



Paths of Corporate Irresponsibility: A Dynamic Process

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Abstract

In this qualitative meta-analysis, I analyze corporate irresponsibility as an emergent organizational process. Organizations enacting irresponsible practices rely not only on a particular form of a process path, but on how this process path evolves within the organization. To achieve a better understanding of this process path, I conducted a qualitative meta-analysis drawn from 20 published cases of irresponsible organizations. I explore how and under which conditions irresponsible behavior of organizations arises, develops, and changes over time. The process path of corporate irresponsibility relies on the interaction of multiple levels of analysis and its temporal occurrence, resulting in either path dependency or path creation. Based on the empirical findings of the evolving phenomena, this study focuses on three phases of corporate irresponsibility: institutionalization, problematization, and adaptation. The process of corporate irresponsibility can take two distinct paths, the reactive (organizations becoming locked-in in the path of corporate irresponsibility), and the proactive (organizations radically changing and breaking their path of corporate irresponsibility). This study contributes to the corporate irresponsibility literature by offering new insights into, first, a processual and more interactional approach to corporate irresponsibility that accounts for interdependencies on the different levels of each phase, and second, the self-reinforcing mechanisms and explanatory patterns of corporate irresponsibility leading to path dependency or path creation.

Keywords Corporate irresponsibility · Qualitative meta-analysis · Corporate irresponsibility process · Process path

Introduction

How does corporate irresponsibility emerge and develop over time? Corporate irresponsibility is essentially a phenomenon that results from intentionally irresponsible strategies, decisions, or actions evolving over time with negative effects on an identifiable stakeholder or the environment (Keig et al. 2015; Strike et al. 2006). More specifically, irresponsible behavior is the non-compliance with applicable laws and ethical standards, which negatively affects stakeholder's social wealth (Blumberg and Lin-Hi 2015; Chiu and Sharfman 2016; Jones et al. 2009; Windsor 2012; Strike et al. 2006). The question of 'how' corporate irresponsibility emerges and develops refers to the process approach or 'event-driven' explanation (Pentland 1999; Poole et al. 2000; Tsoukas 2005). Taking the process perspective also allows

to answer the question 'why' corporate irresponsibility emerges or develops over time (Langley et al. 2013; Langley 2007). It allows to identify and link recurring underlying patterns to contribute to a better understanding of corporate irresponsibility (Poole et al. 2000). Processes of corporate irresponsibility point towards the theory of path dependency. Path dependency theory explains the logic of the unfolding process of becoming path dependent. It interlinks processes and outcomes on a broader organizational level (Schreyögg and Sydow 2011; David 1985, 1986; Garud et al. 2010; Sydow et al. 2009; Koch 2011). This study offers new insights into a processual approach to corporate irresponsibility that accounts for answering the questions of how corporate irresponsibility emerges and develops over time, why organizations become path dependent, and how the path can be broken.

Existing research analyzes the occurrence of corporate irresponsibility by focusing on either individual (e.g., unethical decision-making, immoral education, authoritarian leadership) (Armstrong and Green 2013; Pearce and Manz 2011; Windsor 2012), organizational (e.g., short-term earnings, irresponsible corporate culture) (Jones and Kavanagh

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1996; Jones et al. 2009; McMahon 1999), or environmental factors (e.g., prevailing irresponsible norms and values within an industry, highly dynamic industries) (Surroca et al. 2012; Baucus 1994; Baucus and Near 1991). Previous studies, however, focus on single factors and leave out two important aspects of corporate irresponsibility. First, they neglect sequences of conditions and events, and thus the interaction of different factors. Second, they disregard multiple factors across different levels of analysis. These two aspects are interrelated as factors are highly interdependent and explain how processes of corporate irresponsibility unfold over time on multiple levels (Langley 1999). Although Frooman (1997) examined the interdependencies of corporate irresponsibility events on shareholder wealth and Greve et al. (2010) built upon this work, examining the dynamics and consequences of organizational misconduct, scholars call for more dynamic approaches to corporate irresponsibility (Ashforth et al. 2008; Kang et al. 2016; Christensen et al. 2014; Whiteman and Cooper 2016).

Path dependence theory offers one explanation for the logic of the unfolding process of path formation (Schreyögg and Sydow 2011). Furthermore, path dependency indicates that prior actions and their characteristics matter as they are also important for the unfolding of future events (Schreyögg and Sydow 2011; Schreyögg et al. 2011; Sydow et al. 2009). Thus, some organizations appear to be locked-in in their path (Schreyögg and Sydow 2011). However, findings of this study suggest that some irresponsible organizations appear to be able to break path dependence. Although path breaking is discussed in the literature (Sydow et al. 2005, 2009, 2012), no indicators are provided for this alternative path and it is defined as an additional phase. This neglects alternative ways of, first, understanding how and why process paths of corporate irresponsibility emerge and develop over time, and second, how the process path of corporate irresponsibility can be broken. In sum, research to date tends to focus on a one-sided model of path dependency, thus lacking a fine grained approach to understanding process paths and its underlying mechanisms.

To analyze corporate irresponsibility path processes, I use a qualitative meta-analysis to accumulate primary insights and synthesize from cases of corporate irresponsibility. This allows me to provide more generalizable conclusions and, in turn, more comprehensive applications of existing findings (Hoon 2013; Rauch et al. 2014; Habersang et al. 2019). To analyze path processes of corporate irresponsibility, I use path constitution analysis (Sydow et al. 2012), which applies theory as a ‘sensitizing advice’ detecting, analyzing, interpreting, and systemizing processes of corporate irresponsibility (Sydow et al. 2012; Giddens 1984). I identify recurring patterns of corporate irresponsibility across 20 published cases and suggest two process paths: the *proactive*, and the *reactive*. Based

on the findings I develop a three phase model, beginning with an initial phase of the emergence of irresponsibility (*institutionalization phase*), followed by a period when the incidence becomes known (*problematization phase*), and ending with a process of the organization adapting (*adaptation phase*). Accordingly, I examine the temporal occurrence of significant irresponsible actions (Van de Ven and Poole 2005) and explore across multiple levels the mutually reinforcing interdependences characterizing each of the three phases.

The purpose and contribution of this study is threefold. First, this study offers a finer grained understanding of how and under which conditions underlying mechanisms of corporate irresponsibility unfold over time and across different levels. To understand the evolving phenomenon of corporate irresponsibility, I focus empirically on elements of its temporal progression and draw on process theorizing (Langley et al. 2013).

Second, this study advances current theorizing on corporate irresponsibility how and why this results for some organizations to become locked-in in a path, and third the alternative process path that some organizations radically change, thus, breaking this path of corporate irresponsibility. It introduces and specifies two distinct mechanisms as indicators for an organization becoming either path dependent or path breaking (Schreyögg and Sydow 2011; Sydow et al. 2009; Gruber 2010; Garud et al. 2010). Furthermore, organizations either modify on a surface-route level and engage in a vicious cycle of decoupling [organization lacks knowledge of the situation and continues on the path by claiming to engage in external stakeholder demands and pressures without actual changes (Siano et al. 2017; Masuch 1985)] resulting in path dependency or adapt on a deep-route level and engage in a virtuous cycle of detachment [organization distances itself from its previous practices by transforming patterns of thought, behavior, social relationships, institutions, and/or the social structure to generate beneficial outcomes (Delmestri and Greenwood 2016; McWilliams and Siegel 2001)] to break with prior path dependency. These two distinct mechanisms determining the process path of corporate irresponsibility add to current studies on path dependency by identifying an indicator of an alternative, path breaking. However, findings also suggest that in some cases corporate irresponsibility results in the demise of the organization in the adaptation phase.

The remainder of this article is structured as follows. First, I review the relevant research background and introduce core concepts of corporate irresponsibility. I then offer a brief overlook of the method and follow by presenting the findings of the qualitative meta-analysis, outlining dominant interdependencies at each phase. Finally, I discuss the implications of the findings for theory and practice.

Theoretical Background

Origins and Evolution of Corporate Irresponsibility

Corporate irresponsibility refers to corporate activities that negatively affect the long-term interests of a wide range of stakeholders (Chiu and Sharfman 2016). Furthermore, it defines a collective behavior that violates generally accepted norms, standards and principles in society, and harms or disadvantages others and the environment (Brass et al. 1998; Matten and Moon 2008; Strike et al. 2006; Umphress and Bingham 2011; Windsor 2012; Donaldson and Dunfee 1994). Generally accepted norms, standards, and principles are relevant depending on different ethical codes. In this paper, I follow the suggestion of Donaldson and Dunfee (1994) and utilize the United Nations' Universal Declaration of Human Rights (UDHR) as the bottom line. As such, organizations that violate the fundamental human rights behave in a socially irresponsible manner. In this study, corporate irresponsibility practices also include, for instance, the violation of labor standards (e.g., Nike, clothing sweatshops) or mismanaging production resources (e.g., Sanlu, food poisoning scandal). Corporate irresponsibility is also often associated with the violation of corporate governance standards due to the lack of board oversights and good governance controls (Kotchen and Moon 2012; Murphy and Schlegelmilch 2013). Corporate irresponsibility increases externalized costs to society (Kotchen and Moon 2012), imposes costs on single stakeholders (Blumberg and Lin-Hi 2015; Branco and Delgado 2012), and promotes distributional conflict (Kotchen and Moon 2012). As an additional consequence to reputational loss, irresponsible behavior may involve damage to an organization's long-term competitive advantage, causing a struggle for organizational survival (Chiu and Sharfman 2016).

Several scholars of corporate irresponsibility argue that collective irresponsible behavior results from individuals within the organization. The reasons given include individuals exerting their 'dark side traits' (Christensen et al. 2014) or making irresponsible strategic decisions (Armstrong and Green 2013; Jones and Kavanagh 1996; Pearce and Manz 2011) on behalf of the organization, thus following their managerial self-interest (Armstrong 1977). In contrast, Jackall (1988) argues that the irresponsible actions of managers do not result from individual moral deficiencies, but instead from organizational structures and the given roles when they include aggressive or unethical behavior (Tsang 2002; Armstrong and Green 2013). Organizational research attributes corporate irresponsibility to inappropriate incentive structures (Brass et al. 1998), an unfocused organizational strategy (Armstrong and Green 2013) and non-transparent working environments (Jones and Kavanagh 1996).

Besides the individual and the organizational level of analysis, a few scholars examine environmental factors to describe the occurrence of corporate irresponsibility. An organization embedded in an industry or national business system with established irresponsible practices is more likely to conduct irresponsible behavior (Harting et al. 2006; Matten and Moon 2008). Scholars also point out that the lack of legal regulations or sufficient sanctions offer organizations the opportunity to conduct irresponsible practices without suffering consequences, thus resulting in the establishment of corporate irresponsibility (Surroca et al. 2012; Baucus 1994).

The term corporate irresponsibility tends to be associated with the concept of corruption in the literature (Pinto et al. 2008; Ashforth et al. 2008). Corruption refers to the "misuse of entrusted power for personal gain" (Keig et al. 2015, p. 94), which may directly advance the interests of the individuals undertaking them (Moore 2008). Corrupt behavior includes organizational conduct that is "proscribed and punishable by criminal, civil, or regulatory law" (Pfarer et al. 2008, p. 731). From a more dynamic perspective corruption is explained as either an emergent bottom-up phenomenon in which the primary trigger is a contagion of individual corrupt behavior or a top-down phenomenon which involves a group of organizational members undertaking, directly or through their subordinates, collective and coordinated corrupt actions that primarily benefit the organization (Pinto et al. 2008). Furthermore, Ashforth and Anand (2003) argue that the normalization process of corruption is built upon three pillars. First, the *institutionalization process* is characterized by an initial corrupt action that triggers the embedding of corruption in its organizational structures and results in a routinizing of corrupt behavior in the organization. Second, the *rationalization process* involves individuals in an organization morally distancing themselves from corrupt practices by rationalizing their ideologies. Third, the *socialization process* refers to an acceptance of these routinized practices, particularly, among new entrants of the corrupt organization. In sum, as corruption resists change, endures over time, and is transmitted across generations, it becomes institutionalized.

However, the corruption literature offers a one-sided explanation for the process of corruption. This neglects alternative ways of the emergence of such organizational behavior. In particular, how organizations are able to break this path dependence. For the purpose of this paper, I follow the assumption of Keig et al. (2015) that corruption increases the likelihood of corporate irresponsibility. More specifically, a corruptive environment increases the likelihood of an organization engaging in irresponsible practices. Thus, the focus of this study is to integrate prior research of corruption and treats the concept rather as a sub-concept of corporate irresponsibility.

Path Dependency Theory

I adopt the path dependency theory to explain the unfolding process logic of path formation of corporate irresponsibility (Schreyögg and Sydow 2011; David 1985, 1986; Garud et al. 2010; Sydow et al. 2009; Koch 2011; Arthur 1989). The process approach allows to better understand how a sequence of events leads to corporate irresponsibility. Thus, it explains and forms an integrative development appreciating the sequential order in which the irresponsible events occur and represent the stages in the process at which the irresponsible events occur (Van de Ven 2007). The process model accounts “the temporal connections among events, the different time scales in the same process, and the dynamic nature of processes” (Van de Ven 2007, p. 159). It allows identifying and linking recurring underlying patterns to explain and understand the evolving phenomena (Poole et al. 2000; Langley et al. 2013).

The path dependency theory entails the assumption that history and sequencing matters and allows scholars to understand how self-reinforcing mechanisms drive organizations to become path dependent (Garud et al. 2010; Schreyögg and Sydow 2011). More specifically, self-reinforcing mechanisms often unfold behind the backs of the actors and bring about an escalating situation with unexpected results (Schreyögg and Sydow 2011). Initially, organizational decisions and actions are open to future developments (Gruber 2010). Small triggering events accumulate and bring the process to a critical juncture, emphasizing the power of subsequent self-reinforcing processes, which may lead to a path lock-in (Schreyögg and Sydow 2011; Garud et al. 2010; Sydow et al. 2009). Schreyögg and Sydow (2011) suggest in their study four self-reinforcing mechanisms as major drivers unfolding the process of path formation: *coordination effects*, *complementarity effects*, *learning effects*, and *adaptive expectation effects*. I will outline the adaptive expectation mechanisms in more detail because they appear to explain the responses of an irresponsible organization after disclosure. Self-reinforcing mechanisms relate to an interactive building of preferences that are developed in response to the expectations of others. The organization adopts these expectations in the hoping that others will behave similarly, and this will lead to a positive outcome (Schreyögg and Sydow 2011). However, the organization locks-in dominant decision patterns and “loses its capability to adopt better alternatives” (Sydow et al. 2009, p. 692). An interlinked causal chain of decisions and actions from the past impact future decisions and actions, demonstrating that “all choices are historically framed” (Schreyögg et al. 2011, p. 83).

In contrast to path dependency, scholars suggest a perspective in which the focus lies on the creation of new alternative paths, so-called ‘path breaking’ (Garud et al. 2010; Gruber 2010). A broader scope of organizational action is

required for an organization to identify better alternative actions. The path-dependent phase is followed by the path-breaking phase, which is characterized by the unlocking of a path and a systemic approach to change (Gruber 2010; Sydow et al. 2005). Sydow et al. (2009) provide a different perspective that path breaking varies in intensity and complexity, and does not necessarily follow the path-dependent phase. Path breaking entails a new alternative that is superior to the inferior one by interrupting the logic of the self-reinforcing mechanisms of path dependence (Sydow et al. 2009). This requires an organization to observe and evaluate prior self-reinforcing mechanisms.

A review of the literature on corporate irresponsibility reveals that the phenomenon is understudied in two ways. First, only a few studies empirically investigate factors for corporate irresponsibility (Whiteman and Cooper 2016; Lange and Washburn 2012; Mena et al. 2016). A few studies take a rather static approach to understand corporate irresponsibility, viewing it as a cause–effect relationship on the individual (Armstrong 1977; Jones and Kavanagh 1996), the organizational (Brass et al. 1998), or the environmental level (Baucus 1994). Recent studies neglect to explain how corporate irresponsibility is accomplished on the ground by looking at the mechanisms. They disregard underlying relationships that are distinguishing features of cause and effect. Instead, corporate irresponsibility must be understood as a flow of connected ideas, actions, and outcomes that interact and change over time (Van de Ven 2007). It is an unfolding dynamic and emergent process.

Second, path dependency theory offers valuable explanations of how process paths unfold. Yet, research on corporate irresponsibility lacks insights into how the process path of corporate irresponsibility emerges and develops over time. In addition, research neglects to fully explain alternative ways of how organizations that may change and disregards reasons why organizations become either path dependent or break a path. I address these issues in the literature by building on the concept of path dependency to theorize the unfolding paths of corporate irresponsibility and to identify indicators for how and when a particular path unfolds. Thus, I follow the call of recent scholars to empirically study the phenomenon of the emergence and development of corporate irresponsibility by conducting a qualitative meta-analysis (Whiteman and Cooper 2016; Kang et al. 2016; Christensen et al. 2014).

Method: A Qualitative Meta-Analysis

For this study on path processes of corporate irresponsibility, I conducted a qualitative meta-analysis by analyzing 20 published cases. A qualitative meta-analysis allows synthesizing key variables and underlying relationships from

primary qualitative data across a set of case studies. Across the re-examined cases it allows to refine, extend, or generate new theory (Hoon 2013; Rauch et al. 2014; Habersang et al. 2019). The accumulation of primary qualitative data allows “to theorize how specific conditions and events interact over time and why those interactions” (Habersang et al. 2019, p. 4) cause corporate irresponsibility. In order to better understand the self-reinforcing processes of path dependency and path creation, I combined qualitative meta-analysis with path constitution analysis (Sydow et al. 2012). Path constitution analysis (PCA) integrates path dependency and path creation to develop a better understanding of the following constitutive features: level of interrelatedness, triggering events, self-reinforcing processes, lock-in, and multiple actors who reproduce the path. In this context, self-reinforcing processes describe positive feedback loops in an already pursued direction accompanied by an increasing degree of rigidity. The analysis allows the scholar to detect, analyze, interpret, and systematize processes (Sydow et al. 2012). Thus, the combination of the qualitative meta-analysis and the path constitution analysis helps to integrate multiple actors on a multi-level analysis. The combination takes a process perspective and draws on recurring patterns across re-examined cases.

Locating Relevant Research

In order to identify relevant case studies for my meta-analysis, I based the search on the ISI Web of Knowledge, Case Centre, and Harvard Business School case study database. I defined the keywords based on the concept of corporate irresponsibility and conducted a Boolean search including the following keyword combinations: ‘corporate irresponsibility,’ OR ‘organizational irresponsibility,’ OR ‘organizational corruption,’ OR ‘corporate corruption,’ OR ‘unethical organization,’ OR ‘immoral organization’ AND ‘case’ OR ‘case study.’ I complemented the case list with the reference list of relevant papers in the field of corporate irresponsibility, the publication lists of known scholars, and selected case studies from the Boolean search. To cross check for potential missing case studies, I used Google Scholar to identify case studies in published books and book chapters. The search resulted in an initial list of 47 case studies.

Inclusion and Exclusion Criteria

I applied inclusion and exclusion criteria to ensure the validity of synthesis, which depends on the quality of the primary studies (Rauch et al. 2014; Hoon 2013; Habersang et al. 2019). I checked each case for its clear linkage between theory and empirical evidence (Hoon 2013). Accordingly, I only included published case studies that described a temporal sequence of irresponsible activities the organization

was closely related with (Mena et al. 2016), which resulted in a disclosed corporate irresponsibility event and matched with the outlined corporate irresponsibility definition. More specifically, the disclosed corporate irresponsibility event outlines the accumulation after several irresponsible practices that emerged within an organization with an identifiable effect on external stakeholders or the environment. For this purpose and in alignment with indicators of the PCA, I included cases with all following three data prerequisites: (1) *action by an organization*: multiple actors as units of an organization (not governmental units, because the focus lies on market’s response to organizational actions), (2) *which it chooses to take*: the actor must act out of choice, with both freedom of will and willful purpose (for example, Shell did not choose the oil disaster, but Nike had the choice to produce in sweatshops), (3) *harming or disadvantaging others and the environment*: the irresponsible action must include an identifiable effect on an external stakeholder or the environment, with the external stakeholder here referring to social stakeholders, such as communities, consumers, employees (in contrast to economic stakeholders, which are harmed when the organization behaves irresponsibly by not generating sufficient wealth for shareholders) (Chiu and Sharfman 2016; Frooman 1997).

This detailed information allowed me to code for sufficient contextual aspects not only of the general corporate irresponsibility process, but for the processes of either path dependence or path creation. I excluded cases that focused only on single-level aspects, because a certain path can only be observed when it is put into context with regard to the levels of analysis (Sydow et al. 2012). This resulted in a data set of 20 case studies on corporate irresponsibility meeting the inclusion criteria of corporate irresponsibility (see Table 1).

Data Analysis

In order to perform the data analysis of the qualitative meta-analysis, I applied the PCA, which I conducted in six main steps using the software for qualitative data analysis, ATLAS.ti, to perform the coding. I followed a deductive and inductive coding scheme to explore categories, recurring patterns, and constitutive features of paths in and across the selected case studies (Alvesson and Sköldböck 2009; Maxwell 2012). This approach follows abductive reasoning, which allows the scholar to combine the deductive theoretical frameworks with the case data and emerging theory (Maxwell 2013; Orton 1997; Bamberger 2018). More specifically, it allows the scholar to generate “a search for alternative explanations and the production of conjectures about how the puzzling observations might be explained” (Klag and Langley 2013, p. 151). Abductive reasoning is used for contrastive reasoning and causal explanations to

Table 1 Overview of cases included in this study

No.	Company	Country	Time frame ^a	Industry	Corporate irresponsibility	Source
1	Abercrombie&Fitch	United States	1992–2013	Retail trade	Violation of human rights	<i>Journal of Undergraduate Research, Journalism & Mass Communication Quarterly, IESE Business school International Research Center on Organizations</i>
2	Apple	United States	2014–2016	Information technology	Violation of human rights	<i>Journal of Business Ethics</i>
3	Boeing	United States	1916–2003	Aerospace	Violation of governance standards	<i>ICMR Center for Management Research</i>
4	Chiquita	United States	1954–2007	Food	Violation of human rights	Indiana University CIBER Case selection
5	Citigroup	United States	1812–2011	Banking	Violation of governance standards	Kellogg School of Management NWU GW Law Faculty Publications and Other Works
6	Deutsche Bank	Germany	1870–2012	Banking	Violation of human rights	Wits Business School University of the Witwatersrand
7	Enron	United States	1985–2002	Energy	Violation of governance standards	<i>Journal of Economic Perspectives</i>
8	FIFA	Switzerland	1904–2015	Football	Violation of governance standards	Amity Research Centers Headquarter Bangalore, Ivey Publishing
9	Mannesmann	Germany	1890–2005	Telecommunications	Violation of governance standards	European Management Review, Harvard Business School
10	Nestlé	Switzerland	1975–2004	Food	Violation of human rights	ICMR Center for Management Research, Journal of Business Ethics, California Management Review
11	Nike	United States	1964–2012	Athletic footwear and apparel	Violation of human rights	Harvard Business School
12	Olympus	Japan	1919–2012	Camera manufacturer	Violation of governance standards	AMNITY—Research Centers Headquarters, Federal Investigation Report
13	Parmalat	Italy	1961–2004	Food	Violation of governance standards	Research in International Business and Finance
14	Royal Ahold	Netherlands	1887–2006	Food retailer and food service	Violation of governance standards	ICMR Center for Management Research
15	Rupert Murdoch	United Kingdom	1952–2011	Media	Violation of human rights	INSEAD
16	Sanlu	China	2006–2009	Food	Violation of human rights	ICMR Center for Management Research
17	Satyam	India	1987–2009	Computer service	Violation of governance standards	Ivey Richard Ivey School of Business—University of Western Ontario, IBS Research Center, Asia Case Study Centre—University of Hong Kong
18	Siemens	Germany	1951–2007	Electronics	Violation of governance standards	IBSCDC, Stanford Graduate School
19	Snow Brand	Japan	1950–2003	Food	Harming human health	ICMR Center for Management Research
20	Tianlong	China	1834–2012	Capsule production	Violation of human rights	Ivey Richard Ivey School of Business—University of Western Ontario

^aThe variance in time frames allows to identify “whether sources of change are due to temporal development, cohort, or transient factors” (Van de Ven 2007, p. 211). Further, the variation in temporal duration of the corporate irresponsibility processes may occur, for example in the case of Citigroup, over a longer time period due to the development of irresponsible industry standards. On the other hand, it may occur, for example in the case of Apple, over a shorter period due to organizational resistance to institutional pressure in a particular irresponsibility event. In addition, this variance contributes to the maximization of variation in the case sample for process research (Van de Ven 2007; Patton 2002).

identify patterns that offer alternative dynamics, processes, or mechanisms (Bamberger 2018; Folger and Stein 2017). This allowed me to look in particular for alternative indicators for organizational path breaking.

In the first step and in accordance with the research questions, how and why corporate irresponsibility emerges and develops over time, I developed a deductive coding scheme based on the major explanatory patterns of existing theoretical frameworks on corporate irresponsibility, informed by the outlined constitutive features of paths. This resulted in the use of the following dominant theories, both as an interpretative background and as a guiding framework to address the research question (Bamberger 2018): *attribution theory*, *group think theory*, *industrial organization perspective*, *institutional theory*, *moral disengagement theory*, *resource-based view*, *stakeholder theory*, *strategic choice theory*, *threat-rigidity effect theory*, *upper-echelon theory* (see Table 2).

In order to identify the constitutive features of the PCA, I differentiated the codes between triggering events and processes as well as level of analysis, micro (individual), meso (organizational), and macro (field), and actors (top management team, employee, shareholder, government, media, consumers, other external stakeholders). Furthermore, the triggering events in this study define the major turning points by representing coherent periods of activities to provide temporal division in the case studies (Van de Ven 2007). To identify the coherent periods of activities I marked each code with a ‘_pre’ or ‘_post’ suffix with the disclosure of irresponsibility as a point of reference. Additionally, this allowed me to identify potential indicators for the lock-in or break-with effect in the data analysis. I focused on indicators for corporate irresponsibility including “critical events and turning points, contextual influence, formative patterns that give overall directions to the change, and casual factors that influence the sequencing of events” (Van de Ven and Poole 2005, p. 1384). Furthermore, I inductively coded for self-reinforcing mechanisms, which are by definition dynamic and repetitive, and produce and reproduce the same decisions and actions (Koch 2011), thereby enforcing the path of corporate irresponsibility.

Second, I analyzed the data on a case-specific level by examining and coding for indicators that lead to corporate irresponsibility and determine paths of corporate irresponsibility. Furthermore, I focused on concepts influencing each other, both appearing together and evolving sequentially (Miles and Huberman 1994; Hoon 2013). This allowed me to apply the deductive coding scheme and to add emerging inductive codes for interaction among the theoretical frameworks and path indicators. Furthermore, this step ensured not only the identification of relevant codes, but also the constant refinement and modification of the coding scheme (Hoon 2013). The first two steps resulted in a coding scheme

of 360 first-order codes—202 deductive and 158 inductive codes.

Third, to identify categories of the first-order codes, I conducted an axial coding. I synthesized and clustered the first-order codes into second-order themes representing recurring patterns of the cases to generate more abstract categories and to identify path indicators (Strauss and Corbin 1998). I aggregated the 360 first-order codes into 56 second-order themes.

Fourth, I visually mapped each of the corporate irresponsibility cases as a detailed process model and a causal network with ATLAS.ti (Langley 1999; Miles and Huberman 1994). On the one hand, this allowed me to represent how the codes and certain conditions evolve over time influencing and interacting with each other on multiple levels. On the other hand, this allowed me to identify mutual linkages between first-order codes. This step also helped me to shape coherent time periods leading to corporate irresponsibility and determining paths of corporate irresponsibility. Accordingly, this resulted in categories, patterns, and indicators on the case-specific level to move towards a more general understanding of corporate irresponsibility.

Fifth, I synthesized on a cross-case level to compare and contrast codes as well as mutual linkages. This allowed me to identify recurring patterns and coherent time periods on a more generalizable level. This step included a move towards abstraction, idealization, and classification (Bunge 1996; Weber 1976). For each coherent time period I identified the dominant second-order themes by calculating code frequency and code density for the first-order codes. Code frequency represents the centrality of the groundedness of a code based on the number of quotations across cases. Code density measures the centrality of a code based on the number of relations with other codes (Habersang et al. 2019). Thus, I examined the most central codes for each case based on the code frequency and density calculation. I listed all cases in rows and the dominant codes for each time phase as columns to create a ‘case-by-case-attribute matrix’ (Miles and Huberman 1994). This matrix allowed me to cluster the cases based on similar codes and emerging dominant second-order themes informed by the PCA perspective. This resulted in two paths of corporate irresponsibility: ‘proactive’ and ‘reactive.’

Sixth, I identified the underlying mechanisms for each phase enforcing and determining the two different path processes of corporate irresponsibility. Furthermore, I captured and differentiated the distinct explanatory mechanism for each path leading to and determining corporate irresponsibility based on the PCA perspective. This step allowed for a simplified, more abstract concept structure including first-order codes, second-order themes, and aggregated dimensions (see also Gioia et al. 2013). I identified 17 aggregated dimensions representing the explanatory mechanisms of the

Table 2 Exemplary overview of theoretical backgrounds from the broader management and corporate irresponsibility literature

Theoretical background	Central constructs	Exemplary first-order concepts (deductive codes)	Exemplary literature
<i>Attribution theory</i> Corporate irresponsibility is enhanced by an observer's belief to categorize an organizational behavior as irresponsible, attaching organizational practices to corporate irresponsibility.	Causal inference, Causal judgement, Culpability for the effect, Collective memory	Losing belief in organization, escalating stakeholder conflict, formation of mnemonic memory traces, rebelling/defensive group dynamics	Lange and Washburn (2012) and Mena et al. (2016)
<i>Group think theory</i> Corporate irresponsibility results from a collective pattern of defensive avoidance, when a group places a higher priority on organizational counter-norms that lead to organizational benefits, thus, encouraging and supporting unethical behavior.	In-group cohesiveness	Illusion of invulnerability, TMT not acting responsible/neutral, unethical pro-organizational behavior, incomplete surveying of alternative strategies, poorly assessing TMT by board/BOD	Graham et al. (2015), Janis (1972, 1989), Sims (1992), and Umphress and Bingham (2011)
<i>Industrial organization perspective</i> Corporate irresponsibility is fostered by industrial pressures and de/regulations.	Economic and regulatory changes	High level of competition, high industry dynamism, industry deregulation, new regulations, irresponsible industry standards, controversial industry, established irresponsible industry norms, values, culture	Chiu and Sharfman (2016), Pinto et al. (2008), Porter (1980), and Strike et al. (2006)
<i>Institutional theory</i> Corporate irresponsibility fosters institutional pressures employed on the organization by assessing its conformity to their value systems, existing rules and laws, and shared social knowledge and cognitive categories.	Legitimacy, Stakeholder pressures	Loss of legitimacy, mounting stakeholder pressure, window-dressing behavior, consumer boycotts, influences of media	Campbell (2007), DiMaggio and Powell (1983), Greenwood (2007), and Surroca et al. (2012)
<i>Moral disengagement theory</i> Corporate irresponsibility results from individuals rationalizing immoral behavior.	Moral rationalization, Moral outrage	Hybrid behavior/moral rationalization, moral outrage	Antonetti and Maklan (2016), Bandura (1999), Tsang (2002), (Strike et al. 2006, Windsor 2012 and Patton 2002)
<i>Resource-based view</i> Corporate irresponsibility results from the lack of or stretching their tangible and intangible resources to behave responsibly.	Tangible and intangible resources	Lack of knowledge, lack of clear ethical governance mechanisms, mismanaging financial resources, mismanaging production resources	Barney (1991), Barney et al. (2001), Harting et al. (2006), and Strike et al. (2006)
<i>Stakeholder theory</i> Corporate irresponsibility results from stakeholder management not requiring simultaneous attention to the legitimate interests of all appropriate stakeholders.	Stakeholder engagement, Stakeholder agency	Strong relation with powerful stakeholders, low stakeholder agency, cooperating stakeholders for irresponsible practices, exclusive stakeholder opportunities	Freeman (1984), Greenwood (2007), Harting et al. (2006), and Kaptein (2008)
<i>Strategic choice theory</i> Corporate irresponsibility is fostered by strategic decisions the top management chooses to take.	Growth strategies, Business model strategies	Defender strategy, reactor strategy, acting in accordance to shareholder business model, prospector strategy, extensive growth strategy, controversial business model/corporate strategy	Ansoff (1987), Jones et al. (2009), Miles and Snow (1978), and Windsor (2012)

Table 2 (continued)

Theoretical background	Central constructs	Exemplary first-order concepts (deductive codes)	Exemplary literature
<i>Threat-rigidity effect theory</i> Corporate irresponsibility results from a restriction in information processing and constriction of control under threat conditions. Decision-making groups may reduce their flexibility under a stress situation resulting in a less flexible system.	Maladaptation of individual cognition and behavior	Pressure on dissenters, psychological anxiety/stress, blaming others, denial, manipulating stakeholders, abuse of power	Armstrong (1977), Greenwood (2007), and Staw et al. (1981)
<i>Upper-echelon theory</i> Corporate irresponsibility is fostered by immoral managerial background characteristics resulting in irresponsible strategic choices.	Immoral/amoral management, bad management theories/education, characteristics of TMT	Homogeneous vs. heterogeneous TMT, immoral management, egocentric TMT, long- vs. short-term TMT tenure, leading autocratic, imposing unethical values on organization	Armstrong (1977), Bommer et al. (1987), Cai et al. (2012), Carroll (2000), Chiu and Sharfman (2016), and Hambrick and Mason (1984)

two paths across each phase and across multiple levels of analysis. Each explanatory mechanism includes indicators of the PCA and outlines the recurring patterns unfolding over time. I visualized a comparison of the two paths integrating the dominant explanatory mechanisms, second-order themes and first-order codes (see Fig. 1).

In qualitative research, “no analysis strategy will produce theory without an uncodifiable creative leap, however small” (Langley 1999, p. 691). To ground this leap in data, I constantly involved colleagues and scholars in the field to critically question the identified unifying themes and categories of corporate irresponsibility. Accordingly, I contrasted them with literature from different fields. I followed a more reflexive mode and recursive process for theory generation by identifying emerging themes and categories from raw data. I applied these insights as a resource to reflect potential theoretical frameworks and contrasted them with different background literature (Alvesson and Kärreman 2011; Klag and Langley 2013; Habersang et al. 2019).

Validity of Data Analysis

To allow consistency during the process of coding and to increase the validity of my study, I documented carefully any discrepancy that emerged and resolved these by discussing with colleagues and scholars in the field (Hoon 2013). I followed Miles and Huberman (1994) and applied ‘debriefing’ to increase the validity of data by using several opportunities to receive feedback on preliminary findings at various stages of the study from colleagues and scholars in the field. In addition, I used multiple case studies to ensure the quality of the data analysis and provided reasons for the case data set to allow external validity and to ensure that each case corresponded with the research question (Steinke 2004; Miles and Huberman 1994; Maxwell 2012, 2013). Furthermore, to allow for triangulation I collected case studies from multiple sources when the case description was either incomplete or inconclusive (Sydow et al. 2012; Habersang et al. 2019).

Results: Process Paths of Corporate Irresponsibility

In the following, I create a process story of corporate irresponsibility with a detailed story from raw data by following narrative theory (Langley et al. 2013; Langley 1999). In narrative theory, the analytical chronologies reach towards theory presentation. It aims at outlining the fundamental mechanisms of the dynamic patterns across levels and to include more than just a sequence of events (Langley et al. 2013; Langley 1999; Pettigrew 1990).

In order to better understand the process of corporate irresponsibility, I suggest subdividing the whole process

Paths comparison of dominant explanatory mechanisms, second order themes and first order codes

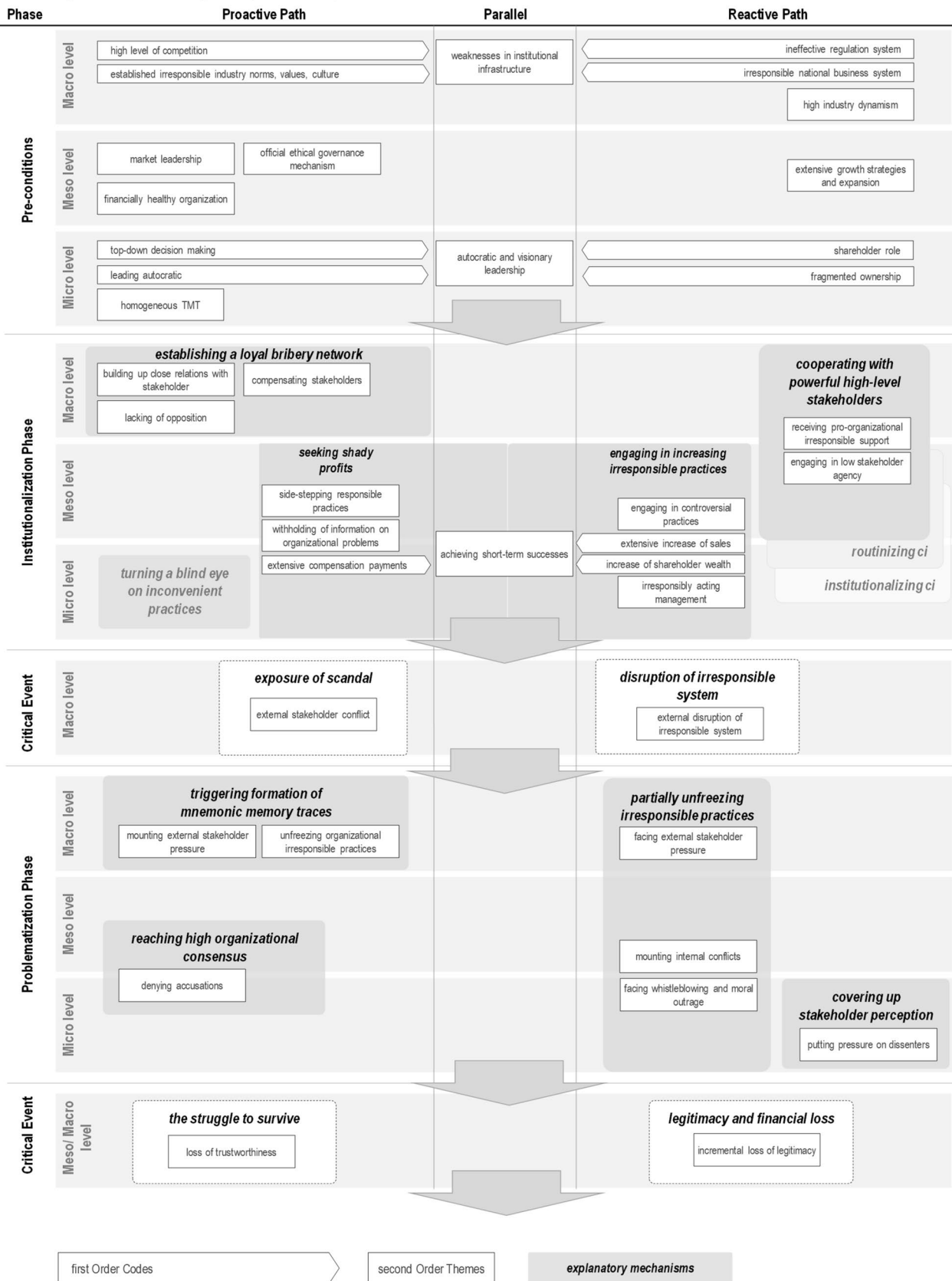


Fig. 1 Paths comparison of dominant explanatory mechanisms, second-order themes and first-order codes

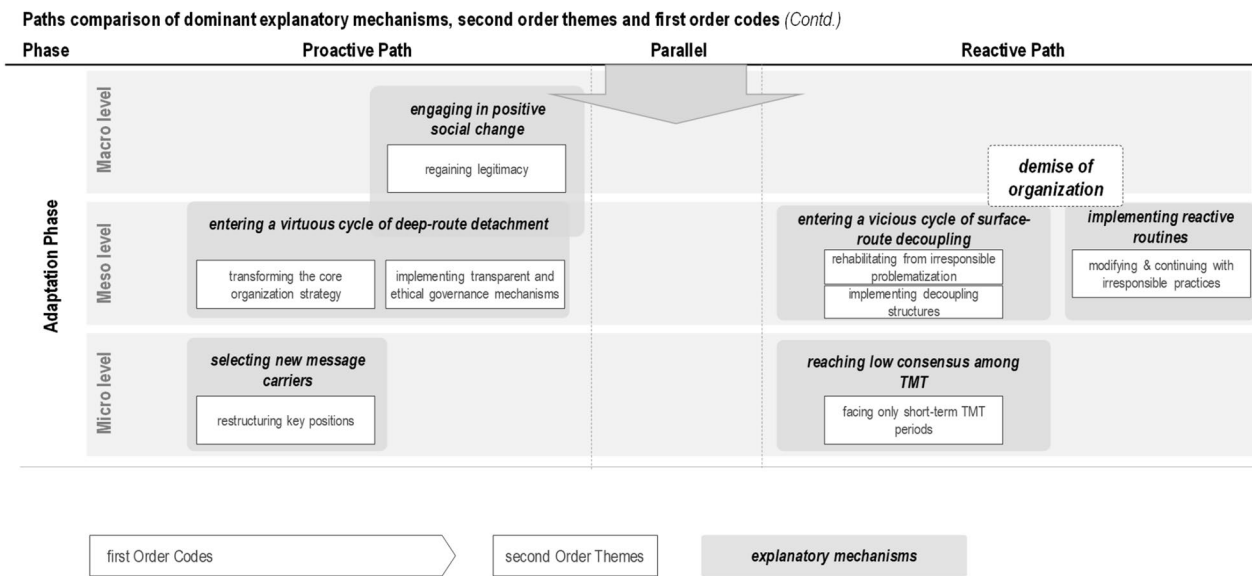


Fig. 1 (continued)

into three phases. The following three phases emerged from data by parsing events and subprocesses representing coherent periods of irresponsible activities (Van de Ven 2007): institutionalization, problematization, and adaptation. To identify these three phases, I take a transaction view of time by “focusing on the temporal occurrence of significant events” (Van de Ven and Poole 2005, p. 1389). Significant irresponsible events, also labeled critical events, represent major turning points, indicate why an organization engages in a particular path and demarcate phases in the transactional view (Van de Ven and Poole 2005). These phases can then be used as bounded units to provide temporal divisions of how corporate irresponsibility unfolds (Van de Ven 2007) (see also ‘temporal bracketing strategy,’ Langley 1999). The institutionalization phase represents the coherent period of the emergence of irresponsible activities across multiple levels and becoming established as part of the organization. The problematization phase outlines the disclosure of corporate irresponsibility. Finally, the adaptation phase illustrates the aftermath of corporate irresponsibility. I begin by describing the overarching dynamic patterns of each path and move on to explain the self-reinforcing mechanism of each stage on how corporate irresponsibility evolves over time and under which conditions.

Proactive Path

... not comparing US working standards with standards in developing countries. (Nike, #11)

The proactive path¹ outlines an organization that intentionally side-steps responsible practices to take some opportunities for potential short-term profits, but proactively changes to distance itself from former irresponsible practices after the disclosure. It characterizes a financially healthy organization with an over-ambitious visionary leadership and is established among the market leaders. Public disclosure leads the organization to create a new path by transforming into a proactive organization, engaging in a virtuous cycle and contributing to positive social change. Furthermore, this path exemplifies how an organization with pockets of irresponsibility exploits loopholes in the system. This is supported by an interwoven network of powerful external stakeholders to strengthen its market leadership position reconfirmed with extensive compensation payments (external stakeholders here referring to strategic partners, other organizations, intermediaries). Organizations of this path act in an opportunistic way of corporate irresponsibility. However, the proactive organization loses its trustworthiness and its high reputation decreases. Facing these incremental losses and the extensive external stakeholder pressure (e.g., consumers, media) drives the organization to change. The organization realizes its violations and engages in a proactively oriented behavior by learning from its irresponsible practices. Intrinsically motivated it radically changes into a positive social change contributor to fully distance itself from irresponsible practices (see Fig. 2).

¹ The following cases were used as empirical basis for the proactive path: Chiquita, Deutsche Bank, FIFA, Nike, Royal Ahold.

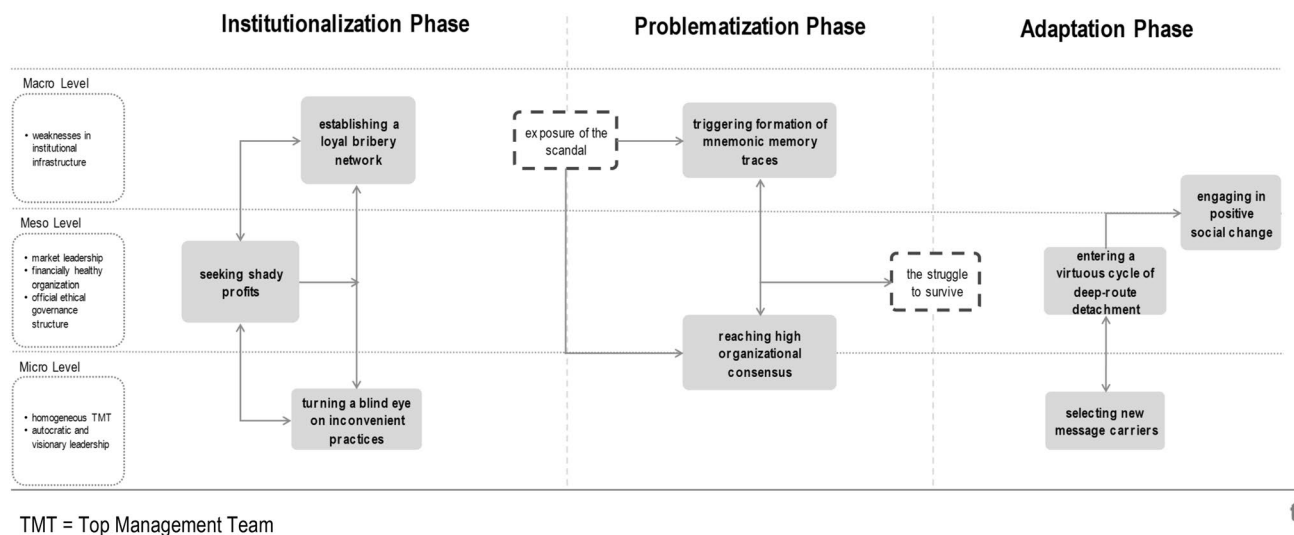


Fig. 2 Proactive path

Pre-conditions

Initially, the proactive organization enjoys a high reputation and trustworthiness among internal and external stakeholders, and ranks among the market leaders in a highly competitive market. The organization follows a prospector strategy with profit goal-orientation by looking for new market and growth opportunities. In accordance with its high reputation, the organization in this path implements official ethical governance structures including ethical codes of conduct. However, the implementation is only for window-dressing reasons and to conform to external stakeholder demands, particularly, consumers and the media.

On the micro-level, the visionary leadership includes a strong structure with autocratic leadership attributes. The top management team has a homogeneous structure and shares similar values. Previously, new top managers were appointed and bring new dynamics into the team, for example, Josef Meinrad Ackermann in the case of Deutsche Bank. He merged the management of the organization, which helped him “to speed up decision-making processes at the bank and reduced the influence of the government controlled management board. Thus, this gave Ackermann an increased level of power to execute his plans for the bank” (Deutsche Bank, Case #6). This example illustrates the top-down decision-making structure of this path.

On the macro-level, the proactive organization is embedded in a growing industry with new entrants, thus, facing high competition. An example is Nike, “in emerging markets, Nike was facing a bevy of ambitious rivals such as Li Ning in China and Olympikus in Brazil” (Nike, Case #11). The institutional structure responds slowly to this growing industry and lacks sufficient regulations in the growing and

often emerging market. In sum, the proactive organization builds upon this slow response and reflects its new management structure with autocratic attributes. It focuses on growth while looking for new business opportunities, with an official ethical behavior and its healthy financial structure.

Institutionalization Phase

Seeking Shady Profits

The proactive organization intentionally side-steps responsible practices and engages in shady practices to gain short-term advantages over competitors or for individual profit gain. Shady practices are, for example, non-transparent working practices, which cannot easily be uncovered. This is illustrated by the Chiquita case, with the paying of protection money to a terrorist group in Columbia, named AUC, “through its subsidiary, Banadex” (Chiquita, Case #4). To facilitate the shady practices, diffuse ethical governance structures are implemented, intentionally lacking transparency and control mechanisms. This is illustrated by the Nike case, where “Nike’s code of conduct was minimalist and not fully enforced, claiming that posting the code in factories where most employees are functionally illiterate and/or do not possess the power to insist on its implementation is simply window dressing” (Nike, Case #11). The pockets of corporate irresponsibility achieve short-term successes to realize individual advantages, in particular for “personal gain” (FIFA, Case #8). Thus, short-term successes reinforce engagement with further irresponsible practices in the belief of ongoing successes. The pockets of irresponsibility result in a fragmented institutionalization of corporate irresponsibility.

Establishing a Loyal Bribery Network

The proactive organization outsources these irresponsible practices to subsidiaries, suppliers, or other external ombudsmen to fulfill their intentional side-stepping behavior and to protect their official image as a responsible organization. It builds up a loyal bribery network with powerful external stakeholders (e.g., other companies, government) and strengthens them by forming strategic alliances. It connects these powerful external stakeholders with each other, building an interwoven network of irresponsibility for further non-transparency on which the organization can rely to participate in irresponsible practices. For example, the Deutsche Bank relied on private investigators to spy on their employees. In particular, one investigator monitored its managers' movements (here: Gerald Hermann) and "accessed Hermann's personal information with the aim of obtaining details of Hermann's travel records, flights and hotel bookings" (Deutsche Bank, Case #6). Participating strategic partners receive compensation with exclusive business opportunities and extensive payments. This is exemplified by the FIFA case, where "bribes and kickbacks to the tune of over \$150 million were alleged to have been paid by U.S. and South American sports marketing executives in order to obtain high value media and marketing rights to the World Cup matches" (FIFA, Case #8). Thus, the interwoven network of powerful stakeholders represents an important vehicle for the proactive organization to rely on when conducting corporate irresponsibility.

Turning a Blind Eye on Inconvenient Practices

The top management of the proactive organization turns a blind eye on irresponsible pockets and indirectly approves the practices. Thus, this behavior reinforces the partial engagement in irresponsible practices. The blind eye results in a top management that does not act in a responsible neutral manner and relies on strong ties with powerful external stakeholders. This is exemplified by the Nike case where "managers refused to accept any responsibility for the various labour and environmental/health problems found at their suppliers' plants. Workers at these factories were not Nike employees, and thus Nike had no responsibility towards them" (Nike, Case #11). In sum, the proactive organization builds up a vicious cycle of corporate irresponsibility including strong relations with participating external stakeholders fulfilling their non-transparent practices, filling individual pockets with money. The vicious cycle represents the interaction of all three explanatory mechanisms in this phase, enforcing each other and leading to deeper pockets of corporate irresponsibility.

Critical Event: Exposure of Scandal

However, the honeymoon of irresponsible practices and personal gains can be shaken up by an incremental external disruption. The external disruption, in most of the proactive cases, entails the loss of human lives through the interwoven stakeholder network. For example, Chiquita's funneling of protection money to a terrorist group, which "was by numerous accounts killing thousands of innocent people in rural Colombia" published by the "Colombian and U.S. human rights organizations, the United Nations, and the U.S. State Department" (Chiquita, Case #4).

Problematization Phase

Triggering Formation of Mnemonic Memory Traces

The exposure of the scandal gets the ball rolling by increasing external stakeholder attention (e.g., consumers, media) to irresponsible practices of the proactive organization. For example, in the Deutsche Bank case the former cooperating stakeholder who spied on managers "began a legal battle with Deutsche Bank, alleging that Breuer [former CEO] had violated German banking laws that prohibited financiers from making public comments about the financial status of their clients" (Deutsche Bank, Case #6). Thus, the activation of external stakeholders leads to increasing attention by the general public, in particular, when the activation includes the support of the media to unfreeze the irresponsible practices and form mnemonic memory traces that prevent the forgetting of such irresponsible behavior. For example, in the Chiquita case, a leader of the banana trade workers' union claimed "if there is justice, the Chiquita executives will see the inside of a Colombian prison" (Chiquita, Case #4).

Unfreezing Irresponsible Practices

Besides the increasing media attention, investigations and detections of alleged irresponsible practices start. The increasing media attention and the investigations mutually reinforce each other while contributing to further unfreezing of irresponsible practices. This can be seen in the FIFA case when investigations started, "because of the 2010 awards of the World Cup to Russia and Qatar, and massive negative media publicity about FIFA management's toleration of corruption, its internal workings and machinations and its weak governance practices" (FIFA, Case #8). The organization increasingly loses its trustworthiness and legitimacy among the general public.

Reaching High Organizational Consensus

But the proactive organization denies the accusations and does not understand the extent of the problematized practices. This is illustrated by the response of the Deutsche Bank top management, where “the bank denied the involvement of any of its senior executives in the spying operations.” Furthermore, they said in a statement that “the questionable methods used were not authorized by the supervisory board or the management board” (Deutsche Bank, Case #6). The blind eye of the top management remains even in this unstable and highly critiqued times. In the case of Nike producing in sweatshops, the top management engaged in moral rationalization and did not take the activated formation of mnemonic memory traces seriously, “executives at the time thought the critics were just radical activists and troublemakers who didn’t understand how good the contract factories really were” (Nike, Case #11).

Critical Event: The Struggle to Survive

However, the externally activated mnemonic memory traces and the unfreezing of the irresponsible practices force the proactive organization to change. More specifically, the external stakeholder attention (e.g., media, consumers) and expectations on the irresponsible practices forces the proactive organization to change in order to avoid significant long-lasting harm on their business and trustworthiness. The external stakeholder pressure and the managements’ blind eye that became uncovered affect the organization substantially as in the case of Chiquita “paying a fine of \$25 million” (Chiquita, Case #4). Furthermore, the publicized irresponsible practices create significant re-thinking of the business practices among the employees and shareholders, thus, resulting in weakened ties with the formerly strong network of powerful external stakeholders. The proactive organization realizes that not changing in accordance to the internal and external stakeholder expectations and restraining from irresponsible practices will cause further harm to its trustworthiness and loyal network. This is exemplified by the FIFA case, where the scandal was “disastrous for the main core group of big FIFA sponsors, the brands ‘were at great risk’ and the “sponsors could suffer up to \$1 billion in value caused by the ‘reputational damage’ of being linked with FIFA.” A brand expert suggested “that it was better for sponsors to distance themselves from FIFA, if they did not want to be impacted by the scandal” (FIFA, Case #8). The proactive organization faces a situation with falling finances and the demand for change.

Adaptation Phase

Entering a Virtuous Cycle of Deep-Route Detachment

The problematization phase leaves visible traces in the proactive organization. It reflects upon and realizes the extent of its irresponsible violations and its consequential loss of trustworthiness. Thus, the struggling situation drives the organization to enter into a virtuous cycle of completely detaching and distancing themselves from the former pockets of irresponsibility. The detachment starts with self-reporting its irresponsible practices to fully unfreeze former irresponsible practices and is mainly driven from the management and the employees. This is seen in the Chiquita case when one of the top managers reported the funneled payments, “some of the new board members expressed surprise, and they all agreed that self-reporting was the ‘right thing to do’” (Chiquita, Case #4). The organization transforms its core strategy by concentrating on a prospector strategy and a visionary leadership style. Nike, for example, created “a new corporate responsibility department, and began to work on a strategic framework to address the issues facing the company’ to transform to a ‘hotbed of talent and innovation’” (Nike, Case #11). In addition, the proactive organization implements pro-ethical governance mechanisms and formulates clear ethical working standards for more transparency, which are frequently monitored by third parties.

Selecting New Message Carriers

Besides the change of the core strategy, the proactive organization implements new structures and fills key positions with responsible message carriers for a heterogeneous top management structure. Nike, for example, “hired Maria Eitel from Microsoft as Nike’s first vice president of corporate responsibility.” One of her first proactive actions entailed sitting “down with the head of Global Exchange, one of Nike’s most outspoken critics” and introducing “a section on corporate responsibility into Nike’s annual report to shareholders” (Nike, Case #11).

Engaging in Positive Social Change

The proactive organization builds upon the deep-route detachment for further development of the “understanding of corporate responsibility in the larger community” by “moving beyond the policing stage” (Nike, Case #11). Organizations in this path form collaborative networks for innovation and responsibility in the industry and beyond. They proactively engage with external stakeholders to meet their expectations. Positive outcomes of the proactive initiatives represent innovative ethical products followed by regaining of organizational trust and long-term successes.

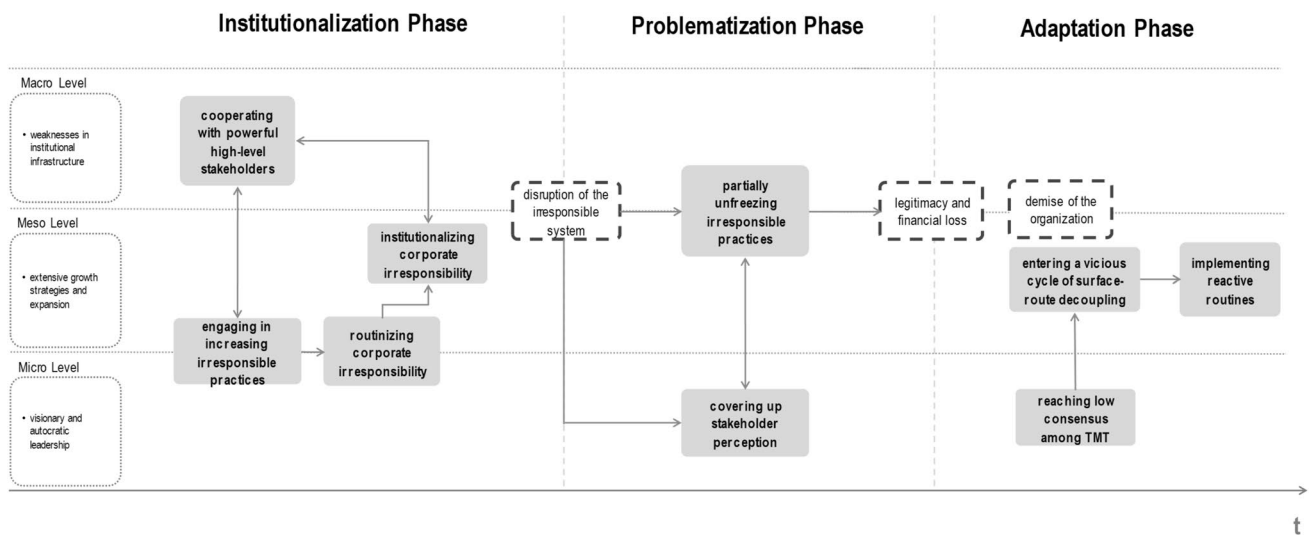


Fig. 3 Reactive path

Chiquita, for example, “has become the leader in its industry, raising expectations that its competitors must take similar initiatives” (Chiquita, Case #4). In sum, the proactive organization utilizes the external demand for change as an opportunity to contribute to positive social change.

Reactive Path

It was like riding a tiger, not knowing how to get off without being eaten. (Sanlu, Case #16)

The reactive path² outlines an organization that institutionalizes irresponsible practices as how to do business to achieve an extensive increase of sales and resists to change its irresponsible practices after the disclosure. It characterizes an organization looking for extensive growth, embedded in a weak institutional infrastructure offering a breeding ground for corporate irresponsibility. Corporate irresponsibility is only partially uncovered, which leads the organization on a reactive path of a vicious cycle of irresponsible practices, if it does not disappear from the market. This organization exemplifies how irresponsibility systematically manifests itself in organizational structures supported by powerful high-level stakeholders and often embedded in an industry with irresponsible norms or a whole irresponsible national system. The manifestation of irresponsibility entails the complete integration of the powerful high-level stakeholders and results in a comprehensive emerging corporate

irresponsibility system. In addition, the organization manages to cover up the irresponsible system, which results in a reactive organizational behavior entering a vicious cycle of surface-route decoupling (see Fig. 3). In other words, previous problematization of the irresponsible practices do not lead to a change and the reactive organization becomes path dependent.

Pre-conditions

Initially, the reactive organization refers to a well-established organization, looking for new growth opportunities and internationally diversifying in a dynamic market. To reach their growth strategy, the organization also conducts risky investment strategies. Boeing, for example, paid “\$3.75 billion to acquire the Space and Communications Division of Hughes in a bid to enter the space business market.” Furthermore, they were hopeful “that the booming market for space services and satellites would provide more balance to Boeing’s commercial aircraft segment, which was very volatile and vulnerable to the cyclic fluctuations of the economy” (Boeing, Case #3). On the micro-level, the reactive organization holds on the one hand an inconsistent management structure with a fragmented ownership, on the other hand a high centralization of leadership and a top-down decision-making. This complex structure forces the management to act in self-interest and to respond particularly to shareholder demands. As B. Ramalinga Raju did, the founder and CEO of Satyam, who was “obsessed with billion-dollar targets” (Satyam, Case #17).

On the macro-level, the organization is embedded in a growing and dynamic industry, as in the case of Mannesmann, “the industry had grown rapidly and in 1998 had

² The following cases were used as empirical basis for the reactive path: Abercrombie&Fitch, Apple, Boeing, Citigroup, Enron, Mannesmann, Nestlé, Olympus, Parmalat, Sanlu, Satyam, Siemens, Snow Brand, Tianlong.

global revenues of over USD1 trillion, accounting for 4% to 5% of global GDP. The industry was forecast to grow at 29% per annum in the near future” (Mannesmann, Case #9). Although market conditions are favorable, the governmental system the organization operates in lacks sufficient regulation. More specifically, the organization is embedded in a weak institutional infrastructure of corporate governance controls and regulations, where irresponsible practices are a common practice. As a result, the reactive path is organized around a centralized and profit-oriented leadership following a risky growth strategy embedded in an industry with potential growth, but with prevailing irresponsible norms.

Institutionalization Phase

Cooperating with Powerful High-Level Stakeholders

Other organizations and institutions on the macro-level cooperate with the reactive organization to exploit legal loopholes and to secure profit margins on both sides. The weak and inefficient institutional infrastructure and the increasing pressure for growth from shareholders perpetuate this behavior. The relationship to high-level stakeholders is built up by extensive lobbying and the formation of strategic alliances with essential perpetrators. The essential perpetrators are carefully selected with the intent to collaborate with irresponsible practices and to fully integrate them into the irresponsible system highly depending on each. Parmalat, for example, “entered into a complex financing relationship with Citigroup Inc. The arrangement effectively allowed Parmalat to take on debt financing (a \$140 million credit line) from Citigroup that was classified on its books as an investment” (Parmalat, Case #13). Furthermore, the centralized leadership applies pressure on non-conforming stakeholders to cooperate, as in the example of the Mannesmann case, “labor representatives were justifiably afraid of job losses following a successful takeover and resulting reorganization. As a result, the works council and union cooperated to prevent the takeover” (Mannesmann, Case #9). Thus, the organization acts only in the interest of influential stakeholders, and in return the cooperating stakeholders act in the interest of the organization. This reciprocal behavior self-reinforcing and strengthens the relationship and dependence on each other, leading to a considerable increase of irresponsible practices.

Engaging in Increasing Irresponsible Practices

The influences of the centralized leadership on the organization and its interactions with cooperating stakeholders reinforce the engagement of the reactive organization with corporate irresponsibility, in which they engage in due to the extensive growth strategy and pressures from shareholders. This results in a considerable accumulation of corporate

irresponsibility events. The reactive organization intentionally conducts irresponsible practices, for example, mismanages financial or production resources for window-dressing reasons to gain more profits and attract shareholders. Nestlé, for example, mismanaged its production resources and was castigated several times for using unethical marketing practices when “selling genetically modified foods without appropriate labeling, and for supporting the use of child labor in some places” (Nestlé, Case #10). This behavior is strengthened by the achievement of short-term successes, as in the case of Siemens, “shareholders have admired Kleinfeld for increasing profits and share price” (Siemens, Case #18). However, the supporting system of cooperating stakeholders and the short-term successes reinforce an institutionalization of corporate irresponsibility, which lacks considerable initiatives against these organizational practices.

Routinizing Corporate Irresponsibility

Among the organizations with this profile, some fill key positions with family and friends to introduce non-transparent, dependent structures and to enroll the irresponsible culture. The case Parmalat exemplifies this nepotistic structure: “Tanzi’s family holding company, La Coloniale, controlled a cascade of companies, including 51% ownership in Parmalat SpA and 100% of Parmatour and Parma AC. Parmatour was ... managed by Tanzi’s daughter, while Parma AC was ... operated by Tanzi’s son” (Parmalat, Case #13). To fulfill their roles in the nepotistic structure, the top management engages in a moral rationalization process of the irresponsible practices. They distance themselves from their feelings to maintain their role and do not evaluate their behavior as irresponsible at all. This results in an illusion of invulnerability such that the top management feels encouraged to exploit their role. Furthermore, the top management misuses their power, leading to psychological anxiety and stress. In the case of Citigroup, it “also ‘dramatically reduced the number of employees’ who reviewed mortgages for conformity with quality standards” (Citigroup, Case #5). These mechanisms represent the major vehicles enhancing routinization on the lower level.

To avoid non-conforming employees and to establish a high feeling of dependency on the organization, the reactive organization facilitates strong employee engagement by selective recruitment and intense training with irresponsible values. For instance, in the case of Abercrombie&Fitch, who only employed “good-looking people” because they wanted to sell only to “good-looking people.” Furthermore, “in the job interview what matters most is the physical—candidates are photographed so that managers can choose among them—thereby giving less importance to other qualities needed for sales functions” (Abercrombie&Fitch, Case #1). The human resource strategy facilitates a moral

rationalization on the organizational level among the employees to not question their practices as irresponsible, perpetuating a blind loyalty to the organization and a strong mode of groupthinking. As a result, these practices enhance the routinization of corporate irresponsibility for the reactive path. The routinization is the important vehicle of this path and lays the basic structures for full implementation and institutionalization of irresponsibility in the organization.

Institutionalizing Corporate Irresponsibility

The reactive organization institutionalizes irresponsible practices in its ‘daily business’ by strengthening non-transparent structures and implementing irresponsibility in the core business model. Thus, the whole DNA of the organization is transformed into an irresponsible DNA. To strengthen its non-transparent working structures, the reactive organization implements, for example, a non-transparent and complex value chain without any controls to conceal irresponsible practices. The Tianlong case exemplifies by marketing a product containing toxic gelatin, which went “through such a long production chain without being tested and then screened out. ... at least some companies in this chain had been ignoring any quality control testing despite a good understanding of the truth” (Tianlong, Case #20). This example also outlines the lack of a clear quality management and the irresponsible working environment beyond the organization itself. Thus, this reinforces the institutionalization of corporate irresponsibility.

However, the institutionalization of organizational irresponsibility also leads to visible negative outcomes, such as decreasing product standards. The reactive organization intentionally misleads consumers to cover these substandard products, putting consumers at great risk. Sanlu, for instance, sold fake milk powder from which “50–60 children died of malnutrition in the city of Fuyang, China” (Sanlu, Case #16). Another example is Boeing, who wanted “to launch itself in telecom and space, and failed to check its equipment sufficiently before marketing them. The satellites eventually developed technical problems that reduced their lifespan by more than two-thirds. ... Boeing wrote off \$1.1 billion to cover the losses” (Boeing, Case #3). In sum, the reactive organization highly depends on the outlined factors in the institutionalized system. These factors reinforce each other leading to a deeper integration in the organization’s DNA. However, if one of these factors changes, the system starts to shake.

Critical Event: Disruption of the Irresponsible System

The reactive path operates in gray zones; thus, external changes of, for example, regulations disrupt the system and

lead to an instability of the system. This is exemplified in the case of Olympus,

... when the policy of valuing financial products on an Acquisition cost basis was changed to a Market Value Basis. However, with the increasing pressure for globalization of securities/financial markets and accounting standards, as well as other changes in the corporate management environment, new standards were being readied for the accounting treatment of financial products for the purpose of improving transparency of corporate accounting (Olympus, Case #12).

Other disruptions of the irresponsible system are unforeseen external jolts, such as terrorist attacks or environmental jolts. However, the outlined disruptions trigger an increasing attention to the reactive organization—not only internally.

Problematization Phase

Partially Unfreezing Irresponsible Practices

Internal individual do-gooders take the opportunities provided by organizational instability to reach out for listeners to reinforce the disruption of the irresponsible system. In particular, internal do-gooders revolting against the organizational irresponsible practices reach out for external forces. In the case of Satyam, one former senior executive “wrote an anonymous email to one of the board members: the email had details about financial irregularities and fraud at Satyam” (Satyam, Case #17). The former senior executive never got a response. Another example relates to the case of Citigroup in which the vice president and chief underwriter at CitiMortgage reported “the defects in regular reports, but colleagues did not welcome her warnings” (Citigroup, Case #5). In the majority of cases, the external environment remained silent. The President of the Federal Reserve Bank of New York later admitted their lack of initiative, as illustrated in his quote about the Citigroup scandal, “I do not think we did enough as [regulators] with the authority we had to help contain the risks that ultimately emerged in [Citigroup]” (Citigroup, Case #5). However, the raising of internal voices and the silence and inactions of others mutually reinforce each other, resulting in an unacceptance of the internal voices and reaching out for external voices. This contributes to mounting external pressures, such as consumer boycotts, media attention, and governmental investigations of the irresponsible practices.

Covering Up Stakeholder Perception

In response to mounting external pressures, the top management tries to cover up external stakeholder perceptions by denying the irresponsible practices and blaming others

for the problems. Furthermore, they trivialize irresponsible practices and defend themselves to stop the ship from sinking. This is illustrated by the case of Snow Brand, which admitted at a news conference,

... that on inspection of the Osaka factory Snow Brand employees had found a mass of solidified milk in a valve that was used to control the flow of left over low fat milk from the production line, through a tube connected to a reserve tank. However, according to Snow Brand officials, the valve was rarely used (Snow Brand, Case #19).

This cover up strategy turns out to be partially successful, because the irresponsible practices only become problematized on the surface level. However, the true causes and the true irresponsible system remains uncovered. Cooperating partners supporting the irresponsible system remain supportive of the organization—if they stay uncovered.

Critical Event: Legitimacy and Financial Loss

The surface-level problematization of corporate irresponsibility affects the organization with legitimacy and financial losses, due to, for example, being forced to close down factories or to pay penalties. Some cases of this path face law suits (e.g., Mannesmann, Snow Brand), for instance, when a harmed stakeholder brought charges against the organization. Thus, the external system forces the organization to change at some point. However, the external environment entails a high level of ambiguity about the evaluation of the practices. As in the case of Mannesmann, where the greater public in Germany responded quite negatively, as a quote of the then chancellor Schroeder about the Mannesmann scandal illustrates, “‘Hostile takeovers destroy corporate culture,’ while on the other side, Prime Minister Tony Blair said, ‘We live in a European market today where European companies are taking over other European companies’” (Mannesmann, Case #9). This high level of ambiguity leaves not only the system uncovered as to its true causes, but offers the organization a flexibility in response.

Adaptation Phase

Entering a Vicious Cycle of Surface-Route Decoupling

After the surface-level problematization of the irresponsible practices resulting in an organizational struggle, the reactive organization enters a vicious cycle of surface-route decoupling by superficially modifying and exploiting the flexibility in response to the high level of ambiguity of the external environment. They stick to their irresponsible practices, forced by uncovered strategic partners to continue securing profit margins, resulting in a lock-in effect in

their irresponsible practices. The organization implements a rehabilitation strategy to meet demands of the public. The organization reacts to these demands by surface-level modifications. However, it still builds upon the high level of ambiguity of some external stakeholders and the cooperation of uncovered strategic partners at the same time. Furthermore, the surface-level modifications are only for window-dressing reasons to improve appearance towards the public, which should feel that their demands are being addressed, and to avoid being uncovered again. To regain their trust, the organization modifies, for example, by selling parts of the irresponsible organization, as illustrated at the case of Snow Brand. “As part of its rehabilitation program, Snow Brand planned to sell part of its stake in Yukijirushi Access Inc., to reduce its stake to less than 20%” (Snow Brand, Case #19). Although the window-dressing behavior also includes the introduction of official ethical governance structures with, for example, a formal ethical committee and ethical training for employees, the reactive organization still lacks a clear control of these ethical governance structures. Thus, ongoing irresponsible practices remain uncovered and the surface-level modifications may offer new potential for irresponsible practices. The surface-route decoupling, pressure of the cooperating strategic partners, and the ongoing irresponsible practices reinforce each other, leading to further or even a worse system of irresponsibility.

Reaching Low Consensus Among Top Management Team

Another consequence of the organizational struggle includes the change of top managers to signal organizational reactions to the public demands in the problematization phase, if the managers did not already desert the sinking ship. However, organizational modification on the surface-level and ongoing engagement in irresponsible practices lead to a low consensus among the top management team with a high frequency of top manager changes. This can be seen in the Siemens case, where seven top managers in 2007 “had resigned during the year” (Siemens, Case #18). In other words, top managers sit in ‘a hot seat’ after the surface-level problematization.

Implementing Reactive Routines

Surface-route decoupling and low consensus among top managers reinforce the implementation of reactive routines to irresponsible practices. The reactive path continues irresponsible practices and refuses to fully implement new more responsible tasks and processes. This is illustrated by the Citigroup Case, where “a single minded pursuit of higher earnings remained the overriding business strategy for Citigroup’s leaders, regardless of the disasters that strategy had created in the past” (Citigroup, Case #5). The

organization modifies by moving from the rehabilitation to a reactive strategy. Thus, in case irresponsible practices are problematized again the organization seeks to remain uncovered. Organizations of this path implement structures for a reactive addressing of such issues by denying or blaming others. For example, Snow Brand responded to an uncovered irresponsible practice with the statement that “this matter does not concern our parent company, Snow Brand Milk” (Snow Brand, Case #19). However, the reactive organization still lacks full trust among the greater public, as in the case of Olympus, “though the company was taking all steps to rebuild the company, there had been strong opposition from the international investors of the company regarding the nomination of the people in the proposed new management” (Olympus, Case #12). In sum, the organization in this path still prioritizes short-term profits and short-term competitive advantages for individual and shareholder advantages to only ‘persist’ in the market, but refuses to fully adapt to public demands. The adaptation phase represents the interaction of all three explanatory mechanisms reinforcing each other to create a system of irresponsibility.

Demise of the Organization

In four cases of the reactive paths, they did not have sufficient flexibility in responding to the disclosure and resulted in the demise of the organization. The financial loss and the low consensus among the top management enforce the downward spiral of these organizations resulting in dissolution or insolvency. Parmalat, for example, “the ownership structure of the Parmalat group created an environment for entrepreneurial opportunism and entrenchment, a factor which contributed to the ultimate demise of the company” (Parmalat, Case #13).

Discussion and Implications

Findings of this study offer three key suggestions: first, corporate irresponsibility unfolds throughout an emergent process (institutionalization, problematization, adaptation) and interacts across multiple levels (micro, meso, macro); second, some organizations become locked-in in the path of corporate irresponsibility (reactive process path); and third, the alternative process path constitutes that some organizations radically change, thus, breaking their path of corporate irresponsibility (proactive process path). In the following, I elaborate on these insights to advance the corporate irresponsibility literature and I conclude with outlining potential limitations and future research opportunities.

Evolution of Corporate Irresponsibility: Towards Process Paths

The corporate irresponsibility literature takes a rather static approach and it is often assumed that irresponsible behavior results from individual, organizational, or field factors. However, findings show that corporate irresponsibility works as a dynamic process that develops through three phases, in which the self-reinforcing mechanisms differ accordingly. Corporate irresponsibility results from interacting mechanisms across micro-, meso-, and macro-levels enforcing each other. Furthermore, these self-reinforcing mechanisms bring together single factors examined in recent studies, for example, top managers and employees exerting their ‘dark side traits’ on the organization (Christensen et al. 2014), the effect of which is facilitated by organizational structures (Jackall 1988), such as non-transparent corporate governance structures involving interlocking patterns of nepotism (Brass et al. 1998; Matten and Moon 2008; Pearce and Manz 2011). Looking at the self-reinforcing mechanisms in more detail, the findings demonstrate that the underlying relationships of these factors reinforce each other and change over time. For example, initially the path-breaking process (proactive) implements official ethical governance structures with, however, a lack of clear controls. The lack of clear controls lays a breeding ground for organizational members to side-step responsible practices and to withhold such practices, which results in the achievement of short-term successes. This in turn enhances irresponsible practices, further leading to partially embedding such practices in the organization and a management turning a blind eye to such practices.

In addition, findings indicate that an industry or national business system with established irresponsible practices or the lack of clear ethical controls reinforces corporate irresponsibility. Consequently, corporate irresponsibility emerges systematically with non-transparent structures and practices among the organization and a variety of institutional agents without any clear ethical controls. Only a few studies in the literature offer insights on how the establishment of corporate irresponsibility reaches beyond the individual and organizational level to emerge “within a systemic field of diffuse actions” (Whiteman and Cooper 2016, p. 118). In the corruption literature, it is often assumed that corrupt behavior emerges from within the organization (Pinto et al. 2008; Ashforth and Anand 2003). This study shows the importance of integrating the field level when examining the emergence of corporate irresponsibility.

In sum, this study helps to extend research into corporate irresponsibility by resolving the restrictions of recent corporate irresponsibility studies with their various explanatory patterns regarding the ‘how’ and ‘why’ of corporate irresponsibility. This study indicates that the emergence of

corporate irresponsibility results from an interaction across levels simultaneously reinforcing each other, and it pushes current literature towards a more integrated understanding by explaining how corporate irresponsibility evolves over time and under which conditions.

Corporate Irresponsibility Process Paths

This study addresses gaps in the literature by identifying the processual significance of sequence and contributes to the questions, which organizations get locked into corporate irresponsibility and which break with the path (Schreyögg et al. 2011). Thus, the specific temporal sequence of interactions between the self-reinforcing mechanisms matters. In a similar vein, necessary and sufficient conditions are the root of the right sequence of key-elements (Liguori 2012).

Particularly, two mechanisms determine if the organization manages to break with or locks-in in the path: *the virtuous cycle of deep-route detachment* and *the vicious cycle of surface-route decoupling*. Although recent studies on organizational change consider detachment (Delmestri and Greenwood 2016) and decoupling mechanisms (Crilly et al. 2012) as competing explanations, this study introduces detachment and decoupling as compounding cycles explaining two different ways organizations respond to stakeholder pressures. Additionally, these compounding cycles reflect two distinct types of the ‘adaptive expectation mechanism,’ which relates to an interactive building of preferences developed in response to the expectations of others, driven by the hope to end up on the good side. Furthermore, inter-linked causal chains of decisions and actions from the past impact future decisions and actions (Schreyögg and Sydow 2011). As findings relevant to the reactive path indicate, the organization engages in a path-dependent process and is unable to break with this process, thus remaining locked-in in their irresponsible practices due to a limited scope of strategic choices (Schreyögg and Sydow 2011; Koch 2011). As soon as the organization engages in the ‘routinizing corporate irresponsibility’ mechanism, such as implementing non-transparent corporate governance structures and putting pressure on non-conforming employees, choices for alternative decisions and actions are already limited. The ‘institutionalizing corporate irresponsibility’ mechanism strengthens the path further, and even the critical event, the ‘disruption of irresponsible system,’ leads only to a partial disclosure of the institutionalized irresponsible practices. This leads to the final lock-in to the vicious cycle of surface-route decoupling, responding only to some public demands, and thus not ending up on the good side.

Sydow et al. (2009) suggest another explanation in their study that organizations that are open to a superior alternative and reflect and observe the replicating dynamics are engaged in a path-breaking intervention. As findings of

the proactive path show, organizations can break with path dependence by radically changing and engaging in a virtuous cycle of deep-route detachment. For instance, recent studies on processes in the field of organizational change show that radical change happens independently of the existence of reversals (Liguori 2012). The proactive organization, however, fully adapts to public demands and contributes to positive social change and ends up on the good side. Whereas previous literature argued that it is difficult to stop self-reinforcing processes in organizations (Sydow et al. 2009), more recent findings demonstrate the possibility of stopping formerly self-reinforcing processes by deeply detaching from past behavior (proactive path). Furthermore, the organization generates alternatives to corporate irresponsibility in an early stage of path creation by the interaction with multiple stakeholders to coordinate organizational activities (Sydow et al. 2012). This finding contrasts with that of recent research suggesting that alternative generation and evaluation only play a minor role in path creation (Gruber 2010).

Conclusion, Limitations, and Suggestions for Future Research

This study pursues a processual and more interactional approach to understand how and under which conditions (across the individual, organizational, and field level) corporate irresponsibility evolves over time. The path processes offer new insights and broaden our understanding in terms of the identified mechanisms and explanatory patterns across multiple levels of corporate irresponsibility leading to either path dependency or path creation. Further, it introduces and specifies the two distinct indicators for either becoming path dependent or path creating after the irresponsible disclosure (problematization phase), determining the turning point of the organization. In addition, the identified self-reinforcing mechanisms contribute to the corruption literature. They show how an organization can become either path dependent or can break out of the path, which is rarely investigated in the corruption literature. Thus, this analytical generalization contributes to more universally valid variables and unfolding process explanations, offering potential for future research as an empirical phenomena.

However, there are potential confounding factors that limit the results of this study and may be the object of future research. First, further insights on the cases are necessary to allow for triangulation and to shed different lights upon the reconstruction of the case and its respective paths (Sydow et al. 2012). In addition, a potential self-selection bias might have occurred in the case sample. The primary cases included in the data set were identified by other scholars or educators as irresponsible behavior or irresponsibility

events. Even though highly subjective studies were excluded in this study, the selected cases differ in their analytical research questions and either educational or research-driven objective. In addition, the data set includes only cases with events of exposure. However, ongoing paths of irresponsibility that have not been exposed were not included in the data set. Second, it is important to note that this study is inspired by a realist position (Bunge 1996) following Habersang et al. (2019) by using “more structured analytical approaches that favor the articulation and replication of more abstract theoretical ideas” (Langley et al. 2013, p. 8) to link together regularities and sequences to understand the phenomena of corporate irresponsibility (Miles and Huberman 1994). Future research might look into this phenomena by taking a more interpretative perspective on how and why corporate irresponsibility comes to be constituted, adapted, and reproduced (Habersang and Reihlen 2018).

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Compliance with Ethical Standards

Conflict of interest Jill A. Küberling-Jost declares that she has no conflict of interest.

Ethical Approval This article does not contain any studies with human participants or animals performed by any of the authors.

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