The Broad vs. the Pointed Brush: Status Change, Stigma and Blame Following Fast Organizational Failure

Agnieszka Nowinska
Copenhagen Business School
INO
an.ino@cbs.dk

Kristina Vaarst Andersen
University of Southern Denmark
vaarst@sam.sdu.dk

Mark Lorenzen
CBS
ml.ino@cbs.dk

Abstract

This paper explores labor market mechanisms of intra-professional status change following fast organizational failure. We undertake a case study of a collapsed high-profile bunker oil company, selected on account of its failure’s scale, speed, and organizational and geographical heterogeneity. Using unique hand-collected qualitative and quantitative data, we examine the careers of the organization’s displaced employees. At odds with extant theory on stigma, we do not find any general status loss. We explain this by the fast decline and aftermath after bankruptcy of this particular organization, allowing insufficient time for a stigmatization mechanism. We find that displaced employees most prone to status loss are those having worked organizationally and geographically proximately to the locus of the organization’s failure. We suggest that in lieu of stigma, status change is driven by a mechanism of blame, i.e. perceived culpability of those displaced employees with comparatively strong association to organizational failure. Comparing this new theoretical notion with the extant notion of stigma, we suggest that while both are mechanisms compensating for imperfect information, stigma entails weaker association to failure and hence ‘taints with a broader brush’ compared to blame’s ‘pointed brush’.
Organizational change may be both adaptive and disruptive, the latter bearing the risk of failure and exit (Amburgey et al., 1993). Organizational failure has been studied from many angles (Mellahi and Wilkinson, 2004), and one stream of research focuses on its potential adverse effects on the intra-professional status of displaced employees. Since professional status impacts negotiation power when displaced employees search for new jobs in the same industry, status loss may lead to career disadvantages. Status loss after organizational failure has been studied in diverse organizational contexts such as banks (Canella et al., 1995), law firms (Rider and Negro, 2015), filmmaking (Pontikes, Negro, & Rao’s, 2010) and energy (Jensen, 2006). This research has suggested that an influential mechanism of intra-professional status loss is that potential employers stigmatize displaced employees on account of their ‘mere association’ (Goffman, 1963) to a failed organization (Sutton & Callahan, 1987; Canella et al., 1995; Semandeni et al., 2008; Rider & Negro, 2015).

Extant research has paid little attention to how mechanisms of status change may be influenced by the nature of organizational failure. Aiming to remedy this neglect, this paper integrates literature on status change and stigma with literature on organizational decline. We investigate two phases of organizational failure, decline and aftermath, and suggest that the faster they are, the less likely it is that status change will be driven by stigma. Since stigmatization is a social mechanism of industry stakeholders ‘de-individuating’ displaced employees and building disapproval, it necessitates time to interact, exchange information, and construct shared perceptions (Goffman, 1963; Devers et al., 2009). Furthermore, as stigmatization is moderated by signals sent by managers and employees before they were displaced, it is also conditioned by how much time they had to react to organizational failure. Extant research on intra-professional status change after organizational failure has addressed organizational failures with declines and aftermaths sufficiently prolonged for mechanisms of stigmatization to play out. The resulting theorizing has not addressed status change mechanisms following fast organizational failure.

We ask the research question What drives intra-professional status change following fast organizational failure? To answer this question, we investigate a conspicuous empirical case of fast organizational failure: The bunker oil trading company OW Bunker, experiencing bankruptcy after only four months of decline and with the majority of its employees finding new work before a month after being displaced. Using a mixed-methods study design combining interviews with hand-collected employment data, we pay particular attention to how the nature of this organizational failure, as well as industry contingencies, influence mechanisms of status change of displaced employees. We find that status loss in the case of OW Bunker is not driven by stigma, but rather by what we call a mechanism of blame, i.e. perceived culpability of those displaced employees with comparatively strong association to organizational failure. Comparing this new theoretical notion with the extant notion of stigma, we suggest that while both are mechanisms compensating for imperfect information, stigma entails weaker association to failure and hence ‘taints with a broader brush’ compared to blame’s ‘pointed brush’. We discuss boundary conditions for blame as a dominant status change mechanism following organizational failure, and point to the role not only of speed, but also of organizational and geographical heterogeneity of failure, as well as nature of social capital in the industry context.
STATUS CHANGE FOLLOWING ORGANIZATIONAL FAILURE

In the following, we integrate literature on status change with literature on organizational decline, in order to build a conceptual point of departure for our empirical case study. We first summarize literature on status change and stigma following organizational failure. Subsequently, we investigate the nature of organizational failure, arguing that fast organizational decline and short aftermath do not facilitate stigmatization. We point to the need for undertaking new empirical work in order to build theory on the status change mechanisms operating after fast organizational failure.

Organizational Failure, Displacement and Status Change

The ultimate organizational failure is the declaration of bankruptcy, an organization’s involuntary and non-strategic exit (Headd, 2003). One particular issue related to organizational failure has been subject to recent research attention: How it impacts the status and careers of displaced employees. An organization’s exit is followed by intra-professional labor market matching between displaced employees searching for new employment in the same industry and potential new employers taking advantage of the opportunity to recruit available industry processinals (Phillips, 2001). When displaced employees search for a new job, they may experience intra-professional status change in the guise of obtaining a new job at a different salary, at a different hierarchical level, in a different-status firm or geographical location (or, in the extreme case, not obtaining new employment in the industry at all).

Extant research unanimously find that displaced employees suffer intra-professional status loss following an organizational failure. A negative effect of organizational failure on executives’ careers was found by Semadeni et al (2008) across industries. Sutton and Callahan (1987) found a “spoiled organizational image” and strong negative on effect on career opportunities following organizational failure of four computer firms. Cannella et al. (1995) compared the careers of managers from existing and failed Texan banks, and found that managers from the latter suffered status loss. Rider and Negro (2015) found evidence of diminishing cumulative career advantages for partners in a failing law firm. Finally, Singh et al. (2015) contributed to this research stream by showing that former entrepreneurs from failed ventures lost status not only with creditors, banks and potential new employers, but even with their families.

Intra-professional status change is the result of bargaining during the job application process. The lower the relative bargaining power of job applicants, the more likely is their loss of status (Phillips & Sorensen, 2003). Bargaining power of displaced employees is influenced by two factors. First, it may be low simply because the first-best employment option has failed, leaving this particular category of job applicants with fewer alternatives to pursue (Rider & Negro, 2015). Second, which we focus on in our analysis, bargaining power is influenced by how potential new employers evaluate displaced employees’ probable future performance (Beckman, Phillips, Beckman, & Phillips, 2005; Blau & Duncan, 1967; Phillips, 2001). Such an evaluation may take its cues from signals specific to the individual, or to a group to which s/he belongs. We shall deal with these two types of signals in turn.

Individual Signals and Human Capital

The most fundamental input to how a potential employer evaluates a job applicant’s probable future performance is the applicant’s individual human capital. Since information on human capital is often imperfect, potential employers take advantage of particular signals (Bidwell, 2011).
Education. Formal educational background is a signal about an applicant’s skills and may raise status (Spence, 1973). The reputation of the educational institution may increase this effect. (Rider and Negro, 2015).

Position and tenure. Since past performance of a job applicant, including participation to successful projects and centrality in networks (Washington and Zajac, 2005) is difficult to assess, potential employers may see managerial position and/or tenure in the former job as a signal of past performance.

Resignation before failure. An important determinant of future performance will be the job applicant’s sagacity in the guise of perceptiveness, moral, and good judgment. This is particularly difficult to evaluate for a potential employer, but an early voluntary resignation from an organization that failed later may be taken as a strong signal of sagacity (Semadeni et al., 2008). Conversely, employees who remain with a failing organization and end up displaced may be evaluated to lack good judgment and/or the ability to succeed in securing an outside option before it was too late (Jensen, 2006).

Group Specific Signals and Stigma

The very fact that an employee has worked in a failed organization may cause status loss (Amankwah-Amoah, 2016; Rider & Negro, 2012). Failure, especially if it receives widespread attention, leads to status loss for an organization (Jensen, 2006), and such status loss has been shown to spill over to their employees (Amankwah-Amoah, 2016; Rider & Negro, 2015a). When there is a risk that hiring displaced employees will lower the status of new employers, potential employers are prone ‘de-individuate’ such job applicants and evaluate them as a group: Those affiliated with a failed organization and hence potentially ‘contagious’ (Devers et al., 2009). The group-specific signal of having worked in a failed organization hence lowers bargaining power.

Extant literature on stigma has analyzed this mechanism in more detail and describes a two-stage process from an organization’s failure to the potential stigmatization and status loss of its displaced employees. The process is enacted by industry stakeholders in the guise of professionals, employers, investors, and industry observers (Washington and Zajac, 2005; Devers et al., 2009; Bitektine, 2011) – what Goffman (1963) calls the industry’s “audience”. First, after the failure of an organization, industry stakeholders form individual perceptions on the organization and its failure, including whether it may have deviated from generally accepted norms. Second, when stakeholders exchange perceptions on the failed organization, they "compare their emergent perceptions and triangulate on a common perception" (Ashforth and Humphrey 1997, p. 54). Over time, such shared perceptions may converge into an institutionalized disapproval of the failed organization, stigmatizing the entire group of its displaced employees. This ‘virtual social identity’ of displaced employees may very well deviate from their ‘actual social identity’ (Goffman, 1963). Nevertheless, the stigma impacts their bargaining power when applying for a new job: Potential employers are likely to de-individuate them on the basis on how other stakeholders in the industry are likely to perceive them (Devers et al., 2009).

Individual signals of human capital may moderate the effect of stigma. Education is likely to counterbalance it. Rider and Negro (2015) found that a prestigious educational background (attending an Ivy League law school) of displaced employees counterbalanced their status loss. Conversely, managerial position may moderate stigma’s effect positively: Not only are managers formally accountable for organizational failure, they are also, given their access to information and influence in decision-making, likely to be particularly strongly stigmatized by industry stakeholders (Sutton & Callahan, 1987; Jensen, 2006; Semadeni et al., 2008). In their study of Texan bank managers,
Cannella et al. (1995) found that status loss after organizational failure increases with managerial rank. On the other hand, status loss is reduced when the reason for the organizational failure is arguably beyond managerial control. Resignation before failure may negatively moderate the effect of stigma. Semadeni et al. (2008) found that that the timing of resignation from failed organizations moderated the negative status effect for displaced employees: the closer to the failure they resigned, the more their subsequent careers suffered.

Stigmatization is a social process that requires industry stakeholders to interact and exchange opinions. The process of converging upon shared perceptions of a particular failed organization is also subject to political negotiation. The majority of stakeholders in an industry often have shared interest in appearing less flawed themselves by stigmatizing particular others (Link & Phelan, 2017; Zanna & Olson, 1994, Goffman, 1963). However, some stakeholders often have particular interest in stigmatization, or influencing who attracts a stigma. This is the case, for example, when public authorities gain legitimacy through responding to public health risks by shutting down businesses perceived as associated with spreading an infection (Hudson & Okhuysen, 2009), or when a company gains status by publicly denouncing a competitor (Jensen, 2006). Conversely, some stakeholders may have special interest in “normalizing” an organization that others see it as flawed, because stigmatization would potentially rub off onto that stakeholder Goffman (1963).

As outlined above, extant research has studied status change after dramatically different cases of organizational failure. However, scant attention has been paid in this literature to how the nature of organizational failure may influence the mechanisms of status change and stigma. In the following, we will address this issue.

**FAST ORGANIZATIONAL FAILURE**

The public record of an organization’s failure is the declaration of bankruptcy. Before and after the date on which the organization seize to exist as a separate legal unit, there are distinct phases of, respectively, decline and aftermath (Baum & Mezias, 1992; Hambrick & Aveni, 1988; Rider & Negro, 2015b; Thornhill & Amit, 2003) (Sheppard, 1994, 1995). We investigate these two phases below, with particular attention to how their speed may affect status change and stigma.

**The Phases of Organizational Failure**

**Decline.** Organizational decline can be attributed to misalignment between the organization and its environment (Mellahi & Wilkinson, 2004; Sheppard & Chowdhury, 2005). The speed of the decline and whether it ultimately results in bankruptcy depends on changes in the external environment in combination with endogenous factors and the ability to respond in an appropriate manner (Amankwah-Amoah, 2016)(D’Aveni, 1989a, 1989b, 1990). Given a sudden and extreme misalignment between an organization and its environment, decision makers may not be able to adjust at all (Sheppard & Chowdhury, 2005). However, even under gradual decline, materializing as a downward spiral, management may fail to appropriately adjust its strategy, given a lack of resources or myopic behavior (Hambrick & Aveni, 1988; Sheppard & Chowdhury, 2005; Weitzel & Jonsson, 1989). For some employees, gradual decline provides the impetus for resigning. As mentioned, having done this early in the decline phase may be a strong signal of sagacity later.

**Aftermath.** The aftermath after bankruptcy is characterized by the industry’s adjustment to the exit of the organization (Amankwah-Amoah, 2016). Early in the aftermath is an immediate response by stakeholders in direct contact with the failed organization to salvage as much as possible: Suppliers and customers attempt to recoup deliveries and payments, and competitors attempt to conquer market
shares and secure valuable resources abandoned by the bankrupt organization. One such valuable resource is the employees displaced by the organizational failure. Since many such employees also start looking for new jobs immediately following bankruptcy, the early aftermath is a time of job ‘reshuffling’ and labor market matching. As mentioned, the bargaining position of displaced employees during this process may be impacted by stigma, arising from industry stakeholders attempting to adjust and reach a cohesive understanding of the failure during the aftermath (Amankwah-Amoah, 2016). Perceptions and stigmas may continue to change later in the aftermath if there is protracted legal procedures and new information emerge about the organization and its decline.

Fast Failure

Extant research has focused on organizational failures with slow declines and aftermaths. For example, in the organizations studied by Rider & Negro (2012) and Semadeni (2009), employees exited both before and after bankruptcy, and continued to find jobs during a long aftermath. The studies by Jensen (2006) and Sutton & Callahan (1987) also illustrate long aftermaths during which gossip and media attention fed stigmatization of organizations and their displaced employees. Many failures, however, happen fast (D’Aveni, 1989a, 1989b). In the following, we shall investigate how speed of failure impacts status change, pointing out that fast declines and aftermaths do not facilitate the mechanism of stigmatization.

Fast decline. The speed of organizational decline determines the availability and effectiveness of some of the individual signals influencing status change for displaced employees. As mentioned, on the one hand, managers of a failed organization who did not adjust strategy in time may be seen by potential employers as responsible for the failure. On the other hand, employees who resigned well ahead of bankruptcy may be viewed by potential employers as particularly sagacious. These individual signals hinge upon decline being gradual, so that capable managers and sagacious employees will have the time to respond, adapt, or resign (Mellahi, 2005; Sheppard & Chowdhury, 2005; Weitzel & Jonsson, 1989). Given unexpected events, particularly exogenous, decline may be so sudden that there is insufficient time for managers to avert bankruptcy. Consequently, managerial position will be a less valuable signal for potential employers to evaluate probable future performance of displaced employees. A sudden decline also makes it difficult for employees to resign well ahead of bankruptcy, and even sagacious employees will be displaced. Given fast decline, there will be no early resignations signaling to future potential employers.

Fast aftermath. The speed of the aftermath after bankruptcy determines whether stigmatization is likely. Stigmatization hinges upon industry stakeholders forming shared perception of a failed organization. If job ‘reshuffling’ and matching between displaced employees and potential employers happens before industry stakeholders have had sufficient time to interact and exchange information, stigma is unlikely to arise and drive status change of displaced employees. The speed of job reshuffling and matching depends on the level of competition on the labor market. High competition, i.e. a scarcity of industry professionals, will not only enhance the bargaining power of job seekers in general, it is also likely to move potential employers to swiftly hire employees displaced by organizational failure (Marx, Strumsky, & Fleming, 2009; Marx, 2011). In order to take advantage of the rare availability of hiring industry professionals after an organization’s failure, employers will seek to pre-empt competitors (Amankwah-Amoah, 2016). This may happen before any shared perceptions and stigma of these employees have formed across the industry.

In sum, for fast organizational failures, status change of displaced employees is unlikely to be driven by stigma. As mentioned, extant research on intraprofessional status change after organizational
failure has addressed organizational failures with declines and aftermaths sufficiently prolonged to allow for mechanisms of stigmatization. The resulting theorizing has not addressed status change mechanisms following fast organizational failure. In order to contribute to new theory building on what drives intra-professional status change following fast organizational failure, the remainder of the paper will investigate a conspicuous empirical case.

METHODS

Our purpose is to understand status change mechanisms for displaced employees and how they relate to the nature of organizational failure, taking into account factors that may condition such mechanisms. For this purpose, we undertake a case study in sufficient depth to be able to inspire theory development. We select a conspicuous case of fast organizational failure in an industry setting sufficiently small and mature so as to allow us to discern relationships and causalities.

Research Setting

As research setting we chose the global bunker oil industry. Employing approximately 4,500 people worldwide, this industry deals with reselling of marine fuel oil in large quantities (bunker). The bunker oil industry is a suitable setting for three reasons.

The bunker oil industry is subject to organizational failure. The industry is very competitive and firms undertake significant risk. Bunker oil firms are service intermediaries between fuel suppliers and operators or owners of ships in the global shipping industry and typically have two core activities. One is trading, acting as middle man between sellers and buyers of bunker oil. This is a high volume undertaking demanding significant capital, but involving modest risk: Trading happens fast, so margins are low but well known in advance. Another is physical supply: Proactively buying large stocks of oil for later resale. This has higher margins, but because it ties capital in large quantities of bunker oil for longer time, it is subject to oil price fluctuations and hence entails higher risk. In addition to core activities, to raise their profits in a highly competitive industry, some bunker oil companies with financial credibility speculate in providing credit to resellers of oil with less financial support. Of such activities, a credit sleeve deal, where one company provides credit to another on the basis of this company’s future sales, is particularly risky, because it (analogously to certain practices in the financial sector) speculates in future prices. Repayment of such credit hinges upon the credit taker’s reselling the oil at an expected price, and if oil prices drop below this level, both companies in the deal lose money. Even if such auxiliary practices are not uncommon in the bunker oil industry, they are rarely flagged publicly.

The bunker oil industry relies on industry professionals. Since oil is a highly standardized commodity, the competitiveness of bunker oil firms depends on quality of speed of the service they provide. Hence, knowledge and social relations of traders are significant strategic assets. Successful traders hold knowledge of the financial dynamics of global interest rates and oil prices is required. They also have an extensive local knowledge of suppliers and buyers along with their requirements on product quality, price or delivery terms. As a trading manager explained it during our interviews (for an overview of our method, see below):

In the past five years I have been very much limited to the Middle East in our trading with the customers and suppliers I was dealing with. So my level of expertise is the highest here in the Middle East. So you can say that my value as a trader would not be as high in e.g. Northern Europe as it would be in the Middle East.
Traders capitalize on, and build trust through, their personal relations to suppliers, buyers and banks. As a CEO of a bunker trading firm put it:

In order to do business we need money and relations.

During the reselling negotiations, there is a practice of “last call” in which a trader commits to sell oil at a particular price only to a particular buyer. The industry severely penalizes any attempt of opportunistic behavior in cases of not respecting such agreement. According to one bunker trader:

In this industry with such thin margins your reputation is almost everything. We are all selling the same oil, it all smells and it is all black. There is no change there. You can only make a difference by your market reputation and your financial stability.

Thus apart from its credit capacity in guise of credit lines at partnering banks, the most strategic assets for any bunker oil trading firm is its employees, and in particular its traders and trading managers, undertaking core activities of trading and physical supply, as well as auxiliary activities of credit. Because of the industry specificity of their knowledge as well as social relations, traders and managers who seek alternative employment are likely to do so within the bunker oil industry, and consequently, their employers often implement non-compete clauses in their work contracts.

The bunker oil industry is globally distributed. Bunker oil operations and job markets are truly global, with bunker oil firms having subsidiaries in the world’s important shipping hubs, most strongly in the top-tier hubs of Singapore, Hamburg, Dubai, Antwerp and Texas. Given this geographical and organizational distribution, the industry is a useful setting for studying status change as proxied by job transition into less prestigious firms and geographical locations. Furthermore, as shall be evident when we present our findings, the industry is a useful setting for studying discernable differences in status change across organizational and geographical distance.

Case Selection

As case, we selected the Danish company OW Bunker that filed for bankruptcy in 2014. OW Bunker was founded in 1980, and prior to its failure, it was a market leader in the bunker trading industry. Holding well over 10% of the global market for bunker oil trade at the end of 2013, the firm had 622 employees (of whom about 205 were in reselling as trainees, traders or managers at different levels) spread across 29 offices worldwide (including all of the highly prestigious trade hubs) and owning 30 operating supply ships. In March 2014, OW Bunker finalized the second most successful IPO in recent Danish stock exchange history, but only six months later, in November, the firm filed for bankruptcy.

The failure of OW Bunker happened fast: To the public and most of its investors, the company’s decline was unknown until two days before the declaration of bankruptcy. To the vast majority of its employees, the decline was just as unexpected, and all were displaced immediately. Due to the fast and unexpected character of its failure, the case OW Bunker can be seen as a useful quasi-experiment for studying status change mechanisms in the vein of the study by Rider and Negro (2015): The treatment, i.e., failure, is not administered by us as researchers, but we are able to identify heterogeneity in individual outcomes.

Data Collection

In order to build a rich narrative of the nature and mechanisms of status change of displaced employees of OW Bunker and how these relate to the nature of the firm’s failure as well as industry context, we use a mixed-methods study design combining interviews with hand-collected employment data.
Interviews. We undertook interviews between February and June 2015, shortly after OW Bunker’s bankruptcy. Using a semi-structure protocol, the interviews aimed at providing insight into 1) The nature of OW Bunker’s failure and its industry contingencies, and 2) Displaced employees’ and potential new employers’ perception of whether and how the particularities of OW Bunker’s failure impacted displaced employees’ careers. Sampling interviewees amongst displaced OW employees, we intended to include both genders, as many nationalities as possible, all hierarchical levels and geographical workplaces in the organization, and various industry and extra-industry backgrounds. We also attempted to sample both displaced employees who found new employment within the industry and those (few) who moved outside. The variation in the sample of our interviewees (former employees of OW Bunker) is presented in the Table 1 below.

Table 1. Demographics in the sample of interviewees

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Frequency among interviewees (total of 19)</th>
</tr>
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<tbody>
<tr>
<td>Trader (remainder= manager)</td>
<td>12</td>
</tr>
<tr>
<td>Danish (remainder=other nationality)</td>
<td>10</td>
</tr>
<tr>
<td>Located in OW Bunker Singapore</td>
<td>3</td>
</tr>
<tr>
<td>Remainder in the industry</td>
<td>14</td>
</tr>
<tr>
<td>Promoted</td>
<td>6</td>
</tr>
<tr>
<td>Experience at OW Bunker&gt;= 60 months</td>
<td>8</td>
</tr>
<tr>
<td>Other industry experience</td>
<td>4</td>
</tr>
<tr>
<td>Other experience</td>
<td>16</td>
</tr>
</tbody>
</table>

In addition to these 19 interviews with displaced OW Bunker employees, we undertook three additional interviews with potential and new employers. We used a snowballing strategy in order to identify these. They are all C-level executives who have or could have been involved in the decision to hire displaced OW Bunker employees. We promised confidentiality to the interviewees, and recorded and transcribed interviews (undertaken in English, French and Polish), all except one interview included a single interviewee, and lasted from 10 to 90 minutes.

Quantitative Data. We further hand-collected quantitative data on the career trajectories of 207 (of an estimated total 230) core front-office employees directly involved in trading at OW Bunker. We identified all employees in trading-related positions at OW Bunker at the time of bankruptcy, as follows. First, we identified all subsidiaries; subsequently, we identified all employees within each subsidiary by name. We used company websites (e.g., http://www.dynamicoiltrading.com/contact-singapore.php) for this identification. Second, we relied on industry media releases, industrial reports and qualitative interviews with former traders and managers (see above) to complement and verify the quality of the data. If a name that was not on the original list was mentioned in the written material or in an interview, we investigated further, and if that person was indeed an employee at OW Bunker at the time of the bankruptcy, we added it. The outcome of this iterative process was a list of all former OW Bunker employees and their subsidiary affiliation at the time of organizational failure. We then collected detailed personal information on the education, professional experience and employment location of every former employee on this complete list (this list included all front-office bunker/fuel/derivatives worldwide and physical traders employed by OW Bunker at the time of the organizational failure). Our primary source of data collection in this phase was the LinkedIn networking platform. Thanks to its widespread use among professionals in the industry, we managed to retrieve detailed self-reported information on most former OW Bunker employees’ backgrounds and careers. Due to incomplete information, we excluded 8 observations from the final data set. Furthermore, 9 former employees did not have LinkedIn accounts. We gathered complete information on 4 of these. In total, we excluded 13 former employees from the data set due to incomplete
information. The result of the data-collection process is a dataset consisting of observations on 207 individuals. Of these, 5 are junior trainees, 108 traders (52%), 25 senior traders (12%) and 69 managers (33%). To enhance the quality of our data, we obtained documents written for the IPO and internal records listing former employees in total and by occupational category (reselling, administration, seagoing personnel and operators). We compared the total number of former employees and the distribution by occupational category from these two sources with our data and found only minor variations. The IPO and the internal records were drafted 6 to 12 months before the organizational failure; therefore, we needed to ensure that the distribution across categories remained consistent at the time of the failure. We presented selected interviewees with the former employees’ distribution across categories in our data, and they assessed it as correct. Based on these verification processes, we regard the data as representative of the population of all trading employees at OW Bunker at the time of the failure.

**Data Analysis.** We implement a pretest–posttest design to investigate the status change of former OW Bunker employees after organizational failure. The ideal setup for quasi-experiments would be based on a differences-in-differences framework with a control group. In our case, the whole bunker oil industry is treated by the bankruptcy of the market-leading OW Bunker. It is likely that the sudden supply of job seekers on the market immediately after the failure of OW Bunker will have a negative effect, if any, on the propensity of employees of the competing firms to change jobs in the study period. Consequently, we cannot identify a suitable control group. To estimate the average turnover of employees within the bunker oil industry is close to impossible. The total number of fuel, bunker and derivatives traders worldwide is close to 4,500, but this group encompasses traders with various industry affiliations, such as bunker trading and other types of fuels. It is difficult to distinguish between the different trading industry affiliations; thus, it is more than challenging to isolate traders moving to another employer within the bunker oil industry from traders moving to other, related industries. However, the widespread use of non-compete clauses in traders’ contracts creates substantial friction in the labor market and allows us to expect turnover within the industry to be relatively low. According to our best knowledge, local regulations, except in the State of California, support non-compete clauses. The long average career duration at OW Bunker (65 months) corroborates the generally low turnover rates. Since the failure of OW Bunker was exogenous and largely unexpected by employees and the market, we advance that subsequent moves and changes in employees’ careers are a direct result of the collapse.

**RESULTS**

**The Decline of OW Bunker**

In 2012 established its second subsidiary in Singapore, as an independent firm called Dynamic Oil Trading (DOT). In 2014 a subsidiary of the same name was also created in Dubai. The Singaporean subsidiary DOT was dealing with the most competitive local market, and was highly involved in profitable, high-risk credit-related activities auxiliary to OW Bunker’s trade and physical supply activities elsewhere. While highly profitable for OW Bunker, DOT was not flagged as a part of OW Bunker to industry observers, and its status was opaque to even OW Bunker employees. A displaced OW Bunker manager explained:

We have always been told that Dynamic Oil trading was a star inside OW Bunker. We didn’t know that it was owned by OW Bunker, we thought it was a sister company. We were told that they had and average earning of $20 or $15 per ton, where the average earning of OW Bunker was $8.5. … Of cause when you know that the average earning of the two biggest in the world – World Fuels and OW Bunker – was around $8.50 per ton, then there is fraud or some kind of
hanky-panky involved. It was used internally to push the traders to earn more, earn more because if Dynamic Oil trading can do it, you can do it.

DOT’s profits were registered as a part of OW Bunkers Risk Management portfolio, and consequently, after 2012, this rapidly became an important profit center inside OW Bunker. A displaced manager from OW Bunker provides a good description of the situation:

They [Risk Management] are supposed to just be blank, but they actually earned $20 million. That means it is such a big part of the success of OW that it was demanded that this $20 million was earned your after year.

OW Bunker entered 2014 with strong results from DOT and the Risk Management division. This exceptional performance was leveraged for boosting the success of OW Bunker’s IPO that same year. On March 28th 2014, the company successfully finalized its IPO with 780 million USD regarded by experts as one of the most successful in the recent history of the Danish stock exchange and largely commented on by local and global media1. However, the first periodic report after the IPO brought in unexpected tensions. The same displaced manager as above elaborated:

I think the pressure from the IPO came in the sense that they [the shareholders] were demanding the same earnings from the company as the year before. When you have earned $20 million on something that is not created to earn money, but to secure money and provide safety - then there is an issue.

It became difficult to sustain the exceptional level of results, as the large-scale credit deals in the Risk Management division and undertaken largely by DOT required increasing financial resources. In an attempt to secure extra credit, OW Bunker executives requested their long-time partnering bank to increase the extent of credit lines. The partner refused. As result, mid 2014, OW Bunker decided to end the cooperation with that bank and instead started working with a consortium of 13 banks with limited experience in the bunker oil industry, more willing to provide the wanted credit. With credit lines smoothened up, DOT was able to secure a deal in August 2014 of 120 million USD in Singapore with Tanker Oil Marine Services (TOMS), a long-time reselling partner of DOT. Later referred to as “Far East deal”, this was a credit sleeve deal, based on the expectation the then stagnant oil prices would go up and that TOMS (the sleeve provider) would be able to resell oil at a high price, repaying the credit to DOT and securing significant profits for both parties. Unfortunately, instead of rising, the oil prices plummeted, making it impossible for the partner to resell the product at a profit.

This created a fast cascading decline with TOMS, DOT, and consequently OW Bunker. At the end of August, declining oil prices made TOMS unable to meet its contractual requirements and, in consequence, OW Bunker took security in the firm. In October, OW Bunker issued a public notice that its Risk Management division had incurred a 25 million USD loss and publicly informed about a downgrade in the expected performance in the reporting period. Following the statement, on October 7th, creditors started to opt out from the banking consortium and the stock prices fell. The loss kept on growing and reached 120 million USD. Nevertheless, in the beginning of November, OW Bunker had managed to reestablish confidence among the remaining banks in the consortium and a positive feedback of financial institutions towards OW Bunker refinancing. Only a few days later, however, OW Bunker’s headquarters received a message from DOT Singapore that TOMS had gone bankrupt and triggered a range of margin calls among investors. Hence, the Far East Deal had incurred an additional loss of 120 million USD. The same day, due to a continued drop in oil prices, the total loss reached 250 million USD. All trading activities were stopped by a management notice to employees and a press release declaring the halt of all trading activities was issued. The announcement surprised the employees at their everyday activities, another trader said:

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1 Full list of related press releases is available upon request.
During a business lunch I got the email that all trading activities had to be stopped. I told the business partner, that he would have to pay for lunch, because I had the feeling that my credit card would not work anymore.

Upon the cease of trading activities, some of employees never came back to the office, some still came in in the following week. This period was described by a trader:”

There was no more coffee, no more anything, we were just happy there was toilet paper. Then our credit cards were rejected. We could not use the company credit card anymore. So we’re not doing anything. We are just happy that they didn’t lock all our mobile phones down.

On November 7th, Ow Bunker filed for bankruptcy. Industry stakeholders were surprised, as the extent of the decline was not communicated publicly before the press release. The bankruptcy also came as a shock to the employees of the firm, mostly unaware of how serious the threat, looming from the end of August, was to the organization over the past month. A trader remembered this moment:

So basically, when the company went belly up it was obviously, for all of us, a massive, massive, massive surprise, it was a shock.

A manager corroborated;

You could see that nobody had the emergency planned. Nobody could foresee this because it had been a very successful company, a very structured company.

**The Aftermath of OW Bunker’s Bankruptcy**

**Job ‘reshuffling’ and labor market matching.** While the late aftermath is still ongoing in 2017 along with legal battles with suppliers and customers of OW Bunker, immediately after the OW Bunker collapse, from November 7th on, started an intensive period of hunting for new jobs by displaced OW Bunker employees and hiring by firms in the market. The collapse of such a big industry player created a rare situation in the bunker oil industry: The sudden availability of hundreds of highly experienced industry professionals free of non-compete clauses. As a result, potential employers scrambled in to hire displaced OW Bunker employees. As a trader puts it:

We were free [of non-compete clauses]. The market obviously knew that so we were approached by, I think at least six companies within the first week.

Another trader corroborates:

A lot of competitors within shipping and trading were contacting all of us. They wanted to hire us … it was customers and competitors. Generally in the shipping industry all people know each other.

The process was very fast. As a manager (S) described it

You could feel that there were some companies that were really interested in hiring us, and then there were companies that really needed to hire us. So this company that really needed to hire us was extremely aggressive. They gave me a contract for the ten people, including myself, which was valid for two hours”. Another one corroborated: “So Friday evening, on the 7th the announcement of the bankruptcy was out, and on Saturday around 10 o’clock in the morning I was sitting in the garden of my current employer agreeing on the terms. So in less than 24 hours I had a job.

Table 2 below illustrates the fast speed of job reshuffling during the aftermath of OW Bunker’s failure. Almost 30% of all displaced employees remaining in the industry were already in their new job after a month after OW collapse, 73% at 2 months. Full employment was reached within 9 months period after the collapse.

**Table 2 Time to new job (in months) for employees after OW Bunker collapse (count)**
<table>
<thead>
<tr>
<th>Time to first job (months)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>44</td>
<td>29.14</td>
<td>29.14</td>
</tr>
<tr>
<td>1</td>
<td>67</td>
<td>44.37</td>
<td>73.51</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
<td>6.62</td>
<td>80.13</td>
</tr>
<tr>
<td>3</td>
<td>12</td>
<td>7.95</td>
<td>88.08</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>2.65</td>
<td>90.73</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>1.32</td>
<td>92.05</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>5.30</td>
<td>97.35</td>
</tr>
<tr>
<td>9</td>
<td>4</td>
<td>2.65</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>151</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Hiring strategies employed by potential employers.** In the early aftermath of OW Bunker’s failure, employers used various strategies in order to hire displaced employees. Some attempted to hire former employees in functional teams and, after a trial period, only keep the best ones, what the industry called a warehousing strategy. A manager, who negotiated a contract for a whole team, explained:

I first realized that I was pretty sure I could get a job on my own, but I also knew the bunker industry and I knew the value of OW, which was quite high in the sense that we [our team] were number one and we were beating everyone every day.

Nevertheless, some of employees hired as team were eventually to let go upon a trial period. A senior executive from OW Bunker competitor, involved in hiring some former OW Bunker employees, summed the second wave of transitions in the labor market as follows:

And we can also speak from competition that some contracts have been terminated or changed the by own free will and stuff and like that so it’s you know yeah.

This preemptive and active employers’ strategy required a fast decision making as well as substantive financial resources.

Another hiring strategy hinged upon personal relations between potential employer and displaced employees, enabling one of them to reach out to the other. For example, a trader explains:

I am now at (firm X), who I contacted myself, because I had a friend who was already working here.

Another trader shared a story of how his girlfriend, having worked in the same industry but different country, resigned from her work to join him in his working location in the immediate period preceding OW Bunker collapse. Immediately upon the announcement of the bankruptcy, her former boss, a competitor known personally by the trader in question reached out to them. The trader related their conversation:

He said “My friend, I think you are going to be out of a job by the end of the week.” I said “I think so too. So would you be interested in hiring me?” He said “Yes. I have your girlfriend’s old job and I have a job on the risk management team if you want it.” Then I said “Why don’t you just open up an office here in (location)? You don’t have one yet and your strongest competitor has vanished and maybe we can do the same trick for you.

Another trader summed up her potential use of personal relations in order to get a job within the industry:

I can go out and call 200 people and know they will remember me … lot of competitors within shipping and trading were contacting all of us. They wanted to hire us.
Furthermore, indirect relations or a referrals by a third party were used as a strategy for employers and employees in their respective hiring and hunting. As a trader puts it:

Negative people come in every day and fail to perform. When we know that they are not going to run the extra mile, when should another company then hire this person, when they know that they are lazy?

Finally, a grapevine strategy was commonly used by employers in decisions whether they should hire a former OW Bunker employee based on employees’ reputation and other information. A trader mentioned such effect in the context of the job search and employers attitude towards former OW Bunker employees:

No one forgot the reputation we had before we went bust.

A manager corroborates:

Everybody I speak to in the bunker industry and shipping industry can vouch for the employees. It is like a quality stamp. OW Bunker employees were actually of a high standard and they are still regarded as very highly skilled people.

Such effect of reputation was not only present in the immediate period after the bankruptcy. Its effects are long lasting and convey a potential for a differential performance of former OW Bunker employees in their new jobs. As a trader puts it:

I can still use it today when I speak to clients or speak to new clients, sometimes I use the phrase “I used to work with OW”, because OW had a really good name and still has it, even though this happened to OW. If you present yourself to a client and say “I used to work at OW”, then something opens up.

The above hiring strategies are different ways of evaluating the probable potential of job seekers displaced by OW Bunker’s failure. Whereas warehousing relies on actually testing out job seekers to obtain information about them, relying on personal relations, or on grapevine information, operate under imperfect information. Below, we analyze status change arising from the sum of the hiring strategies of potential employers, and investigate which mechanisms drives this status change.

**Status Change of Displaced OW Bunker Employees**

Some displaced OW Bunker employees chose to remain passive, given the substantial the amount of offers from potential employers during the very first days after the bankruptcy. A trader explains:

None of us really approached the market. We all kind of were approached by competitors almost immediately. As a team we had an offer from [company A], then another from [company B], so we were not nervous about where to go. We were more overwhelmed that we were getting approached by so many companies and it was exciting. So okay, I knew this [the bankruptcy] was happening behind us in OW, but it is nice to know that we have this support from competitors.

Others actively searched for jobs for themselves or others: from arranging contracts for whole teams to move to referring a colleague. The outcome of the job ‘reshuffling’ and labor market matching was fast. Speaking for a whole office of displaced OW employees, a trader explains:

We found a new employer and within four weeks we had a new job basically and started in the same office. We made a deal with the curator to buy the interior and we [OW] were sitting in brand new office space, so we could just start up there again, plug and play.

Another trader corroborates that a trend of finding a new job for former OW Bunker employees was general:

80% of all of my colleagues are having a job, I know for sure. Maybe even 90%, but I know for sure 80% is having a job.

A CEO of the biggest OW Bunker competitor explained the motivation behind hiring displaced OW Bunker employees:
It is not just that hiring those employees will add from day one to the profit, but it is a good investment because OW and OW employees always have had a good reputation" and elaborated further “Yeah, I think definitely the companies that could take immediate benefit of the OW situation is or are companies that have the financial power to do so and that can be taking on people (or) whole teams.

A senior manager from a different competitor stated regretted missed opportunities with hiring former OW Bunker employees:

We should have been more aggressive or more yeah or more aggressive in that case but (company name) is trying to always you know recruit the process to get the right calculations’.

Another senior executive from a competitor who didn’t hire any former OW employees elaborated on a potential immediate gain of buyers coming along with traders:

But, others did, so they went with it, but you know.

The result of such evaluations by potential employers of the probable future performance of displaced OW Bunker employees was that the latter in general obtained high-status jobs within the industry. A trader sees it thus:

Most of the OW ex-employees went for similar level or similar type positions.

Some displaced employees even benefitted from a status increase in the guise of promotions or pay increases. A manager exemplifies this trend while talking about the hiring dynamics in his former team:

And to be honest, they got tremendous, tremendous pay increases, all of these seven people. So that was very positive and very good for them.

Another manager puts it more bluntly:

For many, it was a step up.

The descriptive statistics confirm that most of the traders and managers remaining in the industry did either get into jobs at a similar hierarchical level of even experienced a promotion. The majority found new employment at the same hierarchical level as they had held at OW Bunker, approximately 20% were promoted, while only approximately 11% were demoted. However, the hierarchical dimension of the move is not the only characteristic of a potential status loss. We further assess the extent of status by combining such hierarchical change (demotion, status quo, demotion) with the characteristics of the employer characteristics: standardized number of offices worldwide and the standardized number of time the employer appears in general and industry press releases prior to November 2014. These employer characteristics serves as proxy for employer status. We deliberately attribute weight to the various components of such scale measure so that the hierarchical dimension primes. The scale variable is called “status change” and takes values between zero and one, where values closer to zero denote a severe status loss. Table 3 shows the full extent of status change all OW bunker trade related employees upon leaving OW bunker with the use of the scale variable.

Table 3. Occupational category and the summary of the extent of employees’ status change

<table>
<thead>
<tr>
<th>Occupational category and OW Bunker</th>
<th>Summary of the extent of employees’ status change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trader</td>
<td>Mean 0.26  Standard deviation 0.24  Frequency 101</td>
</tr>
</tbody>
</table>
Table 3 demonstrates that traders land at slightly better jobs overall, as compared to the managers even though the standard deviation from the mean is also higher as compared to the managers. The difference in means is significant at 0.005 level. The descriptive statistics on both: hierarchical dimension of the move and the latter along with employers characteristics capturing the extent of status change are largely in line with interviewees’ perception that themselves and their former colleagues were very attractive to industry competitors and that they all have landed good jobs in the wake of OW Bunker collapse. However, some displaced OW Bunker employees did not do equally well. A trader indicates:

There are a few people here and there lagging behind, having a tough time finding a new job.

Another trader provided an indication on which employees would be at risk of status loss after OW Bunker’s failure:

The top management, which played a role in both cases and then a few employees who maybe crossed the line of what is right and wrong. So out of a company (…) maybe a handful of them caused the bankruptcy. The rest of the people they were skilled in whatever they were doing in the company.

A third trader points out that the displaced employees who had been most closely associated with the organizational failure were most likely to suffer status loss:

Then all the people that have been in the media with their name, they are not able to find a job.

The most prominent signal in the media as to the locus of OW Bunker’s failure was the firm’s own press release on November 5:

FRAUD IN SINGAPORE SUBSIDIARY: ADDITIONAL SIGNIFICANT RISK MANAGEMENT LOSS. The senior management of OW Bunker has today been informed about a fraud committed by senior employees in the Singapore-based subsidiary Dynamic Oil Trading (DOT) … The above events affects OW Bunker's operations and credit facilities.

DOT, and particularly DOT Singapore, was singled out as a distinct locus of OW Bunker’s failure. We take advantage of this organizational and geographical heterogeneity of OW Bunker in analyzing the distribution of status loss and test for the status effects of a displaced employee having worked proximately to failure, i.e. employment in DOT in general, and DOT Singapore in particular. Adhering to extant theory on stigma, we also test for the effects of tenure, and for holding a managerial position in general. Table 4 demonstrates the extent of status loss with the use of the variable combining the characteristics of vertical move and new employers for all employees that correspond to the indication of possibly vulnerable former OW Bunker employees: former DOT employees and managers. This Table complements the statistics provided in the Table 3 including also the frequencies of former employees becoming unemployed so expanding the analysis of intra-professional status change.

Table 4. Management and DOT employees’ and the summary of the extent of status change

<table>
<thead>
<tr>
<th>Summary of the extent of employees’ status change</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Frequency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOT in the industry</td>
<td>0.04</td>
<td>0.03</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>DOT Unemployed</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>2</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>(total DOT =9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4 demonstrates that the mean of status change of former DOT employees is significantly lower than the overall number and also lower than the one of managers. Also the Chi-Square test of association demonstrates that the frequencies of demotion experienced by former DOT employees are higher than the expected ones. Logically, the trend is inversed for the pattern of promotions of these employees. Concluding, the two groups of employees: former DOT employees and managers have been relatively more exposed and experiences status losses. In order to confirm these findings in a more robust way, we further used the quantitative data and run a series of regression analysis. We first used the three level ordinal variable (0-demotion, 1-status quo, 2-promotion) and run a multilogit analysis including a dummy for management and an ordinal variable for DOT (0- not related, 1- DOT in Dubai or employee in Singapore, 2-DOT in Singapore) as independent variables along with a set of controls related to experience, education, nationality. The findings are displayed in the Table 5 below.

### Table 5 Ordered Logit, DV: demotion/status quo/promotion

<table>
<thead>
<tr>
<th>Demotion/status quo/promotion</th>
<th>M1</th>
<th>M2</th>
<th>M3</th>
</tr>
</thead>
<tbody>
<tr>
<td>experience at bankrupt firm</td>
<td>0.0474 (0.21)</td>
<td>0.430 (1.85)</td>
<td>0.368 (1.45)</td>
</tr>
<tr>
<td>education</td>
<td>0.590** (2.17)</td>
<td>0.656* (1.86)</td>
<td>0.605* (1.72)</td>
</tr>
<tr>
<td>other industry experience</td>
<td>0.163 (0.88)</td>
<td>0.431* (1.93)</td>
<td>0.408* (1.78)</td>
</tr>
<tr>
<td>other experience</td>
<td>0.128 (1.23)</td>
<td>0.322*** (2.68)</td>
<td>0.321*** (2.78)</td>
</tr>
<tr>
<td>M</td>
<td>0.186 (0.45)</td>
<td>0.432 (0.84)</td>
<td>0.357 (0.70)</td>
</tr>
<tr>
<td>Danish=1</td>
<td>-0.959** (-2.46)</td>
<td>-0.510 (-0.91)</td>
<td>-0.509 (-0.91)</td>
</tr>
<tr>
<td>move to a high status location</td>
<td>-1.244*** (-3.20)</td>
<td>-1.354*** (-3.13)</td>
<td>-1.546*** (-3.23)</td>
</tr>
<tr>
<td>scale publications</td>
<td>0.255 (0.50)</td>
<td>0.0661 (0.10)</td>
<td>-0.0634 (-0.09)</td>
</tr>
<tr>
<td>scale location</td>
<td>-1.656 (-0.97)</td>
<td>-1.638 (-0.83)</td>
<td>-1.663 (-0.82)</td>
</tr>
<tr>
<td>position at bankrupt firm=1</td>
<td>-1.900** (-2.21)</td>
<td>-1.921** (-2.23)</td>
<td></td>
</tr>
<tr>
<td>proximity to fraudulent subs =1</td>
<td>-0.298 (-0.46)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>proximity to fraudulent subs =2</td>
<td>-0.939** (-2.02)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cut1</td>
<td>-1.744*** (-3.35)</td>
<td>-1.341** (-2.17)</td>
<td>-1.706** (-2.42)</td>
</tr>
<tr>
<td>cut2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The findings were largely consistent and significant. Interestingly, the measure capturing the tenure at OW Bunker, even though it is positive, thus suggesting some positive effects and increased likelihood of a status gain, remains insignificant in the full model. Furthermore, we replaced the rough measure of the hierarchical move with the scale of combined characteristics of the latter and new employer and run a linear regression analysis. The results presented in Table 6 below corroborated a strong negative correlation between being a manager and a part of DOT Singapore and the likelihood of a status gain.

### Table 6 Linear regression. DV combined measure of characteristics of the vertical move and employer’s characteristics

<table>
<thead>
<tr>
<th>Combined DV: hierarchical move and employer characteristics</th>
<th>M1</th>
<th>M2</th>
<th>M2</th>
</tr>
</thead>
<tbody>
<tr>
<td>experience at bankrupt firm</td>
<td>0.0217</td>
<td>0.0534**</td>
<td>0.0374</td>
</tr>
<tr>
<td></td>
<td>(1.02)</td>
<td>(2.58)</td>
<td>(1.59)</td>
</tr>
<tr>
<td>education</td>
<td>0.0774**</td>
<td>0.0762**</td>
<td>0.0627</td>
</tr>
<tr>
<td></td>
<td>(2.59)</td>
<td>(2.23)</td>
<td>(1.73)</td>
</tr>
<tr>
<td>other industry experience</td>
<td>0.0143</td>
<td>0.0358</td>
<td>0.0286</td>
</tr>
<tr>
<td></td>
<td>(0.61)</td>
<td>(1.45)</td>
<td>(1.18)</td>
</tr>
<tr>
<td>other experience</td>
<td>0.0203</td>
<td>0.0327**</td>
<td>0.0320**</td>
</tr>
<tr>
<td></td>
<td>(1.32)</td>
<td>(2.55)</td>
<td>(2.34)</td>
</tr>
<tr>
<td>male</td>
<td>-0.0666</td>
<td>-0.0433</td>
<td>-0.0601</td>
</tr>
<tr>
<td></td>
<td>(-1.49)</td>
<td>(-0.80)</td>
<td>(-1.09)</td>
</tr>
<tr>
<td>Danish</td>
<td>0.0268</td>
<td>0.0569</td>
<td>0.0532</td>
</tr>
<tr>
<td></td>
<td>(0.61)</td>
<td>(1.21)</td>
<td>(1.10)</td>
</tr>
<tr>
<td>move to a high status location</td>
<td>-0.103</td>
<td>-0.0995</td>
<td>-0.150**</td>
</tr>
<tr>
<td></td>
<td>(-1.54)</td>
<td>(-1.48)</td>
<td>(-2.44)</td>
</tr>
<tr>
<td>Manager at OW Bunker</td>
<td>-0.147**</td>
<td>-0.147**</td>
<td>-0.147**</td>
</tr>
<tr>
<td></td>
<td>(-2.42)</td>
<td>(-2.51)</td>
<td>(-2.51)</td>
</tr>
<tr>
<td>DOT Dubai or OW Bunker Singapore</td>
<td></td>
<td>-0.0971</td>
<td>-0.0971</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-1.57)</td>
<td>(-1.57)</td>
</tr>
<tr>
<td>DOT in Singapore</td>
<td></td>
<td>-0.226***</td>
<td>-0.226***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-4.84)</td>
<td>(-4.84)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.160**</td>
<td>0.106</td>
<td>0.183**</td>
</tr>
<tr>
<td></td>
<td>(2.38)</td>
<td>(1.29)</td>
<td>(2.04)</td>
</tr>
</tbody>
</table>

| N                                                          | 151      | 151      | 151      |

In order to exclude that our results are driven by a selection of employees into jobs in the industry, or other individuals leaving the industry (alternatively becoming unemployed), we additionally run a Heckman selection model that largely confirms that our findings are not biased.
DISCUSSION

One fundamental finding in our empirical study aligns with extant theory on intra-professional status change after organizational failure: Individual signals, in the guise of managerial position, matter for status change for displaced OW Bunker employees. According to theory, managerial position is a signal of accountability for failure, and consequently, potential future employers evaluate the probable future performance of displaced OW Bunker managers as comparatively low, resulting in career disadvantages and status loss.

We also find that group-specific signals matter. However, at odds with extant theory, these signals do not drive stigma: There was no general status loss for all displaced employees as a result of their association with a failed organization. Instead, status loss was confined to employees having worked proximately to the DOT subunit inside OW Bunker. In the following, we shall theorize the nature of this status change, propose a mechanism, and discuss its possible boundary conditions.

Blame as a Mechanism of Status Change

On the one hand, all DOT employees experienced status loss -- not merely the manager who was formally accountable and directly culpable for the high-risk sleeve deal that triggered the failure of OW Bunker. On the other hand, this status loss was largely confined to DOT. The majority of displaced OW Bunker employees elsewhere experienced no status loss, and some were even able to leverage labor scarcity and their momentary lack of non-compete clauses in bargaining for new jobs with higher status than they held in OW Bunker.

This is a status change mechanism that relies on group-specific signals, but rather than stigmatization, which would have applied across all displaced OW Bunker employees, it targeted a group which was smaller and more specifically defined than by general employment in a failed organization. DOT, and particularly DOT Singapore, represents those OW Bunker employees who might have shared the values and culture leading to organizational failure because they worked organizationally and geographically proximate to the high-risk credit sleeve activities. Displaced DOT employees were evaluated by potential employers in a similar way as those in higher managerial positions who failed to implement sufficient risk management procedures: As more culpable for the organizational failure than other OW Bunker employees. We will call this status change mechanism blame.

Compared to the notion of stigmatization, blaming during the aftermath of OW Bunker’s failure was less of a social process. During job matching, potential employers needed to act fast and had imperfect information, but they were well aware of OW Bunker’s failure’s locus in DOT Singapore. This information was propagated by OW Bunker’s own press releases and widely disseminated during its collapse. Taking the cues from the same information about the highly localized nature of OW Bunker’s failure, the individual evaluations of potential employers aligned, even without the social process of industry stakeholders interacting and exchanging information.

Blaming, as we saw it in the case of OB Bunker, is different from scapegoating (Boeker, 1992; Brown, 1982; Khanna & Poulsen, 1995; Rowe, Cannella, Rankin, & Gorman, 2005) in two important ways. First, as conceptualized in extant research, scapegoats are typically found only among top management. Second, scapegoats suffer status loss regardless of their perceived culpability, i.e., they are unjustly blamed. In the case of blame of displaced OW Bunker employees, potential employers
harbored justified beliefs that those who were blamed were also culpable, since they worked organizationally and geographically proximate to organizational failure.

**The Broad vs. The Pointed Brush**

Stigma, as conceptualized in extant research, typically applies to all displaced employees of failed organizations. Employment in a failed organization is a comparatively weak association to organizational failure, but it aligns with the broader research on stigma, which points to stigmatization of actors on account of their ‘mere association’ to a group which has been deemed deviant (Goffman, 1963). For example, Pontikes, Negro, & Rao’s (2010) study of 1950s Hollywood argues that the McCarthy committee as well as industry professionals stigmatized film actors not on the basis of their known communist beliefs, but on the basis of their one-off collaboration with other actors who were identified as communist by the McCarthy hearings. Extant research illustrates such stigmatization by weak association across a range of industries (Hudson & Okhuysen, 2009; Jonsson, Greve, & Fujiwara-Greve, 2009; Piazza & Perretti, 2015; Yu, Sengul, & Lester, 2008). In the case of organizational failure, de-individuating by weak association stigmatizes the entire group of former employees of the failed organization. In other words, stigma taints ‘by a broad brush’ (Pontikes et al., 2010).

By contrast, blame, as described above, while also a de-individuating mechanism based on group-specific signals, relies on comparatively strong association to organizational failure. In the case of OW Bunker, those who were blamed constituted a particular subset of the organization with organizational and geographical proximity to the locus of failure. Hence, blame taints ‘by a pointed brush’, affecting exclusively those incriminated by some evidence, leading potential employers to perceive them to be personally culpable for the failure.

**Boundary Conditions**

We will use the characteristics of our studied case in order to propose boundary conditions, all related to information, for when a mechanism of blame will dominant in driving status change following organizational failure. The first two conditions relate to the speed of OW Bunker’s failure: The fundamental fact that OW Bunker’s failure was fast, in both the decline and aftermath phases, inhibited stigmatization and propagated blaming.

**Speed of decline inhibits stigmatization.** The speed of the decline did not allow employees to resign and signal sagacity before OW Bunker’s exit. Thus, the only individual signals available to potential employers was employees’ education and managerial position. As mentioned, compared to early resignation as signal of sagacity, education and managerial position constitute imperfect signals of displaced employees’ probable future performance. Thus, to some extent, the speed of the decline undermined the rationale for stigmatization of all displaced OW employees: This group contained both employees with poor judgment, as well as those who would have had sagacity to resign from OW Bunker had there been time to do so before its bankruptcy. By contrast, extant studies by Canella et al. (1995) of Texas bankers, and by Rider and Negro (2015) of law firm partners, addressed slow organizational failures. Given slow organizational decline, bankers and lawyers in the studied firms had access to early warning signals and opportunity to resign the afflicted organizations before bankruptcy. Employees who did not were evaluated by industry stakeholders as exhibiting poor judgment or even personally culpable (Semadeni et al., 2008). This provided cues for stigmatization: It was rational to stigmatize all displaced employees by their relatively weak association with failure, constituted by their having been employed in these organizations at the time of their bankruptcy.
Speed of aftermath inhibits stigmatization. OW Bunker’s collapse caused a rare situation in the bunker oil industry: Hundreds of traders and managers were available for hire unbound by non-compete clauses. Because of the resulting scramble for displaced employees, potential new employers needed to make evaluations and potential hires of displaced employees fast, with no time for industry stakeholders to interact and compare their perceptions of OW Bunker’s failure. Consequently, the social process of stigmatization was inhibited by lack of time. The fast aftermath of the OW Bunker failure constitutes a very different case than, for example, Pontikes, Negro, & Rao’s (2010) study of Hollywood and Jensen’s (2006) study of Enron, where there was sufficient time for industry stakeholders to build shared perceptions and hence for stigmatization mechanisms.

Localization of failure facilitates blaming. The third condition relates to the organizational and geographical heterogeneity of OW Bunker’s failure. In this case, the mechanism of blame was not dependent on social processes: Rather than industry stakeholders interacting and exchanging information, blame took its cues from available information about a particular group’s strong association to organizational failure. This was conditional upon an observable heterogeneous distribution of responsibility and knowledge related to failure: It had a distinct locus in DOT Singapore, and information about this localization of failure was made publicly available. It was the organizational and geographical heterogeneity of OW Bunker’s failure that made it possible for potential employees to blame a specific subset of displaced OW Bunker employees. Again, by contrast, extant research into intra-professional status change following organizational failure has addressed cases where failure has no particular locus, making it difficult to distinguish any particular blameworthy subgroups in the organization.

Structural social capital inhibits stigmatization. The fourth and fifth conditions relate to the nature of social capital in the bunker oil industry. The bunker oil industry is characterized by abundant and long-standing social relations across firms and markets. Social relations help to create trust and align interests vertically and horizontally: among professionals and employers, and between them. This had three effects following OW Bunker’s collapse. First, since experienced professionals is a scarce resource in the bunker oil trading industry, at the time of OW Bunker’s collapse potential employers had a shared interest in retaining as many displaced OW Bunker employees as possible in the industry, rather than stigmatizing them and potentially squeezing them out. Second, since industry stakeholders consist of peers who need each other for future collaboration, they have low interest in stigmatizing potential new partners. Third, since all bunker oil companies rely on external investors, potential employers also shared an interest in playing down the risks inherent to the industry, made apparent by the OW Bunker collapse. Rather than stigmatizing one of the largest and best-known companies in the industry, industry stakeholders had an interest in confining blame to only a few employees associated with the special case of DOT. That social relations in the bunker oil industry wards off stigmatization aligns with social capital theory: A rich stock of structural social capital, in the guise of abundant and strong social relations (Nahapet & Ghoshal, 1998), propagates trust and a feeling of mutual dependency (Gulati & Gargiulo, 1999; Gulati, 1995, 1998; Sorenson & Waguespack, 2006). One reason that our findings contrast with extant studies of banking (Canella et al. 1995) and law (Rider and Negro, 2015) may be that these industries hold lower levels of structural social capital.

Cognitive social capital inhibits stigmatization. In addition, stigmatization is warded off by the fact that the bunker oil industry is small and specialized and industry stakeholders homogenous, in three important ways. First, since professionals move around between functions, many of those potentially hiring displaced OW Bunker employees had worked in the same functions (mostly, as traders) previously themselves. This created a shared understanding among potential employers of the plights of OW Bunker employees, limiting their proneness to stigmatize them. Second, the bunker oil industry is not very influenced by external stakeholders: While there are external investors, their
interests lie with managing investment portfolios, not with processes of individual hires within the industry. Following OW Bunker’s failure, investors focused on limiting their losses, and cared little about stigmatization. Third, the media hardly influenced potential employers during the early aftermath after OW Bunker’s collapse. Due to the speed of the decline of OW Bunker, the business press had limited time to report on proceedings before displaced OW Bunker employees were on the job market. Most media coverage served to limit stigmatization, not propagate it, since it gravitated towards a focus on the positive stories of displaced employees finding new employment, serving to normalize them in the eyes of the industry audience. That homogeneity of the bunker oil industry inhibits stigmatization also aligns with social capital theory. Cognitive social capital, in the guise of shared knowledge among industry stakeholders (Nahapiet & Ghoshal, 1998), can normalize otherwise stigmatizing associations as stakeholders learn and develop understanding about the motives of others otherwise at risk of being stigmatized (Goffman, 1963). For example, if potential employers share training background and experience with displaced employees of a failed organization, the former are more likely to understand and sympathize with the latter during their search for a new job. We might speculate whether the contrast of our findings with the study of Hollywood by Pontikes et al. (2010) is due to this industry setting, while rich in structural social capital (Sorenson and Waguespack, 2006), had a low stock of cognitive social capital. Hollywood had a heterogeneous audience of industry stakeholders: a huge number of specialized functions and professions, and numerous and highly influential external stakeholders, such as investors, the press and cinemagoers, and in the 1950s, also the McCarthy commission. Extant research has pointed to the role of the press for propagating stigmatization in contexts other than filmed entertainment, such as auditing and the case of Arthur Andersen’s association with the organizational failure of Enron (Jensen, 2006). In the case of Hollywood, a low stock of cognitive capital might have raised the scope for stigmatization: Career disadvantages befell not only actors having strong association with communist colleagues, but also those having weak association with agreed-upon deviants (i.e., ‘with a broad brush’) (Pontikes et al., 2010).

Figure 1 below provides a synthesis of our literature review and the theoretical argument derived from our empirical findings.

**Figure 1. Status change mechanisms following organizational failure**

<table>
<thead>
<tr>
<th>Status change mechanism</th>
<th>Human capital</th>
<th>Blame</th>
<th>Stigma</th>
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<tbody>
<tr>
<td></td>
<td>Individual</td>
<td>Group-specific (de-individuation)</td>
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<td><strong>Signals</strong></td>
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<td><strong>Education:</strong> Skills</td>
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<td><strong>Managerial position, tenure:</strong></td>
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<td>Past performance and responsibility</td>
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<tr>
<td><strong>Resignation before failure:</strong> Sagacity</td>
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<tr>
<td><strong>Strong association to failure through organizational and geographical proximity</strong></td>
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<tr>
<td><strong>Weak association to failure through mere employment</strong></td>
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</tbody>
</table>
| **Process**             | **Dyadic:** Between potential employer and displaced employee | **Social:** Amongst industry stakeholders interacting, exchanging information, building shared perceptions | **Spillovers**
|                         | None          | Pointed brush (localized) | Broad brush (contagious) |
Condition 1: Speed of organizational failure

- **Slow decline**: Signals about responsibility and sagacity
- **Fast decline**: No signals about responsibility and sagacity

- **Slow aftermath**: Sufficient time for social processes
- **Fast aftermath**: Insufficient time for social processes

Condition 2: Localization of organizational failure

- **Locus**: Organizationally and geographically heterogeneity

Condition 3: Industry social capital

- **Structural social capital**: Shared interest in retaining as many displaced employees as possible in industry
- **Cognitive social capital**: Identification with displaced employees and less proneness to stigmatize

Limitations and Further Research

In the paper, we have explored mechanisms leading to intra-professional status change following organizational failure. In a broad sense, we contribute to literature on how social biases affect strategic decisions such as hiring. More specifically, we have added to a focused but established literature on status and stigma, by theorizing the cases where stigma is less likely to drive status change, and where a mechanism of what we call blame is likely to be dominant. Blame, we suggest, hinges upon comparatively strong association to failure and taints with a comparatively ‘pointed brush’. We also added to the literature by proposing that blame is likely to dominate over stigma given certain characteristics of organizational failure (high speed and organizational and geographical heterogeneity), as well as industry context (rich stock of structural and cognitive social capital).

There are several limitations to our study. Related to our data collection and study design, possible biases may arise from the use of self-reported data. First, to avoid association with failure, displaced employees may under-report or omit mentioning their OW Bunker employment completely or partly on the internet platform. Such bias is unlikely to cause major issues in our case: the final data set includes individuals with as little OW Bunker employment as one month, and this for any given types of position at the company. Second, employees suddenly losing their job may avoid reporting their displacement hoping to improve their bargaining position during job search. However, the public attention to the spectacular bankruptcy of OW Bunker rendered such a strategy impossible in our case. In our data, numerous employees even highlighted their ongoing job search by stating it openly on their LinkedIn profile.

The OW Bunker case lends itself well to future research into related issues related to status change following organizational failure, such as inter-professional status change (of OW Bunker employees moving into different industries); the effects and antecedents of co-mobility (teams of displaced OW employees finding new jobs with the same employer); and the antecedents and effects of geographical patterns of mobility (OW employees being an internationally diverse and highly mobile group).
On a final note, because ours is an in-depth study of one particular failed organization in one particular industry, there are two fundamental ways in which our results might be tested. First, undertaking a study of status change after organizational failure with a control as well as a treatment group would be a way of testing the causal relationships related to our proposed mechanisms of stigma and blame. Second, comparative studies of organizational failures with different characteristics and industry settings with different institutions, levels of labor market competition, and levels of social capital, is an exciting, albeit challenging, avenue for future research.
REFERENCES


