rome LUMSA. Previously, she has worked at the University of Enna Kore and at the University of Rome La Sapienza. She held visiting positions at New York University Stern School of Business and Indian School of Business in Hyderabad. She received her PhD in Business Economics and Management from the University of Catania. Her research work has been published in various international outlets, including *Academy of Management Perspectives, Long Range Planning, Management & Organization Review, International Journal of Technology Management, and Journal of Business and Industrial Marketing. She serves on the editorial boards of Management Decision*. She has received the Best Paper on The History of Corporate Social Responsibility from the Academy of Management Social Issue in Management Division and the Best Paper Award Runner-up on "Coopetition and Value Networks" from the European Institute for Advanced Studies in Management. Her research interests look at: (a) competitive and cooperative interactions among firms, with a specific emphasis on in interfirm network coopetition; and (b) antecedents and consequences of corporate social irresponsibility.

Pasquale Massimo Picone is Associate Professor of Management at University of Palermo. Previously, he worked at the University of Bergamo and at the University of Catania, where he received his PhD in Business Economics & Management. He has held visiting positions at Texas A&M University and IE Business School in Madrid. His research work has been accepted for publication in various outlets, including *Academy of Management Perspectives, Global Strategy Journal, Corporate Governance: An International Review, European Management Review, Family Business Review, Long Range Planning, International Journal of Management Review, Journal of Business and Industrial Marketing, Journal of Management & Governance, and Business Horizons. He serves on the editorial boards of Management Decision and Journal of Management & Governance*. He received two major awards: the History of Corporate Social Responsibility Award for the Best Paper from the Social Issues in Management Division of the Academy of Management, and the Best Paper in International Corporate Governance Award from the International Management Division of the same Academy of Management. Massimo's research interests revolve around the interplay of corporate strategy, corporate governance, and strategic leadership. He looks in particular at two issues: (a) managing the diversified corporate portfolio, with a specific emphasis on conglomerate diversification; (b) the emergence of managerial hubris and how and to what extent a CEOs' psychological make-up may alter their strategic choices, behaviors, and performances. He uses bibliometric analysis in exploring the latent structure of a stream of literature and in mapping the main conceptual and empirical advances.