Repairing Trust in an Organization after Integrity Violations: The Ambivalence of Organizational Rule Adjustments

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Abstract

This paper investigates how an organization attempts to repair trust after organizational-level integrity violations by examining the influence of organizational rules on trust repair. We reconstruct the prominent corruption case of Siemens AG, which has faced the greatest bribery scandal in the history of German business. Our findings suggest that tightening organizational rules is an appropriate signal of trustworthiness for external stakeholders to demonstrate that the organization seriously intends to prevent integrity violations in the future. However, such rule adjustments were the source of dissatisfaction among employees since the new rules were difficult to implement in practice. We argue that these different impacts of organizational rules result from their inherent paradoxical nature. To address this problem, we suggest managing an effective interplay between formal and informal rules.

Keywords

corruption, organizational integrity, organizational rules, trust repair

Introduction

A central issue in the public discourse around recent organizational scandals has been the lack of commitment to moral standards of organizations in general. However, repairing trust in relation to an organizational integrity violation has not been studied intensively. Most scholars who address

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the issue of trust repair focus on people as trustees (e.g. Ferrin, Kim, Cooper, & Dirks, 2007; Kim, Dirks, & Cooper, 2009; Kim, Ferrin, Cooper, & Dirks, 2004). Only a few studies explicitly deal with trust repair on the organizational (e.g. Gillespie & Dietz, 2009; Gillespie, Dietz, & Lockey, 2014; Kramer & Lewicki, 2010) or inter-organizational level (e.g. Janowicz-Panjaitan & Krishnan, 2009), which implies conceptualizing organizations as trustees.

Our study focuses on the specific impact of rule adjustments on organizational trust repair. Although the relevance of organizational rules for trust building (e.g. Kramer & Lewicki, 2010) and trust repair (e.g. Gillespie & Dietz, 2009) is acknowledged in the literature, the effect of rule adjustments in the process of trust repair has not received much attention. This is surprising, since most organizations respond to a violation of their integrity by changing their formal organizational rules in order to regulate distrust (Gillespie & Dietz, 2009). It is assumed that the tightening of organizational rules in response to an integrity violation helps to overcome the distrust of stakeholders, since it provides credible assurance that the causes of previous violations have been eliminated (Dirks, Lewicki, & Zaheer, 2009).

Our study, however, reveals that formal rule adjustments have more complex effects than commonly assumed. Building on a case study investigating the Siemens corruption case, we demonstrate that rule adjustments implemented by the management had a positive effect on regaining the trust of the external stakeholders. Employees, however, were dissatisfied with the rule adjustments. As our discussion will show, these differences can be explained by the inherently paradoxical nature of formal organizational rules: they can only be followed by being broken.

The remaining part of the paper is organized as follows. First, we review the main bodies of literature dealing with integrity violation and trust repair. Second, we present our empirical study, which is based on an analysis of newspaper articles of the Siemens corruption case. In the third section, we present our findings, which suggest that formal rule adjustments are a double-edged sword. While they help in re-establishing external stakeholders' trust, they have negative effects for internal stakeholders. In the fourth section, we discuss our findings by pointing to the paradoxical nature of organizational rules. As a result, we suggest addressing this paradox by managing the interplay between formal rules and informal mechanisms.

Organizational Integrity Violation and Trust Repair

Organizational integrity violations

In their seminal paper, Mayer, Davis and Schoorman (1995) differentiate between three sources of trust: ability, integrity and benevolence. These three dimensions of trustworthiness are commonly seen as antecedents of trust and can thus be applied to organizations as trustees as well (e.g. Gillespie & Dietz, 2009). The relationship between integrity and trust involves 'the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable' (Mayer et al., 1995, p. 719). Integrity is attributed if a party is consistent with its past actions and if these actions comply with preceding promises. However, the congruence between talk and action is not sufficient for gaining a reputation of integrity. As pointed out by Mayer et al. (1995), the principles the trustee adheres to must also be perceived as acceptable by the trustor. Only if the principles of an organization are morally acceptable in the eyes of the trustor will integrity be attributed. Whether or not organizations adhere to their principles and whether or not these principles are acceptable depends on the respective stakeholder's subjective moral judgment (French, 1996). As such, different stakeholders can arrive at different and even contradictory attributions in relation to the integrity of an organization.

In addition, it matters if the observed behaviour is perceived to be intended by the organization and cannot be attributed to pure chance or resulting from external circumstances (Aßländer, 2013; French, 1996). Only if actions are attributed to the organization and not to the misbehaviour of organizational members (for example, 'rogue employees'; Hurley, Gillespie, Ferrin, & Dietz, 2013) will integrity be attributed to the organization.

Trust repair after an organizational integrity violation

A severe violation of integrity at the organizational level leads to a substantial crisis of the organization's legitimacy (Gillespie & Dietz, 2009, p. 128) and has strong effects on stakeholders' trust in the organization. When it comes to organizational responses to a breach of trust a distinction is often made between verbal claims and more substantive actions (e.g. Gillespie & Dietz, 2009; Tomlinson & Mayer, 2009). Verbal claims such as denials and apologies seem to be the most common strategy in the face of integrity problems (Kim et al., 2004; Kramer & Lewicki, 2010).

However, in cases of obvious and organization-wide integrity violations, verbal responses may not be sufficient, and more substantive actions may be necessary (Gillespie & Dietz, 2009). According to Tomlinson and Mayer (2009), substantive actions are especially useful if the breach of trust can be presented as controllable; that is, if the causes of the violation can be identified and remedied. In particular, the implementation of sufficient regulatory controls to prevent and constrain organizational members from acting in ways that could lead to future violations is attracting increasing interest (Dirks et al., 2009; Gillespie & Dietz, 2009; Kramer & Lewicki, 2010). However, the effectiveness of such controls as a means for repairing trust is somewhat controversial, as we discuss.

According to Gillespie and Dietz (2009), the implementation of measures on a leadership, cultural, strategic or structural level has the potential to regulate distrust after an integrity violation. In this vein, rule adjustments are an immediate and highly visible signal that old behavioural norms are inappropriate and will be replaced by new ones. Especially when tighter rules are implemented, stakeholders may assume that the previous misbehaviour will be avoided in the future. Together with a sound monitoring and sanctioning system, tighter rules signal that immoral behaviour is unacceptable and that offenders will pay a price (Gillespie & Dietz, 2009, p. 134). Furthermore, Gillespie and Dietz (2009) propose that voluntary efforts in particular play a decisive role for the repair of organizational trustworthiness. Seen this way, internal rule adjustments have the potential to signal a voluntary willingness to change the moral standards of an organization, whereas simple compliance with external legal requirements may prove less effective.

In contrast, Sitkin and Roth (1993) question the effectiveness of 'legalistic remedies' which, among other measures, entail organizational rules. Following their argument, implementing formal organizational rules will have a limited effect if rules are inconsistent with individual and cultural values. In those cases, trust cannot be re-established by formal, legalistic measures; instead the value inconsistencies have to be addressed directly.

This discussion is reflected in the larger debate around the relationship between trust and control (e.g. Costa & Bijlsma-Frankema, 2007). For some scholars formal control replaces or even diminishes trust (e.g. Langfred, 2004). It is argued that extensive monitoring undermines trust (Ghoshal & Moran, 1996; Malhotra & Murnighan, 2002). Das and Teng (1998) even show that formal control may create stress and therefore negatively affects trust.

Others, who claim that trust and formal control complement each other, at least implicitly, emphasize the importance of formal organizational rules in ensuring consistent behaviour. It is argued that organizational rules define normative expectations, thereby providing a feeling of certainty and guidance for interactions between organizational members (Eberl, Clement, & Möller,

2012; Möllering, 2005, 2006; Sydow & Windeler, 2003; Vlaar, Van den Bosch, & Volberda, 2007). Following this thought, commonly accepted rules are fundamental for trustworthiness since they make behaviour more predictable (Poppo & Zenger, 2002; Weibel, 2007).

Despite the differences between the two perspectives, both rely on the effectiveness of organizational rules. Formal rules either deliver the standards for sanctioning and monitoring (with the latter having the potential to undermine trust) or are seen as a necessary means to avoid ambiguity (which might be a precondition for trust building). Studies that address trust repair more explicitly rely on the regulatory power of organizational rules. Although broader categories such as 'legal remedies' (Sitkin & Roth, 1993) or 'structures, policies and processes' (Gillespie & Dietz, 2009) are used to indicate that an exclusive focus on formal rules will not be sufficient, it is still at least implicitly assumed that formal rules are unproblematic in principle. The underlying assumption is that rules (i.e. their definition, refinement and observance) only have to be implemented and monitored. Problems only result from organizational members' potential non-compliance with these rules, but not from the rules themselves. Furthermore, it is implicitly assumed that rule compliance has the same meaning for internal and external stakeholders, because rule adjustments are expected to repair the trust of employees and shareholders (or other external stakeholders) alike.

Against this background, our paper aims to challenge these assumptions (Alvesson & Sandberg, 2011) by investigating the role of formal organizational rules in the context of organizational trust repair following integrity violations. Differentiating between organizational rules, monitoring and sanctioning (for a similar argument see Bijlsma-Frankema & Costa, 2005; Weibel, 2007) we are specifically interested in exploring: (1) how the adjustment of organizational rules helps in repairing trust in an organization after an integrity violation; and (2) the effects of rule adjustments on internal versus external stakeholders.

Research Design and Setting

Our case study focuses on the prominent corruption case at Siemens AG. Given our research questions, a qualitative approach aiming at theory exploration is appropriate (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Graebner, Martin, & Roundy, 2012; Yin, 2009). We theoretically sampled the Siemens corruption case for three reasons: (1) corruption is a typical case of a severe violation of integrity; (2) corruption at Siemens took place at an organizational level, leading to the violation of Siemens' integrity as an organization; and (3) the management of Siemens was keen to restore the organization's integrity and to rebuild trust in the organization. The Siemens corruption case can be seen as an extreme, unique case of bribery worth studying (Siggelkow, 2007) because Siemens is nowadays regarded as an exemplary case in the industry for how to deal with bribery allegations and enact compliance programmes.

Research setting: corruption at Siemens AG

Historically, Siemens was known not only for innovative products but also for high integrity. The company has been mentioned as a 'best-practice model' for its ethical standards and its anti-corruption programmes by the Ethical Investment Research Service (EIRIS, 2005, p. 9). Concerning the anti-corruption policy of his company, Siemens CEO Heinrich von Pierer wrote in 2003:

> There is no reason why moral or legal value orientation concerning corruption should be overridden outside the company's home base or home country. … In the recent past, Siemens has had to suffer a lot in single cases as well – and has learned. Today corruption amongst employees is prohibited in all forms. (Pierer, 2003, p. 28, translated by the authors)

However, after 2004, Siemens faced a series of bribery and money laundering allegations in more than a dozen countries (Wolf, 2009). Ultimately, in November 2006, German public prosecutors and police simultaneously raided Siemens headquarters in Munich and the homes of leading managers. Investigations by the German state attorney's office uncovered more than €2.3 billion worth of suspicious payments used to secure foreign contracts, mainly in the telecommunication and IT industries (Boehme & Murphy, 2007). The investigations revealed that Siemens had been bribing governmental officials to secure contracts and to gain favourable conditions for more than three decades (Lichtblau & Dougherty, 2008; Schmidt, 2009). Most of the managers involved were clearly aware that they were violating the law, but they acted out of a sense of loyalty to and for the benefit of their company (Freiberger, Hagelüken, & Ott, 2008).

Although Heinrich von Pierer, the former Siemens CEO and later Chairman of the Supervisory Board, as well as Klaus Kleinfeld, the then acting CEO of Siemens, denied any knowledge of the corrupt practices at Siemens, both resigned from their positions in 2007. Peter Löscher, a former board member of the US-based pharmaceutical company Merck & Co, then became CEO of Siemens and Gerhard Cromme, former head of the governmental commission for the development of the German Code of Corporate Governance, was appointed Chairman of the Supervisory Board.

In October 2007, the Munich district court imposed a fine of €201 million on Siemens and, in December 2008, Siemens pleaded guilty to violating the US Foreign Corrupt Practices Act. The case was mitigated when Siemens reached an agreement with the Federal Court in Washington DC, resulting in payment of a fine of US$450 million and sequestration of profits of $350 million (Sidhu, 2009). In response, Siemens agreed to establish a compliance programme to detect corrupt practices. Furthermore, Siemens approved to implement effective corporate governance structures and accepted monitoring by Theo Waigel, a former German Minister of Finance, during the reorganization process (US Department of Justice, 2008). Overall, the scandal cost Siemens approximately $2.5 billion, including fines, the payment of tax arrears and legal and professional fees (Sidhu, 2009).

Data collection

Our data collection mainly relied on the analysis of newspaper articles. First, we collected articles from the archive of the *Süddeutsche Zeitung*, which was the leading newspaper in the investigation of corruption at Siemens. More than any other newspaper, *Süddeutsche Zeitung* was able to document insider information during the entire corruption proceedings. The *Süddeutsche Zeitung* is also one of the two most prestigious daily national newspapers in Germany.

In addition to the *Süddeutsche Zeitung*, we included the leading daily German business newspaper *Handelsblatt* and the highly regarded weekly newspaper *Die Zeit*. We also used supplementary newspaper articles from the *Frankfurter Allgemeine Zeitung*, *Die Welt* and the weekly journal *Der Spiegel*, all of which are high-quality national newspapers. Since the Siemens case was subject to investigations by the United States Securities and Exchange Commission (SEC) it was also important for us to integrate the perspective of leading US and UK newspapers, *The New York Times* and *The Guardian*. We accessed the newspaper articles by using their online archives and the newspaper database LexisNexis. As a first step, we pre-selected articles published in these newspapers between 2004 and 2012 using keywords such as 'integrity', 'corruption', 'trust', 'rules', or 'culture', in combination with 'Siemens'. This led to a total of 6020 articles matching the keywords. These articles were then screened to ensure that they actually dealt with the Siemens corruption case, since many articles using the keywords were false positives. We were particularly interested in articles that included direct quotes from Siemens employees and commentaries from external stakeholders and journalists. This screening process narrowed our total to 458 newspaper articles, which comprised the data for our closer analysis. Table 1 provides an overview of the number and type of newspaper sources used.

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Table 1. Newspaper sources and types of article.

	Süddeutsche Zeitung (SZ)	Die Zeit (Zeit)	Handelsblatt (HB)	Die Welt (Welt)	Frankfurter Allgemeine Zeitung (FAZ)	Der Spiegel (Spiegel)	New York Times (NYT)	The Guardian (Guardian)	Total	Percentage
Reports	39	7	4	4	2	9	3	5	**73**	16%
Reports containing direct quotes	65	37	49	13	7	1	25	22	**219**	48%
Interviews	9	11	5	2	6	7	2	0	**42**	9%
Commentaries	30	16	23	0	8	1	1	2	**81**	18%
Commentaries containing direct quotes	13	12	12	0	1	3	1	1	**43**	9%
Total	**156**	**83**	**93**	**19**	**24**	**21**	**32**	**30**	**458**	**100%**
Percentage	34%	18%	20%	4%	5%	5%	7%	7%	**100%**	

Newspaper articles reflect the development and change of public opinion. Moreover, by providing information and commentaries on organizational actions, newspapers also influence public opinion, particularly for external stakeholders, since their direct experience with the organization is limited. Analysing newspapers is thus an appropriate research method for understanding the reputation of trustworthiness for external stakeholders (e.g. Deephouse, 2000). Moreover, the selected newspapers and especially the *Süddeutsche Zeitung* had access to insider information, and particularly the views of Siemens employees.

To ensure the descriptive validity of our interpretation, we compared the external stakeholders' views from the newspaper data with two former published studies of the Siemens corruption case (Dietz & Gillespie, 2012; Gebhardt & Müller-Seitz, 2011). To validate the internal stakeholder view, we used the internal newsletter *Siemens Dialog*, conducted four semi-structured interviews (formal and informal) with current or former Siemens employees and complemented these with two publicly accessible interviews (Claussen, 2011; Rueß, 2011). We also interviewed the leading investigative journalist of the *Süddeutsche Zeitung*. Interviews lasted one hour on average and were conducted face-to-face or by telephone/Skype (see appendix A for some exemplary quotes).

Data analysis

We performed a qualitative content analysis of the selected newspaper articles following the coding procedure of grounded theory (Corbin & Strauss, 2008). The coding of our four main theoretical categories ('rule adjustments', 'integrity', 'stakeholder trust' and 'culture') was discussed and triangulated between the authors to arrive at a consistent interpretation. In a further step, we performed a selective (re)coding, thereby differentiating between internal and external stakeholders and their respective positive and negative perceptions. An overview of the core categories with examples of supportive newspaper statements, together with the total number and distribution of our codings for the selected period, is presented in appendix B. In a next step, we adopted the methodological approach of Gioia, Corley and Hamilton (2013) and Corley and Gioia (2004) by aggregating these theoretical categories into more abstract theoretical dimensions ('rules as signals/constraints', 'trust repair' and 'informal control'). Figure 1 shows how we progressed from raw data to aggregate theoretical dimensions.

Findings

Our findings are organized as follows: first, we focus on the connection between integrity and trust. Findings reveal that the perceptions of Siemens' external stakeholders differ significantly from those of their internal stakeholders. Second, we identify the adjustment and tightening of organizational rules as a key mechanism used at Siemens to re-establish trust. Third, we investigate the effect of the cultural change efforts undertaken by the Siemens management.

Trust and Integrity

Our analysis of the newspaper articles reveals that trust in Siemens as an organization was an issue for two stakeholder groups: (1) external stakeholders (especially shareholders and their representative institutions) and (2) Siemens' employees. Internal and external stakeholders' perspectives differed significantly in the various time periods analysed. The trust of external stakeholders was significantly violated in 2006, and quotations of external stakeholders expressing their lack of trust in Siemens as an organization continued to be strongly reflected in our data until the end of 2008. For instance, one representative of the most influential shareholder organizations (Deutsche
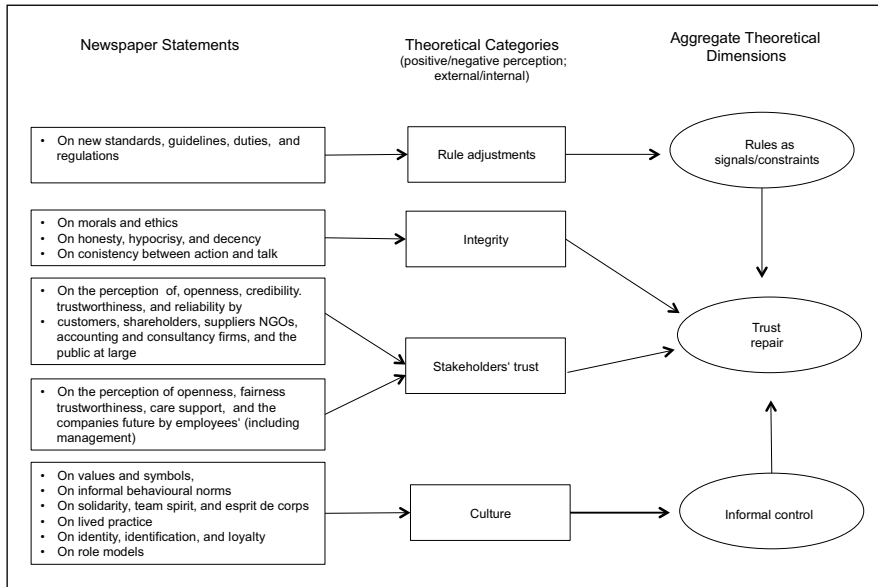
Figure 1. Overview of data structure.

Schutzvereinigung für Wertpapierbesitz) talked directly about a massive eruption of distrust in Siemens:

> … a new dimension is reached in the Siemens scandal. 'Now the worst case has come true: One has lost even more trust'. (*SZ*, 18 January 2008, p. 20)

In addition, a journalist of the *Süddeutsche Zeitung* commented:

> Not only do they cause financial damage, but they also destroy the trust of investors. (*SZ*, 2 May 2007, p. 23)

In particular, the Siemens' management was held responsible for the loss of trust, as a bank representative expressed:

> 'The least you can say is that management was not on top of things,' … 'A lot of confidence gets destroyed when the management acts this way.' (Jochen Klusmann, Head of Research at BHF Bank in Frankfurt; *NYT*, 18 March 2008, p. 5)

Anti-corruption organizations even talked about a misuse of their trust in Siemens. Peter Eigen, a representative of the Extractive Industries Transparency Initiative (EITI), was quoted:

> 'That was a big disappointment for me. Siemens had cooperated with us well. Many people warned us that it was all window dressing. We said one has to have trust. At the end of the day we have to admit that our trust was abused.' (*Zeit* online, 23 May 2007)

Our data analysis reveals that external stakeholders lost trust in Siemens because of their negative view of its integrity up until 2008:

'So far Siemens' management was thought to be of integrity… nowadays you have to reconsider this.' (Daniela Bergdoldt, German Association for Private Shareholders; *Zeit* online, 17 November 2006)

It is a big flaw when a corporation like Siemens presents guiding principles, ethic-rules and moral-codices and at the same time soils itself. (Journalist commentary; *SZ*, 2 December 2006, p. 23)

Given these managerial mistakes, it is reasonable to suspect hypocrisy or double standards. (Peter von Blomberg, Vice-President of Transparency International Germany, guest commentary; *HB* 8 January 2007, p. 8)

'Werner von Siemens, who founded a company renowned for its honour and integrity for 160 years, would be turning in his grave.' (Shareholder statement; *Guardian*, 25 January 2008, p. 34)

However, since the beginning of 2008, external stakeholders seem to have regained their trust in Siemens. They believed that the corruption scandal was left behind, as *Die Zeit* reported:

The reward lies in the public appreciation. Siemens has just reached the highest score in the Dow Jones Sustainability World Index … for compliance and risk management. (*Zeit* online, 28 September 2009)

The *Handelsblatt* praised Peter Löscher's achievements in dealing with the bribery allegations:

He [Peter Löscher] was the right man to regain important US investors' trust. (*HB*, 26 June 2012, online)

This positive perception of trust was complemented by a disappearance of external stakeholders' negative perception of integrity:

It was the right way to bring to light all of the misconduct and not to conceal them. Only thus is a self-cleaning possible. (Journalist commentary; *SZ*, 5 December 2009, p. 25)

Employees, however, perceived things differently. In the early period of the bribery allegation (from 2006 until 2008), similar expressions of distrust, particularly towards the management of Siemens, prevailed. For instance, employee representatives were quoted as follows:

The disappointment about the bribery scandal and the involvement of top managers go along with mistrust in the management, says one [employee representative]. The staff associations agree that the discussion about the reasons for the affair exceeds the classical conflict between employees and employers, subordinates and management. This is about the entire enterprise. (*SZ*, 4 December 2006, p. 19)

However, positive perceptions of trust in Siemens among employees, a few of which appeared from mid-2010 onwards, remained infrequent compared to the perceptions of external stakeholders. Positive perceptions were mainly expressed by top management. For instance, CEO Peter Löscher said in an interview:

'The acquisition of shares by Siemens employees worldwide is a proof of the trust in a successful and sustainable development at Siemens.' (*FAZ*, 9 June 2011, p. B1)

However, positive notions of integrity could not be identified among employees. Newspapers only reported a few official statements from board members and top managers, but no integrity perceptions from normal employees appeared in newspaper reports. Our interview partners confirmed

that integrity was not perceived as the dominant internal problem (interviews 1–3). Whereas integrity was the main issue for external stakeholders, it did not play a major role in the trust perception of employees.

Our findings reveal a clear difference in the perception of trust for internal and external stakeholders. When the corruption allegations came up, external stakeholders' and employees' trust was significantly violated. While Siemens managed to regain the trust of external stakeholders, internal stakeholders did not regain trust in the same way. After mid-2008, reports with negative trust perceptions disappeared, but clear indications for a strong positive trust attribution never reappeared. Following our analysis, the role of rule adjustments in particular may provide a suitable explanation for the different internal and external perspectives.

Rule adjustments

Repairing trust was one of the top priorities of the new Siemens management and in particular of the new CEO Peter Löscher. Right after his appointment, he was quoted as follows:

> The Executive Board will sort out things properly and rebuild trust in our company completely – in a fast and resolute manner. Top performance and ethics are not a contradiction. Both are necessary. Siemens has committed itself to clean up all kinds of misconducts irrespective of the status of affected persons and to take all necessary actions. (*SZ*, 6 July 2007, p. 17)

Siemens implemented a variety of different measures to regain integrity and to rebuild trust in the organization. Table 2 gives an overview of the 43 actions undertaken between 2004 and 2012.

We were able to identify seven distinct types of implemented measures (see Table 2): rule adjustments, rule clarification, restructuring, monitoring, sanctioning, personnel changes and cultural interventions. As our analysis shows, implementing formal control mechanisms dominated Siemens' response to the corruption allegations, in particular rule adjustments (13 occurrences) and monitoring (9 occurrences). Particularly since 2010, rule adjustments were predominantly implemented. It appears that Siemens management regards rule adjustments as an important signal to stakeholders that substantive action is being taken to ensure morally correct behaviour in the future.

However, our data also reveals that rule adjustments (here understood as tightening the existing rule system) were implemented not only in order to re-establish trust but also to revise previous suboptimal adjustments. Shortly after the first rules had been adjusted to pre-empt corruption, concern arose within the organization questioning the appropriateness of the new rules. For example, Lothar Adler, the vice-president of the general works council, was quoted in September 2007:

> 'Of course nothing speaks against tough standards to prevent corruption … but the corruption fighters should not hinder legal business by grotesque requirements. The guideline threatens to undermine conventions of politeness by dealing with them like a bureaucratic act of state.' (*SZ*, 13 September 2007, p. 1)

Siemens employees, in particular, had the strongest reservations about the new rules (and not monitoring or sanctioning).

> The new ten-page guideline for presents and invitations brings tremendous trouble to Siemens employees…. The general works council is considering legal steps. (Information from top management; *SZ*, 13 September 2007, p. 1)

> 'Totally impracticable' (Statement from the general works council; *SZ*, 20 October 2007, p. 29)

Table 2. Siemens' measures against corruption.

Date	Type	Measures against corruption (Main newspaper sources in brackets)
Nov 2006	Monitoring	Installation of an ombudsman (*SZ*, 18 November 2006, p. 11)
Nov 2006	Rule adjustments	Strengthening of internal guidelines in order to close potential gaps (*SZ*, 18 November 2006, p. 11; *FAZ*, 24 November 2006, p. 13)
Dec 2006	Monitoring	Independent investigation of the internal control system (*SZ*, 12 December 2006, p. 1; *NYT*, 28 February 2007, p. 1)
Dec 2006	Personnel changes	New Head of Compliance and hiring of an anti-corruption consultant (*SZ*, 12 December 2006, p. 1)
Jan 2007	Rule adjustments	Extension and specification of compliance rules for all employees and suppliers (*SZ*, 12 January 2007, p. 19)
Jan 2007	Sanctioning	Compliance with rules as component of the performance appraisal (*SZ*, 12 January 2007, p. 19)
Jan 2007	Rule clarification	Hotline ("Helpdesk: Ask Us") for employees in the case of doubt concerning rules (*SZ*, 12 January 2007, p. 19)
Jan 2007	Cultural interventions	Comprehensive anti-corruption training (*SZ*, 12 January 2007, p. 19; *FAZ*, 23 November 2007, p. 17)
Feb 2007	Rule adjustments	General interdiction of consultancy contracts in sales and distribution (*SZ*, 7 February 2007, p. 24)
Feb 2007	Restructuring	Empowerment of the compliance department and centralization of responsibilities (*SZ*, 15 February 2007, p. 17)
Apr 2007	Personnel changes	New Chairman (Gerhard Cromme) of the Supervisory Board (*SZ*, 12 April 2007, p. 3)
Apr 2007	Monitoring	Forensic accounting check of suspicious payments (*Zeit*, 7 April 2004, online)
May 2007	Personnel changes	New CEO (Peter Löscher) (*SZ*, 21 May 2007, p. 17)
May 2007	Cultural interventions	Communication of a new compliance vision (*SZ*, 22 May 2007, p. 23; *SZ*, 16 November 2007, p. 21)
May 2007	Restructuring	New structuring of the compliance department with almost 900 (later reduced to 600) members (*SZ*, 22 May 2007, p. 23)
May 2007	Monitoring	Compliance committee of the Supervisory Board for the investigation of criminal action (*SZ*, 26 May 2007, p. 25)
May 2007	Rule clarification	Circular email from the compliance department for clarification of rules on invitations and presents (*Welt*, 31 March 2008, p. 14)
Jun 2007	Personnel changes	Change of Head of Compliance (after 6 months, new one in September) (*SZ*, 29 June 2007, p. 4; *SZ*, 20 September 2007, p. 18)
Jul 2007	Monitoring	Hotline ("Tell us") for 'whistleblowers' (*SZ*, 18 August 2007, p. 25)
Sep 2007	Rule adjustments	Guidelines (10 pages) on presents and invitations (*SZ*, 13 September 2007, p. 1)
Sep 2007	Sanctioning	Catalogue of sanctions (*SZ*, 19 September 2007, p. 1)
Sep 2007	Personnel changes	Exclusive Law and Compliance Officer as member of the Executive Board (Peter Solmssen) and successive exchange of responsible board members and top managers (*SZ*, 20 September 2007, p. 17; *HB*, 21 September 2007, p. 17)

(Continued)

Table 2. (Continued)

Date	Type	Measures against corruption (Main newspaper sources in brackets)
Sep 2007	Restructuring	Reorganization to enhance structural transparency and clarifying leadership responsibilities (*SZ*, 20 September 2007, p. 18)
Oct 2007	Rule adjustments	Adjustment of sanctions, new rules and guidelines in order to make them more practicable (*SZ*, 20 October 2007, p. 29)
Nov 2007	Sanctioning	Amnesty offer to remorseful and truly informed employees (former directors excluded) (*SZ*, 2 November 2007, p. 21)
Nov 2007	Rule adjustments	"Limit of Authority Project": new rules for decision processes to make them more transparent, together with clear responsibilities within the Executive Board (*FAZ*, 23 November 2007, p. 17; *SZ*, 29 November 2007, p. 24)
Jan 2008	Sanctioning	No tolerance policy and sanctions against approximately 500 employees due to former corruption (*SZ*, 16 January 2008, p. 18)
Apr 2008	Rule clarification	Circular email from the compliance department to employees for clarifying doubtful cases (*SZ*, 10 April 2008, p. 19)
Apr 2008	Cultural interventions	Letter from CEO Peter Löscher to all employees appealing urgently to stick to anti-corruption rules (*SZ*, 15 April 2008, p. 23)
Apr 2008	Sanctioning	Claims against former members of the Executive Board (*SZ*, 29 April 2008, p. 24)
Jul 2008	Rule adjustments	Revision of internal rules to make them simpler (*SZ*, 26 July 2008, online)
Jul 2008	Restructuring	Centralization of departments sensitive to corruption (*FAZ*, 8 July 2008, p. 15)
Oct 2008	Monitoring	Scorecard system for the evaluation of deals with business partners (*NYT*, 7 October 2008, online; *HB*, 26 October 2010, p. 28)
Dec 2008	Monitoring	Installation of an independent external Compliance Monitor (Theo Waigel, former German Minister of Finance) mandated by the SEC to evaluate internal control mechanisms (*SZ*, 15 December 2008, p. 2)
Jan 2009	Rule adjustments	Simplification of corruption guidelines to make them easier to handle (*SZ*, 24 January 2009, p. 27)
Sep 2009	Monitoring	"Collective action projects": cooperation with competitors against corruption (*Zeit*, 28 September 2009, online)
Sep 2009	Monitoring	Report of the Compliance-Monitor' with recommendations for the anti-corruption system (*FAZ*, 5 September 2009, p. 14)
Jan 2010	Rule adjustments	Reduction of rules to make them more efficient. Strengthening of individual responsibility (*FAZ*, 24 January 2010, p. 33)
Jun 2010	Personnel changes	Former salesman as new Head of Compliance to make rules more practicable (*SZ*, 23 June 2010, p. 18)
Oct 2010	Rule adjustments	Differentiation of rules in relation to countries of high or low corruption risk (*Spiegel*, 18 October 2010, p. 42)
Dec 2010	Rule adjustments	Simplification of the business partner tool, no more general obligation to use the scorecard system (*Welt*, 9 December 2010, online)
Aug 2011	Rule adjustments	Careful relaxation of rules (*FAZ*, 18 October 2010, p. 11; *HB*, 25 August 2011, p. 26)
Jan 2012	Rule adjustments	Country-specific scoring system to assess a compliance-relevant action (*Zeit*, 3 January 2012, online)

The Siemens management took the criticism seriously and responded to it by readjusting the rules once more.

> 'Those rules are a process, which has to develop … Somehow the pendulum has swung too far; we have to find the centre again.' (Peter Löscher, CEO; *Welt*, 31 March 2008, p. 14)

> Many employees have felt threatened by the flood of rules. That's why Solmssen [Law and Compliance Officer] has to backpedal and cut down the extensive set of rules. At the same time he tries to overcome the fears of employees… (Journalist report; *HB*, 13 March 2009, p. 16)

But despite these efforts the rather negative views remained:

> To get rid of the stigma of corruption they established a bureaucratic control-organization, which deeply upset employees on all hierarchical levels. Is it allowed to drink coffee with business partners without being under suspicion of bribery? (Journalist commentary; *FAZ*, 18 October 2010, p. 11)

Following our analysis, the rule adjustments made in order to prevent corruption practices were difficult to implement. Until 2012, employees were quoted as having very negative perceptions of the newly introduced rules and their subsequent refinements. The rules were seen as being impractical due to the high density of regulations, leaving insufficient scope for conducting business. A journalist on the *Frankfurter Allgemeine Zeitung* commented:

> The corruption police of Siemens is considering loosening the tight system of rules, which the company implemented due to the bribery scandal. Meanwhile the perception is becoming accepted that the quickly and with all rigour established standards were too strict and not suitable for practice… The pronounced renewal is essentially an act of balancing. (*FAZ*, 18 October 2010, p. 11)

From the perspective of external stakeholders, however, the introduction of tighter rules and their subsequent adjustments were seen as a clear sign that Siemens was taking a proactive stance on preventing corruption.

> 'I can only recommend to put up with this allegation… One ought to start with too many guidelines. There is no safety without bureaucracy.' (Peter von Blomberg, Vice-President of Transparency International Germany; *Welt*, 31 March 2008, p. 14)

> … tough rules, clear competences, and painful consequences. This is the way Peter Löscher tries to drain the bribery swamp. Of course this leads to big public applause. (Journalist commentary; *HB*, 27 May 2008, p. 8)

Theo Waigel, the official external Compliance Monitor, was quoted:

> …the internal program against corruption and other misbehaviour is the national and international benchmark. 'Definitely Siemens is on the right track.' (*SZ*, 8 November 2010, p. 20)

The adjustment of rules and their close monitoring seemed to work for external stakeholders as intended. As Figure 2 shows, rule adjustments correlated with a positive perception of trust in Siemens by external stakeholders. For external stakeholders, rule adjustments seem to indicate a clear intention to increase the reliability of future action. Although the positive perception of integrity was not very strong in our data, the clear negative picture vanished along with the implementation of rule adjustments.
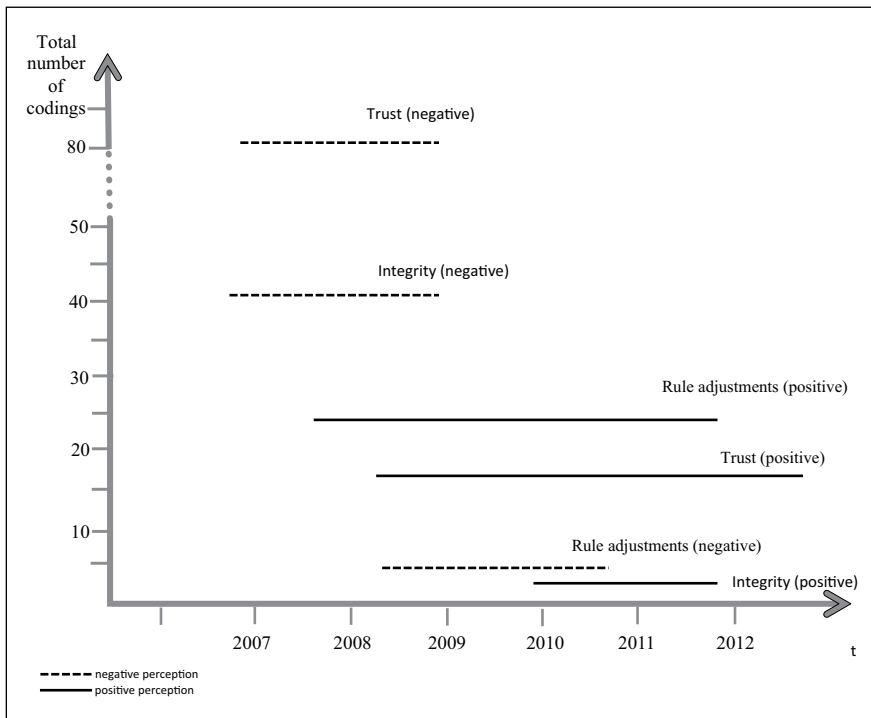
Figure 2. External stakeholders' perception.

However, from an internal stakeholder perspective, the effect of these rule adjustments is more difficult to understand. As summarized in Figure 3, the negative perceptions of rule adjustments are more prevalent than the positive ones.

To sum up, according to our findings rule adjustments are an effective measure for restoring external stakeholders' trust in the organization in the case of an integrity violation. For internal stakeholders, however, the effectiveness of these rule adjustments is not so straightforward, at least when they significantly constrain behaviour.

Organizational culture

In conjunction with formal rule adjustments to rebuild trust, the Siemens management claimed to initiate a change of Siemens' culture (see Siemens' cultural interventions in Table 2). Such efforts to change informal practices, values and norms were seen as necessary, since Siemens was accused of having developed a culture of bribery.

> The corporate culture of Siemens is what made many employees believe that bribes were not only acceptable but also implicitly encouraged. (Journalist report; *NYT*, 7 October 2008, online)

Changing informal norms became a top priority of the new CEO, Peter Löscher. At the annual shareholder meeting in January 2008, he was quoted as saying that the leadership culture had screwed up (*SZ*, 25 January 2008, p. 2). Ten months later, in November 2008, he said:
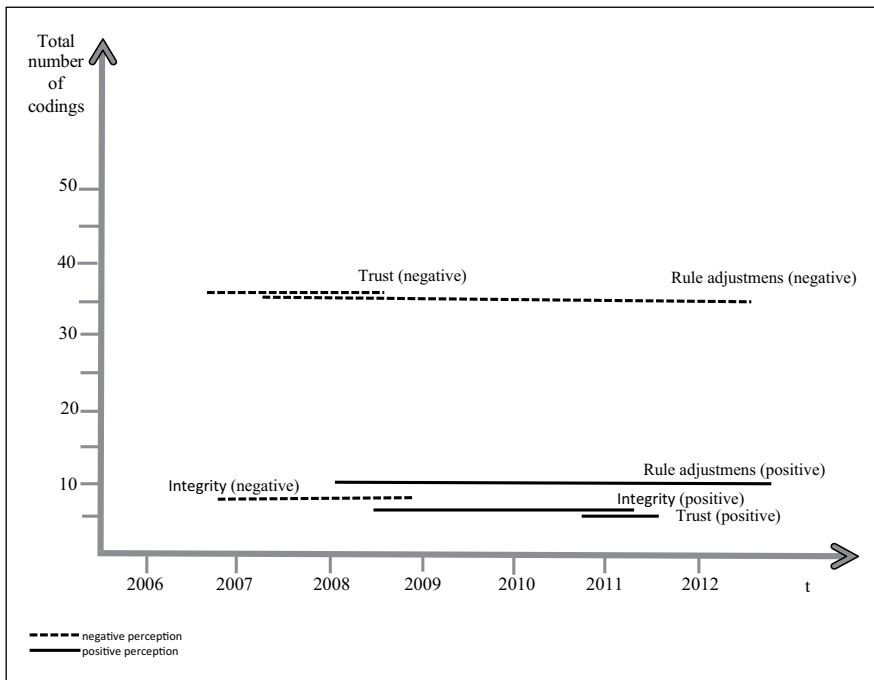
Figure 3. Internal stakeholders' perception.

'Today we have open discussions. We compare notes with each other and then we decide. The leadership culture has changed dramatically.' (*SZ*, 20 November 2008, p. 17)

Siemens' Law and Compliance Officer Peter Solmssen reiterated in an interview in January 2009:

'The cultural change in the Siemens Group towards more openness and transparency is tremendous. If I have to reconsider, the effort was worth it.' (*SZ*, 24 January 2009, p. 27)

Whereas Siemens' top management was eager to emphasize the positive aspects of cultural changes, these changes resulted in a high level of uncertainty among long-serving employees, as the *Süddeutsche Zeitung* reported:

The problem is that very few employees actually know what's going on. (*SZ*, 26 August 2008, p. 3)

Comparing the perceptions of the new culture at Siemens reveals that both internal and external stakeholders appraised the new culture as positive. As one journalist stated:

Löscher turned Siemens upside down bringing in new people and establishing a different corporate culture, in which clean business is not only talk. (*SZ*, 11 June 2011, p. 29)

Differences in perceptions, however, occurred in the assessment of the old culture. Whereas external stakeholders did not see any positive aspect in the old culture, employees regarded issues such

as the high loyalty among Siemens employees as a positive thing, which could erode under the new regime. For instance, a works council member was quoted:

> For decades the special Siemens culture, hard to understand for outsiders, was in good order. A little bit is left, but it becomes less day-by-day. 'I'm afraid that loyalty is slowly breaking down', said works council member Schuster. (*SZ*, 26 August 2008, p. 3)

A journalist reports about the Siemens culture:

> Feelings got lost. The Siemens family does not exist anymore. At least it is crossed out from the Siemens vocabulary. 'We don't use this wording anymore,' confirmed a Siemens manager. 'It may sound pathetic and old-fashioned but the typical Siemens employee did not permanently optimize his CV. Rather he worked for the wellbeing of his company,' said a Siemensian who was afraid this would change. (*FAZ*, 27 April 2008, p. 39)

In sum, our analysis supports the statement of Siemens top managers that a cultural change was initiated and perceived to be positive. However, Siemens employees felt a certain discomfort in the ongoing transition phase. In this respect, the rule adjustments undertaken by the management could not be appropriately backed up by new cultural norms.

Discussion

Our findings revealed that organizational rules are a double-edged sword for repairing organizational trust after an integrity violation. For external stakeholders, the refinement of organizational rules signals the willingness of an organization to change its behaviour and prevent integrity violations in the future (Gillespie & Dietz, 2009). However, employees who are directly affected by these rules experience such measures as problematic. To explain these findings, we suggest combining insights from the theory of organizational rules with trust research. This has the potential to extend our understanding about the relationship between formal and informal rules for restoring trust, a topic that has not received much attention in trust research so far (as an exception Gillespie et al., 2014; Sitkin & George, 2005).

The paradoxical nature of organizational rules

Our findings show that organizational rules implemented with the intention to pre-empt future corruption practices were perceived as difficult to implement by Siemens employees. Employees had severe problems following the tightened rules in an appropriate way. As our findings show, the complaints have triggered new rounds of rule adjustment within Siemens with the intention to make them more applicable. In this sense our findings point to a fundamental theoretical problem, namely the one between rule-following and rule-breaking (Feldman & Orlikowski, 2011; Geiger & Schröder, 2014; Gherardi, 2000).

As noted consistently in the literature on rules and rule-following, ex-ante, generalized behavioural expectations first have to be adjusted to meet specific situational demands and, second, require an act of interpretation by the actors in order to make sense out of the principle behind the general rule (Ortmann, 2010; Pentland, Haerem, & Hillison, 2011; Pentland & Rueter, 1994). Consequently, rule-breaking is an empirically observable phenomenon (Feldman, 2000; Howard-Grenville, 2005; Turner & Rindova, 2012) which is sometimes necessary for the appropriate application of the intention of the rule (i.e. its underlying moral principle) in differing contexts

(Luhmann, 1995; Ortmann, 2010). From an organizational point of view, not only the possibility but also the necessity of rule-breaking is essential. Or, as Ortmann (2010, p. 206) puts it, 'it must be possible to break rules in order to secure the functioning of organizations'.

Because rules have to be formulated in abstract terms, they cannot precisely prescribe behaviour in any situation. To act in novel situations sometimes demands breaking the rule in order to fit it to the circumstance at hand (Ortmann, 2010; Turner & Rindova, 2012). According to Wittgenstein (1953, p. 39) rules are like signposts: they show the way, but do not determine action; as signs they leave space for interpretation. Seen this way, rule-following necessarily involves an interpretative act that differs from situation to situation and from actor to actor (Feldman & Pentland, 2003). Because of the need to interpret rules to perform them according to their original intention, rule-breaking is inevitable and cannot be fully pre-empted by even the most tightly defined prescriptions.

The paradoxical nature of organizational rules presents organizations attempting to restore trust by establishing general rules that ought to be strictly followed with a fundamental problem: How to respond to rule-breaking behaviour? Compliance with organizational rules, as previously noted, is seen as a key mechanism to ensure integrity and prevent organizational members from engaging in inappropriate behaviour. Consequently, organizations first have to punish rule-breaking, which in turn reinforces the rule and signals to external stakeholders that rule violations are not tolerated (Ortmann, 2010). This– as far as external stakeholders are concerned – re-establishes trust.

However, rule enforcements had been a very problematic issue for Siemens employees. As our findings show, the Siemens management had a clear intention to prevent future failures, and as a result, relatively tight rules were established. This attempt to rebuild trust might have two consequences for employees. First, to avoid sanctioning, employees might refrain from breaking rules. Statements from the Siemens compliance office supported this view (interview 6). However, such strict rule-following behaviour may turn out to be dysfunctional for the organization, because it prevents members from adapting to specific situational demands and acting according to the underlying moral principle of the rule. As a result, business partners (e.g. customers and suppliers) might perceive such behaviour as highly confusing or dysfunctional because a flexible response to their demands is no longer possible.

At first Siemens responded to the violation of rules with another round of rule adjustment, leading to even tighter, more concisely defined rules. It was believed that a more precise ex-ante definition of potential cases would prepare employees better for the variety of situations they might encounter. Because existing rules seemed to leave too much space for interpretation, the Siemens management aimed at refining these rules to prevent misunderstanding and misbehaviour. It was expected that the need for rule-breaking behaviour would decrease. However, as our findings have shown, employees still felt uncomfortable and insecure.

Responding to rule-breaking with more and tighter rules may lead to a form of escalating commitment (Staw, 1976) and a subsequent down-spiralling of organizational trust. Ironically, as Shapiro (1987) has noted, such a seemingly inevitable, spiralling evolution of structural constraints is intended to ensure and protect trust in an even stronger way. However, the more the development of trust is regulated by rules, the more the internal stakeholders will be dissatisfied with the effects, seeding the ground for distrust.

The interplay of formal rules and informal control for repairing trust

As the discussion has shown, rule-breaking is necessary to ensure flexibility and meet the intention of organizational rules. From an organizational point of view, it is therefore important to understand in which cases the violation of rules is functional (and meets the original intention of the rule

in novel contexts) and in which cases it reflects a severe violation of standards, thereby destroying trust in the integrity of the firm.

An assessment of when rule-breaking is desirable and when not cannot be regulated by additional rules. The rule of when to break a rule would be itself a rule that would have to be broken from time to time to ensure an effective application of the rule. The idea of a rule determining when and how to break rules therefore leads to an irresolvable, infinite regression (Ortmann, 2003). Thus, rule-breaking behaviour cannot be regulated by another formal rule but has to be based on informal norms. Although rule-breaking is necessary, it remains illegal (Luhmann, 1995, therefore speaks of 'usable illegality') and cannot be officially requested.

According to the literature on organizational control, informal, normative or social control is suggested as an alternative approach to formal control mechanisms (Eisenhardt, 1985; Ouchi, 1979). Employees are guided by their shared values and norms, which function as a voluntarily accepted constraint on their behaviour (Costa & Bijlsma-Frankema, 2007; Das & Teng, 1998, 2001; Maguire, Phillips, & Hardy, 2001). In opposition to previous studies we suggest not simply looking at these two forms of control as alternatives in the design of organizational controls for trust repair but to focus on their interplay. Informal norms have the potential to operate as 'stop rules' for formal rule-breaking. Against this background, formal rules and informal cultural norms are not opposite, separate measures.

Appropriate cultural values and norms provide the necessary freedom for employees to respond to situational needs flexibly by breaking certain rules. At the same time, values and norms serve as a control mechanism that determines when rules should not and cannot be broken. As informal mechanisms, organizational values and norms provide more flexibility and agility than formal rules (Gherardi & Nicolini, 2002). The design of formal rules may play a decisive role in influencing how the relationship between formal and informal rules develops. As our analysis has shown, Siemens employees complained about the newly implemented rules being too tight. In line with the argument of Das and Teng (1998), formal rules that leave enough space for autonomy and do not specify every behaviour are much better suited for trust building (in a similar vein, see Luhmann, 1979; Seligman, 1998). The more behaviour is regulated, the greater the risk that the general intention of the rules drops out of sight. For example, employees might consider the newly implemented rules as mere patronizing. As the study of Walgenbach (2001) suggests, employees respond by circumventing rules and developing strategies of 'creative compliance'. Subsequently, such informal behavioural strategies could lead to a distortion of the intention of the rule. As a result, tight formal rules do not control employees behaviour in a better way (in a similar vein, see Das & Teng, 1998; Merchant, 1985). Only the appropriate interplay of formal and informal rules can lead to organizational trust repair for external and internal stakeholders.

Limitations and Implications

Certainly, such a study is not without its limitations. The first limitation results from the exploratory nature of our study and the problem of generalizing from single cases. However, we believe that Siemens is an interesting revelatory case, since the firm conducted major efforts to regain the company's integrity and is therefore sometimes even referred to as a leading example in the industry. A second limitation is that newspaper articles comprise our main source of data. This has the disadvantage of obtaining preselected data from newspaper journalists. On the other hand, analysing newspaper articles enabled us to study the development of Siemens' responses and measures implemented over a relatively long period of time. As such, we had access to data that would otherwise hardly be available (e.g. insider information). Since a highly sensitive issue like corruption is difficult to address in interviews, relying on newspapers seems to be an appropriate

methodological strategy in this case. In addition, our results from the newspaper analysis were corroborated by our interview data and the company's internal newsletters.

Our analysis holds important theoretical and practical implications. From a theoretical perspective, the interaction between formal rules and informal norms for repairing trust at an organizational level is important. Our findings support the proposition of Gillespie et al. (2014, p. 399) that new rules alone are not sufficient for repairing trust. Formal rule adjustments have to be complemented by cultural reforms (see also Sitkin & George, 2005; Sitkin & Roth, 1993). Both are necessary to rebuild stakeholders' trust after an integrity violation at the organizational level. However, our paper extends this perspective by pointing to the specific interplay of both, namely that cultural norms regulate rule-breaking. Therefore, our study on the one hand addresses the specific effect informal rules exercise on formal ones and, on the other hand, it reveals the dynamics of the formal/informal rule relationship.

From a practical point of view, our analysis questions the value of compliance strategies as the most prominent organizational response to an obvious integrity violation. As we have argued above, an exclusive focus on rule compliance, partly through establishing a compliance office, is not sufficient. From our point of view, a focus on rule compliance is at best a 'quick-fix' and short-term measure for restoring trust on an organizational level after an integrity failure. The basic problems go deeper and involve increasing the understanding of potential integrity violations beyond mere rule-following. A shared understanding of the specific meaning of integrity in everyday work practices is a necessary precondition for a substantial change in an organization's behaviour. To avoid misunderstanding, we are not arguing for leaving formal rules untouched in the case of an integrity violation. Instead, existing rules should be examined in relation to their intention and their informal practice. Appropriate rule adjustments should leave enough space for a flexible handling of rules and should be complemented by an informal understanding of the limitations of such flexibility.

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Appendix A. Data Sources Used for Validation of the Internal View.

Document	Kinds of employees	Year	Exemplary quotes*	Original source
6 interviews with Siemens members (referred to as interviews 1–6)	Two Siemens veterans from corruption-sensitive divisions One employee from the R&D Department One engineer working as project manager	2014	Integrity was at no time an issue at Siemens for ordinary employees. Even when I was invited as a veteran to Siemens events, nobody talked about moral problems. Instead, we were concerned about the loss of employee solidarity. (Interview 1) At that time a different mentality was prevalent. It was like drinking beer and driving. Everybody knew that it was wrong, but did it anyway. For the salespeople the change was a real problem. They could not just order a taxi. (Interview 2) When Debevoise & Plimpton came in, there was an atmosphere of fear all over the company. Endless interviews, no data protection … everybody was afraid to say something wrong either because of a sense of loyalty or because one was somehow involved and had to take into account that one's own head would come off. (Interview 3) … limitations like the kind that employees were permitted to attend only one of Siemens internal Christmas-parties – even though they worked for different departments – were conceived as infringement of long-standing traditions and against the old spirit of the Siemens-family. (Interview 4)	Own data
	Head of Compliance Policies and Trainings	2010	We could not avoid this [rigorous control mechanisms] since we wanted to reach absolute security in this matter. During the last year the internal control procedures have been reworked and the numbers of controls have been reduced significantly. (Interview 5)	Claussen (PhD thesis)

(Continued)

Appendix A. (Continued)

Document	Kinds of employees	Year	Exemplary quotes*	Original source
	Employee from the 'Help-Desk'	2011	… the most frequently asked questions are concerning restaurant invitations from business partners, offers for car rides home or gift-giving. (Interview 6)	Rueß
1 interview (referred to as interview 7)	Leading investigative journalist on *Süddeutsche Zeitung*	2014	Employees at Siemens were deeply frustrated with the new compliance rules which were introduced in 2007 following the SEC investigations … the general feeling was a fear of rule-breaking. My impression is that the Siemens management learned that the new rules introduced were simply not practical and tried to regulate everything in detail … they learned – and I think until the present day – they are re-defining the policies and have the tight rules only for specific countries where they suspect bribery on a large scale. But they now leave more scope for business in Germany for example.	Own data
internal newspaper articles (referred to as Siemens Dialog)	Statements from Siemens' employee representatives	2006–2011	Concerning the corruption scandal at Siemens, … it is now the obligation of the Board of Directors to regain the lost trust of the employees. … It is about credibility. (Lothar Adler, Chairman of Works Council; Siemens Dialog, 19 January 2009). … the *Süddeutsche Zeitung* was ordinarily well informed about what happened at Siemens (Statement of the labour union IG Metall; Siemens Dialog, 15 June 2011)	'Siemens Dialog' (published online by labour union activists)

*Translated by the authors

Appendix B. Selective coding with additional examples from the newspapers articles.

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
Integrity negative *external*	41 codings distributed over all newspapers and 36 articles	The arrest of Feldmayer [a former executive] shakes Siemens to its very foundations. He was known for his integrity … When such a manager ends up in prison, then the organization as a whole has heavily run out of control. (Journalist commentary; *HB*, 28 March 2007, p. 8) Where is the hard core of decency and moral, which had to be found somewhere, on the Executive Board at the latest? (Journalist commentary; *Spiegel*, 14 April 2008, p. 76) 'Bribery was Siemens's business model.' (Uwe Dolata, spokesman for the association of federal criminal investigators in Germany; *NYT*, 12 December 2008, online)	Nov 2006–Dec 2008
internal	8 codings distributed over 3 newspapers and 7 articles	The official company policy was a pure façade. (Reference to an employee; *SZ*, 16 January 2008, p. 18) Many Siemensians feel like him [Josef Winter, new Head of Compliance]. Ultimately their company, which they considered as their family, lost a part of its honesty. (Journalist statement; *HB*, 26 October 2010, p. 28)	Dec 2006–Dec 2008
positive *external*	3 codings distributed over 2 newspapers and 3 articles	*Very few statements from newspaper journalists only*: The new Siemens has nothing to do with the old Siemens. Previously, the Executive Board under its CEO Heinrich von Pierer had collectively disregarded evidence of criminal actions. (Journalist statement; *SZ*, 11 November 2011, p. 29)	Dec 2009–Nov 2011
internal	6 codings distributed over 3 newspapers and 6 articles	*Very few statements only from top managers*: 'We are now the most squeaky clean company,' (Senior Siemens executives; *Guardian*, 24 June 2008, online) 'After two difficult years, Siemens … once again stands on a firm foundation of integrity.' (Gerhard Cromme, Chairman of the Supervisory Board; *SZ*, 28 January 2009, p. 21; *Guardian* 27 January 2009, online)	Jun 2008–Mar 2011

(Continued)

Appendix B. (Continued)

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
		Nowadays Siemens is a prime example for integrity. (Peter Solmssen, Law and Compliance Officer, guest commentary; *HB*, 25 August 2010, p. 7)	
Stakeholders' trust negative *external*	81 codings distributed over all newspapers and 66 articles	Siemens' membership of Transparency International had been put on hold after suspected corruption cases. (Reference to Hansjörg Elshorst, President of German Transparency International; Guardian 24 November 2006, p. 31) The crisis handling of Siemens is as little trustworthy as the practices of their management … (Journalist commentary; *SZ*, 2 December 2006, p. 25) Mafia-like structures don't develop in companies whose principles are openness, fairness and correctness. (Journalist commentary; *HB*, 13 December 2006, p. 8) The scale of shareholder distrust in the management was laid bare when the meeting gave only 72% support to executive board members and about 65% to supervisory board directors – including some of Germany's business luminaries – far short of the 90% Siemens executives had hoped for. (Journalist report; *Guardian*, 26 January 2007, p. 27)	Nov 2006–Dec 2008
internal	36 codings distributed over 7 newspapers and 30 articles	He [Klaus Kleinfeld, CEO] has not succeeded … in gaining the trust of his 460 000 employees. (Journalist commentary; *SZ*, 29 September 2006, p. 4) 'Of course, internally there is now a certain feeling of fear and siege mentality.' (Gerhard Cromme, Chairman of the Supervisory Board; *Spiegel*, 26 May 2007, p. 80) Formerly, there was trust from top to the bottom. (Reference to Christian Weller, former ordinary Siemens employee; *HB*, 25 January 2008, p. 12)	Sep 2006–Aug 2008

Appendix B. (Continued)

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
		'You have to look at all procedures with a maximum of mistrust.' (Heinz Hawreliuk, union representative in the Supervisory Board; *SZ*, 1 August 2008, p. 22)	
positive *external*	17 codings distributed over 7 newspapers and 17 articles	US authorities positively acknowledged that Siemens has exchanged the whole executive board and installed an exemplary compliance system. (Journalist report, *HB*, 16 December 2008, p. 14) 'The acceptance of our proposal to install a German [Compliance Monitor] for the first time, shows the trust of American authorities in our cooperation.' (Gerhard Cromme, Chairman of the Supervisory Board; *Spiegel*, 20 December 2008, p. 62)	May 2008–Dec 2012
internal	3 codings distributed over 3 newspapers and 3 articles	*Only very few indirect statements, mainly from the perspective of CEO Peter Löscher* 'Therefore, I started to visit our company sites in order to meet our employees. Thus, I have achieved to rebuild trust in a very short time.' (Peter Löscher,; *Zeit*, 23 September 2010, online)	Sep 2010–Jun 2011
Rule adjustments negative *external*	4 codings distributed over 3 newspapers and 4 articles	*Only a few statements mainly from newspaper journalists* It is only a matter of time, when managers and employees at Siemens … will complain about the strict rules of conduct … which gave them no room to breathe. (Journalist commentary; *HB*, 27 May 2008, p. 8) 'Siemens has built up an exorbitant control-organization, … which cannot remain on this level in the future.' (Frank Rothauge, analyst of the Sal. Oppenheim Bank; *Zeit*, 4 December 2008, p. 23)	May 2008–Oct 2010
internal	36 codings distributed over 6 newspapers and 25 articles	Employees are complaining already that it is impossible to do business in foreign countries with such chains. (Journalist statement; *Zeit* 27 September 2007, online)	Apr 2007–Jul 2012

(Continued)

Appendix B. (Continued)

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
		For such meticulous manuals the compliance department internally gets nothing but scorn and derision. (Journalist statement; *Welt*, 31 March 2008, p.14) 400.000 employees are deeply worried. (Journalist statement; *HB* 10 April 2008, p.13) Due to the corruption scandal there are permanent controls, blockades, and overcaution. 'We do not dare to do anything spontaneous', said one. (Reference to an ordinary Siemens employee; *SZ*, 26 August 2008, p.3)	
positive *external*	24 codings distributed over 6 newspapers and 23 articles	'Meanwhile, the program is user friendly. I don't hear any complaints.' (Theo Waigel, external Compliance Monitor; *Welt*, 12 June 2009, online) Federal authorities said in court papers that they were impressed by the company's efforts to identify wrongdoing and prevent new occurrences through an internal monitor and other measures. (Journalist report; *NYT*, 16 December 2008, p.B8) … they have set the clear rule that any kind of bribery is forbidden. Beyond Siemens this is one of the most important lessons learnt. (Journalist commentary; *SZ*, 5 December 2009, p.25)	Aug 2007–Nov 2011
internal	10 codings distributed over 6 newspapers and 9 articles	*Only a few indirect statements, mainly from the Law and Compliance Officer Peter Solmssen:* 'Are we confident in stamping out corruption? … We've made substantial progress. It's never over. … We are quite confident we have eliminated anything systemic.' (Peter Solmssen; *NYT*, 7 October 2008, online) Often our measures might be seen as restraining business, but 'this is not the case. Frequently they are even used for better cost control.' (Peter Solmssen; *Welt*, 14 December 2012, online)	Nov 2007–Dec 2012

Appendix B. (Continued)

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
Old culture negative *external*	24 codings distributed over 7 newspapers and 21 articles	… not transparency but trickery dominates Siemens' corporate culture. (Journalist commentary; *FAZ*, 27 April 2007, p. 1) … black money has obviously been part of Siemens' corporate culture. (Journalist commentary; *SZ*, 7 February 2008, online) Above that, Pierer & Co 'have deliberately prevented disciplining the workforce'. As a result the development of an adequate corporate culture was not possible. (Reference to the inquiry report by Hengeler Müller; *SZ*, 27 October 2009, online) '… a real cultural change is necessary.' (Hansjörg Elshorst, President of German Transparency International; *Zeit*, 27 September 2009, online)	Nov 2006–Oct 2009
internal	14 codings distributed over 5 newspapers and 13 articles	*Mainly indirect statements, primarily from Peter Löscher the new CEO* '… a peculiar culture and an independent existence has developed, which cannot be controlled by the central management board anymore.' (Ralf Heckmann, Chairman of the General Works Council; *SZ*, 19 May 2007, p. 25) '… a peculiar and misguided behaviour has spread.' (Peter Löscher, CEO; *SZ*, 8 January 2008, p. 17) 'Leadership culture has failed …' (Peter Löscher, CEO; *SZ*, 24 January 2008, p. 3)	May 2007–Jan 2009
positive *external*		*no positive statements*	
internal	12 codings distributed over 5 newspapers and 8 articles	'Actually, I try to maintain a distance to my employer and my job, but at Siemens I have lived for the company and I was proud of it.' (Former Siemens manager; *FAZ*, 27 April 2008, p. 39)	Jan 2007–Apr 2008

(Continued)

Appendix B. (Continued)

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
		The loyalty towards the firm has always been higher than anywhere else, the turnover rate lower. This is true till this day, despite bribe money and various downsizing agendas. (Journalist commentary with reference to a document on the occasion of Heinrich von Pierer's leaving; *FAZ*, 27 April 2008, p. 39)	
New culture Negative *external*	2 codings distributed over 2 newspapers and 2 articles	'If this is the new Siemens culture then enjoy your meal!' (Werner Neugebauer, Bavarian union leader; SZ, 10 July 2008, p. 26) 'Meanwhile, Siemens is overdoing it and creates a culture of mistrust (…).' (Elmar Schwager, consultant for anti-corruption; HB, 9 January 2009, p. 16)	Jul 2008–Jan 2009
internal	5 codings distributed over 2 newspapers and 3 articles	*Only a few partly indirect statements, mainly from ordinary employees and their representatives* The system of mutual insurance, the consensus principle everything has broken. '… today you only have to be quick …', (Reference to Siemens employees at Munich; SZ, 26 August 2008, p. 3) 'This [letting Joe Kaeser announce the downsizing plans] signals that ordinary employees are not very important for him [Peter Löscher, CEO] …' (Representative of the employee's shareholder association; *FAZ*, 8 July 2008, p. 15)	Apr 2008–Aug 2008
positive *external*	9 codings distributed over 4 newspapers and 9 articles	In order to avert corruption you have to do more than hand out guidelines and hope for everything to turn out well. The fight against corruption is a job for the management and has got something to do with leadership culture. Every single day. (Journalist commentary; SZ, 14 May 2009, p. 17) 'Siemens has come to terms with the past in an exemplary manner. … With principles not only written on the paper but also truly lived.' (Berthold Huber, German union leader; SZ, 3 December 2009. p. 24)	May 2009–Dec 2012

Appendix B. (Continued)

Theoretical categories (negative/ positive perception; internal/external)	Number of codings/ Distribution (newspapers/articles)	Examples of supporting statements*	Essential time span
		'Integrity is nowadays an integral part of the corporate culture.' (Theo Waigel, external Compliance Monitor; *Welt*, 14 December 2012, online)	
internal	10 codings distributed over 10 newspapers and 7 articles	Of course he knew the complaints about the breakdown of the old culture, the Siemens family, but in contrast to longtime Siemensians he does not share them: 'Nonsense, the junior employees, I deal with, appreciate the cultural change.' (Reference to Willi Kallender, professor and Siemens veteran; *Zeit*, 27 April 2007, online) 'Nowadays, we have a completely new leadership culture … No Siemensian wants to go through the old times again.' (Peter Solmssen, Law and Compliance Officer; *HB*, 7 June 2010, p. 24)	Apr 2007–Jun 2011

*Translated by the authors