Sins for Some, Virtues for Others:
Media Coverage of Investment Banks' Misconduct and Adherence to Professional Norms during the Financial Crisis.

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Abstract

Why does professional misconduct persist in the face of media scrutiny? In this study, we explain how professional norms can be at odds with societal norms and how the behaviors they trigger can be perceived as misconduct. Most audiences tend to disapprove of wrongdoings, but specific stakeholders may interpret this disapproval as an indication of the focal organization's level of adherence to professional norms. Building on mixed-methods, we explore the case of the investment banking industry during the financial crisis and suggest that corporate customers were favorably biased by the reporting of banks' misconduct in the print media as they linked it to the banks' quality of service. We capture the extent to which banks are associated with misconduct, signaling their adherence to negatively perceived professional norms. We then look at how such signal affects the likelihood for banks to be invited in initial public offerings syndicates. Our findings show that the more banks are disapproved for their wrongdoings, the more likely they are to be selected to join a syndicate. This study suggests that the coverage of misconduct can actually act as a positive signal providing banks with incentives to engage in what is broadly perceived as professional misconduct.

Keywords: Professional misconduct; media disapproval; institutional logics; signaling; investment banks.

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Since news and reports of organizational misconduct have become increasingly common, organizational and management scholars have paid growing interest to the understanding of wrongdoing (Palmer, 2013). Misconduct is a behavior that “transgresses a line between right and wrong” (Greve. Palmer & Pozner, 2010: 56). Media play a key role in reporting organizational misconduct (Entman, 2012), and they put pressure on the responsible organizations to react and adapt the course of their actions (Zavyalova, et al. 2017). As essential control agents, the scrutiny of media enables other stakeholders to sanction the responsible organization (Greve et al. 2010). The question is whether, in this context, organizational misconduct can persist despite media scrutiny and how so. Stakeholders, including professional and industry peers, clients, employees, and legal and political authorities, fundamentally differ in their reaction to the signal sent by the media when reporting on organizational misconduct (Zavyalova, et al. 2017; Roulet, 2017). They can react to organizational misconduct but may also ignore it (Barnett, 2014) and this raises the question of what misconduct truly means, and when misconduct is actually seen as such. Media scrutiny of organizational misconduct may influence audiences in different ways, and this variance in the interpretation of this reporting by different stakeholders still remains to be fully understood.

In order to understand the impact of media scrutiny on misconduct, we used the concept of institutional logics—the value and belief systems shaping actors’ behaviors and interactions (Thornton and Ocasio, 1999). While organizations have become arenas of misconduct (Greve et. al 2010), professions provide an additional level of analysis to study misconduct. Logics at the professional field-level drive professional norms (Greenwood, Díaz, Li & Lorente, 2010; Haveman and Rao, 1997). Such logic at the professional field-level can, however, become at odds with logic at the society level (Seo & Creed, 2002) and make professional norms clash with broader order social norms (Manning & Anteby, 2015; Greenwood, et al. 2011). Thus an organization’s behavior may be in line with professional norms while also in opposition to wider social norms (Posner, 2009; Manning & Anteby, 2015), creating the conditions under which “contradictory and conflicting approval and disapproval, from different audiences” may coexist (Hudson and Okhuysen, 2014: 244). The idea that a behavior can be broadly considered as a misbehavior while being considered as compliant with professional norms, points out the contested nature of misconduct.

Media can point out misconduct which, in the meantime, are considered professional norms at the field-level thus signaling the level of adherence to those norms by field-level actors. This is what Posner (2009) presents as a form of relational signal which helps the organizations' stakeholders—in particular potential customers—make decisions about their relationship with the focal organization (Shymko & Roulet, 2017). An organization adhering to the norms of its fields gains professional respect (Abbott, 1988; Sandefur, 2001) and is consequently positively evaluated (Fiss & Zajac, 2006; Rhee & Fiss, 2014). In the particular context of service provision (Von Nordenflycht, 2010), potential clients can partly infer quality of a service based on the signal that this service provider is adhering to professional norms. Thus, we hypothesize that when professional norms clash with societal level norms, the negative reporting of service providers' behaviors can signal adherence to norms and make those firms more likely to be selected by their customers, everything else being equal.

The investment banking industry—the empirical setting of this study—is built on strong belief systems (Brannan, 2017; Li and Berta, 2002; Ho, 2009). The values and beliefs at the professional field-level are based on the shareholder value paradigm (Ho, 2009; Fraser, 2004; Faulconbridge & Muzio, 2009). Consequently, a number of professional norms emerged such as the appetite for risk (Palermo, Power & Ashby, 2017), a focus on short-termism (Dallas, 2011), a market orientation (Thornton, et al. 2012), variable wages and large bonuses (Roulet, 2015). However, the subprime crisis has put the industry under greater scrutiny: its business customs have been heavily criticized (Riaz, Buchanan & Ruebottom, 2016), with the media and public heavily condemning practices which were previously largely ignored. In this context, external audiences such as the media disapprove of these typical industry practices and consider them as professional misconduct. In the meantime, key stakeholders, such as corporate clients, value what is seen as adherence to professional norms, as it indicates some crucial but not directly observable characteristics of the service providers. We employed a mixed-method approach to test this relationship, combining an exploratory qualitative analysis of bankers and clients' perception of professional norms and the analysis the patterns in initial public offering (IPO) syndicates' invitations to US investment banks from 2007 to 2011. Our qualitative exploration helps us contextualize the perception of professional norms in the investment banking industry during the financial crises. We then inductively build a measure of how media report on disapproved of but typical field-level practices and show how this influences the organizations' likelihood of receiving an IPO syndicate invitation. After econometrically tackling potential selection biases and screening out reverse causality issues, we show that banks that are publicly attacked in the media for engagement in negatively perceived professional norms are more likely to be invited to join IPO syndicates.

By using an institutional logic lens to analyze the perception of professional norms and how those can be singled out as professional misconduct, this study shows how divergence in audiences' perception of typical industry behaviors can make wrongdoing beneficial. While the misconduct of banks was pointed out by the media, corporate customers could positively interpret this as a signal of banks' adherence to norms and proximity to the core values of their field. In sum different audiences (here the corporate customers versus the media and the broader society) can be at odds with regards to what misconduct truly means for them. Our work contributes to the understanding of professional misconduct by stressing the interrelated role of boundaries (Muzio, et al. 2016) and dependences across fields (Thomson, 2014; Furnari, 2016). Those two elements can help understand the benefits and drawbacks of engaging in misconduct for professional actors. We also how show field-level and societal-level norms can be opposing and self-reinforcing in cases where criticism at one level is rewarded at another. This suggests that divergence between logics at different levels may continue to become more intense over time as opposed to the expected harmonization (Greenwood, et al. 2011) and it ultimately highlights the contested nature of misconduct.

Media coverage of professional misconduct as a signal of adherence to professional norms

The role of media in reporting professional misconduct

Recent corporate scandals have fueled a growing interest of organizational scholars in misconduct (Palmer, et al. 2016; Piazza & Jourdan, Forthcoming; Daudigeos, et al. Forthcoming), as research tries to make sense of how those transgressions materialize and how they persist. Organizational misconduct emerges as a consequence of the context in which social agents are embedded (Greve et al. 2010), and the organizations' links with stakeholders play a determinant role in how we can make sense of misconduct (Barnett, 2014). In particular, recent work has suggested that professions are a crucial level of analysis, and as a network of actors, they play an essential role in both spreading and sanctioning such practices (Muzio, et al. 2016). Within such ecologies of wrongdoing, it is unclear how professions are themselves exposed to outside pressures and how those pressures condition the maintenance or the eradication of misconduct.

One of those key outside pressures comes from the media (Entman, 2012) as they publicly shame misbehaving organizations and tend to force them into corrective action (Zavyalova, et al. 2017). In general, the media play a crucial role of interface between stakeholders (Fiss & Hirsch, 2005; Rosoff, 2007), but they also more often point out misconduct to the organizations' stakeholders thus enabling sanctioning processes (Greve et al. 2010). Media can enable formal enforcement and kick-start legal procedures to sanction misbehaving organizations. Despite some uniformity in the treatment of media (Williams, 2008), media reports of professional misconduct can be interpreted in different ways depending on the audiences (Levi, 2006).

Media scrutiny of misconduct can affect a whole profession and, in particular, the way clients interact with the professionals. Bradby, Gare, and Bury (1995) showed how the media reporting of sexual harassment cases by doctors challenged the patients' trust for the medical professions. Bradby et al. (1995) do, however, acknowledge that more research is needed to understand how media scrutiny of professional misconduct is interpreted by customers as a key audience, as stakeholders' perception directly conditions whether such misconduct leads to sanctioning. In this study, we discuss the consequences of media reporting of professional misconduct on the way those professionals are perceived by their key audience – their customers. We attempt to illustrate how such examination may help understand persistence of misconduct. Indeed, previous research has shown that the media representation of corporate crimes does not necessarily harm the offenders (Van Erp, 2013) and that stakeholders can end up ignoring misconduct (Barnett, 2014). Stakeholders may interpret the signal sent by the media regarding organizational misconduct in a variety of ways, sometimes even in a positive manner since audiences see different elements as congruent with their expectations (Zavyalova et al. 2017): media disapproval makes some characteristics of the organizations salient to stakeholders that can potentially appreciate those characteristics.

When professional norms become misconduct: an institutional logics perspective

In order to understand the impact of media scrutiny of professional misconduct and ways different audiences may interpret such reporting, we adopt an institutional logics lens (Thornton & Ocasio, 2008), particularly to comprehend the perception of professional norms. Institutional logics are particularly helpful to understand how practices can be perceived differently depending on values and beliefs system and are thus adapted to understand how the meaning of misconduct may differ depending on the actors involved. This approach often perceives the field as a level of analysis—the "field" being a set of actors with common beliefs, rules, and legitimization processes (Bourdieu, 1984)—and field-level logics drive typical behaviors and ultimately shape professional norms (Haveman and Rao, 1997). However, social actors are enabled and constrained by an inter-institutional system in which contradictory logics may coexist (Thornton and Ocasio, 2008) in particular at different levels of analysis (Thornton, et al. 2012; Clemente et al. 2017). Bourdieu's theory of fields and its recent development acknowledge the divergence of norms within and outside fields (Bourdieu, 1993; Thomson, 2014; Shymko & Roulet, 2017), thus making outsiders perceive field-level norms in a different, potentially negative way because of a clash of logics. The logics at the field-level can potentially clash with broader order logics (Seo and Creed, 2002) creating a situation in which field actors' behavior may be in line with professional norms while also in opposition to wider social norms (Posner, 2009). This leads to a situation in which field-level actors engage in actions they consider morally acceptable, but outsiders see as wrongdoings (Manning & Anteby, 2015; Mandalaki & O'Sullivan, 2016) resulting in professional norms being deemed illegal (Gabbioneta et al. 2013). Because the institutional logic approach acknowledges for different systems of values and beliefs, it can help understand how misconduct can mean different things across those systems.

We thus see that when some aspects of field and societal-level logics are in opposition, behaviors that are compliant with professional norms are perceived as misconduct by actors outside of the field. Those perceptual differences illustrate the contested nature of what misconduct is, what it truly means, and when or whether misconduct is actually perceived as such. Audiences indeed play a key role in how misconduct unfolds (Zavyalova, et al 2017), and the perceptions of a focal organization by different group of stakeholders are deeply intertwined (Shymko & Roulet, 2017). At the same time, previous work has shown how the media, in particular, can interfere between those different audiences (Rosoff, 2007). When it comes to corporate scandals and misconduct, media tend to overall agree on a common diagnosis (Williams, 2008; Roulet, 2015; Daudigeos et al. Forthcoming). The media convey the forces and pressures exerted on logics, making the schemes of thought implied by logics more or less legitimate (Lok, 2010). As they shape stakeholder perceptions, the media either drive support for existing belief systems or spread and strengthen the pressures against them (Fiss and Hirsch, 2005; Roulet and Clemente, 2018). Our figure 1, Part a, summarizes how professional norms end up being disapproved of by the media in the context of institutional contradiction. We look at how media as a critical audience interact with another set of crucial stakeholders, namely the customers (Hudson & Okhuysen, 2009), in relationships between clients and service providers in the context of professional service firms.

The signaling effect of media coverage of professional misconduct

There is a considerable asymmetry of information when potential customers look for professional service providers (Gallouj, 1997). In fact, Von Nordenflycht (2010) details how potential customers rely on a variety of signals to pick service providers because of the challenges in inferring quality of service ex-ante. When looking for service providers, potential clients rely on a set of cues to decide which provider to go for, especially because some key characteristics are non-observable (Spence, 1973). Among those potential cues, Deephouse and Carter (2005) distinguish the public legitimacy of organizations—their broad acceptance by the society—and reputation as a way to distinguish the most qualified party for trading. Reputation and identity of professional service firms can diverge (Harvey, et al. 2017). Brammer and Pavelin (2006) add that specific forms of reputation matter more depending on the type of industry and stakeholder relationships. Park & Rogan (Forthcoming) differentiate character and capability reputation. While reputation can rely on some observable and visible characteristics of the service provider, some characteristics that can matter in the choice of customers are non-directly observable (Von Nordenflycht, 2010), and, as a result, potential clients tend to focus on what they can interpret as a signal of quality (Sanders & Boivie, 2004). Organizations commonly signal their proximity to the core values and beliefs of their field (Kodeih & Greenwood, 2014), and we can expect service providers to engage in the same type of signaling behavior to attract clients. Adherence to professional norms can be an important reputational cue enabling customers to compare providers while, at the same time, harming the public legitimacy of the firm when professional norms are publicly condemned.

In the context of service provision, potential clients can infer quality of service based on the signal that this service provider is adhering to professional norms. To cope with the asymmetry of information, one way clients assess potential quality of service is by looking at how the potential provider engages in institutionalized behavior (Gallouj, 1997), in particular, by examining the provider's proximity to the conventions of the profession (Von Nordenflycht, 2010). Beyond the information it conveys to corporate customers, an overlapping mechanism is that an organization adhering to the norms of its field gains professional deference and is consequently positively evaluated (Fiss & Zajac, 2006; Rhee & Fiss, 2014). This professional deference is directly related to the perception that clients might have of the organization as a service provider (Zhou, 2005) as the embeddedness within a field, and thus the connection to the field-level logics is interpreted as sign of higher quality of the service to be provided (Ridgeway and Berger, 1986; Rogan, 2013). In the context of professional services, organizations that are perceived as close to the core values of a field obtain professional deference from this positioning (Sandefur, 2001). Given that professional deference in the context of service firms relies on conformity to norms propagated by the field's dominant logic (Zhou, 2005), clients expect this recognized proponent to deliver a higher quality of service. In fact, clients want to send a signal by hiring service providers with specific characteristics: Posner (2009) posits that the selection of business partners is a signal in itself, and clients associate themselves with service providers that will be beneficial for their relationships with other stakeholders. In the case of service provision, clients want to pick a provider that will send a positive signal to their investors, their shareholders, their own clients, or suppliers. The fit between the values of the key stakeholders and the values exhibited by the service provider is thus essential (Posner, 2009).

We made the point that professional misconduct is triggered by firms engaging in industry norms that have become disapproved of because of inconsistencies between field- and societal-level logics. We argue that when organizations are singled out for engaging in professional misconduct by the media, this situation signals the extent to which the firm is engaging in professional norms. A higher level of media disapproval regarding a firms' engagement in typical practices of its industry will get the organization widely recognized (i.e., beyond the boundaries of its field and the field's direct stakeholder) as a prominent member of its industry because of its signaled level of adherence to the norms; the deplored norms and thus the associated values, behaviors, and beliefs are considered more vibrant in the focal organization than in its peers, signaling to the other industry actors that the organization is recognized as especially complicit with the norms of the field.

Consequently, as our proposition goes, when professional norms become disapproved because of a clash in logics at a different level, the more a service provider is disapproved of by the media for its engagement with field-level norms, the more it will be perceived as a high quality provider, and the higher will be the likelihood for this organization to be selected by clients. Figure 1, part b, summarizes how service providers can signal their adherence to professional norms via media disapproval, thus making them more likely to be selected by clients.

> ***Hypothesis:*** *In cases where societal and field-level logics are in opposition, media disapproval of a service provider's practices signals its engagement with professional norms and makes it more likely to be selected by clients.*

Despite providing a common platform of arguments (Williams, 2008), elements of the media themselves represent a heterogeneous audience (Roulet, 2015; Roulet & Clemente, 2018). The support for or hostility of a particular media toward existing institutional prescriptions can vary (Clemente & Roulet, 2015), and this judgment may depend on this medium's perspective on those norms. In addition, some media will have a greater impact on the customers' decision to select the organization they depict depending on their proximity to the pressurized norms. In other words, we expect different media outlets to exhibit a variance in their hostility as well as their influence of clients' choices of a service provider.

Insert Figure 1 about here

Empirical setting and hypothesis testing

To test our hypothesis, we examine misconduct in the investment banking industry during the financial crisis. This field of inquiry and the particular time period are particularly interesting for several reasons. First, a set of well-defined set of field-level logics was at the time driving atypical behaviors that have been heavily criticized since the crisis and became widely considered as professional misconduct (Ho, 2009; Fraser, 2004). Second, this is an interesting context within which professional norms persist despite public condemnation, as it has been argued that bankers' strong professional identities make both mobilization and resistance easier (Marquis and Lounsbury, 2007). To empirically examine the hypothesis we have developed above, we test how the reporting of banks for their misconduct in the print media affects the likelihood of a bank being invited to join IPO syndicates.

As an introduction to our context, we introduce the public perception of the investment banking industry from a historical perspective (Gill, et al. 2018). Since the burst of the subprime bubble, the banking industry has been blamed for the catastrophe of the financial crisis. A set of practices was highlighted as being no longer compatible with the general welfare of society. Galvin et al. (2004) show how the tobacco industry built its legitimacy by advocating free markets, which represented a societal logic dominant at the time. The investment banking industry also derived its legitimacy by adopting a set of institutional logics relying on the belief of shareholder value maximization (Brannan, 2017; Fraser, 2004; Ho, 2009) a risk culture (Palermo, Power & Ashby, 2017), and a short-term orientation (Dallas, 2011). The industry had declined for 40 years after the Great Crash of 1929, along with the values associated with shareholding, including a risk taking and short-term orientation (Ho, 2009:199). The takeover movement of the 1980s gave investment banks the opportunity to rebuild their legitimacy through those values and beliefs, which became prominent again (Ho, 2009; Whitman, 1999). Previous research has shown how the focus on shareholder maximization agency relationships took power as an answer to the economic problems faced by the US in the 1970s (Fligstein, 2001; Lok, 2010; Ho, 2009). Despite the carelessness of its managers, the firm would again focus on producing value for the owners (Fligstein, 2001; Whitman, 1999). Thus, a set of field-level logics anchored in risk taking, short-term orientation, and a focus on shareholder maximization became a crucial driver of typical practices in the investment banking industry (Riaz et al. 2016). As we will stress below, some overlap between the norms of the finance industry and mainstream society remains, but the financial crisis has shed a new and more critical light on some extreme field-level norms, such as risk taking or excessive variable pay as they appeared conflicting with societal level norms.

Print media and the portrayal of professional norms in the field of investment banking

Journalists play a significant role in influencing organizations' stakeholders, particularly finance actors (Pollock and Rindova, 2003; Tetlock, 2007). The role of print media in drawing public attention to bankers' practices, behaviors, and values has indeed been particularly crucial (Roulet, 2015). Research suggests that the *The New York Times* (NYT), *The Wall Street Journal* (WSJ), and *The Washington Post* (WP) are the most important newspapers in the United States (Fiss and Hirsch, 2005). Although newspapers are only a part of the media landscape, newsprint remains the most popular medium for financial and business news (Fiss and Hirsch, 2005) and in particular for corporate scandals

(Levi, 2006; Van Erp, 2013; Daudigeos, et al. Forthcoming). Groseclose and Mylio (2005) have established that *The New York Times* has the strongest left-wing bias, although the three outlets have shared critical overviews of the values and behaviors of the investment banking industry (they subscribe to a "common vision," Williams, 2008: 487). Roulet (2015) investigated how the rhetorical strategies in those outlets focus on a set of finance actors' misbehaviors that are derived from values and beliefs inherent to the shareholder's value maximization logic. In particular, these articles point out the arguments used by the finance industry to justify their misbehavior and then deconstruct their rationales. Opacity and lobbying are pointed out as a way investments bank manipulate the political sphere and the media to obtain better conditions to operate and a better competitive position. They also show, however, that other factors typical to the field, such as large bonuses, risky market positions, and predatory takeovers, are misbehaviors built on a coherent system of beliefs that bankers persist in retaining because it provides a defensible line of reasoning. Those values and beliefs can endure external pressure in the investment banking industry because crucial industry stakeholders such as corporate customers share those values and beliefs.

The hypothesis in context

To investigate the validity of our hypothesis, we try to show the existence of biases in the formation of syndicate relations among investment banks during the period of controversy, when misconduct started to be pointed out as the financial crisis unfolded, namely from 2006 to 2011. We selected this period because it started before the scrutiny of the investment banking industry began and spanned for a period of increasing scrutiny.

When corporations want to raise funds in the equity market, they ask investment banks to act as a syndicate. Syndicate members are selected by the issuer on the basis of their ability to carry out this mission (Li and Berta, 2002). The issuers are corporations raising shareholder capital, and thus they exhibit some proximity to the shareholder value maximization logic and its agency implications, such as risk taking, variable remuneration, and short-termism. These companies issue equity, while the investment bank places the shares among investors by reselling them. A hierarchy exists within the IPO (Initial Public Offering) syndicate: the invited banks can be either co-book runners or co-managers of the deal. Book runners collect the largest percentage of the fees and are responsible for distributing most of the shares. While most of the literature on syndicate invitations has assumed that offers to join a syndicate rely on the preference of other banks in the syndicate (Li and Berta 2002; Podolny, 1993; 1994), we have focused on the issuers' selection of the banks that will join the inner circle of the IPO syndicate: the book runners.

As part of this research project, we engaged in a number of exploratory qualitative interviews with the key actors on the banks' side (equity capital markets analysts and equity syndicates) and on the clients' side (investor relations analysts and treasurers) in person in New York in 2011 and 2012, then again via video-conferencing in 2017. In total, we conducted 11 interviews, including 3 follow-up ones. Our discussions with equity capital market analysts at some of the banks included in the dataset confirm the validity of a focus on primary syndicate members because the issuer selects them all directly, while lower-ranking syndicate members can be selected on the advice of the book runners. When an actor has engaged in a transaction with another, he will tend to continue to transact with that same actor to reduce exchange uncertainty (Li and Berta, 2002). After discussing this issue with equity capital market analysts, we decided to mitigate this bias by focusing on new equity issues: firms rarely resort to using equity capital markets, and when they do, they have limited interactions with investment banks until they start preparing going public. Both equity syndicates and equity capital market analysts stressed how league tables are "manipulable," explaining why clients looking for book runners have to rely on the "general prestige" of a bank and how "central" it is within the industry. A communication officer in the investor relations of a tech firm going for an IPO confirmed that they expect a good bookrunner "to behave in a way that one would expect from a typical investment bank," meaning that investment bankers are preferred to be with more of "sharks rather than lambs."

Our theoretical development has so far suggested that, in a context where there are inconsistencies between logics at the field and societal level, media disapproval of banks' typical practices—i.e., their engagement with professional norms—signals for their proximity to professional norms. This proximity, in turn, increases the likelihood of customers selecting the bank to join a syndicate as a book runner. When seeking the bank that will deliver the best service, an issuer will choose the one most strongly attacked for what they perceive as engagement in professional norms, such as excessive bonuses or extreme risk taking (Roulet, 2015). Although they garner disapproval in the public sphere, banks can at the same time be perceived as paragons in their field, as they are seen to exemplify the practices typical of the industry. Following this discussion and on the basis of our hypothesis, we suggest that the more a bank is disapproved of for engaging in professional norms, the more likely it is to be invited to join a syndicate, everything else being equal. We acknowledge that this will act merely as a bias as other determinant variables will be prominent. Previous performance of the bank on the IPO segment, its position in league tables, its lines of activities, and its prestige are expected to be the primary determinants of syndicate invitation. We also expect *The Wall Street Journal, The New York Times*, and *The Washington Post* to exhibit different levels of hostility and variance in their influence over clients' choices.

Methodology

Our observations are made at the level of the IPO-bank dyad, and the dependent variable is whether the bank has been invited. Data on IPOs come from a broad range of sources, including Securities Data Company (SDC) Platinum, Thomson Reuters, Bankscope, and banks' websites (including older versions). Our independent variable is built on the content analysis of *The New York Times, The Washington Post*, and *The Wall Street Journal* articles citing all the banks in our sample from 2006 to 2011. Past research has commonly used newspaper articles as an appropriate source of data by which to measure media disapproval of banks' practices (Reicher et al., 1996; Pollock and Rindova, 2003; Core et al., 2008). The measure of a bank's association with misconduct is based on the ratio of words in categories that we inductively created with the help of a research assistant. As previously stressed, our assumptions are built on interviews we conducted with a number of equity capital markets analysts and equity syndicates in the banks' side and investor relations managers on the clients' side.

Data, model, and dependent variable. The unit of analysis is the invitation to a bank to join a syndicate as a book runner in the period between 2007 and 2011. Each IPO comprises several invitations. We focus on the likelihood of a bank being invited to join a syndicate as a book runner. In each IPO, if a bank is selected as a book runner, a dummy variable *Bookrunner* is recorded as 1 and 0 otherwise. Data on the IPOs (e.g., size, issuer, issuer's industry, issuer's state, offer price, book runners, lead manager, and co-managers) were obtained from SDC Platinum. We focus on the US market to ease the data collection for the main independent variable. The datasets document 3,503 IPOs and a total of 5,147 invitations. Our time-span (2007-2011) includes observations before, during and after the financial crisis enable us to capture the growing trend of disapproval of banks in the print media and observe how the variance in the level of disapproval impacts to the likelihood of IPO invitation.

Studying events implies the inclusion of time-varying explanatory variables and the censoring problem (Allison, 1984). This study faces both challenges: the main independent variable varies over time and includes data censoring (the banks that did not receive an invitation during the observation period are not recorded, nor are banks with insufficient media coverage; see below). The sample of banks at risk of being invited comprises 28 firms, representing nearly 90% of the syndicate invitations during the period studied. Event-count analysis would not enable us to take into account the explanatory variables related to the invited bank, as the events would not have been differentiated. We use the simple model of event history analysis to test the hypothesis: the purpose of an event history analysis is to measure the probability that a target (a bank in this case) will experience an event (in our case, being invited to join a syndicate) at any given time (Allison, 1984). The probability of experiencing an event at a certain point in time is based on a hazard model, a regression model that predicts this probability with a set of covariates. These covariates change value over the observation period. We selected a discrete time model with a three-month time frame, more precise than the time-spells used in the literature (Li and Berta, 2002). The dependent variable is the hazard rate: the likelihood that a bank will be invited to join a syndicate as a book runner. Following Allison (1984) and Li and Berta (2002), we use a logistic regression function to estimate the probability $P_i(t)$ that a bank will be selected as a book runner by

$$log \frac{P_i(t)}{1- P_i(t)} = a(t) + b_z z_i + b_x x_i(t),$$

where z_i is a K x 1 vector of constant explanatory variables, and $x_i(t)$ is a k x 1 vector of time-varying explanatory variables. Additionally, b_z and b_x are row vectors of parameter estimates indicating the effect of the explanatory variables on $P_i(t)$. We allow for variation in the hazard by having a time-varying intercept a(t) modeled as a dummy variable for each of the 20 time spells, thus providing the model with period-fixed effects. Our time-varying explanatory variables are updated at the beginning of each spell. In addition, we specify in the model that the standard errors allow for intra-group correlation in two dimensions (2D standard-error clustering), the groups being the observations for each bank on one side, and for each IPO on the other side. The observations are considered independent between banks but not necessarily within the set of observations for each bank and IPO. The model ended up more stringent than similar research in finance aimed at estimating the likelihood of IPO syndicate invitation (Corwin and Schultz, 2005). Finally, we did not include entity fixed-effects: including dummies for each bank would lead us to capture the impact of the variations in the association with misconduct for each bank separately (i.e., a bank is more likely to be selected when its disapproval peaks). Alternatively, we acknowledge that some banks receive more media disapproval – captured as the negative nature of the coverage rather than the amount of coverage - than others and that this impacts the likelihood of their being selected over other bank.

Independent variable: measuring media disapproval of banks' misconduct. To build a variable measuring media disapproval of banks' misconduct, we used an inductive and qualitative approach to build word categories, similarly to that employed by King, Clemens and Fry (2011). These categories are later used to carry out a mass media content analysis based on frequency count, a method commonly used in finance (Tetlock, 2007; Tetlock, Saar-Tsechansky and MacSkassy, 2008). For example, Tetlock (2007) has analyzed how the fraction of negative words in the news is incorporated in market valuations. However, Loughran and McDonald (2011) have stressed the issues related to using general dictionaries for media content analysis and suggest assembling unique dictionaries specific to the topic in question.

To build these categories, we first used a Factiva stream to extract a sample of newspaper articles, namely all opinion and editorial articles referring to the finance industry (both from the opinion pages, and labeled as opinion and editorials) from *The New York Times* (102 articles), *The Washington Post* (110 articles), and *The Wall Street Journal* (71 articles) from 2006 to 2011. Opinion and editorial articles are designed to make a case and are thus appropriate sources for identifying the expressions of public opinion used to discredit banks. We followed a word-list development process inspired by Short, Broberg, Cogliser, and Brigham (2010). An external coder was engaged in a first step of coding the corpus. The two versions of the coded corpus were reconciled. Then we separately identified two lists of words commonly used to depict the construct of interest in the text sample and then used a synonym finder to enrich this list. We then went back to the corpus to ensure the relevance of these synonyms. The two raters' lists of words associated with each logic-related attitude were reunited. Following Short et al. (2010), we used Holsti's (1969) method to compute the inter-rater reliability of the chosen words. We obtained a coefficient of 0.87, a satisfactory level of agreement between raters. As a result of this iteration process, we built a list of 204 words classified in four word categories, as shown in Appendix A. These four categories depicting professional misconduct in the field of investment banking are Greed (including words such as “avarice,” “cupidity,” and “avidity”), Violence (including words such as “blood,” “veracity,” and “rapacity”), Extreme Risk-Taking (including words such as “gambling,” “adventurous,” and “speculative”) and Opacity (including words such as “ambiguity,” “ambivalence,” and “manipulation”).

After building those word categories, we collected the larger sample of articles through which to parse this grid, in order to capture media disapproval of banks’ engagement in typical field-level practices. We collected the total number of articles (including online articles) mentioning each of the banks through a Factiva stream. We conducted an extensive cleaning process and carefully removed all non-related articles obtained by mistake. The final sample of more than 70,000 articles retained constitutes a well-assembled sample to gauge the media perception of the 28 investment banks in our sample from 2006 to 2011. We then parsed the dataset of articles into the word vectors using the JFREQ software. Following Loughran and McDonald (2011), we acknowledge that a raw word count is not the most accurate measure of word content. We consequently weighted the raw count according to the total number of words, computing this measure on a quarterly basis. As expected, the different dimensions of our construct are highly correlated. As a robustness check, we also parsed the dataset using categories defined by the Harvard Psychosocial Dictionary (see Appendix A2). The inductively created categories are highly correlated with the words associated with anger, anxiety, and, more generally, negative emotions, while having no words in common with each other. This suggests that our construct would indeed overlap with a more general lexicometric measure of disapproval. The measures of media disapproval for the three media outlets are only moderately correlated with each other (below 30%) (see Table 2). During our period of study (2006–2011), there was no formal enforcement or prosecution of banks appearing in our sample, but there were a number of enquiries. In fact, the regulators (or political actors) play a role in our setting by launching official enquiries, ultimately shifting the attention toward those targeted banks. We clearly see a relationship between media disapproval and regulatory enquiries. For example, the banks cited in the Senate report on the financial crisis in 2011 or in the Cuomo report in 2009 are more prominently disapproved in the media in those periods.

Our method of content analysis may come with drawbacks regarding the accuracy of the measure of the association of banks with typical industry misconduct, especially in the case of sarcasm and double negations. They nevertheless have the advantage of being able to process a large sample quickly and of being replicable, unlike the only alternative manual coding. In addition, a computer-driven analysis provides a more fine-grained analysis, while a human coder would code each article as negative, neutral, or positive. The coder's expectation might also bias his or her judgment. Although computer automated text analysis neglects the context, our measure is aimed at evaluating the extent of an association with practices: looking at the proportion of words makes the context incidental. In addition, the inductive process of building categories ensures that the words selected can hardly be misinterpreted because of the context. More generally, because we treat a large volume of text, the potential lack of reliability can be reduced to a predictable margin of error. Research has even found that a word count is more reliable for a large quantity of text than human coding (Rosenberg, Schnurr, and Oxman, 1990; Nacos et al., 1991).

Finally, the measure of media disapproval of banks' practices is the addition of the discounted sums of the ratio of categorized words over the four quarters preceding the issue for each outlet. Our measure of disapproval does not capture the amount of the coverage (which would be the total number of words in articles citing a bank) but the negative nature of the coverage (the ratio of categorized words on the total number of words). Some banks can have a small but fairly negative coverage compared to other, while other banks have a broader but more neutral coverage by contrast with competitors.

The variable is also lagged by one period. The discount reflects the fact that the value of information decays with time. We removed some banks due to insufficient news coverage and excluded those that had not been mentioned in *The New York Times*, *The Wall Street Journal*, or *The Washington Post* for more than six months, as this time frame is equivalent to two time spells in a row. The risk set includes 28 banks, representing nearly 90% of the invitations to join a syndicate as a book runner. We discuss the selection bias below. To test our hypothesis, we look at the impact of disapproval of banks' practices in newspaper articles on the likelihood of those banks being invited to join a syndicate.

Control variables. We acknowledge the existence of key determinants of syndicate invitation, as we see the signal of media reporting of professional misconduct as merely a factor biasing clients' choices. We control for relevant factors impacting syndicating invitation, such as size, the number of book runners, the stock exchange (85% of the issues are on the NASDAQ and the New York Stock Exchange, with a few on the American Stock Exchange and the New York Mercantile Exchange), and the "hotness" degree of the issue, in accordance with previous research on IPOs (Podolny, 1993; Li & Berta, 2002; Corwin & Schultz, 2005). We include variables related to the issuer: its state and industry. We also control for variables related to the invited bank including the different lines of activities, acknowledging the different role that can be played by commercial banks (Cusin & Maymo, 2016). As a proxy measurement of the size of the bank, we accessed historical US asset data in the Bankscope database. Total assets include business lines other than just the investment bank, but this realistically approximates size since investment banks strongly benefit from the synergies created with other branches, particularly corporate banking teams. Indeed, the bank's rank in the league table is more important than the size in determining the likelihood of being invited , and this rank used by issuers to evaluate its status is "the perceived quality of that producer's products in relation to the perceived quality of that producer's competitors' products" (Podolny, 1993:830). Using the three-month time span, we control for the total amount of shares syndicated during the past four quarters. Following discussions with equity capital markets analysts, we decided not to discount the number of shares syndicated during the previous quarters in the total, as league tables never integrate such discounts. All these control variables and the independent variables are lagged by a quarter. Finally, the underwriter's position in tombstone announcements has a long history of being used as a proxy for banks' reputations (Podolny, 1993; 1994; Carter and Manaster, 1990). Underwriters are mentioned at various levels in the announcements depending on their class. Following Corwin and Schultz (2005), we used Jay Ritter's database of the adjusted Carter-Manaster measures of banks' reputations based on their tombstone positions.

Selection bias and endogeneity issues

As detailed above, the risk set contains all the banks that received sufficient news coverage, accounting for nearly 90% of the invitations. The risk set is necessarily smaller than Li and Berta's (2002) and Podolny's (1994), as it focuses on the invitation to join as a book runner, the highest syndicate echelon. Fewer banks are at risk of being book runners than lead managers or managers, as the former requires more market influence and expertise. Our exploratory qualitative interviews with equity capital market analysts corroborated that, while the selection of book runners depends exclusively on the issuer's choice, there is more noise in the selection of lead managers or managers (book runners and other lead managers might advise the issuers on which banks to add to the syndicate). A selection bias might occur, however, as it is unlikely that all banks will have the same probability of receiving coverage from the three major print media outlets. Banks not present in the media are excluded from the sample. The results of the analyses using media disapproval of banks' misconduct as a predictor of an invitation to join a syndicate might thus be biased. Following Heckman's (1979) method, we created a selection instrument with a 1st stage probit regression aimed at predicting the likelihood of being covered (i.e. = 0 if the bank has *not* been mentioned in one of the three outlets for three consecutive quarters). This probit model includes the following independent variables: the number of deals for which the bank has been a book runner over the period of interest, two dummies for typical business lines in which the bank can be involved in addition to investment banking (retail banking and sales/trading), the maximum number of US states in which it has established offices over the study period,[1] Carter-Manaster measures of reputation,[2] the amount of shares syndicated in the US, the league table rank in the US IPO market, and whether it was driven out of the market at some point during the study period (failure or take-over). In this first stage, the sample includes the 123 banks that were selected at least once as a book runner over the studied period. We generated an inverse Mills ratio, which we use as a selection variable in the 2nd stage logistic regression aimed at predicting the invitation to join a syndicate.

There is also the suspicion of reverse causality: the higher are the reputation and the status of the bank and the more likely it will then be selected by corporate customers (Podolny, 1994), the more likely the media are to scrutinize it and thus associate it with industry misconduct. There are several ways to deal with this concern. First, we measure media disapproval of typical practices by the density of relevant words within the pool of articles. The question is not how much a bank is covered by the media but the degree of disapproval in the coverage (i.e., *how* it is covered): a bank can have a limited media coverage that focuses on the extent to which it engages in the decried practices.[3] Second, we do not consider status or reputation as dependent variables; we rather look at the bias affecting a selection

1 Variable collected in Vault guides and on the banks' websites (through the Wayback archive when historical data were required).
2 The Carter-Manaster measures are usually computed bi- or tri-annually. Thus, we included the Carter-Manaster measures for the 2005–2007, 2008–2009, and 2010–2011 periods.
3 We ran a robustness check with the amount of coverage (the total number of words in the newspaper articles mentioning a bank, discounted and over the four quarters preceding the issue) as an independent variable and found that the variable had no significant effect on book runner selection.

process, while also controlling for past status and reputation. Finally, the independent and control variables are all lagged by one quarter. To test for reverse causality, we also built a panel dataset at the bank level. Using a panel-data GLS random effect regression model, we regressed the sum of the proportions of words testifying for disapproval in the three outlets[4] (for one specific quarter rather than summed and discounted over the past four periods) on the status of the bank over the past four previous quarters (as measured by the rank in league tables and the performance on the IPO market as the total volume of shares issued), and the Carter-Manaster measure of reputation, controlling for the bank's size (as measured by its total US assets), the bank's sectors of activity, and the number of US states in which the bank has established offices. For the number of shares syndicated, we find a positive but non-significant effect on measures of association with misconduct. For the rank in league tables and the Carter-Manaster measure of reputation, we actually find adverse and non-significant effects, confirming the absence of reverse causality (see Appendix B). As a consequence, we argue that reverse causality is an issue neither at the theoretical nor at the empirical level.

Results

Table 1 shows the correlation matrix for the independent, dependent, and control variables and the selectivity instrument, along with the means and standard deviations. Table 2 presents the results of the period-fixed effect logistic regressions with observations clustered along the bank and IPO dimensions. Model 1 only includes control variables. Model 2 includes the measure of media disapproval of banks' practices as the aggregation of the disapproval scores obtained in the three print media outlets. Model 3, finally, breaks up the association with misconduct by outlet.

Insert Table 1 about here

Insert Table 2 about here

Table 2 presents the results of our period fixed-effects logistic regression of syndicate invitation with 2D robust variance clustering. Model 1 only includes control variables, while Model 2 tests our main hypothesis and Model 3 breaks up the association with misconduct by outlet. The results of Model 2, in support of our hypothesis, show that the more a bank is associated with typical industry misconduct in the print media, the more likely its selection as a book runner ($p < 0.01$). Looking at

[4] For the readability of the results, this dependent variable was scaled to 100.

control variables, we also find that a number of key determinants affect syndicate invitation as a number of control variables come up as significant. The total number of shares syndicated in USD millions (the information on which league tables are based, reflecting status) positively affects the likelihood of being selected as a book runner ($p < 0.05$ in all three models). In Models 2 and 3, underwriter reputation as the position in tombstone announcements is also positively related to the likelihood of syndicate invitation ($p < 0.1$), which is consistent with past research (Podolny, 1993). The results also show that having a research department has a positive impact on the likelihood of being selected to join a syndicate as a book runner ($p < 0.05$ in models 1 and 2 and $p < 0.10$ in model 3). For IPOs, issuers prefer to rely on banks that will be able to provide their stock with initial coverage. This coverage, held by the same bank that took care of the issue, is very likely to be positive, as the bank must be consistent with the promise it made when "pitching" the stock to potential investors.

Table 1 also reveals that measures of media disapproval of banks' practices in the different outlets are only moderately correlated. Disapproval of banks' practices in *The New York Times* is positively correlated (25%) with the score obtained in *The Wall Street Journal*, and with *The Washington Post* (14%). *The Washington Post* and *The Wall Street Journal* are correlated at 26%. *The New York Times* appears to be the most hostile outlet with an average proportion of the words capturing the association of a bank with typical industry-level misconduct twice as high as in *The Wall Street Journal*. Surprisingly, *The Wall Street Journal* is still 38% more hostile than *The Washington Post*. Considering that the average hostility towards banks is higher in the New York Times than in the Washington Post, it is likely that two banks with the same amount of coverage across those two outlets will get a more negative coverage in the New York Times.

By looking at the corresponding coefficients in the Model 3 (Table 2), we observe that media disapproval in *The Wall Street Journal* seems to have the greatest influence on the likelihood of being selected compared with *The New York Times*. As the business community is more likely to read an outlet that is pro-business, the signal *The Wall Street Journal* sends by pointing out typical wrongdoings of the banking industry carries more value than if it came from other media. Surprisingly, when broken down by outlets, the score in the *Washington Post* is negatively related to the likelihood of being selected by a client ($p < 0.10$). A regression only including disapproval in *The Washington Post* does not show a significant relationship, suggesting that this effect of disapproval in *The Washington Post* is only relevant when studied in conjunction with other outlets. These results can be explained by the fact that *The Washington Post* is the least hostile outlet, and that it might focus more on non-business-related news. The disapproval of investment banks' practices in this outlet might be less targeted at banks' engagement with norms in relation to the way they conduct business, and thus carries a negative effect on customers' choice when contrasted with other newspapers.

Discussion and conclusion

This study examines the role of media reporting of professional misconduct. When media as a key control agent point out professional misconduct, the industry's stakeholders can take stock and sanction misbehaving organizations (Greve et al 2010), ultimately helping the industry to learn from its failures (Dahlin, et al. 2018). Although media scrutiny of professional misconduct would traditionally be expected to force industry actors into changing their practices, we showed how sustained engagement with these wrongdoings sends a positive signal to clients. This mechanism works due to the inconsistencies between the field-level logics that drive the professional norms – having become criticized misbehaviors and higher-order logics. Media disapproval of banks' typical practices acts as a signal of the extent to which those banks adhere to professional norms. In this paper we explore how the interaction of multiple audiences can make misconduct beneficial for their perpetrators. In particular, we look at media disapproval as a form of external pressure on a field's norm, and its impact on a key stakeholder of this field: the clients. Clients tend to evaluate service providers' ability to carry out a service according a number of observable pieces of information (reputation, previous performance, and status) but also non-directly observable cues such as the engagement with typical practices of the field.

To test this proposition, we have examined the biases in the invitation patterns for IPO syndicates in the US from 2007 to 2011, a period when investment banks faced fierce criticism for their misbehaviors and the values and beliefs that drove those misbehaviors. The financial crisis has put the professional norms of the investment banking industry—extreme risk taking, bonuses, opacity, and short-termism—under scrutiny and they are now pointed out as professional misconduct. Although those typical practices are widely disapproved of by the public, they persist. Among the corporate clients of investment banks, the engagement with those negatively perceived professional norms contributes to the positive evaluations of banks. Indeed, engaging in institutionalized behaviors is a positive reputational signal sent by a service provider (Gallouj, 1997), and it shows proximity to the conventions of the profession (Von Nordenflycht, 2010). This leads to clients more likely to select those banks that have been disapproved for following the norms of their field. We inductively built a measure of the degree of banks' association with the underlying logic, based on an analysis of a sample of more than 70,000 newspapers articles. The results confirm that the more a bank is disapproved of for engaging in typical practices of its field, the more likely it is to be selected as a book runner.

Our conceptualization of misconduct and the interpretation of media reporting of wrongdoing rely on an institutional logic lens. We make the point that inconsistencies between logics at different levels are *a sufficient but not necessary condition* to trigger a negative perception of professional norms, thus stressing the importance of multiple levels of analysis in institutional theory (Harmon, et al. Forthcoming). Some of the norms of the finance industry accepted by the mainstream society remain, but the financial crises have exposed a number of inconsistencies with broader order norms. Risk taking or bonuses were accepted to a certain extent, but the economic turmoil triggered a greater scrutiny for those practices revealing how they had progressively drifted away from their initial premises.

Theoretical contributions

This study's contribution is twofold. First, we contribute to the understanding of professional misconduct by asking a fundamental question: when is misconduct actually misconduct? Our case shows that what makes a misconduct for the media and the broader public is perceived as a norm by an entire industry and some of its key stakeholders. We unveil the socially constructed nature of misconduct by anchoring our conceptualization of misconduct in the institutional logic perspective. To explain the interaction between different values and beliefs systems in the definition of misconduct, we presented misconduct as a clash of logics at different levels of analysis. Without key audiences to point out the inconsistencies, misconducts would potentially go unnoticed (Roulet, 2015). Depending on how the reporting of organizational misconduct is interpreted by stakeholders, they sanction or ignore the occurrence (Barnett, 2014). The media thus play the role of an intermediary signaling organizational misconduct to stakeholders. Studying the way media report on professional wrongdoing and how this reporting is perceived, enables us to comprehend the challenges of eradicating professional misconduct. In fact, by fleshing out the relativism of misconduct, we point out the challenge in defining and regulating it. Excessive risk taking and variable wages were under the radar for a long time, and only an external jolt put them under scrutiny. Without the financial crisis, those practices may have not been seen as misbehaviors today.

While most of the literature on misconduct has assumed adverse outcomes (Greve et al. 2010; Palmer, Greenwood and Smith-Crowe, 2016), we unveil the existence of positive consequences in certain contexts. The appraisal of professional misconduct needs to take into account the diversity of audiences. Our study suggests that what turns a professional norm into a misconduct is essentially contextual. In some situations, professional misconduct may be institutionalized and thus not perceived as a wrongdoing but rather as an expected practice (Gabbioneta, et al. 2013; Gabbioneta, et al. 2014) The key question is thus the definition of boundaries (Muzio et al. 2016) and the interdependence of fields (Furnari, 2016). In our case, the boundaries (or lack thereof) between the field of investment banking and key sets of stakeholders (the clients and the media) are indeed key to understand when misconduct can be beneficial. In our case, investment banks and their customers are only separated by a porous membrane while the field of investment bank is solely dependent upon the revenues generated by those major corporate customers, a problem pointed out by the literature on client capture (Dinovitzer, Gunz & Gunz, 2014). With regards to value systems, there is very little boundaries between investment banks and their corporate clients: the professional norms of the investment banking industry are probably at least partially shared with their corporate clients, meaning that the two groups have some overlapping in terms of their respective adherence to institutional logics. The fact of having such a great dependence on a stakeholder that shares the same institutional prescription makes the benefit of misconduct overweight the penalties that perpetrators may suffer. In this sense, our study contributes to explaining the persistence of professional misconduct. Wrongdoings can survive pressures imposed by outsiders if the porosity of boundaries between the professional field and its stakeholders make them valuable enough to field-level actors.

Despite public hostility, social actors may keep defending professional norms which are under attack because they derive benefits from this support. Indeed, if loyalty to professional norms is valued enough by crucial groups of stakeholders, it might be better for an actor to preserve those norms. Our findings support this point by showing how investment banks actually seem to benefit from engaging in disapproved of norms: bonuses, opacity, and extreme risk-taking behaviors are seen as wrongdoing by the society but remain encouraged at the field-level because they send a positive reputational signal to clients. We consequently suggest that these misbehaviors will survive institutional pressures, including regulatory coercion. In fact, the gap between field-level norms and societal-level norms might reinforce itself in cases where criticism at one level is rewarded at another, and inconsistencies between logics at different levels might further widen as a result.

Limitations, generalizability and future research

One of the main conclusions of this paper is that professional misconduct is per nature contextual. The evolution of societal norms conditions the way field-level norms are perceived and how the behaviors they trigger end up being perceived as misconduct. In our case, bonuses or extreme risk taking existed before the financial crisis, and probably already in excessive proportions, but it was at that time perceived as acceptable. Critical events such as crises or economic turmoil do expose inconsistencies between logics (Clemente et al. 2017). In other fields, it is simply a greater scrutiny that turned norms in misconduct. For example, Palmer and Yenkey (2015) studied drug use in the Tour de France, a major cycling competition. However, it is clear that until the scandal of 1998, doping was widespread (thus considered as a norm of the field) and not seen as a misconduct (Christensen, 2005). Concretely, external jolts such as scandals and crises expose the conflicts between different beliefs system and lead to the condemnation of what was previously accepted as norms (Daudigeos, et al. Forthcoming).

The question of the generalizability of this finding is the key to discussing alternative explanations and defining the boundary conditions under which being identified as misbehaving is beneficial. The situation we have here depends on a number of parameters. First, there needs to be a clash between field-level logics and the broader order logic. This clash leads to behaviors compliant with professional norms being perceived as a professional misconduct. Second, the misconduct needs to be signaled. Here, we use the media as a barometer, building on prior research on the role of media in the perception of values and beliefs (Lok, 2010; Fiss and Hirsch, 2009) but also in the reporting of corporate misconduct (Williams, 2008; Rosoff, 2007). However, there is always noise in a signal, and it might be hard in some settings to find a source that can be the object of such a fine-grained analysis (Spence, 1973; Shymko & Roulet, 2017). In our case, we can discard the alternative explanation that media disapproval of banks' practices is correlated with other cues of service quality considering we control for reputation and past performance. Last but not least, the engagement in disapproved professional norms needs to yield tangible and measurable benefits: in our case, the benefits come from the bias the clients exhibit toward banks engaging in professional norms and thus sending a signal on the quality of the service they can provide.

Considering that the most necessary boundary condition is the first one, the clash between logics at different levels of analysis, we argue that our results could hold in other contested industries or spheres. Research on contested industries has mainly looked at tobacco and gambling (Galvin, et al. 2004), martial arts (Helms & Patterson, 2014), porn (Hudson, 2008), or more specifically sex-related organizations like bathhouses (Hudson & Okhuysen, 2009). While industries can be pointed out because of norm violation, some other groups of actors might by contrast be singled out because of norm enforcement: the church or the police are also contested for a clash between logics at different levels. Prior research has focused solely on the adverse impact of illegitimacy on organizations. However, some organizations in those contested spheres might take the risk of violating broader social norms in a more radical way to demonstrate greater adherence to field-level norms. This argument is well-developed in the criminology literature on subculture theory: criminologists, for example, found that violence elicits peer acceptance at school (Kreager, 2007). Taking this argument to the field-level, members of the porn industry might, for example, go for more shocking productions to attract public attention and more "hardcore-oriented" consumers (Clemente & Roulet, 2015). Similar to the investment banking industry, engagement with norms is valued by a crucial group of stakeholders: the clients. However, this boundary condition fails to hold in a number of other contested spheres: a stricter police or church might not seem more attractive, and the defense industry might prefer discretion rather than public disgrace. In some contexts, engagement with disapproved of professional norms only brings about marginal benefits, when these marginal benefits are not totally offset by the punishment organizations would receive for being perceived as misbehaving – for example, the penalty triggered by regulatory coercion or other forms of institutional pressure.

Policy and managerial implications

This study implies that regulating behaviors to curb misconduct in the finance industry are doomed to fail in their current state. Although it implies a penalty for the miscreant firms, it also potentially signals to outsiders their proximity to the typical behavioral norms. Going beyond this conjecture, transgressing the regulation can also lead to similar attitudes toward them to those expressed in the media attacks. When New York's attorney general Andrew Cuomo publicly revealed the bonuses that investment banks were paying in March 2009, he also gave an indication regarding banks' proximity to the core values of their field. Institutional pressures can actually be counterproductive, and paradoxically generate incentives to resist them.

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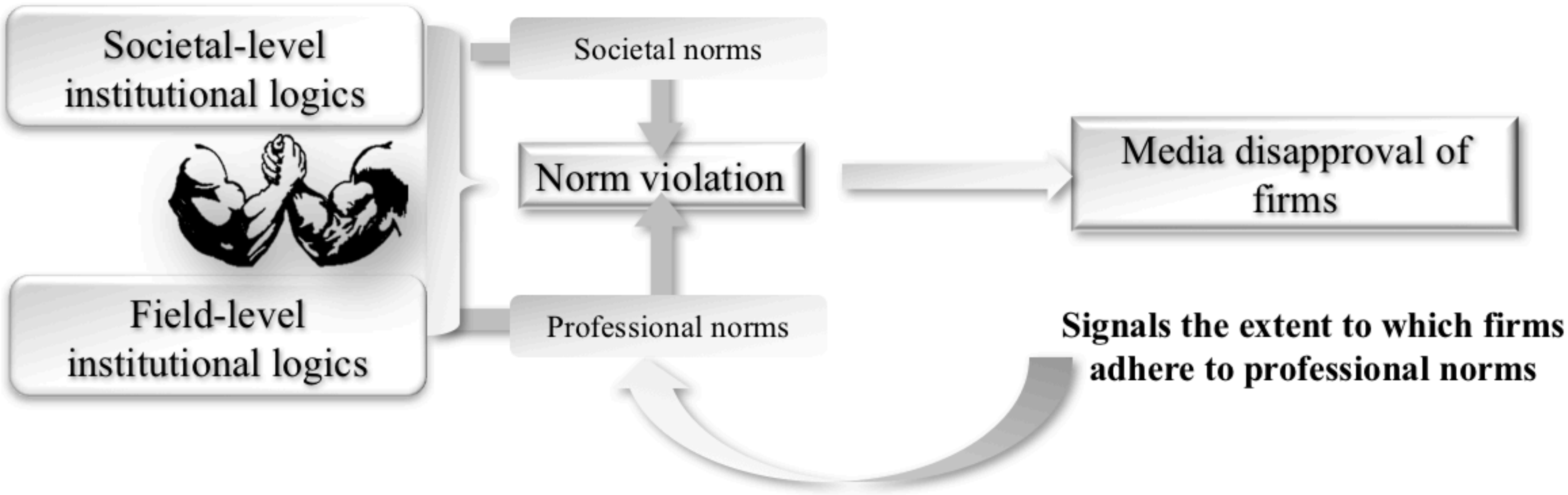
TABLES AND FIGURES

Figure 1: Summary of the theoretical model

Part a: How professional norms end up being disapproved of by the media when logics differ



Part b: How service providers can signal adherence to professional norms when logics differ

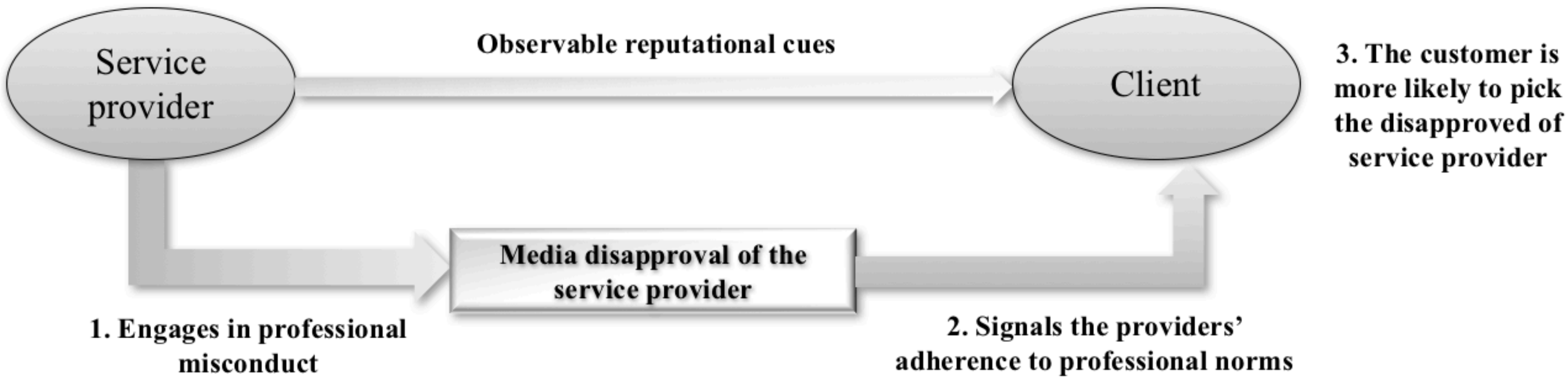


Table 1: Descriptive statistics and correlations

		Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1)	**Bookrunner**	0.052	0.223	0	1	1.00													
(2)	**Media Disapproval**	4.65e(-3)	1.89(-3)	0.000	15.11e(-3)	0.10	1.00												
						(0.00)													
(3)	**Media Disapproval WSJ**	1.17e(-3)	0.74e(-3)	0.000	3.48e(-3)	0.10	0.66	1.00											
						(0.00)	(0.00)												
(4)	**Media Disapproval NYT**	2.64e(-3)	1.33e(-3)	0.000	13.33e(-3)	0.07	0.85	0.25	1.00										
						(0.00)	(0.00)	(0.00)											
(5)	**Media Disapproval WP**	0.85e(-3)	0.49e(-3)	0.0000	3.64e(-3)	0.03	0.47	0.26	0.14	1.00									
						(0.00)	(0.00)	(0.00)	(0.00)										
(6)	**Number of Bookrunners**	1.852	1.269	1.000	14.000	0.22	0.01	0.01	0.01	-0.01	1.00								
						(0.00)	(0.01)	(0.04)	(0.00)	(0.00)									
(7)	**Principal amount**	246.469	893.284	0.000	19290.000	0.04	-0.00	-0.00	-0.00	-0.01	0.18	1.00							
						(0.00)	(0.55)	(0.94)	(0.92)	(0.03)	(0.00)								
(8)	**Hot issue index**	0.211	0.375	0.000	7.500	-0.01	0.01	-0.00	0.02	-0.01	-0.01	-0.01	1.00						
						(0.00)	(0.02)	(0.46)	(0.00)	(0.03)	(0.00)	(0.00)							
(9)	**Bank's US total assets**	4.81e+05	6.53e+05	29.600	2.27e+06	0.15	0.19	0.11	0.19	0.03	-0.00	-0.00	0.00	1.00					
						(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(1.00)	(0.87)	(0.81)						
(10)	**Bank's volume of shares syndicated**	7184.577	6671.219	0.000	42728.680	0.18	0.34	0.28	0.25	0.16	-0.00	-0.00	0.01	0.66	1.00				
						(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.16)	(0.14)	(0.00)	(0.00)					
(11)	**Bank's reputation**	6.006	5.127	-9.000	9.001	0.10	0.14	0.13	0.07	0.02	-0.01	0.01	-0.02	0.13	0.27	1.00			
						(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.02)	(0.00)	(0.00)	(0.00)				
(12)	**Selectivity instrument**	-0.060	0.226	-1.190	0.000	0.05	0.38	0.26	0.25	0.37	0.00	0.00	-0.00	0.18	0.24	0.02	1.00		
						(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(1.00)	(1.00)	(1.00)	(0.00)	(0.00)	(0.00)			
(13)	**Issuer is an agency**	0.000	0.017	0.000	1.000	-0.00	0.00	0.00	-0.00	0.00	-0.01	-0.00	0.04	-0.00	-0.00	0.00	-0.00	1.00	
						(0.21)	(0.78)	(0.54)	(0.72)	(0.26)	(0.00)	(0.27)	(0.00)	(0.90)	(0.31)	(0.30)	(1.00)		
(14)	**Issuer is a financial firm**	0.355	0.478	0.000	1.000	0.01	-0.00	0.00	-0.00	-0.00	0.04	0.13	0.02	-0.00	-0.01	0.00	-0.00	-0.01	1.00
						(0.00)	(0.43)	(0.74)	(0.26)	(0.54)	(0.00)	(0.00)	(0.00)	(0.96)	(0.08)	(0.15)	(1.00)	(0.00)	
(15)	**Issuer is an industrial firm**	0.580	0.494	0.000	1.000	-0.04	0.00	-0.00	0.00	0.00	-0.17	-0.13	0.03	0.00	0.01	-0.00	0.00	-0.02	-0.87
						(0.00)	(0.37)	(0.94)	(0.31)	(0.31)	(0.00)	(0.00)	(0.00)	(0.96)	(0.10)	(0.13)	(1.00)	(0.00)	(0.00)
(16)	**Issuer is a utility firm**	0.065	0.247	0.000	1.000	0.06	-0.00	-0.00	0.00	-0.00	0.26	0.00	-0.09	0.00	0.00	0.00	-0.00	-0.00	-0.20

Table 2: Period fixed-effects logistic regression of syndicate invitation with 2D robust variance clustering

VARIABLES	(1)	(2)	(3)
Media Disapproval		134.854***	
		(40.112)	
Media Disapproval WSJ			299.273**
			(123.035)
Media Disapproval NYT			91.168*
			(49.572)
Media Disapproval WP			-241.897*
			(140.287)
Number of Bookrunners	0.505***	0.501***	0.503***
	(0.045)	(0.047)	(0.048)
Principal amount	-5.49e-05**	-5.49e-05**	-5.54e-05**
	(2.64e-05)	(2.75e-05)	(2.78e-05)
Hot issue index	-0.006	-0.021	-0.021
	(0.057)	(0.060)	(0.061)
Bank's US total assets	2.46E-07	2.65E-07	2.97e-07 *
	(2.18e-07)	(1.82e-07)	(1.59e-07)
Bank's volume of shares	7.04e-05***	6.3e-05***	5.91e-05***
syndicated	(1.21e-05)	(1.29e-05)	(1.38e-05)
Bank's reputation	0.079	0.075*	0.065*
	(0.052)	(0.042)	(0.037)
Commercial banking activities	-0.859**	-0.732**	-0.923***
	(0.363)	(0.313)	(0.288)
Sales and trading activities	-0.331	-0.410	-0.117
	(0.409)	(0.383)	(0.332)
Research activities	0.709**	0.580**	0.435*
	(0.300)	(0.230)	(0.247)
Retail banking activities	0.905**	0.942***	1.168***
	(0.402)	(0.355)	(0.337)
Asset management activities	-0.007	-0.049	-0.022
	(0.210)	(0.192)	(0.172)
Wealth management activities	0.323	0.191	0.163
	(0.287)	(0.270)	(0.270)
Selectivity instrument	1.523***	1.092***	1.312***
	(0.553)	(0.317)	(0.367)
Constant	-8.879***	-9.052***	-8.879***
	(0.884)	(0.755)	(0.734)
Controls included:			
Selectivity instrument			
Dummies for the issuer's state			
Dummies for the issuer's industry			
Dummies for the stock exchange			
Period fixed-effect			
Observations	89,923	89,923	89,923
Wald Chi2	5,187.87	4,975.46	4,898.23
Cragg-Uhler(Nagelkerke) R2	0.224	0.224	0.227
% of obs classified correctly	94.47%	94.68%	94.68%

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1