Understanding Corporate Scandals: A Conceptual Model and the Corporate Governance Involvement

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ABSTRACT

This chapter presents a conceptual model for identifying and understanding corporate scandals from a governance perspective. A mixed-method literature review was conducted to gather necessary constructs and concepts. More than 1,141 relevant documents were researched in Scopus. The conceptual model distinguishes between transgressions and scandals, emphasizing the importance of intentionality, attributes, aftermaths, and the media framing process. Three essential elements for a corporate scandal were proposed: transgression, significant aftermath, and publicity. The chapter's limitations include using a single database and focusing on the corporate field, leaving out government scandals. This chapter provides valuable originality by distinguishing corporate transgressions from scandals, identifying corporate scandals, and defining many terminologies, concepts, and theorizations that had to be developed to have a universal language that could support the construction of all this reasoning.

KEYWORDS

Conceptual model of corporate scandal process, Scandal identification, Corporate governance, Transgression, Intentionality, Attribute, Aftermath, Media framing, Corporate crisis, Agenda-Setting Theory

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1. INTRODUCTION

Discussing corporate scandals within the accounting, business management, and corporate governance field is essential. Through this analysis, professionals and researchers can identify areas for improvement in regulations and practices. This will lead to a better corporate governance system that promotes accountability and transparency, ultimately reducing the likelihood of future scandals. By examining past cases of corporate misbehavior and agency conflicts, we can gain valuable insights into the importance of effective corporate governance (Hail et al., 2018). Furthermore, the existence of scandals is not a new phenomenon, as it has been mentioned throughout history, with examples dating as far back as the Bible.

Scandal is such an old situation that we can identify its importance in the Bible (*King James Bible,* 2019, v. Matt. 18:7) “Woe unto the world because of offences! For it must needs be that offences come; but woe to that man by whom the offence cometh!”. The other version of the Bible is written (*English Standard Version Bible*, 2011, v. Matt. 18:7) “Woe to the world for temptations to sin! For it is necessary that temptations come, but woe to the one by whom the temptations comes!”. Matthew’s gospel was originally written in Greek. Hence, sometimes we see the words offence**,** sin**,** occasions and even temptation in the translations. On the website Bible Hub (*Bible Hub,* 2021, v. Matt. 18:7), we could see the original writing in Greek. The Greek word alone is σκανδάλων as an adjective or σκάνδαλα as a noun. So, the direct translation without any linguistic influence would be scandalous or scandal. Now, rewriting the same verse, we have “Woe to the world because of the scandals. Necessary are for to come to the scandal, but woe to the one by whom the scandals comes!”. The concept of scandal has been present for centuries, as evidenced by its mention in the Bible. Regardless of the translation, the message remains the same: those who cause scandal will be subject to "condemnation." However, what is a scandal, and how do they come up? After so many centuries, there is still much discussion on this topic that remains current, attracting the attention of many researchers, investors, and the general public.

Going into a business context, it is essential to be mindful that corporate governance routines may not always prevent excessive risk-taking in companies. The corporate crisis can be traced back to shortcomings and inadequacies in corporate governance arrangements. Corporate wrongdoing can stem from intentionality or negligence from excessive risk-taking, leading to major corporate scandals (Kirkpatrick, 2009). The occurrence of corporate scandals and the contributing factors that lead to them are of great interest to all. It has been observed that different economies may experience distinct types and frequencies of scandals despite their close interconnections. While the popular belief is that stock market bubbles are the primary cause of sudden corporate financial scandals, leading to new regulatory measures, the possibility of other unexplored factors is worth considering (Coffee, 2005). Examining each component of the corporate scandal process can help prevent such events in the future.

With this chapter, we wanted to develop a conceptual model to identify corporate scandals and analyze and understand their process. However, more than simply identifying corporate scandals, this chapter aims to understand them in a broader sense by introducing a comprehensive conceptual model to align and explain the underlying dynamics. Corporate governance's position in the context of scandals is not forgotten.

We did this by a Systematic Literature Review [SLR] using the ProKnow-C method. We identified terminologies, concepts, definitions, and theories to the interrelationship between these discoveries [constructs] positioned in a flow for the appropriate understanding of the corporate scandal process.

In addition to the introduction, this chapter consists of section two, with the literature review and the research question. The methodology is in the third section, while the fourth section addresses the theoretical basis and raised constructs. We show the results in the fifth section and the conclusion in the sixth section.

2. LITERATURE REVIEW AND RESEARCH QUESTION

Over the centuries, history has recorded several corporate incidents, and many investors have lost their savings. Either these incidents arose because the agents did it intentionally or not. We shed light on these incidents when made intentionally, fraudulently, illegally, or, at the very least, unethical. These inappropriate behaviors were recorded by various media outlets in the distant past, in print, and nowadays, through television, radio, and social media. Some of those incidents we call scandals or, better, corporate scandals. However, it is difficult to find a definition that gives us the certainty of a corporate scandal among the various existing purposes (Barkemeyer et al., 2020; Hail et al., 2018).

This difficulty is manifested both by factors such as specialization in the subject, language, culture, and time, among others, as well as by the divergences between terms such as intentionality, fraud, corruption, misconduct, manipulation, collapse, bankruptcy, human rights, financial, accounting and so on (Dorfleitner et al., 2022).

It is essential to distinguish between a transgression and a corporate scandal in corporate governance, managerial accounting, and management to address the issues that arise in companies effectively. This differentiation is significant for many reasons. By identifying a specific transgression, such as accounting fraud or manipulation of financial data, the company can hold the individuals involved accountable and impose appropriate sanctions. On the other hand, a corporate scandal may apply various unethical practices [transgressions] at different levels of the organization, necessitating a more comprehensive investigation and a broader response.

A corporate scandal can harm a company's reputation and cause investors, customers, and others to lose trust. To regain confidence, it can be helpful to distinguish between a specific transgression and a larger corporate scandal, which can help determine the extent of the issue and rebuild trust (Barkemeyer et al., 2020; Clemente & Gabbioneta, 2017; Goodstein et al., 2014; Lo et al., 2021).

It is important to note that legal and regulatory implications may vary depending on the type of violation. Determining whether an offense is an isolated transgression or part of a more significant scandal can greatly impact how regulatory authorities and the legal system handle the situation (Hail et al., 2018; van Driel, 2019).

When a company experiences a violation, it needs to understand the specific nature of the transgression. This understanding can help identify any flaws or gaps in their internal processes that must be corrected. However, if a corporate scandal occurs, it may indicate more significant systemic and cultural problems that require a comprehensive review of governance and management practices. Companies can ensure they operate effectively and ethically by analyzing and improving their processes (Dorfleitner et al., 2022; Rudkin et al., 2019).

Studying individual transgressions and corporate scandals can offer valuable insights into professional ethics and organizational behavior. By examining specific instances of inappropriate behavior, we can better understand the factors contributing to such actions, such as data manipulation and improper incentives. At the same time, analyzing systemic organizational failures, such as toxic corporate culture and lack of supervision, can provide important lessons for preventing future scandals. A comprehensive approach to ethics and accountability is essential for maintaining a healthy and sustainable business environment (Kim et al., 2016; Toms, 2019).

Studying and analyzing these practices can aid in advancing superior management strategies, more robust corporate governance guidelines, and efficient internal control to prevent future issues (Agrawal & Cooper, 2015; Li et al., 2021).

The critical point is that the characteristics of each phenomenon are different as they approach violations in different ways. Knowing the scandal's attribute leads to a correct response that society must give to the case. In contrast, transgressions can only be addressed with targeted sanctions. Scandals can be strongly linked to macro indicators, while transgressions are more related to internal controls. In short, scandals are more related to cases of high visibility [internationally], while transgressions have a more restricted disclosure [nationally] (Guckian et al., 2020; Soltani, 2014).

Given the problems described above, we are faced with the following research question: **how to identify cases of corporate scandal and differentiate them from transgressions with corporate governance involvement?** We had as points of concern the differences between Pandora Papers[1] and ordinary offshore companies, and between Tax Planning and Tax Evasion, for example. Consequently, we wanted to know how a corporate scandal [and its components] is formed. We used some constructs [no empiric method] to answer this question and built a conceptual model to identify the components and formation of a corporate scandal.

We identified social processes associated with the scandal, such as the theory developed by Adut (2005, 2008, 2012), but more related to social and corporate aftermath *per se*. It is recognized that corporate scandals are a process that begins with a transgression and ends with the public stigmatization of the offender (Jackson et al., 2014). Both papers proved to be good starting points for our mental model.

Indeed, by the Corporate Social Responsibility approach, besides shareholders, stakeholders are affected by corporate scandals. Although they identify scandal cases, it is unclear how stakeholders can correctly assess which determinants they will define according to different nomenclatures of the different sorts of scandal cases (van Driel, 2019).

The chapter results raised several critical conceptual differences in this field, thus proposing a universal language. For example, there is a clear distinction between just transgressive cases [fraud, embezzlement, corruption, misconduct] and effective corporate scandals. In this way, it is necessary to distinguish between corporate financial fraud and corporate scandal.

Therefore, the main objective of this chapter was to build a conceptual model for tagging corporate scandal cases. For that, we must have understood how the scandal process works, how to define it, and how to classify it.

[1] The Pandora Papers leaked in 2021, revealing the secret offshore accounts of 35 world leaders, 100+ billionaires, celebrities, and business leaders. The documents included emails, images, and spreadsheets from financial service companies in various nations. Source: https://www.icij.org/investigations/pandora-papers/.

3. METHODOLOGY

Our methodology mixes several methods and is divided into two main parts. In the first one, we carried out an objective collection through the SLR. With these results, we applied the Integrative Review [IR]. The first method is more restricted, transparent, and objective. The second is more comprehensive and has great interference from the authors (Higgins & Green, 2008), even though it fits with mental models in constructing concepts or as well known by constructs (Cárdenas-Figueroa, 2019). To systematize the data, we merged the documents found by SLR with another method called ProKnow-C. We combined the Content Analysis [CA] and IR methods to systematize the data (Vala, 1990). Analyzing the results, we built a conceptual model to identify corporate scandals and differentiate them from transgressions. This whole methodology is summarized in Figure 1.

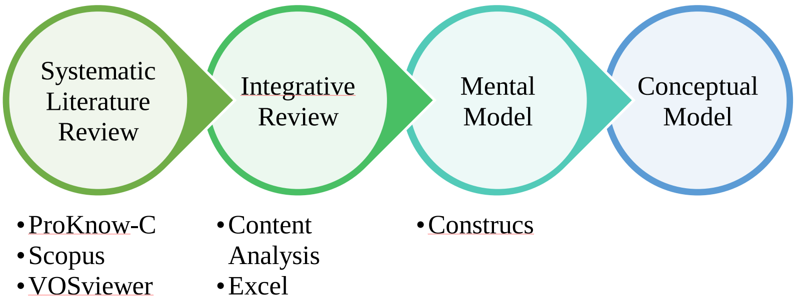

Figure 1. Methodology used in the chapter.

Firstly, in order to be freer from authors' interference and more transparent, we first used the SLR for a previous collection [1,141 documents] (Higgins & Green, 2008; Moher et al., 2009). However, rather than using it closer to its medical origins (Tranfield et al., 2003), we merged it with the ProKnow-C method, despite having found either the Methodi Ordinatio or PRISMA as alternatives (Carvalho et al., 2020; Galvão et al., 2015). More about Pro-Know-C is in the next section 3.1, and the data was collected from the Scopus database on 10/21/2021 as it is one of the most comprehensive and widely used sources in management and accounting (Singh et al., 2021).

Secondly, we considered the IR an appropriate method because it is more comprehensive than other methods, suitable for broadly understanding phenomena (M. J. Grant & Booth, 2009; Sousa et al., 2018), in this case, corporate scandals and transgressions. This method is applicable for finding constructs [mental model].

We conducted the IR in the following way: from the final result of Prokow-C [there were 19 selected documents with recognized scientific relevance and the most current – see in Appendix B], we added new documents either through cross-references [secondary references] or through the interference of the authors' experience. After that, we merged IR with the CA method for collecting the necessary constructs [to assemble the scandal process].

Subsequently, in order to systematize the IR results through the CA, an open and axial categorization of the transcriptions was carried out in search of emerging labels and their subsequent integration into more inclusive concepts or categories, in this case, constructs (Freitas et al., 1997; Matthes, 2009; Vala, 1990). As a technological tool for critical data analysis, we used Excel, but it could be any other Computer-Aided Qualitative Data Analysis Software [CAQDAS] (Teixeira & Becker, 2001).

The result of this literature review served as the basis for finding and developing the necessary constructs to assemble the conceptual model that guided us in identifying transgressive cases as effective corporate scandals. The constructs [concepts by mental model] resulting from this methodology are explained in section 4, called Theoretical Basis.

3.1. ProKnow-C Process

The ProKnow-C method is separated into four major steps: 1) portfolio selection, 2) portfolio bibliometric analysis, 3) systemic analysis, and 4) research question and objectives definition (Ensslin et al., 2015).

As well as the SLR, we must have accurate keywords previously for an efficient search in the Scopus database. So we proceeded as follows, we searched in the fields “Article Title”, “Abstract”, and “Keyword” for the word “scandal”. Then, we limited the search to the areas of knowledge “Business, Management and Accounting” and “Economics, Econometrics and Finance”, to the document type “article” and “review”, in addition to the languages “English”, “Spanish” and “Portuguese”. Finally, we sorted in order of citation. We exported the 2,094 documents found for an analysis of keywords and abstracts via VOSviewer software, which works in great harmony as an auxiliary tool for SLR (Kumar et al., 2020; Pizzi et al., 2020).

In this initial search, we analyzed 2,094 documents to identify the optimal keywords for a more targeted search. We identified the terms most closely related to the central theme, detailed in Appendix A, and determined using VOSviewer. We then decided which words appeared most frequently and constructed the following search command line based on our findings:

> *(TITLE-ABS-KEY (firm OR *financial OR corporate OR accounting OR business OR *ethic* OR fraud* OR csr OR "corporate social responsibility" OR regulation OR corruption OR wrongdoing OR high-profile OR case* OR impact* OR *moral* OR collapse* OR failure OR bankrupt* OR creative OR detection OR prevention OR *behavio* OR distress) W/3 TITLE-ABS-KEY (scandal*)) AND (LIMIT-TO (SRCTYPE, "j")) AND (LIMIT-TO (DOCTYPE, "ar") OR LIMIT-TO (DOCTYPE, "re")) AND (LIMIT-TO (SUBJAREA, "BUSI") OR LIMIT-TO (SUBJAREA, "ECON")) AND (LIMIT-TO (LANGUAGE, "English") OR LIMIT-TO (LANGUAGE, "Spanish") OR LIMIT-TO (LANGUAGE, "Portuguese"))*

The time frame included from 1985 to 10/21/2021, and we got 1,141 documents. From this selection, we aligned titles with our chapter objective (Afonso et al., 2011; Ensslin et al., 2015), centered on the scandal process, models, generic cases, different classifications, and causes. We discarded those focusing on fraud without scandal, specific cases, post-scandal outcomes, distress, and purely financial anti-distress or anti-failure models. The result was 96 aligned documents.

At this point, we arranged the 96 chosen documents in order of most to least cited (Ensslin et al., 2015) and utilized the Pareto Principle, also known as the 80/20 rule. This principle suggests that selecting the documents that account for 80% of the citations will equate to roughly 20% of the documents. The choice of proportion is flexible (Afonso et al., 2011), and we opted to follow the Pareto Rule for convenience. As a result, we recognized 19 documents of significant scientific value due to their high citation count.

The following selection was the most recent documents, which did not have enough time for recognition (Afonso et al., 2011; Ensslin et al., 2015). On 10/21/2021, we defined that documents from 2019 onwards would be automatically selected, as justified by the previous sentence. This criterion added 25 more documents [=44 documents].

The last selection phase was the search for the authors of documents selected for scientific recognition [19 documents] in the other unselected documents (Afonso et al., 2011; Ensslin et al., 2015), which, in this case, had a null result.

Through tabulating the 44 documents, we went to the next phase of the method to align this chapter objective with the documents' abstracts (Afonso et al., 2011; Ensslin et al., 2015). From this analysis, only 20 documents were aligned, and one did not have the full text available for reading, leaving us with the final result of 19 documents as being of great relevance and timeliness for the topic in question. The result of this method is in Appendix B.

We considered those 19 documents the first part of the methodology result and the starting point for the constructs search [mental model], which were mined merged CA and IR methods that returned extensive direct and indirect knowledge as the second part of the methodology [see Figure 1].

4. THEORETICAL BASIS AND RAISED CONSTRUCTS

In the following sections, we will discuss important concepts that we consider for supporting the proposal for constructing the conceptual model. After going through the CA method, the concepts that support this process are the result of the literature review methodology [section 3]. Therefore, all the definitions we will discuss in this section were raised naturally from CA, and we assembled this proposed conceptual model.

4.1. Intentionality and Morality

This topic has a behavioral approach. The practice of a fraudulent act means that the perpetrator is aware that the agent is taking either illegal, amoral, or immoral action. In contrast, an unwilled action implies that the author made an error, and the most we could infer would be a negligent act (Cooper et al., 2013).

We may distort the results when we put consequences in the same analysis [from willful and unwilled acts, for example], which might even culminate in corporate scandals. Take the previous studies' example, which consider an explanatory variable for misreporting cases, although they may be errors or irregularities (Beasley, 1996; Hennes et al., 2008; Kim et al., 2016). What separates a simple error from wrongdoing is intentionality. Therefore, cases in the literature called corporate collapses do not have the intentionality characteristic but make incorrect or negligent management decisions (Li et al., 2021; Toms, 2019). There is no deception, and it does not happen due to the managers' intentional will.

The decision-making process is a well-studied topic in management and accounting management, and some theories will not be approached in this chapter (Cooper et al., 2013). Even though its result is unpredictable, it is always unwilled. The noticeable discord is the intentionality. The decision-making process may result in a mistake, a failure, an error, or a shortcoming. The decision-making result does not end up in a scandal because of the morality act. Meanwhile, amoral or immoral acts will always become a scandal. Therefore, the morality of the decision-making process will, at most, become a business mistake. This sort of result is a consequence of business risk. So, risk-making is a part of decision-making, and the business needs to manage the risk (Kim et al., 2016).

It must be stated that transgressed morality or legality is related to corporate scandals (De Maria, 2010). That is why its inability to deal with these issues could lead to scandal. For that reason, it is necessary to clarify the distinction among moral, amoral, and immoral. The concept of ethics, in common sense, is very much confused with morality. Dictionaries make that mess with common-sense definition, as seen by Cambridge (2021): “relating to the standards of good or bad behavior, fairness, honesty, that each person believes in, rather than to laws” and says moral is a synonym for ethical. Moral comes from the Latin *morāle*- regarding custom, representing the set of values a social group adopts. In this way, morality is not individual. On the contrary, it is part of the cultural substrate of society. These definitions are supported by the Social Contract Theory based on the ideas of philosophers John Locke [1632-1704] and Jean Jacques Rousseau [1712-1778], where the human being assumes with his fellow men the obligation to behave according to the moral rules in order to live in a society. *Du contrat social, ou Principes du droit politique*, deals with Rousseau's 1762 treatise on the concept. In this sense, morality sets limits to individual passions, desires, and ambitions by offering a reference of conduct based on socially accepted values and, consequently, disapproving of any act that contradicts such values.

According to Oxford Dictionary (2021), amoral is “not following any moral rules and not caring about right and wrong”, and to Cambridge Dictionary (2021), immoral is “morally wrong, or outside society's standards of acceptable, honest, and moral behavior”. In other words, immoral is acting against morals in an aware way, while amoral is thinking that what is being done is not precisely wrong because there is no absolute awareness that that action is against morals.

It is essential to distinguish what is willful and unwilled because they have different motivations (Cooper et al., 2013), and therefore, their signs are different. The fault or negligence comes from an amoral act. Willful misconduct arises from an immoral act. The failure, error, mistake, or shortcoming originates from a moral act. Our first construct is that the intentionality and morality of action determine the act's legitimacy [legality] or transgression.

4.2. Discerning Fraud from Scandal

Fraud term is widely used within the topic in question, whether by the word isolated, or by corporate fraud, accounting fraud, financial fraud, and other less-used variations. So, let us start with the dictionary definition. Fraud is “the crime of getting money by tricking or deceiving people” (Cambridge, 2021), for instance, tax, accounting, and bank fraud. Alternatively, “someone who deceives people, often to get money, by saying they are something they are not” or “something that is not what it appears to be and is deliberately used to deceive people, especially to get money” (Cambridge, 2021). Thus far, we provided an overview of fraud as a criminal act seeking financial benefits or advantages through deceit.

Under the above, Zahra et al. (2005) and Dong et al. (2018) refer to fraud as a deliberate action by management in order to deceive or cheat stakeholders. In addition, Jensen (2005) suggests that fraud is one of the agency costs and, as exemplified by Moberg (1997), can be embezzlement, insider trading, self-dealing, lying about facts, failure to disclose facts, corruption, and cover-ups. In summary, the term fraud is used in the corporate environment to generalize the action in this context. So then, the term corporate fraud is a generalization of fraud in the corporate environment and can be shown in many ways.

According to Dyck et al. (2010), corporate fraud includes accounting and finance issues, as well as financial reporting. Therefore, they all shed light on fraudulent characteristics, even though they included non-accounting-related fraud. Thus, corporate fraud clusters include accounting, financial, and non-financial matters. In another paper, Dyck et al. (2021) clustered the mentioned sample in financial and non-financial fraud. Using the Federal Bureau of Investigation classification, the authors state "Financial statement fraud, also known as corporate fraud, involves doctoring these statements to make the company appear more profitable." (West & Bhattacharya, 2016). Still, in line with the previous statements, the American Institute of Certified Public Accountants declared that fraud is "an intentional act that results in a material misstatement in financial statements that are the subject of an audit." (Statement on Auditing Standards No. 99, 2002, p. 1721).

Following the conceptual framework of fraud and scandals built up by van Driel (2019), how the variables interact has shown their consequences. The study of scandal variables is not the purpose of this chapter. Nevertheless, it is fundamental to highlight that fraud has a narrative, the version of the story told by previous scientific studies [post-scandal] and the media [synchronous]. Moreover, we have been involved in fraudulent cases, governance issues, individual actions [people], and macroeconomic influence.

From now on, we will gradually move on to the scandal definitions. First, however, we must emphasize that corporate fraud is not confused with creative accounting. The latter is manipulation within the regulatory flexibility, while fraud violates law or regulation [as previously stated]. Furthermore, we cannot say that a scandal is a fraud or a fraud is a scandal (van Driel, 2019). A scandal may come from a non-fraud event, and fraud cannot be considered a scandal. Similarly, Hail et al. (2018) say there must be fraud beforehand for a scandal. There must have been manipulation beyond what is legally accepted to exaggerate, underestimate, or omit assets and liabilities. Alternatively, some use complex accounting methods or operating structures to obfuscate and misdirect company funds flow.

Sometimes, the term accounting fraud is used even though we properly say it is a subsection of corporate fraud (Jory et al., 2015). Under the Kuhn and Ashcraft (2003) view, there are three main sorts of corporate scandals related to accounting issues. Thus far, we have seen many forms of corporate fraud and have not said anything about corporate scandals, which sounds much more comprehensive. According to Shapiro (2011, p. 61), "Traditional accounting fraud is the intentional misrepresentation of financial statements, punishable criminally or civilly, in order to obtain an advantage wrongfully, retain a benefit, or avoid a detriment [also known as financial statement fraud].", so we concluded that accounting fraud is a particular case of corporate fraud.

There are extensive studies about financial statement fraud or simply accounting fraud showing its causes, motivations, and aftermaths (Badertscher, 2011; Beasley, 1996; Beneish, 1999; DeFond & Jiambalvo, 1994; Erickson et al., 2006; Hennes et al., 2008; Palmarose & Scholz, 2004; Tett, 2019). Nevertheless, we must point out that the restatements were considered a signal of fraud, which occurred massively between 1900 and 2000 (Coffee, 2005). That did not result in surprise by a number of evident frauds at the time.

Nonetheless, we have to notice that a restatement is not necessarily a fraud; in some cases, it is only an error, and the real sense of accounting fraud is "...intentional acts by individuals or management that occur outside of the regulatory framework and result in material misrepresentations of financial statements." (Hail et al., 2018, p. 625).

So as to be on the same page, we consider fraud as the willful and illegal act by individuals or management, using financial misstatement, accounting manipulation, banking deceiving, or management misconduct in order to obtain an improper advantage, retain a benefit, or avoid a financial loss. That can be a crime or not, depending on the country level, culture, or law protection. Consequently, the second construct we reached is that fraud and other classifications used to label a given transgression are attributes assigned to a transgressive event, which, transformed into a scandal, will become the attribute of the scandal itself.

4.3. Corporate Crisis

Barkemeyer et al. (2020) state that corporate scandals can be considered a subcategory of corporate crisis. It makes sense since a crisis in a company is the start, in other words, when a crisis emerges, it is because something out of the ordinary has happened, and a response needs to be taken. Regardless of its reaction, the case could turn into a scandal. While crisis is defined by James et al. (2011, p. 461) as "…a rare, significant, and public situation that creates highly undesirable outcomes for the firm and its stakeholder.", we assumed that a corporate crisis is a trigger to a corporate scandal.

The crisis will happen, even when there is no scandal, as it is a natural event that every entity undergoes periodically, albeit at different levels of damage. De Maria (2010, p. 69) completes this idea by stating, "…an organization can be in crisis but not scandalized, and an organization can be scandalized without [any longer] being in crisis…". So, for a scandal, first, we will have a crisis. Eventually, after a crisis ends, a scandal can persist without it.

Some studies discuss the specific corporate crisis in isolation (Comyns & Franklin-Johnson, 2018; Harlow et al., 2011). On the other hand, it was found that case simultaneity can be interconnected, creating complex dynamics in the market exchange. Moreover, an individual-level crisis can generate a negative spillover effect in the same industry companies (Zavyalova et al., 2012). We can also extend that reasoning to direct stakeholders such as customers and suppliers.

Shrivastasva (1993) states that there are many crisis areas, although this chapter focuses on corporate crises. So that we can narrow our corporate crisis definition, the traditional one from Shrivastasva (1993) seems to us the most appropriate and gives us two main complementary ideas. The first one concerns the beginning of the process and has an internal [company] point of view:

i. Demanding urgency in decision;
ii. It has major impacts; and
iii. Requires system restructuring [firm response].

The second idea that complements the first one has an external point of view:

i. A trigger event starts it [transgression];
ii. It has a long duration; and
iii. It has wide consequences and damage [significant aftermath].

To sum up, the three main elements of corporate crisis are (i) causes, (ii) consequences, and (iii) caution and coping (Shrivastava, 1993). First, it is necessary to have a trigger event that demands urgent decision-making [in our case, a transgression]. Next, the significant aftermath [consequence] will arise for them to be carefully treated [caution and coping] by firms. We must highlight that this paragraph is about the aftermath of an intentional act.

Still, according to Shrivastava (1993), a negligent act can start a corporate crisis, or as they call it, there is an incident-driven. Another way is a natural trigger or, as they call it, a domain extension that can be either a natural, technological, or social disaster.

A third construct arises with the inference that a transgression [trigger event] leads to an internal corporate crisis process before the information is made public. Additionally, the fourth construct reveals that a corporate crisis may result in a significant aftermath that could turn the initial transgression into a corporate scandal.

4.4. Media Role and Agenda-Setting Theory

Media outlets work as a gate that may turn a transgression event into a scandal (Barkemeyer et al., 2020). A transgression event has become a media event through a sense-making process (Abolafia, 2004; Preda, 2001). Its interpretation is affected by the media and its frames for player types in the financial market, creating its knowledge, images, and expectations. In other words, it becomes a media event (Clark et al., 2004). The concept of Agenda-Setting Theory is a well-established academic theory that explains how public perception is shaped and influenced by the media. It shows how scandals can build up over time and how they can ultimately shape public opinion (Bhutta & Saeed, 2011). This theory was developed by McCombs and Shaw (1972). It supports the choice of the media as a data source for scandal cases. However, it is imperative to point out that using the Agenda-Setting Theory is totally different from choosing specific scandals (Barkemeyer et al., 2020). In the first one, it is unknown which case will arise, while in the second, the case is already known, and its relevance will be later verified. Hence, the use of the collection method will be wholly influenced by whether this theory will be used.

In short, the international media, in all of their dimensions, plays a central role in shaping stakeholders' perceptions (Clemente & Gabbioneta, 2017; Coombs & Holladay, 2002; Dorfleitner et al., 2022; Goodstein et al., 2014), giving us fertile ground for theoretical and empirical developments (Goodstein et al., 2014). Besides that, the media works as a watchdog, like auditors do (Dyck et al., 2008).

The fifth construct comes up since the media plays a vital role in shaping how the public perceives internal events brought to light by corporate crises. That can transform a mere transgression into a full-blown corporate scandal through the power of publicity.

4.5. Scandal vs. Corporate Scandal

In order to fully comprehend the concept of corporate scandal, it is imperative that we first delve into the definition of the term scandal itself. According to the Cambridge Dictionary (2021), scandal is "an action or event that causes a public feeling of shock, and strong moral disapproval" or even "reports about actions or events that cause shock and disapproval". It is notable that the intimate relationship with the media, given that to cause public outcrying, must be spread by an efficient drive, in this case, the media. Therefore, scandal is the publicization or public exposure of an organization's transgression (Adut, 2008; Entman, 2012; Graffin et al., 2013) who have not responded well to a crisis (De Maria, 2010). Consequently, a scandal feature is that it becomes widely public (Herepath & Kitchener, 2016).

Another point is that the reported scandals simplify the causes and the solutions while the consequences are enlarged (Adut, 2005, 2008; Thompson, 2000). Some scandals are complex even though responsibility and blame are entirely inputted to a single person or institution, suggesting an easy and radical solution to the problem (Girard & Freccero, 1986 as cited in Daudigeos et al., 2020).

Assuming that the media needs an audience in order to get more readers and subsequently sells their advertisement, the media vehicles publish what readers like to read. In line with this statement, at the beginning of his book, Wilson (1997) asserts two conditions for a scandal to exist: first, it must be unique, rare, exceptional, or extraordinary. That is relative since it all depends on the context. Some things nowadays are usual when compared with the past and vice-versa. Second, it must be shocking, outrageous, or scandalous. Again, that is relative as it depends on our social norms (Dorfleitner et al., 2022; Sayre et al., 2010).

For Entman (2012) and Clemente and Gabbioneta (2017), the scandal frame goes through the following steps: (i) the nature of scandal [problem definition]; (ii) social-control agent's judgment [moral judgment]; (iii) locus of responsibility [causal analysis]; (iv) reputational costs; (v) financial costs; (vi) scandal reputational spillovers; (vii) scandal reputation repair [endorsement of remedy]. It is crucial to notice that these models can only make these frameworks after the scandal happens.

As a whole, scandal is either a transgression, deviance, or wrongdoing that was considered an unusual or extraordinary event and brought either a public judgment or moral disapproval because it was shocking and got the audience upset through either public exposure, publicization, or widely publicized by a media vehicle (Barkemeyer et al., 2020). It is worth mentioning that corporate scandal is distinct from general scandal. It pertains to disclosing an organization's transgression that triggers a significant moral condemnation from the public (Lo et al., 2021).

In chapter one, Thompson (2000, p. 11) states, "…the concept of scandal is much more complicated than it might at first seem.”. For that reason, we set out to explain what corporate scandal is not. As previously mentioned, the scandal is related to publicity or disclosure. Thompsom (2000, pp. 28–30) states that corruption and bribery do not necessarily mean scandal. Consequently, fraud and scandal do not have the same meaning (Zona et al., 2013). However, those transgressions are often confused as media cover is different, thus causing a distinct outcry (van Driel, 2019). Thus far, a scandal can be related to corruption, bribery, fraud, or not. It is independent of the events that give rise to the transgressions.

Another critical corporate scandal component is the media frame. Transgressions, such as fraud, bad labor conditions, corporate deviances, corruption, financial statements manipulation, and ecological disasters, have the media shaping cases in surprising ways to publicize (Adut, 2008; Entman, 2012; Thompson, 2000).

In a few words, we concluded that a corporate scandal is an action or event, willful or not, whose aftermaths are financial or not, which is widely published and brings general public outrage. We must not mix corporate scandal causes, corporate scandal process, and corporate scandal definition. We raised examples of causes such as poor corporate governance, the flawed character of individuals inside the firm, and market pressure (Kochan, 2002; Kuhn & Ashcraft, 2003).

We are going to start with Barkemeyer et al. (2020, p. 386) definition, which states:

> Hence, we define a corporate scandal as a rare, significant, and public situation that creates highly undesirable outcomes for the firm and its stakeholders, where the situation is widely perceived as a breaching of norms by the company and/or its officers and the affected party is not fully complicit in the effect.

A slightly older definition closer to corporate governance, Jensen and Meckling (1976) state that a corporate scandal is a control system failure. Indeed, that definition makes sense and is not against what we have just said until now. Nonetheless, that is narrow and needs expanding.

Not least, the third essential feature of a corporate scandal is the significant aftermath. These aftermaths can be financial or non-financial (Adut, 2005, 2008; Rudkin et al., 2019; Thompson, 2000; van Driel, 2019). Thus, we summarized the essential elements of corporate scandal in a similar way that Clemente and Gabbioneta (2017) did, as per our proposal below:

1) Trigger event [transgressive event] that defines the scandal attribute:
    a) Willful. Moral or legal transgression. The action's attribute can be fraudulent, corrupted, misconducted, or devious.
    b) Unwilled. Amoral transgression. It comes from a malpractice or recklessness act. As an outcome, the attribute can be either negligent or careless.
2) Significant aftermath [financial or non-financial].
3) Public disclosure:
    a) Media frame:
        i) Unusual or rare and shocking event [transgressive event];
        ii) Case simplification through the only one person responsible and the simple solution;
        iii) Press release and wide publicity [mass media].
    b) Public judgment, outcry, or outrage;
    c) Reverberation, scandal spillover, or impact on the third parties [widespread local and international].

We must not confuse corporate scandals with accounting scandals or financial scandals (Jones, 2010; Karpoff et al., 2017). These last two are a subset of the corporate scandal group. Hence, its causes will be distinct (R. M. Grant & Visconti, 2006), and they will be part of the corporate scandal aftermath classification.

In short, a financial scandal has the exact definition of a corporate scandal, except that it has only financial aftermaths (Toms, 2019). Thus, a financial scandal has the same three essential characteristics: (i) transgression, (ii) significant aftermath [in this case, financial only], and (iii) publicity.

5. RESULTS - THE FIVE CONSTRUCTS FOR FRAMING THE CONCEPTUAL MODEL

In the previous sections, we found a theoretical basis to help us develop the necessary constructs for identifying a corporate scandal. At the end of this section, we will have placed how the corporate scandal process occurs and how we can identify all its stages.

5.1. Intentionality and Its Classification in a Corporate Scandal Process

The action intentionality is related to the decision-making process. The trigger event [transgression] of a scandal is an action that occurs as the author's intention (Kim et al., 2016). Roughly speaking, it can be willful [intentional] or unwilled [unintentional]. In some cases, intentional or unintentional actions can happen without a transgression. There will not be a scandal for the latter type, as it is not an amoral, immoral, or illegal action, but a moral or casual one (Cooper et al., 2013). Thus, intentionality will determine whether an event is transgressive or not.

Based on the first construct in which the intentionality and morality of the action determine the legitimacy [legality] or transgression of the act, we present our classification suggestion for the performed act's intentionality. The rationale for this section is based on the papers of Cooper et al. (2013), Kim et al. (2016), and Rudkin et al. (2019). We are addressing the non-scandal cases so that it can be clear when we are talking about an action that can generate a scandal and an action that will not generate a scandal.

Summary of intentionality categories behind an action triggered by decision-making:

i. **Willful**. It is a clearly intentional, willful case in which the author knows, understands, and takes risks for the action's immorality. Such an action may be **illegal**, but it is not a requirement as it may simply be immoral. That is the most common type that can generate a corporate scandal case.
ii. **Unwilled**. It is an action caused by amorality; in other words, it is abstaining from morals. Not because there is a genuine intention to commit an offense, but since the author does not consider the motivations and actions precisely wrong, they do not have sufficient importance to be considered wrong. Often, this action will vary from culture to culture. That makes it an acceptable action in a country with a low level of legal protection despite being offensive in another country with a high level of legal protection (Klapper & Love, 2004; La Porta et al., 2000).
iii. **Intentional**. However, being legitimate [and legal]. Many people could consider this group unethical, but it does not generate scandal cases by being supported by the law. For instance, creative accounting, tax planning, and impress management.
iv. **Unintentional**. However, being moral. Decisions are taken with the best of intentions in order to run the business despite resulting errors. These errors or failures are aftermaths. For example: lack of preparation, experience, knowledge, or weak internal control systems, in other words, inability. Cases of financial distress fit here, as well as accounting errors. It is essential to point out that the main difference between a business mistake and a willful action is intentionality; in other words, this definition is based on the moral intention of the action, while the previous one is based on immorality or illegality.
v. **Spontaneous**. Spontaneous or casual situations are not precisely actions taken, but events that happen regardless of an author's action, as it neither is an action that depends on an author's decision nor often has an author. It is the case of natural disasters or unpredictable accidents. The main difference between this category and the unwilled is that the latter has a certain degree of probability and ensues due to the author's lack of action. A hypothetical case of fire resulting in fatalities can be used to illustrate a situation. The businesses responsible were aware of the electrical problems in the facilities and the presence of flammable

materials. Despite having reactive fire fighting systems like fire extinguishers, the likelihood of an incident was high due to the negligence of those in charge. That means that there was an intentionality unwilled type and not spontaneous.

We schematized these intentionalities in Figure 2 in order to be more explicit. On the left, we have the types that lead to a scandalous case; on the right, scandal-free types.

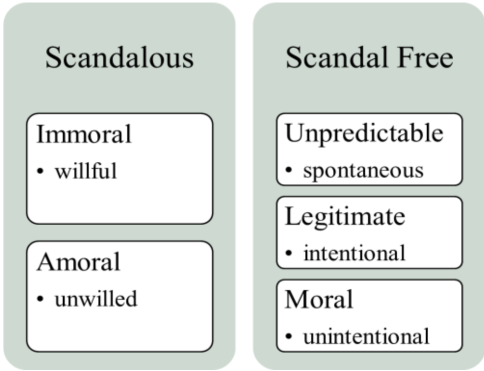

Figure 2. Category of intentionality in the corporate scandal analysis.

5.2. Attribute as a Macro Way of Classifying a Transgression or Corporate Scandal

There are countless types of transgressions. According to our second construct, fraud and other classifications label a transgression event. When transformed into a scandal, this transgression classification will become an attribute of that scandal. In this chapter, according to intentionality, we name by attribute the transgressive event's quality or the action quality taken by the author. Based on these assumptions, we present our proposal attributes classification for corporate scandals, and for better understanding, we also expose the actions' attributes that do not develop scandal cases. Those related to the scandals:

i. **Fraud**. From a scandalous attribute already well defined in previous section 4.2, it is the intentional deceiving act in order to obtain financial or other advantages (Montesdeoca et al., 2019; Rudkin et al., 2019; Utz, 2019). Therefore, it is usually considered a crime and always willful.
ii. **Corruption**. It is necessary to have at least two players, one that corrupts and another that is corrupted. It is also considered a crime in most countries, especially in public areas. Therefore, it is also in the group of scandalous attributes (Cooper et al., 2013; Montesdeoca et al., 2019; Rudkin et al., 2019; Soltani, 2014; Utz, 2019; Yu et al., 2015).
iii. **Misconduct**. It is a consequential attribute of deviance or transgression. It may be considered a crime or law violation in some situations, but this varies significantly from culture to culture. It is usually associated with individual behaviors such as principles, universal ethics, respect, fairness, or honesty, even though it can also be corporate behavior. Sometimes, its rating is on the boundary of negligence, especially unrelated to a crime. It is naturally scandalous (Ilter, 2014; Soltani, 2014; Tanimura & Okamoto, 2013; Van Scotter & Roglio, 2020).
iv. **Negligence**. It is a scandalous attribute, even though it is unrelated to crimes and is always unwilled. It is an attribute that reflects indifference to concern for the acts' aftermath and does not consider moral actions necessary, just as a senseless bureaucracy to be fulfilled (Guckian et al., 2020; Lange & Washburn, 2012; van Driel, 2019).

Due to non-disclosure with scandals, we suggest by the inverse heading of reasoning, that the other attributes not related to corporate scandals are:

i. **Legal**. Even if someone identifies this attribute as unethical, it will never be related to a scandal since it complies with the law. The intention is legitime (Cooper et al., 2013; Rudkin et al., 2019).
ii. **Inability**. Some features classify the actions of decision-making mistakes as either failure, error, or shortcoming. They are considered normal since every action might result in success or failure (Kim et al., 2016; Li et al., 2021). They are moral by nature, as there is care to follow the ethical and legal path.
iii. **Casual**. It is a spontaneous attribute, natural or uncontrolled origin. Therefore, it is unpredictable, which is the main difference concerning negligence, as the latter knows that some inconvenient aftermath might happen (Barkemeyer et al., 2020; Cooper et al., 2013; Kim et al., 2016).

We must clarify some relationships that emerged from our thinking regarding these attributes. First, different attributes may refer to the same transgressive event. In other words, according to intention, one transgression can relate to one attribute or another [a thin line that separates negligence from an accident]. Second, every corruptive action may be fraudulent, although the reverse is not necessarily true. Thus, we can have a corruptive event seen as fraudulent simultaneously. Third, every neglected action attribute can be a misconducting attribute. However, the reverse is not necessarily true. Thus, in the same shape as the previous clarify, we can simultaneously have a neglected event seen as misconduct. Fourth, deviance does not necessarily mean committing a crime, as it may be an unethical and not illegal action, so we can only say that it is a moral transgression and not necessarily illegal. Fifth, when we talk about misconduct, this necessarily means conduct transgression, regulation, or law, and often, we will be in the field of legal infringements. Maybe not concerning a crime, but civil, corporate, or commercial penalties. Finally, from the complete actions universe of all attributes, only a tiny portion risk becoming a corporate scandal.

Moreover, corporate governance is the system that stifles the causes that can give rise to corporate scandals (Jensen & Meckling, 1976). The summary of this explanation is in Figure 3 and is symbolized by sets, their intersections, and contents. The Fraud set does not touch nor intersect with the Misconduct set. All area outside sets are scandal-free. Corporate governance systems, laws, and regulations stifle both sets. Corruption is a subset of Fraud, and Negligence is a subset of Misconduct. Note that the scandal range corresponds to just a tiny area of the whole transgressions in each set. In essence, corruption is contained in fraud, and negligence is contained in misconduct. Therefore, the corporate cases of scandals are a tiny percentage, and the forces employed by corporate governance, laws, and regulations repress them (Hail et al., 2018).

5.3. Transgression - the First Essential Element

About the third construct in which a transgression [trigger event] leads to an internal process of corporate crisis before the information is made public, we want to show through a logical flow that transgression is a fundamental element for a corporate scandal to happen, proving by deductive reasoning that it can be considered the first essential element of a corporate scandal, as has already been shown previously (Adut, 2008; Clemente & Gabbioneta, 2017; Entman, 2012; Graffin et al., 2013; Shrivastava, 1993). We have to remember that transgression and scandal are not synonymous. Transgression marks the start of the process, whereas scandal is the ultimate outcome (Rudkin et al., 2019; Toms, 2019).

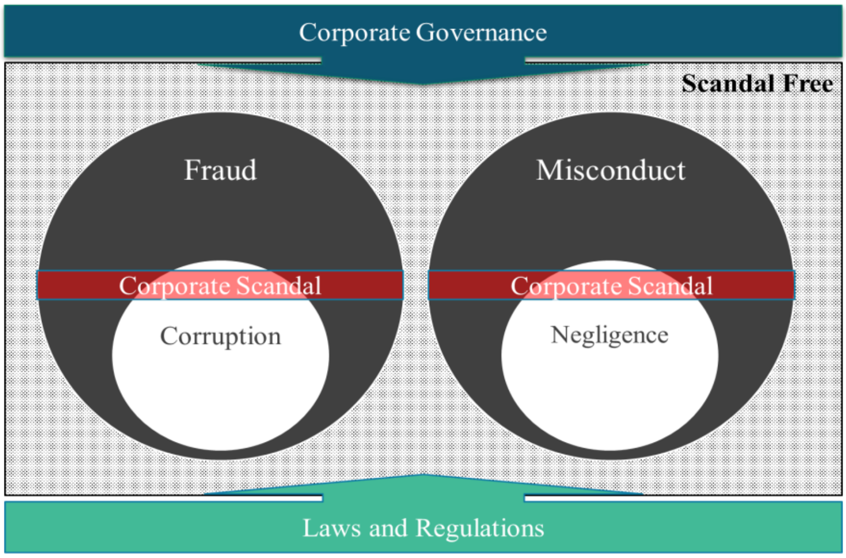

Figure 3. Set of scandals by attributes and their relationships.

Transgressions refer to actions that violate ethical, legal, and social boundaries. Transgressions vary in type, severity and scope, and may be attributed to factors such as competence or character (Goodstein et al., 2014). Transgressive events include human rights, food safety, spying, sexual harassment, accounting misreporting, insider trading, embezzlement, money laundering, and tax evasion. However, this is not the purpose of this chapter to detail each existing event.

Figure 4 shows how the transgression flows. Initially, there must be an action. Then, its intentionality associated with morality leads to the attribute. Thus, the attribute fraud, corruption, or misconduct comes from an immoral or illegal activity resulting from a willful act. Subsequently, the attribute negligence hails from an amoral action [or a lack of action], which necessarily came from an unwilled action [or a lack of action]. Finally, every attribute was a decision-making outcome. Realize that in practice, the steps are identified from the end to the beginning, as there is only one way to analyze the *post facto* cases.

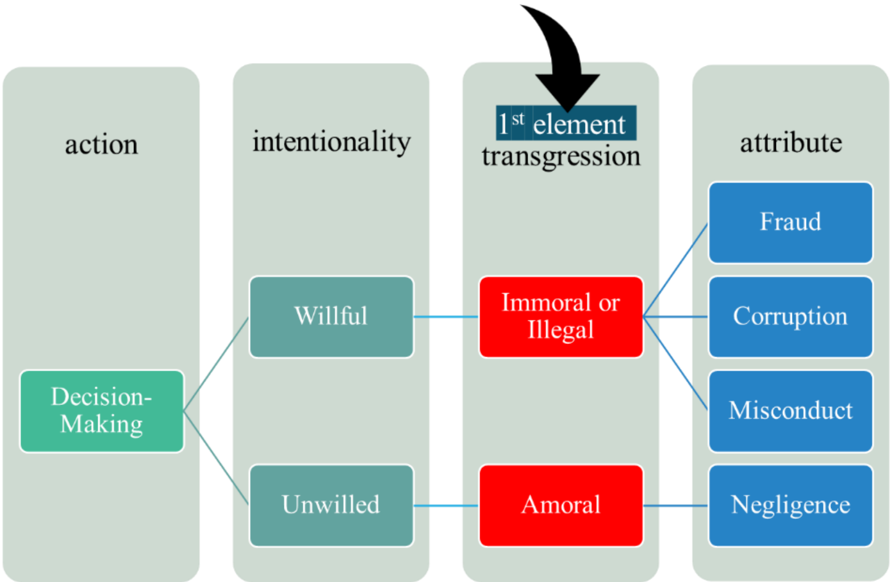

Figure 4. Scandal’s intentionality and attribute with the first element [transgression].

We can avoid any potential corporate scandal if there is no intention to act immorally or illegally. Any spontaneous actions can be attributed to casual factors and are not classified as corporate scandals. It is important to note that unintentional occurrences, as long as they are not deemed amoral or immoral [moral facts], do not fall under corporate scandals. These unintended events are simply the result of an inability to control certain factors.

Consequently, legitimate intentions are legal [attribute], going against illegality and not generating corporate scandals. It is imperative to point out that legality is above morality. Therefore, legal action can be considered amoral and even immoral. However, if the law allows such action, it will not be the source of a scandalous case. Many papers consider immoral or amoral consequences the source of corporate scandals (Ball, 2009; Coffee, 2005; Cooper et al., 2013; Jory et al., 2015; Rudkin et al., 2019; Soltani, 2014), even though it is not our thought.

5.4. Aftermath - the Second Essential Element

As per the fourth construct, a corporate crisis can lead to severe consequences that can escalate the original transgression into a corporate scandal. Significant aftermaths are crucial for a corporate scandal to come into being (Clemente & Gabbioneta, 2017; Toms, 2019).

There are aftermaths such as financial losses, severe damage to health, and lost lives [deaths]. In other cases, we have immeasurable aftermaths. These lasts are usually related to feelings or environmental issues. Examples of immeasurable aftermaths could be ecological harm or offenses against human dignity and rights, resulting in dishonor, disgrace, deception, or hoax. In short, the aftermath is the negative consequence of a transgressive event (Shrivastava, 1993).

It is important to note that corporate scandals often come to light through the significant aftermath reported in newspapers and the media. Based on the studies conducted by Barkemeyer et al. (2020), Cooper et al. (2013), Hail et al. (2018), and van Driel (2019), we summarized the aftermaths in the following proposal:

i. **Financial.** It is when the losses are monetarily quantifiable. We can exemplify these items as share devaluation for shareholders, subtractions from company cash, dividends reduction, non-payment of salaries, kickbacks that harm societies, and accounting fraud for investors.

ii. **Lives.** It is also a quantifiable aftermath. For example, it can measure the number of people killed or injured in a given incident. Workers who acquired a disease through contamination in the work environment, leading to disability or death, is another example. Philosophically, human lives are priceless, so they are not the same rank as the previous item.

iii. **Immeasurable.** Certain situations have intrinsic values, and there can be a wide variation in the perception of value or even the impossibility of monetizing a specific loss. For instance, how much does a millennial tree cost? This answer is so subjective that we can say that it would be monetarily immeasurable. We gave some examples at the beginning of this section. However, they are not exhaustive, just illustrative, as long as the principle of impossibility of monetization of losses is obeyed.

The second essential element must be analyzed after verifying the existence of the first element, which is a prerequisite. In other words, having the second element without the first element will not lead to a corporate scandal. Another way to interpret the second element is to ask ourselves if one was harmed or offended within the abovementioned definitions (Barkemeyer et al., 2020;

Goodstein et al., 2014; Lo et al., 2021; Shrivastava, 1993). There must be third parties who have been harmed (Adut, 2008; Clemente & Gabbioneta, 2017) where the original intent was immoral or illegal. In summary, let Figure 5 guide us for clarification. The aftermath is suffered by a directly harmed. However, for there to be a harmed, it is presupposed that an offender has committed a transgressive act against them. Following the transgression, the harmed may experience one or all consequences, but one consequence will typically stand out as the primary or most significant.

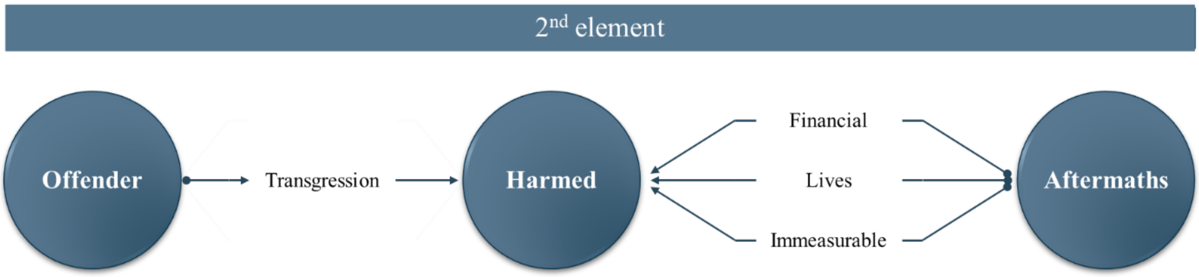

Figure 5. Visual representation of the second element, the aftermath.

5.5. Media Frame Process - the Third Essential Element

The last and fifth construct is reached out, and it is of utmost importance since it concerns the media's influence on how the public perceives corporate crises that come to light. This aspect of the scandal formation process is the most external, and it falls outside the domain of management, accounting, or finance. Instead, it is studied in the social sciences, particularly in communications (Ball, 2009; Barkemeyer et al., 2020; Mccombs & Shaw, 1972).

In Figure 6, the media frame process was built as a workflow showing each step. The three hatched steps are those that are directly influenced by the media. To complete the public disclosure process, one must not skip any step. The media frame is part of the public disclosure process. Agenda-Setting Theory supports the whole process (Barkemeyer et al., 2020; Clemente & Gabbioneta, 2017). If we look closely, the first element of corporate scandal is inside the media frame. Note that in the event step, there is a need for a transgressive event (Abolafia, 2004; Preda, 2001). Here, it is more detailed as rare and shocking.

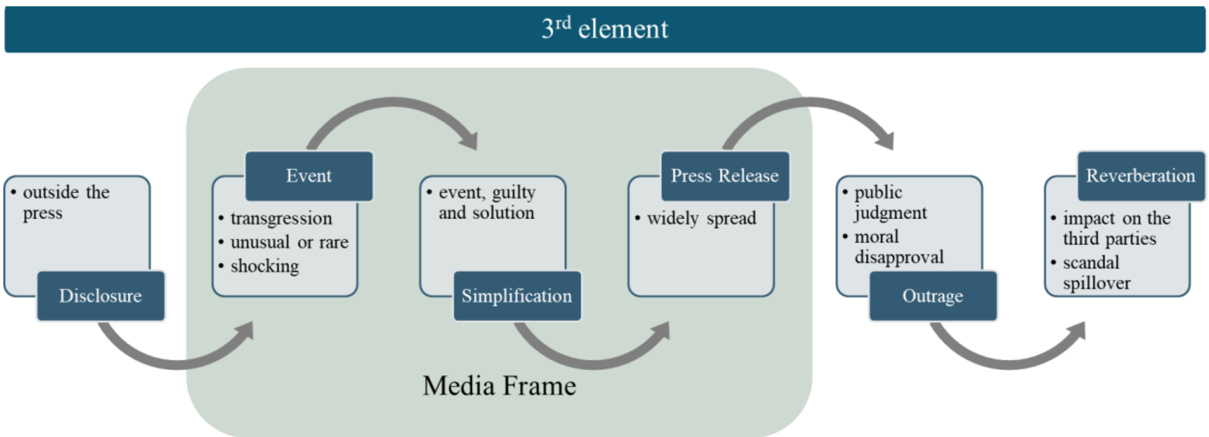

Figure 6. Visual representation of the media frame process.

The creation of Figure 6 was built using insights from Adut (2008), Barkemeyer et al. (2020), Clemente & Gabbioneta (2017), Dorfleitner et al. (2022), Entman (2012), Goodstein (2014), and Graffin et al. (2013) studies.

i. **Disclosure**. Usually, a corporate governance player, internal or external [stakeholder], identifies the transgression and makes a disclosure. This disclosure can be made by any means, including emails or internal reports. The media would not know about the case until this internal disclosure event.
ii. **Event**. The event must be an unusual or rare transgression that creates some sense of shock in the audience. Again, here we see transgression necessity, which is why there will be no scandal without the first essential element, the transgression.
iii. **Simplification**. Most of the audience is not an expert or knows little about all these technical terms, laws, or regulations. Thus, the media simplified the entire history of the transgression case. The case is simplified and sums up the culprits [often summed up in a single culprit] and the solution or resettle. This movement is opposite to the complexity of these corporate scandal cases.
iv. **Press Release**. Here, the disclosure itself takes place. Whichever vehicle it is: newspaper, radio, TV, or social media. Nowadays, we can consider that dissemination ensues in several different media simultaneously and internationally.
v. **Outrage**. The work of the media [shaping, framing] occurs between items ii and iv previously described. From this point on, whether journalism insists on the same subject will depend on the public's interest. Moral disapproval, public judgment, and outrage will indicate interest in these affairs.
vi. **Reverberation**. This is the last step for a transgression to become a scandal. The transgression of the leading company negatively influences third parties. Examples are suppliers, customers, auditors, and other stakeholders impacted by that news. The extent of this impact is measured by the media type used. For instance, in the case of newspapers, we can set out from a local newspaper to a national one and then to an international one.

5.6. Conceptual Model of a Corporate Scandal Process

A scandal may occur when the three essential elements happen in a row. The (i) transgression, (ii) significant aftermath, and (iii) publicity are the three essential elements that may lead to corporate scandal.

However, despite the mandatory existence of the three elements, this does not mean a scandal will occur, as unpredictable human and social behavior factors are behind that (Dorfleitner et al., 2022; Sayre et al., 2010). That means it does not complete a whole cycle so that a case of corruption becomes a scandal, for instance. At any stage of the scandal process, the case can “slip” and not become a scandal. Papers closer to social communications show that factors such as an incident sequence or a period of economic crisis can attenuate or aggravate potential cases to become scandals (Ball, 2009; Barkemeyer et al., 2020; Hail et al., 2018).

With the help of the Bizagi tool, Figure 7 presents a flowchart outlining the process of corporate scandal formation. The proposal was summarized for clarity. The first pool is supported by the corporate crisis, which is composed of cause/motivation [e.g., market pressure, CEO’s features, weak corporate governance, taking advantage, running a business as usual or accident]

(Badertscher, 2011; Beasley, 1996; Beneish, 1999; DeFond & Jiambalvo, 1994; Erickson et al., 2006; Hennes et al., 2008; Palmarose & Scholz, 2004; Tett, 2019), intentionality [moral, amoral, immoral, legitime or unpredictable] and action [decision-making or natural] (Cooper et al., 2013; Li et al., 2021; Toms, 2019). If the action is classified as a transgression, it will cause a corporate crisis, which in turn will cause aftermath [financial, life-threatening, or immeasurable] (Barkemeyer et al., 2020; Clemente & Gabbioneta, 2017; Cooper et al., 2013; Hail et al., 2018; Toms, 2019; van Driel, 2019). Moreover, this action has attributes such as fraud, corruption, misconduct, negligence, legal, inability or casual (Barkemeyer et al., 2020; Cooper et al., 2013; Guckian et al., 2020; Ilter, 2014; Kim et al., 2016; Lange & Washburn, 2012; Li et al., 2021; Montesdeoca et al., 2019; Rudkin et al., 2019; Soltani, 2014; Tanimura & Okamoto, 2013; Utz, 2019; van Driel, 2019; Van Scotter & Roglio, 2020; Yu et al., 2015).

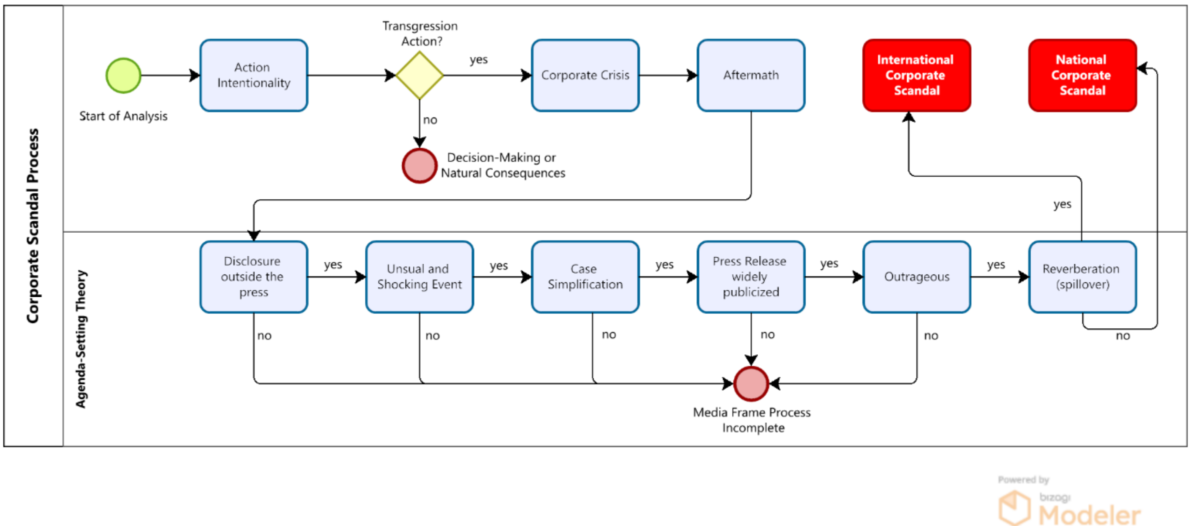

Figure 7. Conceptual Model of a Corporate Scandal Process.

The second pool, based on the Agenda-Setting Theory, suggests that only a fraction of transgressions will result in scandals (Clemente & Gabbioneta, 2017; van Driel, 2019), as it depends on the media frame process and the public judgment (Adut, 2008; Entman, 2012; Graffin et al., 2013). A series of news that started the process can be denied at each new media process stage. We mean that with each new step, there is a probability that the cycle's media process may not be completed. Thus, hundreds of transgression news get in the media cycle, but only a tiny part end up in a scandal. For example, transgression was already expected, the case was very complex to be understood by the audience, the press did not release the news with significance, the public was not outraged, and there were no consequences for third parties (Bhutta & Saeed, 2011; Dorfleitner et al., 2022; Goodstein et al., 2014).

Noticeable in Figure 7, the three essential elements of corporate scandal are pointed out: (i) transgression, (ii) aftermath, and (iii) publicity [media frame process]. Note that the most critical stages in the construction of a scandal are (i) the transgression moment, which depends on the intentionality, and (ii) at any stage of the media frame subprocess. A negative return in one of those stages will make the case not become a scandal, which does not exempt it from being a fraud or error.

6. CONCLUSION

This chapter shifts the emphasis from solely identifying scandals to understanding them in a broader sense. It introduces the idea of a comprehensive conceptual model, which aligns intending to explain the underlying dynamics. It also emphasizes that corporate governance plays a role in the context of scandals.

In conclusion, this book chapter has successfully distinguished corporate transgression from scandals by providing key definitions highlighting the importance of intentionality, attributes, consequences, and the media framing process. By analyzing specific transgressions and broader corporate scandals, we can better understand the factors contributing to unethical behavior and systemic organizational failures (Kim et al., 2016; Toms, 2019). Upon thorough analysis of Figure 7, it is evident that the most effective way of preventing corporate scandals is by avoiding transgressions altogether. The process only has control at the transgression point, making it the optimal way to evade a scandal. As previously discussed, the corporate governance system is the primary mechanism to deter transgressions within the corporate environment. Therefore, enhancing companies' corporate governance is crucial to avoid transgressions and ultimately eliminate the possibility of corporate scandals. Moreover, Figure 3 shows that regulation responds to scandal cases (Hail et al., 2018; van Driel, 2019), acting as an external force that stifles transgressions.

The differentiation between transgressions and corporate scandals holds significance in corporate governance, accounting management, and management research fields. Exploring a particular transgression can provide in-depth understanding and knowledge, whereas investigating corporate scandals can offer insights into the broader aspects of organizational culture, corporate responsibility, and governance (Guckian et al., 2020; Soltani, 2014).

The main objective of this chapter was reached, which was to propose a conceptual model for the corporate scandal formation process in order to identify one. Following this model, we can judge that a transgression is or is not considered a scandal. Many terminologies, concepts, definitions, and theorizations had to be anchored in order to have a universal language that could support the construction of all this reasoning.

Concerning this conceptual model, we can make the following logical statements:

- i. Not every scandal is illegal.
- ii. No legal action will be a scandal,
- iii. even though legal action can be amoral or immoral.
- iv. Not every fraudulent, corrupting, misconduct, or negligent event will be a scandal,
- v. nevertheless, every scandal will be fraudulent, corrupting, misconduct, or negligent.
- vi. Errors or failures may be confused with fraud, corruption, misconduct, or negligence, and what will define them will be the action's intentionality and morality.
- vii. Every accident is spontaneous and natural. However, that must not be confused with negligence caused by non-action or careless action.
- viii. The three essential elements of a corporate scandal are transgression, significant aftermath, and publicity.
- ix. Two institutions supported this conceptual model building. The first was the corporate crisis, and the second was the Agenda-Setting Theory.

The scandal case identification became possible after developing a conceptual model of the corporate scandal formation process. Standardizing the terminology also ensured that communication on the topic was consistent, as specific terms had been used interchangeably, complementary, or distinctly in the found literature.

The built process had two pillars. The first was the corporate crisis, perhaps the most significant innovation in this study area. The second was the Agenda-Setting Theory, which was already well developed and incorporated into this proposal, thus completing the process from its origin to its dissolution. The previous papers studied those two pillars separately, and we innovatively studied both together (Barkemeyer et al., 2020; Clemente & Gabbioneta, 2017; Comyns & Franklin-Johnson, 2018; De Maria, 2010).

This work did not bring practical or empirical results. However, it becomes an applicable framework for a better understanding scandal cases despite carrying a certain degree of subjectivity as any conceptual model. It has shed light on distinguishing between transgressions and scandals that enormously impact regulatory authorities, legal systems, and society (Ball, 2009; Hail et al., 2018; van Driel, 2019). Through a comprehensive approach to ethics [corporate governance] and accountability, companies can work towards preventing future issues and promoting a healthy and sustainable business environment (Dorfleitner et al., 2022; Kim et al., 2016; Toms, 2019). The practical implications will be felt in future research when empirically applied for identifying cases and constructing indexes, frameworks, and models.

The limitations of this chapter are linked to its methodology, namely the use of a single database [Scopus], the SLR, through the ProKnow-C method. Moreover, the scandals' scope in building a conceptual model was limited to the corporate field. In this way, government scandals and natural persons, for example, were left out (Lo et al., 2021).

For future research, there is a potential for practical application of this conceptual model through the search and framing of corporate scandal cases based on proposed theories in different cultures [continents or countries] to verify the proposed universality and in various dimensions of corporate governance. Another engaging aspect to consider in analyzing transgressive events is the potential for categorizing them based on their frequency with the same CA method (Freitas et al., 1997; Matthes, 2009; Vala, 1990). Although this chapter only provides a few examples, a wealth of information is available in the literature. Classifying scandal cases could be a helpful way to frame them, as the proposed conceptual model only determines if a case is viewed as a scandal but does not provide further classification. The commendable focus on intentionality, attributes, and media framing is worth noting. However, delving deeper into the implications of these factors could enrich the topic further.

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APPENDIX A. First Keywords raised

accountability	corporate collapses	crisis management	financial failures	misconduct
accounting fraud	corporate crime	decision making	financial fraud	misrepresentation accounting
accounting manipulation	corporate crisis	detection	financial market scandals	moral scandals
accounting scandals	corporate fraud	earnings management	financial risk scandals	ponzi (pyramid)
bankrupt	corporate governance	earnings quality	financial scandals	regulation
behavior	corporate scandals	ethics	fraud	regulation fraud
business disasters	corporate social responsibility	ethical accounting	fraud detection	risk-taking
business scandals	CRS	failure	growth rate	scandals
cases	corruption	financial accounting scandals	high-profile scandals	theory of corporate scandals
collapse	creative accounting	financial crisis	impact of scandals	wrongdoing
cook the books				

APPENDIX B. Result of the Systematic Literature Review using the ProKnow-C method

ID	Authors	Title	Source Title	Year	Cited by	Pareto Principle	Newest
310	Coffee, J.C., Jr.	A theory of corporate scandals: Why the USA and Europe differ	Oxford Review of Economic Policy	2005	161	yes	no
62	Kuhn, T.	Corporate scandal and the theory of the firm: Formulating the Contributions of Organizational Communication Studies	Management Communication Quarterly	2003	57	yes	no
155	Agrawal, A., Cooper, T.	Insider trading before accounting scandals	Journal of Corporate Finance	2015	55	yes	no
143	Crutchley, C.E., Jensen, M.R.H., Marshall, B.B.	Climate for scandal: Corporate environments that contribute to accounting fraud	Financial Review	2007	49	yes	no
2	Zona, F., Minoja, M., Coda, V.	Antecedents of Corporate Scandals: CEOs' Personal Traits, Stakeholders' Cohesion, Managerial Fraud, and Imbalanced Corporate Strategy	Journal of Business Ethics	2013	45	yes	no
8	Clemente, M., Gabbioneta, C.	How Does the Media Frame Corporate Scandals? The Case of German Newspapers and the Volkswagen Diesel Scandal	Journal of Management Inquiry	2017	35	yes	no
275	Van Scotter, J.R., Roglio, K.D.D.	CEO Bright and Dark Personality: Effects on Ethical Misconduct	Journal of Business Ethics	2020	16	no	yes

ID	Authors	Title	Source Title	Year	Cited by	Pareto Principle	Newest
4	Rudkin, B., Kimani, D., Ullah, S., Ahmed, R., Farooq, S.U.	Hide-and-seek in corporate disclosure: evidence from negative corporate incidents	Corporate Governance (Bingley)	2019	13	no	yes
17	Toms, S.	Financial scandals: a historical overview	Accounting and Business Research	2019	13	no	yes
51	van Driel, H.	Financial fraud, scandals, and regulation: A conceptual framework and literature review	Business History	2019	13	no	yes
28	Utz, S.	Corporate scandals and the reliability of ESG assessments: evidence from an international sample	Review of Managerial Science	2019	11	no	yes
749	Daudigeos, T., Roulet, T., Valiorgue, B.	How Scandals Act as Catalysts of Fringe Stakeholders' Contentious Actions Against Multinational Corporations	Business and Society	2020	9	no	yes
20	Barkemeyer, R., Faugère, C., Gergaud, O., Preuss, L.	Media attention to large-scale corporate scandals: Hype and boredom in the age of social media	Journal of Business Research	2020	6	no	yes
29	Tett, G.	'Financial scandals: a historical overview': a practitioner view	Accounting and Business Research	2019	2	no	yes
914	Eckert, C., Gatzert, N., Pisula, A.	Spillover effects in the European financial services industry from internal fraud events: Comparing three cases of rogue trader scandals	Journal of Risk Finance	2019	2	no	yes
10	Cole, R., Johan, S., Schweizer, D.	Corporate failures: Declines, collapses, and scandals	Journal of Corporate Finance	2021	0	no	yes
102	Ha, T.T.H., Khoa, N.B., Huy, D.T.N., Nhan, V.K., Nhung, D.H., Anh, P.T., Duy, P.K.	Modern corporate governance standards and role of auditing-cases in some Western european countries after financial crisis, corporate scandals and manipulation	International Journal of Entrepreneurship	2019	0	no	yes
407	Lo, C.J., Tsarenko, Y., Tojib, D.	Same scandal, different moral judgments: the effects of consumer-firm affiliation on weighting transgressor-related information and post-scandal patronage intentions	European Journal of Marketing	2021	0	no	yes
1095	Orth, C.O., Maçada, A.C.G.	Corporate fraud and relationships: a systematic literature review in the light of research onion	Journal of Financial Crime	2020	0	no	yes

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