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

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Abstract

The paper explores labor-market mechanisms of intra-professional status change following fast organizational failure. Extant research focuses on status change over extended periods of time. We complement that research by undertaking a mixed-method case study of the fast organizational decline and bankruptcy of a former market leader in the global bunker-oil industry. We use unique qualitative and quantitative data to examine the global careers of this firm’s displaced employees. On the one hand, we find that they suffered no general loss of status. On the other hand, we find that the displaced employees most prone to status loss were those who worked organizationally and geographically proximate to the locus of the organization’s failure. We theorize that status change in our case is driven by a mechanism of blaming—the perceived culpability of those displaced employees with comparatively strong association with the organizational failure. We compare this new theoretical notion of blame with the extant notion of stigma, and suggest that while both compensate for imperfect information, stigma entails weaker association with failure. As such, it taints with a ?broad brush? compared to blame’s ?pointed brush.?
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INTRODUCTION
Status changes after organizational failure have been studied in a wide range of organizational contexts, such as banks (Cannella, Fraser, and Lee, 1995), law firms (Rider and Negro, 2015), filmmaking (Pontikes, Negro, and Rao, 2010), and energy (Jensen, 2006). This research suggests that a key mechanism in intra-professional status loss is the stigmatization of displaced employees on account of their mere association with a failed organization (Cannella et al., 1995; Rider and Negro, 2015; Semadeni, Cannella, Fraser, and Lee, 2008; Sutton and Callahan, 1987).
However, extant research has paid little attention to how mechanisms of status change may be influenced by the nature of organizational failure. In general, theory has been based on studies of organizational failures that were slow enough for mechanisms of stigmatization to play a role. For industry stakeholders to “deindividuate” displaced employees and build disapproval, they must engage in a lengthy social process of interaction, information exchange, and construction of shared perceptions (Devers, Dewett, Mishina, and Belsito, 2009; Goffman, 1963). However, as globalization, automation, and digitalization have added to the dynamic landscape of the rise and fall of organizations, we also need theories related to fast organizational failure.

To explore how mechanisms of status change may be influenced by the speed of organizational failure, we integrate the literature on status change and stigma with the literature on organizational failure. We investigate two phases of organizational failure—decline and aftermath—and suggest that when they play out quickly, stigmatization is unlikely to be a dominant mechanism driving status change. We then explore alternative mechanisms of status change by undertaking an in-depth study of a large-scale, fast organizational failure: that of the market-leading bunker-oil firm OW Bunker. OW Bunker declared bankruptcy after a visible decline of less than a week and the majority of its employees found new jobs in less than a month. Using a mixed-methods design that combines interviews with hand-collected employment data, we provide a detailed narrative of the case. We investigate how the nature of the failure itself as well as industry contingencies influence mechanisms of status change among displaced employees. For OW Bunker employees, we find that status changes were not driven by stigmatization, but by “blaming”—the perceived culpability of those displaced employees who had comparatively strong association with the organizational failure. We compare the new notion of blame to the extant theoretical notion of stigma, and suggest that although both compensate for imperfect information, stigma entails weaker association with failure and, as such, taints with a “broad brush” when compared to blame’s “pointed brush.” We discuss boundary
conditions for blaming as a dominant status-change mechanism following organizational failure. We argue that while the speed of OW Bunker’s failure inhibited stigmatization, it was the failure’s organizational and geographical heterogeneity that facilitated blaming. Furthermore, we discuss the role of social capital in the bunker-oil industry in propagating blame.

ORGANIZATIONAL FAILURE, DISPLACEMENT, AND STATUS CHANGE

An organization’s failure is often proxied by its declaration of bankruptcy, which represents an involuntary and non-strategic exit (Headd, 2003). The exit is followed by intra-professional labor-market matching between displaced employees searching for new jobs and potential new employers taking advantage of the opportunity to recruit available industry processionals (Phillips, 2001). When displaced employees search for new jobs, they may experience intra-professional status changes in the form of a new job at a different salary, at a different hierarchical level, or at a firm with a different status or different-status geographical location. In the extreme case, they may not find jobs in the industry at all.

Displaced employees often suffer intra-professional status loss following an organizational failure. Semadeni et al. (2008) found a negative effect of organizational failure on executives’ careers across industries, while Sutton and Callahan (1987) found a “spoiled organizational image” and a strong negative effect on career opportunities following the 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) provide 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 entrepreneurs from failed ventures lost status not only with creditors, banks and potential new employers, but also 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 they are to lose status (Phillips and Sorensen, 2003). The bargaining power of displaced employees is influenced by two factors. First, their bargaining power may be low simply because the first-best employment option has failed, leaving them with fewer alternatives to pursue (Rider and Negro, 2015). Second, bargaining power is influenced by how potential new employers evaluate displaced employees’ probable future performance (Beckman and Phillips, 2005; Blau and Duncan, 1967; Phillips, 2001). This evaluation, which is the focus of our analysis, may be based on signals specific to the individual or to a group to which that individual belongs. We deal with each of these two types of signals in turn.

**Potential Employers’ Assessment of Displaced Employees**

The very fact that an employee was part of a failed organization may cause status loss (Amankwah-Amoah, 2016; Rider and Negro, 2015). Failure, especially failure that receives widespread attention, leads to status loss for an organization (Jensen, 2006), and that status loss has been shown to spill over to the organization’s employees (Amankwah-Amoah, 2016; Rider and Negro, 2015). Potential employers are prone to “deindividuate” such job applicants and evaluate them as a group, and they may be perceived as “contagious” (Devers et al., 2009). Industry stakeholders in the form of professionals, employers, investors, and industry observers observe and form more or less informed opinions of the failure (Bitektine, 2011; Devers et al., 2009; Washington and Zajac, 2005). When stakeholders exchange perceptions, they "compare their emergent perceptions and triangulate on a common perception" (Ashforth and Humphrey, 1997: 54) Over time, shared perceptions may converge into institutionalized disapproval of the failed organization and lead to the stigmatization of the entire group of its displaced employees. Although this “virtual social identity” of displaced employees may deviate from their “actual social identity” (Goffman, 1963), the stigma affects their
bargaining power when applying for new jobs. In other words, potential employers are likely to deindividuate them on the basis of how other stakeholders in the industry are likely to perceive them (Devers et al., 2009).

Individual signals of human capital may moderate certain stigmas and their effects. For instance, education is likely to counterbalance status loss (Rider and Negro, 2015), while managerial experience may increase stigmatization. Not only are managers formally accountable for organizational failure, they are also likely to be highly stigmatized by industry stakeholders given their access to information and their influence on decision making (Sutton and Callahan, 1987; Jensen, 2006; Semadeni et al., 2008; Cannella et al., 1995). An employee’s resignation before a bankruptcy may also lessen the stigmatization (Semadeni et al., 2008).

The process of converging upon shared perceptions of a failed organization is also subject to political negotiation. The majority of stakeholders in an industry often have a shared interest in appearing less flawed themselves by stigmatizing others (Link and Phelan, 2017; Zanna and Olson, 1994). Alternatively, some stakeholders may wish to influence which actors attract a stigma. This is the case, for example, when public authorities respond to public health risks by shutting down businesses perceived as associated with the spread of an infection (Hudson and Okhuysen, 2009) or when a firm gains status by publicly denouncing a competitor (Jensen, 2006). Conversely, some stakeholders may have a special interest in “normalizing” an organization that others see as flawed because stigma would rub off on themselves (Goffman, 1963). However, little attention has been paid to how the nature of organizational failure may influence the mechanisms of status change and stigma. In the following, we address one aspect of this issue—the speed of failure.
FAST ORGANIZATIONAL FAILURE

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

The Phases of Organizational Failure

Decline. Organizational decline can be attributed to a misalignment between the organization and its environment (Mellahi, 2005; Sheppard and Chowdhury, 2005). The speed of the decline and whether it ultimately results in bankruptcy depend on changes in the external environment in combination with endogenous factors and the organization’s ability to respond appropriately (Amankwah-Amoah, 2016; D’Aveni, 1989a, 1989b, 1990; Sheppard and Chowdhury, 2005). Given a sudden, extreme misalignment between an organization and its environment, managers may not be able to adjust at all (Sheppard and Chowdhury, 2005). However, even when faced with a gradual decline, managers may fail to appropriately adjust the organizational strategy owing to a lack of resources or myopic behavior (Weitzel and Jonsson, 1989). For some employees, a gradual decline provides an impetus for resigning. As mentioned, resigning early in the decline phase may later serve as a strong signal of sagacity.

Aftermath. Post-bankruptcy aftermath is characterized by the industry’s adjustment to the organization’s exit (Amankwah-Amoah, 2016). Early in the aftermath, stakeholders in direct contact with the failed organization immediately attempt 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, including its employees. As many such employees also start looking for new jobs immediately following a bankruptcy, the early aftermath is a time of job reshuffling and labor-market matching. As mentioned above, the bargaining position of displaced employees in this process may be affected by stigma arising from industry stakeholders attempting to adjust and reach a cohesive understanding of the failure (Amankwah-Amoah, 2016). Perceptions and stigmas may continue to change in the late aftermath phase, especially if there are protracted legal procedures or new information emerges about the organization and its decline.

The Speed of Failure

Many failures happen quickly (D’Aveni, 1989a, 1989b). Therefore, in the following, we investigate how the speed of failure affects status change.

Fast decline. The speed of organizational decline determines the availability and effectiveness of some of the signals that influences status changes among displaced employees. Capable managers and sagacious employees need time to respond, adapt, or resign in the face of organizational failure (Mellahi, 2005; Sheppard and Chowdhury, 2005; Weitzel and Jonsson, 1989). Given unexpected events, especially exogenous events, a decline may be so sudden that there is insufficient time for managers to avoid bankruptcy. Consequently, managerial experience will be a less valuable signal for potential employers wishing to evaluate the probable future performance of displaced employees if the organization failed fast. A fast decline also makes it difficult for employees to resign well ahead of a bankruptcy, such that even sagacious employees will be displaced.

Short aftermath. The speed of the post-bankruptcy aftermath determines whether stigmatization is possible, as this mechanism hinges upon industry stakeholders forming shared perceptions of a
failed organization. If job reshuffling and matching between displaced employees and potential employers happen before industry stakeholders have had sufficient time to interact and exchange information, stigmas are unlikely to arise and drive status changes among displaced employees. The speed of job reshuffling and matching depends on the level of competition in the labor market. High competition (i.e., a scarcity of industry professionals) will not only enhance the bargaining power of job seekers in general, but also lead potential employers to swiftly hire employees displaced by organizational failure (Marx, 2011; Marx, Strumsky, and Fleming, 2009). In order to take advantage of the rare availability of 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 stigmas have formed across the industry.

In sum, while extant research has focused on protracted organizational failures and stigmatization mechanisms, status changes among displaced employees are unlikely to be driven by stigma in the case of fast organizational failure. In the rest of the paper, we theorize about an alternative mechanism of status change specific to fast organizational failure, which we demonstrate using an empirical case.

METHODS

Our purpose is to study status-change mechanisms among displaced employees in the early aftermath of organizational failure. To do so, we undertake a detailed case study to inspire theory development.

Research Setting

We studied a case of failure in the global bunker-oil industry, an industry setting sufficiently small and mature to allow us to discern relationships and causalities. The industry, which deals with
the reselling of marine fuel oil in large quantities ("bunker"), employs approximately 4,500 people worldwide.¹

Bunker-oil firms act as intermediaries between fuel suppliers and global ship operators or owners. They are typically engaged in three core activities. The first is trading, acting as middle men between sellers and buyers of oil. This is a high-volume undertaking that demands significant capital but involves modest risk—as trading happens fast, margins are low but known in advance. Another core activity is physical supply. Bunker-oil firms proactively buy large stocks of oil for resale. This activity has higher margins. However, because it ties up capital in large quantities of oil for long periods of time, it is subject to oil-price fluctuations and, hence, entails high risk. Third, bunker-oil companies undertake significant risk-management activities. As oil prices fluctuate, companies need to hedge against the loss of income by assessing risks in advance and trading strategically. Although insurance is used, most bunker-oil firms also use other tools, such as fixed-price swaps and call options, as well as derivative trading. In addition to core activities, many bunker-oil companies with high financial credibility provide credit to other bunker-oil companies with lower credit ratings. This offers credit providers a way of tapping into the high profits of less risk-averse credit takers. However, providing credit also entails risk. Credit sleeve deals (i.e., providing credit to another bunker-oil firm on the basis of that firm’s future sales) are particularly risky because the credit-taking firm’s ability to repay hinges upon its ability to sell oil at a certain price. If prices drop unexpectedly, both companies face a significant loss. Even though credit practices are common in the bunker-oil industry, they are rarely discussed publicly.

As oil is a highly standardized commodity, the competitiveness of bunker-oil firms depends on the quality and speed of the services they provide. Apart from credit capacity in the form of credit lines

¹ Bunker-oil is an increasingly controversial industry, as most bunker fuel oil consists of highly polluting residues from petroleum production.
at partnering banks, the most strategic assets for any bunker-oil firm are its traders and trading managers. Successful traders hold knowledge about the financial dynamics, and extensive local knowledge of suppliers and buyers. Traders capitalize on and build trust through their personal relations with suppliers, buyers, and banks. Given the industry specificity of their knowledge and their extensive social capital, traders and managers who seek alternative employment will earn the most by remaining within the industry. Consequently, bunker-oil employers include strict non-compete clauses in employment contracts.

While bunker-oil operations and job markets are truly global, bunker-oil firms operate subsidiaries in the world’s most important shipping hubs, especially the top-tier hubs of Singapore, Hamburg, Dubai, Antwerp, and Houston. These locations also constitute the most attractive workplaces for traders, while jobs in backwater locations are seen as lower status.

Case

OW Bunker was founded in 1980. Prior to its failure, it was the world’s largest bunker-oil firm with well over 10 percent of the global market in bunker-oil trade. At the end of 2013, the firm had 622 employees (230 of whom were in trading as trainees, traders, or trade managers), spread across 29 subsidiaries worldwide (including all of the high-status trade hubs), and owned 30 supply ships. In March 2014, OW Bunker finalized the second most successful IPO in recent Danish stock-exchange history. However, in November that same year the firm filed for bankruptcy.

In terms of organizational failure, OW Bunker is an extreme case. The firm’s decline was unknown to the public, investors, the industry, and its own employees until two days before the declaration of bankruptcy. Upon this declaration, almost all employees were immediately displaced. Thereafter, labor-market matching happened very quickly over the course of a few weeks owing to the high
demand for experienced traders in the industry and because OW Bunker’s non-compete clauses were voided by its bankruptcy. While OW Bunker’s failure later turned out to be a result of high-risk practices in risk management at the company headquarter and credit activities in one subsidiary, the decline and bankruptcy happened so fast that information about the causes of the failure was scarce during the period when displaced OW Bunker employees found new jobs. Hence, OW Bunker serves as highly useful case for studying status-change mechanisms following fast failure and imperfect information.

**Data**

We used a mixed-methods study design that combined interviews with employment data.

**Interviews:** We undertook interviews between February and March 2016 (one follow-up interview in September 2016). We used an open-ended interview protocol focused on the nature of OW Bunker’s failure and its contingencies, and on the process of labor-market matching to explore perspectives on the bankruptcy and experiences with labor-market dynamics. We first interviewed a sample of displaced OW Bunker employees, diverse in terms of gender, nationality, position, geographical location, and career experience prior to employment at OW Bunker. We interviewed both displaced employees who had found new jobs in the industry and employees who either left the industry or had not yet secured new jobs. The variation in the sample of 19 displaced employees is presented in Table 1. Second, we used a snowballing strategy to identify executives in the C-suites of other bunker-oil firms. Such executives would have been in a position to decide whether to hire displaced OW Bunker employees. In these interviews, we focused on the interviewees’ understanding of the industry and the bankruptcy of OW Bunker, and their arguments for whether or not to hire
displaced OW Bunker employees. The 22 interviews lasted from 10 to 90 minutes with an average duration of 30 minutes. All interviews were recorded and transcribed (in English, French, and Polish).

Quantitative data: We collected quantitative data on the career trajectories of 207 displaced employees directly involved in trading at OW Bunker. This data was compiled in March 2016 and covered the period from OW Bunker’s bankruptcy until February 2016. Based on the IPO prospectus, we calculated that OW Bunker had 230 employees in trading-related positions at the time of the bankruptcy. To identify these employees, we first identified all OW Bunker subsidiaries and then identified all employees within each subsidiary by name.

Second, we used industry media releases, industrial reports, and qualitative interviews with displaced traders and trade managers to complement and verify the population of employees in trading-related positions. The outcome of this iterative process was a list of 220 displaced OW Bunker employees and their subsidiary affiliations at the time of the organizational failure.

Third, we collected detailed personal information on the education, professional experience, and employment location of every displaced employee through LinkedIn. We excluded 13 displaced employees from the dataset due to incomplete information. The result of the data-collection process was a dataset consisting of observations on 207 individuals. Of these, 5 were junior trainees, 108 were traders (52 percent), 25 were senior traders (12 percent), and 69 were trade managers (33 percent). We presented our data to interviewees and compared it to the IPO prospect and internal records drafted 6 to 12 months before the bankruptcy and found only minor variations.

Secondary data. To understand the causes of OW Bunker’s failure, we use media coverage, industry analyses, IPO- and OW Bunker-related press releases, summaries of court proceedings, and
a biographical account of the bankruptcy published by the Danish business press (Skouboe, 2015). We limited our analysis to coverage by major Danish and international media outlets (the Danish Broadcasting Corporation and the business newspaper Børsen, Bloomberg, and leading industry periodicals such as Shippingwatch, Bunkerspot, Trade Wings, and Ship & Bunker.

**Analytical Strategy**

For our analysis of the quantitative data, we implemented a pre-test–post-test design to assess the nature of intra-professional status change experienced by displaced OW Bunker employees after the organizational failure. The widespread use of non-compete clauses in traders’ contracts creates substantial friction in the labor market and allows us to expect turnover in the industry to be relatively low. The long average tenure at OW Bunker (65 months) corroborates the generally low turnover rates. As the failure of OW Bunker was fast and unexpected, we assume that moves and changes in displaced employees’ careers were a direct result of the bankruptcy.

**FINDINGS**

Figure 1 below visualizes the main events during the decline and aftermath of OW Bunker.

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Insert Figure 1 about here
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**The Decline of OW Bunker**

In the five years prior to its failure, OW Bunker did exceptionally well and grew on most of its markets. On the all-important Singapore market, the world’s largest bunker-oil trading hub, the
turnover of OW Bunker’s subsidiary OW Bunker Far East grew by 41 percent, to USD 4.7 billion, from 2012 to 2013 (Shippingwatch, 2014). In addition, at the head quarter in Aalborg, OW Bunker’s Risk Management division began to not only hedge against losses but also to generate profit in its own right. This was unusual, as described by John, a displaced OW Bunker manager:

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

The reason for this growth was that OW Bunker’s risk managers made risky but initially profitable investments, mostly in oil-related derivatives. Even though the Risk Management division’s investments added to OW Bunker’s profitability and, hence, to its attractiveness prior to the IPO in 2014, their nature was not revealed to prospective investors. One major investor stated:

When we asked before the IPO, we were left with the impression all they did was more or less clean hedging and now it turns out they were gambling. (Bloomberg, 2014).

Given the importance of the highly competitive Singapore market, OW Bunker established a second subsidiary there in August 2012. However, this subsidiary did not bear the OW Bunker name and it was not licensed to trade bunker-oil. Named “Dynamic Oil Trading”, this subsidiary was designed to tap into profitable, high-risk, credit-related activities. In its first year, Dynamic Oil Trading posted USD 2.1 billion in revenue (Shippingwatch, 2014). Although it constituted a highly profitable auxiliary revenue stream, Dynamic Oil Trading was not flagged as part of OW Bunker to industry observers and its status was opaque even to OW Bunker employees. As John explained:

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2 The highly competitive bunker-oil industry in Singapore has been accused of severe environmental pollution and dubious business practices, such as cappuccino effects and fuel-oil contamination.

3 In 2014, a DOT subsidiary was also created in Dubai. In the remainder of the text, “DOT” refers to DOT Singapore.
We have always been told that Dynamic Oil trading was a star .... 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 USD 20 or USD 15 per ton, where the average earning of OW Bunker was USD 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 USD 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.

OW Bunker entered 2014 with strong results from Singapore and its Risk Management division. This exceptional performance was leveraged to boost the success of OW Bunker’s IPO that same year. On March 28, 2014, the firm successfully finalized its USD 780 million IPO, which was regarded by experts as one of the most successful IPOs in the recent history of the Danish stock exchange. The IPO was widely covered by local and global media outlets. However, the first periodic report after the IPO brought unexpected tensions. John 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 USD 20 million on something that is not created to earn money, but to secure money and provide safety [risk management]-then there is an issue.

The firm found it difficult to sustain the exceptional results. In an attempt to secure extra credit, OW Bunker executives requested the firm’s long-time bank partner to increase its credit lines. The bank refused. As result, in mid-2014, OW Bunker ended its cooperation with the bank and started working with a consortium of 13 banks, each of which had limited experience in the bunker-oil industry but was willing to provide the desired credit. With the credit issue addressed, Dynamic Oil Trading was able to secure a USD 114.6 million deal in August 2014 in Singapore with Tanker Oil Marine Services, one of its long-time reselling partners. Later referred to as the “Far East Deal,” this credit sleeve deal was based on the expectation that the stagnant oil prices would begin to rise and
that Tanker Oil Marine Services (the sleeve provider) would be able to resell the oil at a high price, repay the credit to Dynamic Oil Trading, and secure significant profits for both parties. Unfortunately, oil prices plummeted, making it impossible for the partner to resell the product at a profit. At the end of August, declining oil prices left Tanker Oil Marine Services unable to meet its contractual requirements and, consequently, OW Bunker took several of Tanker Oil Marine Services’ ships as collateral.

In parallel, the failing oil prices meant that the speculative investments made by OW Bunker’s Risk Management division began to post losses. On October 7, OW Bunker issued a public notice that its Risk Management division had incurred a USD 25 million loss and that the firm’s profits were USD 22 million lower than expected in the third quarter of 2014. The stock price fell. Within two weeks, it was 45 percent below the offering price at the time of the IPO, and creditors began to pull out of the banking consortium. On October 30, OW Bunker reported a loss of USD 58 million from Risk Management’s speculative investments and USD 51 million from its trade and credit activities. Of the latter, the losses from the Far East deal accounted for only USD 15 million, so at the time, it attracted modest attention (Skouboe, 2015). OW Bunker had now met its credit limit, endangering a foreclosure. Nevertheless, in early November, OW Bunker managed to reestablish confidence among the remaining banks in the consortium and secure a refinancing agreement. However, on November 5, Dynamic Oil Trading’s manager arrived from Singapore at OW Bunker’s headquarter, where he informed executives that Tanker Oil Marine Services had gone bankrupt and triggered a number of margin calls among investors. Unfortunately, Dynamic Oil Trading had given Tanker Oil Marine Services a credit of USD 126 mil. The same day, continued decline in oil prices generated more losses by the Risk Management division’s investments. In combination with the losses of Dynamic Oil Trading, the losses of OW Bunker now totaled USD 245 million. The management decided to
immediately halt all trading activities and issued a notice to employees as well as a press release. The announcement came as a surprise to employees. Adrian, a trader, recalled his reaction to the news:

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.

After trading activities were halted, some employees never came back to the office, while others came in for a few days. This period was described by Anne, another 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 7, OW Bunker filed for bankruptcy. Industry stakeholders were surprised, as the extent of the decline had not been publicly communicated before the press release. Neither the speculation undertaken in Risk Management nor the nature of Dynamic Oil Trading’s activities or even the existence of a second OW Bunker subsidiary in Singapore were mentioned to investors. The bankruptcy also came as a shock to employees, who were mostly unaware of the seriousness of the threat, which had loomed since the end of August. Igor, another trader, remembered the 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.

Keith, a manager, corroborated this perspective:

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.** OW Bunker’s bankruptcy on November 7, 2014, kicked off an intensive period of displaced OW Bunker employees obtaining new jobs. The bankruptcy of such a big industry player created a rare situation in the bunker-oil industry—the sudden availability of hundreds of highly skilled industry professionals with experience from a market-leading firm who were not subject to non-compete clauses. As a result, potential employers scrambled to hire displaced OW Bunker employees. As Adrian and Anne put 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.

> 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 David, a manager, 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.

Jeff, a manager, agreed:

> 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.

Figure 2 illustrates the speed of job reshuffling during the aftermath of OW Bunker’s failure. More than 25 percent of all displaced employees remaining in the industry were already in their new jobs within a month of OW’s bankruptcy, while 73 percent were in a new position after four months.
As of January 2019, the late aftermath period is still ongoing in the form of legal battles involving OW Bunker’s suppliers and customers.4

Labor-market matching processes. In the early aftermath of OW Bunker’s failure, employers used various strategies to hire displaced employees. The high level of social capital in the bunker-oil industry facilitated indirect relations or referrals by third parties as well as grapevine strategies, which employers used to determine whether they should hire a displaced OW Bunker employee based on that employee’s reputation and other information. In several cases, displaced OW Bunker employees profited greatly from their social capital. Anne summarized her potential to use personal relations in order to get a job in 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.

Adrian shared a story of how his girlfriend, who had worked in the same profession in a different country, had resigned from her job to join him at his working location the week prior to OW Bunker’s bankruptcy. Immediately upon the announcement of the bankruptcy, her former boss, a competitor known personally by the trader in question, reached out to them. Adrian recalled 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

4 It is only now, almost four years after the event, that the risky activities of OW Bunker’s Risk Management division are becoming public (e.g., Jyllands-Posten, 2018).
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.

**Status Changes among Displaced OW Bunker Employees**

Generally, displaced OW Bunker employees found that they were perceived as valuable by potential employers. Jeff summed up the attitude of potential employers towards him and other displaced OW Bunker employees, stating:

> 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.

These reputation effects were present in the immediate aftermath, but they were also long lasting. As a trader, Eva, put 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 process of labor-market matching was quick. When discussing an entire office of displaced OW employees, Adrian explained:

> 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 [of the OW Bunker estate] to buy the interior and we [OW Bunker] were sitting in brand new office space, so we could just start up there again—plug and play.

Anne suggested that the majority of displaced OW Bunker employees found new jobs in the industry:

> 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.
Henrik, the CEO of OW Bunker’s biggest competitor, explained the motivation for 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 […]. Yeah, I think definitely the companies that could take [displaced OW Bunker employees] immediate benefit from the OW situation. They are companies that have the financial power to do so and that can be taking on people or whole teams.

Mick, a senior manager from a different competitor, regretted missing the opportunity to hire displaced OW Bunker employees:

We should have been more aggressive in that case…

The result of potential employers’ evaluations of the probable future performance of displaced OW Bunker employees was that the latter generally took jobs in the industry that were equivalent to their previously held positions. As a trader, Brian, explained:

Most of the OW ex-employees went for similar level or similar type positions. Some displaced employees even benefitted from status improvements in the form of promotions or pay increases. David highlighted 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.

John put it bluntly:

For many, it was a step up.

Our data shows whether displaced OW Bunker employees were promoted, obtained a similar position or were demoted. The descriptive statistics confirm that most of the traders and managers who stayed in the industry found jobs at the same hierarchical level, while approximately 20 percent
took jobs at higher hierarchical levels. Only 11 percent took jobs at lower levels. However, hierarchy is only one dimension of status change: A better job, albeit with a low-status employer, may represent status loss. Hence, our main measure of status change must capture both the hierarchical change and the new employer’s status. We capture the latter by new employer’s number of global subsidiaries, as well as the amount of positive media exposure of the firm prior to November 2014. We combine the two variables into one measure by normalizing them and assigning them equal weight. Then, we construct our multidimensional measure of intra-professional status change, combining hierarchical position with the new employers’ status. This results in a scale ranging between zero and one and with a mean value of 0.25, minimum of 0.006 and maximum of 0.78. By this measure, more than 44 percent of former OW Bunker employees experienced a positive status change (equal to or greater than the mean).

To understand the mechanisms that led some displaced employees to lose status and others to gain status, we explored the data further. Table 2 shows status change (multidimensional) among all of OW Bunker’s trade-related employees when separated into traders and traders with managerial responsibility.

Displaced traders landed slightly better jobs overall than traders with managerial responsibilities, although the standard deviation from the mean for the former is higher. The difference in means is significant at the 0.05 level. The descriptive statistics also show that some displaced OW Bunker employees did not do well. Anne supported this observation:

There are a few people here and there lagging behind, having a tough time finding a new job.
Jeff provided an indication of which displaced employees were at risk of a 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.

Anne pointed out that the displaced employees who had been closely associated with the organizational failure were most likely to suffer a 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 regarding the reasons for OW Bunker’s failure was the firm’s own press release, which was published on November 5 (OW Bunker, 2014):

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 affect OW Bunker's operations and credit facilities.

In the days following the bankruptcy, the business press (e.g., Bunkerspot, 2014; Shippingwatch, 2014) critically discussed OW Bunker’s risk management practices. However, OW Bunker send out a press release, singling out Dynamic Oil Trading Singapore as a distinct locus for OW Bunker’s failure. Even if OW Bunker’s Risk Management division’s investments incurred greater losses than the Far East Deal, the media predominantly reported the dramatic fraud story of the press release. Given this signaling of an organizational and geographical pivot point for the firm’s failure, we not only tested for status-change effects of tenure and managerial experience in line with extant theory on stigma, we also tested for status-change effects for displaced OW Bunker employees who had

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5 A search in FACTIVA (undertaken August 30, 2018) for international media coverage of OW Bunker’s bankruptcy yielded 78 results for the period November 6 to December 31, 2014. The 20 articles on OW Bunker in the week following the bankruptcy (including articles by the Financial Times, AP and Reuters) cited fraud as the reason for the failure. Fourteen of these featured “fraud” and “Singapore” in the headlines. Several also reprinted OW Bunker’s press release.
worked at Dynamic Oil Trading in general (including the Dubai location) or at Dynamic Oil Trading Singapore in particular. Table 3 shows the counts and means of status change for different subgroups in the data, which are further separated into groups based on whether the individuals remained in the industry or left it after the organizational failure. This table complements the statistics in Table 2 with the inclusion of frequencies of displaced employees becoming unemployed.

The mean of status change among displaced Dynamic Oil Trading employees is significantly lower than the global mean and lower than the mean for the group of managers. The Chi-squared test of association indicates that the frequencies of demotion experienced by displaced Dynamic Oil Trading employees were higher than expected. The descriptive statistics indicate that displaced Dynamic Oil Trading employees and managers experienced status losses to a greater extent than other displaced OW Bunker employees. The results consistently support the argument that although displaced OW Bunker employees did not experience a general status loss, the extent of status loss varied across groups. Table 4 presents the estimates of a multinomial logit regression predicting the likelihood of status change in guise of promotion/demotion.

Traders with managerial responsibility who were employed by Dynamic Oil Trading Singapore were more likely to experience a negative status change in the form of a demotion. Contrary to findings in extant research on stigma (e.g., Rider and Negro, 2015), tenure at OW Bunker did not significantly affect status change.
Second, we used the multidimensional measure of status change that accounted for both promotion/demotion and the status of the new employer, the results are displayed in table 5. The results corroborate all previously presented results and show a strong negative relationship between holding a position with managerial responsibility or a position at Dynamic Oil Trading Singapore and status change.

Insert Table 5 about here

In order to exclude the possibility that our results were driven by the selection of employees into other jobs in the industry or individuals leaving the industry (or becoming unemployed), we ran a Heckman selection model. The results confirmed that our findings were not driven by employees leaving the industry to avoid negative status change. To ensure our results are not driven by the specific construction of our dependent variable, we ran a series of robustness checks with different specifications of intra-professional status change. The results are consistent with those in the displayed models.

**DISCUSSION**

Based on qualitative and quantitative evidence, we investigated status-change mechanisms following the fast failure of OW Bunker. In the labor-market matching process following OW Bunker’s failure, potential employers needed to act fast and had scarce information. Nevertheless, we found that the evaluations of displaced OW Bunker employees aligned: Managers, as well as employees from Dynamic Oil Trading, were generally prone to lose status. This is not easily explained by extant theory, which would suggest that all OW Bunker’s displaced employees should be prone to stigmatization given the firm’s reputation and the scale of its failure (Dewan and Jensen, 2018). In
the following, we develop a theoretical explanation for our findings. We offer an alternative theory of status-change mechanisms following organizational failure and we discuss its possible boundary conditions.

**Blaming as a Mechanism of Status Change**

The evaluations aligned on the basis of the dominant information available in the weeks following OW Bunker’s bankruptcy: OW Bunker’s press release of November 5, largely echoed by media and industry observers, specifying the highly localized nature of OW Bunker’s failure. The press release diverted attention from the role OW Bunker’s Risk Management division played in the firm’s failure to the fraud committed in Singapore in connection to the Far East deal. “Scapegoating” after organizational failure can be a ritual scapegoating to divert attention from other causes of poor organizational performance (Brown, 1982; Rowe et al., 2005). Boeker (1992) finds scapegoating strategies at the top level of organizations, as top executives shift attention to subordinates by dismissing them after poor firm performance, and Khanna and Poulsen (1995) show that managers are often scapegoats for financially distress which is beyond their control.

However, we found that in Dynamic Oil Trading, it was not merely the manager who was formally accountable for the high-risk sleeve deal that triggered OW Bunker’s failure and subsequently singled out in OW Bunker’s press release of November 5 who lost status: all displaced employees from Dynamic Oil Trading experienced an increased likelihood of status loss. This is a status change mechanism that deindividuates job seekers and focuses on group-specific signals: Potential employers evaluated all displaced Dynamic Oil Trading employees as less valuable than other displaced OW Bunker employees. However, unlike stigmatization, which would have applied across all displaced OW Bunker employees, this status loss mechanism targeted a group that was
smaller and more specifically defined than general employment in a failed organization: Dynamic Oil Trading represented those OW Bunker employees who, working organizationally and geographically proximate to the high-risk credit sleeve activities, might have shared the values and culture that led to the organizational failure. To distinguish it from stigmatization, we call this group-specific, but targeted, status-change mechanism “blaming.”

The Broad versus the Pointed Brush

As conceptualized in extant research, stigma typically applies to all displaced employees of failed organizations. Employment in a failed organization represents 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” with a group that has been deemed deviant (Goffman, 1963, ). Stigmatization by weak association has been found across a range of industries (Hudson and Okhuysen, 2009; Jonsson, Greve, and Fujiwara-Greve, 2009; Piazza and Perretti, 2015; Yu, Sengul, and Lester, 2008; Pontikes, Negro, and Rao’s, 2010). In the case of organizational failure, deindividuating on the basis of a weak association stigmatizes the entire group of displaced employees of a. In other words, stigma taints with a “broad brush” (Pontikes et al., 2010).

In contrast, although blame is also a deindividuating mechanism based on group-specific signals, it relies on a comparatively stronger association with 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 with a “pointed brush”, as it exclusively affects those incriminated by some piece of evidence, leading potential employers to perceive them as personally culpable for the failure.
Boundary Conditions

We use the characteristics of our studied case to propose information-related boundary conditions for when the blaming mechanism will dominate 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 affects 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 were employees’ education and their managerial experience. As mentioned, when compared to early resignation as a signal of sagacity, education and management experience constitute imperfect signals of displaced employees’ probable future performance. Thus, to some extent, the speed of the decline undermined the rationale for stigmatizing all displaced OW employees. This group contained both employees with poor judgment and those who would have had sagacity to resign from OW Bunker if there had been time to do so before its bankruptcy. In 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, the bankers and lawyers in the studied firms had access to early warning signs and the opportunity to resign from the afflicted organizations prior to bankruptcy. Employees who did not resign were evaluated by industry stakeholders as exhibiting poor judgment or even as personally culpable (Semandeni et al., 2008). This provided cues for stigmatization. In these cases, it was rational to stigmatize all displaced employees based on their relatively weak association with failure, as constituted by their employment in these organizations at the time of their bankruptcies.
Speed of aftermath affects stigmatization. OW Bunker’s bankruptcy caused a rare situation in the bunker-oil industry: hundreds of traders and managers who were not bound by non-compete clauses became available for hire. The resulting scramble to hire displaced employees meant that potential employers needed to quickly evaluate potential new hires. There was no time for industry stakeholders to interact and compare their perceptions of OW Bunker’s failure. The process of status change of displaced OW Bunker employees was dyadic: it played out between each potential employer and displaced employee, since a social process of stigmatization was inhibited by the lack of time. The quick aftermath of OW Bunker’s failure differs significantly from the situation in Pontikes, Negro, and Rao’s (2010) study of Hollywood and in Jensen’s (2006) study of Arthur Andersen after the fall of Enron, where there was sufficient time for industry stakeholders to build shared perceptions and, hence, for stigmatization mechanisms to play a role.

Localization of failure facilitates blaming. The third condition relates to the organizational and geographical heterogeneity of OW Bunker’s organizational failure. OW Bunker was a market leader brought down by losses incurred by its Risk Management division and one of its subsidiaries, Dynamic Oil Trading Singapore. Thus, responsibility and knowledge related to failure were unevenly distributed. The failure had distinct organizational and geographical loci, and information about the latter was made publicly available. It was this observable organizational and geographical heterogeneity of OW Bunker’s failure that made it possible for potential employers to blame a specific subset of displaced OW Bunker employees. The blaming mechanism did not hinge upon a social process of industry stakeholders interacting and exchanging information. Instead, blame took its cues from information available to any potential employer about a particular group’s strong association with organizational failure. In contrast, extant research on intra-professional status change following organizational failure has addressed cases in which failure has no particular locus, making it difficult to distinguish any particular blameworthy subgroups in the organization.
**Structural social capital inhibits stigmatization.** The bunker-oil industry is characterized by abundant, long-standing social relations across firms and markets. Social relations help to create trust and align interests among professionals and employers vertically and horizontally. This had three effects following OW Bunker’s bankruptcy. First, as experienced professionals are a scarce resource in the bunker-oil industry, potential employers had a shared interest in retaining as many displaced OW Bunker employees as possible rather than stigmatizing them and potentially squeezing them out of the industry. Second, as industry stakeholders consist of peers who need each other for future collaboration, they have little interest in stigmatizing potential new partners. Third, all bunker-oil companies rely on external investors. Therefore, potential employers shared an interest in playing down the risks inherent to the industry, which were made apparent by OW Bunker’s bankruptcy. Rather than stigmatizing the largest and most well-known company in the industry, industry stakeholders had an interest in confining blame to only a few employees associated with the special case of Dynamic Oil Trading. The proposition that social relations in the bunker-oil industry ward off stigmatization aligns with social capital theory. A rich stock of structural social capital in the form of abundant and strong social relations (Nahapiet and Ghoshal, 1998) propagates trust and a feeling of mutual dependence (Gulati, 1995; Gulati and Gargiulo, 1999; Sorenson and Waguespack, 2006; Yenkey, 2018). One reason that our findings contradict extant studies of banking (Canella et al., 1995) and law (Rider and Negro, 2015) may be that those industries hold lower levels of structural social capital.

**Cognitive social capital inhibits stigmatization.** In addition, stigmatization was warded off by the fact that the bunker-oil industry is small and specialized, and that industry stakeholders are relatively homogenous. First, because professionals move between functions, many of those likely to hire displaced OW Bunker employees had previously worked in the same functions (mostly as traders). This created a shared understanding among potential employers of the plight of OW
Bunker’s employees and limited their tendency to stigmatize them. For example, the necessity of engaging in speculative risk management activities is widely accepted across the bunker-oil industry. Second, the labor market in the bunker-oil industry is not highly influenced by external stakeholders. While there are external investors, their interests lie with managing investment portfolios, not in the industry’s hiring processes. Following OW Bunker’s failure, investors focused on limiting their losses, and they cared little about stigmatization. Third, the media did not have time to facilitate social processes among stakeholders during the early aftermath of OW Bunker’s bankruptcy. Due to the speed of OW Bunker’s decline, the business press had little time to report on proceedings before displaced OW Bunker employees were on the job market. Most media coverage propagated the blaming of Dynamic Oil Trading Singapore by reiterating the information in OW Bunker’s press release, and it limited stigmatization processes by gravitating towards a focus on the positive stories of displaced employees finding new jobs, serving to normalize them in the eyes of the industry audience.

The proposition that the homogeneity of the bunker-oil industry inhibits stigmatization also aligns with social capital theory. Cognitive social capital in the form of shared knowledge among industry stakeholders (Nahapiet and Ghoshal, 1998) can normalize otherwise stigmatizing associations as stakeholders learn and develop understanding about the motives of others at risk of being stigmatized (Goffman, 1963). For example, if potential employers share a training background and experience with the displaced employees of a failed organization, the former are more likely to understand and sympathize with the latter as they search for new jobs.

We might speculate whether the differences between our findings and those of Pontikes et al. (2010) reflect the particular industry settings. Hollywood, while rich in structural social capital (Sorenson and Waguespack, 2006), had a low stock of cognitive social capital (Pontikes et al., 2010) because it had a heterogeneous audience of industry stakeholders, including a large number of
specialized functions and professions, and numerous highly influential external stakeholders, such as investors, the press and cinemagoers. In the 1950s, it also had the Committee hearings. Extant research has pointed to the role of the press in propagating stigmatization in contexts other than film, such as auditing (e.g., Arthur Andersen’s association with Enron’s organizational failure; Jensen, 2006). In the case of Hollywood, the 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 with weak association to apparent deviants (Pontikes et al., 2010).

**Contributions to Theory**

In this paper, we have explored alternative mechanisms leading to intra-professional status change following organizational failure. In a broad sense, we contribute to the literature on the impact of social biases on strategic decisions, such as hiring. More specifically, we add to the focused but established literature on status change and stigma by theorizing about cases in which stigmatization is less likely to drive status change and a mechanism of “blaming” is likely to dominate. We suggest that blame hinges upon comparatively strong association with failure and taints with a comparatively “pointed brush.” We also propose that blame is likely to outweigh stigma given certain characteristics of both the organizational failure (i.e., high speed; organizational and geographical heterogeneity) and the industry context (i.e., a rich stock of structural and cognitive social capital). As such, our study and our theory complement extant research. We provide novel insights into status change during the early aftermath phase. Table 6 provides a synthesis of our literature review and the theoretical argument derived from our empirical findings.

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**Insert Table 5 about here**

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Limitations and Further Research

There are several limitations to our study. With regard to our data collection and study design, possible biases may relate to the use of self-reported data. To avoid association with failure, displaced employees may have underreported or omitted mention of their OW Bunker employment on LinkedIn. Such a bias is unlikely to cause major issues in our case—the final dataset includes individuals with as little OW Bunker tenure as one month for any type of position. Because this is an in-depth study of one organization in one industry, we can propose and discuss the boundary conditions for the mechanisms that lead to stigma or blame, but we cannot test them. Future research could test our results in two fundamental ways.

REFERENCES


The Academy of Management Review, 23(2), 242–266.


### TABLE 1

<table>
<thead>
<tr>
<th>Demographic characteristic</th>
<th>Interviewee count (total of 19)</th>
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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 at OW Bunker Singapore</td>
<td>3</td>
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<tr>
<td>Remained in the industry</td>
<td>14</td>
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<tr>
<td>Promoted</td>
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<tr>
<td>Other industry experience</td>
<td>4</td>
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<tr>
<td>Other experience</td>
<td>16</td>
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### TABLE 2

**Extent of status change by occupational category**

<table>
<thead>
<tr>
<th>Occupational category and OW Bunker</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Frequency</th>
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</thead>
<tbody>
<tr>
<td>Trader</td>
<td>0.26</td>
<td>0.24</td>
<td>101</td>
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<tr>
<td>Manager</td>
<td>0.16</td>
<td>0.18</td>
<td>50</td>
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</table>

### TABLE 3

**Extent of status change (management and Dynamic Oil Trading Singapore employees)**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Frequency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic Oil Trading in the industry</td>
<td>0.04</td>
<td>0.03</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Dynamic Oil Trading unemployed</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>2</td>
</tr>
<tr>
<td>Total (Dynamic Oil Trading Singapore = 9)</td>
<td></td>
<td></td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Managers in the industry</td>
<td>0.16</td>
<td>0.18</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Managers unemployed</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>8</td>
</tr>
<tr>
<td>Total (managers = 69)</td>
<td></td>
<td></td>
<td>58</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Promotion</th>
<th>Demotion</th>
<th>Status quo</th>
<th>Frequency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic Oil Trading in the industry</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Total Dynamic Oil Trading, including extra industry and unemployed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Managers in the industry</td>
<td>4</td>
<td>11</td>
<td>35</td>
<td>50</td>
<td>69</td>
</tr>
<tr>
<td>Total managers including extra industry and unemployed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**TABLE 4**

Likelihood of 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</td>
<td>0.430*</td>
<td>0.368</td>
</tr>
<tr>
<td></td>
<td>(0.21)</td>
<td>(1.85)</td>
<td>(1.45)</td>
</tr>
<tr>
<td>Education</td>
<td>0.590**</td>
<td>0.656*</td>
<td>0.605*</td>
</tr>
<tr>
<td></td>
<td>(2.17)</td>
<td>(1.86)</td>
<td>(1.72)</td>
</tr>
<tr>
<td>Other industry experience</td>
<td>0.163</td>
<td>0.431*</td>
<td>0.408*</td>
</tr>
<tr>
<td></td>
<td>(0.88)</td>
<td>(1.93)</td>
<td>(1.78)</td>
</tr>
<tr>
<td>Other experience</td>
<td>0.128</td>
<td>0.322***</td>
<td>0.321***</td>
</tr>
<tr>
<td></td>
<td>(1.23)</td>
<td>(2.68)</td>
<td>(2.78)</td>
</tr>
<tr>
<td>Male</td>
<td>0.186</td>
<td>0.432</td>
<td>0.357</td>
</tr>
<tr>
<td></td>
<td>(0.45)</td>
<td>(0.84)</td>
<td>(0.70)</td>
</tr>
<tr>
<td>Danish</td>
<td>-0.959**</td>
<td>-0.510</td>
<td>-0.509</td>
</tr>
<tr>
<td></td>
<td>(-2.46)</td>
<td>(-0.91)</td>
<td>(-0.91)</td>
</tr>
<tr>
<td>Move to a high-status location</td>
<td>-1.244***</td>
<td>-1.354***</td>
<td>-1.546***</td>
</tr>
<tr>
<td></td>
<td>(-3.20)</td>
<td>(-3.13)</td>
<td>(-3.23)</td>
</tr>
<tr>
<td>Scale publications</td>
<td>0.255</td>
<td>0.0661</td>
<td>-0.0634</td>
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<td></td>
<td>(0.50)</td>
<td>(0.10)</td>
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<tr>
<td>Scale location</td>
<td>-1.656</td>
<td>-1.638</td>
<td>-1.663</td>
</tr>
<tr>
<td></td>
<td>(-0.97)</td>
<td>(-0.83)</td>
<td>(-0.82)</td>
</tr>
<tr>
<td>Manager at OW Bunker</td>
<td>-1.900**</td>
<td>-1.921**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-2.21)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dynamic Oil Trading Dubai or OW</td>
<td></td>
<td>-0.298</td>
<td></td>
</tr>
<tr>
<td>Bunker Singapore</td>
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<td>Dynamic Oil Trading in Singapore</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>1.914***</td>
<td>2.708***</td>
<td>2.370***</td>
</tr>
<tr>
<td></td>
<td>(3.41)</td>
<td>(4.15)</td>
<td>(3.21)</td>
</tr>
<tr>
<td>N</td>
<td>151</td>
<td>151</td>
<td>151</td>
</tr>
</tbody>
</table>

*t statistics in parentheses. *p < 0.10, **p < 0.05, ***p < 0.01.
TABLE 5  
Likelihood of status change (combined measure of promotion/demotion and new employers’ characteristics)

<table>
<thead>
<tr>
<th></th>
<th>M1</th>
<th>M2</th>
<th>M2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience at bankrupt firm</td>
<td>0.0217 (1.02)</td>
<td>0.0534** (2.58)</td>
<td>0.0374 (1.59)</td>
</tr>
<tr>
<td>Education</td>
<td>0.0774*** (2.59)</td>
<td>0.0762** (2.23)</td>
<td>0.0627** (1.73)</td>
</tr>
<tr>
<td>Other industry experience</td>
<td>0.0143 (0.61)</td>
<td>0.0358 (1.45)</td>
<td>0.0286 (1.18)</td>
</tr>
<tr>
<td>Other experience</td>
<td>0.0203 (1.32)</td>
<td>0.0327** (2.55)</td>
<td>0.0320** (2.34)</td>
</tr>
<tr>
<td>Male</td>
<td>-0.0666 (-1.49)</td>
<td>-0.0433 (-0.80)</td>
<td>-0.0601 (-1.09)</td>
</tr>
<tr>
<td>Danish</td>
<td>0.0268 (0.61)</td>
<td>0.0569 (1.21)</td>
<td>0.0532 (1.10)</td>
</tr>
<tr>
<td>Move to a high-status location</td>
<td>-0.103 (-1.54)</td>
<td>-0.0995 (-1.48)</td>
<td>-0.150*** (-2.44)</td>
</tr>
<tr>
<td>Manager at OW Bunker</td>
<td>-0.147** (-2.42)</td>
<td>-0.147** (-2.51)</td>
<td></td>
</tr>
<tr>
<td>Dynamic Oil Trading Dubai or OW Bunker Singapore</td>
<td></td>
<td>-0.0971 (-1.57)</td>
<td></td>
</tr>
<tr>
<td>Dynamic Oil Trading in Singapore</td>
<td></td>
<td>-0.226*** (-4.84)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.160*** (2.38)</td>
<td>0.106 (1.29)</td>
<td>0.183** (2.04)</td>
</tr>
<tr>
<td>N</td>
<td>151</td>
<td>151</td>
<td>151</td>
</tr>
</tbody>
</table>

$t$ statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. 
### TABLE 6
Status-change mechanisms following organizational failure

<table>
<thead>
<tr>
<th></th>
<th>Human capital</th>
<th>Blaming</th>
<th>Stigmatization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Signals</strong></td>
<td>Individual</td>
<td>Group specific (deindividuation)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education: skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tenure, managerial experience:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>past performance and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>responsibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resignation before</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>failure: sagacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Dyadic: between potential</td>
<td></td>
<td>Social: industry stakeholders</td>
</tr>
<tr>
<td></td>
<td>employer and displaced employee</td>
<td></td>
<td>interacting, exchanging information,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and building shared perceptions</td>
</tr>
<tr>
<td><strong>Spillovers</strong></td>
<td>None</td>
<td>Pointed brush (localized)</td>
<td>Broad brush (contagious)</td>
</tr>
<tr>
<td><strong>Condition 1:</strong></td>
<td>Slow decline: signals about</td>
<td>Fast decline: no signals about responsibility and</td>
<td></td>
</tr>
<tr>
<td>Speed of</td>
<td>responsibility and sagacity</td>
<td>sagacity</td>
<td>Long aftermath: sufficient time for social</td>
</tr>
<tr>
<td>organizational</td>
<td></td>
<td>Fast aftermath: insufficient time for social</td>
<td>processes</td>
</tr>
<tr>
<td>failure</td>
<td></td>
<td>processes</td>
<td></td>
</tr>
<tr>
<td><strong>Condition 2:</strong></td>
<td>Locus: organizationally</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Localization of</td>
<td>and geographically</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organizational</td>
<td>heterogeneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>failure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Condition 3:</strong></td>
<td>Structural social capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry social</td>
<td>shared interest in keeping</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital</td>
<td>as many displaced</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>employees as possible in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cognitive social capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>identification with</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>displaced employees; less likely</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>to stigmatize</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FIGURE 1
Timeline of major events during OW Bunker’s organizational failure

FIGURE 2
Time to new job (in months) for displaced employees after OW Bunker bankruptcy