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Stigma and Reputation: Exploring the Lingering Effects of Organizational Stigma

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Abstract

Stigmas have been widely used to describe organizations and individuals that have negative reputations or that have engaged in illegitimate practices. Extensive research has been done on the effects of positive reputation and personal reputation. However, there is still much to learn about the effects and consequences of organizational stigmas. The purpose of this paper is to provide a theoretical overview of the consequences of organizational stigmas, particularly in the area of employee mobility, and to help understand the relationship between negative organizational reputation and personal reputation. Contributions of this research, the limitations and directions for future research are discussed as well.

*Keywords*: Organizational stigmas, personal reputations, career mobility, time
Stigma and Reputation: A Theoretical Analysis on Organizational Stigma and Its Consequences

"Reputation, reputation, reputation! Oh, I have lost my reputation!

I have lost the immortal part of myself, and what remains is

bestial. My reputation, lago, my reputation!"

This oft-cited quote from Shakespeare’s Othello seems to foretell an idea that without reputation, we are nothing.

Introduction

A reputation represents a collection of perceptions that others have about an individual. These perceptions are based partially on the actions taken by an individual and also on the perceptions that others have of those actions (Eccles, Newquist, Schatz, 2007). As such, a reputation belongs to an individual, but the way it develops depends on others, both the other people an individual interacts with as well as the groups in which the individual is associated (Eccles, Newquist, Schatz, 2007). Thus, we never truly have control over our own reputation; we can only try to influence it.

Personal reputation is a fact of both social and organizational life (Bromley, 1993). Reputations at work mostly focus on issues related to individual’s’ capacity to perform their job effectively and to be a team player (Zinko, Ferris, Humphrey, Meyer & Aime, 2012). A working definition of personal reputation at work presented by Zinko and colleagues (2012) is, “the extent to which individuals are perceived by others, over time, as performing their job competently, and being helpful towards others in the workplace” (p. 157). There are other aspects and factors that may be considered when it comes to personal reputation in the workplace, but the main two defined here are performance and character. Because these two
factors are heavily weighted when it comes to personal reputation, an individual has to work hard to keep a positive reputation to move up in his or her career or workplace. It’s hard to move up in your career if people associate you with a negative reputation. Therefore, reputation is one tool to navigate our way through daily life.

In addition to personal reputations, organizations are also perceived and evaluated by others, which can influence outcomes such as performance and innovation (Cannon, Schwaiger, 2005). Performance and innovation are affected by reputations and perceptions because those companies that have negative reputations focus more on how to get rid of the negative reputation rather than focusing on the performance and innovation. Organizational reputation is how the organization is regarded by its multiple stakeholders (Alves, Reficco, Arroyo, 2013).

Organizational reputation is a simple concept but it has an intuitive appeal. (Lange, Lee, Dai, 2011). Its triggers are deeply rooted in the organization itself, and they are tied to its creation and evolution, in a unique historically dependent context (Dierickx & Cool, 1989).

Since reputation is rooted in the organization’s historical behavior and associations, it can be abruptly changed if new information about its past or present behaviors comes to light (Lange, Lee, Dai 2011). An organization’s reputational position can help in obtaining trust and credibility in society, which in turn can assist in the attainment of its purpose and goals (Baur & Schmitz, 2011). Rindova and colleagues (2010) have furthered this idea and stated, “firm reputation is a valuable intangible asset” (p. 611).

Benjamin Franklin has said, “It takes many good deeds to build a good reputation, and only one bad one to lose it.” That one bad deed tends to make or break our reputations and that’s where stigmas come into action. Stigma is a Greek term which originally described cut or burned marks on the skin of criminals, slaves, and other deviants, in order to identify them as tainted or
unethical beings that people should avoid (Goffman, 1963). Today, stigma is not a physical mark but rather an attribute that results from social disapproval or a “spoiled social identity,” to use Goffman’s terms (Devers et al p. 157).

A lot of times people experience stigmas because of what they have previously done or with whom they have associated with. For example, say there is an individual who went to an ivy-league school or worked at an incredible company and then suppose that there is an individual that went to a not-so-great school or worked at a not-so-great company. How long are these individuals able to “bask in the reflected glory” of being associated with that positive entity or how long do they have to endure the stigma of being associated with that negative place? How does it affect their future jobs or mobility?

Since a great deal of research has focused on the positive, this paper will use the literature on reputation and stigma to examine the lasting effects of associating with organizations that are viewed very negatively. In particular, the research question will look at how long the stigma will stick to different individuals and how the lingering effects of that stigma can affect their futures. The lack of focus on the negative, combined with the dearth of knowledge regarding stigma related outcomes or repercussions in organizations, leaves us with no cogent theoretical understanding of the processes that drive the formation of the stickiness or future mobility. Although the understanding of negative reputations and stigmas remain underdeveloped, scholars have produced a well-developed understanding of the outcomes and repercussions that are associated with positive reputations. I will extend this research by developing a set of arguments that suggest how career mobility based on personal and organizational stigmas influence career mobility. In doing so, I make several theoretical contributions to the study of organizational and personal stigmas.
First, I offer a theoretically based relationship between organizational reputation and personal reputation. I propose that one reputation is based on the other. Organizational reputation is developed through the actions and practices of its members. The reputation that results reflects back onto the members of the organizations and influence personal reputations. Second, I highlight the importance of negative reputation and stigma on career mobility. Specifically, I examine how organizational stigmas influence career mobility through its effects on personal reputation. Third, addressing the consequences of organizational stigma, I draw on multiple literatures to develop a more complete theoretical understanding on how we are able to mitigate, reduce, and moderate organizational stigma and personal reputation. I argue that this theoretical explanation fills important gaps in the literature that will allow scholars to more effectively discuss and evaluate organizational stigma and its consequences.

Literature Review

Stigma of the Established Organization and Its Leaders

Until recently, there has been a relative neglect of research on stigmatization of organizations and the leaders of those organizations (Paetzold, Dipboye and Elsbach, 2008). Nevertheless, in the realm of organizations, economic and social threats of stigma are impactful and detrimental to the organization. These threats and detriments may range from a reduction in bargaining power in exchange transactions to the total disengagement of the social, political and economic stakeholders in a country (Sutton & Callahan, 1987). In more recent organization literature, the focus has been put on the distinction between the stigma of organizations and individuals (Devers, Dewett, Mishina, Belsito, 2009) and the difference between the implications of stigmatized members of the organization (e.g. criminal CEOs, COOs, CFOs, etc.) compared to
stigmatized organizations (e.g. bankrupt businesses, companies, corporations, etc.) (Sutton & Callahan, 1987).

Digging deeper into the idea that the stigmatization of the organization and its leaders are two separate entities (Sutton & Callahan, 1987), organization researchers have found a common idea that by association, there is a transfer of stigma between the organization and the leaders of the organization (Kulik, Bainbridge & Cregan, 2008). This transfer of stigma is heavily prevalent in the context of a failed organization (Wiesenfeld, Wurthmann, Hambrick, 2008). Further research suggests that the severity of the excess of stigma from the organization to the individual leaders, and the main way to manage stigma, depends on the type of connection the individual leader has with the stigmatized organization. The individual leaders may be linked to the stigmatizing event by location, time and accountability (Semadeni, Cannella, Fraser, Lee 2008). Location and time links are only useful to the extent that the individual leader is present at the location of the occurrence or has a leadership status or role at the time of the stigmatizing event. Accountability links are not bounded by time or location. It is more of the activities the individual leader was engaging in that led to the failure of the organization.

Stigma Management

The difficulties that arise with the association with a stigma often require the affected individual to use stigma management strategies (Goffman, 1963). Stigma management is the manipulation of the link between the individual leader and the stigmatizing event of the organization and it involves maintaining a clear distinction between the individual and the stigmatizing event (Semadeni, Cannella, Fraser and Lee 2008). The stigma strategies have two basic categories, inward and outward.
Inward strategies include withdrawal, secrecy, and passing. Individual leaders can avoid negative encounters related to the stigmatized status of their organization by withdrawing from the company or “jumping ship” (Semadeni, Cannella, Fraser and Lee 2008). In addition to withdrawal, individuals use secrecy to avoid dealing with the stigma status altogether (Cain, 1991). This involves taking preventive measures to keep others from discovering the characteristics of the organization or even themselves for fear that it might reveal an organization’s or an individual’s stigma. Stigmatized individual leaders may also use passing as a way to mask their association with a stigma (Lee & Craft, 2002). Passing is simply choosing not to disclose one’s stigma in order to appear to be part of the non-stigmatized group. Some may see this as a form of denial.

Outward stigmas include disclosure and signaling. Researchers have found that members of stigmatized groups outwardly deal with stigma by disclosing their stigmatized status to relieve stress (Winnick & Bodkin, 2006). When an individual decides to reveal an otherwise invisible stigma to their coworkers, they are choosing to disclose their stigma in that situation. This helps the individual feel at ease and by coming clean the stigma might be diminished. Signaling is another type of outward strategy that individuals use. This strategy involves avoiding complete disclosure of the organization’s stigma (Winnick & Bodkin, 2006). People who use this method tend to give hints and signals to others without completely revealing everything.

Propositions

“Character is like a tree and reputation like its shadow. The shadow is what we think of it; the tree is the real thing.”

-Abram Lincoln
I argue that the initial catalyst for the emergence of a negative organizational reputation is that the organization has engaged in an illegitimate practice. Many organizational actions and practices do not always conform to the norms of society or institutions. A practice is considered illegitimate when it is perceived to be “fundamentally inconsistent with the deeply institutionalized norms and values of society” (Kraatz and Zajac, 1996). Goffman (1963) identified three conditions that lead to stigma: (1) physical, (2) tribal, and (3) conduct that are out of the realm of norms and values. To clarify, physical conditions are abominations to the body, such as deformities or illnesses, tribal conditions are race, religion, gender, and conduct conditions are blemishes of individual character. (Dever, et. al. 2009). Extending Goffman’s findings, Leary & Schreindorfer (1998) argued that stigmas are a result of perception. What others perceive and believe make up the stigmas and negative reputations of such organizations and individuals.

I argue that organizational stigmas influence personal reputations. While there is much research and evidence on the distinctions between organizational and personal stigmas, there are also interconnections between organizational reputations and personal reputations. Devers and colleagues (2009) suggested that organizational and personal stigmas “differ primarily along three dimensions - the types of conditions that stigmatize, the prevention and removability of a stigma, and the pervasiveness of stigmatizing categories.” Stigmatizing conditions are conditions that lead to stigmatization, meaning, they might be deformities of the body, illnesses, race, religion, gender, dishonesty and illegitimate behavior and practices. The prevention and removability dimension provides organizations with a greater ability to neutralize a stigma. The third dimension, pervasiveness of stigmatizing categories is the process of categorizing groups or individuals to help manage the negativity of the stigma.
This relationship is one of cause and effect, with organizational reputation being the cause and personal reputation being the effect the outcome. Most organizational stigmas are conduct-based, which means they are based on the specific actions and decisions of its organizational members (Devers, Dewett, Mishina, Belsito, 2009). At the personal level, stigmas are based on all three conditions – physical, tribal, and conduct - stated above by Goffman (1963). This shows the distinction in responsibility attributed to both of these levels. Although stigmas at the personal level vary in the level of responsibility attributed to the stigmatized individual, an organization is viewed as largely responsible for any stigma acquired (Devers, Dewett, Mishina, Belsito, 2009). Therefore, organizational stigmas are generally seen as more controllable because most outcomes are due to the actions taken by the organization’s participants (Merton, 1936). As a result, the organization’s characteristics, such as, its employees, business associates, policies, products, geographic markets, etc. are viewed as positive or negative as a result of the organization’s conduct (Meindl, Ehrlich, Dukerich, 1985).

Figure 1:

The actions and decisions employees make within the organization affect the organization on a larger scale. Figure 1, above, helps to visualize the process of how organizational decisions affect personal reputation. This is due to the fact that the organization
becomes responsible for all of the negativity and stigmatization that may result from the actions and decisions made by its members. In most cases, the negativity and stigma that results, transfers to the individuals working or associating themselves with the stigmatized organization. When working for certain companies, most individuals based their choices on what the company stands for and what they value. This would mean that the individual agrees with these values and beliefs. For example, Wells Fargo used to boast about their superior reputation, rich history, and clean business tactics. In recent times however, the Wells Fargo name has been tarnished by a scandal (Egan, 2016). The members of Wells Fargo created millions of fake accounts between 2011 and 2015. This scandal has caused serious damage to the brand and is likely to trickle down and influence the reputation of the individuals associated with this brand. Because the organization’s brand name has tarnished, I propose that any individual that is or was associated with this brand will have a resulting negative personal reputation. Extending these ideas suggests the following proposition:

**PROPOSITION 1:** A negative organizational reputation will stigmatize and negatively influence an individual’s personal reputation.

I argue that organizations that engage in illegitimate practices also negatively influence the likelihood of individual career mobility. For example, someone who has been associated with Wells Fargo or who has worked for Wells Fargo may not have high chances of finding a job elsewhere due to the fact that he or she has a connection with Wells Fargo. Researchers have found that organizational reputation is valuable because it reduces the uncertainty stakeholder’s face in evaluating firms as potential suppliers of needed products and services (Benjamin &
Podolny, 1999; Weigelt & Camerer, 1988). Let’s imagine a realistic situation to put things into perspective. Picture an employee at a company, he’s been working there for a few years, and while working there the company becomes entangled in an illegitimate scandal. Although, the employee had nothing to do with the scandal, he was still working at the company when it occurred and so now he is left tainted with this negativity. This stigma will affect his future mobility. In a 2016 article in Harvard Business Review, Groysberg, Lin and Serafeim, show how much of a long term impact stigmas can have on people. Their research displayed that executives with scandal-tainted companies on their resumes pay a wage penalty on the job market, even if they clearly had nothing to do with the trouble. Overall, tainted executives and employees are paid nearly 4% less than their peers and this stigma strongly affects future compensation (Groysberg, Lin & Serafeim, 2016). Although, this example is based on compensation, the same type of effect is expected to occur with career mobility as well. When there is a scandal, there is a lasting impression on the organization’s members.

I argue that there are two types of companies controversial and noncontroversial. Controversial companies are those that are already tainted with the negative impact due to the work they associate with (alcohol, tobacco, firearms, etc.). Noncontroversial companies are not typically those that are not tainted with negativity. They are companies that usually have pure morals and values. Therefore, noncontroversial companies that engage in illegitimate practices tend to taint their formal employees in an even deeper way because they actively and knowingly engaged in these unethical events that transgressed the norms and values of their industry and the society.

Groysberg, Lin and Serafeim (2016) interviewed many international executive search firms to investigate their theories of future mobility and what they found complemented their
quantitative analysis and findings. One such interview was with a European headhunter, who recollected the difficulty of placing an executive who had worked for a stigmatized organization even though he had left the organization a decade before the scandal. He said that it was too risky and he was not able to even consider this individual for the position. Tainted organizations and individuals are rarely considered for new opportunities due to the fact that they are seen as a big risk and companies that have good and positive reputations will not want to associate with these high risk individuals and organizations. These examples and research brings me to this next proposition:

**PROPOSITION 2: A negative organizational reputation will negatively affect personal reputation which will negatively affect future career mobility of individuals.**

“The two most powerful warriors are patience and time.”

-Leo Tolstoy

Above I discussed the interconnection between organizational reputation and personal reputation, along with future career mobility. Since stigmas are socially constructed, it is possible that the perceptions of particular stigmas could shift over time (Devers, Dewett, Mishina, Belsito, 2009). Norms often evolve over time, which brings up the expectation of change in perception of reputation (Eccles, Newquist, Schatz, 2007). Furthering this idea, Pollock and Barnett (2012) suggest that reputations are not static and a reputation’s role as a value-creating asset and mechanism changes over time.
Societal norms and values are everchanging. What is seen as “normal” or “politically correct” today, may not be the same tomorrow. For example, when companies started advertising bottled water in the 90’s, everyone thought it was the most ridiculous ideas in the world. Now, it is so common that we don’t even realize that we are paying a dollar to drink another city’s tap water. Researchers have indicated that reputation is “a collective representation of a person or organization that is shared in the minds of many in society over time (Grunig & Hung, 2002; Yang & Grunig, 2005). Whether they are good or bad, reputations take time to develop; therefore, if an individual were to be stigmatized, they would need time to develop a positive reputation. Reputations are rooted in the organization’s historical behavior and the changes in reputation affect relationships that the firm has (Lange, Lee, Dai, 2011). Because I have discussed the relationship and interconnection of organizational reputation and personal reputation above, I will focus on the effects of time on personal reputation.

Warren Buffet explained this intuitive idea in simple terms when he said, “It takes twenty years to build a reputation and five minutes to ruin it.” Yes, it may only take a single mistake to ruin a reputation but I argue that just because a reputation is ruined, it does not mean individuals cannot take time to build it back up. If individuals were able to build up a reputation in the past, they can do the same after a downfall. It may not be easy and it may take longer than what is expected but it is possible. This does not mean that the individuals should engage in illegitimate practices. If behavior and practices are not tended to, it will take longer to change the perception of reputation by others.

For example, say there was an executive they worked with that had a tendency for being very direct. He realized that because of his constant criticisms and harsh words, his subordinates had started to perceive him in a negative way. His direct reports had been stigmatized and
labeled as “the gates of hell.” He decided to change his ways and after a period of time, he was able to phase-out this stigma. This example suggests the following proposition:

**PROPOSITION 3:** *The negative effects of organizational reputation on personal reputation can be moderated by the element of time.*

Figure 2:

Figure 2 gives a visual interpretation of how the above propositions relate to one another. Proposition 1 proposed that there is a link between organizational reputation and personal reputation. Proposition 2 proposed that based on the link between organizational reputation and personal reputation there can be a conclusion that it will affect career mobility. Proposition 3 proposed a moderator of time that will help reduce the effects of proposition 2.
Discussion

The purpose of this paper was to theoretically examine how organizations and individuals would be influenced by stigmas and the consequences of stigmatization. The propositions suggested that negative organizational reputations may have a powerful and negative influence on personal reputation. I also suggested that negative influences of this sort can have a detrimental effect on future career mobility for individuals. Moreover, my research indicated that regardless of the damage stigmas can produce for organizations and individuals, there may be ways to reduce and overcome these obstacles. One such way that I discussed here is the element of time. One of the paper’s major contributions was building understanding of the relationship between organizational reputation and personal reputation, along with the notion that negative reputation and stigmas are also an important predictor of the difficulty of future mobility. This study contributed to the literature by examining the stickiness of stigmas.

This paper documented the distinct roles of reputations and stigmas and the formations of both, suggesting that both are important factors that are incorporated in everyday life. This paper also demonstrated the importance of the relationship between negative reputations and stigmas. When illegitimate practices occur, they produce negative reputations and stigmas form. Additionally, I indicated that when negative reputations and stigmas are both high, their amplifying effect is detrimental to the likelihood of any alliance that can formed, meaning it is harder for stigmatized individuals and organizations to build relationships with other companies and individuals because others have a hard time trusting their credibility. Finally, I showed that these amplification effects are possibly only temporary.

I see these propositions as contributing to the considerable interest in the concepts of reputation and stigma in literature in recent years. This research has generally emphasized the
potential benefits of having a positive reputation or “basking in the reflected glory” (Cialdini, 1976). A result of these studies is that the better the reputation and the lower the stigma, the greater the yielded benefits (Fombrun, 1996). The effects I suggested indicate that the influence of reputation and yielded benefits are more than a simple linear function in most cases. Some cases may present something more complex. Because of this, managing the reputation of organizations and individuals entails the consideration of social interactions and practices.

**Limitations and Future Research**

I acknowledge that this study has several limitations. First, I rely on theories to suggest how these constructs might be interrelated. I currently have no empirical evidence of these propositions. Future research should collect data to examine these propositions in detail. For example, investigating the career mobility of employees from stigmatized companies on LinkedIn could provide information on whether and how negative organizational reputations follow individuals. Second, the negative view on organizational reputation and stigmas affecting personal reputation does not account for multiple perspectives on reputation from different stakeholders. This limitation was intentional because I chose a narrow view of reputation and stigma to develop detailed propositions in an area that has been understudied. Third, there is limited research on the negative aspects of this area and so to say that I have covered all of the aspects of negative organizational reputation and stigma would be incorrect. However, I have tried to highlight some of the most important outcomes that relate to stigmatized organizations.

Future research, however, should not only examine the proposed propositions by using data and experimental testing to provide quantitative evidence to support the ideas presented in this paper. In addition, another promising avenue of research is to examine self-efficacy as a
moderator for the negative effects of organizational reputation on personal reputation. Some researchers have lightly touched on the idea of self-efficacy as being a factor that can reduce stigmatization. There is a direct link between personal reputation and personal perception (Zinko et. al., 2007). The way people perceive themselves can greatly affect how long a stigma will stick to them. This would build understanding of whether all employees are affected the same way by organizational stigmas or whether some employees can mitigate the effects. More research is needed in the future to consider other potential predictors and outcomes of personal reputation, particularly when it is negative. We must consider the effects of such situations on not only how others feel about our reputations but also the motivation behind these illegitimate acts. Further examination can be done on why some intend for a more aggressive reputation and how that can affect future mobility and leadership. Addressing such areas of research can provide a greater understanding of reputations, stigmas and their relationship with organizations and individuals.

Conclusion

Organizational scholars have focused little attention on the lingering effects of organizational stigma on personal reputation and future career mobility, and how it can be mitigated with different moderators such as time. I believe my conceptual exploration serves as an initial step toward closing these gaps. It is my hope that this work lays the foundation for more systematic theoretical and empirical inquiry into organizational stigmas and organizational stigmatization.
References


