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**The Double-Edged Sword of Corporate Social Responsibility  
Campaigns: Examining the Effects of Congruence and Identification in  
Product-Failure and Moral Crises**

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Campaigns: Examining the Effects of Congruence and Identification in  
Product-Failure and Moral Crises**

**by**

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**The Double-Edged Sword of Corporate Social Responsibility  
Campaigns: Examining the Effects of Congruence and Identification in  
Product-Failure and Moral Crises**

Yoojung Kim, Ph.D.

The University of Texas at Austin, 2011

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As consumer expectations of corporate values and ethics increase, more and more companies are engaging in corporate social responsibility (CSR) initiatives. While CSR in general is believed to play a positive role in consumer behavior, the implications of CSR in diverse situations that involve firms has not been studied in great detail. Specifically, little is known about how CSR activities influence consumer judgments in corporate crisis settings such as product-harm and ethical-misdeeds. Thus, in this dissertation, a series of experimental studies uncover the potential role of previous CSR engagement when a company is faced with a corporate crisis, and examine its impact on a consumer's evaluation of the company. For a systematic and comprehensive understanding of this issue, two types of negative attributes in corporate scandals are distinguished: incompetence versus immorality. The results of the first experimental study suggest that prior CSR initiatives can more effectively protect consumer evaluation of the company when the company is faced with a competence-related negative event than a morality-related negative event. In addition, when the cause of CSR is directly congruent

with the issue of the negative event, consumer responses were more negative than when there is no issue congruence between CSR and the negative event. The most interesting aspect is that the issue congruence effects were more negative for an immoral event versus an incompetent event. In other words, when a firm's moral crisis is associated with a cause in a previously involved CSR initiative, consumers perceive that the firm's intention of CSR initiative involvement was the least sincere and altruistic. The second study of this dissertation examines how consumer-company identification can protect the company from a corporate crisis in the context of an incompetent versus an immoral crisis situation. The findings of this study reveal that consumers strongly identified with the company perceive the company's negative information less seriously than weak identifiers with the company regardless of the negative type – incompetence or immorality. Finally, the detailed theoretical and managerial implications of the dissertation and the role of CSR initiatives in crises are discussed.

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## Chapter 1: Introduction

Consumers today are eager to patronize businesses that share values and ethics (Burson-Marsteller 2010). According to a recent survey by Penn Schoen Berland, Landor Associates, and Burson-Marsteller (2010), more than 75% of consumers asserted importance companies' social responsibility, and 55% were more likely to select a purchase based upon support for a certain cause when choosing between otherwise similar products. In addition, 38% of respondents planned to spend the same amount or more for brands associated with social responsibility. Another survey conducted by Cone in 2008 revealed that 79% of consumers were likely to switch from one brand to another brand due to the second brand's association with a good cause; that response compares to 66% in 1993 (The 2008 Cone Cause Evolution Study). Moreover, 68% of Generation Y (ages 13-25) individuals, who may comprise the most socially aware generation, will refuse to work for a company without a strong corporate social responsibility track record (The 2007 Cone Millennial Cause Study). In fact, the study showed that 74% of Generation Y individuals would pay more attention, in general, to companies that practice sound, corporate, social responsibility.

As consumers' expectations for corporate social responsibility increase, more and more companies adopt social responsibility initiatives (Drumwright 1996; Lichtenstein, Drumwright, and Braig 2004). For example, the websites of more than 80% of *Fortune 500* companies address social and environmental issues and today, approximately half of those companies issue a public report on their activities (Bhattacharya and Sen 2004).

In addition, U.S. companies spent more than \$12.72 billion on corporate philanthropy in 2006 (Cause Marketing Forum 2006) and \$1.44 billion more on cause-related marketing (Giving US 2006). About one of every ten dollars, professionally managed, in the United States, involves social responsibility (Demos 2006).

Corporate Social Responsibility (CSR) refers to firms' obligations to society (Smith 2003), and its broadest definition encompasses a company's "status and activities with respect to its perceived societal obligations" (Brown and Dacin 1997, p. 68). In addition, referring to the various forms of a company's involvement with charitable causes and nonprofits that represent them, Lichtenstein et al. (2004) use the term "CSR initiatives." Many companies engage in various types of CSR initiatives such as philanthropy, cause-related marketing, minority support programs, socially responsible employment and manufacturing practices, and corporate volunteerism in community activities (Drumright 1994; Lichtenstein, Drumwright, and Braig 2004; Menon and Kahn 2003; Varadarajan and Menon 1988). Prominent examples of CSR initiatives include: *Yoplait's* donation program, "*Save Lids to Save Lives*" donates 10 cents per lid to raise money for a breast cancer foundation. *Home Depot* donates building materials and its employees' time to *Habitat for Humanity*. *Campbell's* has donated more than a half billion pounds of food to the annual "*Stamp Out Hunger Drive*," held throughout the U.S. each May.

In the literature, a general body of research supports positive effects from CSR initiatives on consumers' behavior (Brown and Dacin 1997; Creyer and Ross 1997;

Drumwright 1996; Ellen et al. 2000; Sen and Bhattacharya 2001). CSR initiatives play a positive role in consumers' brand and product evaluations over and above economic or rational considerations, such as product attributes. CSR also has a spillover or "halo effect" on otherwise unrelated consumers' judgments, such as evaluations of new products (Klein and Dawar 2004). Thus, CSR activities have an impact on consumers' positive product and brand evaluations, brand choices, and brand recommendations (Brown and Dacin 1997; Drumwright 1994; Sen and Bhattacharya 2001).

While CSR in general plays an important role in consumer behavior in routine settings, it may also influence consumers' judgments during corporate crises, such as product-failure or ethical-misdeeds. In fact, incidents of corporate crises, increasingly common in the business world, range from product quality issues such as Toyota Motor Corporation's recent automobile recalls to ethical concerns such as Nike's use of sweatshop labor in its suppliers' factories. As such, negative cases capture consumers' and media's attentions and sensitivities, and firms often face serious damage to their images due to consumers' intangible, negative associations with the company. Once consumers have negative perceptions and attitudes toward a company, maintaining or regaining reputation and image becomes difficult. Consequently, avoiding such difficulties is very important. Considering the generally positive effect of CSR on firms' reputations and images, CSR may provide significant implications for firms' confronting crises.

Previous research suggests that CSR activities serve as insurance against a corporate crisis situation (Beker-Olsen, Cudmonre, and Hill 2006; Klein and Dawar 2004). That is, CSR activities may sustain consumers' positive impressions of a company, and thus, prompt consumers to maintain a positive or neutral attitude toward the company despite a negative event. However, the effectiveness of CSR has not had systematic investigation for companies confronting different types of crises (Klein and Dawar 2004). Moreover, equally unclear is whether or not CSR may produce a reverse effect and erode firms' images in a crisis situation. With the growing CSR initiatives of companies and increasing risk of negative information available on firms due to the Internet and diverse communication channels, an in-depth understanding of the implications of CSR in context of a company in crisis is particularly important and timely.

The objective of the current research is identifying the potential effect of CSR in a corporate crisis context and to discover CSR's impact on consumers' evaluations of the company. For a comprehensive understanding of this issue, incompetence vs. immorality, are two distinguished types of negative attributes for corporate crises (Brown and Dacin 1997; Folkes and Kamins 1997; Votolato and Unnava 2006). Using a series of experimental studies, the present research examines the mechanics of consumers' responses differ for these two types of negative events, if the company in crisis previously participated in a CSR activity.

Competence and morality are two important dimensions of negative information processing regarding a company (Folkes and Kamins 1999; Votolato and Unnava 2006). According to the literature on negative information, the distinction between competence and moral misdeeds has been the focus of discussion when considering consumers' processing negative information (e.g., Skowronski and Carston 1989; Votolato and Unnava 2006). Corporate competence information pertains to a company's ability or expertise in producing and delivering its outputs (Brown and Dacin 1997; Votolato and Unnava 2006). Thus, negative information that arises in this category might concern a company's failure to meet product or service quality standards, as perceived by consumers (Wojciszke, Brycz, and Borkenau 1993). For example, a company may have budgetary constraints and lack skills that result in product failure. In contrast, corporate morality information reflects a company's ethics and values (Votolato and Unnava 2006). Thus, negative information of the later type concerns a company's behavior as it conflicts with consumers' established ideas of ethical standards (Wojciszke et al. 1993). For example, a company may use sweatshop labor to enhance profits.

Research of negative information suggested that information involving morality and competence affects consumer responses in different ways (e.g., Brown and Dacin 1997; Folkes and Kamins 1999). Previous research shows that consumers expect companies to produce goods competently because of the expense for the purchase of those goods (Brown and Dacin 1997). Thus, perceptions of information pertaining to a company's competence are more diagnostic when evaluating the company than

information associated with the company's morality. However, in the context of a company's participation in CSR activities, consumers may perceive morality-related negative information as more diagnostic than competence-related negative information since CSR activities more closely associate with the morality domain than with the competence domain. Between these two types of negative information, the unknown factor is which one has more influence on consumers' evaluations of companies that had undertaken CSR initiatives prior to involvement in a negative event. Thus, this study investigates the effects of different types of negativity as related to a corporation's previous CSR involvement.

Another important issue for this research is the congruence or perceived fit in CSR programs (Lafferty et al. 2004; Pracejus and Olsen 2004). Much research documented the overall positive effects of company-cause congruence in CSR activities on consumers' attitudes toward a company. However, the unclear aspect remaining is whether or not companies in crises can achieve similar positive congruence effects, especially when the issue of a corporate crisis is directly relevant to the cause that the company had previously supported via a CSR campaign. In the context of CSR activities by companies experiencing negative events, issue relatedness or congruence between the corporate negative information and the social cause may not lead to the same results; it might not be always positive, as evidenced from the extant literature for companies with no negative events. An example of congruence between the issue of the company's negative event and the cause associated with the company through CSR activities might

involve a food company with a CSR activity to improve nutrition for children having a problem with nutrition quality in its products. Another example might be a shoe company with a CSR activity involving the issue of child labor confronting a scandal regarding use of sweatshop labor.

Especially when the topic of negative information closely relates with a cause that a company previously supported, consumers may perceive that the company violates its own “protected values,” which are core values that cannot trade-off for other values (Baron and Spranca 1997; Tetlock et al. 2000). If a company previously emphasized its protected values through its CSR initiatives became involved in a negative event closely related to that value, perhaps consumers view the company as pursuing other values (e.g., firm’s self-serving intention) at the cost of its sacred value (i.e., the cause of the company’s CSR initiative). Thus, the issue of congruence of the cause and the negative event may lead consumers to be more skeptical of the company’s prior CSR engagement and result in even greater unfavorable perceptions of the company from consumers. In addition, the two types of negative information (i.e., incompetence and immorality) might affect consumer responses to a company differently depending on the congruence between the issue and the cause. CSR initiatives’ causes are a firm’s public announcements to consumers, which align with the firm’s core values or protected values, and thus associate more directly with a morality domain than with a competence domain. Therefore, issue-congruence between morality-related negative information for a company and the cause of the company’s CSR campaign may trigger even greater

consumers' doubts and lead to more careful cognitive deliberation about the company's CSR activity and more negative attitudes than do issue-congruence between competence-related negative information and the CSR cause. Consequently, the current research investigates the effects of issue-congruence, in a corporate crisis context, according to two types of negative events.

Another factor that deserves attention in this investigation is individual differences in terms of consumers' knowledge of, and concern for, the company. One of the significant individual factors that influence the processing of negative information is consumer-company identification (Einwiller et al. 2006; Sen and Bhattacharya 2001), which refers to the degree to which consumers feel a sense of connection to a company (Ashforth and Mael 1989; Bhattacharya, Rao, and Glynn 1995) and the degree to which aspects of the company's perceived organizational identity are self-referential and self-defining for consumers (Dutton et al. 1994). Strong consumer-company identification may induce consumers' motivations to protect the self-defining beliefs and meaning they derive from their relationships with a company. Thus, consumers who have strong identification with a company engage in defensive information processing with a bias toward their preferred conclusions (Eagly and Chaiken 1993). On the other hand, consumers with a weak identification, those who do not perceive a company to be important to a sense of self and whose beliefs about the company are not as strongly self-defining - are guided by the motivation to process information with accurate judgments. Accordingly, weakly identified consumers are more likely to change perceptions of the

company toward negativity according to the degree of negativity of the incoming information. Thus, in the context of a company in crisis, the expectation is that consumers who more strongly identify with the company will perceive the negative information less negatively than those who have weak identification with the company.

However, when the degree of negative information is extremely severe, previous research suggested that even consumers, strongly identifying with the company, have difficulty using defensive motivation to reach a conclusion because supporting evidence is weak or absent. Thus, extremely negative information exceeds even strongly identified consumers' levels of tolerance for supporting a company (Einwiller et al. 2006).

Similarly, in the context of a company in crisis, if the type of corporate crisis relates to morality, that fact directly affects consumer-company identification because consumers are more likely to connect with companies through shared values, beliefs, and/or ethical standards (Bhattacharya and Sen 2003). Thus, even strongly identified consumers may have difficulty being tolerant towards a company's corrupted morality, and those consumers may seek to protect their self-identities by breaking their connections with the company. While previous research examined the degree of negativity, the effect of identification on consumers' responses based on different types of negativity – immorality versus incompetence – remains unclear. Thus, this research incorporates consumers' identification with the company as a moderator when examining consumers' processing of negative corporate information in conjunction with previous CSR activities.

Consequently, the primary questions to which this study responds are:

(1) How does a prior CSR initiative affect consumers' responses toward a company with a crisis and dependent upon different types of negative information associated with the crisis – immorality vs. incompetence?

(2) How does issue-congruence between the negative information and the social cause moderate the effects of prior CSR initiatives on consumers' responses toward a company's crisis?

(3) How does consumer-company identification moderate the effects of a prior CSR initiative on consumers' responses toward a company's crisis?

To provide a theoretical and empirical background for the primary constructs identified in these research questions, Chapter 1 introduces the topic of this research. Chapter 2 presents a summary of Corporate Social Responsibility literature. Chapter 3 establishes a conceptual framework and provides detailed discussion of negative information processing with regard to competence vs. morality. Subsequently, Chapter 4 discusses congruence and consumer-company identification (Chapter 5). The body of literature in Chapters 1 through 5 provides support for the development of the hypotheses and their theoretical rationales in Chapter 6. Chapter 7 delineates the research methodology, which consists of two main experiments, preceded by applicable pretests. The dissertation concludes with analyzing the data to test the hypotheses in Chapter 8, and discussions in Chapter 9.

This dissertation research contributes to the existing literature on CSR: First, it identifies a new scope for CSR's effects in the context of negative events by examining two types of negative information: immorality and incompetence. This dissertation suggests that a company's prior CSR activities expectedly have some buffering effects on

negative events related to a company's incompetence, the buffering effects of CSR activities may disappear when the negative information relates to morality. By showing that CSR affects consumers' evaluations for a company differently depending on crisis type, this study allows a better grasp of CSR's role in a crisis. Second, this research investigates another dimension of congruence – issue relatedness between the CSR's social cause and negative information. When such congruence is high, negative events may imply that the firm's previous CSR initiative is essentially pretentious, because the firm sacrifices protected values, emphasized through the CSR, for other values (e.g., for profit). Thus, consumers' skepticism of the validity of a company's previous CSR engagement leads to consumers' more negative responses toward the company. Studying this new dimension of congruence's effect from CSR in negative situations advances CSR congruence literature by addressing a neglected aspect of congruence. Finally, this study advances understanding of the role of consumer-company identification by showing CSR's moderating effects on consumers' responses to a company's negative events. Specifically, this study suggests that the insurance effect of consumer-corporate identification for negative information may have its limits when the crisis relates to morality. Thus, this research demonstrates the boundary for identification-effects related to two types of negative information – incompetence vs. immorality. Finally, by showing the potential negative implications of CSR within a corporate crisis situation, this study advances understanding of CSR activities and their impacts on consumers' responses to a

company's crisis, and also provides theoretical and practical implications to companies for structuring CSR activities.

## **Chapter 2: Corporate Social Responsibility**

More companies than ever before aspire to establish themselves as good corporate citizens. In the wake of scandals involving Enron, Worldcom, and others, consumers want sincere and credible companies to restore confidence (Hein 2002). In addition, a growing number of polls of the marketplace suggest positive effects from CSR initiatives on consumers' behavior (Burson-Marsteller 2010; Cone Inc. 2008, 2009, 2010). Spurred at least in part by the evidence from these companies' transgressions, other corporate entities allocate millions of dollars to social issues through various CSR initiatives, such as cause-related marketing, corporate charitable donations, advocacy advertising, community involvement, and other innovative socially responsible programs (Drumright 1994; Lichtenstein et al. 2004; Varadarajan and Menon 1988). The pervasive belief among business leaders that CSR is an economic imperative in today's national and global marketplaces reflects this trend (Murray and Vogel 1997; Nason 2008; Sen and Bhattacharya 2001). With the growing trend and importance of CSR, this chapter provides an overview of CSR including the concept, history, types, and outcomes of CSR initiatives.

### **The Concept and Evolution of CSR**

Corporate Social Responsibility (CSR), also referred to as pro-social corporate endeavors (Murray and Vogel 1997) or corporate social performance (Turban and Greening 1997), has been in practice as early as the 19<sup>th</sup> century in the U.S. (Beger et al. 2004; Sethi 1977). Conception of CSR has been traditionally rather broad: "the

managerial obligation to take action to protect and improve both the welfare of society as a whole and the interests of organizations” (Davis and Blomstrom 1975, p. 6). Different perspectives of the role of CSR have engendered multiple conceptualizations: purely economic (i.e., CSR as maximizing returns to shareholders; Friedman 1970), socially oriented (i.e., CSR as the obligation of the company to society; Smith 1994), and comprehensively proactive social responsiveness (i.e., CSR as a company's long-term role in a dynamic social system; McGee 1998). Academic literature in general has adopted the larger, societal view (Dean 2004), conceptualizing CSR as a company’s “status and activities with respect to its perceived societal obligations” (Brown and Dacin, 1997, p. 68).

From this broader view, CSR’s definition has become a company’s commitment to minimizing or eliminating any harmful effects on society and maximizing long-term beneficial impacts (Mohr, Webb, and Harris 2001). In addition, Lichtenstein et al. (2004) used the term “CSR initiatives” to refer to “the various forms of company involvement with charitable causes and the nonprofits that represent them” (p. 16). This general view of CSR suggests that it is part of the overall exchange-relationship a company has with those communities in which it does business (Dean 2004). This responsibility requires that businesses contribute financial and human resources to the community for improvement of the quality of life in the community (Dean 2004). At a fundamental level, CSR significantly relate to the rationale that businesses are more likely to do well in a flourishing society than in a disintegrating one (McIntosh et al. 1998).

According to Varadarajan and Menon (1988), CSR began as voluntary responses to social issues and problems, then evolved into a phase of legislated responsibilities, and is recently evolving into a phase in which companies view social responsibility as an investment that improves the long-term performance of the organization (Stroup and Neubert 1987). Early corporate philanthropy was a voluntary undertaking by public-spirited companies (Stroup and Neubert 1987; Varadarajan and Menon 1988). Although some argue that these voluntary actions were not entirely altruistic, since CSR encompasses a range of activities (Keim 1978a, b), such undertakings reduced profit because they consumed corporate resources (Stroup and Neubert 1987). This voluntary alignment of corporate and social needs marked the first 50 years of corporate philanthropy (Morris and Biederman 1985).

However, the early phase of corporate voluntary CSR engagement arose from recognition among firms that in a free society, maximizing returns to shareholders is the most important issue (Varadarajan and Menon 1988). Also, stakeholders became dissatisfied with corporate leaders' voluntary actions, including regulatory provisions that forced corporations into actions that did not necessarily contribute to profits. As these pressures grew, corporations tended to avoid supporting causes that seemed to have the potential to further their corporate interests (Morris and Biederman 1985).

The current trend seems to seek a middle ground between voluntary and mandated support for social responsibility. That is, actions undertaken as CSR may be partly altruistic, but they may also serve corporate self-interest. Companies have begun to

realize that for their survival and competitive advantages, they must evolve from “doing good to doing better” (Stroup and Neubert 1987; Varadarajan and Menon 1988).

Therefore, CSR has gained stature as an investment that improves the long-term performance of the organization. For example, many types of CSR initiatives may result in benefits for companies: (1) creation of goodwill within a community, (2) differentiation of the corporate image and its brands from competitors, (3) greater customer acceptance of price increases, (4) increase in employee morale, (5) enhanced recruitment of new employees, (6) shielding from public criticism in times of crisis, (7) gaining support from skeptical public officials (an aid in lobbying), and (8) increasing revenues and profits (Dean 2004).

### **Types and Issues of CSR Initiatives**

CSR initiatives take diverse forms. First, cause-related marketing refers to the link between a firm’s contributions to a charitable cause and the company's revenue-producing transactions (Varadarajan and Menon 1988). For example, in 1983, *American Express* launched a campaign to raise money to renovate the Statue of Liberty. The company promised to donate a penny to the renovation for each use of its credit card and a dollar for each new card issued in the U.S. This campaign gained wide regard as the birth of cause-related marketing. However, not all corporate donations to charitable causes are tied to revenue-producing transactions of the firm. For example, Pearle Vision Center announced a \$45,000 donation to the Children’s Miracle Network without indicating whether or not or how this support related to corporate sales (Varone,

Miyazaki, and Taylor 2000). This type of donation is an unconditional one (Dean 2004). Another kind of CSR is advocacy advertising, a type of institutional/image advertising that emphasizes building acceptance for a particular product or service by addressing consumer concerns or a certain point of view (Arens 2004; Haley 1996; Sinclair and Irani 2005). Also, corporate sponsorship of social causes is another form of CSR initiatives. Companies create a link with an outside issue or event, hoping to influence the audience by that connection (Rifon et al. 2004). For example, the Susan G. Komen Breast Cancer Foundation, which supports breast cancer research, hosts the “Race for the Cure,” a local walk/run race sponsored by many national and local companies.

In addition, companies become involved with many different social concerns and issues as their CSR initiatives. According to Global Socrates (a database that describes and rates more than 600 companies in terms of their CSR records), CSR initiatives undertaken by companies constitute six broad domains: (1) community support (e.g., support of arts and health programs, educational and housing initiatives for the economically disadvantaged, generous/innovative giving), (2) diversity (e.g., sex-, race-, family-, sexual orientation-, and disability-based diversity and initiatives, or lack thereof, within and outside the firm), (3) employee support (e.g., concerns for safety, job security, profit sharing, union relations, employee involvement), (4) environmental protection (e.g., environment-friendly products, hazardous-waste management, disuse of ozone-depleting chemicals, animal testing, pollution control, recycling), (5) non-U.S. operations (e.g., overseas labor practices including sweatshops, operations in countries with human

rights violations), and (6) products (e.g., product safety, research and development/innovation, marketing/contracting controversies, antitrust disputes) (Sen & Bhattacharya 2001).

### **The Outcomes of CSR**

Previous research examined the effects of CSR on financial performance (Stanwick and Stanwick 1998) as well as on consumers' responses (Brown and Dacin 1997; Creyer and Ross 1997; Ellen, Mohr, and Webb 2000; Murray and Vogel 1997; Owen and Scerberer 1993; Turban and Greening 1997). The effects of CSR on financial performance appear to be mixed (Stanwick and Stanwick 1998). The Pava and Krausz (1996) review of 21 studies conducted between 1972 and 1992 concluded that twelve studies demonstrated a positive association between CSR and financial performance, one study demonstrated a negative association, and eight studies demonstrated no association. However, some of the studies showing positive associations (e.g., McGuire, Sundgren, and Schneeweis 1988) or no association (e.g., Freedman and Jaggi 1982) actually reported mixed results. More controlled studies were absent from the Pava and Krausz (1996) review (e.g., Aupperle and Van Pham, 1989; Coffey and Fryxell, 1991). Notwithstanding several methodological shortcomings, CSR appears to have, at best, a weakly positive relationship with financial performance (Stanwick and Stanwick 1998).

More recently, research began to focus on the effects of CSR on the reactions of specific stakeholder groups such as employees and consumers (Brown and Dacin 1997; Creyer and Ross 1997; Drumwright 1994; Ellen, Mohr, and Webb 2000; Murray and

Vogel 1997; Lafferty and Goldsmith 2005; Lichtenstein et al. 2004; Owen and Scherer 1993; Turban and Greening 1997). Murray and Vogel (1997) suggested that consumers are more willing to purchase products from vendors involved in CSR efforts. Creyer and Ross (1997) focused specifically on corporate ethics to show a positive relationship between consumers' preferences for a company's products and the extent to which consumers' perceptions of that company's ethics exceed expectations. Moreover, the research of Brown and Dacin (1997) focused directly and explicitly on the effect of a company's CSR record on consumers' evaluations of that company and its products. They argued that a company's CSR record, instead of promoting attributes or overall quality of its products, creates a general context for consumers' evaluations. Using both fictitious and real companies, Brown and Dacin showed that CSR's effect on consumers' preferences for a new product occurs through consumers' overall evaluation of the company itself.

In addition, other studies found that the effects of CSR on evaluations of a company may include other moderating factors. For example, Ellen, Mohr, and Webb (2000) suggested that consumers react differently to cause-related marketing efforts based on the types of causes a retailer supports. Participants in that study evaluated the retailer more positively when the congruence between donated product and the retailer's core business was high. Menon and Kahn (2003) found that higher congruence between the sponsor and the social issue led to consumers' favorable evaluations for social cause promotions. Similarly, Sen and Bhattacharya (2001) suggested that consumers evaluate

the company more favorably when the CSR activity is relevant to the company's existing products. For instance, respondents evaluated a company that manufactures calculators more favorably when it supported fair overseas manufacturing practices as opposed to women's and minorities' rights. In sum, consumers lean more favorably toward new products from companies perceived to be socially responsible (Brown and Dacin 1997) and evaluate those companies more positively (Sen and Bhattacharya 2001).

While past research suggested that CSR initiatives can generally make a positive impression on consumers' perceptions, growing speculation asserts that CSR initiatives do not necessarily result in positive effects for companies (Sen and Bhattacharya 2001). Considering that most existing studies examined the effects of CSR on companies or brands whose prior reputations were either positive or neutral, the suggestion is that similar positive results may not arise when companies have poor reputations. Instead, CSR initiatives may not be able to overcome pre-existing negative attitudes toward the company, or the initiatives may even have a reverse effect because consumers' distrust and skepticism toward the company diminish CSR's effectiveness (Basil and Herr 2003; Deshpande and Hitchon 2002; Yoon et al. 2006).

Lacking from previous research is consideration of the effects of a company's previous CSR activities when the company faces a negative event. With the increasing complexity of products, more demanding customers, and more vigilant media, occurrences of corporate crises are more prevalent and visible than ever. Good examples of corporate crises are the Firestone tire recalls, one of the most deadly auto safety crises,

and Enron's accounting fraud and corruption. These crises created consumer and media awareness and sensitivity to such events. For product-harm crisis situations, firms often institute expensive voluntary product recalls to minimize damage to their companies. For morality-related crises, firms often communicate with consumers by such means as justifying, excusing, refusing responsibility, or conceding (Schlenker and Weigold 1992; Schonback 1990; Tedeschi and Riess 1981). Even with these efforts, much of the loss of business associated with product quality problems or ethical misdeeds arises from damage to intangibles such as consumers' perceptions of the company, rather than from consequences of the negative event (Davidson and Worrell 1992; Pruitt and Peterson 1986). Thus, understanding consumers' responses to corporate crises is very important for maintaining or regaining a corporate reputation. Despite the frequency of corporate crises and their serious potential impacts, knowledge of the effects is limited, especially in relation to a company's CSR initiatives. Thus, the following section discusses the literature on negative information processing (e.g., in the domains of product failures and moral misdeeds) and the potential for consumers' differing responses to negative information depending on the extent of the company's previous CSR initiatives.

### **Chapter 3: Negative Information Processing**

How consumers process negative information is crucial to understanding its impact on consumer-corporate associations, which include all the information and beliefs that a person holds regarding a particular company (Brown and Dacin 1997). These associations influence corporate outcomes, including reputations, corporate, product, and brand evaluations, purchase intentions, and consumers' identification with a company (e.g., Brown and Dacin 1997; Curhan-Canli and Batra 2004; Lichtenstein, Drumwright, and Braig 2004; Mohr and Webb 2005). For information processing, previous research suggested that negative information is likely to exert a stronger and more powerful impact on formation of corporate associations than equally positive information (Baumeister, Bratslavsky, Finkenayer, and Vohs 2001; Herr, Kardes, and Kim 1990; Klein 1996; Rozin and Royzman 2001; Skowronski and Carlston 1989). Therefore, negative information about a company or its products likely results in negative corporate associations, which in turn, are likely to influence, negatively, consumers' behavior toward a company, its products, and eventually negatively affect sales and profits (Einwiller et al. 2006).

The literature discussing the mechanics of consumers' processing negative information distinguishes two types of negative attributes – incompetence and immorality. Negative information about companies may pertain to their lack of competence for producing a product or to the ethical standards reflective of their particular society (Wojciszke et al. 1993; Votolato and Unnava 2006). To contextualize

the specific case of CSR effects in relation to a company's negative information, this chapter outlines relevant theories and research on negative information processing and the types of negative information coinciding with the two dimensions – incompetence and immorality. Specifically, the chapter summarizes previous literature regarding negative information's influence on formation of consumers' impressions and addresses the implications of competence and moral dimensions for the study of negative information in relation to a company's previous CSR initiatives.

### **Negativity Bias in Impression Formation (Bads Are Stronger Than Goods)**

The issue of how consumers process negative information has had broad study in the impression-formation literature of social psychology (Fiske 1980; Klein 1996; Rozin and Rozyman 2001; Skowronski and Carlston 1989). People process negative information more thoroughly than positive information (Dreben, Fiske, and Hastie 1979), remember negative behaviors more accurately and vividly than positive behaviors (Fiske, 1980), and overemphasize negative data in impression-formation (Falk and Fischbacher 2006; Peeters and Czapinski 1990; Wang et al. 2009). Studies consistently indicated that negative attributes, traits, and behaviors of a person influence impressions to a greater degree than positive factors (Skowronski and Carlston 1989). That is, people place more weight on the negative than the positive (Fiske 1980; Klein 1996; Rozin and Rozyman 2001; Skowronski and Carlston 1989). Therefore, arguably, negative information is more diagnostic in decision-making and receives greater weight than positive information.

In explaining the concept of negativity bias (i.e., a general tendency that people rely more on negative information than positive information in decision-making), Skowronski and Carlston (1989, p. 137) used the diagnostic approach category: “people generally expect more inconsistency from those perceived as possessing negative traits than from those perceived as possessing positive traits.” Immoral acts are diagnostic of bad character, even though bad people do not consistently perform immoral actions. For example, if a person steals money (an immoral act) but accurately reports income to the Internal Revenue Service (a moral act), then this person does not steal all the time, yet maintains the general identity of being a thief. As a consequence of such perceptions, negative behaviors typically have the perception of being more diagnostic of negative traits than positive behavior is of positive traits. Therefore, subjects confronted with two equal but opposite cues generally assign the negative cue more weight, which produces a negativity bias (Skowronski and Carlston 1989).

This negativity bias can also apply to a consumer's perception of a corporation. The existing literature indicates that, like individuals, organized and coherent groups of people are subject to perceptions of having dispositional qualities or characteristics (Hamilton and Sherman 1996). For example, perceptions of organizations may be “good” and “bad” just as individuals are. Thus, consumers' attitudes toward firms are likely to incorporate notions of firms' goodness or badness (Folkes and Kamins 1999). Accordingly, in evaluating a company, information that the company has acted in an unethical way tends to provide stronger evidence of the company's characteristics than

does information that the company has acted in an ethical way. This finding is consistent with research examining impressions of individuals (Folkes and Kamins 1999). For example, a company that behaves unethically by employing child labor provides stronger evidence that the company is unethical when compared to evidence of a company that behaves ethically by avoiding child labor.

In addition, evaluations of companies subscribe to multidimensional views (e.g., Brown and Dacin, 1997; Folkes and Kaims 1999; Sen and Bhattacharya 2001) because companies are considered good and bad not only on the basis of their behaviors in the ethical domain, but also due to their products' performances. Companies manufacturing products that perform well elicit consumers' positive attitudes toward the company, while those manufacturing poorly performing products evoke consumers' negative attitudes (Folkes and Kamins 1999). Likewise, companies that act ethically enhance consumers' attitudes toward the company than do unethically performing companies (Strahilevitz 2003).

### **Negative Information: Incompetence vs. Immorality**

Research investigating consumers' attitudes toward firms suggested that the attitudes are multidimensional, reflecting ethical standards of evaluation and standards for product performance (Brown and Dacin 1997; Folkes and Kamins, 1999). Evaluations of a company are a function of both the perception of a company's contributions to the community and its performance in the marketplace (Brown and Dacin 1997). Brown and Dacin (1997) explained that two types of corporate abilities and CSR associations may

have different effects on consumers' evaluations of products. One type of corporate association, corporate ability, relates to "the company's expertise in producing and delivering its outputs" (Brown and Dacin 1997, p. 68). For example, a company's strategy focuses on "the expertise of employees, superiority of internal research and development, resulting technological innovation, manufacturing expertise, customer orientation, industry leadership, and so on" (Brown and Dacin 1997, p. 70). Another type of corporate association, CSR, reflects "the organizations' status and activities with respect to its perceived societal obligations" (Brown and Dacin 1997, p. 68). CSR associations are often unrelated to the company's abilities in producing goods and services. Thus, corporate strategies to showcase a CSR association include "the company's environmental friendliness, commitment to diversity in hiring and promoting, community involvement, sponsorship of cultural activities, or corporate philanthropy" (Brown and Dacin 1997, p. 70). Other companies also increase their visibility in their support of social causes through cause-related marketing (e.g., Varadarajan and Menon 1988) or advocacy advertising (e.g., Haley 1996; Sinclair and Irani 2005).

Similar to the distinction of corporate ability and CSR, Riahi-Belkaoui and Pavlik (1992, p. 81) argued that a company's social performance and its organizational effectiveness are "two major signals used by firms to create a good reputation." In addition, Judd et al. (2005) identified two dimensions, warmth and competence, in people's judgments of others. These two dimensions emerge in contexts as varied as employee hiring decisions (Casciaro and Lobo 2008), leadership qualifications (Chemers

2001), romantic partner choices (Sinclair and Fehr 2005), and consumers' judgments of firms (Aaker, Vohs, and Mogilner 2010). Concerning the dimensions of warmth and competence, warmth judgments typically include perceptions of generosity, kindness, honesty, sincerity, helpfulness, trustworthiness, and thoughtfulness; whereas, competence judgments include confidence, effectiveness, intelligence, capability, skillfulness, and competitiveness (e.g., Aaker 1997; Grandey et al. 2005; Judd et al. 2005; Yzerbyt, Provost, and Corneille 2005). Although the terms and contexts are somewhat different, the type of dimensions (e.g., corporate ability vs. CSR; organizational effectiveness vs. social performance; competence vs. warmth) suggest that evaluations of companies are multidimensional because consumers consider companies to be good and bad, not only on the basis of products' performances, but also on the basis of behavior in the ethical domain.

In the negative information literature, morality information is information pertaining to a person or company's ethics and principles (Volorato and Unnava 2006). Negative information in this category could concern behavior (e.g., dishonesty) that conflicts with a consumer's established idea of ethical standards (Ahluwalia, 1996; Wojciszke, Brycz, and Borkenau, 1993). Competence information pertains to a person's or company's ability to deliver the brand's promises for function or quality made to the consumer (Volorato and Unnava 2006). Negative information that arises in this category might concern a company's failure to meet quality standards as perceived by consumers (e.g., Ahluwalia, 1996; Wojciszke et al., 1993).

Research on negative information suggested that moral and competence information affects consumer responses in different ways (e.g., Brown and Dacin 1997). Wojciszke et al. (1993) suggested that consumers are more forgiving of competence failures than of moral failures when the target of the negative information is a person. This expectation arises from the notion that not all human beings are endowed with similar skills, and therefore competence failures are to be expected. On the other hand, expectations are that every person adheres to certain moral standards reflective of their societies. Failures in this domain, therefore, are less likely to be forgiven (Kanouse and Hanson 1972; Voltorato and Unnava 2006; Wojciszke et al. 1993).

However, the reverse effect is likely to occur when the negative information involves companies (e.g., Ahluwalia, Burnkrant, and Unnava 2000; Brown and Dacin 1997; Gurhan-Canli and Batra 2004). That is, people expect companies to produce goods competently because consumers incur costs for the purchase of those goods (Brown and Dacin 1997). Therefore, the perception of information pertaining to the company's ability is more diagnostic in evaluating a company and its products than is information about the company's morality. Corporate failures in executing the primary function of ability are less likely to be forgiven than failures in the moral domain (Voltorato and Unnava 2006).

However, the unknown factor is which type of failure is more influential on consumers' evaluations of a company during a negative event when considering the company's previous CSR initiatives. Previous literature showed that CSR initiatives are an important link to consumers' positive associations with companies. While CSR plays a

positive role in routine consumers' judgments such as the evaluation of companies, CSR might have a different role in non-routine settings such as negative events of product failures or ethical misdeeds. Accordingly, examination of the role of CSR in relation to two domains of negative information – incompetence and immorality – is important.

### **CSR and Negative Information - Incompetence vs. Immorality**

In examining the effects of CSR initiatives on consumers' evaluations of companies, a few studies have examined perceptions of a company's role in product quality (Dawar and Klein 2004; Folkes 1994; Folkes and Kamins 1999) or ethical behavior (Creyer and Ross 1996; Strahilevitz 2003). With regard to perceived product quality, Folkes and Kamins (1999) found that the effects of a company's philanthropic behavior depended on the perceived quality of the products being promoted. In particular, they found that when product quality was superior, the company's ethical behavior enhances consumer attitudes towards the company compared to unethically behaving companies. However, when product quality appeared to be inferior, the company's ethical behavior had less effect.

In addition, Strahilevitz (2003) examined whether or not the initially perceived ethics of a company affected the results of a CSR campaign (i.e., "ethical," "unethical," or "neutral"). The research investigated how the initial impression of a company influences whether or not the perception of a CSR initiative is admirable or suspicious, and how the initial impression affects the degree to which a firm's image improves from a CSR initiative. The findings indicated that companies initially perceived as ethical are least likely to be seen as having ulterior motives for a CSR campaign; whereas, companies initially perceived as

unethical are most likely to be suspect for having ulterior motives. Moreover, apparently from the Strahilevitz study, companies perceived as ethically neutral gained the most from a CSR campaign in terms of improvements to their images. This finding suggests that companies that have a strong image, either ethical or unethical, may have less to gain from being involved in CSR initiatives than companies that do not maintain a public perception of being particularly ethical or unethical.

Dawar and Klein (2004) examined the effects of a company's previous CSR initiatives on consumers' reactions to product-related crises situations. That study found that a company's previous CSR image played an important role in determining consumers' evaluations. For example, when the company's previous CSR image was negative, consumers blamed the firm for the product's harm, which negatively influenced consumers' perceptions of brand image and purchase intentions. When the company's previous CSR image was positive, however, consumers blamed other parties. Thus, the firm's reputation remained undamaged. Thus, a positive CSR image could work as an insurance policy against suffering the full negative effect of a crisis from a product's failure.

Although previous research recognized the effects of CSR on a company's crisis related to product failure, to the best available knowledge, no research addressed the effects of a company's previous CSR image on consumers' evaluations of a company when related to two types of negative scandals (i.e., incompetence and immorality) together. However, in the real business world, both types of negative events (corporate crises situations with product-harm and moral-misdeeds) occur, and examining a

company's previous CSR effects on consumers' judgments in these non-routine settings is very important. However, the type of negative information that is more influential on consumers' evaluations when companies have engaged in CSR initiatives prior to the negative incidents remains unknown. Accordingly, the current research investigates the potentially different responses of consumers to negative information in competence and morality domains in the context of a company's previous CSR initiatives.

## Chapter 4: Congruence

CSR literature suggested that one significant factor leading to positive outcomes in CSR activities is congruence, or fit, between the company and the social cause (Becker-Olsen, Cudmore, and Hill 2006; Forehand and Crier 2003; Johar and Pham 1999; Menon and Kahn 2003; Meyers-Levy et al. 1994; Lafferty, Goldsmith, and Hult 2004; Pracejus and Olsen 2004; Rifon et al. 2004; Sen and Bhattacharya 2001). Congruence or fit is important because it influences: (1) the depth of thought given to a relationship (e.g., low-fit between prior expectations and the current information increases elaboration about the firm, the cause, and the relationship among them; Forehand and Crier 2003; Meyers-Levy and Tybout 1994; Meyers-Levy et al. 1994); (2) the valence of thoughts generated (e.g., low-fit generates negative thoughts and low-fit itself is negative; Forehand and Grier 2003), and (3) evaluations of the two objects (e.g., low-fit leads to negative evaluation of the company and the cause; Johar and Pham 1999; Sen and Bhattacharya 2001) (Becker-Olsen, Cudmore, and Hill 2006, p. 46). Findings in much of the branding and CSR literature suggested that high levels of perceived congruence enhance consumers' attitudes towards firms because consumers view the actions of firms as appropriate. However, most studies examined the effect of congruence in ordinary situations, but whether or not companies faced with crises can achieve similar effects remains unclear. Thus, this chapter outlines previous research and theories regarding congruence effects of CSR and their outcomes especially when companies face negative events.

## **Congruence Effects in CSR**

Past research suggested that other factors may moderate the effect of CSR activities on evaluations of a company. Among many factors, one suggestion is the fit or congruence between the social cause and the company has a significant role for the positive effects of a CSR activity. In marketing and advertising literature, multiple terms described the concept of congruence between the social cause and company in CSR activities, including fit, similarity, match, relatedness, relevance, connectedness, and logical association (Bahttacharya et al. 2006; Gwinner 1997; Haley 1996; Johar and Pham 1999; Lichtenstein, Drumwright, and Braig 2004; Quenqua 2002). While the underlying definition of the concept differs slightly among these terms, the overall body of research consistently suggested positive effects from congruence.

According to Varadaragan and Menon (1988), for a systematic approach to the choice of a social cause to support, a company should pay careful attention to the perceived link between the cause and the company's product line, brand image, position, and/or target market. Apparently, in CSR activities, congruence, or fit, has a significant effect on consumers, with higher congruence leading to more positive consumers' evaluations toward a company and its CSR activities, and a consequent market-share increase (Chandon, Wansik, and Laurent 2000; Menon and Kahn 2003; Pracejus and Olsen 2004; Nan and Heo 2007; Samu and Wymer 2009; Sen and Bhattacharya 2001; Steenbergen and Lodge 1998). On the other hand, a mismatch between a company and its social cause yields more cognitive evaluation and elaboration, which in turn leads to

greater resistance to the social message (Hastie 1984) and negative attitudes toward the company (Menon and Kahn 2003).

In explaining the congruence effect of CSR, previous research suggested that consumers may use simple heuristics to judge the appropriateness of a CSR campaign (Friestad and Wright 1994). In particular, consumers may rely on the level of congruence between the company and the social cause to decide the appropriateness of the company's association with a specific social cause (Drumwright 1996; Sen and Bahttacharya 2001). Thus, when consumers become aware of a company's or a product's association with a cause of being congruent, the public's response is likely to be positive toward the CSR activity.

A variety of theoretical approaches account for the effects of congruence. One of these theoretical explanations involves the balance theory (Dean 2002; Mowen 1980). Balance theory maintains that people value harmony among their thoughts and have a motivation to reconcile incongruent thoughts (Heider 1958). For example, the balance theory explanation for CSR suggests three elements linked in a triangular relationship: the company, the social cause, and the consumer. A company may choose to support a cause believing that it fits well with its products and brands. This establishes a positive connection between the company and the cause (one side of the triangle). If the consumer has a pre-existing positive attitude toward the cause (the second side of the triangle), likely, the consumer will form an attitude (or change an existing attitude) toward a positive perception of the company (the third side of the triangle). This occurs because

consumers desire harmony in their beliefs, and instability (unbalance) occurs when a positively valued element links to a negatively valued element (Dean 2002).

In addition, the effects of congruence in CSR find explanation in the schema theory (Cornwell and Maignan 1998; McDaniel 1999). A schema is a cognitive structure that represents a domain that includes a person, event, or place (Taylor and Crocker 1981). The organization of knowledge regarding the target develops through a person's experiences over time and influences information processing, including the encoding, comprehension, retention, and retrieval of information. According to schema theory, incongruence or a mismatch between a company and its social cause yields a greater number of inferences (Hastie 1984). Greater cognitive elaboration yields greater resistance to the positive message of a company's CSR activity (Petty and Cacioppo 1981). Greater elaboration and resistance elicits consumers' negative judgments for the CSR activity. Accordingly, low congruence between the social cause and the company is likely to activate consumers' negative attitudes toward a company and weaken beliefs in altruistic corporate motives. Conversely, high congruence between the social cause and company may not generate as much elaboration as a lack of congruence would, and consequently, could minimize consumers' judgments or skepticisms of corporate self-serving motives in CSR initiatives and facilitate acceptance of a company's CSR activities. Without such skepticism, consumers are more likely to infer altruistic motives of the company's CSR initiatives, and thoughts of corporate ulterior motives associated

with the CSR activities may be minimal or ignored during evaluation of the company (Rifon et al. 2004).

Attribution theory offers another common approach to understanding congruence effects of CSR. Attribution theory suggests that consumers will act as naive scientists, attempting to understand why actions have occurred and making causal inferences (Kelley 1967). As CSR becomes a popular marketing strategy among many companies, consumers routinely question why a profit-driven company wants to associate itself with a socially worthy cause. When consumers cannot easily infer a corporate motive for participating in CSR initiatives, consumers may become suspicious of the company's intent. With aroused suspicions, consumers tend to make more effortful, sophisticated attributions in order to uncover the underlying, ulterior motives (Fein and Hilton 1990; Yoon et al. 2006). Since companies often have mixed motives for CSR, both altruistic and self-serving, consumers' careful attributions tend to result in a less favorable evaluation of companies. Thus, companies seek to prevent consumers' suspicions engendering judgments of corporate exploitation of the cause (or nonprofit organizations) and minimal perceptions of selfishness (Rifon et al. 2004). With little prior information, however, consumers may rely on the level of congruence, or perceived fit, between the company and the social cause to judge the appropriateness of the company's CSR activity (Drumwright et al. 1996; Friestad and Wright 1994). Thus, CSR activities with a strong similarity between the cause and the company, apparently, lead to attributions of altruistic

motives, more so than those with weak similarities (Menon and Kahn 2003; Yoon et al. 2006; Webb and Mohr 1998).

While previous research suggested positive effects for congruence, these studies, in general, focused on companies whose prior images ranged from neutral to positive. Past research indicates that similar results may not occur when the company has a negative image (Basil and Herr 2003; Deshpande and Hitchon 2002; Forehand & Grier, 2003; Osterhus, 1997; Strahilevitz, 2003; Yoon et al. 2006).

### **Congruence Effects in CSR and Negative Information**

While a substantial amount of research documented the overall, positive effects of cause-company congruence of CSR activities on attitudes toward a company and other consumers' responses (Ellen, Mohr, and Webb 2000; Sen and Bhattacharya 2001), the congruence effects may not be uniform and may vary depending on the nature of the product, company, or context of a particular CSR activity. For instance, Strahilevitz (2003) found that CSR activities do not enhance the reputation of companies perceived to be unethical. Yoon and colleagues (2006) showed that the perceived sincerity of motives improves a company's image, but when the motives have the perception of insincerity for CSR initiatives by companies with bad reputations, those motives harm a company's image. This line of previous research showed that consumer's distrust and skepticism toward a company and its CSR activity due to a previously established negative image may adversely affect consumers' evaluations of CSR activity.

By extending the previous literature, companies in crises from product failures or ethical misdeeds present an interesting case for the exploration of congruence effects. At issue is whether or not similar congruence effects of CSR initiatives, from evidence of companies with neutral to positive images, are observable for companies faced with product-harm or moral crises. Accordingly, this research focuses on the congruence effects of CSR activities in a corporate crisis setting.

With regard to perceived fit, or match, between the company and the social cause, few studies examined different circumstances under which CSR activities may not achieve the intended congruence effects (Basil and Herr 2003; Bhattacharya et al. 2006; Yoon et al. 2006). Yoon and colleagues (2006) investigated CSR among companies with bad reputations and found that the salience of a company's pursuit of benefits from the cause harms the company. Although implied, this study (Yoon et al. 2006) did not explicitly incorporate the concept of congruence in conceptualization or empirical investigation. Another study examined the effect of cause/brand alliances in stigmatized industries, such as tobacco, alcohol, and gambling, and found that consumers' differential responses to CSR activity depended on the type of product the company manufactures (Bhattacharya et al. 2006). The findings of this study suggests that while companies in stigmatized industries may not benefit from CSR initiatives as other industries do, perceptions of similarity between the social cause and the brand remain significant and positive influences on consumers' responses. Further examination considered the effect of a positive/negative fit between a company and a nonprofit organization on consumers'

attitudes toward the nonprofit (Basil and Herr 2003), but that study only evaluated consumers' attitudes toward the nonprofit, not the company.

In the context of a corporate crisis setting, a question arises as to consumers' responses when the firm's negative issue is directly relevant to the social cause the firm previously supported via a CSR campaign. The issue of congruence between the CSR's social cause and the negative issue can occur either in the product-harm crisis domain or in the moral crisis domain. An example of product-harm crisis exists in a pharmaceutical company that produces breast cancer medicines and supported CSR initiatives for breast cancer research for several years. If this company produces breast cancer medicine with critical side effects, the issue of congruence arises for the CSR's cause and the negative event in the product-harm crisis domain. An example in a moral crisis domain is a toy company, which participated in CSR initiatives to improve children's welfare. If discovery show this company employs child labor in producing toys, the issue of congruence between the CSR's cause and the negative event becomes a moral domain.

When congruence exists between previous CSR activities' social causes and the issue of a company's negative event, consumers' responses toward the company may worsen, since the company contradicted its promise to consumers as well as its protected values. A protected value is a firm's principle protected from trading off for any other values (Baron and Spranca 1997), and as "any value that a moral community implicitly or explicitly treats as possessing infinite or transcendental significance that precludes comparisons, trade-offs, or indeed any other mingling with bounded or secular values"

(Tetlock et al. 2000, p 853). In the case of a company's CSR initiative, consumers may perceive that the cause represents the company's protected value since the CSR is a public announcement and endorsement supporting the values of the social cause by voluntarily selecting that specific cause. In this regard, when the company, who previously supported particular values through its CSR initiatives, becomes involved in a negative event that is closely related with the social cause, consumers may develop greater doubt and disappointment, since such negative event is contradictory to expectations for the company. Thus, consumers may view the company's prior CSR activities as pretentious by attributing insincere motives to the company's previous CSR activities. As a result, consumers pay even greater attention to the negative events caused by companies (Bhattacharya et al. 2006; Szykman et al. 2004) leading to unintended or reversed outcomes for the companies.

Additionally, different types of negative information (i.e., incompetence and immorality) seem to interact with congruence effects from CSR in corporate crises situations. That is, when a firm's crisis directly relates to a previously supported CSR cause, the types of negative information (i.e., incompetence and immorality) may affect consumers' responses differently toward the CSR activities and the company. Consumers may view the CSR's social cause initiative as a way to announce the company's protected values that supersede other principles of the company. This protected value, through CSR, associates more directly with the morality domain than with the competence domain. Thus, when a company's moral crisis is related to prior CSR causes, it may lead

to backlash outcomes by drawing even greater attention to the company's failure or violation in the moral domain, compared to the company's product failures. Therefore, this research carefully investigates the effects of congruence between the CSR's social cause initiatives and the negative information (incompetence vs. immorality) with the relation of the type of negativity of corporate crisis.

## **Chapter 5: Consumer-Company Identification**

In the context of the CSR's effects on corporate crisis, individual factors might play an important role in consumers' information processing of negative information. One of the significant factors that affect consumers' information processing is identification between the consumer and the company (Lichtenstein, Drumwright, and Braig 2004; Sen and Bhattacharya 2001). Consumer-company identification is the degree of overlap between a consumer's self- concept and the individual's perception of the corporation (Dutton, Dukerich, and Harquail 1994). Previous research suggested that consumers may have higher degrees of identification with a company who undertakes a CSR initiative that coincides with consumers' self-concepts (e.g., civic-minded, compassionate), and in turn, consumers are more likely to support the company (Lichtenstein, Drumwright, and Braig 2004). Thus, CSR has a positive effect on consumers' evaluations of the company, and consumer-company identification partially mediates this effect (Lichtenstein, Drumwright, and Braig 2004; Sen and Bhattacharya 2001).

Consumer-company identification also seems to protect companies from negative information (Einwiller et al. 2006). When consumers identify strongly with a company, they might dismiss negative information by processing the information in a positively biased manner to protect their self-images. Thus, consumers seek to support companies with which they identify, despite a company's involvement in a negative event. To the contrary, consumers who weakly identify with a company are more likely to incorporate

negative information in an objective manner, which leads to negative responses toward the company (Einwiller et al. 2006).

This chapter outlines previous research and theoretical approaches regarding the effects of identification on CSR from consumers' evaluations of companies facing negative events. Thus, this research investigates how consumer-company identification can help protect a company from corporate crises situations. Specifically, this study demonstrates the different mechanics of consumer-company identification for two types of negative information – a company's competence and morality issues.

### **CSR and Consumer-Company Identification**

An entity's identity is a schema or perception of what is central and distinctive about the entity (Dutton, Dukerich, and Harquail 1994). Several factors shape organizational identity, including the organization's mission, structure, processes, and climate. In addition, identity represents hierarchical constellations of organizational characteristics or traits (Kunda 1999; Scott and Lane 2000) that are central to the organization, relatively enduring over time, and distinctive from other organizations (Albert and Whetten 1985).

A company conveys its identity to consumers through a variety of communicative avenues (Whetten and Godfrey 1998), including product offerings, corporate communications, and signs or symbols. In addition, corporate social initiatives communicate a company's identification with consumers (Battacharya and Sen 2003). Through exposures to such communications, consumers develop a sense of

connectedness with an organization (Mael and Ashforth 1992) and identify themselves with the company (Pratt 1998).

Bhattacharya and Sen (2003) argued that individuals' identification with a company can be very powerful, even without formal membership. They suggested that consumer-company identification is "the primary psychological substrate for the kind of deep, committed, and meaningful relationships that marketers are increasingly seeking to build with their customers" (Bhattacharya and Sen 2003, p. 76). Einwiller et al. (2006) also defined consumer-company identification as "the degree to which consumers feel a sense of connection to a company and the degree to which aspects of the perceived organizational identity are self-referential and self-defining for them" (p. 186). Although identification develops and grows over time, a person can identify with a company or organization that is yet unfamiliar if the consumer and the organization share the same values (Einwiller et al. 2006; Lichtenstein, Drumwright, and Braig 2004). For example, a person who holds strong values for environmental protection might feel an instant sense of connection and identification with an organization that holds similar values once the consumer becomes aware of that company.

Among many other factors, CSR initiatives appear to play a very important role in increasing consumers' identification with a company (Lichtenstein, Drumwright, and Braig 2004; Sen and Bhattacharya 2001). A company's CSR initiative may be a signal to consumers that the company has characteristics or values that relate to consumers' self-concepts (e.g., socially concerned, and socially responsible). Thus, consumers become

highly identified with that company, leading greater support. Sen and Bhattacharya (2001) found that a CSR initiative positively affects consumer-company identification. In addition, a CSR initiative has a positive effect on consumers' evaluations of the company, and consumer-company identification partially mediates this effect (Lichtenstein, Drumwright, and Braig 2004). The rationale for the mediated effect is that when consumers perceive companies behaving in a socially responsible manner, the consumers are more likely identify with companies and are more likely to support corporations with which they identify.

### **Consumer-Company Identification and Negative Information**

When consumers, strongly identified with a company have their positive beliefs challenged by negative information, they are likely to try to protect and preserve those beliefs. According to motivated reasoning theory (Kunda 1990), two major sets of goals drive people when processing information and forming judgments. Motivation can either cause arrival at an accurate conclusion or at a particular desired conclusion (Chaiken, Giner-Sorolla, and Chen 1996; Kunda 1990). Research on motivated reasoning suggests that when strong motivation to reach a particular desired conclusion exists, individuals' evaluations of information and their perceptions of themselves and others can display dramatic bias (Boiney, Kennedy, and Nye 1997; Kunda 1990). However, when motivation directs toward reaching a conclusion by accuracy, people desire formation of correct judgments and to process information in an unbiased fashion (Einwiller et al. 2006). Thus, motivated reasoning theory is an appropriate lens for examining potential

effects of identification on consumers' perceptions and their processing of negative information about a company.

Strong consumer-company identification evokes motivations to protect self-defining beliefs and the meaning derived from a relationship with a company. Thus, strongly identified consumers engage in defensive information processing with a bias toward their preferred conclusions (Eagly and Chaiken 1993). For example, if a baseball fan, strongly identifying with the Boston Red Sox, were to read an unfavorable newspaper article about the team, the individual's likely bias would be to process the information to arrive at a positive conclusion. This biased directional processing protects existing self-defining beliefs, since changing those beliefs and attitudes would threaten overall identity, of which being a Red Sox fan is an essential part. Weakly identified consumers, to the contrary, who do not view a company as important to a sense of self and whose beliefs about the company are not strongly self-defining, adopt accurate judgments as motivation. Motivation for accuracy enhances the weight given to negative information (Ahluwalia 2002). Therefore, weakly identified consumers' attitudes toward a company more easily sway and decrease in consistency with the degree of negativity of the incoming information (Ahluwalia 2002).

However, another argument contends that motivated reasoning has limits when the degree of negativity increases. Kunda (1990) proposed that people motivated to arrive at a particular conclusion attempt to be rational, desired conclusion arises only if they can summon sufficient evidence to support the conclusion. However, extremely negative

information appears to be highly diagnostic (Herr et al. 1991), and thus, perhaps impossible to ignore even if undesired. Therefore, if information is extremely negative, even strongly identified consumers might encounter difficulty with defensive motivation to reach a desired conclusion (Ahluwalia 2000). As Bhattacharya and Sen (2003) suggested, when information is extremely negative, expectedly, it may compromise the tolerance of those with strong identification.

Previous research examined the effects of consumer-company identification on consumer responses to negative corporate information. However, these studies mainly considered the degree of identification based on the *level* of negative information. Thus, the current research extends to view the degree of identification based on the *types* of negative information (i.e., incompetence and immorality). Consumers who identify with companies might face different types of negative information about companies: product-related corporate crisis and moral crisis. Considering that consumers develop identification based on a company's core values or defining characteristics, especially consumers who strongly identify with a company will have higher expectations of corporate social responsibility and moral standards. While strong identifiers can process competence-related negative information in the direction of their preferred conclusions, the same may not occur in the case of a corporate moral crisis. Thus, a careful investigation of consumer-company identification based on different types of corporate crises situations is necessary to enrich understanding of the effectiveness of CSR.

Following from the literature review of the concepts and evolution of CSR, negative information processing, congruence, and consumer-company identification in the context of CSR, the next chapter develops a conceptual framework for the potential effect of a company's previous CSR efforts in a corporate crisis setting.

## **Chapter 6: Hypotheses Development**

The current research addresses three major issues regarding the influence of companies' previous CSR activities on consumers' evaluations of companies suffering from a crises. First, this study distinguishes between a corporate crisis' competence-related negative information and morality-related negative information. Based on this distinction, this study examines the effect of a company's prior CSR initiative on consumers' evaluations of the company in a competence versus a moral crisis. Second, this study examines congruence between the issue of prior CSR initiatives and negative information affects consumers' responses to the company in a competence versus a moral crisis. Finally, this research investigates consumer-company identification effects on consumers' responses to a company in a competence versus moral crisis. This chapter draws upon the previously discussed literature to formulate the hypotheses addressing these issues.

### **CSR and Negative Information**

Ranging from product quality concerns to ethical issues, negative incidents involving corporations are becoming increasingly common. Due to such negative information about a company, consumers' evaluations of the company and its products are likely to deteriorate (Brown and Dacin 1997), thereby negatively affecting a company's sales, profits, and reputation.

One factor to consider for a better understanding of consumers' responses to negative information is the firm's CSR initiatives before the negative event. Extant

research on CSRs suggested that CSR, in general (i.e., in a non-crisis setting), leads to consumers' favorable attitudes toward companies including brand and product evaluations, brand choice, and brand recommendations (Brown and Dacin 1997; Drumwright 1994; Sen and Bhattacharya 2001). In addition, arguably, a company's prior CSR initiative can serve as insurance against the effects of negative information in a product-harm crisis (Klein and Dawar 2004). Specifically, Klein and Dawar (2004) demonstrated that in a product-harm crisis, the firm's positive image arising from active CSR initiatives might help its reputation remain intact by prompting consumers to blame other parties instead of the firm. In contrast, a firm with a negative CSR image due to poor CSR activities might be unable to prevent consumers from blaming the firm for product failures. Subsequently, this attribution of blame to the firm negatively impacts brand image and future purchase intentions of consumers. Furthermore, a negative corporate CSR image has a larger impact on attributions than a positive CSR image (Klein and Dawar 2004). Therefore, the role of CSR is important because, on one hand, a negative CSR image may increase the risk of damage to brand evaluation in a product crisis and, on the other hand, a positive CSR image may provide protection from effects in such a crisis.

Negative information of a company may involve two attributes: competence and morality (Skowronski and Carston 1989). Negative information in the competence category might concern a company's failure to meet quality standards, as perceived by consumers (Wojciszke, Brycz, and Borkenau 1993). In contrast, morality-related negative

information could concern corporate behavior that conflicts with consumers' established ethical standards (Wojciszke, Brycz, and Borkenau 1993). Research on negative information suggested that consumers tend to behave differently toward firms with morality-related negative information than toward firms with competence-related negative information (Brown and Dacin 1997; Folkes and Kamins 1999). While competence failure is more tolerable and acceptable than moral failure with respect to individuals (Kanouse and Hanson 1972; Voltorato and Unnava 2006; Wojciszke et al. 1993), this tendency reverses when the target of the negative information is a company. Consumers expect companies to produce goods competently due to the costs of purchases (Brown and Dacin 1997). Thus, consumers tend to be more sensitive when companies are unable to produce quality products than when companies behave unethically. That is, information pertaining to a company's ability or competence has the perception of being more diagnostic for evaluating the company and its products and less diagnostic for evaluating information about the company's morality or social responsibility (Ahluwalia, Burnkrant, and Unnava 2000; Brown and Dacin 1997; Gurhan-Canli and Batra 2004).

However, the unknown factor is the differing influence these two types of negativity have on consumers' attitudes toward companies when accounting for the companies' prior CSR activities. Although consumers' initial expectations of a firm's morality seems to be relatively lower than for its competence, consumers are more likely to expect that firms, actively involved in CSR, are more ethical. Companies' CSR activities closely associate with moral aspects in the sense that the initiatives contribute to

developing the community and society. Thus, firms with active CSR initiatives, in general, can establish positive reputations for doing something socially acceptable. However, this good reputation can have a reverse effect on firms in some situations. According to the contrast effect theory (Anderson 1973; Sherif and Hovland 1961), one's initial attitude serves as a reference for judging new information, and when the new information is in contrast to the established reference, the new information gain a perception of being unexpected and significantly affects eventual evaluation. For example, people may judge that a box is heavy based on their previous situations. A moderately heavy box would seem to be light to people who had lifted heavy objects before, but seem to be heavy by people who had lifted light objects earlier. When applying this contrast effect argument, the initial impression of a company may serve as a reference for judging the company upon release of new information of the company. Specifically, when a company that previously engaged in CSR efforts confronts a moral crisis, consumers' positive impressions of the company established through CSR activity may serve as a reference and trigger a contrasting effect. A company's prior CSR activities may induce consumers to expect the company to be more ethical and socially responsible than other companies with no or limited prior CSR activities. Accordingly, the previous CSR involvement makes a company's current moral misdeeds more salient to consumers' information processing. Thus, information of a company's moral failure may significantly damage the reputation of a firm with CSR initiatives, more so than a firm with a limited CSR history.

In addition, according to attribution theory (Kelley 1972), a company's moral crisis is likely to lead consumers to be more skeptical toward the company's previous CSR engagement, and attribute the engagement to selfish, profit-seeking motives rather than altruistic ones. Although CSR activities inarguably contain a moral aspect, consumers' attributions to corporate CSR remains mixed: driven either by profit-seeking motives or altruistic motives. When consumers view corporate CSR motives as more profit-oriented than altruistic, their evaluations of the firm sponsoring CSR are likely to deteriorate (Rifon et al. 2004). Thus, negative information in the morality-related domain can be a signal to consumers that a firm with prior CSR activities may be insincere and not actually care about its supported cause. This inconsistency makes consumers suspicious of the genuine motives of the firm's CSR activities. Accordingly, when consumers elaborate on the motives of a firm's prior CSR initiatives, the company's association with a previous CSR initiative might create reverse results to even more unfavorable consumers' perceptions of the company during a moral crisis.

Moreover, previous literature on attribution theory suggested a relationship between attributions and subsequent attitudes and behaviors (Kelly and Micheal 1980). If consumers develop attributions for corporate motives for a CSR initiative, these attributions exert some influence on later attitudes and behaviors. In the attribution process, consumers could adopt positive attributions (CSR as an act of corporate altruism) or negative attributions (CSR serves corporate self-interest). When a company that previously engaged in a CSR activity faces negative events, consumers' attributions

may turn negative rather than positive, which eventually leads to lower corporate credibility and negative attitudes toward the company and negative purchase intentions (Becker-Olsen, Cudmore, and Hill 2006; Ellen et al. 2000; Menon and Kahn 2003; Rifon et al. 2004; Sen and Bhattacharya 2001). Thus, the first hypothesis of this study is:

**H1:** A previous CSR initiative by a company will generate less favorable consumer responses toward the company ((a) motive attributions, (b) credibility, (c) attitude toward the company, (d) purchase intention) when the company faces a moral crisis compared to a competence crisis.

### **Congruence between the Issue of CSR Initiatives and Negative Information**

Previous research emphasized the effects of congruence in CSR initiatives (Lafferty et al. 2004; Menon and Kahn 2003; Pracejus and Olsen 2004). Existing literature documents the overall, positive effects of company-cause congruence of CSR activities on consumers' attitudes toward a company. In addition to this company-cause congruence, congruence between the CSR initiatives and the negative information needs consideration to study, in-depth, the implications of previous CSR activities on companies contending with negative information. An example of congruence between a CSR initiative and negative information would occur if a company previously involved in a CSR activity to improve nutrition for children has a nutrition quality problem in its products. Another example is a company engaged in a CSR initiative helping with child welfare becoming involved in a scandal involving child labor in overseas sweatshops. Although the negative information and the cause the company supports may be closely related in terms of issue (or topic), negative public sentiment toward a company's bad

publicity may lead consumers to be more skeptical of the company's previous CSR engagement from the salient contradictory cue in the company's behavior.

Moreover, negative information about a company might reflect the company's violation of its core values or protected values (Baron and Spranca 1997). Protected values are sacred values that should not be sacrificed for any compensating benefit, no matter how small the sacrifice or how large the benefit (Baron and Spranca 1997). In the case of a company's CSR initiative, the social cause that a company supports represents the company's protected value since CSR is a public announcement that the company willingly selects and endorses that particular value most of all. In this regard, when a company who previously supported a particular value (i.e., the cause of CSR) happens to become involved in a negative event closely related with the social cause, consumers may react with strong skepticism and resistance toward the company since the company's transgression seems even more salient. Thus, when the issue of negative information and the CSR's social cause relate closely, the company's CSR initiatives might create a reverse result and even more unfavorable consumers' perceptions of the company by drawing even greater attention to the negative event caused by the company (Bhattacharya et al. 2006; Szykman et al. 2004).

In addition, the congruence effect between negative information and a CSR initiative varies depending on the type of negative information (i.e., incompetence versus immorality). As CSR initiatives by nature belong to the moral domain, a firm's previous CSR engagement helps to support its moral image. However, when a firm, initially

perceived as ethical through its CSR initiative becomes involved in a moral crisis, consumers generate stronger negative attributions toward the firm's previous CSR initiative. Moreover, when a firm's moral crisis directly relates to the firm's previously supported CSR cause, consumers may perceive the firm's previous CSR initiative as less appropriate and more self-serving. To the contrary, the issue congruence between CSR initiatives and competence-related negative information might not create a high level of suspicion since such congruence relates indirectly to the moral aspect of CSR. Thus, issue-congruence between negative information and CSR initiatives might generate more negative responses toward the company when the negative information is morality-related rather than competency-related. Thus, two proposed hypotheses are:

**H2:** A previous CSR initiative will generate less positive responses toward the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention) when congruence exists between the CSR cause and the negative information's issue than when no congruence exists.

**H3:** When negative information concerns a company's morality, the effect of congruence between the CSR cause and the negative information's issue on consumers' responses to the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention) will be more negative than when the negative information concerns competence.

### **Consumer-Company Identification**

Negative information generally exerts a strong, negative impact on consumers' attitudes toward a company because negative information attains greater weight when compared with equally positive information (Herr, Kardes, and Kim 1991). However, some factors such as reputation (Brown et al. 2006), commitment (Ahluwalia et al. 2000), attachment (Thomson, MacInnis, and Park 2005), or affection (Yim, Tse, and Chan 2008)

buffer the impact of negative information on consumers' responses to companies. In addition, consumers' identification with a company is another important factor that neutralizes the potential impact of negative news on consumers' evaluations of the company (Einwiller et al. 2006). Consumer-company identification is the degree consumers' perceive connectedness with a company and the degree to which aspects of the perceived organizational identity are self-referential and self-defining for consumers (Einwiller et al. 2006).

Based on the motivated reasoning theory (Kunda 1990), strong consumer-company identification induces motivation to protect self-defining beliefs and meanings derived from a relationship with the company. Thus, consumers who strongly identify with a company tend to initiate a defensive information processing mechanism and interpret the given information of the company in the direction of their preferred conclusions. To the contrary, weakly identified consumers who do not perceive the company to be important to their senses of self and whose beliefs about the company do not show such a biased, self-confirming tendency when processing information. Thus, consumers who are less identified with a company may accept the negative information about the company as presented; whereas, consumers who are more identified with the company tend to moderate the negative aspects of the information. Thus, strong consumer-company identification is likely to lead consumers to attribute more altruistic motives to the company's previous CSR activity, which results in a perception, which

assigns more credibility to the company and enhances perception, attitude, and purchase behavior.

In addition, previous literature of identification suggests a positive relationship among identification, satisfaction, and brand loyalty, which are important factors leading to increased shareholders' value, customer relationships, and asset efficiency (Reichheld 1996; Rust and Olver 1994; Sivadas and Baker-Prewitt 2000; Walsh, Evanschitzky and Wunderlich 2008). Applying the same logic to satisfaction and brand loyalty measures, therefore, suggests that high identification leads consumers to maintain their satisfaction and brand loyalties inducing to interpret information about the company in a self-confirming way. To the contrary, consumers with weak identification might not be satisfied with, and loyal to the company because they process the negative information about the company in an objective way. Therefore, the proposed hypothesis is:

**H4:** In the presence of negative corporation information, the company's previous CSR initiative will generate more positive responses toward the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention, (e) satisfaction, (f) brand loyalty) among consumers who strongly identify with the company than for those who weakly identify with the company.

Although Hypothesis 4 argues that consumer-company identification may reduce the impact of negative information on consumers' evaluations of the company, such a buffering effect might differ depending on the type of negative information (incompetence versus immorality). Specifically, when the negative information concerns morality, identification may have limited impact by ineffectively buffering the negative news. To the contrary, when the negative information concerns competence,

identification may serve as a desirable buffer and effectively protect a company from the effect of negative information.

Information in the morality domain has the potential to be extremely negative for a company previously involved in CSR initiatives. CSR is a moral activity since it pursues public welfare rather than a company's self-interest. Active CSR initiatives represent a firm's public announcement that the company places significant value on the CSR's social cause. In other words, the social cause overtly emphasizes the company's protected value. Given such a situation, perceptions of information in the morality domain might be extremely negative information for a company because such information reveals that the company's standards are pretentious, and thus transgress consumers' beliefs regarding the company. Thus, such extremely negative information may undermine even strongly identified consumers' existing beliefs, and they may encounter difficulty in using defensive motivation to reach a desired conclusion (Ahluwalia, 2000). Morality-related negative information about a company, previously engaged in CSR initiatives, may overwhelm consumers' defenses created through identification and thus, consumer attitudes and behavioral intentions toward the company may become negative regardless of the prior degree of identification (Einwiller, et al. 2006).

To the contrary, perceptions of negative information in the competence domain are less extreme than in the morality domain. While a CSR embedded morality-related issue increases consumers' expectation in the moral domain, the same does not apply in

the competence domain. Therefore, negative information in the competence domain does not significantly harm consumers' beliefs regarding the company. In this less negative situation, identification can remain as a buffer that mitigates the impact of negative news.

Applying the above arguments, the proposed hypothesis is:

**H5:** When the negative corporate information concerns competence, the company's previous CSR initiatives will generate more positive responses toward the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention, (e) satisfaction, (f) brand loyalty) for consumers who strongly identify with the company than for those who weakly identify with the company. However, when the negative information concerns morality, consumers' responses toward the company will not vary between strong and weak identifiers.

Prior hypotheses argue that CSR in a corporate moral crisis may prompt attribution of less altruistic corporate motivations, and subsequently, this less condition reduces consumers' perceptions of the credibility of CSR initiatives. This mechanism indicates that attribution of altruistic corporate motives may serve as a mediator that connects CSR initiatives and consumers perceptions of the credibility of CSR. Consequently, perceptions of the credibility of CSR affect consumers' attitudes and eventually, consumers' attitudes toward the company influences consumers' purchase intentions. In other words, CSR initiatives go through multiple paths including attribution, credibility, and attitude to affect consumers' purchase intentions. Thus, the proposed hypothesis is:

**H6:** (a) Altruistic corporate motive will influence corporate credibility perception; (b) Corporate credibility perception will influence consumers' attitudes toward the company; (c) Consumer's attitudes toward the company will influence purchases intentions.

In summary, the hypotheses concerned the relationships between the independent variables and dependent variables. Table 1 summarizes Hypotheses 1- 6.

<b>Hypothesis</b>	<b>Independent Variables</b>	<b>Dependent Variables</b>
<b>H1</b>	Type of Negative Information (Incompetence versus Immorality)	Motive Attribution Perceived Credibility Attitude toward the company Purchase Intentions
<b>H2</b>	Issue Congruence (CSR with issue congruence, CSR with issue incongruence, No CSR)	Motive Attribution Perceived Credibility Attitude toward the company Purchase Intentions
<b>H3</b>	Type of Negative Information (Incompetence versus Immorality) X Issue Congruence (CSR with issue congruence, CSR with issue incongruence, No CSR)	Motive Attribution Perceived Credibility Attitude toward the company Purchase Intentions
<b>H4</b>	Identification (Strong versus Weak)	Motive Attribution Perceived Credibility Attitude toward the company Purchase Intention Satisfaction Loyalty
<b>H5</b>	Type of Negative Information (Incompetence versus Immorality) X Identification (Strong versus Weak)	Motive Attribution Perceived Credibility Attitude toward the company Purchase Intention Satisfaction Loyalty
<b>H6</b>		Motive Attribution

--> Perceived Credibility  
--> Attitude toward the company  
--> Purchase Intention

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Table 1: Summary of Hypotheses

## Chapter 7: Method

### Overview

Testing the hypotheses involved two separate experimental studies. The first main factor investigated in Study 1 was how a company's previous CSR campaign affects consumers' responses to the company during two types of corporate crisis conditions – incompetence vs. immorality (Hypothesis 1). The second major factor examined in Study 1 was how issue-congruence between negative information and the CSR's social cause influences consumers' responses to the company (Hypothesis 2), and issue-congruence's impacts vary with different types of negative information (Hypothesis 3). Thus, Study 1 employed a fixed-factor, 2 (negative information: incompetence versus immorality) X 3 (issue-congruence: CSR with issue-congruence, CSR with issue-incongruence, no CSR) between-subjects, randomized, experimental design. Because Study 1 tested the effects under conditions that attempt to control for potential threats to internal validity, the company name and the negative information regarding the company in the first study were fictitious to prevent confounding effects of prior learning.

Extending the findings of Study 1, Study 2 examined the influence of consumers' identification with a company on consumers' responses to a company involved in a negative event. The main factor investigated in the second study was how consumers' identification with the company moderates the effects of prior CSR activity on consumers' responses to the company from two types of negative information (Hypotheses 4 and 5). Testing these hypotheses used a 2 (negative information:

incompetence versus immorality) X 2 (consumer-company identification: weak versus strong) full-factorial, between-subjects, experimental design. This study measured consumer-company identification and manipulated negative information. Consumer identification with the company of choice was assessed and trichotomized. Among the three groups, the study retained the upper and lower thirds, representing the strong and weak identification groups respectively but removed the middle group from the analysis (Gelman and Park, 2009). To increase external validity, Study 2 utilized a real company and measured consumers' actual identification with the company.

## **Study 1**

### **Design**

The purpose of Study 1 was to test Hypotheses 1, 2, and 3: how the type of negative information and issue-congruence affects consumers' evaluations of the company during a corporate crisis situation. The independent variables included the type of negative information and issue-congruence. Thus, the design employed for Study 1 was a fixed-factor, 2 (negative information: incompetence, immorality) X 3 (issue congruence: CSR with issue-congruence, CSR with issue incongruence, No CSR) between-subjects, randomized, and experimental. A diagram illustrating the design of Study 1 appears in Figure 1.

		<b>Issue Congruence</b>		
		CSR with issue congruence	CSR with issue incongruence	No CSR
<b>Type of Negative</b>	Incompetence			

<b>Information</b>	Immorality			
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Figure 1: Study 1 Experimental Design

**Participants**

Participants were recruited from the Participant Pool in the Department of Advertising at the University of Texas at Austin. This subject pool consisted of students enrolled in undergraduate-level elective or introductory advertising and public relations classes. They received extra or course credit for participation. The total sample size for Study 1 was 183. The average age of the sample was 21 (ranging from 18 to 32) and 53% were male. The majority (57.4%) of participants were Caucasian with 19.7% identifying themselves as Hispanic- American, 12% Asian-American, and 6% African-Americans and other ethnicities (4.9%). Ninety-six percent reported driving a car and 82.5% owned a car.

**Stimuli Development**

*Independent Variables*

Study 1 used a fictitious tire company, Company X. The selection of tires for the product category allowed application to anyone who drives or uses transportation. To increase participants’ interest in the scenario and their potential realistic responses, participants learned that Company X in the study was a real company, but the masking the actual name was necessary due to sensitivity and confidentiality of the negative information regarding the company. Manipulation of negative information and issue-

congruence employed a fictitious newspaper article. For negative information, the news story included either type of negative information about the company (Negative<sub>competence</sub>, Negative<sub>morality</sub>). For the issue-congruence, a fictitious newspaper article introduced one of the three different conditions of CSR campaigns (CSR<sub>issue-congruence</sub>, CSR<sub>issue-incongruence</sub>, No CSR).

Therefore, the stimuli of Study 1 consisted of six different versions of news stories reporting a company's negative event and its prior CSR activity. The six versions varied according to in the company's CSR activity, and corporate attributes related to the negative event, and included the combinations: (1) Negative<sub>competence</sub>, CSR<sub>issue-congruence</sub> (2) Negative<sub>competence</sub>, CSR<sub>issue-incongruence</sub> (3) Negative<sub>competence</sub>, No CSR (4) Negative<sub>morality</sub>, CSR<sub>issue-congruence</sub> (5) Negative<sub>morality</sub>, CSR<sub>issue-incongruence</sub> (6) Negative<sub>morality</sub>, No CSR.

### ***Pretests***

Before proceeding with the main experiments, a series of pretests determined the execution of the experimental manipulations aligned with the independent variables (see Appendix A for pretest instruments). The first pretest was an online survey asking respondents to develop two types of negative information and determine equivalent degree of negative information related to competence and morality. A small group of pretest participants (n=15) completed the first pretest. Participants received four versions of scenarios regarding the company's negative information related to competence or morality with a different degree for each negative information type. Four versions

include: 1) a slow leak tire problem, 2) an uneven tire wear problem, 3) tire dumping practices, and 4) workers health problems.

To ensure that the manipulation had the intended perception, participants' responses assessed the scenarios' relevance to the company's competence and morality. A six-item, seven-point, Likert-type scale, ranging from 1 (strongly disagree) to 7 (strongly agree) measured the perceived relevance of the negative information to both competence and morality. Adjustments to the measures, adopted from Brown and Dacin (1997), allowed them to fit the study's context. The statements included six items: "This company has product quality issues." "This company has some problems with its ethical practices." "This company has some problems with its performance." "This company's negative information relates to its technical problems" "The negative information about this company relates to its deceitfulness." "This company does not care about moral issues." Additionally, a one-item seven point semantic differential scale (1= morality-related event, 7= competence-related event) assessed the relative degree of relevance of the negative event to competence and morality.

The first pretest results, with measures adopted from Brown and Dacin (1997), show that perceptions of negative information type about Company X in four scenarios significantly differed from one another: Competence Version 1 (i.e., a slow leak tire problem) ( $M_{\text{competence}} = 5.53$ ;  $M_{\text{morality}} = 3.67$ ;  $t(14) = 5.77$ ;  $p < .001$ ), Competence Version 2 (i.e., uneven tire wear problem) ( $M_{\text{competence}} = 5.93$ ;  $M_{\text{morality}} = 3.67$ ;  $t(14) = 4.88$ ;  $p < .001$ ), Morality Version 1 (i.e., tire dumping practices) ( $M_{\text{competence}} = 5.16$ ;  $M_{\text{morality}} = 4.88$ ;  $p < .001$ ), Morality Version 2 (i.e., workers health problems) ( $M_{\text{competence}} = 5.16$ ;  $M_{\text{morality}} = 4.88$ ;  $p < .001$ ).

morality = 6.56;  $t(14) = -3.96$ ;  $p < .01$ ), and Morality Version 2 (i.e., employees health problems) ( $M_{\text{competence}} = 5.56$ ;  $M_{\text{morality}} = 6.31$ ;  $t(14) = -2.33$ ;  $p < .05$ ). In addition, paired samples  $t$  test with a one-item seven point semantic differential scale confirmed that manipulation of negative information type was successful:  $M_{\text{competence 1}} = 4.80$ ;  $M_{\text{competence 2}} = 4.93$ ;  $M_{\text{morality 1}} = 1.87$ , and  $M_{\text{morality 2}} = 2.53$ , ( $M_{\text{competence 1}}$  versus  $M_{\text{morality 1}}$ ,  $t(14) = 5.84$ ;  $p < .001$ ;  $M_{\text{competence 1}}$  versus  $M_{\text{morality 2}}$ ;  $t(14) = 4.02$ ;  $p < .01$ ,  $M_{\text{competence 2}}$  versus  $M_{\text{morality 1}}$ ,  $t(14) = 5.60$ ;  $p < .001$ ,  $M_{\text{competence 2}}$  versus  $M_{\text{morality 2}}$ ;  $t(14) = 3.29$ ;  $p < .01$ ).

In addition, the pretest determined equivalent intensities of negative information related to competence and morality. Measurement of the negative intensity used a four-item seven-point semantic differential scale anchored by serious/trivial, significant/insignificant, important/unimportant, and negative/positive. Based on paired samples  $t$  test results, an uneven tire wear situation ( $M = 2.02$ ) used for the competence-related negative condition, and tire dumping practices ( $M = 1.76$ ) used for the morality-related negative condition because no significant difference appeared for the intensity of negative information,  $t(14) = .96$ ;  $p > .05$ .

After selecting the type and intensity of negative information, in the second pretest, another group of subjects ( $n = 102$ ) responded via an online survey to determine if the social cause of CSR initiatives related to participants' knowledge and interests and was not gender specific. Measurement of the perceived importance of, or involvement with, the specific issue of CSR initiatives used a five-item seven-point semantic

differential scale anchored by unimportant to me/important to me, means nothing to me/means a lot to me, is personally relevant/is personally irrelevant (Reversed), doesn't matter a great deal to me/does matter a great deal to me, is of no concern to me/is of great concern to me (Menon and Kahn 2003). A one way ANOVA test confirmed no significant consumers' perceived issue-importance among "safe driving" ( $M = 5.82$ ), "environment protection" ( $M = 5.29$ ), and "fight cancer" ( $M = 5.45$ ),  $F(2, 99) = 2.2$ ;  $p > .05$ . In addition, the Bonferroni post hoc test determined the relationship among these three issues, and the results indicated no significant difference for each pair of issues, safe-driving vs. environment ( $p > .05$ ), safe-driving vs. fight cancer ( $p > .05$ ), and environment vs. fight cancer ( $p > .05$ ).

Next, a third pretest, conducted via an online survey, developed the issue-congruence condition of whether or not the cause of a company's prior CSR efforts relates to the issue of the company's negative event. Accordingly, a set of issues with negative information along with selected causes from the second pretest constituted the third pretest. A small group of participants ( $n = 43$ ) judged perceptions of issue-congruence with a five-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). Adjustment of the measures, adopted from Menon and Kahn (2003), created fit for the study's context. The statements included: "The issue of this company's scandal is logically related to this social issue." "This social issue is a fit with this company's scandalous issue." "It is strange to see this scandalous company in this situation sponsoring this social issue (Reversed)." "This social issue is similar with

this company's scandal." and "The social issue and this company's scandal match." The pretest results showed a significant difference between congruent and incongruent pairs in both the competence and morality domains. In the domain of competence-related negative information,  $M_{\text{congruence}} = 4.98$ ;  $M_{\text{incongruence}} = 3.81$ ;  $t(23) = 2.14$ ;  $p < .05$ . In addition, in the morality domain,  $M_{\text{congruence}} = 4.72$ ;  $M_{\text{incongruence}} = 3.23$ ;  $t(16) = -2.18$ ;  $p < .05$ .

In this pretest, measurement of the plausibility of the news article, including negative information used a three-item, seven point semantic differential scale anchored by not plausible/plausible, not credible/credible, and didn't make sense/did make sense. No significant difference appeared between competence- ( $M = 5.85$ ) and morality- ( $M = 5.41$ ) based negative news information,  $t(41) = 1.84$ ;  $p > .05$

The results of three pretests formed the basis for crafting six conditions for the final scenarios, which represent the type of negative information and issue congruence for the main experiment. For the first main effect of type of negative information, in the competence domain, a fictitious tire company, Company X has an uneven tire wear problem due to a design flaw in the manufacturing process. In the morality domain, Company X has the problem of improperly disposed tires in developing countries. For the second main effect of issue-congruence, in the condition of congruent CSR social cause and negative information in the competence domain, a fictitious CSR campaign describes that the company supported a safe driving program. In the condition of congruent CSR social cause and negative information in the morality domain, a fictitious CSR campaign

depicts the company as supporting an environmental protection program. In the condition of incongruent CSR social cause and negative information for both competence and morality domains, the fictitious CSR campaign delineates the company's support for cancer-fighting initiatives. Examples of the final scenarios of the main experiment in Study 1 appear in Appendix A.

### **Procedure**

Administration of the main experiment used an online survey questionnaire. First, participants received an informed consent form. Once participants agreed to participate in the study, they received random assignments to one of the six experimental conditions. The questionnaire first presented a brief introduction to the study with general instructions. On the following page, participants read a newspaper article about the company's CSR campaign with the CSR initiatives' themes and the company's negative information. The dependent measures and manipulation checks occurred subsequent to the news article. The questionnaire concluded with questions about the participants' demographics, after which participants received thanks and a debriefing as to the purpose of the study.

### **Measures**

#### ***Dependent Variables***

*Altruistic Motive Attributions.* A seven item, seven-point Likert scale identified consumers' perceptions of altruistic motives for a company's CSR initiative (Rifon et al. 2004). Altruistic motives include: "Company X supported this cause because ultimately

they cared about their customers.” “Company X sincerely cared about consumers when it supported this cause.” “Company X was genuinely concerned about consumers’ welfare.” “Company X really cared about getting this social issue information to their customers.” “Company X supported this cause because it was morally the ‘right’ thing to do.” “Company X believed in philanthropy and giving generously to a worthy cause.” “Company X had genuine concerns for this cause when it supported this cause.” ( $\alpha = .99$ ).

*Corporate Credibility.* A seven-item, seven-point scale anchored by dishonest/honest, not dependable/dependable, not trustworthy/trustworthy, not credible/credible, unconvincing/convincing, unbelievable/believable, and unbiased/biased measured this variable (MacKenzie and Lutz 1989) ( $\alpha = .89$ ).

*Attitude toward the Company.* A five-item, seven-point semantic differential scale anchored by unfavorable/favorable, negative/positive, bad/good, not likeable/likable, and unpleasant/pleasant measured this variable (MacKenzie and Lutz 1989; Yoon et al. 2006) ( $\alpha = .94$ ).

*Purchase Intention.* The basis for measuring agreement was four statements: “How likely would you buy a product from Company X?” “How interested are you in buying a product from Company X?” “What are your impressions of the product from Company X?” “If a friend asked you for advice about a product from Company X, how likely would it be that you recommended this company to him or her?” The scale ranged from 1 to 7 (Aaker, Vohs, and Mogilner 2010; Einwiller et al. 2006) ( $\alpha = .87$ ).

## ***Covariates***

*Congruence between the Cause and the Company.* This measure consisted of a five-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree) to assess the congruence of the pairings of the social cause and the company (Menon and Kahn 2003). Specifically, participants responded to: “Company X is logically related to the cause” “The cause is a fit with consumers of Company X.” “It is strange to see the company sponsoring this cause.” “This cause is similar to Company X.” and “Overall, the cause and Company X closely match.” ( $\alpha = .83$ ).

*Perceived Company’s Obligation of CSR initiatives.* Measurement of this variable used a five-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree) (Singhapakdi et al. 1996). The five items included: “Being ethical and socially responsible is the most important thing a company can do.” “The ethics and social responsibility of a company are essential to its long term profitability.” “A company’s first priority should be employee morale.” “Good ethics are often good business.” “Social responsibility and profitability can exist together.” ( $\alpha = .81$ ).

## **Study 2**

### **Design**

The purpose of Study 2 was to test Hypotheses 4 and 5 focusing on consumer-company identification and negative information type affect consumer evaluations of the company facing a crisis. This study measured the first factor, consumer-company identification, but manipulated the second factor, negative information. Specifically,

consumer-company identification was measured and trichotomized into three groups (the upper, middle, and lower thirds). Removal of the middle group from the analysis left the upper and lower thirds to represent strongly versus weakly identified groups.

To increase external validity of the findings from Study 1, which employed a fictitious company, Study 2 used an actual company. Thus, this study measured respondents' identification with a real company instead of manipulating the degree of consumer-company identification. Thus, Study 2 employed a 2 (negative information: incompetence versus immorality) X 2 (identification: strong versus weak) full-factorial, between-subjects, experimental design. A diagram illustrating the design of Study 2 appears in Figure 2.

		<b>Consumer-Company Identification</b>	
		Strong	Weak
<b>Type of Negative Information</b>	Incompetence		
	Immorality		

Figure 2: Study 2 Experimental Design

### **Participants**

Participants were recruits from an introductory advertising class at the University of Texas at Austin. This class consisted of students enrolled in an undergraduate-level advertising course, which is open to all majors. Respondents received course credit for participation. The total sample size was 128 participants for Study 2 and the

trichotomization procedure resulted in 43 weak identifiers ( $M_{\text{weak}} = 3.11$ ;  $SD = .80$ ) and 42 strong identifiers ( $M_{\text{strong}} = 5.68$ ;  $SD = .39$ ) after removing the middle third group.

## **Stimuli Development**

### ***Independent Variables***

For the purpose of increasing external validity and based on pretest results, Study 2 used an actual company. This study developed only two different versions of negative information (i.e., incompetence versus immorality) for stimuli, because measurement was for consumer-company identification. Manipulation of negative information used a fictitious newspaper article. Therefore, Study 2 consisted of the combinations: (1) Identification<sub>strong</sub>, Negative<sub>competence</sub> (2) Identification<sub>weak</sub>, Negative<sub>competence</sub> (3) Identification<sub>strong</sub>, Negative<sub>morality</sub> (4) Identification<sub>weak</sub>, Negative<sub>morality</sub>.

To measure the strength of consumer-company identification, participants responded to a seven-item measure of the strength of their identification with the company (Einwiller et al. 2006). Four items served to measure consumers' senses of connection and self-categorization with the company (e.g., "I have a sense of connection with this company." "I consider myself as belonging to the group of people who are in favor of this company." "Customers of this company are probably similar to me."). The remaining three items measured the perceived overlap in beliefs with the company and to what extent these were self-referential for participants ("This company shares my values." "Being a customer of this company is part of my sense of who I am." "Purchasing this company's products would help me express my identity.").

Measurement of all identification items occurred on seven-point scales in which higher values indicated stronger degrees of identification. All seven items of identification were a single factor that represents the consumer-company identification. Confirmation occurred by principal component factor analysis with a varimax rotation that a one-factor solution best fits the data and accounted for 64.76% of the total variance ( $\alpha = .91$ ). By using a trichotomization of the index scores of the seven items, dividing the sample resulted in categories of stronger identifiers and weaker identifiers, and removal of the middle third group.

In addition, participants evaluated the company's ability and moral dimensions to determine if these dimensions affect consumer-company identification (Brown and Dacin 1997). A list of corporate attributes including both corporate abilities and ethics were attributes for the respondents to evaluate the company with a seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The three attributes representing corporate ability ( $\alpha = .87$ ) were: "I think the product quality of this company is good." "I think this company has sound performance." "I think this company has sound management." The three attributes representing corporate ethics ( $\alpha = .67$ ) were: "I think this company engages in ethical practices." "This company engages in deceitful practices." and "This company cares about moral issues."

### ***Pretests***

Before proceeding with the main experiments, two pretests selected a real company and determined the execution of the experimental manipulations aligned with

the independent variable (see Appendix B for pretest instruments). The first pretest was an online survey asking respondents to select an actual company based on the overall corporate evaluation measure, which includes corporate ability and CSR (Brown and Dacin 1997). The selection included ten well-known, Fortune 500 companies listed in 2010 (e.g., Apple Inc., Coca-Cola, Dell, Nike, Starbucks, Whole Foods, etc.) that produce consumer products in different industries. In addition, participants identified their familiarity, perceived likability, and experiences with the companies. A small group of college students ( $n = 43$ ) evaluated familiarity with the company on a scale ranging from 1 (not familiar) to 7 (very familiar), the company's likability on a scale ranging from 1 (dislike) to 7 (like), and product purchase experience on a scale ranging from 1 (no shopping experience) to 7 (shopping experience). A series of questions resulted in selecting Apple Inc, the most favorably perceived company and equally highly evaluated for familiarity, likability, and shopping experience, from the pretest.

Next, the second pretest identified two types of negative information and determined the equivalent intensity of negative information. Using a paper and pencil survey, a small group of participants ( $n=50$ ) received two scenarios for the chosen company's negative information related to competence and morality. A competence-related negative condition scenario describes Apple's Wi-Fi connectivity problem, and a morality-related negative condition scenario describes Apple's poor customer service situation. Similar to the pretest used in Study 1, Study 2 measured the perceived relevance of the negative information to both competence and morality on a six-item,

seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree), from Brown and Dacin (1997). Additionally, a one-item seven point semantic differential scale (1= morality-related event, 7= competence-related event) assessed the relative degree of relevance of the negative event to competence and morality.

The results of the second pretest showed that consumer perceptions of negative information about Company X in two scenarios significantly differed from one another, in competence-related negative condition ( $M_{\text{competence}} = 4.99$ ;  $M_{\text{morality}} = 4.56$ ;  $t(48) = 2.02$ ;  $p < .05$ ), and in morality-related negative condition ( $M_{\text{competence}} = 2.51$ ;  $M_{\text{morality}} = 4.67$ ;  $t(48) = -7.19$ ;  $p < .001$ ). In addition, for negative information type measured on a one-item seven point semantic differential scale, the pretest results confirmed that perceptions of negative information about Company X in two scenarios significantly differed from one another ( $M_{\text{competence}} = 6.04$ ;  $M_{\text{morality}} = 3.19$ ;  $p < .01$ ).

To determine the equivalent intensity of the negative information related to competence and morality, as in Study 1, participants received two different versions of competence- and morality-related negative information and rated the degree of negative intensity for each scenario with a four-item seven-point semantic differential scale. Based on the pretest results, Apple's Wi-Fi connectivity problem situation ( $M = 3.69$ ) used for the competence-related negative condition, and Apple's poor customer service situation ( $M = 3.15$ ) used for the morality-related negative condition because no significant difference in the intensity of negative information appeared;  $t(48) = 1.42$ ;  $p > .05$ .

This pretest also measured the plausibility of the news article including negative information on a three-item, seven point semantic differential scale used in Study 1. No significant difference appeared between the competence ( $M = 5.68$ ) and morality ( $M = 5.33$ ) negative news information;  $t(48) = 1.52, p > .05$ .

Based on the results of the three pretests, crafting the two conditions for the final scenarios created representations of the type of negative information for the main experiment. For the condition of competence-related negative information, Apple Inc. had wireless connectivity problems with a product that involved weak wireless signals, dropped connections, and slow Internet surfing speeds. For the condition of morality-related negative information, Apple Inc. failed to honor warranties by claiming users' fault. Examples of the final scenarios of the main experiment in Study 2 appear in Appendix B.

### **Procedure**

Administration of the main experiment of Study 2 used a paper and pencil survey questionnaire, while Study 1 used an online survey. Study 2 employed a two-step process since it measured consumer-company identification; whereas, negative information resulted from manipulation. First, participants answered a questionnaire that contains measures of consumer-company identification toward the target company. Four filler companies (i.e., Coca-Cola, Whole Foods, Starbucks, and Nike), included in this survey, reduced the likelihood of ceiling effects due to excessive attention focused on the target brand (Ahluwalia et al. 2000). Based on the results of this questionnaire, respondents in

the upper (lower) third of this scale gained categorization as strongly (weakly) identified with the target company.

Next, ten days later, the same participants participated in the second part of the study. To avoid association with the previous questionnaire, participants' task became evaluation of a recent newspaper article related to a company. The two groups of strongly and weakly identified participants randomly received either type of negative information (i.e., incompetence and immorality) about the target company, Apple Inc. The questionnaire first presented a brief introduction to the study with general instructions and a short paragraph about the company, Apple Inc., and its CSR activity. On the following page, participants read a fictitious newspaper article that included the target company's negative news article appearing in *The Wall Street Journal*. Administration of dependent measures and manipulation checks occurred following the reading of the newspaper article. The questionnaire concluded with questions regarding participants' demographics, after which participants received thanks and a debriefing about the purpose of the study.

## **Measures**

### ***Dependent Variables***

*Altruistic Motive Attributions.* A seven-item seven-point Likert scale evaluated consumers' perceptions of corporate altruistic motives for CSR initiatives (Rifon et al. 2004), which included: "This company supported this cause because ultimately they cared about their customers." "This company sincerely cared about consumers when it

supported this cause.” “This company was genuinely concerned about consumer welfare.” “This company really cared about getting this social issue information to their customers.” “This company supported this cause because it was morally the ‘right’ thing to do.” “This company believed in philanthropy and giving generously to a worthy cause.” and “This company had genuine concerns for this cause when it supported this cause.” ( $\alpha = .95$ ).

*Corporate Credibility.* Measurement of this variable used a four-item seven-point scale anchored by not trustworthy/trustworthy, not credible/credible, unconvincing/convincing, and unbelievable/believable (MacKenzie and Lutz 1989) ( $\alpha = .94$ ).

*Attitude toward the Company.* Measurement of this variable used a five-item seven-point semantic differential scale anchored by unfavorable/favorable, negative/positive, bad/good, not likeable/likable, and unpleasant/pleasant (MacKenzie and Lutz 1989; Yoon et al. 2006) ( $\alpha = .94$ ).

*Purchase Intention.* Measurement of this variable, on a scale ranging from 1 to 7, used as its basis agreement with four statements: “How likely would you buy a product from Company X?” “How interested are you in buying a product from Company X?” “What are your impressions of the product from Company X?” “If a friend asked you for advice about a product from Company X, how likely would it be that you recommended this company to him or her?” (Aaker, Vohs, and Mogilner 2010; Einwiller et al. 2006) ( $\alpha = .92$ ).

*Corporate Satisfaction.* Measurement of this variable used a three-item seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree) (Garbarino and Johnson, 1999). The three items included: “Overall, I am satisfied with this company.” “Overall, I am satisfied with this company compared with other companies.” “I would recommend this company to my friends.” ( $\alpha = .96$ ).

*Brand Loyalty.* Measurement of this variable used a four-item seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree) (Grégoire and Fisher 2006). The four items included: “I will buy this brand the next time I need to buy this type of product.” “I intend to keep purchasing this brand.” “I am committed to this brand” “I would be willing to pay a higher price for this brand over other brands.” ( $\alpha = .93$ ).

#### ***A Covariate***

*Perceived Company's Obligation for CSR initiatives.* Measurement of this variable used a five-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree) (Singhapakdi et al. 1996). The five items included: “Being ethical and socially responsible is the most important thing a company can do.” “The ethics and social responsibility of a company are essential to its long term profitability.” “A company's first priority should be employee morale.” “Good ethics is often good business.” “Social responsibility and profitability can exist together.” ( $\alpha = .82$ ).

## Chapter 8: Analyses and Results

This chapter outlines the statistical analysis methods used to test each hypothesis. Testing the hypotheses used SPSS 16 to analyze the data. The analysis of variance (ANOVA) and analysis of covariance (ANCOVA) were the major statistical techniques for testing the hypotheses in the main experiments. In addition, a series of *t* tests provided manipulation checks, and a reliability analysis ensured consistency of the measurement of an index. Conducting principal component factor analysis defined the dimensions of the variables. Last, a series of ANOVA, ANCOVA, and planned comparisons tested the hypotheses, and mediational step-down analysis determined the relationship among dependent variables.

Specifically, to test Hypotheses 1, 2 and 3, the data analysis used a 2x3 analysis of covariance (ANCOVA) with the type of negative information (incompetence, immorality) and the issue congruence (CSR<sub>issue-congruence</sub>, CSR<sub>issue-incongruence</sub>, No CSR) as independent variables. Covariates, congruence between the company and the cause, and the perceived company's obligation to CSR initiatives controlled for the possibility that consumers' responses to a company might be due to these covariates rather than to issue congruence condition and the type of negative information. For Hypotheses 4 and 5, a 2x2 ANCOVA with the type of negative information (incompetence, immorality) and the level of identification (strong, weak) were independent variables. In this analysis, a variable of the perceived company's obligation to CSR initiatives was a covariate.

Finally, for Hypothesis 6, step-down mediational analysis determined the causal order and the mediating roles of the dependent variables among altruistic motive attributions, credibility, attitude toward the company, and purchase intention for the products that the company produces (Baron and Kenny 1986; Roy 1958; Yi 1990). Table 2 outlines the statistical analysis methods used to test each hypothesis.

	<b>Method</b>	<b>IV(s)</b>	<b>DV(s)</b>
<b>H1:</b> A previous CSR initiative by a company will generate less favorable consumer responses toward the company ((a) motive attributions, (b) credibility, (c) attitude toward the company, (d) purchase intention) when the company faces a moral crisis compared to a competence crisis.	2x3 ANCOVA	Negative Information (Incompetence and Immorality)	(a) Altruistic Motive Attribution (b) Credibility, (c) Attitude toward the Company, (d) Purchase Intention
<b>H2:</b> A previous CSR initiative will generate less positive responses toward the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention) when congruence exists between the CSR cause and the negative information's issue than when no congruence exists.	2x3 ANCOVA, Post Hoc Test	Negative Information (Incompetence and Immorality) x CSR (with Issue Congruence, with Issue Incongruence, No CSR)  <b>Covariates:</b> Cause-Company Congruence, Perceived Company's Obligation of CSR Initiatives	(a) Altruistic Motive Attribution (b) Credibility, (c) Attitude toward the Company, (d) Purchase Intention
<b>H3:</b> When negative information concerns a company's morality, the effect of congruence between the CSR cause and the negative information's issue on consumers' responses to the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention) will be more negative than when the negative information concerns competence.	2x3 ANCOVA, Planned Comparisons	Negative Information (Incompetence and Immorality) x CSR (with Issue Congruence, with Issue Incongruence, No CSR)  <b>Covariates:</b> Cause-Company Congruence, Perceived Company's Obligation of CSR	(a) Altruistic Motive Attribution (b) Credibility, (c) Attitude toward the Company, (d) Purchase Intention

		Initiatives	
<p><b>H4:</b> In the presence of negative corporation information, the company's previous CSR initiative will generate more positive responses toward the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention, (e) satisfaction, (f) brand loyalty) among consumers who strongly identify with the company than for those who weakly identify with the company.</p>	2x2 ANCOVA	<p>Negative Information (Incompetence and Immorality) x C-C Identification (Strong and Weak)</p> <p><b>Covariate:</b> Perceived Company's Obligation of CSR Initiatives</p>	<p>(a) Altruistic Motive Attribution (b) Credibility, (c) Attitude toward the Company, (d) Purchase Intention, (e) Corporate Satisfaction, (f) Brand Loyalty</p>
<p><b>H5:</b> When the negative corporate information concerns competence, the company's previous CSR initiatives will generate more positive responses toward the company ((a) motives, (b) credibility, (c) attitude toward the company, (d) purchase intention, (e) satisfaction, (f) brand loyalty) for consumers who strongly identify with the company than for those who weakly identify with the company. However, when the negative information concerns morality, consumers' responses toward the company will not vary between strong and weak identifiers.</p>	2x2 ANCOVA	<p>Negative Information (Incompetence and Immorality) x C-C Identification (Strong and Weak)</p> <p><b>Covariate:</b> Perceived Company's Obligation of CSR Initiatives</p>	<p>(a) Altruistic Motive Attribution (b) Credibility, (c) Attitude toward the Company, (d) Purchase Intention, (e) Corporate Satisfaction, (f) Brand Loyalty</p>
<p><b>H6:</b> (a) Altruistic corporate motive will influence corporate credibility perception; (b) Corporate credibility perception will influence consumers' attitudes toward the company; (c) Consumer's attitudes toward the company will influence purchases intentions.</p>	Step-Down Mediation Analysis	<p>Study1: Negative Information (Incompetence and Immorality) x CSR (with Issue Congruence, with Issue Incongruence, No CSR)</p> <p>Study 2: Negative</p>	<p>Altruistic Motive Attribution Credibility, Attitude toward the Company, Purchase Intention</p>

		Information (Incompetence and Immorality) x C-C Identification (Strong and Weak)	
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Table 2: Statistical Analysis Methods for Hypotheses Test

### **Study1**

#### ***Manipulation Check***

Study 1 manipulated two types of negative information and issue congruence between the initiative of a CSR's social cause and the negative information and tested the success of the manipulation. In addition, a series of testing ensured equal consideration of the intensity of negative information types, the perceived importance of the specific social issue, and news plausibility.

For the type of negative information, first, participants rated a one-item seven point semantic differential scale (1= morality-related negative event, 7= competence-related negative event), and, second, a six-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The measures were adopted from Brown and Dacin (1997) and adjusted to fit to the study context. The six items included: "This company has product quality issues." "This company has some problems with its ethical practices" "This company has some problems with its performance" "This company's negative information relates to its technical problems." "The negative information about this company relates to its deceitfulness." "This company does not care about moral issues." For negative information type, first, a *t* test confirmed that two types of negative information were significantly different,  $t(181) = 8.23; p < .001$ , between competence-

related negative information ( $M = 4.09$ ) and morality-related negative information conditions ( $M = 2.23$ ). In addition, another  $t$  test with the measures from Brown and Dacin (1997) re-confirmed that the negative information type was successfully manipulated (competence manipulation condition:  $t(181) = 9.23$ ;  $M_{incompetence} = 5.07$ ;  $M_{immorality} = 3.77$ ; morality manipulation condition:  $t(181) = -10.30$ ;  $M_{incompetence} = 3.52$ ;  $M_{immorality} = 5.18$ ).

A further check verified that the manipulation of equivalent intensity of negative information and perceived importance for the initiatives of CSR's social cause. To determine the equivalent intensity of negative information related to competence and morality, participants rated a three-item seven-point semantic differential scale anchored by serious/trivial, significant/insignificant, and important/unimportant. For intensity of negative information, a  $t$  test confirmed that the competence-related negative information ( $M = 2.25$ ), and morality-related negative information ( $M = 2.08$ ) had the same level of considered importance,  $t(181) = 1.12$ ;  $p > .05$ .

In addition, a five-item seven-point semantic differential scale anchored by unimportant to me/important to me, means nothing to me/means a lot to me, is personally relevant/is personally irrelevant (Reversed), doesn't matter a great deal to me/does matter a great deal to me, is of no concern to me/is of great concern to me measured the perceived importance of, or involvement with, the specific social issue (Menon and Kahn 2003). A  $t$  test confirmed no significant difference among the issues, safe driving ( $M = 5.52$ ) and fight against cancer ( $M = 5.67$ );  $t(58) = -.48$ ;  $p > .05$ ; safe driving ( $M = 5.52$ )

and environmental protection ( $M = 5.04$ );  $t(59) = 1.41$ ;  $p > .05$ ; fight against cancer ( $M = 5.67$ ) and environmental protection ( $M = 5.04$ );  $t(59) = -1.85$ ;  $p > .05$ .

Measurement of plausibility of the news article occurred with a three-item, seven-point semantic differential scale anchored by not plausible/plausible, not credible/credible, and didn't make sense/did make sense. A  $t$  test regarding news plausibility confirmed that the news article regarding competence-related negative information ( $M = 5.32$ ), and morality-related negative information ( $M = 5.40$ ) were both highly believable, and not considered different in plausibility;  $t(181) = -.59$ ;  $p > .05$ .

To assess issue congruence between the CSR's social cause and the negative information, subjects rated a six-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The measures, adopted from Menon and Kahn (2003) and were adjusted to fit to the study context. Five items included: "The issue of this company's scandal is logically related to the social cause." "This social cause is a fit with this company's scandalous issue." "It is strange to see the company with this scandalous issue sponsoring this social cause (Reversed)." "This social cause is similar to the company's scandal." "Overall, the social cause and this company's scandal are closely matched." For issue congruence between the social cause and the negative information, a  $t$  test confirmed that issue congruence ( $M = 4.47$ ), and issue incongruence ( $M = 3.27$ ) were considered different;  $t(122) = 5.25$ ,  $p < .001$ .

### ***Corporate Motives***

Principal components factor analysis with varimax rotation of the seven altruistic motive items identified one dimension of a company's expected CSR outcomes. A one-factor solution best fits the data and accounted for 92.89% of the total variance (see Table 2). Factor 1, labeled "altruism," contained items related to the company's concern for its consumers' welfare. Table 3 reports means for the motive attribution items and scale. An obtained average of "altruism" items became an index ( $\alpha = .99$ ).

	<b>Factor loading</b>	<b>Means</b>
<b>Item</b>	Factor 1: Altruism ( $\alpha = .99$ )	2.55
1. Company X supported this cause because ultimately they cared about their customers.	.966	2.56
2. Company X sincerely cared about consumers when it supported this cause.	.975	2.59
3. Company X was genuinely concerned about consumer welfare.	.972	2.55
4. Company X really cared about getting this social issue information to their customers.	.958	2.54
5. Company X supported this cause because it was morally the "right" thing to do.	.950	2.55
6. Company X believed in philanthropy and giving generously to a worthy cause.	.955	2.54
7. Company X had genuine concerns for this cause when it supported this cause.	.970	2.52
<b>Eigenvalues</b>	6.502	
<b>% of Variance</b>	92.888	
<b>Cumulative %</b>	92.888	

Table 3: Attribution Factor Analysis Results (Study 1)

*Effects of the Type of Negative Information*

Examination of the first hypothesis determined whether or not a company's previous CSR initiatives generate differing responses from consumers toward the company (i.e., (a) altruistic motives, (b) credibility, (c) attitude toward the company, (d) purchase intention) in a competence-related crisis versus a morality-related crisis, after controlling for the effects of company-cause congruence and the perceived company's obligation toward CSR initiatives. A series of two-way ANCOVA analyses tested this hypothesis. For altruistic motive attribution, after controlling for the effects of company-cause congruence ( $p < .01$ ), the results show that a previous CSR initiative generated more altruistic corporate motives for the competence-related negative information ( $M = 2.90$ ) than for the morality-related negative information ( $M = 2.21$ );  $F(1, 175) = 21.05$ ;  $p < .001$ . Thus, as expected, participants perceived the company's previous CSR initiative to be more altruistic when the company had involvement in a competence-related crisis than a morality-related crisis, thus confirming Hypothesis 1a.

However, a company's previous CSR activity did not affect participants' perceptions of corporate credibility, depending on negative information type ( $M_{incompetence} = 3.07$ ;  $M_{immorality} = 2.87$ ;  $F(1, 175) = 1.29$ ;  $p > .05$ ). Thus, no significant effect appears from CSR on consumers' perceptions of corporate credibility with regard to two different types of negative information, thus not supporting Hypothesis 1b. Additionally, a significant difference appeared for the effects of CSR on consumers' attitudes toward a company depending on the types of negative information, after controlling the covariate of the perception of a company's obligation for CSR initiatives ( $p < .001$ ), thus

supporting Hypothesis 1c. A company's prior CSR initiative created more positive attitudes toward the company for an incompetence situation compared to an immoral situation ( $M_{incompetence} = 3.07$ ;  $M_{immorality} = 2.58$ ;  $F(1, 175) = 9.10$ ;  $p < .01$ ). In other words, participants perceived the company less negatively when the crisis related to competence as opposed to morality. Finally, no significant effect appeared from CSR on participants' purchase intentions based on negativity type ( $M_{incompetence} = 2.48$ ;  $M_{immorality} = 2.78$ ;  $F(1, 175) = 3.19$ ;  $p > .05$ ), suggesting that consumers' purchase intentions for the company's products is not dependent on the types of negative information, thus not supporting Hypothesis 1d.

### ***Effects of Issue Congruence between CSR and Negative Information***

Examination of Hypothesis 2 determined the effects of issue congruence between negative information and the CSR's social cause on consumers' responses to the company in crisis after controlling for the effects of company-cause congruence and the perceptions of the company's obligation toward CSR initiatives. The expectation was that a previous CSR campaign with issue-congruence between negative information and the social cause generates less positive consumers' responses toward the company than a CSR campaign with issue- incongruence. For consumers' perceptions for motive attribution toward a company, after controlling the effects of company-cause congruence ( $p < .01$ ), the two way ANCOVA results show significant main effects from issue-congruence on corporate motive attribution;  $F(2, 175) = 56.02$ ;  $p < .001$ . The resulting suggestion is that the issue-congruence condition ( $M = 3.18$ ) generates less positive

altruistic motive attribution than does the issue-incongruent condition ( $M = 3.90$ ), thus supporting Hypothesis 2a. In addition, a comparison of the control condition (No CSR) with the two CSR conditions (CSR with issue-congruence; CSR with no issue-congruence) used Bonferroni post hoc tests. Since the control condition represents a company's non-participation in CSR initiatives, nothing existed to which the control group participants could attribute the company's altruistic motives for CSR initiatives. Thus, altruistic motive attribution in the control condition ( $M = .59$ ) was significantly lower than for both CSR conditions, irrespective of the type of negative information ( $p < .001$ ).

In addition, as expected, the issue-congruence between the negative information and the cause condition ( $M = 2.82$ ) created less positive perceptions for credibility than did the issue- incongruence condition ( $M = 3.40$ );  $F(2, 175) = 5.44$ ;  $p < .01$ , after controlling for the effects of the perceptions for a company's obligation toward CSR initiatives ( $p < .01$ ), thus supporting Hypothesis 2b. In other words, participants considered the company less credible when the company previously supported a cause closely related to the negative event, versus a cause not related to the negative event. Additional Bonferroni post hoc tests compared the control condition (No CSR) with the two CSR conditions (CSR with issue-congruence; CSR with no issue-congruence) on consumers' perceptions of corporate credibility. However, no significant difference appeared between the control condition and the CSR conditions ( $p > .05$ ).

Similarly, significant main effects appeared from the issue-congruence on attitude toward company;  $F(2, 175) = 7.52; p < .01$ , after controlling for the effects of the perceptions of a company's obligation toward CSR initiatives ( $p < .01$ ). Participants evaluated the company more negatively when the company previously supported a cause related to the negative issue ( $M = 2.39$ ) rather than a cause not related to the negative issue ( $M = 3.18$ ), thus supporting Hypothesis 2c. In addition, a comparison of the control condition (No CSR) to the two CSR conditions (CSR with issue-congruence; CSR with no issue-congruence) used a Bonferroni post hoc test (See Figure 3). While no significant difference appeared between the control condition and two CSR conditions on consumers' attitude toward the company, the post hoc test found an interesting pattern. In the condition of issue-congruence, participants generated lower attitudes toward the company compared to the control condition. In other words, doing nothing is better than a firm's participation in CSR efforts, given a firm's involvement in a negative event that is closely related with its previous CSR social cause.

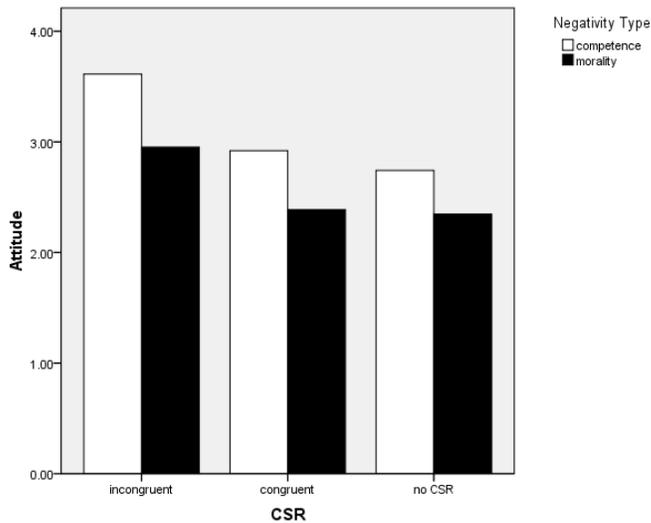


Figure 3: Effects of Issue Congruence on Consumers' Attitude toward the Company (Study1)

The final analysis was an ANCOVA of the purchase intention index with a covariate of the perceptions of a company's obligation toward CSR initiatives ( $p < .001$ ). The results revealed a significant main effect for issue-congruence between the negative information and the social cause on purchase intentions;  $F(2, 175) = 3.06; p < .05$ . In other words, issue-congruence ( $M = 2.27$ ) generated lower purchase intentions from a company facing a negative event than issue- incongruence ( $M = 2.81$ ), thus supporting Hypotheses 2d. In addition, a Bonferroni post hoc test on purchase intention showed no significant difference between the control condition and the two CSR conditions. However, similar to the results of attitude toward the company, in the condition of issue-congruence, participants had decreased purchase intentions for the company's products

than they did in control condition. Also, participants' purchase intentions were very similar for both issue-incongruence and control conditions ( $p > .05$ ).

### ***Interaction Effects of Issue Congruence and Negativity Type***

Examination of Hypothesis 3 considered the interaction effects of issue-congruence with negativity type on consumers' responses to the company. The expectation was that when the issue of a firm's previous CSR relates to a firm's moral crisis, the most negative consumers' responses toward the company result. To the contrary, when the issue of a company's previous CSR initiative is not congruent with a negative event, and the negative event relates to the competence domain, consumers generate the least negative responses toward the company.

For consumers' perceptions of motive attribution toward a company, as expected, after controlling for the effect of company-cause congruence ( $p < .01$ ), the results show a significant interaction effect from issue congruence and the type of negative information on corporate motive attribution;  $F(2, 175) = 7.74$ ;  $p < .001$ . Moreover, planned comparisons indicated that Hypothesis 3a predicted the pattern of means (See Figure 4). When the issue-congruence exists, morality-related, negative information ( $M = 2.46$ ) generated less motive attribution toward altruism than competence-related negative information' ( $M = 3.89$ ),  $F(1, 175) = 29.76$ ;  $p < .001$ . This trend was also true for issue-incongruence. Competence-related corporate crisis ( $M = 4.21$ ) generated more motive attribution toward altruism than a morality-related corporate crisis ( $M = 3.59$ );  $F(1, 175) = 5.97$ ;  $p < .05$ . The suggestion is that the issue-congruence condition generated

consumers' more negative motive attribution regarding a company's previous CSR involvement when the company faces a morality-related negative event than a competence-related negative event, thus supporting Hypothesis 3a.

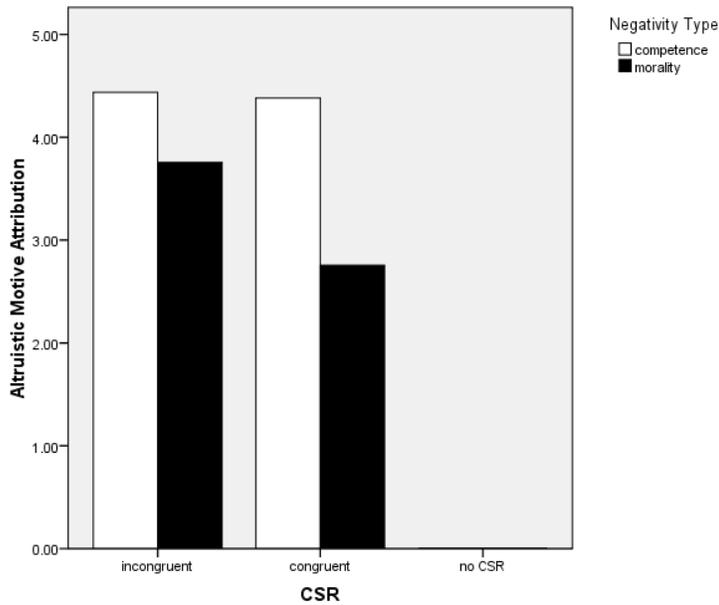


Figure 4: Interaction Effects of Issue Congruence and Negativity Type on Altruistic Motive Attributions (Study1)

However, no interaction effects appeared for issue-congruence and the type of negative information on consumers' perceptions toward corporate credibility, attitude, and purchase intention, thus disconfirming Hypotheses 3b, 3c, and 3d. Table 4 summarizes descriptive statistics of the dependent measures by each level of the independent variables, and Table 5 reports cell means for the dependent measures.

	<u>Issue Congruence</u>		<u>Issue Incongruence</u>		<u>No CSR</u>	
	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>
Altruistic	4.38	2.76	4.44	3.76	.00	

Motive Attribution	(1.35)	(1.20)	(1.10)	(1.25)	(.00)	.00 (.00)
Credibility	2.80 (1.19)	2.69 (1.20)	3.44 (1.04)	3.23 (1.40)	2.92 (1.16)	2.75 (.99)
Attitude	2.92 (1.00)	2.39 (1.01)	3.61 (1.37)	2.95 (1.29)	2.74 (.96)	2.35 (1.07)
Purchase Intention	2.60 (1.01)	2.53 (1.29)	2.70 (1.19)	3.13 (1.41)	2.19 (.93)	2.60 (1.07)
n	30	31	31	30	31	30

*Note:* Mean scores are based on a scale of 1 to 7

Table 4: Descriptive Statistics of Dependent Measures (Study 1)

	<u>Issue Congruence</u>		<u>Issue Incongruence</u>		<u>No CSR</u>	
	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>
Altruistic Motive Attribution	3.89 (.26)	2.46 (.21)	4.21 (.20)	3.59 (.19)	.60 (.28)	.59 (.29)
Credibility	2.92 (.30)	2.72 (.24)	3.52 (.23)	3.28 (.22)	2.77 (.33)	2.62 (.33)
Attitude	2.62 (.28)	2.16 (.23)	3.51 (.22)	2.86 (.21)	3.09 (.31)	2.72 (.31)
Purchase Intention	2.27 (.29)	2.28 (.24)	2.58 (.22)	3.03 (.21)	2.59 (.32)	3.02 (.32)
n	30	31	31	30	31	30

*Note:* Mean scores are based on a scale of 1 to 7

Table 5: Dependent Measures as Issue Congruence and Negativity Type (Study 1)

***Mediating Role of Altruistic Motives, Corporate Credibility, and Attitude***

Hypothesis 6 intent was an examination of the causal relationship among the dependent variables of consumers' responses to the company depending on the negative information type and issue-congruence. The prediction for effects of negative information type and issue- congruence on consumers' purchase intentions was a flow through the creation of weaker altruism and perceptions of less credibility for the company. Previous research suggested that step-down analysis is useful for understanding the sequential process of experimental effects on interrelated dependent variables (Roy 1958; Yi 1990). Thus, step-down analysis tested the causal order of the dependent variables and the mediating roles of altruistic motive attribution, corporate credibility, and attitude.

The first step tested the effects of negative information type and issue-congruence on attribution of corporate altruistic motives. The second step tested the effects of negative information type and issue-congruence on consumers' perceptions of corporate credibility, with the effects of altruistic motive attributions covaried out. The third step assessed the effects of negative information type and issue-congruence on consumers' attitudes toward the company, while controlling for the effects of the two preceding variables (altruistic motive attribution and corporate credibility). The last step tested the effects of negative information type and issue- congruence on consumers' purchase intentions, with the effects of the three preceding variables (altruistic motive attribution, corporate credibility, and attitude).

The results of the first step showed that the types of negative information and issue- congruence produced significant effects on consumers' perceptions of corporate

altruistic motives for their previous CSR initiatives ( $p < .001$ ). Next, altruistic motive attribution had significant effects on corporate credibility in the second step ( $p < .001$ ), which, in turn, corporate credibility appeared to be the only variable that significantly influenced consumers' attitudes toward the company (effects of negative information type and issue-congruence, and altruistic motive attribution on consumers' attitudes toward the company became non-significant in the third step,  $p > .1$ ), indicating significant mediating roles for both altruistic motive assessments and corporate credibility. In the last step, attitude had significant effect on purchase intention with no significant altruistic motive attribution ( $p > .1$ ). However, credibility also appeared to be a significant variable for purchase intention. Thus, the indication is that credibility and attitude have significant mediating roles between altruistic motive attribution and purchase intention (see Figure 5). Thus, the results support the mediation model of altruistic motive assessments, credibility, and attitude, thereby confirming H6. (Table 6 summarizes the step-down analysis results.)

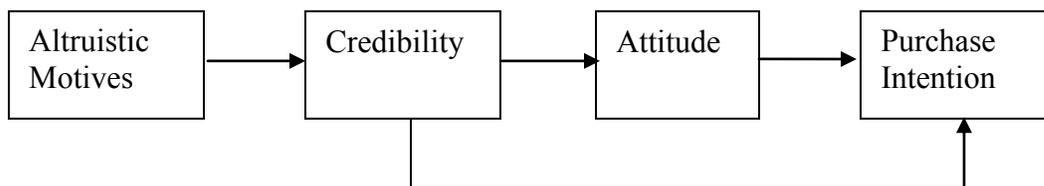


Figure 5: Relationships among Altruistic Motive Attribution, Credibility, Attitude, and Purchase Intention (Study 1)

<b>Variable Ordering</b>	<b>Sources of Variation</b>	<b>Univariate <i>F</i></b>	<b><i>P</i></b>	<b>Step-down <i>F</i></b>	<b><i>P</i></b>
1. Altruism	C	55.261	.000		
	T	23.100	.000		
	C x T	8.307	.000		
2. Credibility	Altruism			16.996	.000
	C	5.703	.004	1.741	.178
	T	.787	.376	.292	.589
	C x T	.022	.978	.792	.455
3. Attitude	Altruism			.047	.828
	Credibility			172.881	.000
	C	7.705	.001	3.586	.030
	T	7.750	.006	8.807	.003
	C x T	.246	.782	.328	.721
4. PI	Altruism			.128	.721
	Credibility			8.261	.005
	Attitude			62.672	.000
	C	3.219	.042	.742	.478
	T	4.012	.047	28.733	.000
	C x T	.610	.544	1.834	.163

*Note:* Altruism = Altruistic Motive; Credibility = Corporate Credibility; Attitude = Attitude toward the Company, PI = Purchase Intention toward the Product from the Company, C = Issue Congruence, T = Type of Negative Information (Incompetence versus Immorality).

Table 6: Univariate and Step-Down *F* Tests: Negative Information Type and Issue Congruence Effects on Altruism, Credibility, Attitude, and Purchase Intention (Study 1)

Finally, Table 7 provides a summary of the results of the hypothesis tests in Study 2. Five hypotheses received full support; the other hypotheses remain unsupported.

<b>IVs</b>		<b>DVs</b>	<b>Method</b>	<b>Result</b>
Negativity Type	H1a	Altruistic Motive	2x3 ANCOVA	Supported

	H1b	Credibility		Not Supported
	H1c	Attitude		Supported
	H1d	Purchase Intention		Not Supported
Issue Congruence	H2a	Altruistic Motive	2x3 ANCOVA, Post Hoc Tests	Supported
	H2b	Credibility		Supported
	H2c	Attitude		Supported
	H2d	Purchase Intention		Supported
Interaction	H3a	Altruistic Motive	2x3 ANCOVA, Planned Comparisons	Supported
	H3b	Credibility		Not Supported
	H3c	Attitude		Not Supported
	H3d	Purchase Intention		Not Supported

Table 7: Summary of Hypothesis Testing (Study 1)

## Study2

### *Manipulation Check*

Study 2 tested two types of negative information to check the success of manipulation. In addition, testing the intensity of negative information types and the plausibility of the news article ensured the information achieved equal consideration and the news article gained the perception of realism.

For types of negative information, similar to Study 1, subjects rated a one-item, seven point semantic differential scale (1= morality-related event, 7= competence-related event) and a six-item, seven-point, Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree), from Brown and Dacin (1997). A *t* test confirmed that the two types of negative information competence-related negative information ( $M = 5.57$ ) and morality-related negative information ( $M = 3.98$ ) were significantly different;  $t(83) = 5.31$ ;  $p <$

.001. In addition, another  $t$  test, with measures from Brown and Dacin (1997), re-confirmed the successful manipulation of the negative information type (morality condition:  $t(83) = -5.60; p < .001; M_{competence} = 2.56; M_{morality} = 3.94$ ).

The same measures used in Study 1 checked manipulation of equivalent intensity of negative information and plausibility of the news article. For intensity of negative information, a  $t$  test confirmed that the competence-related negative information ( $M = 3.19$ ), and morality-related negative information ( $M = 3.16$ ) maintained the same consideration for importance;  $t(83) = .11; p > .05$ . For plausibility of the news article, a  $t$  test confirmed that the news article regarding competence-related negative information (e.g., Apple's Wi-Fi technical issue, [ $M = 5.46$ ]), and morality-related negative information (e.g., Apple's failure to honor its warranty, [ $M = 5.08$ ]) maintained consideration as being highly believable, and not considered different in plausibility;  $t(83) = 1.66; p > .05$ .

### ***Corporate Motives***

Principal components factor analysis with varimax rotation of the seven altruistic motive items identified one dimension of a company's expected CSR outcomes. A one-factor solution best fits the data and accounted for 76.88% of the total variance (see Table 8). Factor 1, labeled "altruism," contained items related to the company's concern for its customers' welfare. Table 8 reports the means for the motive attributions items and the scales. An obtained average of "altruism" items became an index ( $\alpha = .95$ ).

	Factor loading	Means
<b>Item</b>	Factor 1: Altruism ( $\alpha = .95$ )	4.41
1. Apple Inc. supported this cause because ultimately they cared about their customers.	.885	4.49
2. Apple Inc. sincerely cared about consumers when it supported this cause.	.927	4.34
3. Apple Inc. was genuinely concerned about consumer welfare.	.941	4.19
4. Apple Inc. really cared about getting this social issue information to their customers.	.758	4.52
5. Apple Inc. supported this cause because it was morally the “right” thing to do.	.813	4.51
6. Apple Inc. believed in philanthropy and giving generously to a worthy cause.	.899	4.49
7. Apple Inc. had genuine concerns for this cause when it supported this cause.	.899	4.33
<b>Eigenvalues</b>	5.381	
<b>% of Variance</b>	76.877	
<b>Cumulative %</b>	76.877	

Table 8: Attribution Factor Analysis Results (Study 2)

### *Effects of Identification*

Hypothesis 4 proposed effects for the degree of consumer-company identification on consumers’ responses to the company in crisis after controlling for the effects of the perceived obligation for the company’s CSR initiatives. The hypothesis suggested that strongly identified consumers generate more positive responses toward the company than weakly identified consumers do when the company faces a negative event. For consumers’ altruistic motive attributions toward a company’s CSR initiative, as expected,

with a covariate of the perceived obligation for the company's CSR initiatives ( $p < .01$ ), the results show significant effects of identification on altruistic motive attribution;  $F(1, 80) = 13.12$ ;  $p < .01$ . This outcome suggests strongly identified participants ( $M = 4.85$ ) generated more altruistic motive attribution to the company than weakly identifiers ( $M = 3.96$ ) when presented with negative corporation information, thus supporting Hypothesis 4a. In addition, with a covariate of the perception for the company's obligation for CSR initiatives ( $p > .05$ ), the results for corporate credibility suggested that strong identifiers ( $M = 5.38$ ) generated higher perceptions for corporate credibility than weak identifiers ( $M = 4.30$ ) across negative information conditions;  $F(1, 80) = 18.14$ ;  $p < .001$ , thus supporting Hypothesis 4b. For consumers' attitudes toward the company and purchase intention, significant main effects of identification appeared after controlling for the perceived company's obligation for CSR initiatives ( $p < .01$  for attitude;  $p < .05$  for purchase intention). In support of Hypothesis 4c, strongly identified participants ( $M = 5.79$ ) generated a more positive attitude toward the company than weak identifiers ( $M = 4.55$ ) when the company faces a negative event;  $F(1, 80) = 26.83$ ;  $p < .001$ . Similarly, strongly identified participants ( $M = 6.07$ ) generated a more positive purchase intentions for the company's product weak than identifiers ( $M = 4.62$ ) in a corporate negative event,  $F(1, 80) = 36.66$ ;  $p < .001$ , thus supporting Hypothesis 4d.

In addition, significant main effects of identification on consumers' satisfaction and loyalty appeared with a covariate of the perceptions of the company's obligation for

CSR initiatives ( $p > .05$ ). The results showed significant effects of identification on consumers' satisfaction with the company in a negative situation;  $M_{\text{strong}} = 6.16$ ;  $M_{\text{weak}} = 4.56$ ;  $F(1, 80) = 37.91$ ;  $p < .001$ , supporting thus Hypothesis 4e. Finally, the results for consumer loyalty indicated that consumer-company identification affects consumer loyalty in a crisis situation;  $M_{\text{strong}} = 5.71$ ;  $M_{\text{weak}} = 3.87$ ;  $F(1, 80) = 35.22$ ;  $p < .001$ , thus supporting Hypothesis 4f.

### ***Effects of the Type of Negative Information***

Study 2 examined another important factor, the type of negative information, whether or not consumers generate different responses toward the company (i.e., (a) altruistic motives, (b) credibility, (c) attitudes toward the company, (d) purchase intention, (e) satisfaction, and (f) brand loyalty) in a competence-related crisis versus a morality-related crisis. For altruistic motive attribution, with a covariate of the perception of a company's obligation for CSR initiatives ( $p < .01$ ), the results show that consumers ascribe more altruistic motives toward the company's CSR initiative for a competence-related negative event ( $M = 4.66$ ) than for a morality-related negative event ( $M = 4.15$ );  $F(1, 80) = 4.40$ ;  $p < .05$ .

In addition, with a covariate of the perception of a company's obligation for CSR initiatives ( $p > .05$ ), a significant effect appeared for CSR on consumers' perceptions of corporate credibility with regard to two different types of negative information ( $M_{\text{incompetence}} = 5.20$ ;  $M_{\text{immorality}} = 4.48$ ;  $F(1, 80) = 8.23$ ;  $p < .01$ ). That means, compared to a competence-related corporate crisis, consumers considered the company in a moral to be

crisis less credible. For consumer attitudes toward the company, significant difference appears between the types of negative information after controlling for the effects of the perceptions of a company's obligation for CSR initiatives ( $p < .01$ ). Participants generated more positive attitudes toward the company facing an incompetence event than for an immoral event ( $M_{incompetence} = 5.60$ ;  $M_{immorality} = 4.74$ ;  $F(1, 80) = 12.94$ ;  $p < .01$ ). In other words, participants perceived the company less negatively when a crisis related to competence as opposed to than morality. For purchase intention, with a covariate of the perception of a company's obligation for CSR initiatives ( $p < .05$ ), the results show that consumers' purchase intentions for the company's products was also dependent on the types of negative information ( $M_{incompetence} = 5.67$ ;  $M_{immorality} = 5.02$ ;  $F(1, 80) = 7.43$ ;  $p < .01$ ).

In addition, significant main effects appeared for the type of negative information on consumers' satisfaction and loyalty with a covariate of the perception of a company's obligation for CSR initiatives ( $p > .05$ ). The results confirm significant effects from negativity type on consumers' satisfaction with the company in a crisis;  $M_{incompetence} = 5.73$ ;  $M_{immorality} = 4.99$ ;  $F(1, 80) = 8.12$ ;  $p < .01$ , suggesting that consumers are more satisfied with the company in a competence-related crisis than a moral crisis. Finally, the results for consumer loyalty indicate that the type of negative information marginally affects consumers' loyalty in a corporate crisis situation;  $M_{incompetence} = 5.09$ ;  $M_{immorality} = 4.49$ ;  $F(1, 80) = 3.88$ ;  $p = .05$ . Thus, a marginal support accrues to consumers' having

higher brand loyalty during a company's crisis involving product failure rather than a crisis involving moral corruption.

### ***Interaction Effects Identification and Negativity Type***

Hypothesis 5 examined the interaction effects of identification and negative information type on consumers' responses to the company. The hypothesis proposed that strong identification with the company generates a more positive consumer response toward the company than weak identification, given the competence-related negative domain, but not in the morality-related negative domain since the latter exceeds strong identifiers' levels of tolerance. Regarding consumers' attributions of altruistic motives toward the company's prior CSR initiative, after controlling the covariate of the perception for a company's obligation for CSR initiatives ( $p < .01$ ), the absence of the interaction effects of identification and negativity type disconfirmed H5a. Specifically, the results show that consumer-company identification's effects on attributing altruistic motives were not dependent on types of negative information;  $F(1, 80) = 2.67$ ;  $p > .05$ . Similarly, for consumers' perceptions of corporate credibility, no significant interaction effects appear;  $F(1, 80) = 1.30$ ;  $p > .05$ , suggesting that the type of negative information did not moderate consumer-company identification's effects on corporate credibility, thus not supporting Hypothesis 5b.

For consumers' attitudes toward the company, after controlling the effect of the perception for a company's obligation for CSR initiatives ( $p < .01$ ), significant interaction effects from identification and negativity type appeared for consumers' attitudes toward

the company;  $F(1, 80) = 6.72$ ;  $p < .05$ . When participants were given corporate competence-related negative information, as expected, those strongly identified with the company ( $M = 5.79$ ) had a more positive attitude toward the company than weak identifiers ( $M = 4.55$ ). However, contrary to expectations, when participants encountered a morality-related information condition, consumers strongly identified with the company ( $M = 5.63$ ) had more positive attitudes toward the company than consumers weakly identified with the company ( $M = 3.76$ ). While the proposed hypothesis contends that strong identifiers' attitudes toward the company would decrease to the same levels as those of weak identifiers in the domain of morality, two way ANCOVA results indicate that strong identifiers with the company (vs. weak identifiers) have more resilience toward the company's negative event despite being related to competence or morality. Thus, Hypothesis 5c gains partial support, only in the competence domain, but not in the morality domain since the direction of results contradicted the hypothesis (See Figure 6).

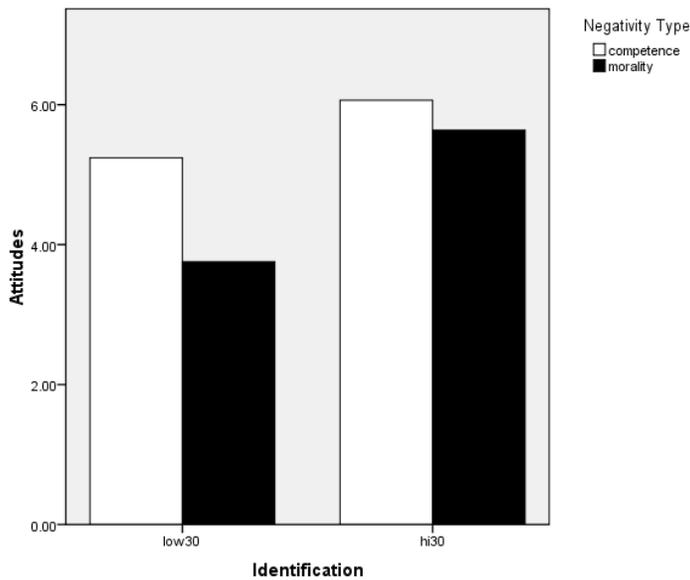


Figure 6: Effects of Identification and Negativity Type on Attitudes (Study 2)

For consumers' purchase intentions for a product from the company, after controlling the perception of a company's obligation for CSR initiatives ( $p < .05$ ), the results show no significant interaction effects;  $F(1, 80) = 1.33$ ;  $p > .05$ , suggesting that strongly identified participants generated more positive purchase intentions than weakly identified participants when the company faces both competence-related ( $M_{\text{strong}} = 6.39$  vs.  $M_{\text{weak}} = 5.04$ ) and morality-related ( $M_{\text{strong}} = 5.85$  vs.  $M_{\text{weak}} = 4.11$ ) negative events, thus not supporting Hypothesis 5d.

For consumers' satisfaction with the company, with a covariate of the perception for a company's obligation for CSR initiatives ( $p > .01$ ), the results show significant interaction effects between identification and types of negative information on consumers' satisfaction with the company;  $F(1, 80) = 5.41$ ;  $p < .05$ . In the competence-

related domain, those who more strongly identified with the company ( $M = 6.33$ ) had greater satisfaction with the company than weakly identified consumers ( $M = 5.19$ ). However, in a morality-related negative condition, strongly identified consumers ( $M = 6.06$ ) also had greater satisfaction with the company than weakly identified consumers ( $M = 3.85$ ). Thus, the ANCOVA results indicate that stronger identifiers with the company have more satisfaction with the company when the negative information relates to both competence and morality than do weaker identifiers. Thus, hypothesis 5e gains partial support in only the competence domain, not in the morality domain (See Figure 7).

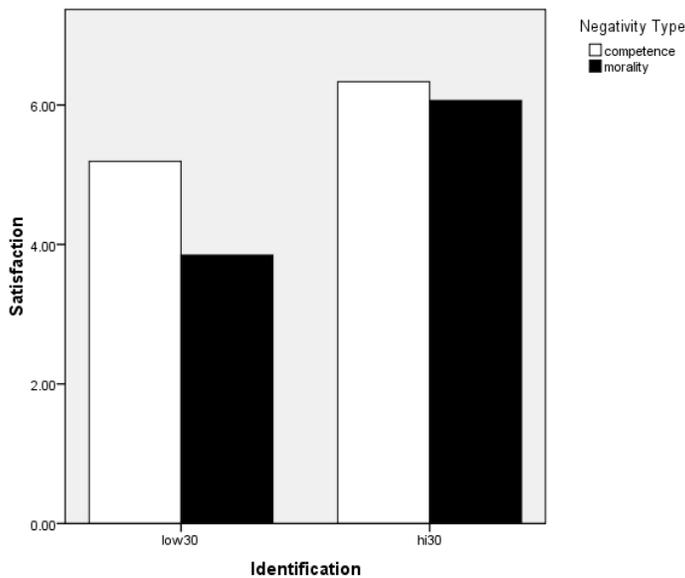


Figure 7: Effects of Identification and Negativity Type on Satisfaction (Study 2)

Finally, for consumer loyalty toward the company, with a covariate of the perception of a company's obligation for CSR initiatives ( $p > .05$ ), the results show significant interaction effects between identification and negativity type;  $F(1, 80) = 4.48$ ;

$p < .05$ . This suggests that strong identifiers ( $M = 5.79$ ) in the incompetence domain had higher brand loyalty than weak identifiers ( $M = 4.64$ ). Additionally, in the morality domain, strong identifiers ( $M = 5.70$ ) had higher brand loyalty than weak identifier ( $M = 3.20$ ). Thus, the results indicate that strong identifiers have higher loyalty to the company than weak identifiers when the negative information relates to both competence and morality. Thus, Hypothesis 5f gains a partial support, in only the competence domain but not in the morality domain (See Figure 8).

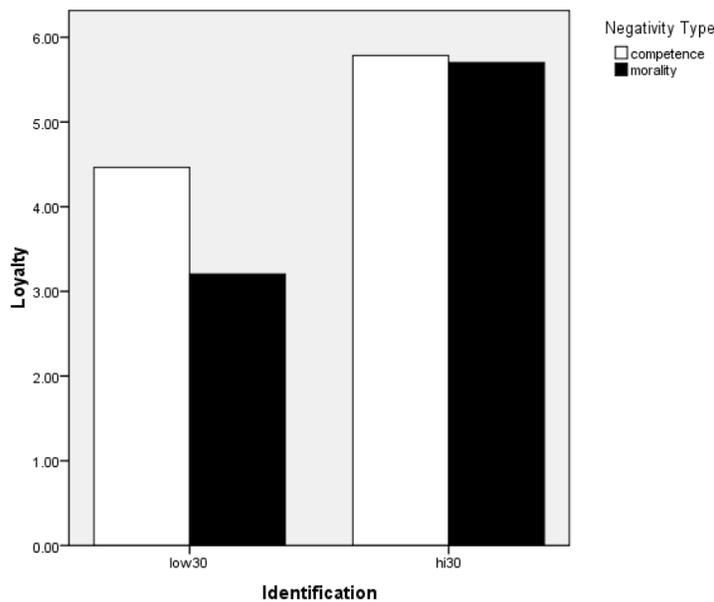


Figure 8: Effects of Identification and Negativity Type on Loyalty (Study 2)

Table 9 summarizes descriptive statistics of the dependent measures according to each level of the independent variables, and the cell means for the dependent measures appear in Table 10.

	<u>Strong Identification</u>		<u>Weak Identification</u>	
	Incompetence <i>M (S.D)</i>	Immorality <i>M (S.D)</i>	Incompetence <i>M (S.D)</i>	Immorality <i>M (S.D)</i>
Altruistic Motive Attribution	5.11 (1.01)	4.74 (1.28)	4.34 (1.11)	3.42 (1.35)
Credibility	5.71 (1.08)	5.13 (1.28)	4.77 (.86)	3.76 (1.37)
Attitude	6.06 (.92)	5.63 (1.23)	5.24 (1.05)	3.76 (1.27)
Purchase Intention	6.39 (.62)	5.84 (1.20)	5.04 (1.21)	4.11 (1.30)
Satisfaction	6.33 (1.05)	6.06 (.95)	5.19 (1.15)	3.84 (1.53)
Loyalty	5.79 (1.30)	5.70 (1.29)	4.46 (1.56)	3.20 (1.47)
n	21	21	21	22

Table 9: Descriptive Statistics of Dependent Variables (Study 2)

	<u>Strong Identification</u>		<u>Weak Identification</u>	
	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>	Incompetence <i>M (S.D.)</i>	Immorality <i>M (S.D.)</i>
Altruistic Motive Attribution	4.91 (.25)	4.79 (.25)	4.42 (.25)	3.50 (.24)
Credibility	5.60 (.26)	5.16 (.25)	4.81 (.25)	3.80 (.25)
Attitude	5.91 (.24)	5.67 (.24)	5.29 (.24)	3.81 (.23)
Purchase Intention	6.26 (.24)	5.88 (.24)	5.09 (.24)	4.16 (.23)
Satisfaction	6.23	6.09	5.23	3.89

	(.27)	(.26)	(.26)	(.25)
Loyalty	5.68 (.32)	5.73 (.31)	4.50 (.31)	3.24 (.30)
n	21	21	21	22

*Note:* Mean scores are based on a scale of 1 to 7

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Table 10: Dependent Measures as Identification and Negativity Type (Study 2)

***Mediating Role of Altruistic Motives, Corporate Credibility, and Attitude***

With the same process as Study 1, Hypothesis 6 examines the causal relationship among the dependent variables of consumers' responses toward the company depending on the negative information type and consumer-company identification. Thus, step-down analysis tested the causal order of the dependent variables and the mediating roles of attributing altruistic motives, corporate credibility, and attitude. The first step tested the effects of negative information type and level of identification on attribution of corporate altruistic motives. The second step tested the effects of negative information type and level of identification on consumers' perceptions of corporate credibility, with the effects of attribution of altruistic motives covaried out. The third step assessed the effects of negative information type and level of identification on consumers' attitudes toward the company while controlling for the effects of the two preceding variables (i.e., altruistic motives and corporate credibility). The last step tested the effects of negative information type and identification level on consumers' purchase intentions, with the effects of attributing altruistic motives, credibility, and attitude covaried out.

The results of the first step show that the types of negative information and identification produced significant effects on consumers' perceptions of corporate altruistic motives for previous CSR initiatives ( $p < .001$ ). Next, altruistic motive attribution had significant effects on corporate credibility in the second step, which, in turn, allowed corporate credibility to appear to be the only variable that significantly influenced consumer attitudes toward the company (effects of negative information type and issue congruence, and attribution of altruistic motives on consumers' attitudes toward the company became non-significant in the third step;  $p > .1$ ), indicating significant mediating roles of both altruistic motives assessments and corporate credibility. However, altruistic motive attribution on company attitudes became significant in the third step, ( $p < .5$ ). Thus, attribution of altruistic motives also has a partial mediating role on attitude toward the company. Finally, attitude had a significant effect on purchase intention with no significant attribution of altruistic motives ( $p > .1$ ). However, credibility also appeared to be a significant variable on purchase intention, thus indicating that credibility and attitude are both significant mediating roles between attribution of altruistic motives and purchase intention (see Figure 7). Thus, the results support the mediation model of attribution of altruistic motives, credibility, and attitude, thereby confirming H6 (Table 7 summarizes the step-down analysis results.)

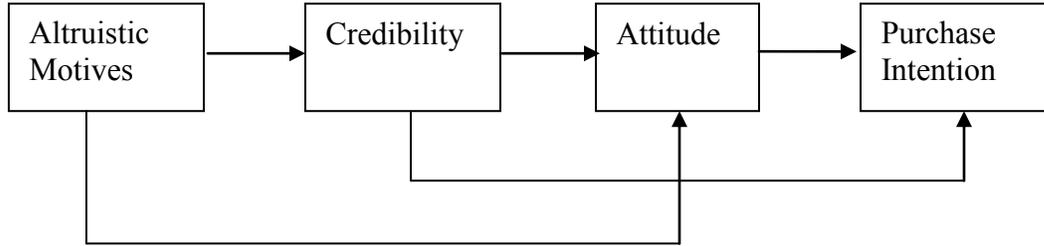


Figure 7: Relationships among Altruistic Motive Attribution, Credibility, Attitude, and Purchase Intention (Study 2)

Variable Ordering	Sources of variation	Univariate <i>F</i>	<i>P</i>	Step-down <i>F</i>	<i>P</i>
1. Altruism	ID	12.428	.001		
	T	5.042	.027		
	ID x T	2.269	.136		
2. Credibility	Altruism			58.903	.000
	ID	18.137	.000	5.701	.019
	T	8.225	.005	3.180	.078
	ID x T	1.299	.258	.040	.841
3. Attitude	Altruism			5.346	.023
	Credibility			15.569	.000
	ID	26.826	.000	7.510	.008
	T	12.940	.001	4.538	.036
	ID x T	6.719	.011	4.673	.034
4. PI	Altruism			3.380	.070
	Credibility			10.119	.002
	Attitude			50.357	.000
	ID	36.661	.000	6.869	.011
	T	7.426	.008	.055	.816
	ID x T	1.327	.253	.979	.326

*Note:* Altruism = Altruistic Motive; Credibility = Corporate Credibility; Attitude = Attitude toward the Company, PI = Purchase Intention toward the Product from the Company, ID = Identification (strong versus weak), T = Type of Negative Information (Incompetence versus Immorality).

Table 11: Univariate and Step-Down *F* Tests: Negative Information Type and Issue Relatedness Effects on Altruism, Credibility, Attitude, and Purchase Intention (Study 2)

Finally, Table 12 provides a summary of the results of the hypothesis tests in Study 2. Nine hypotheses received full or partial support while the other hypotheses remain unsupported.

<b>IVs</b>	<b>DVs</b>	<b>Method</b>	<b>Result</b>	
Identification	H4a	Altruistic Motive	2x2	Supported
	H4b	Credibility	ANCOVA	Supported
	H4c	Attitude		Supported
	H4d	Purchase Intention		Supported
	H4e	Corporate Satisfaction		Supported
	H4f	Brand Loyalty		Supported
Interaction	H5a	Altruistic Motive		2x2
	H5b	Credibility	ANCOVA	Not Supported
	H5c	Attitude		Partially Supported (Competence; $p < .05$ )
	H5d	Purchase Intention		Not Supported
	H5e	Corporate Satisfaction		Partially Supported (Competence; $p < .01$ )
	H5f	Brand Loyalty		Partially Supported (Competence; $p < .001$ )

Table 12: Summary of Hypothesis Testing (Study 2)

## **Chapter 9: Discussion**

This research examines the effects of a company's previous CSR activities on consumers' responses to a company's suffering a negative event. With increasing consumers' expectations for high product quality and active social responsibility, negative corporate information easily attracts consumers' and media's attentions and thus seriously damages business opportunities and corporate reputations. In this regard, understanding consumers' responses to a corporate crisis is very important for firms, because such knowledge assists firms' retaining or regaining their reputations in such situations. Existing research demonstrated that prior CSR initiatives may provide insurance in the event of a corporate crisis, especially in a product-harm situation (Beker-Olsen, Cudmonre, and Hill 2006; Klein and Dawar 2004). However, a corporate crisis can occur not only in the product-harm domain but also in the morality domain. Thus, to fully investigate the role of CSR, the present research explores situations in which prior CSR initiatives serve as insurance and have a reverse effect. Specifically, distinguishing the types of negative information – a morality-related crisis and a competence-related crisis, this research shows CSR initiatives may not always be an effective buffer to protect a firm's reputation during or after a crisis. Furthermore, the research examines the moderating effects of CSR congruence and consumers' identification with firms in morality-related and competence-related crisis situations.

### **The Type of Negative Information and Issue Congruence**

The primary goal of Study 1 is to examine the key role of the types of negative information, which determine CSRs' effects in the context of a corporate crisis. The findings of the study indicated that a firm's prior CSR initiatives may not be able to prevent consumers' negative responses toward the company when the company is undergoing a morality crisis. Consumers attributed less altruistic motives to CSR initiatives and thus were likely to have more negative attitudes toward the firm when the firm faced a moral crisis rather than a competence-related crisis.

These results imply that if a firm, previously participating in CSR initiatives, encounters a moral crisis, the morality-related negative information provides more diagnostic cues to consumers than does a firm's competence-related crisis due to the salient contradiction between a firm's prior CSR initiatives and its transgression in a moral domain. Thus, consumers may question the firm's motives for participating in CSR activities, and the questioning triggers skepticism leading to negative attitudes toward the firm. Consequently, these findings suggest a new aspect for CSR effects in crises. While many firms participate in CSR initiatives from a desire to gain the perception of altruism, these efforts may not always result in positive outcomes for such factors as consumers' beliefs, corporate credibility, attitude, and purchase intention, especially when firms confront morality crises.

In addition, Study 1 tests the effects of issue congruence between the negative information and the social causes of CSR initiatives. Interestingly, the results show the existence of both significant main and interactional effects of issue congruence and the

type of negativity. In other words, when the issue of negative information is congruent with a firm's previous involvement in a CSR's social cause, consumers ascribed less altruistic motives for the firm's CSR involvement, lower corporate credibility, less favorable attitude toward the company, and lower purchase intention. Moreover, when the negative issue in the moral domain is congruent with a firm's CSR issue, the least favorable responses were apparent. The findings of Study 1 confirm that issue congruence between the CSR's social cause and the negative information from a moral crisis creates greater inconsistency in consumers' expectations for the firm and the firm's actual actions than from a competence-related crisis. That is, in the moral domain, a company's transgression gains the perception of being an obvious violation of the company's protected values (i.e., the cause of the company's CSR initiative) and thus consumers may perceive that the company pursues other values (e.g., self-serving) at the cost of a supposedly sacred value.

Therefore, when the issue congruence is in moral domain, consumers experience more difficulty in attributing altruistic motives toward the firm's CSR initiatives. Furthermore, the lack of consistency between prior expectations (i.e., a firm's CSR initiatives) and new information (i.e., a negative event in the moral domain) diminish attitudes toward the CSR initiatives and the firm (Forehand and Grier 2003; Menon and Kahn 2003). Thus, apparently, a firm encounters more difficulty in protecting itself or avoiding potential reputational damage, especially from a moral crisis than from a product-harm crisis when a firm previously participated in CSR initiatives.

## **Consumer-Company Identification**

Study 2 examines consumer–company identification, which is one of the significant individual characteristic factors that influence consumers’ processing CSR information in corporate crisis settings. The results of this study show that consumer–company identification helps protect the company from consumers’ negative associations from a negative event: When strong identification exists between consumer and company, the association generates attribution for more altruistic motives regarding CSR initiatives, more credibility, favorable attitudes toward the company, and purchase intentions in a corporate crisis context. The findings suggest that consumers, strongly identifying with the company, may process even negative information in a positive manner in order to protect self-defining beliefs and meanings derived from the relationship with a company. Thus, in a corporate crisis situation, strongly identified consumers may perceive and interpret the firm’s negative information less negatively than do weakly identified consumers, which suggest that firms need to initiate diverse activities to increase consumers’ identification.

In addition, Study 2 examines the interaction effects of identification and negativity type and reveals partial interaction effects on consumer attitudes toward the company. In a competence-related crisis, as expected, strong identifiers with the company had more positive attitudes toward the company than weakly identified consumers. In terms of the effects of identification in a moral crisis, the proposed hypothesis suggested the presence of no difference between strong and weak identifiers in a company’s

evaluation since even strong identifiers may have difficulty tolerating a company's moral corruption. However, similar to the competence-related crisis, the results of the study show that strong identifiers are more resilient regarding negative information even in the morality domain and thus had a more favorable attitude toward the company than weakly identified consumers. The findings of the study suggest that strong identification is more effective in both competence and morality related crises than weak identification.

### **Implications, Limitations and Future Research**

This dissertation contributes to CSR literature by revealing potential negative as well as positive impacts from firms' prior CSR initiatives on consumers' responses to firms' negative events. Furthermore, this study advances issue congruence (the social cause – the negative information) and consumer-company identification literature by showing how these factors determine CSR effectiveness in the context of corporate crises situations.

Theoretically, this study extends attribution theory by suggesting that consumers' attribution of a firm's CSR motives might be the main underlying reason of the negative effect of CSR initiatives during a corporate crisis. Previous research in CSR literature established that consumers care about and respond to the motives for companies' CSR initiatives (Dean 2004; Mohr and Webb 2001; Rifon et al. 2004; Sen and Bhattacharya 2006; Yoon et al. 2006). Other studies examined consumer attribution for firm's motives in product-harm crisis settings. For example, Klein and Dawar (2004) found that a firm's prior negligent CSR involvement affects consumer's attributions for firm's CSR motives

regarding a firm's product-related crisis and leads to blame for that firm. Additionally, Becker-Olsen, Cudmore, and Hill (2006) found that the timing of CSR before or after a product-related crisis provides cues as to the firm's motivations. By applying attribution theory to different types of corporate crisis settings, the findings of the present research suggest that consumer judgment of a firm's motives for prior CSR initiatives play an important role in consumers' responses to the firm in a corporate crisis situation, and consumers tend to doubt the firm's motives more in a moral crisis than in a product-harm crisis.

Consistent with previous studies (Becker-Olsen, Cudmore, and Hill 2006; Folkes 1984; Rifon et al. 2004), the current study confirms the malleable and subjective characteristics of attributions. While CSR initiatives may seem to be altruistic and public-serving actions, consumers' perceptions of the underlying motives for firms' CSR initiatives are fluid and depend on prior consumers' beliefs or present situations. Thus, instead of the CSR activity itself, consumers' perceptions of the underlying motivations for the firm's CSR initiative may influence evaluations of the CSR initiative and the firm. In addition, consumers' attributions have a domino effect on evaluations of a company, suggesting that attributions can have enduring effects on consumers' behavior (Klein and Dawar 2004; Rifon et al. 2004). The results of the present study also confirm that consumers' judgments of a firm's motives for CSR initiatives may translate into other responses, such as attitudes toward the firm during its crisis.

Suggesting the importance of a new dimension of congruence (i.e., congruence between CSR initiatives and issue of negative event) is another significant implication of this dissertation. Previous research mainly focused on company-cause congruence and thus multidimensionality of congruence has been overlooked (Kim and Choi 2009; Menon and Kahn 2003; Lichtenstein, Drumwright, and Braig 2004; Rifon et al. 2004). In this regard, this dissertation extends understanding of congruence's effects on consumers' attributions by examining when the issue of a firm's negative information closely relates to the cause sponsored by the firm through a CSR campaign. Findings of this research demonstrate the importance of congruence in this new dimension by showing how the issue of congruence between the CSR's social cause and the negative information influences consumers' attributions of a firm's motives for CSR initiatives, corporate credibility, and subsequently attitudes toward the company and purchase intentions.

In addition, a theoretical contribution of this research lies in highlighting the role of the company-consumer identification in different types of corporate crises situations, competence- and morality-related crises. Previous research suggested that consumers' perceived corporate CSR engagement positively affects consumer-company identification (Einwiller et al. 2006; Lichtenstein, Drumwright and Braig 2004; Sen and Bhattacharya 2001), which positively affects consumers' evaluations of the company. While a firm's CSR initiatives is one of the most important factors for consumer-company identification, many other factors influence consumer-company identification, such as a company's core values (e.g., mission, leadership) and demographic characteristics (e.g., industry, size,

age, competitive position, geographic location, country of origin) (Bhattacharya and Sen 2003). Given that, this research investigates the effects of consumer identification using a real company, and demonstrates, realistically, how a consumer-company bond affects consumers' responses toward the company in a crisis situation. Findings of this study suggest that consumers, strongly identified with the company, tend to perceive the motive of a firm's CSR initiatives as more altruistic and are more generous toward the firm's negative events than weakly identified consumers. In addition, this buffering effect of identification on consumers' evaluations of the company and the relationships (i.e., satisfaction and brand loyalty) may operate within not only a product-harm crisis but also a moral crisis for consumers who strongly identify with the company.

From a managerial perspective, this study has important implications for companies in today's business world. The findings of the study confirm that companies' CSR initiatives help to protect companies' reputations from the impact of negative information, especially when the company's negative event relates to competence as compared to morality. More interestingly, however, this buffering effect significantly diminishes and even reverses if a company's involvement is a negative event which has a congruent issue with the CSR's social cause previously supported by the company. Given the issue congruence effects on consumers' attribution for a firm's motives for CSR initiatives, an important aspect for companies is support for social causes since failures to do that may significantly deteriorate companies' reputations and images. Thus, when companies participate in CSR initiatives, they need to show genuine and sincere efforts

for the social causes they support by avoiding any potential negative events in the same domain that their CSR initiative supports. Also, the potential critical effects of issue congruence and the negativity type provide some benefits for companies to devise assorted corporate response strategies when the company does face a crisis.

In addition, companies should focus on strategies that encourage strong identification with the company, thereby protecting the company's reputation from the impact of a potential corporate crisis. Previous research suggested that strategies that encourage consumers' identification with a firm before the advent of a corporate crisis is more valuable in reducing consumers' skepticism than similar strategies implemented after the crisis (Einwiller et al. 2006). Findings of this study show that strong identification serves as a buffer more effectively by diminishing consumers' negative responses than weak identification, regardless of negative event types. Thus, marketers should highlight the aspects of the company's identity that appeal to consumers' and stakeholders' beliefs and ensure that corporate communications build the connection between the firm's identity and consumers. However, executing such strategies require care. In general, facilitating consumer-company identification is not only costly but also potentially limits a company's strategic freedom because a firms' strategic decisions might be constrained by such identification. Thus, before formulating and implementing an identification building strategy, marketers must ascertain whether or not and how they actually want consumers to identify with the company through a clear cost-benefit analysis (Bhattacharya and Sen 2003).

As with any other experimental studies, this study has internal and external validity concerns. The first study of this research used a fictitious company and subjects received relatively little information about the company. While the use of a fictitious brand allows this study to control the manipulation of congruence and covariance effects, the technique restricts the external validity. In fact, the second study uses a real brand to improve external validity in comparison to the findings of the first study. However, using real companies may threaten internal validity. While a series of pretests selected a real company selected through measuring company familiarity and experience, controlled in the statistical analyses, the possibility remains that an unaccounted difference in the two conditions may have affected the results.

In examining a boundary effect of identification in terms of negativity type, this study is unable to find empirical support for the existence of a breaking point when the negative information is from the moral domain. The present study expected that even moderately negative information in the moral dimension might lead to more negative reactions from strong identifiers than from weak identifiers since the assumption is that consumers identify with an organization based on a company's core values, including CSR initiatives. However, other factors might exist that affect consumer-company identification in reality. Thus, future research should comprehensively account for other factors in order to gain a better understanding of the consumer-company identification effect.

In addition, this experimental study considers a moderate degree of negative information in examining the effects of identification. However, prior research indicated that extreme information has the perception of being more diagnostic than moderate information, and therefore, has more weight in overall evaluations (Fiske 1980). Thus, while the boundary effects of the type of negative information did not appear from moderately negative information in this study, extremely negative information might provide a boundary condition for this study's findings. Therefore, manipulating multiple degrees of negative information and examining consumers' responses to the degrees of negative information in both product-harm and moral crises situations might be valuable.

This study explores the effect of a new dimension of congruence in the context of a company's crisis. An interesting investigation might involve the opposite situation – the company's involvement in CSR after a corporate crisis. This issue particularly relates to the concept of moral cleansing, that is, behaviors and thoughts directed toward reaffirming one's sense of self as a good person (Steele 1988; Tetlock et al. 2000). When a company engages in this symbolic act of moral cleansing, do consumers evaluate the company negatively (e.g., whether they would assign higher blame to the company) or positively (e.g., whether they would give credit to the company's effort to make amends)? Addressing these questions will significantly expand the ideas suggested in the current study and contribute to CSR literature.

Another fruitful area of research would be examining the effects of CSR for nonprofit organizations that collaborate with a company experiencing a crisis. Nonprofit

organizations could benefit from their partnership companies, which support CSR since consumers' identifications with the company leads consumers to have positive attitudes toward associated nonprofits (Lichtenstein, Drumwright and Braig 2004). However, when associated companies become embroiled in negative events, nonprofits can also suffer from deteriorated reputations because the association can transfer the negative image of the company to the nonprofit organization. Thus, studying this potential negative effect on associated organizations is also an important and interesting research area.

Future research should also examine consumers' emotional responses to CSR's effects in the context of a corporate crisis. The focus in the current study is on the cognitive processes of attribution influenced by perceptions of CSR in corporate crises situations. However, it is also important knowing whether or not consumers express emotional responses such as feeling angry, betrayed, and/or the perception of an owed apology from the company. Moreover, these feelings could appear in other behaviors, such as complaining, negative word-of-mouth, price sensitivity, and purchase intentions (Bloemer, Ruyter, and Wetzels 1998; Folkes 1984). These issues remain promising avenues for future research.

## Appendices

### Appendix A: Study 1 Instruments

#### PRETEST 1 SCENARIO

##### 1. Incompetence Condition 1

***Company X Tied to Slow Leak Problem:*** There have been several hundred reports of slow leak problems linked to Company X's tire valve, which is designed to keep the tires at normal pressure levels. It has been found that the leaks are mainly due to a major design flaw in the manufacturing process of a particular model of tires, ATX II. When tires have faulty tire valves, a cracked, deteriorated rubber valve stem allows air loss and can cause a serious accident at high speeds. Thus, Company X announced a voluntary recall of all ATX II tires produced in North America due to safety concerns. This problem resulted in inconvenience to the customers of Company X to either replace the tire valves or get them patched.

##### 2. Incompetence Condition 2

***Company X Launches Nationwide Tire Recall:*** Company X has announced a widespread recall of 1.3 million tires with an uneven tire wear problem. Since last fall, more than 1,000 cases of uneven tire wear have been reported. Due to a major design flaw in the manufacturing process, a particular model of tires, K117 OEM, has a rear wheel geometry and alignment problem, leading to uneven tire wear. Uneven tire wear wastes gas and can create deadly driving situations. U.S. state and federal investigators have joined in the investigation, and they believe this latest recall may still not be a complete fix of the problem of uneven tire wear.

##### 3. Immorality Condition 1

***Company X Criticized for Improperly Discarding Tires:*** Recently, Company X confronted serious public criticism and government scrutiny for dumping used tires in some developing countries. According to research delving into the tires' durability and the resistance to deterioration, these tires will not be decomposed into the soil even after 100 years. Discarded used tires can cause serious environmental issues because they do not decompose easily and increase the risk of fires affecting the air with toxic fumes. It has been disclosed that the executives of Company X conspired to improperly dispose of used tires in some developing countries in order to reduce costs.

##### 4. Immorality Condition 2

***Company X Confronts Worker Health Concerns:*** Recently, Company X confronted serious public criticism and government scrutiny of its workers' health concerns due to unsound safety practices during the manufacturing of its tire products. Over the last 5 years, there have been reported more than 30 cases of respiratory disease among employees of the company. Occupational Safety and Health Administration officials have raised concerns that the use of highly toxic chemicals at a Company X factory may cause respiratory disease among workers. However, the company has refused to implement any additional safety inspections, saying that such inspections would interfere with its business.

## **PRETEST 1 QUESTIONNAIRE**

### **Instructions**

Welcome and thank you for participating in the study.

In this study, we are interested in finding out what consumers think about different incidents involving a company. First, we will ask you to read a short paragraph about the company. Then, you will be asked to read FOUR news articles reporting different events the company was previously involved in, and then answer a series of questions gauging your response to each of the news stories. Please read each question carefully. All of the information you provide will be kept confidential and will not be used to identify you individually.

Please click on the Continue (>>) button below to start the study.

(Next Page)

### About Company X

The following information is about a real, well-known **TIRE** company that has been in business for many decades. For the purpose of this study, we will call the company Company X.

(Next Page)

This is a recent news article about Company X. Please read this carefully and answer the following questions about your reaction to the news article.

*[Show Scenario]*

## Section 1

1. What thoughts or feelings went through your mind when you read this news article?  
Please write down any of your thoughts or feelings about the news article.

### Intensity of Negative Information

2. After reading the news article, how do you feel about the incident reported in the article? Please click the number that best represents your feelings towards the event the company was involved in.

Serious	1	2	3	4	5	6	7	Trivial
Significant	1	2	3	4	5	6	7	Insignificant
Important	1	2	3	4	5	6	7	Unimportant
Negative	1	2	3	4	5	6	7	Positive

### Plausibility of Negative Information

3. I felt that the news article was:

Not plausible	1	2	3	4	5	6	7	Plausible
Not credible	1	2	3	4	5	6	7	Credible
Didn't make sense	1	2	3	4	5	6	7	Did make sense

### Negative Information Type: Incompetence vs. Immorality

4. The event presented in the article was a:

Morality- Related Event	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	Competence- Related Event
	1		2		3		4		5		6		7					

Negative Information Type: Incompetence vs. Immorality

5. What do you think about the company information you just read? Please select the corresponding number that adequately describes your thoughts about the company for each of the following items.

	Strongly Disagree												Strongly Agree
1. This company has product quality issues.	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____
	1		2		3		4		5		6		7
2. This company has some problems with its ethical practices.	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____
	1		2		3		4		5		6		7
3. This company has some problems with its performance.	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____
	1		2		3		4		5		6		7
4. This company's negative information is related to its poor management.	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____
	1		2		3		4		5		6		7
5. The negative information about this company is related to its deceitfulness.	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____
	1		2		3		4		5		6		7
6. This company does not care about moral issues.	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____
	1		2		3		4		5		6		7

**Section 2**

Demographic Information

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior

2. Age: \_\_\_\_\_

3. Major: \_\_\_\_\_

4. Gender: Male  Female

5. Ethnicity: Caucasian  African American  Asian American

Hispanic American  Multiracial  International  Other

6. Do you own a car? Yes  No

7. Do you drive? Yes  No

Thank you very much for your participation!

## **PRETEST 2 SCENARIOS**

### Company Introduction

#### 1. Cause 1 – Tire Safety Education

Company X, a tire company, had net profits of 20 million dollars last year. This company supports socially responsible activities about safe driving. Thus, Company X organized a program whereby it donates .5% of its net profit to this cause. Thus, multiplying the net profit amount by the percentage earmarked for the cause, the company donated \$100,000 in cash last year. This money was spent helping to provide safe driving program to young people.

#### 2. Cause 2 – Environmental Protection

Company X, a tire company, had net profits of 20 million dollars last year. This company supports socially responsible activities about environmental protection. Thus, Company X organized a program whereby it donates .5% of its net profit to this cause. Thus, multiplying the net profit amount by the percentage earmarked for the cause, the company donated \$100,000 in cash last year. This money was spent to help increasing public awareness and education about environmental issues.

#### 3. Cause 3 – Fight gainst Cancer

Company X, a tire company, had net profits of 20 million dollars last year. This company supports socially responsible activities about fighting cancer. Thus, Company X organized a program whereby it donates .5% of its net profit to this cause. Thus,

multiplying the net profit amount by the percentage earmarked for the cause, the company donated \$100,000 in cash last year. This money was spent helping to increase awareness of cancer and promote a healthy lifestyle.

## **PRETEST 2 QUESTIONNAIRE**

### **Instructions**

Welcome and thank you for participating in the study.

In this study, we are interested in finding out what consumers think about a company and its supporting cause. First, we will ask you to read a short paragraph about the company. Then, you will be asked to answer a series of questions gauging your response to the news story. Please read each question carefully. All of the information you provide will be kept confidential and will not be used to identify you individually.

Please click on the Continue button (>>) below to start the study.

(Next Page)

### About Company X

The following information is about a real, well-known **TIRE** company that has been in business for many decades. For the purpose of this study, we will call the company Company X.

(Next Page)

Please read carefully a description of Company X below, and answer the following questions about your reaction to the news article.

*[Show Scenario]*

### **Section 1**

#### The Perceived Importance of the Cause

1. Please check the proper number that best reflected your overall feelings toward the cause.

The cause for “(Environmental Protection)” is ...  
 The cause for “(Tire Safety Education)” is ...  
 The cause for “(Fighting Cancer)” is ...

unimportant to me	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	important to me
	1		2		3		4		5		6		7	
means nothing to me	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	means a lot to me
	1		2		3		4		5		6		7	
is personally relevant	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	is irrelevant to me
	1		2		3		4		5		6		7	
doesn't matter a great deal to me	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	does matter a great deal to me
	1		2		3		4		5		6		7	
is of no concern to me	_____	:	_____	:	_____	:	_____	:	_____	:	_____	:	_____	is of great concern to me
	1		2		3		4		5		6		7	

Congruence between the Negative Information and the Company

2. What do you think about the relationship between Company X (Tire Company) and the cause of the company's socially responsible activities (Environmental Protection/ Tire Safety Education/Fighting Cancer)? For the following questions, please select the number consistent with your opinion.

	Strongly Agree	Strongly Disagree
1. Company X is logically related to the cause.	_____	_____
	1 2 3 4 5 6 7	1 2 3 4 5 6 7
2. The cause is a fit with consumers of Company X.	_____	_____
	1 2 3 4 5 6 7	1 2 3 4 5 6 7
3. It is strange to see the company sponsoring this cause.	_____	_____
	1 2 3 4 5 6 7	1 2 3 4 5 6 7
4. The cause is similar to Company X.	_____	_____
	1 2 3 4 5 6 7	1 2 3 4 5 6 7

1 2 3 4 5 6 7

5. Overall, the cause and the company are closely matched.

\_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1 2 3 4 5 6 7

## Section 2

### Demographic Information

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior

2. Age: \_\_\_\_\_

3. Major: \_\_\_\_\_

4. Gender: Male  Female

5. Ethnicity: Caucasian  African American  Asian American

Hispanic American  Multiracial  International  Other

6. Do you own a car? Yes  No

7. Do you drive? Yes  No

Thank you very much for your participation!

## PRETEST 3 SCENARIOS

### Company Introduction

1. Tire Safety Education: Issue-Related CSR with Competence

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained

specialists in sales, marketing, finance, communications, and human resources. In addition, Company X is committed to socially responsible activities related to tire safety education in local communities. This tire safety program informs drivers about various techniques that ensure the safety and protection of tires, including proper inflation, keeping tires balanced, and rotating tires to avoid uneven tread wear.

## 2. Environmental Protection: Issue-Related CSR with Morality

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained specialists in sales, marketing, finance, communications, and human resources. In addition, Company X is committed to socially responsible activities related to environmental protection. Environmental activities include minimizing waste and emissions, reusing and recycling materials, and responsibly managing energy use.

## 3. Fight against Cancer: No Issue-Relatedness

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained specialists in sales, marketing, finance, communications, and human resources. In addition, Company X is committed to socially responsible activities related to fighting cancer. Cancer support initiatives include educational programs promoting cancer prevention and a healthy lifestyle, funding for a cancer research center, and sponsorship of cancer awareness events.

## Newspaper Article about the Company

### 1. Newspaper Article 1 (Incompetence)

Recently, Company X confronted government scrutiny for its uneven tire wear problem. According to Consumer Reports, since last fall, more than 1,000 cases of uneven tire wear have been reported regarding Company X. Due to a major design flaw in the manufacturing process, a particular model of tires, K117 OEM, had a rear wheel geometry and alignment problem, leading to uneven tire wear. Uneven tire wear wastes gas and can create deadly driving situations. Currently, state and federal investigators have joined in the investigation of the uneven tire wear problem of Company X.

### 2. Newspaper Article 2 (Immorality)

Recently, Company X confronted government scrutiny for dumping used tires in some developing countries. According to Consumer Reports, since last fall, thousands of discarded tires that were found in some developing countries were reported to be products of Company X. While company executives were aware of the tire dumping, in order to reduce costs, they did not take any action to resolve the problem. Discarded used tires can cause serious environmental issues because they do not decompose easily and can increase the risk of fires polluting the air with toxic fumes. Currently, state and federal investigators have joined in the investigation of the problem of improperly disposed tires by Company X.

### **PRETEST 3 QUESTIONNAIRE**

#### **Instructions**

Welcome and thank you for participating in the study.

In this study, we are interested in finding out what consumers think about different incidents involving a company. First, we will ask you to read a short paragraph about the company. Then, you will be asked to read news article reporting an event the company was previously involved in, and then answer a series of questions gauging your response to the news story. Please read each question carefully. All of the information you provide will be kept confidential and will not be used to identify you individually.

Please click on the Continue button (>>) below to start the study.

(Next Page)

The following information is about a real, well-known TIRE company that has been in business for many decades. For the purpose of this study, we will call it Company X.

*[Show Information about Company X]*

(Next Page)

This is a recent news article about Company X. Please read this carefully and answer the following questions about your reaction to the news article.

*[Show Scenario]*

## Section 1

1. What thoughts or feelings went through your mind when you read this news article?  
Please write down any of your thoughts or feelings about the news article.

### Intensity of Negative Information

2. After reading the news article, how do you feel about the incident reported in the article? Please click the number that best represents your feelings towards the event the company was involved in.

Serious	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Trivial
Significant	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Insignificant
Important	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Unimportant
Negative	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Positive

### Plausibility of Negative Information

3. I felt that the news article was:

Not plausible	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Plausible
Not credible	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Credible
Didn't make sense	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Did make sense

### Negative Information Type: Incompetence vs. Immorality

4. The event presented in the article was a:

Morality- Related Event	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1            2            3            4            5            6            7	Competence- Related Event
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### Negative Information Type: Incompetence vs. Immorality

5. What do you think about the company information you just read? Please select the corresponding number that adequately describes your thoughts about the company for each of the following items.

	Strongly Disagree						Strongly Agree
1. This company has product quality issues.	_____	:	_____	:	_____	:	_____
	1		2		3		4
			5		6		7
2. This company has some problems with its ethical practices.	_____	:	_____	:	_____	:	_____
	1		2		3		4
			5		6		7
3. This company has some problems with its performance.	_____	:	_____	:	_____	:	_____
	1		2		3		4
			5		6		7
4. This company's negative information is related to its poor management.	_____	:	_____	:	_____	:	_____
	1		2		3		4
			5		6		7
5. The negative information about this company is related to its deceitfulness.	_____	:	_____	:	_____	:	_____
	1		2		3		4
			5		6		7
6. This company does not care about moral issues.	_____	:	_____	:	_____	:	_____
	1		2		3		4
			5		6		7

The Perceived Importance of the Cause

6. Please check the proper number that best reflected your overall feelings toward the cause.

The cause for “(Environmental Protection)” is ...

The cause for “(Tire Safety Education)” is ...

The cause for “(Fighting Cancer)” is ...

unimportant to me \_\_\_\_\_ important to me

1 2 3 4 5 6 7

means nothing to me \_\_\_\_\_ means a lot to me

1 2 3 4 5 6 7

is personally \_\_\_\_\_ is irrelevant to

relevant	1	2	3	4	5	6	7	me
doesn't matter a great deal to me	_____	:	_____	:	_____	:	_____	does matter a great deal to me
	1		2		3		4	
is of no concern to me	_____	:	_____	:	_____	:	_____	is of great concern to me
	1		2		3		4	

**Issue Congruence between the Negative Information and the Cause**

7. What do you think about the relationship between Company X's scandal (Uneven tire wear problem/Dumping used tires) and the cause of the company's socially responsible activities (Environmental Protection/ Tire Safety Education)? For the following questions, please select the number consistent with your opinion.

	Strongly Disagree		Strongly Agree
1. The issue of the company's scandal is logically related to the cause.	_____	:	_____
	1		2
2. The cause is a fit with the company's scandalous issue.	_____	:	_____
	1		2
3. It is strange to see the company with this scandalous issue sponsoring this cause. (Reversed)	_____	:	_____
	1		2
4. This cause is similar to the company's scandal.	_____	:	_____
	1		2
5. The cause and this company's scandal are closely matched.	_____	:	_____
	1		2

**MAIN STUDY 1: SCENARIOS**

**Company Information**

The following information is about a real, well-known TIRE manufacturer that has been in business for many decades. For the purpose of this study, we will call it Company X.

### 1. Safe Driving Program

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained specialists in sales, marketing, finance, communications, and human resources. In addition, Company X is committed to reducing the rate of fatalities and accidents among young drivers. To promote responsible driving for young people, Company X launched its national safe driving program. The program includes informing young drivers about a variety of critical defensive driving skills and accident avoidance techniques, and helping them understand vehicle dynamics and tire safety and protection.

### 2. Fighting Cancer

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained specialists in sales, marketing, finance, communications, and human resources. In addition, Company X is committed to socially responsible activities related to fighting cancer. Cancer support initiatives include educational programs promoting cancer prevention and a healthy lifestyle, funding for a cancer research center, and sponsorship of cancer awareness events.

### 3. Environmental Protection

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained specialists in sales, marketing, finance, communications, and human resources. In addition, Company X is committed to socially responsible activities related to environmental protection. Environmental activities include minimizing waste and emissions, reusing and recycling materials, and responsibly managing energy use.

### 4. No CSR

Company X is one of the world's largest tire companies. Last year, the company attained the highest revenues and market share among its competitors. Its employees range from world-class development engineers, technicians, and researchers to highly trained specialists in sales, marketing, finance, communications, and human resources.

## **Newspaper Article about the Company**

The following newspaper article is about an incident that Company X was recently involved in. Please read this carefully and answer the following questions about your reaction to the news article.

### 1. Incompetence

Recently, Company X confronted government scrutiny for its uneven tire wear problem. According to Consumer Reports, since last fall, more than one thousand cases of uneven tire wear have been reported regarding Company X. Due to a design flaw in the manufacturing process, a particular model of tires, K117 OEM, had a rear wheel geometry and alignment problem, leading to uneven tire wear. Research conducted by the National Engineering Laboratory showed that uneven tire wear wastes gas and can create deadly driving situations. Currently, state and federal investigators have joined in the investigation of the uneven tire wear problem of Company X.

### 2. Immorality

Recently, Company X confronted government scrutiny for dumping used tires in some developing countries. According to Consumer Reports, since last fall, thousands of discarded tires that were found in some developing countries were reported to be products of Company X. While company executives were aware of the tire dumping, in order to reduce costs, they did not take any action to resolve the problem. Research conducted by the National Chemical Laboratory shows that tires will not decompose into the soil even after 100 years and discarded tires can have hazardous effects on the environment. Currently, state and federal investigators have joined in the investigation of the problem of improperly disposed tires by Company X.

## **MAIN STUDY 1: QUESTIONNAIRE**

### **Consent Form**

You are invited to participate in a survey about understanding consumer attitudes toward a company (IRB Approval Number: [#2011-02-0056]). In this study, we are interested in finding out what consumers think about different incidents involving a company. The study is being conducted by Sejung Marina Choi, Ph.D. (Professor, Tel: 512-471-3359, Email: marina@mail.utexas.edu) and Yoojung Kim (Doctoral Candidate, Tel: 814-404-7041, Email: yoojungk@mail.utexas.edu), Department of Advertising, College of Communication, The University of Texas at Austin, 1 University Station A1200, Austin, TX 78712-1092.

The purpose of this study is to examine how consumers respond to the company after reading a news article. We estimate that it will take no more than 20 minutes of your time to complete the questionnaire. You are free to contact the investigators at the above address and phone numbers to discuss the survey.

Risks to participants are considered minimal. There will be no costs for participating, nor will you benefit from participating. Identification numbers associated with email addresses will be kept during the data collection phase for tracking purposes only. A limited number of research team members will have access to the data during data collection. This information will be stripped from the final dataset.

Your participation in this survey is voluntary. You may decline to answer any questions and you have the right to withdraw from participation at any time without penalty. If you wish to withdraw from the study or have any questions, contact the investigator listed above.

You can choose one of several studies, including this study, offered to the Texas Advertising Participant Pool to obtain course credits as specified in your course syllabus. Thus, if you agree to take part in this study, you will gain the Advertising Participant Pool course credit that your instructor informed you earlier in the course syllabus.

If you have any questions or would like us to update your email address, please send an email to [yoojungk@mail.utexas.edu](mailto:yoojungk@mail.utexas.edu). This study has been reviewed and approved by The University of Texas at Austin Institutional Review Board. If you have questions about your rights as a study participant, or are dissatisfied at any time with any aspect of this study, you may contact - anonymously, if you wish - the Institutional Review Board by phone at (512) 471-8871 or email at [orsc@uts.cc.utexas.edu](mailto:orsc@uts.cc.utexas.edu).

If you agree to participate, please press the arrow button at the bottom right of the screen.

(Next Page)

### **Instructions**

Welcome and thank you for participating in the study.

In this study, we are interested in finding out what consumers think about different incidents involving a company. 1) First, we will ask you to read a short paragraph about the company. 2) Then, you will be asked to read a news article reporting an event the company was recently involved in, 3) and then answer a series of questions gauging your response to the news story. Please read each question carefully. All of the information you provide will be kept confidential and will not be used to identify you individually.

Please click on the Continue button (>>) below to start the study.

(Next Page)

The following information is about a real, well-known TIRE manufacturer that has been in business for many decades. For the purpose of this study, we will call it Company X.

*[Show Information about Company X]*

(Next Page)

The following newspaper article is about an incident that Company X was recently involved in. Please read this carefully and answer the following questions about your reaction to the news article.

*[Show Scenario]*

### **Section 1**

In this section, we would like to learn about your perceptions of and attitudes toward Company X. Please carefully read and answer each of the following questions.

#### Purchase intentions

1. For the following questions, please select the number consistent with your opinion

1. How likely would you buy a product from Company X?"

Unlikely     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Likely

2. How interested are you in buying a product from Company X?

Uninterested     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Interested

3. What are your impressions of the product from Company X?

Bad     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Good

4. If a friend asked you for advice about a product from Company X, how likely would it be that you recommended this company to him or her?"

Unlikely     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Likely

Attitude toward the company and Corporate Credibility

2. What do you think about Company X? For the following questions, please select the numbers that best represent your opinion.

Unfavorable     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Favorable

Negative     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Positive

Bad     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Good

Not likable     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Likable

Unpleasant     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Pleasant

Dishonest     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Honest

Not Dependable     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Dependable

Not Trustworthy     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Trustworthy

Not Credible     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Credible

Unconvincing     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Convincing

Unbelievable     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Believable

Biased     $\frac{\quad}{1} \quad \frac{\quad}{2} \quad \frac{\quad}{3} \quad \frac{\quad}{4} \quad \frac{\quad}{5} \quad \frac{\quad}{6} \quad \frac{\quad}{7}$     Unbiased

Altruistic Motive Attribution

3. You read about Company X’s support for (Environmental Protection/ Safe Driving/ Fighting Cancer) in the introduction.

Below is a list of statements that describe your beliefs about the reasons for the company’s support for the cause. Please read them carefully and check the answers that most accurately reflect your opinions.

	Strongly Disagree						Strongly Agree
1. Company X supported this cause because ultimately they cared about their customers.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
2. Company X sincerely cared about consumers when it supported this cause.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
3. Company X was genuinely concerned about consumer welfare.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
4. Company X really cared about getting this social issue information to their customers.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
5. Company X supported this cause because it was morally the “right” thing to do.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
6. Company X believed in philanthropy and giving generously to worthy social causes.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
7. Company X had genuine concerns for this cause when it supported this nonprofit foundation.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7

## Section 2

You learned about Company X’s scandal from the news article you read. Now, we are interested in your feelings about the event Company X was recently involved in.

### Intensity of the Negative Information

1. After reading the news article, what do you think about the incident, Company X’s involvement in (uneven tire wear problem/ dumping used tires)? Please click the number that best represents your thoughts.

The incident was...		
Serious	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Trivial
Significant	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Insignificant
Important	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Unimportant
Negative	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Positive

Plausibility of the Negative Information

2. Now, please indicate what you think about the news article itself.

I felt that the news article was...		
Not plausible	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Plausible
Not credible	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Credible
Didn't make sense	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Did make sense

Negative Information Type

3. After reading the news article, what do you think about the incident, Company X's involvement in (uneven tire wear problem/ dumping used tires)? Please click the number that best represents your thoughts.

The incident was...		
Morality-Related Event	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	Competence- Related Event

Negative Information Type

4. Below we'd like to know more about your thoughts on Company X after learning about the incident from the news article. Please select the number that adequately describes your thoughts about the company for each of the following items.

	Strongly Disagree			Strongly Agree			
1. This company has product quality issues.	1	2	3	4	5	6	7
2. This company has some problems with its ethical practices.	1	2	3	4	5	6	7
3. This company has some problems with its performance.	1	2	3	4	5	6	7
4. This company's scandal is related to its poor management.	1	2	3	4	5	6	7
5. The scandal of this company is related to its deceitfulness.	1	2	3	4	5	6	7
6. This company does not care about moral issues.	1	2	3	4	5	6	7

### Section 3

From the company introduction, you learned that Company X has supported (Environmental Protection/ Safe Driving/ Fighting Cancer).

#### Issue Congruence between the Cause and the Negative Information

1. Now, we'd like to see what you think about the relationship between Company X's scandalous issue (Uneven tire wear problem/Dumping used tires) and the cause the company has supported (Environmental Protection/ Safe Driving / Fighting Cancer). For the following questions, please select the number consistent with your opinion.

	Strongly Disagree			Strongly Agree			
1. The issue of the company's scandal is logically related to the cause.	1	2	3	4	5	6	7
2. The cause is a fit with the company's scandalous issue.	1	2	3	4	5	6	7
3. It is strange to see the company with this scandalous issue sponsoring this cause. (Reversed)	1	2	3	4	5	6	7
4. This cause is similar to the company's	1	2	3	4	5	6	7

scandal.

5. Overall, the cause and this company's scandal are closely matched. \_\_\_\_\_:\_\_\_\_\_ : \_\_\_\_\_:\_\_\_\_\_ : \_\_\_\_\_:\_\_\_\_\_ : \_\_\_\_\_

1 2 3 4 5 6 7

### Congruence between the Cause and the Company

2. Below we'd like to know more about your thoughts on the relationship between Company X (a Well-Known Tire Manufacturer) and the cause the company has supported (Environmental Protection/ Safe Driving/ Fighting Cancer).

For the following questions, please select the number consistent with your opinion about Company X's support for (Environmental Protection/ Safe Driving / Fighting Cancer).

	Strongly Disagree	Strongly Agree
1. Company X is logically related to the cause.	_____ : _____ : _____ : _____ : _____ : _____ : _____	
	1 2 3 4 5 6 7	
2. The cause is a fit with consumers of Company X.	_____ : _____ : _____ : _____ : _____ : _____ : _____	
	1 2 3 4 5 6 7	
3. It is strange to see the company sponsoring this cause. (Reversed)	_____ : _____ : _____ : _____ : _____ : _____ : _____	
	1 2 3 4 5 6 7	
4. This cause is similar to Company X.	_____ : _____ : _____ : _____ : _____ : _____ : _____	
	1 2 3 4 5 6 7	
5. Overall, the cause and Company X are closely matched.	_____ : _____ : _____ : _____ : _____ : _____ : _____	
	1 2 3 4 5 6 7	

### Perceived Importance of the Cause

3. Below please indicate how you feel about the cause by checking the proper numbers that best reflect your overall feelings toward the cause.

“(Environmental Protection)” is ...

“(Safe Driving)” is ...

“(Fighting Cancer)” is ...

unimportant to me	_____	_____	_____	_____	_____	_____	_____	_____	_____	important to me
	1	2	3	4	5	6	7			
means nothing to me	_____	_____	_____	_____	_____	_____	_____	_____	_____	means a lot to me
	1	2	3	4	5	6	7			
is personally relevant	_____	_____	_____	_____	_____	_____	_____	_____	_____	is irrelevant to me
	1	2	3	4	5	6	7			
doesn't matter a great deal to me	_____	_____	_____	_____	_____	_____	_____	_____	_____	does matter a great deal to me
	1	2	3	4	5	6	7			
is of no concern to me	_____	_____	_____	_____	_____	_____	_____	_____	_____	is of great concern to me
	1	2	3	4	5	6	7			

## Section 4

### Individual Social Responsibility Values

1. We would like to ask your thoughts about company philosophy. Following this section, please select the number that best reflects your feelings toward the cause.

	Strongly Disagree	Strongly Agree
1. Being ethical and socially responsible is the most important thing a company can do.	_____	_____
	1 2 3 4 5 6 7	
2. The ethics and social responsibility of a company is essential to its long term profitability.	_____	_____
	1 2 3 4 5 6 7	
3. A company's first priority should be employee morale.	_____	_____
	1 2 3 4 5 6 7	
4. Good ethics is often good business.	_____	_____
	1 2 3 4 5 6 7	
5. Social responsibility and	_____	_____
	1 2 3 4 5 6 7	

profitability can exist together.

## Section 5

### Demographic Information

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior
2. Age: \_\_\_\_\_
3. Major: \_\_\_\_\_
4. Gender: Male  Female
5. Ethnicity: Caucasian  African American  Asian American   
Hispanic American  Multiracial  International  Other
6. Do you own a car? Yes  No
7. Do you drive? Yes  No

Thank you very much for your participation!

## Appendix B: Study 1 Instruments

### PRETEST 1: REAL COMPANY SELECTION

Below is a list of different manufacturer or retail brands you might have had experience with. Please indicate what you think about each of the brands by checking the appropriate numbers on the scale.

#### 1) Target

Unfamiliar	_____	_____	_____	_____	_____	_____	_____	Familiar
	1	2	3	4	5	6	7	
Dislike	_____	_____	_____	_____	_____	_____	_____	Like
	1	2	3	4	5	6	7	
No shopping experience here	_____	_____	_____	_____	_____	_____	_____	Shopping experience
	1	2	3	4	5	6	7	

#### 2) Nike

Unfamiliar	_____	_____	_____	_____	_____	_____	_____	Familiar
	1	2	3	4	5	6	7	
Dislike	_____	_____	_____	_____	_____	_____	_____	Like
	1	2	3	4	5	6	7	
No purchase experience	_____	_____	_____	_____	_____	_____	_____	Purchase experience
	1	2	3	4	5	6	7	

#### 3) Apple

Unfamiliar	_____	_____	_____	_____	_____	_____	_____	Familiar
	1	2	3	4	5	6	7	
Dislike	_____	_____	_____	_____	_____	_____	_____	Like
	1	2	3	4	5	6	7	
No purchase experience	_____	_____	_____	_____	_____	_____	_____	Purchase experience
	1	2	3	4	5	6	7	

#### 4) Coca-Cola

Unfamiliar	_____	_____	_____	_____	_____	_____	_____	Familiar
	1	2	3	4	5	6	7	
Dislike	_____	_____	_____	_____	_____	_____	_____	Like
	1	2	3	4	5	6	7	
No purchase experience	_____	_____	_____	_____	_____	_____	_____	Purchase experience
	1	2	3	4	5	6	7	

**5) Whole Foods**

Unfamiliar	_____	Familiar
	1 2 3 4 5 6 7	
Dislike	_____	Like
	1 2 3 4 5 6 7	
No shopping experience here	_____	Shopping experience
	1 2 3 4 5 6 7	

**6) North Face**

Unfamiliar	_____	Familiar
	1 2 3 4 5 6 7	
Dislike	_____	Like
	1 2 3 4 5 6 7	
No purchase experience	_____	Purchase experience
	1 2 3 4 5 6 7	

**7) Wal-Mart**

Unfamiliar	_____	Familiar
	1 2 3 4 5 6 7	
Dislike	_____	Like
	1 2 3 4 5 6 7	
No shopping experience	_____	Shopping experience
	1 2 3 4 5 6 7	

**8) Dell**

Unfamiliar	_____	Familiar
	1 2 3 4 5 6 7	
Dislike	_____	Like
	1 2 3 4 5 6 7	
No purchase experience	_____	Purchase experience
	1 2 3 4 5 6 7	

**9) CVS**

Unfamiliar	_____	Familiar
	1 2 3 4 5 6 7	
Dislike	_____	Like
	1 2 3 4 5 6 7	

No purchase experience here \_\_\_\_\_ Shopping experience  
 1 2 3 4 5 6 7

**10) Microsoft**

Unfamiliar \_\_\_\_\_ Familiar  
 1 2 3 4 5 6 7

Dislike \_\_\_\_\_ Like  
 1 2 3 4 5 6 7

No purchase experience \_\_\_\_\_ Purchase experience  
 1 2 3 4 5 6 7

**Demographic Information**

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior

2. Age: \_\_\_\_\_

3. Major: \_\_\_\_\_

4. Gender: Male  Female

5. Ethnicity: Caucasian  African American  Asian American

Hispanic American  Multiracial  International  Other

6. Have you ever purchased or owned any products from this company?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you currently use or own any products from this company?

Yes \_\_\_\_\_ No \_\_\_\_\_

Thank you very much for your participation!

**PRETEST 2: REAL COMPANY SELECTION AND IDENTIFICATION MEASURES**

We like to ask your attitude toward the following manufacturer or retail brands. Please indicate what you think about each of the brands by checking the appropriate numbers on the scale.

1) Walmart

Unfamiliar	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Familiar
1	2	3	4	5	6	7			
Dislike	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Like
1	2	3	4	5	6	7			
No experience	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	A lot of experiences
1	2	3	4	5	6	7			

2) FedEx

Unfamiliar	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Familiar
1	2	3	4	5	6	7			
Dislike	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Like
1	2	3	4	5	6	7			
No experience	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	A lot of experiences
1	2	3	4	5	6	7			

3) Apple

Unfamiliar	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Familiar
1	2	3	4	5	6	7			
Dislike	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Like
1	2	3	4	5	6	7			
No experience	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	A lot of experiences
1	2	3	4	5	6	7			

4) Bank of America

Unfamiliar	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Familiar
1	2	3	4	5	6	7			
Dislike	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	Like
1	2	3	4	5	6	7			
No experience	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">1</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">2</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">3</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">4</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">5</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">6</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; width: 14.28%;">7</td> </tr> </table>	1	2	3	4	5	6	7	A lot of experiences
1	2	3	4	5	6	7			

5) McDonalds

Unfamiliar                                                        Familiar  
                   1     2     3     4     5     6     7

Dislike                                                            Like  
                   1     2     3     4     5     6     7

No experience                                                        A lot of  
                           1     2     3     4     5     6     7    experiences

Identification Measures

Below is a list of different manufacturer or retail brands you might have had experience with. Please indicate what you think about each of the brands by checking the appropriate numbers on the scale.

1. What do you think about this Company? For the following questions, please select the number consistent with your opinion.

	Strongly Disagree	Strongly Agree
1. I have a sense of connection with this company.	<u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> 1     2     3     4     5     6     7	
2. I consider myself as belonging to the group of people who are in favor of this company.	<u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> 1     2     3     4     5     6     7	
3. Customers of this company are probably similar to me.	<u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> 1     2     3     4     5     6     7	
4. Employees of this company are probably similar to me.	<u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> 1     2     3     4     5     6     7	
5. This company shares my values.	<u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> 1     2     3     4     5     6     7	
6. Being a customer of this company is part of my sense of who I am.	<u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> <u>      </u> 1     2     3     4     5     6     7	

7. Purchasing this company's products would help me express my identity.

\_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

### Demographic Information

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior

2. Age: \_\_\_\_\_

3. Major: \_\_\_\_\_

4. Gender: Male  Female

5. Ethnicity: Caucasian  African American  Asian American

Hispanic American  Multiracial  International  Other

6. Have you ever purchased or owned any products from this company?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you currently use or own any products from this company?

Yes \_\_\_\_\_ No \_\_\_\_\_

Thank you very much for your participation!

### PRETEST 3: SCENARIOS

#### 1. Incompetence Condition

#### **Apple iPad: The Early User Complaints Are In**

Recently, Apple suffered from widespread complaints for the new iPad's connectivity problems. The thread titled "Weak Wi-Fi" at Apple's support site led all others with more than 130 messages, and nearly 15,000 views. The problem appears to involve spotty or weak reception. The iPad's Wi-Fi signal indicator would fluctuate, going from full-strength to the lowest level without warning, or with any change in the tablet's location. Connectivity issues aren't new for Apple hardware. For other Apple product lines, the MacBook Air and iPhone also had similar poor reception problems. Technology specialists in Consumer Reports are speculating that the difficulty might be with Apple's ongoing antenna problem.

## 2. Immorality Condition

### **Apple under fire for Poor Customer Service**

Recently, Apple suffered from widespread complaints for failing to honor the warranties of their first iPad, which released in last year. The company was targeted by Consumer Affairs last week, following the receipt of a further 130 complaints from Apple iPad users. Although the company marketed their products as having "outstanding warranties", in practice, they often refused to repair broken or damaged devices by claiming it as users' fault. They even tried to charge accidental damage fees to fix it. This warranty practice also applies to other Apple's popular product lines, the MacBook Air and iPhone. While company executives were aware of their customers' complaints for customer service, they didn't take any action to improve the problem.

## **PRETEST 3: QUESTIONNAIRE**

### **Section 1**

1. What thoughts or feelings went through your mind when you read this news article? Please write down any of your thoughts or feelings about the news article.

### Intensity of Negative Information

2. After reading the news article, how do you feel about the incident reported in the article? Please click the number that best represents your feelings towards the event the company was involved in.

Serious	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Trivial
Significant	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Insignificant
Important	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Unimportant
Negative	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Positive

Plausibility of Negative Information

3. I felt that the news article was:

Not plausible	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Plausible
Not credible	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Credible
Didn't make sense	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Did make sense

Negative Information Type: Incompetence vs. Immorality

4. The event presented in the article was a:

Morality-Related Event	_____	1	_____	2	_____	3	_____	4	_____	5	_____	6	_____	7	Competence- Related Event
---------------------------	-------	---	-------	---	-------	---	-------	---	-------	---	-------	---	-------	---	------------------------------

Negative Information Type: Incompetence vs. Immorality

5. What do you think about the company information you just read? Please select the corresponding number that adequately describes your thoughts about the company for each of the following items.

	Strongly Disagree	_____	_____	_____	_____	_____	_____	Strongly Agree
1. This company has product quality		_____	_____	_____	_____	_____	_____	

issues.	1	2	3	4	5	6	7
2. This company has some problems with its ethical practices.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
3. This company has some problems with its performance.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
4. This company's negative information is related to its poor management.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
5. The negative information about this company is related to its deceitfulness.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
6. This company does not care about moral issues.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7

### Demographic Information

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior
2. Age: \_\_\_\_\_
3. Major: \_\_\_\_\_
4. Gender: Male  Female
5. Ethnicity: Caucasian  African American  Asian American   
Hispanic American  Multiracial  International  Other
6. Have you ever purchased or owned any products from this company?  
Yes \_\_\_\_\_ No \_\_\_\_\_
7. Do you currently use or own any products from this company?

Yes \_\_\_\_\_

No \_\_\_\_\_

Thank you very much for your participation!

## MAIN STUDY 2: SCENARIOS AND QUESTIONNAIRE

### Step 1: Main Study 2(A) Consumer-Company Identification Measure

Below is a list of different manufacturer or retail brands (Whole Foods, Nike, Apple, Starbucks, Coca Cola) you might have had experience with. Please indicate what you think about each of the brands by checking the appropriate numbers on the scale.

#### Apple

**1. What do you think about this company? For the following questions, please select the number consistent with your opinion.**

	Strongly Disagree						Strongly Agree
1. I have a sense of connection with this company.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
2. I consider myself as belonging to the group of people who are in favor of this company.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
3. Customers of this company are probably similar to me.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
4. Employees of this company are probably similar to me.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
5. This company shares my values.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
6. Being a customer of this company is part of my sense of who I am.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7

7. Purchasing this company's products would help me express my identity. \_\_\_\_\_  
1 2 3 4 5 6 7

Strongly Disagree Strongly Agree

8. I think the product quality of this company is good. \_\_\_\_\_  
1 2 3 4 5 6 7

9. I think this company engages in ethical practices. \_\_\_\_\_  
1 2 3 4 5 6 7

10. I think this company has sound performance. \_\_\_\_\_  
1 2 3 4 5 6 7

11. I think this company has sound management. \_\_\_\_\_  
1 2 3 4 5 6 7

12. This company engages in deceitful practices. \_\_\_\_\_  
1 2 3 4 5 6 7

13. This company cares about moral issues. \_\_\_\_\_  
1 2 3 4 5 6 7

**2. Have you ever purchased or owned any products from this company?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**3. Do you currently use or own any products from this company?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**Whole Foods Market**

**1. Below is a list of statements that describe your thoughts and feelings about this company. Please read each of the statements and select the number that best reflects your opinion.**

Strongly Strongly

	Disagree						Agree
1. I have a sense of connection with this company.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
2. I consider myself as belonging to the group of people who are in favor of this company.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
3. Customers of this company are probably similar to me.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
4. Employees of this company are probably similar to me.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
5. This company shares my values.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
6. Being a customer of this company is part of my sense of who I am.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
7. Purchasing this company's products would help me express my identity.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
	Strongly Disagree						Strongly Agree
8. I think the product quality of this company is good.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
9. I think this company engages in ethical practices.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
10. I think this company has sound performance.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
11. I think this company has sound management.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
12. This company engages in deceitful practices.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
13. This company cares about moral	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7

issues.

**2. Have you ever purchased or owned any products from this company?**

Yes \_\_\_\_ No \_\_\_\_

**3. Do you currently use or own any products from this company?**

Yes \_\_\_\_ No \_\_\_\_

**Nike**

**1. Below is a list of statements that describe your thoughts and feelings about this company. Please read each of the statements and select the number that best reflects your opinion.**

	Strongly Disagree						Strongly Agree
1. I have a sense of connection with this company.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
2. I consider myself as belonging to the group of people who are in favor of this company.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
3. Customers of this company are probably similar to me.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
4. Employees of this company are probably similar to me.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
5. This company shares my values.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
6. Being a customer of this company is part of my sense of who I am.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
7. Purchasing this company's products would help me express my identity.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7

	Strongly Disagree						Strongly Agree
8. I think the product quality of this company is good.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
9. I think this company engages in ethical practices.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
10. I think this company has sound performance.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
11. I think this company has sound management.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
12. This company engages in deceitful practices.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7
13. This company cares about moral issues.	_____	:	_____	:	_____	:	_____
	1		2		3		4
							5
							6
							7

**2. Have you ever purchased or owned any products from this company?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**3. Do you currently use or own any products from this company?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**Starbucks**

**1. Below is a list of statements that describe your thoughts and feelings about this company. Please read each of the statements and select the number that best reflects your opinion.**

	Strongly Disagree						Strongly Agree
--	-------------------	--	--	--	--	--	----------------

1. I have a sense of connection with this company.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

2. I consider myself as belonging to the group of people who are in favor of this company.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

3. Customers of this company are probably similar to me.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

4. Employees of this company are probably similar to me.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

5. This company shares my values.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

6. Being a customer of this company is part of my sense of who I am.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

7. Purchasing this company's products would help me express my identity.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

Strongly Disagree      Strongly Agree

8. I think the product quality of this company is good.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

9. I think this company engages in ethical practices.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

10. I think this company has sound performance.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

11. I think this company has sound management.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

12. This company engages in deceitful practices.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7

13. This company cares about moral issues.      \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_  
1      2      3      4      5      6      7



	Strongly Disagree						Strongly Agree
8. I think the product quality of this company is good.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
9. I think this company engages in ethical practices.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
10. I think this company has sound performance.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
11. I think this company has sound management.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
12. This company engages in deceitful practices.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
13. This company cares about moral issues.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7

**2. Have you ever purchased or owned any products from this company?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**3. Do you currently use or own any products from this company?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**Demographic Information**

1. Year in School: Freshman  Sophomore  Junior  Senior

2. Age: \_\_\_\_\_

3. Major: \_\_\_\_\_

4. Gender: Male  Female

5. Ethnicity: Caucasian  African American  Asian American

Hispanic American     Multiracial     International     Other

Thank you very much for your participation!

## **Step 2: Main Study 2(B) Scenarios**

### **Company Information**

#### **Apple Inc.**

Apple is a leading consumer electronics company whose products include computers, mobile devices, software programs and online services. In addition, Apple has been committed to socially responsible activities related to an educational support program for a long time. This education initiative includes promoting equal education for minority groups, strengthening critical thinking and education quality, and helping civil society play a progressive and engaged role in the education reform process.

### **Newspaper Article about Apple**

#### 1. Incompetence

##### **Apple iPad2: The Early User Complaints Are In**

Recently, Apple suffered from widespread complaints concerning the new iPad 2's wireless connectivity problems. The comments thread titled "Weak Wi-Fi" at Apple's support site led all other threads with more than 130 messages, and nearly 15,000 views. The problem appears to involve spotty or weak reception. The iPad's Wi-Fi signal indicator would fluctuate, going from full-strength to no signal without warning, or with any change in the tablet's location. Connectivity issues aren't new for Apple hardware. Other Apple product lines, such as the MacBook Air and iPhone, also had similar poor reception problems. Technology specialists at Consumer Reports are speculating that the difficulty might be with Apple's ongoing antenna problems.

#### 2. Immorality

##### **Apple Under Fire for Poor Customer Service**

Recently, Apple suffered from widespread complaints for failing to honor the warranties for their first iPad, which was released last year. The company was targeted by Consumer Reports last week, following the receipt of an additional 130 complaints from Apple iPad users. Although the company marketed their products as having “outstanding warranties,” in practice, they often refused to repair broken or damaged devices by claiming it was the users’ fault. Apple even tried to charge accidental damage fees to fix it. This warranty practice also applies to other Apple’s popular product lines, the MacBook Air and iPhone. While company executives were aware of their customers’ complaints regarding their customer service, they have yet to take any action to improve the problem.

## **Step 2: Main Study 2(B) Questionnaire**

### **Consent Form**

You are invited to participate in a survey about understanding consumer attitudes toward a company (IRB Approval Number: [#2011-02-0056]). In this study, we are interested in finding out consumer attitude toward a brand. The study is being conducted by Sejung Marina Choi, Ph.D. (Professor, Tel: 512-471-3359, Email: marina@mail.utexas.edu) and Yoojung Kim (Doctoral Candidate, Tel: 814-404-7041, Email: yoojungk@mail.utexas.edu), Department of Advertising, College of Communication, The University of Texas at Austin, 1 University Station A1200, Austin, TX 78712-1092.

The purpose of this study is to examine consumers’ brand attitude. We estimate that it will take no more than 15 minutes of your time to complete the questionnaire. You are free to contact the investigators at the above address and phone numbers to discuss the survey.

Risks to participants are considered minimal. There will be no costs for participating, nor will you benefit from participating. Identification numbers associated with email addresses will be kept during the data collection phase for tracking purposes only. A limited number of research team members will have access to the data during data collection. This information will be stripped from the final dataset.

Your participation in this survey is voluntary. You may decline to answer any questions and you have the right to withdraw from participation at any time without penalty. If you wish to withdraw from the study or have any questions, contact the investigator listed above.

You can choose one of several studies, including this study, offered to the Texas Advertising Participant Pool to obtain course credits as specified in your course syllabus.

Thus, if you agree to take part in this study, you will gain the Advertising Participant Pool course credit that your instructor informed you earlier in the course syllabus.

If you have any questions or would like us to update your email address, please send an email to yoojungk@mail.utexas.edu. This study has been reviewed and approved by The University of Texas at Austin Institutional Review Board. If you have questions about your rights as a study participant, or are dissatisfied at any time with any aspect of this study, you may contact - anonymously, if you wish - the Institutional Review Board by phone at (512) 471-8871 or email at orsc@uts.cc.utexas.edu.

If you agree to participate, please press the arrow button at the bottom right of the screen.

(Next Page)

### **Instructions**

In this study, we are interested in finding out what consumers think about different incidents involving a company. 1) First, we will ask you to read a short paragraph about the company 2) On the next page, you will be asked to read a news article reporting an event the company was recently involved in, and 3) You will answer a series of questions gauging your response to the news story. Please read each question carefully. All of the information you provide will be kept confidential and will not be used to identify you individually.

*[Show Information of Apple]*

(Next Page)

Below is an excerpt from *The Wall Street Journal* about the company 'Apple'. Please carefully read the news article, and subsequently answer the questions on the following pages about your reaction to the company 'Apple'.

*[Show Scenario]*

### **Section 1**

In this section, we would like to learn about your perceptions of and attitudes toward the company, Apple. Please carefully read and answer each of the following questions.

Purchase intentions

1. For the following questions, please select the number consistent with your opinion

1. How likely would you buy a product from Company X?"

Unlikely  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Likely

2. How interested are you in buying a product from Company X?

Uninterested  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Interested

3. What are your impressions of the product from Company X?

Bad  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Good

4. If a friend asked you for advice about a product from Company X, how likely would it be that you recommended this company to him or her?"

Unlikely  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Likely

Attitude toward the company and Corporate Credibility

2. What do you think about Company X? For the following questions, please select the numbers that best represent your opinion.

Unfavorable  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Favorable

Negative  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Positive

Bad  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Good

Not likable  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Likable

Unpleasant  $\frac{\quad}{1} \text{ : } \frac{\quad}{2} \text{ : } \frac{\quad}{3} \text{ : } \frac{\quad}{4} \text{ : } \frac{\quad}{5} \text{ : } \frac{\quad}{6} \text{ : } \frac{\quad}{7}$  Pleasant

Dishonest	1	2	3	4	5	6	7	Honest
Not Dependable	1	2	3	4	5	6	7	Dependable
Not Trustworthy	1	2	3	4	5	6	7	Trustworthy
Not Credible	1	2	3	4	5	6	7	Credible
Unconvincing	1	2	3	4	5	6	7	Convincing
Unbelievable	1	2	3	4	5	6	7	Believable
Biased	1	2	3	4	5	6	7	Unbiased

Patronage Reduction

3. For the following questions, please select the number consistent with your opinion.

	Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree
1. I will spend less money at this company.		1	2	3	4	5	6	7	
2. I will stop buying products from this company.		1	2	3	4	5	6	7	
3. I will reduce frequency of interaction with the company.		1	2	3	4	5	6	7	
4. I will purchase products from a competitor brand.		1	2	3	4	5	6	7	

Brand Loyalty

4. For the following questions, please select the number consistent with your opinion.

	Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree
1. I will buy this brand the next time I buy this product.		1	2	3	4	5	6	7	

2. I intend to keep purchasing this brand.	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7
3. I am committed to this brand.	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7
4. I would be willing to pay a higher price for this brand over other brands.	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7

**Brand Satisfaction**

5. How satisfied are you with the following aspects of this company? Please select the number consistent with your opinion.

	Strongly Disagree	Strongly Agree
1. Overall, I am satisfied with this company.	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	
2. Overall, I am satisfied with this company compared with other companies.	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	
3. I would recommend this company to my friends.	_____ : _____ : _____ : _____ : _____ : _____ : _____ 1      2      3      4      5      6      7	

**Section 2**

From the company introduction, you learned that the company Apple has supported socially responsible initiatives regarding education support.

1. Below is a list of statements that describe your beliefs about the reasons for the company's support for this social initiative. Please read them carefully and check the answers that most accurately reflect your opinions.

	Strongly Disagree	Strongly Agree
1. Company X supported this cause	_____ : _____ : _____ : _____ : _____ : _____ : _____	

because ultimately they cared about their customers.	1	2	3	4	5	6	7
2. Company X sincerely cared about consumers when it supported this cause.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
3. Company X was genuinely concerned about consumer welfare.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
4. Company X really cared about getting this social issue information to their customers.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
5. Company X supported this cause because it was morally the “right” thing to do.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
6. Company X believed in philanthropy and giving generously to worthy social causes.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7
7. Company X had genuine concerns for this cause when it supported this nonprofit foundation.	_____	_____	_____	_____	_____	_____	_____
	1	2	3	4	5	6	7

### Section 3

You learned about company Apple’s scandal from the news article you read. Now, we are interested in your feelings about the event company Apple was recently involved in.

#### Intensity of the Negative Information

1. After reading the news article, what do you think about the incident, company Apple’s involvement in (wireless connectivity problem/ customer service problem)? Please click the number that best represents your thoughts.

	The incident was...							
Serious	_____	_____	_____	_____	_____	_____	_____	Trivial
	1	2	3	4	5	6	7	
Significant	_____	_____	_____	_____	_____	_____	_____	Insignificant
	1	2	3	4	5	6	7	
Important	_____	_____	_____	_____	_____	_____	_____	Unimportant
	1	2	3	4	5	6	7	
Negative	_____	_____	_____	_____	_____	_____	_____	Positive
	1	2	3	4	5	6	7	



6. This company does not care about moral issues. \_\_\_\_\_  
 1      2      3      4      5      6      7

## Section 4

### Individual Social Responsibility Values

1. We would like to ask your thoughts about company philosophy. Following this section, please select the number that best reflects your feelings toward the cause.

	Strongly Disagree						Strongly Agree	
1. Being ethical and socially responsible is the most important thing a company can do.	_____	1	2	3	4	5	6	7
2. The ethics and social responsibility of a company is essential to its long term profitability.	_____	1	2	3	4	5	6	7
3. A company's first priority should be employee morale.	_____	1	2	3	4	5	6	7
4. Good ethics is often good business.	_____	1	2	3	4	5	6	7
5. Social responsibility and profitability can exist together.	_____	1	2	3	4	5	6	7

## Section 5

### Demographic Information

In order to effectively evaluate the survey responses, please provide the following general information. Please remember all of your answers remain strictly confidential.

1. Year in School: Freshman  Sophomore  Junior  Senior

2. Age: \_\_\_\_\_

3. Major: \_\_\_\_\_

4. Gender: Male  Female

5. Ethnicity: Caucasian  African American  Asian American

Hispanic American  Multiracial  International  Other

6. How long have you been a customer of Apple? \_\_\_\_\_

7. How many times (per year) do you visit an Apple store? \_\_\_\_\_

8. How many times (per year) do you purchase a product from Apple? \_\_\_\_\_

Thank you so much for your participation!

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