

**Introducing a Spectrum of Moral Evaluation: Integrating Organizational Stigmatization and Moral Legitimacy<sup>1</sup>**

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**Abstract**

Audiences frequently change how they evaluate organizations, and these judgments often have a moral basis. For example, audiences may shift their evaluation from stigmatization to legitimacy or vice versa. These radical shifts in audience evaluation can have a major impact on organizations, yet organization theory struggles to account for them. We offer a solution to this problem by proposing a spectrum of moral evaluation that situates key moral judgments relative to each other. Our core argument is that integrating stigmatization and moral legitimacy into a broader spectrum of moral evaluation provides organization theorists with a much-needed toolkit to explore the consequential normative transformations often experienced by contemporary organizations. Specifically, it allows for a graded conception of moral evaluation, connects concepts – stigma and legitimacy – that are often considered in isolation, and offers opportunities for theoretical cross-fertilization.

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“Morality is the basis of things[.]”

Mahatma Gandhi

Morality governs much of social interaction. For example, environmentalists stigmatize and fight coal producers because they normatively condemn the harmful impact that they have on our climate. In turn, they normatively approve of and support activist groups, such as Greenpeace, because they regard them as protecting the environment. As an audience’s moral evaluations of organizations are fluid, this presents organizations with major challenges. For example, many investors have recently reclassified coal producers from morally legitimate to stigmatized, and activist groups from stigmatized to accepted. Nonetheless, the fluidity of moral evaluation is undertheorized in organization theory. Despite the important impact that the fluidity of moral judgments, particularly stigmatization, has for organizations, organization theory lacks a comprehensive toolkit for analyzing it.

This dialog essay seeks to tackle this problem by proposing a spectrum of moral evaluation. We argue that the social judgments of organizational stigmatization and moral legitimacy can be thought of as being part of a continuum. Despite having emerged and developed in isolation from each other, these concepts essentially represent a normative evaluation of an organization. The benefits of a spectrum of moral evaluation are two-fold: first, a spectrum offers pathways and gradations between otherwise isolated concepts. This tackles the important need to explain changes in moral evaluations as well as their nuances. Second, the cross-fertilization of these concepts of moral evaluation can remedy some of their respective shortcomings. For example, scholars have long criticized the confusing negative side of legitimacy. The juxtaposition of stigmatization can bring clarity to this issue.

We first problematize the two constructs (organizational stigmatization and legitimacy) before offering a spectrum of moral evaluation and directions for future research.

### **Problematizing Organizational Stigmatization and Legitimacy**

Organizational stigmatization and moral legitimacy are closely linked in the sense that they are both concerned with moral judgments. Audiences confer stigmatization “to expose something unusual and bad about the moral status of the signifier” (Goffman, 1963:1) and moral legitimacy due to a “positive normative evaluation” (Suchman, 1995:579). We now introduce and problematize each construct.

#### **Organizational Stigmatization and its Discontents**

Organizational stigmatization has been subject to burgeoning research over the last decade. This increased attention was surely overdue, given that stigmatization is an important social judgment that has wide-ranging repercussions for its bearer. Organizational stigmatization represents “a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization” (Devers, Dewett, Mishina, & Belsito, 2009:157). Stigmatization creates major challenges for the survival of organizations as stigmatizing audiences avoid them, deny them resources, and contest them (Hudson & Okhuysen, 2009; Piazza & Perretti, 2015).

Crucially, what drives the behavior of stigmatizing audiences is a belief that the organization should not exist because its activities are “wrong” in a normative sense – to stigmatize is to challenge an entity’s “moral status” and exert social control (Goffman, 1963). For example, men’s bathhouses are stigmatized because the “activities that take place there are broadly condemned in society” (Hudson & Okhuysen, 2009:135). Similarly, mixed martial arts organizations are stigmatized for “disturbing the peace” by inciting “barbaric” fights” (Helms & Patterson, 2014:1453). In each case, audiences based their stigmatization on a normative judgment that deems the actions of these organizations to be harmful and dangerous for society.

Despite important recent advances, stigma research has been held back by the assumption that stigmatization is an extreme polar judgment that only exists in its negative form and is unconnected to other judgments (see Figure 1). This has arguably led to a limited, binary understanding of stigmatization as an isolated construct that is either present or absent. Binary constructs can be useful to initially explore a domain but often constrain academic exploration as it seeks to mature (Bobko, 1985). As a result, we are unable to explain the dynamic evolution of stigmatization, such as how audiences change their evaluations of organizations from moral acceptance to stigmatization and vice versa (see Hampel & Tracey, forthcoming, for an exception). The binary conception of stigma has also impeded a more nuanced understanding of different gradations of stigma. Thus, we currently cannot sufficiently distinguish between the degrees of stigmatization of vastly different organizations. For example, while mixed martial arts organizations and the terrorist organization ISIS are both stigmatized by specific audiences, existing theory lacks the tools to distinguish the very different gradations of stigmatization which they face.

### **Moral Legitimacy and its Discontents**

Lately, the legitimacy concept has been under attack. Defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995:574), legitimacy is one of the most central constructs of organization theory. Importantly, we focus on moral legitimacy which is a normative evaluation of the organization that is based on the assessment of whether its activities are “the right thing to do” (Suchman, 1995:579)<sup>2</sup>.

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<sup>2</sup> According to Suchman’s (1995) well-known distinction, audiences also assess cognitive legitimacy (to evaluate whether the organization is comprehensible) and pragmatic legitimacy (to evaluate whether its activities are in their interests).

Scholars have eloquently articulated the problems associated with the legitimacy construct, both in this dialog and elsewhere. Legitimacy suffers from two main problems: first, the construct is usually understood as a “universal” judgment and, second, the negative side of legitimacy is underspecified (e.g., Devers et al., 2009; Glynn & Marquis, 2004; Hudson, 2008; Hudson & Okhuysen, 2009). We accept that legitimacy is guilty as charged on both counts, but believe that these two problems can be quite easily addressed without throwing the baby out with the bathwater. We tackle each problem in turn.

First, we agree that organizations are hardly ever seen as legitimate (or stigmatized) in the eyes of *all* audiences (Hudson, 2008; Hudson & Okhuysen, 2009). Instead of being universally shared across society, the legitimacy judgment is in practice conferred by specific audiences, while other audiences simultaneously hold radically different views. Thus, we advocate for treating legitimacy as a “stakeholder group-specific judgment” (Devers et al., 2009:157) rather than a “generalized perception” (Suchman, 1995:574). In our view, this relatively minor but important “tweak” strongly augments the “analytic usefulness” of the concept (Galvin, Ventresca, & Hudson, 2004:59).

The second problem is the underspecified negative side of legitimacy (see Figure 2). To address this issue, we believe that there is a need to distinguish between a lack of support on the one hand and disapproval on the other. Currently, the term “illegitimacy” is sometimes used to describe the former and sometimes the latter. Some interpret “illegitimacy” as signifying “undesirab[ility]” and others as merely signifying a “lack of institutionalization” (Glynn & Marquis, 2004:150). As a result, scholars have criticized this “conceptual fuzziness” (Glynn & Marquis, 2004:150) and pointed out that “illegitimacy lacks a consistent definition” (Hudson & Okhuysen, 2009:150). To tackle this issue, we propose defining “moral illegitimacy” as an audience’s judgement of normative disapproval, thus specifically denoting the organization’s activities as not being “the right thing to do” (Suchman,

1995:579; Suddaby, Bitektine, & Haack, 2017). This more focused definition firmly separates “moral illegitimacy” from neutral assessments and thus removes the current ambiguity.

In this section, we have problematized and suggested some theoretical adjustments to the two constructs (and their sub-components) that form core building blocks for our spectrum of moral evaluation.

### **Introducing a Spectrum of Moral Evaluation**

Audiences routinely evaluate organizations on normative grounds based on an evaluation of the morality of their behavior. The moral judgments of an audience and in particular the issues to which it directs its moral concern – are strongly shaped by that audience’s self-concept, as psychologists have established (Leavitt, Reynolds, Barnes, Schilpzand, & Hannah, 2012). We offer a spectrum of moral evaluations (see Figure 3) that explores the various moral evaluations that audiences can make based on their self-concept by interrogating whether an organization’s activities are “the right thing to do” (Suchman, 1995:579). Its five components constitute elevation (profound approval), moral legitimacy (approval), moral indifference (lack of approval), moral illegitimacy (disapproval), and stigmatization (profound disapproval). In other words, the spectrum ranges from an audience’s profound normative approval (elevation) to an audience’s profound normative disapproval (stigmatization). We illustrate the spectrum with the example of environmentalists and the moral judgments that they make about organizations based on their self-concept.

Elevation constitutes the extreme positive end of the moral evaluation spectrum. An audience confers this judgment when it deems an organization to be “exceeding standards of virtue” (Algoe & Haidt, 2009:108). For example, many environmentalists regard climate

change activist groups, such as Greenpeace, as morally elevated, given that these groups fight environmental pollution and as this audience deems this fight to be good for society. Once an audience elevates an organization it treats it as a moral role model and as being worthy of emulation. The more closely the organization fits archetypes of moral virtue, the more an audience will elevate it.

Moral legitimacy constitutes positive moral evaluation on our spectrum. An audience confers this judgment when it normatively approves of an organization because the audience regards it as beneficial for society. For example, environmentalists often regard cleantech companies, such as the electric vehicle producer Tesla, as morally legitimate, given that these groups seek to create a more environmentally-friendly economy. Once an audience classifies an organization as morally legitimate, it is likely to support the organization, be it by investing in it, working for it, or publicly endorsing it.

Moral indifference constitutes neutral moral evaluation in our framework. An audience confers this judgment when it neither normatively approves nor disapproves of an organization as the audience regards it as having neither a positive nor a negative impact on society. Audiences often place new organizations for which limited information is available in the zone of moral indifference. For example, environmentalists may classify virtual reality design studios as morally indifferent as it is not yet clear whether they will help or harm the environment. Audiences usually do not take any action about organizations that they regard as being in the zone of moral indifference.

Moral illegitimacy constitutes negative moral evaluation. This occurs when an audience deems an organization as being morally “undesirable” because it regards the organization’s activities as being harmful for society (Glynn & Marquis, 2004). For example, many environmentalists classify producers of biofuels as morally illegitimate. While they

accept that these producers are less polluting than fossil fuel producers, they regard them as still straining the planet's resources on many important metrics, such as land use and water consumption. Once an audience deems an organization to be morally illegitimate it is likely to engage in passive opposition towards the organization, such as by seeking to reduce interaction with the organization.

Stigmatization constitutes the extreme negative end of the moral evaluation spectrum. An audience confers this judgment when it perceives that an organization has “a fundamental, deep-seated flaw” that renders the organization normatively bankrupt (Devers et al., 2009:157). Thus, an audience finds that the very purpose of the organization is in conflict with the functioning of society. For example, many environmentalists classify mining companies as stigmatized because they regard them as destroying local environments and strongly contributing to global warming. Once an audience deems an organization to be stigmatized it will likely oppose it in a variety of ways, such as by stopping interactions with it or publicly fighting it (e.g., Hudson & Okhuysen, 2009; Piazza & Perretti, 2015; Vergne, 2012). The more closely the organization fits archetypes of ‘evil’, the more an audience will stigmatize and condemn it. For example, environmentalists more strongly condemn and oppose those mining companies which systematically pollute the environment to save costs compared to those that pollute the environment despite making efforts to contain negative environmental impact.

By placing the key moral judgments that audiences make about organizations on a spectrum of moral evaluation, we can start to analyze dynamic movements between these constructs. For example, many investors and policy makers are currently in the process of reclassifying their evaluation of coal producers. While the majority of these audiences traditionally regarded coal firms as either morally legitimate or morally indifferent, many investors are changing their evaluation to moral illegitimacy or even to stigmatization. This is



having profound consequences for the short-term profitability and long-term viability of coal producers due to sharply increasing costs and stricter regulation. To date, the muddled conceptualization of moral evaluation has prevented us from understanding the important question of how such moral transitions occur.

Our limited understanding of moral transitions is a major omission given that moral judgments have become increasingly more fluid. As many institutions that previously were pillars of societal stability (e.g., journalism, democracy) are weakened (e.g., fake news) and have to cede ground to more volatile, fast-paced arrangements (e.g., social media), audiences are ever more likely to call organizations into question and oscillate between previously fairly stable moral judgments. This makes it essential for organization theorists to understand how audiences may fluidly move their moral evaluations of organizations across the spectrum and how organizations can respond.

### **Towards a Research Agenda of Moral Evaluation**

Recently, important audiences have profoundly changed their moral judgments about key aspects of society, such as drug use, sexual orientation and climate change, with major repercussions for organizations. Integrating stigmatization and moral legitimacy into a broader spectrum of moral evaluation provides organization theorists with a much-needed toolkit to explore the consequential normative transformations that today's organizations experience. In this final section, we start to sketch a research agenda of moral evaluation by offering three research avenues that follow on from our arguments.

First, the spectrum of moral evaluation that we have proposed provides the theoretical equipment to help scholars explore when, how and why audience evaluations of organizations fluidly transition between consequential judgments. Much existing research in organization theory has focused on whether audiences confer or deny a specific judgment to

an organization and has assumed that their judgments remain fairly stable once they first confer them. However, organizations can undergo radical transitions in the eyes of audiences, as highlighted by the transformed moral evaluation of coal firms and activist groups among many audiences over the last few decades. It would be especially interesting to explore how audiences come not only to deny a previously held judgment, but also to adopt an altogether different judgment. When is the original judgment “sticky” and when is it easily replaceable by another evaluation? How are audiences influenced by the original judgment? Does it leave an “imprint” and continue to shape an audience’s moral perceptions of the organization? Exploring transitions between moral evaluations offers much promise.

Second, thinking about moral evaluation as a spectrum also invites an exploration of how organizations can actively influence the process of moral evaluation. Scholars have explored how organizations seek to influence specific audiences and their evaluations. The increasing cacophony of opinions across a variety of channels (e.g., the press, social media) that organizations face presents them with the major challenge of shaping moral evaluations in the context of mixed messages and signals from multiple sources, but also with the sizeable opportunity of leveraging these through different audience-specific messages. Given this changing audience landscape, it would be important to explore how organizations seek to move between moral judgments as well as how they react to the presence of contradictory judgments by different audiences.

Third, by conceptualizing a spectrum of moral evaluation, organization theorists are able to explore how the moral judgments of different audiences affect one another. Rather than only exploring specific judgments (e.g., stigmatization) in isolation, the spectrum enables an exploration of how audiences incorporate the various evaluations of other stakeholders in making their own judgments. For example, some organizations are simultaneously elevated in some quarters while being stigmatized in others, such as the social

enterprise Keystone that was stigmatized among parts of the local population in the town in which it was based, while being admired in charity circles (Tracey & Phillips, 2016). The simultaneous existence of different judgments raises a range of issues: when do audiences entrench, weaken or change their evaluations in the face of incompatible judgments? Which stakeholders and existing judgments do audiences consider and publicly engage with when making moral evaluations? How can different moral judgments about the same organization co-exist and when do they become unsustainable or risk tarnishing the audiences themselves? It would be interesting to explore the variety of issues concerning how audiences are affected in their moral evaluations of organizations by the presence of multiple (and possibly incompatible) judgments by others.

Researchers have been slow to acknowledge and explore the fluid nature of moral evaluation in organizational settings, yet this is a critical issue facing many organizations every day. Indeed, while audiences are increasingly volatile in their conferral of normative judgments, we are currently unable to explain the dynamics and consequences of moral evaluation for organizations. Philosophers have long explored what constitutes the good life. By integrating stigma and legitimacy in a framework of moral evaluation, organization theorists can start to systematically explore the changing judgments about what constitutes the good – and the flawed – organization.

**APPENDIX**

Figure 1: Moral Evaluation in Organizational Stigma Research

|                  |                   |          |                  |             |                      |
|------------------|-------------------|----------|------------------|-------------|----------------------|
| Moral Evaluation |                   |          |                  |             | Stigmatization       |
|                  | Profound Approval | Approval | Lack of Approval | Disapproval | Profound Disapproval |

Figure 2: Moral Evaluation in Institutional Theory

|                  |                   |                  |                    |             |                      |
|------------------|-------------------|------------------|--------------------|-------------|----------------------|
| Moral Evaluation |                   | Moral Legitimacy | Moral Illegitimacy |             |                      |
|                  | Profound Approval | Approval         | Lack of Approval   | Disapproval | Profound Disapproval |

Figure 3: Spectrum of Moral Evaluation

|                  |                   |                  |                    |                    |                      |
|------------------|-------------------|------------------|--------------------|--------------------|----------------------|
| Moral Evaluation | Elevation         | Moral Legitimacy | Moral Indifference | Moral Illegitimacy | Stigmatization       |
|                  | Profound Approval | Approval         | Lack of Approval   | Disapproval        | Profound Disapproval |

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