

FROM A CELEBRITY TO A VILLAIN: ORGANIZATIONAL RECATEGORYIZATION THROUGH MEDIATED POLITICAL PROCESSES

Abstract. We extend research on organizational legitimacy and celebrity status by showing how an organization can become a publicly recognized "villain" through unfavorable public assessment. Focusing on the role of categorization in legitimacy, we find that the loss of legitimacy following a public outrage leads to organizational recategorization. Drawing on media coverage about a production and R&D site shutdown by Nokia Corporation, we elaborate recategorization as a dialectical process dependent on sustained media attention on a controversial organizational action. By elaborating how infamy leads firms to become seen as villains, we contribute to the understanding of political processes of categorization and legitimation and further expand the "celebrity firm" perspective.

INTRODUCTION

In this paper we seek to understand how critical events such as a media furore can shape the legitimacy of an organization by creating infamy and casting it as a villain. Critical events are "contextually dramatic happenings that focus sustained public attention and invite the collective definition or redefinition of social problems" (Hoffman & Ocasio, 2001: 414). Building on the observation that legitimacy of actors is intrinsically tied to how audiences categorize them (e.g. Johnson, Dowd, & Ridgeway, 2006) on the emerging understanding of celebrity organizations (Rindova, Pollock, & Hayward, 2006), and process research on the discursive construction of legitimacy following critical events (e.g. Patriotta, Gond, &

Schultz, 2011; Tienari, Vaara, & Björkman, 2003; Vaara, Tienari, & Laurila, 2006; Vaara & Tienari, 2008), we seek to understand how a celebrity firm, Nokia Corporation, came to be recategorized as a villain in Germany.

Nokia Corporation provides a case example of a sustained political controversy playing out in the media that led to widespread categorization of the firm as a "villain" in Germany. While Rindova et al. (2006) note that the opposite of "celebrity status" can be conceived as "infamy" that is similar to outright illegitimacy (unacceptability) yet distinctive. Infamous "villain" organizations draw far greater attention than organizations simply lacking legitimacy (see Zuckerman, 1999) and are often seen as viable organizations even though they are condemned. Infamous villain organizations are mostly not stigmatized in the sense that they exhibit neither collective label nor deindividuation (Devers, Dewett, Mishina, & Belsito, 2009; Hudson, 2008; Vergne, 2012). Rather, Nokia became an exemplary villain firms that stood for a broader category of multinational corporations.

Our empirical analysis is based on a qualitative, longitudinal, single case study of a controversy that followed Nokia's decision to close down a production and R&D site in Bochum, Germany in 2008. We chose this case because it allows us to study how public media discourse (although local to Germany) can turn a celebrity firm into an infamous villain firm. We follow a grounded theory approach in our analysis (Glaser & Strauss, 1967) and use the methodological principles developed by Gioia and his colleagues (e.g. Gioia, Corley, & Hamilton, 2013) to bring rigor and transparency to our inductive analysis.

Our study contributes to organizational categorization literature by developing a process model of organizational recategorization from a celebrity to a "villain" firm. Our process model explains how a routine decision of an organization can lead to the emergence of

mediated political controversy when a clash between organization's actions and audiences' expectations enables actors with an interest in a political controversy to use the widely known firm as an exemplar to debate ambiguous issues with a broad political relevance and to re-assess the legitimacy of organization's actions. By doing that, our study returns to the role of categorizations in legitimacy assessment by showing how an organization can become recategorized as audiences re-assess the legitimacy of the organization's actions.

ORGANIZATIONAL LEGITIMACY, CELEBRITY FIRMS, AND INFAMY

A large body of research has examined organizational legitimacy (Asforth & Gibbs, 1990; Deephouse & Suchman, 2008; Suchman, 1995), building on traditions within sociology as well as social psychology (Johnson et al., 2006). Particularly the social psychological tradition on legitimacy has maintained the importance of categorization in legitimacy that originates from Max Weber. That is, individual organizations are appraised as more appropriate or desirable when they are seen as members of a particular category.

A classical prerogative of categorization research is that relevant audiences penalize organizations, who do not fit into pre-defined categories (Hsu & Hannan, 2005; Zuckerman, 1999). However, recent work criticizes this proposition for being static and too deterministic. Indeed, recent empirical research highlights that penalizing depends on the different types of relevant audiences (Pontikes, 2012), how organizations combine multiple categories (Vergne, 2012; Wry & Lounsbury, 2013; Zhao, Ishihara, & Lounsbury, 2013), the understanding that relevant audiences have about these combinations (Wry, Lounsbury, & Jennings, 2013) and, not least, the characteristics of a category, especially the clarity of its boundaries (Durand, Rao, & Monin, 2007).

Extending and complementing work on legitimacy, organization theorists have also noted that besides being legitimate, organizations may also become "celebrity firms" or, in contrast, obtain infamy that extends beyond illegitimacy (Rindova et al., 2006). This newer research implies that such organizations occupy many categories at the same time. Various audiences will categorize a corporation such as Google into several categories; it is an information technology company, a Fortune 500 company, a multinational, an American corporation, and a celebrity firm. When organizations engage in unexpected behavior, audience tend to reassess their legitimacy (Tost, 2011). During the reassessment of legitimacy, audiences are likely to readjust also the perceived category membership of the organization. In the remainder of this paper, we refer to such changes in category memberships as *organizational recategorization*.

Despite a growing body of research, we have limited knowledge of the processes through which public audience adjust their categorizations of an organization (Vergne & Wry, 2014). This is an important theoretical gap since the categorization of organizations is not necessarily a neutral or linear process (Kennedy & Fiss, 2013). For instance, both Lounsbury and Rao (2004) and Vergne (2012) stress that organizations seek influencing relevant audiences to sustain favourable or avoid unfavourable categorizations (see also Santos & Eisenhardt, 2009). Similarly, relevant audiences may construct politically motivated frames to push their agenda within organizational fields (Lounsbury, Ventresca, & Hirsch, 2003). In particular, despite growing interest in celebrity firms, we have little knowledge of how organizations obtain infamy and come to be categorized as "villains". Such firms are illegitimate in a way that is distinct from stigmatized companies that come to be associated

with a stigmatized category and lose their individuality (Devers et al., 2009). The distinct political dynamics that lead deviant organization to become a villain remain understudied.

Negro, Hannan and Rao (2011) suggest that defection from category norms created by deviant actions gives rise to politically motivated gameplay because different members within a category may gain or become marginalized if the defecting practices diffuse. Thus, defections seem to be critical events that generate “political opportunities for claims-making about the legitimacy of practices” (Lounsbury et al., 2003: 73). Deviant organizations are not the lone subject of legitimacy judgments (Deephouse & Suchman, 2008) but provide a vehicle for activists to draw public attention to controversial practices (Lounsbury et al., 2003; Weber, Heinze, & Desoucey, 2008).

Critical events, political controversies, and media attention in organizational recategorization

Several scholars have highlighted the importance of critical events for organizational recategorization by showing how events affected the cultural codes which critics used to categorize organizations (Glynn & Lounsbury, 2005; Vergne, 2012). Glynn and Lounsbury’s study of critics’ reviews of the Atlanta Symphony Orchestra performances (2005) assesses the impact that a strike of the musicians had on how critics reviewed the performances of the orchestra. They found that post-strike reviews were “more attuned to market than aesthetic aspects of the symphony” (ibid., p. 1031). Similarly, Vergne (2012) found that the 9/11 terrorist attacks decreased the relative importance of “weapons” and “civilian” categories and increased the salience of customer categories used to classify firms in the global arms industry.

Critical events violate actors' expectations and their taken-for-granted understandings. As Tost (2011) suggested, drawing on dual processing theory, taken-for-granted legitimacy judgments concerning organizations tend to be reassessed after unexpected news. When individuals cannot accomplish legitimacy re-assessments through pre-existing categories, increasing ambiguity facilitates audiences participation and attention to public debates, which give sense to the unfolding events and the legitimacy of the organization.

Various studies have examined how discourses and strategic rhetoric are used to shape legitimacy reassessment. Vaara and colleagues (Vaara et al., 2006; Vaara & Tienari, 2008) proposed that actors use five common discursive legitimation strategies – normalization, authorization, rationalization, moralization, and narrativization – to establish and re-establish their legitimacy after controversial events. Tienari et al. (2003) found that actors can also draw on different 'discourses' (Fairclough, 1992), such as the discourse of global capitalism, to portray the event and its significance in particular way (see also Joutsenvirta & Vaara, 2009). Furthermore, Patriotta and colleagues (2011) drew on Boltanski and Thévenot's orders of worth framework (2006) to identify how diverse actors' justifications change over time after an accident at a nuclear power plant. Critical events make organizational recategorization more likely as actors become aware of the various cultural codes that could be utilized to classify an organization (cf. Seo & Creed, 2002).

Debates over controversies are more likely to gain attention in the public media when they incorporate diverse and opposing viewpoints from a variety of stakeholder groups (e.g. Koopmans, 2004). By influencing which events gain public attention, media (Koopmans, 2004) triggers and shapes the reassessment of organizational legitimacy and recategorization.

Koopmans (2004) proposed that sustained media attention on political controversies is dependent on visibility (initial media attention), resonance, and legitimacy. When initial media attention leads to subsequent reactions from other actors in the public sphere (resonance) and when these reactions indicate controversial legitimacy of the initial event, the overall controversy is likely to gain sustained media attention. In summary, this means that public debates where multiple actors propose conflicting viewpoints and which gain more reactions from third parties are more likely to gain sustained media attention.

In this paper, we contribute to the understanding of organizational infamy and "villain organizations" by examining organizational recategorization. We suggest that an important yet poorly understood process of organizational recategorization takes place when a critical event enables the utilization of diverse cultural codes to classify an organization, which draws increasing amount of actors and conflicting viewpoints to the public controversy, and which consequently sustains media attention on the organization. To understand this process better, we investigate the actions that enable, initiate, and sustain mediated political controversies, and the implications of these mediated controversies for organizational recategorization.

METHOD AND DATA

This paper is built on a qualitative, inductive case study of the public controversy that followed upon Nokia's decision to close down its production and R&D site in Bochum, Germany in 2008. At that time, Nokia was a leader in the global cell phones market. In this section we provide reasons for our case selection, discuss how we collected our data, and detail how we analyzed them.

Case selection

We selected our case based on two theoretical reasons (Eisenhardt & Graebner, 2007; Eisenhardt, 1989). First, we selected a qualitative, single case study research design as we wanted to elaborate on the extant literature on organizational categorization by investigating social processes that bring about organizational recategorization. Theory elaboration means that there are existing theories that describe some aspects of the empirical phenomenon but significant gaps need to be filled in (Lee, Mitchell, & Sablinski, 1999). Organizational recategorization is a phenomenon that has clear strategic implications for organizations e.g. adjusting their product portfolio or targeting new markets, but which is poorly understood based on our existing theory on organizational categorization. A single case study setting provides us rich and detailed data which is needed to shed light on inadequately understood phenomenon (Edmondson & McManus, 2007).

Second and related to the first, we selected the public controversy following Nokia's decision to move production from Germany to Romania because it can be seen as an extreme case of organizational recategorization. Moving a production facility to another country is a typical strategic decision in contemporary multinational companies. Moreover, it is often seen as an

appropriate action from a strategic perspective and it is completely legal while not involving ex ante environmental risks or other moral hazards. Moreover, such decisions typically do not have a direct impact on the organizations' product portfolio. Consequently, the decision should not have an impact to the classification of the organization. However, in Nokia's case the decision initiated a wide public controversy in Germany which eventually recategorized Nokia as a "villain" organization.

Data collection and the use of data in the analysis

Our data consists of articles in German, Finnish, and international business newspapers, Nokia's press releases, and Nokia's reports (see Table 1). We collected the newspaper articles by first selecting the newspapers from which we would collect the articles related to the case. We approached newspapers not as completely neutral transmitter of information but as active producers of ways of understanding phenomena that they seek to describe (e.g. Thompson, 1990). This means that often different articles in different newspapers portray the meaning of events and phenomena differently. Keeping this in mind, we selected the newspapers according to the following criteria: 1) inclusion of both business and general newspapers, 2) inclusion of both daily and weekly newspapers, 3) focus on newspapers that are likely to have an impact to Nokia's investors, shareholders, and customers more generally. The first two criteria made sure that the selected newspapers represent different perspectives to the same phenomenon, e.g. business newspapers often portray events from an economic perspective while general newspapers often pay more attention to the societal implications of business events, enabling us to triangulate (Jick, 1979) our analysis of the articles in these different newspapers. The third criterion was based on a theoretical reason. As we were interested in investigating processes of organizational recategorization, we made

the deliberate choice to focus to major newspapers whose readership includes strategically important stakeholders.

These criteria led to the selection of three German newspapers that have wide readership among German customers and other stakeholders - *Süddeutsche Zeitung* (SZ), *Handelsblatt* (HB), and *Die Zeit* (DZ) -, four Finnish newspapers that have wide readership among Finnish shareholders and investors - *Helsingin Sanomat* (HS), *Kauppalehti* (KL), *Talouselämä* (TE), and *Suomen kuvalehti* (SK) -, and three business newspapers that have wide readership among international shareholders and investors - *Wall Street Journal* (WSJ), *Financial Times* (FT), and *International Business Times* (IBT)¹. Then, a research assistant systematically collected all the articles from these newspapers that mentioned both ‘Nokia’ and ‘Bochum’. This resulted in 267 articles from the period between December 1998 and October 2013. Our data includes also 20 Nokia’s press releases that related to the closing down of the Bochum site and 239 press releases related to other organizational restructurations that Nokia had made between 1992 and 2011². The research assistant helped us to collect these press releases by going through all the 7462 press releases that Nokia had issued between 1992 and 2011 and that were included in Nokia’s internal archive, to which we had gained access.

--- insert Table 1 describing the data about here ---

¹ Nokia is listed both in New York based NASDAQ and Helsinki based NASDAQ OMX Helsinki.

² We bracketed Nokia’s press releases to this period because the period forms an important stage in Nokia’s history. In 1992 Nokia made the strategic decision to sell its rubber, cable, and consumer electronics businesses in order to focus to producing mobile phones and telecommunications systems. In 2011 Nokia launched a new strategy and abandoned the development of its own mobile phone operating system in order to collaborate with Microsoft by using their Windows phone operating system.

Data analysis

Given the relative paucity of studies investigating the actual processes of organizational categorization, we used an inductive, grounded theory approach in our analysis (Glaser & Strauss, 1967). More specifically, we followed the methodological principles of Gioia and his colleagues (e.g. Gioia et al., 2013) in order to move systematically from the level of raw data to the theoretical concepts that we developed through our analysis. Our intention was to make sure that the concepts that we developed are rigorously ‘grounded’ in the data. Our data analysis comprised of three phases.

First, we started to code the newspaper articles and Nokia’s press releases related to the Bochum case using Atlas.ti. In this phase we divided labor so that each of the two first authors conducting the analysis analyzed texts written in his respective mother tongue. We coded pieces of data with short descriptions, so called ‘first order categories’ (Gioia et al., 2013), that use wordings from the data and avoid theorization as best as possible. A round of open coding (Corbin & Strauss, 2008) resulted in 321 first-order categories. After coding the data separately, we discussed our findings and used e.g. flip charts and Excel spreadsheets (Langley, 1999; Smith, 2002) to demarcate the different actors and their relations in the empirical material. We analyzed in detail what a specific actor, such as Nokia, politicians, and the various media, said or did on a specific day. This phase enabled us to understand that the case consisted of actions and interactions in which various actors proposed diverse points-of-view to Nokia’s decision and its consequences. Moreover, we noticed that some actors explicitly mobilized other actors against Nokia. We understood that our data captured a phenomenon that was both highly political and that emerged partly through the media.

In the second phase we began a discussion on how these categories could be grouped into ‘first-order concepts’ and further to second-order themes (Gioia et al., 2013) through axial coding (Corbin & Strauss, 2008). From this point forward we used the constant comparison technique (Glaser & Strauss, 1967) to move between our previous findings, extant theory, and our emerging theory. During this process, we consulted the literatures on the discursive construction of legitimacy during critical events, the relationship between media and collective action, and organizational categorization to understand the case more in a theoretical light. One of the key insights of this process was that the debates between different actors typically concerned particular issues that were ambiguous. Thus, we became increasingly convinced that our data uncovered a dialectical process (Van de Ven & Poole, 1995) characterized and taken forward by conflicting points-of-view. Consequently, we formed two second order themes that focused on the dialectical processes that took the overall controversy forward.

After this key insight we understood that some other actors had a balancing role in the overall controversy. We chose to combine them into a second order theme called reflexive reasoning because these actors seemed to try to form a synthesis between the opposing views that the dialectical processes captured. We noticed that some other actors, to the contrary, assigned blame to one particular party, which we chose to call as scapegoating. We started understanding how the abovementioned second-order themes were related to two aggregate theoretical dimensions (Gioia et al., 2013) that both sustained media attention on the case.

After identifying the processes through which the overall controversy evolved and was sustained in the media, we focused our analysis to the antecedents and consequences of this controversy. Again through constant comparison (Glaser & Strauss, 1967), we understood

that the controversy was enabled by an initial conflict between Nokia's decision and the expectations of the different audiences. In terms of the outcomes of the controversy, we realized that Nokia became associated with unfavorable strategic and societal implications. The data structure that resulted from our analysis is represented in Figure 1. We provide representative examples of raw data related to our second order themes in Table 2.

--- insert Figure 1 describing the data structure about here ---

--- insert Table 2 providing representative data examples about here ---

Finally, in the third phase, we developed our findings into a process model that described and explained how an organization can become recategorized through mediated political controversies. A finding that countered our initial expectations was that particular types of cultural codes used during the controversy were not important for organizational recategorization. Instead, our model highlighted that the increased number and heterogeneity of issues, cultural codes, and audiences created a self-reinforcing mediated controversy which resulted in organizational recategorization over time.

FINDINGS

We begin with a brief description of the case context, followed by analysis of 1) the enablers of the controversy, 2) the dialectical processes sustaining media attention, 3) the actions through which actors tried to manage the media coverage, and 4) the consequences of sustained media attention on the recategorization of Nokia. Figure 2 summarizes the overall process through which the categorization of Nokia by relevant audiences changed. Nokia's decision to close the site at Bochum constituted ambiguous issues, which drew attention of various powerful and vocal actors whose involvement helped sustain media attention on the

case. Consequently, audiences assessed Nokia's legitimacy unfavorably, associating Nokia e.g. with unemployment, public protests, and poor strategic decisions, and furthermore, recategorized Nokia as a villain that stands as an exemplar of other firms that communicate poorly and take advantage of public subsidies.

Figure 2 also outlines how the second-order themes and the aggregate dimensions from our data structure come together. Although Figure 2 evokes a sequential argument, we emphasize that the different phases of the process overlapped significantly.

--- insert Figure 2 describing the process model about here ---

The Bochum case

On January 15th, 2008 Nokia issued a press release in which it announced that it will close its site in Bochum site by mid-2008, moving the production of mobile phones to its other sites in Europe and divesting the R&D unit in Bochum. The closure was expected to impact all 2300 employees. Nokia justified the decision through "lack of competitiveness". The decision followed a general pattern of strategic decisions to close various sites between 1992 and 2008 in order to increase cost-competitiveness. According to the biography of Jorma Ollila (at the time the chairman of Nokia), the top management decided to follow an advice from a German law firm, and not an advice of the board, when it announced the decision to shutdown the Bochum site without consultation with relevant stakeholders in Germany. This also meant that Nokia failed to inform the German Government in advance. Largely because of the undesirable media attention that followed, Nokia's sales in Germany dropped thirteen percentage points in 2008, compared to one percentage point drop in Nokia's net sales in 2008. More than 2000 employees lost their jobs in Bochum as the production work was moved to a new factory in Romania.

The public controversy following Nokia's decision was a surprise to Nokia and many observers. Within seven days the case was discussed in several first page stories in German, Finnish, and international media as local, national, and EU politicians debated the case and larger economic and societal issues related to the case. During the first six months other actors, such as union representatives, analysts, and consultants, joined the debate, bringing new issues and viewpoints and reflecting the wider implications of the case. Almost a year from the decision, the case remained a point of comparison in the German and Finnish media, sustaining undesirable attention to Nokia and its actions in Bochum. The abrupt announcement to close the Bochum site recast Nokia from a celebrity to an infamous villain firm.

Our analysis suggests that Nokia was recategorized as a villain to a large extent because the case provided a focal point for political debate on the changing relationship between nation states and multinational companies and globalization. A central issues in Nokia controversy was the role of public subsidies in economic development. The federal state of North Rhine-Westphalia³ had provided 41 million Euros of public funding to Nokia in November 1999 in exchange for Nokia's promise to uphold 2860 permanent jobs at the Bochum site until 2006. Many politicians criticized Nokia against this backdrop. For example, on January 15th, Christa Thoben, federal secretary of finance in the state of North Rhine-Westphalia (Christian-conservative party CDU), announced that the federal state may demand back the 41 million Euros in funding as well as potential 18 million Euros in interests. Threats to reclaim federal funding from Nokia repeatedly occurred in the media during the first days of the controversy. Some other politicians and the media responded to Nokia's decision by

³ North Rhine-Westphalia is one of the 16 federal states comprising the Federal Republic of Germany.

highlighting that politicians had created the public subsidies system and that Nokia's decision was in line with EU's general principle of free circulation of capital within the single market. Overall, the public controversy that resulted from Nokia's decision brought to the foreground the underlying tensions related to Germany's transition from welfare capitalism towards global capitalism, and more generally, related to job migration in times of globalization.

Later on in 2011 Nokia closed also the factory in Romania in order to move production to Asian countries. The labels 'subventions locust' and 'caravan capitalism', invented during the controversy to classify Nokia and its actions, have become a part of the vocabulary used in Germany to classify organizations that are seen to free ride on public subventions. Moreover, the case became a "cause célèbre" (Williamson, 2008), often referred to by management consultants when discussing how to manage delicate situations like layoffs.

In summary, the case represents a typical site closure carried out regularly by multinational corporations globally but with significant negative publicity. The case foregrounds, first, the multitude of ways of understanding and evaluating decisions like this and their local, national, and global outcomes, and, second, the organizational implications of emergent and contingent controversies around site shutdowns.

Enablers of the controversy

Our analysis highlighted two issues as the enablers of the overall controversy. First, Nokia's strong commitment to the shutdown decision fixed its position in the controversy and signaled intentionality. Second, Nokia's decision violated taken-for-granted expectations of various audiences in Germany.

Nokia signals commitment to the decision. Nokia decided to close the Bochum site sometime before Christmas 2007 but the decision was made public on January 15th, 2008 without notifying employees in advance but stressing that that the decision was a part of larger restructuring efforts. The press release issued to make the decision public included a quote from Veli Sundbäck, Executive Vice President at Nokia and chairman of Nokia's German subsidiary: "The planned closure of the Bochum site is necessary to secure Nokia's long-term competitiveness" (Nokia press release on January 15th, 2008).

The decision alone was an obvious enabler of the controversy since the entire debate related to different aspects and consequences of this decision. Moreover, Nokia also stressed the irreversibility of the decision. For instance, high-rank representatives from Nokia repeatedly stressed that the decision irreversible and "based on facts" (Nokia spokesperson in SZ on January 19th, 2008). Thus, while several stakeholders demanded Nokia to reconsider its decision, the firm itself reinforced it.

Violating system trust. Our findings also indicated that violating taken-for-granted expectations, to which we refer as system trust, was the second important enabler of the controversy. In the Bochum case, violating system trust was not directly observable but the consequences of this violation were reflected in three important aspects of the case: critique towards Nokia's communication, threats to request public funding back from Nokia, and indeed requesting the funding back.

First, Nokia's corporate communication surrounding the layoff process was widely discussed as inappropriate. The main critique was that Nokia had failed to effectively communicate the decision to its own employees and that it remained reluctant to speak to union representatives and politicians during the first days of the controversy. Union representatives bemoaned that

“Nobody has spoken with us before the announcement was made. Nokia could have offered some other means to save the factory”. Both more social democratic (SZ) and more libertarian media (HB) joined the critique:

„[cynical undertone] It is obvious that Nokia values Corporate Social Responsibility. Its website says: ‘For Nokia, responsibility means to consider how the firm affects society and environment and to act upon those consequences. As a market leader and global enterprise take our responsibility very seriously’. So seriously that the “market leader and global enterprise” ignores all protests and the cacophony surrounding the Bochum layoff simply by answering ‘Ei’, which is Finnish for ‘no’. Not to mention the attack-like announcement made to the 2,300 employees that their work is no longer needed. In short: an awkward way to communicate for the management of a communications firm.” (SZ on January 21st, 2008)

Second, our analysis suggests that the fact that Nokia had received public funding for its Bochum site enabled other actors to criticize Nokia’s decision. Closing down the site sparked a controversy because the decision violated taken-for-granted expectations concerning how firms taking public subsidies should behave. For example, Christa Thoben (Christian-conservative party CDU) wondered just few hours after Nokia’s announcement that “*given this amount of funding, why was this decision made?*” (Christa Toben in SZ on January 16th, 2008). Furthermore, initial threats to request public funding back from Nokia occurred, which resulted in re-claims of the funding money by politicians.

Dialectical interpretation and negotiation of ambiguous issues

We found that media attention to the Bochum case was sustained through two dialectical processes: ambiguity concerning rule violation and controversy over evaluating the decision.

Ambiguity concerning rule violation. The media attention to the case was sustained as different actors pondered on and disagreed over whether Nokia had violated some rules in making the decision to move close down the Bochum site. The first reactions from the media highlighted that Nokia's decision is within its sovereignty and that no rules had been violated.

“Liberal economies like Germany give firms the freedom to decide where they want to produce and under which conditions and which plants they want to close-down. Given that everybody respects the law, this is more or less a question of economic consideration, which indeed relate to profit maximization and increasing financial returns. This is exactly the reasoning provide by Nokia. They calculated and found that the Bochum site may be profitable today but its future prospects are dubious. In an industry that is extremely competitive and that is quick in squeezing out firms (file under Siemens and BenQ), it is normal to prevent future fallbacks. And this is what Nokia did. They are the world market leader but they have not always been a good perform” (DZ on January 18th, 2008).

On the contrary, many of the early reactions of politicians portrayed Nokia as a societal free rider, implying that Nokia had acted against implicit rules concerning public subsidy usage. Jürgen Rüttgers, the prime minister of North Rhine-Westphalia (Christian-conservative party CDU), claimed just a few hours after Nokia's announcement that Nokia is a “subvention locust”, a biological metaphor that describes both the actions of a company that moves from country to another in order to find public subsidies and the potentially drastic outcomes that such actions can cause for the local societies. On the following two days several other politicians from all parties and across local, national, and EU levels resorted to this frame in order to position Nokia and other ‘subvention hunters’ as enemies of Germany and EU.

"We have to do whatever is in our power against 'subvention locusts' says Martin Schulz, social democratic member of the EU parliament" (HB on January 18th, 2008).

At the same time, several other actors responded by paying attention to valuable contributions that Nokia had made to the society in the past. For example, the treasurer of the city of Bochum highlighted in an interview that *"the business tax income from Nokia exceeds the subsidies given to Nokia"* (HB on Jan 25th, 2008). Also Nokia representatives highlighted Nokia's contributions to the development of Bochum and the larger economic area.

Two weeks after this the state of North Rhine-Westphalia announced that Nokia may have violated the conditions set in the public subsidies contract. Originally Nokia had agreed to create 2680 permanent jobs in Bochum between 2000 and 2006. Yet, according to a spokesperson of the ministry of commerce at North Rhine-Westphalia, Nokia may have undercut this by 200 to 400 employees. Nokia responded to this initial threat by asserting that it had not violated funding rules:

"3200 people have worked for Nokia and for third parties [companies providing temporary workforce for Nokia] by average since 2001" (Nokia in HB and HS on February 7th, 2008)

The first more specific issue in this quarrel focused around the question of what is a 'permanent job'. Nokia took the standpoint that the temporary workforce that it had purchased from third parties should be counted to the number of jobs that it created locally. But the state of North Rhine-Westphalia asserted that only employees that were employed directly by Nokia are counted. Consequently, there was considerable ambiguity concerning how this particular detail in the subsidies agreement should be interpreted. Moreover, it was unclear which side would win if the matter would be solved in court.

Second, there was also confusion about which federal public subsidy guidelines apply to Nokia. In March 2008, Nokia reinforced its position by restating that it had created 3200 jobs and that this is in consent with the new federal guidelines for receiving public funding. The ministry of commerce of North Rhine-Westphalia rejected Nokia's position:

"Nokia refers to the new funding guidelines made in 2004. However, Nokia's obligations are defined by an earlier version of the funding rules." (HB on March 11th, 2008)

The dispute related to rule violation was not resolved during the controversy. Instead, it was sidelined from media attention as Nokia and the state of North Rhine-Westphalia reached an agreement on the matter in July 2008. According to the agreement both parties will invest 20 million in "Growth for Bochum" project, formed to develop possibilities for the creation of new jobs at Bochum. Veli Sundbäck dissociated this agreement from the issue of rule violation:

"Related to subsidies our point-of-view has not changed. We have acted according to the rules, and paying back the subsidies would have been wrong." (Veli Sundbäck in HB on July 4th, 2008)

Controversy over evaluating the decision. In addition to debates over Nokia's potential rule violation, different actors debated over whether the decision itself was legitimate. Actors drew primarily on two ideologies to evaluate the decision: the ideology of global capitalism and the ideology of welfare capitalism. The first was used primarily by Nokia, even though some other actors and the media itself drew on this ideology to highlight the decision's necessity for securing Nokia's competitiveness in the future.

"Nokia's dominance in the mobile phone markets is largely a result of Nokia's capability of manufacturing phones from all price segments with a better margin than its competitors, even when the average prices of mobile phones are

decreasing all the time. The decision to close down the Bochum site is one outcome of this pressure ... Another pressure for Nokia is the technological discontinuity in wireless communication which requires the company to shift its focus from manufacturing of mobile phones to the development and marketing of internet-based services.” (The editorial of HS on January 19th, 2008)

Labor representatives, national level politicians, and some newspaper articles used the ideology of welfare capitalism to juxtapose the decision with the clear fact that Nokia is a really profitable company.

”The Finnish company's decision has provoked indignation. The reasons for the public outrage are obvious: Nokia earns Euros 90,000 a year from each production worker - operating profit at Bochum runs at an annual 134 million Euros. Nevertheless, production will now be shifted to Romania. In the public's eyes, that is greed.” (German parliament member Herbert Schui (left-wing party Die Linke) in FT on February 11th, 2008)

Nokia responded to these accusations by taking the position that the profitability of the factory cannot be calculated as factories are cost centers, not profit and cost centers, in Nokia's accounting. When *Capital*, a German newspaper, referred to an internal report of Nokia to claim that the factory is profitable, Nokia responded that the calculations in the report are based on an equation made by OECD and the calculations are not related to the profitability of the factory.

”The numbers reflect the profitability of Nokia's global supply chain ... [The number] is an average, and the factory in Bochum has had a negative impact to this average.” (Nokia in HS on January 31st, 2008)

Actions for managing tensions

Our analysis also revealed that media attention was sustained through by two types of actions, scapegoating and reflexive reasoning. Scapegoating is a mode of action in which an

actor seeks to decrease ambiguity by assigning blame to one particular party and excluding other ways of interpreting the case. Reflexive reasoning is a mode of action in which an actor attempts to balance or form a synthesis between conflicting viewpoints through reflection and reasoning.

Scapegoating. The incongruences and confusions in framing Nokia and its decision were accompanied by reactions were the reactions of others were criticized, a form of political action that we refer to as scapegoating. Two types of scapegoating took place: representing politicians' reactions as populism and opportunism, and criticizing German press. First, all the investigated German newspapers criticized politicians portraying Nokia as a societal free rider for two reasons: the same politicians created the subsidies system that Nokia used and Germany is potentially one of the winners in globalization. Especially Jürgen Rüttgers' comments faced strong criticism.

“In these days, managements have become the scapegoats for many politicians. The latter blame the former as over-paid mercenaries or greedy egoists only because managements rely on economic laws and make strategic decisions. Understandably, managements points out that Europe has become a larger, international economy instead of an assembly of isolated national states. Moreover, they state that Germany lies within this economy and that formal border are no longer a burden on investing abroad. Therefore, a Finnish company is free to move its production from Germany to Romania as well. Thus, where are the mindful politicians, who discuss these matters reflexively? Who give a fair assessment of the implications of globalization and show the Germans that their country is still a winner of globalization despite even its less glamorous sides. Losing a job is just one side of globalization, although surely its least favourable” (SZ on January 21st, 2008).

Moreover, Handelsblatt took an active stance in the quarrel between Nokia and the state of North Rhine-Westphalia by pondering why local politicians reacted only now to Nokia's breach of subsidy related obligations, given that Nokia had reported its actions routinely to the state for years without objections from the politicians.

Second, Finnish media reacted to the overall controversy by highlighting that sustained attention of the German media on the Bochum case is unfair, populist, and unwarranted as the case is not extraordinary.

“The vast majority of [German] media, with the exception of business press, has succumbed to populism in the public discussion related to the Bochum-case. Without critique, the media has replicated the statements of politicians, in which Nokia has been stigmatized as ‘brutal’, ‘outrageous’, ‘disgraceful’, or as an advocate of ‘Neanderthal capitalism’ ... If the discussion on public subventions continues, it will turn out that the Bochum-case is both ordinary and low-profile. German firms have moved their production abroad without hysteria. Several international firms came to Germany with the help of subventions but stayed a shorter time.” (TE on January 25th, 2008)

Reflexive reasoning is a common way for managing dialectical processes. By taking into account the different points-of-view to the case and by seeking a synthesis or middle-ground between them, actors seek to reduce ambiguity. In the studied case, the media often engaged in reflexive reasoning in order to represent a balanced view on the controversy. For example, Financial Times represented the positions of the different parties in an article headlining its January 19th, 2008 paper:

“Peer Steinbrück, finance minister, accused Nokia, the world's largest mobile phone maker, of “caravan capitalism”, while a spokesman for Angela Merkel, chancellor, said she was expecting “more information” on Nokia's motives ... Economists, meanwhile, shook their heads at the fuss ... Nokia said labour costs

in Romania were only a tenth of those in Germany, and the country's expensive business climate had made it difficult to attract suppliers to sites near its Bochum factory ... [an economist] said that at times like these "Germans tend to forget that the country is actually a winner from both globalisation and EU enlargement" (FT on January 19th, 2008)

Also the Finnish press, especially *Helsingin Sanomat*, typically tried to find a balance between Nokia's position and the reactions of German labor union, politicians, and media. In addition to media, many national level politicians strived for a compromise in the controversy. For example, René Nyberg, Ambassador of Finland to Berlin, wrote in *Handelsblatt* that even though Nokia's decision has dramatic consequences, Nokia needs to stay profitable, and that both Germany and Finland actually are winners of globalization, thanks to a structural change towards knowledge intensive jobs. From the German politicians especially Angela Merkel, the chancellor of Germany (Christian-conservative party CDU), took an intermediary role in the controversy:

"The national government [of Germany] has joined the debate on the future of Nokia's Bochum site. Chancellor Angela Merkel asked the firm last Friday to disclose its motivations for closing down the site. Her spokesman Thomas Steg said 'Angela Merkel has many questions regarding Nokia's decision'. According to Steg, it is important to get the best out of it for the employees" (SZ on January 19th, 2008).

Legitimacy re-assessments

Sustained media attention on the Bochum case had significant implications for the categorization of Nokia. The previously common categorization of Nokia as a leader in the mobile phone market was replaced with a "villain" categorization as actors increasingly re-

assessed the legitimacy of Nokia's actions by associating Nokia with unfavorable strategic implications and unfavorable societal implications.

Unfavorable strategic implications. Several sources suggest that Nokia's decision was increasingly discussed in conjunction with unfavorable strategic implications. First, several field level experts criticized Nokia's manufacturing strategy. For example, Nokia's principle that manufacturing sites need to be located closely to the manufacturing sites of its subcontractors was criticized:

“Close settlements of suppliers and OEMs [original equipment manufacturers] make sense if logistics related costs are high. ‘That is the case in the automobiles industry but not in the cell phone market’ (Professor Horst Wildemann of the Technical University of Munich in HB on January 22nd, 2008).

Other experts casted doubt on the efficiency argument put forth by Nokia to justify moving the production from Germany to Romania. This line of argument highlighted that wage increases in Romania would soon outpace productivity increases, suggesting that the benefits of producing in Romania compared to Bochum would be questionable at the very least.

Second, as the media attention on the case was sustained, several actors asserted that Nokia's image in Germany would suffer. Germany used studies of a think tank to undermine that:

“Nokia wrecks its own image due to its insensitive communication. The market researchers at Psychonomics, who study how consumers assess 5500 brands, claim that Nokia had a solid value of 23 points but dropped to minus 22” (HB on January 25th, 2008).

Many rationalized that the image drop would drop Nokia's market share in Germany. *Helsingin Sanomat* wrote: *“At the end of last year, Nokia had a market of about 40 per cent in Germany. However, the closing down of Bochum site dropped it to 35 per cent” (HS on*

April 18th, 2008). Widespread public disapproval was discussed as the main driver of this drop.

Unfavorable societal implications. Several actors also linked the case with three problematic societal implications: the decision leads to protests, the decision causes unemployment and contributes to overall job migration trend, and the decision relates to the ‘Zeitgeist’ of globalization.

First, several articles highlighted the protest and job loss implications of Nokia’s decision. Protests against Nokia occurred over several months in our study. The most important protest was a rally against Nokia that was held at the production site in Bochum on January 22nd, 2008. Also national level politicians Hartmut Schauerte and Oscar Lafontaine (both belonging to left-wing party Die Linke) took part in the rally, which even attracted the attention of *Wall Street Journal*:

“Thousands of people marched through the western German city of Bochum to protest Nokia Corp.’s decision to close a manufacturing plant. Police estimated some 15,000 people took part in the demonstration in Bochum, in the Ruhr region, where the closure likely will result in the loss of 2,300 jobs.” (WSJ on January 23rd, 2008).

Second, German, Finnish, and international media alike mentioned in several articles the number of people to be laid off because of the decision. For example, *Handelsblatt* reported on them in the following way:

“Nokia’s decision now leads to hand-off of first employees. Among the affected are about 1,000 employees of Adecco and Randstand, two suppliers of temporary work, who will have to conduct layoffs starting this Monday, according to a spokesperson, although the firm may have already made redundant some

employees. Besides that, around 2,300 Nokia employees are threatened with unemployment” (HB on January 21st, 2008).

Over time, the number of laid off employees became a routinized part of the newspaper articles that described latest details in the overall controversy. Consequently, Nokia was associated with unemployment as long as the media sustained attention on the case. Several actors also suggested that Nokia’s decision at Bochum was but one decision within the larger trend according to which jobs migrate to regions with lower wage levels. For instance, in several articles that were published directly after Nokia’s decision as well as later in February, the media drew analogies between Nokia’s decision and the decisions of other firms such as Siemens, BenQ, and the automobiles manufacturer Opel. All of them had made similar decisions concerning site closedowns in Germany in the past.

Third, another group of actors suggested that Nokia’s decision was in line with a certain ‘Zeitgeist’ of globalization. The gist of this argument is that neither Nokia nor the cell phones market would be the only industries where job cuts would appear. Instead, globalization is all encompassing and would cost jobs in different sectors. For instance, in the Finnish media, formal high rank politicians Esko Aho⁴ and John C. Kornblum wrote that globalization has pushed society towards finding new structures, which would be needed to commensurate the structural changes implied by globalization (HS on February 22nd, 2008) whereas several well-regarded experts made similar statements in Germany. Professor Hans-Werner Sinn, one of the most renowned German economists, insisted that:

⁴ Later on, Esko Aho joined Nokia and its top management team, replacing Veli Sundbäck as the executive director of public relations.

"Employees in all industrial fields will have to fear for their jobs in the future"
(Hans-Werner Sinn in SZ on January 21st, 2008)

DISCUSSION: UNDERSTANDING ORGANIZATIONAL RECATEGORIZATION THROUGH PUBLIC CONTROVERSIES

Building on research that examines discursive legitimation in controversies following critical events (e.g. Patriotta et al., 2011; Tienari et al., 2003; Vaara et al., 2006; Vaara & Tienari, 2008) as well as on research investigating the characteristics of controversies that sustain media attention on them (Koopmans, 2004), we found that the public debate on controversial actions led to organizational recategorization of Nokia from a celebrity to a "villain". Our empirical analysis of an intensive and wide controversy concerning Nokia's decision to close down a production and R&D site in Bochum, Germany in 2008 revealed the enablers of this controversy, the processes that sustained media attention on the case, and the implications of this mediated controversy for the recategorization of Nokia.

The recategorization of Nokia through the mediated political controversies after Nokia's decision to close down its site in Bochum, Germany is an extreme case of organizational categorization. It focuses attention on the interplay between political processes and media attention and on their combined influence on the categorization of an organization. In our analysis, we found that an organization can become recategorized once media attention is sustained on the organization due to multiple audiences using diverse cultural codes to debate different ambiguous issues that relate to the case. Such wide controversies seem to emerge when organizational actions and audience expectations clash and immediate reactions of some relevant audiences spark media attention to the case. Initial media attention creates a 'discursive opportunity' (Koopmans, 2004) for other audiences to join the debate and to

foreground issues and perspectives that complement or contradict earlier ones. This expands and diversifies the spectrum of cultural codes which audiences use to re-assess the legitimacy of organizational actions and to categorize the organization as a whole. The increased number and heterogeneity of audiences participating, ambiguous issues, and cultural codes lead to increased media attention. Furthermore, this increased attention invites further audiences to join the controversy, increasing the heterogeneity of issues and perspectives debated and ambiguity concerning how to categorize the organization. Overall this process produces a self-reinforcing mediated controversy that over time can associate the organization with new legitimacy assessments and classify the organization as a “villain”. Figure 3 depicts this overall process.

--- insert Figure 3 describing the theoretical process model about here ---

Our model captures how a routine decision of an organization can lead to the emergence of mediated political controversy which is hard to control by any of the individual parties involved but which results in the recategorization of the organization. The model complements and extends existing work on organizational categorization in two ways. First, existing work on categorization processes has either focused to the actions of organizations through which they seek to self-categorize (Navis & Glynn, 2011; Wry, Lounsbury, & Glynn, 2011) or on the structural aspects in the categorization processes of critics through which they classify organizations into existing categories (Hsu, Roberts, & Swaminathan, 2012; Hsu, 2006a, 2006b; Pontikes, 2012; Zuckerman, 1999). Our study complements the earlier literature by focusing on the joint effect of political processes around organizations and media attention in producing organizational recategorization, a topic that Vergne and Wry’s recent review article asserted to be under-theorized (2014: 78–79). Second, our study extends

organizational categorization literature by investigating how diverse audiences classify an organization. Earlier studies have commonly focused to the role of critics in organizational categorization (Glynn & Lounsbury, 2005; Hsu et al., 2012; Hsu, 2006b; Rao, Monin, & Durand, 2005; Vergne, 2012; Zuckerman, 1999). However, our study shows that also other audiences matter for organizational categorization (see also Hsu, 2006a; Pontikes, 2012), especially during critical events.

LIMITATIONS AND FUTURE RESEARCH

Even though we believe that our study of the influence of mediated political processes for organizational recategorization makes important contributions to the scholarly literature on organizational categorization, two limitations need to be taken into account. First, we have paid only limited analytical attention to how critics categorized Nokia before, during, and after the controversy. We made this choice because we wanted to extend theory that focuses on the role that other audiences play in organizational categorization. Therefore, we focused on the process of categorization by different audiences (Pontikes, 2012). Moreover, by doing that, we hope that we have illustrated how different audiences matter for the classification of an organization and that organizational (re)categorization by other audiences than critics can have a direct impact on organizational performance (see also Pontikes, 2012). A second limitation of our study is that it investigates a single case, which might raise concerns over generalizability. While we think that future research should investigate the influence of political processes and media attention to organizational categorization in other contexts, we find no reason to argue that our findings would not apply to other cases. We have argued that controversies like this are enabled when an organization's actions clash with audiences' expectations and are driven forward by a recursive process between media attention and

dialectics. As such, our findings should apply to many different types of critical events, like environmental hazards, political scandals, or accounting frauds.

Our study opens up some interesting questions that future research could investigate. First, given that our case shows that media and field attention more generally play a role in organizational recategorization, scholars could give more attention to the role that attentional processes and field attention play in categorization processes more generally. Topics such as the emergence and fall of categories (Kennedy & Fiss, 2013) require the analyst to consider the conditions and mechanisms under which novel categories can reach wider attention or established categories fall from grace. Media is one particularly important attention ‘carrier’ (Ocasio, 2011) and mediated processes can play a role in category emergence as well (Kennedy, 2008). Second, the role of attention also brings forth the role of organizational agency in categorization processes. Studies in other domains highlight that organizations can sidestep institutional pressures (Oliver, 1991, 1997), or, at least, strike balances among them and their strategic intents (Deephouse, 1999). If particular audiences can draw public attention to organizational practices, then these works suggest that organizations may act strategically to hide defections from certain actors. Further research could examine such tactics, which seem quite ubiquitous in many organizations and governmental agencies like, by definition, secret services.

CONCLUSION

In this paper we focused on the combined role of external audiences’ political processes and media attention for organizational categorization. Our empirical analysis showed that an organization can become recategorized from a celebrity to a villain when a clash between organization’s actions and audiences’ expectations create a controversy where increasing

number of audiences, ambiguous issues and new cultural codes are brought to the controversy. Moreover, our findings imply that celebrity firms are particularly prone to infamy with severe costs when their actions cast them as exemplars for broader political issues or controversies (see also King, 2008). Celebrity firms need to pay particular attention to their actions as any controversy can turn into a public "battlefield" for political actors to fight over contentious issues.

REFERENCES

- Asforth, B. E., & Gibbs, B. W. 1990. The double-edge of organizational legitimation. *Organization Science*, 1: 177–194.
- Boltanski, L., & Thévenot, L. 2006. *On Justification: Economies of Worth*. (C. Porter, Tran.). Princeton, New Jersey: Princeton University Press.
- Corbin, J., & Strauss, A. L. 2008. *Basics of Qualitative Research* (3rd ed.). Thousand Oaks, California: Sage Publications.
- Deephouse, D. L. 1999. To Be Different, or to Be the Same? It's a Question (And Theory) of Strategic Balance. *Strategic Management Journal*, 20(2): 147–166.
- Deephouse, D. L., & Suchman, M. 2008. Legitimacy in Organizational Institutionalism. In R. Greenwood, C. Oliver, R. Suddaby, & K. Sahlin-Andersson (Eds.), *The Sage Handbook of Organizational Institutionalism*. London: Sage Publications.
- Devers, C. E., Dewett, T., Mishina, Y., & Belsito, C. A. 2009. A General Theory of Organizational Stigma. *Organization Science*, 20(1): 154–171.
- Durand, R., Rao, H., & Monin, P. 2007. Code and Conduct in French Cuisine: Impact of Code Changes on External Evaluations. *Strategic Management Journal*, 28(5): 455–472.
- Edmondson, A. C., & McManus, S. E. 2007. Methodological fit in management field research. *Academy of Management Review*, 32(4): 1155.
- Eisenhardt, K. M. 1989. Building theories from case study research. *Academy of Management Review*, 14(4): 532–550.
- Eisenhardt, K. M., & Graebner, M. E. 2007. Theory Building from Cases: opportunities and challenges. *Academy of Management Journal*, 50(1): 25–32.
- Fairclough, N. 1992. *Discourse and Social Change*. Cambridge, UK: Polity Press.
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. 2013. Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16(1): 15–31.

- Glaser, B. G., & Strauss, A. L. 1967. *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Hawthorne, New York: Aldine de Gruyter.
- Glynn, M. A., & Lounsbury, M. 2005. From the Critics' Corner: Logic Blending, Discursive Change and Authenticity in a Cultural Production System. *Journal of Management Studies*, 42(5): 1031–1055.
- Hoffman, A. J., & Ocasio, W. 2001. Not All Events Are Attended Equally: Toward a Middle-Range Theory of Industry Attention to External Events. *Organization Science*, 12(4): 414–434.
- Hsu, G. 2006a. Jacks of All Trades and Masters of None: Audiences' Reactions to Spanning Genres in Feature Film Production. *Administrative Science Quarterly*, 51(3): 420–450.
- Hsu, G. 2006b. Evaluative schemas and the attention of critics in the US film industry. *Industrial and Corporate Change*, 15(3): 467–496.
- Hsu, G., & Hannan, M. T. 2005. Identities, Genres, and Organizational Forms. *Organization Science*, 16(5): 474–490.
- Hsu, G., Roberts, P. W., & Swaminathan, A. 2012. Evaluative Schemas and the Mediating Role of Critics. *Organization Science*, 23(1): 83–97.
- Hudson, B. A. 2008. Against All Odds: A Consideration of Core-Stigmatized Organizations. *Academy of Management Review*, 33(1): 252–266.
- Jick, T. D. 1979. Mixing Qualitative and Quantitative Methods: Triangulation in Action. *Administrative Science Quarterly*, 24(4): 602–611.
- Johnson, C., Dowd, T. J., & Ridgeway, C. L. 2006. Legitimacy as a Social Process. *Annual Review of Sociology*, 32(1): 53–78.
- Joutsenvirta, M., & Vaara, E. 2009. Discursive (de)legitimation of a contested Finnish greenfield investment project in Latin America. *Scandinavian Journal of Management*, 25(1): 85–96.
- Kennedy, M. T. 2008. Getting Counted: Markets, Media, and Reality. *American Sociological Review*, 73(2): 270–295.
- Kennedy, M. T., & Fiss, P. C. 2013. An Ontological Turn in Categories Research: From Standards of Legitimacy to Evidence of Actuality. *Journal of Management Studies*, 50(6): 1138–1154.
- King, B. G. 2008. A Political Mediation Model of Corporate Response to Social Movement Activism. *Administrative Science Quarterly*, 53(3): 395–421.
- Koopmans, R. 2004. Movements and media: Selection processes and evolutionary dynamics in the public sphere. *Theory and Society*, 33(3-4): 367–391.
- Langley, A. 1999. Strategies for theorizing from process data. *Academy of Management Review*, 24(4): 691–710.
- Lee, T. W., Mitchell, T. R., & Sablinski, C. J. 1999. Qualitative Research in Organizational and Vocational Psychology, 1979–1999. *Journal of Vocational Behavior*, 55(2): 161–187.

- Lounsbury, M., & Rao, H. 2004. Sources of durability and change in market classifications: a study of the reconstitution of product categories in the American mutual fund industry, 1944–1985. *Social Forces*, 82: 969–999.
- Lounsbury, M., Ventresca, M., & Hirsch, P. M. 2003. Social movements, field frames and industry emergence: a cultural-political perspective on US recycling. *Socio-Economic Review*, 1(1): 71–104.
- Navis, C., & Glynn, M. A. 2011. Legitimate Distinctiveness and the Entrepreneurial Identity: Influence on Investor Judgments of New Venture Plausibility. *Academy of Management Review*, 36(3): 479–499.
- Negro, G., Hannan, M. T., & Rao, H. 2011. Category Reinterpretation and Defection: Modernism and Tradition in Italian Winemaking. *Organization Science*, 22(6): 1449–1463.
- Ocasio, W. 2011. Attention to Attention. *Organization Science*, 22(5): 1286–1296.
- Oliver, C. 1991. Strategic Responses to Institutional Processes. *The Academy of Management Review*, 16(1): 145–179.
- Oliver, C. 1997. Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views. *Strategic Management Journal*, 18(9): 697–713.
- Patriotta, G., Gond, J.-P., & Schultz, F. 2011. Maintaining Legitimacy: Controversies, Orders of Worth, and Public Justifications. *Journal of Management Studies*, 48(8): 1804–1836.
- Pontikes, E. G. 2012. Two Sides of the Same Coin: How Ambiguous Classification Affects Multiple Audiences' Evaluations. *Administrative Science Quarterly*, 57(1): 81–118.
- Rao, H., Monin, P., & Durand, R. 2005. Border Crossing: Bricolage and the Erosion of Categorical Boundaries in French Gastronomy. *American Sociological Review*, 70(6): 968–991.
- Rindova, V. P., Pollock, T. G., & Hayward, M. L. A. 2006. Celebrity Firms: The Social Construction Of Market Popularity. *Academy of Management Review*, 31(1): 50–71.
- Santos, F. M., & Eisenhardt, K. M. 2009. Constructing Markets and Shaping Boundaries: Entrepreneurial Power in Nascent Fields. *Academy of Management Journal*, 52(4): 643–671.
- Seo, M.-G., & Creed, W. E. D. 2002. Institutional Contradictions, Praxis, and Institutional Change: A Dialectical Perspective. *Academy of Management Review*, 27(2): 222–247.
- Smith, A. D. 2002. From Process Data to Publication: A Personal Sensemaking. *Journal of Management Inquiry*, 11(4): 383–406.
- Suchman, M. C. 1995. Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20(3): 571–610.
- Thompson, J. B. 1990. *Ideology and Modern Culture: critical social theory in the era of mass communication*. Cambridge, UK: Polity Press.
- Tienari, J., Vaara, E., & Björkman, I. 2003. Global capitalism meets national spirit: Discourses in media texts on a cross-border acquisition. *Journal of Management Inquiry*, 12(4): 377–.

- Tost, L. P. 2011. An Integrative Model of Legitimacy Judgments. *Academy of Management Review*, 36(4): 686–710.
- Vaara, E., & Tienari, J. 2008. A Discursive Perspective on Legitimation Strategies in Multinational Corporations. *Academy of Management Review*, 33(4): 985–993.
- Vaara, E., Tienari, J., & Laurila, J. 2006. Pulp and Paper Fiction: On the Discursive Legitimation of Global Industrial Restructuring. *Organization Studies*, 27(6): 789–813.
- Van de Ven, A. H., & Poole, M. S. 1995. Explaining Development and Change in Organizations. *The Academy of Management Review*, 20(3): 510–540.
- Vergne, J.-P. 2012. Stigmatized Categories and Public Disapproval of Organizations: a Mixed-methods study of the global arms industry, 1996-2007. *Academy of Management Journal*, 55(5): 1027–1052.
- Vergne, J.-P., & Wry, T. 2014. Categorizing Categorization Research: Review, Integration, and Future Directions. *Journal of Management Studies*, 51(1): 56–94.
- Weber, K., Heinze, K. L., & Desoucey, M. 2008. Forage for Thought: Mobilizing Codes in the Movement for Grass-Fed Meat and Dairy Products. *Administrative Science Quarterly*, 53(3): 529–567.
- Williamson, H. 2008, May 14. Crossed lines between Germany and Finland; Nokia is accused of mishandling a factory closure in Bochum. *Financial Times*, 14. London, England.
- Wry, T., & Lounsbury, M. 2013. Contextualizing the categorical imperative: Category linkages, technology focus, and resource acquisition in nanotechnology entrepreneurship. *Journal of Business Venturing*, 28(1): 117–133.
- Wry, T., Lounsbury, M., & Glynn, M. A. 2011. Legitimizing Nascent Collective Identities: Coordinating Cultural Entrepreneurship. *Organization Science*, 22(2): 449–463.
- Wry, T., Lounsbury, M., & Jennings, P. D. 2013. Hybrid Vigor: Securing Venture Capital by Spanning Categories in Nanotechnology. *Academy of Management Journal*. <http://amj.aom.org/content/early/2013/11/25/amj.2011.0588>, January 7, 2014.
- Zhao, E. Y., Ishihara, M., & Lounsbury, M. 2013. Overcoming the Illegitimacy Discount: Cultural Entrepreneurship in the US Feature Film Industry. *Organization Studies*, 34(12): 1747–1776.
- Zuckerman, E. W. 1999. The Categorical Imperative: Securities Analysts and the Illegitimacy Discount. *American Journal of Sociology*, 104(5): 1398–1438.

TABLE 1
Data and its use in the analysis

Type of data	Description	N	From time period	Use in the analysis
Articles in German newspapers				
<i>Süddeutsche Zeitung (SZ)</i>	Leading German daily newspaper	48	2/1999 - 1/2011	Identifying the different events that related to the overall controversy, identifying the actions of different actors in the controversy, forming a table of the key actions of different groups of actors by triangulating across newspapers, utilizing the data to move inductively to theory-informed themes and aggregate dimensions (see Figure 1), producing a process model describing organizational recategorization (see Figure 2).
<i>Handelsblatt (HB)</i>	Leading German daily business newspaper	80	1/2008 - 7/2009	
<i>Die Zeit (DZ)</i>	Leading German weekly newspaper	14	1/2008 - 3/2010	
Articles in Finnish newspapers				
<i>Helsingin Sanomat (HS)</i>	Leading Finnish daily newspaper	82	12/1998 - 10/2013	Same as above
<i>Kauppalehti (KL)</i>	Leading Finnish daily business newspaper	11	1/2008 - 5/2009	
<i>Talouselämä (TE)</i>	Leading Finnish weekly business newspaper	7	4/2007 - 10/2013	
<i>Suomen kuvalehti (SK)</i>	Leading Finnish weekly newspaper	2	1/2008	
Articles in international newspapers				
<i>Wall Street Journal (WSJ)</i>	Leading international business newspaper	9	1/2008 - 7/2008	Same as above
<i>Financial Times (FT)</i>	Leading international business newspaper	11	1/2008 - 9/2008	Same as above
<i>International Business Times (IBT)</i>	Leading online business newspaper	3	1/2008 - 2/2008	Same as above
<i>Articles in total</i>		267		
Nokia's press releases related to the closing down the Bochum site		20	3/1995 - 5/2008	Same as above
Nokia's press releases related to other organizational restructuring decisions		239	06/1992 - 10/2011	Familiarizing with the organizational context, distinguishing the overall quantity and quality of divestments, site shutdowns, and other organizational restructuring decisions that Nokia made between 1992 and 2011, comparing the decision to close down Bochum site against the tens of decisions made earlier.
Nokia' external and internal reports		30	1995 - 2012	Familiarizing with the organizational context, familiarizing with Nokia's history in Bochum.

TABLE 2
Aggregate dimensions, second-order themes, first-order categories, and data.

Second-order themes and first-order categories	Representative data example
Aggregate dimension: enablers of the controversy	
1. Nokia signals commitment to the decision	
A. Announcement to close down the factory	A1. "Nokia today announced plans to discontinue the production of mobile devices in Germany and close its Bochum site by mid-2008... The planned closure of the site in Bochum is estimated to affect approximately 2,300 Nokia employees." (Nokia's press release Jan 15th, 2008)
B. Commitment to the decision	B1. "Our decision is based on facts and rigorous deliberation." (Nokia spokesperson Arja Suominen in HS on Jan 17th, 2008) B2. Almost one-and-a-half year after the announcement of the decision, Nokia spokesperson Arja Suominen answers to the question of whether the uproar in Bochum, Germany, was a surprise: "It was not. It was a business decision, that needed to be done. We cannot prefer short term reputation over long term reputation" (KL on May 5th, 2009)
2. Violating system trust	
C. Nokia's lack of communication	C1. "'Connecting people' – the slogan of the world's largest cell phone manufacturer Nokia must sound like pure mockery to the employees of the Bochum site". (HB on January 18th, 2008). C2. CEO Olli-Pekka Kallasvuo: "We were surprised by the reactions. We did not want this. In fact, we should have communicated it much better" (HB on January 23rd, 2008) C3. Pohjoisranta, a communications consultancy, criticizes Nokia's communications in the case. (KL on March 17th, 2008)
D. Threat the request funding back	D1. The federal state announces that it may reclaim the subsidies provided to Nokia (HB on March 12th, 2008)
E. Requesting funding back	E1. Government demands Nokia to payback 1,3 million of R&D-subsidies (HS on July 28th, 2008)
Aggregate dimension: Dialectical interpretation and negotiation of ambiguous issues	
3. Ambiguity concerning rule violation	
F. No rule violations	F1. Dieter Fleskes, member of social-democratic party SPD in Bochum, claims that Nokia has paid more business tax to the area than the subventions were (SZ January 18th, 2008)
G. Funding rules violated	G1. Peer Steinbrück, minister of finance (Social-democratic party SPD), claims that "this is 'caravan capitalism' and many of us know that these actions undermine our understanding of the economy and the society" (SZ on January 18th, 2008, SK and HS on January 19th, 2008) G2. A lawyer specialized in public affairs assesses that Nokia might lose the potential law-suit against the state of North Rhine-Westphalia as "it is usually defined that the jobs have to created at the focal firm and not at suppliers" (HB on March 11th, 2008)
H. Funding rules not violated	H1. Nokia says that it has exceeded the conditions set for the public funding provided by the state of North Rhine-Westphalia, both in terms of investments and number of jobs created. (HB and HS on February 7th, 2008) H2. Nokia reclaims that it will not pay back the subsidies which it received from the state of North Rhine-Westphalia. Nokia says it is "convinced that the state bank and state government will not achieve the outcome they wish". (HS on February 20th, 2008)

TABLE 2
Continued

Second-order themes and first-order categories	Representative data example
<i>4. Controversy over evaluating the decision</i>	
I. Sustainable competitiveness is important	I1. "The planned closure of the Bochum production site is necessary to secure Nokia's long-term competitiveness ... Due to market changes and increasing requirements for cost-effectiveness, production of mobile devices in Germany is no longer feasible for Nokia. It cannot be operated in a way that meets the requirements for global cost efficiency and for flexible capacity growth. Therefore we have to make this tough decision." (Nokia's press release on January 15th, 2008)
J. Nokia is a profitable company	J1. Gisela Achenbach, IG Metall's representative, says that this is hard to understand as the factory was profitable. (HB and HS on January 16th, 2008) J2. <i>Capital</i> writes that according to a Nokia internal report Nokia's factory in Bochum made 134 million Euros profit during 2007 (DZ and HS on January 31st, 2008)
K. Impossible to calculate the profitability of the factory	K1. "As Nokia has previously stated, the Bochum plant's reported profitability for tax purposes is based on transfer pricing guidelines recommended by the Organisation for Economic Cooperation and Development and recognised by the European Union. Under this approach, Nokia's manufacturing sites are cost centres, not profit and loss entities. Thus, Mr Schui's calculation of operating profit per employee at Bochum is erroneous and misleading." (Nokia's Veli Sundback in FT on February 13th, 2008)
<i>Aggregate dimension: Actions for managing tensions</i>	
<i>5. Scapegoating</i>	
L. Politicians' reactions as populism and opportunism	L1. <i>Die Zeit</i> describes the reactions of politicians criticizing Nokia as sarcasm, given the fact that the same politicians created the subsidies system that Nokia used (DZ on January 18th, 2008) L2. Lothar Späth, former Prime Minister of the state of Baden-Württemberg (Christian-conservative party CDU), writes a guest column in <i>Handelsblatt</i> and calls politicians who criticize Nokia to gain votes as populists (HB on January 23rd, 2008)
M. Criticizing German press	M1. In a column, a journalist implies that the reactions of Germans to the Bochum-case are inappropriate compared to the modest reactions of Finnish people to Siemens' decision to close a factory in Espoo, Finland. (HS on January 24th, 2008) M2. <i>Helsingin sanomat</i> criticizes the overall controversy because the Bochum case has fewer implications than the closing of a Opel factory in Uusikaupunki, Finland in 1992 (HS on April 4th, 2008)
<i>6. Reflexive reasoning</i>	
N. Moderate political reaction	N1. Angela Merkel remembered her talk with OP Kallavuo. "I said to him that employees possibilities after such a quick and immediate layoff are limited". "One must not forget that these decisions influence individual people and their futures. Of course Nokia has built a factory in the area and provided the people work for many years, but it [Nokia] has also caused them a major disappointment." (HS 2008-02-19)
O. Moderate media reaction	O1. <i>Handelsblatt</i> discusses Nokia's decision as a "typical strategic decision" and states that <i>Handelsblatt</i> had predicted already three years ago that cell phone manufacturers will shift production to outside of Germany (HB 18.1.2008)
<i>Aggregate dimension: Legitimacy re-assessments</i>	
<i>8. Unfavorable strategic implications</i>	
P. Criticizing Nokia's supply chain management	P1. Professor Günter Schuh (RWTH Aachen) criticizes Nokia's supply chain management strategy. He questions especially the cost reduction potentials arising from relocating production to Romania (HB on January 22nd, 2008)
Q. The decision will damage Nokia's image and sales in Germany	Q1. "Nokia's brand equity has dropped from a pole position in the group of cell phone manufacturers almost to the end" (HS on February 7th, 2008) Q2. GfK, Germany's leading market research institute, reports that Nokia's share in the German mobile phone market dropped from 44 to 36 per cent in the first seven months of 2008. This drop costs Nokia more than the Bochum layoff (HB on November 11th, 2008).
<i>9. Unfavorable societal implications</i>	
R. Nokia's decision leads to protests	R1. The social-democratic party SPD launched "No Nokia so nicht" ["No Nokia, you cannot do this!"] petition online on January 16th, 2008. Only two days later, 7,800 people had signed the petition, expressing their critique towards Nokia's decision. (HS on January 18th, 2008, and SK and HS on January 19th, 2008) R2. The city of Bonn decommissions 400 Nokia mobile phones (HB on January 25th, 2008).
S. Nokia's decision causes unemployment and contributes to overall job migration trend	S1. <i>Financial Times</i> describes the case as "one of the biggest one-off shifts of jobs from western to eastern Europe". (FT on January 16th, 2008) S2. In 2009, German media reported the number of ex-employees who were still looking for a job. (DZ on January 29th, 2009, HB on July 9th, 2009) S3. In 2009, Finnish media interviews Nokia's ex-employees in Bochum. They describe Nokia as a "subsidies hoarder" and a symbol of greed (HS September 9th, 2009)
T. Nokia's decision exemplifies Zeitgeist in times of Globalization	T1. "We fear that this trend is going to continue and further jobs will be cut in communication technologies" (August Wilhelm Scheer, the president of a powerful industry association BITKOM, in HB and SZ on January 21st, 2008) T2. EU politician Günter Verheugen, at that time European Commissioner for Enterprise and Industry, acknowledged the need for organizational restructuring in times of globalization while bemoaning Nokia's "cult-like belief in share value" (SZ on January 21, 2008).

FIGURE 1
Data structure



