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# The Impacts of Ethical Philosophy on Corporate Hypocrisy Perception and Communication Intentions Toward CSR

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## Abstract

This study investigates how perceptions of corporate hypocrisy from corporate social responsibility activities connect the public's ethical philosophy to subsequent positive/negative opinion-sharing intention. With special attention to deontology and consequentialism in normative ethics of philosophy, the current study empirically tests a theoretical model of perceived corporate hypocrisy with two causal antecedents (i.e., individual moral philosophy of deontology and consequentialism), and the mediating role of corporate hypocrisy between such antecedents and the public's subsequent communication intention (i.e., positive and negative opinion-sharing intentions) toward a firm. Results indicate significant mediation effects of corporate hypocrisy between personal ethical orientations and the public's communication intention based on ethical attribution of crisis-related corporate social responsibility activities.

**Keywords:** corporate hypocrisy, corporate social responsibility, deontological ethical frame, ethical orientation, teleological ethical frame

Over time, corporate social responsibility (CSR) has received much scholarly and practical attention because of its economic and legal importance to business outcomes (Deng, 2012; Jahdi & Acikdilli, 2009; Murray & Vogel, 1997; Schnietz & Epstein, 2005). Burke and Logsdon (1996) identified the value of CSR's fostering strategic interests that permit discretionary and proactive business principles in democratic society.

Despite firm belief in corporate communication practices that "CSR efforts are part and parcel of being a good global citizen" (Sprinkle & Maines, 2010, p. 446), marketing of CSR in global business invites pitfalls by employing a self-oriented approach; this courts the possibility of the public's negative responses to CSR (Werther & Chandler, 2005). Some scholars (e.g., Athanasopoulou & Selsky, 2012; Porter & Kramer, 2011) have pointed out that latterly many companies have been stuck in an outdated, narrow approach toward CSR as they feel obligated to take "responsibility" for society. And they call for a new paradigm, for instance, the principle of "shared value," that is, the focus of economic value by creating social values in addressing social issues and needs (Porter & Kramer, 2011). By such a yardstick, CSR has become the emerging imperative as a dynamic and multiplicity of influences where firms can engage in socially responsible business practices (Athanasopoulou & Selsky, 2012).

Ethical attribution is inclined to guide attitudes and behaviors in various business contexts (e.g., purchasing behaviors [Whalen, Pitts, & Wong, 1991] and brand perception [Deng, 2012; Singh, Sanchez, & Bosque, 2008]). Legal and strategic CSR has broad appeal to practitioners and scholars, especially as a core element in global business principles. In particular, many studies speak to the importance of the ethical approach in CSR as the most pertinent aspect in the international sphere (Albareda, 2008; Detomasi, 2007; Keohane, 2008; Kobrin, 2008; Kolk & Pinkse, 2008; Sturchio, 2008). CSR effect becomes far more complicated as various demands emerge via increasing global competition, public expectations, and activist group pressures (Y. Kim & Kim, 2010; Pohl, 2006; Werther & Chandler, 2005). In such a competitive pressing business climate, ethics feature as essential in CSR implementation, as well as a precursor to the public's communication with and behaviors toward firms. In this sense, the current research illuminates the ethical, cultural, and affective disposition of the global public—including consumers—in response to CSR endeavors.

Many scholarly works have attempted to test the valid effect of CSR on various business outcomes. To be specific, CSR is found to be connected to job applicant attitudes toward a company as positive individual evaluations of CSR tend to increase job choice intentions (Dawkins, Jamali, Karam, Lin, & Zhao, 2014). Also, a study about retailers' CSR activities demonstrated a pattern: ethical business draws more consumers' purchasing intention (Schramm-Klein, Zentes, Steinmann, Swoboda, & Morschett, 2013). According to Webb and Mohr (1998), these traits lead to the popularity of cause-related marketing, in the solid belief that CSR helps in garnering customer loyalties and growing market share.

Another study on consumer sensitivities to corporate social performance indicates that individual consumer characteristics are connected significantly to the perception of CSR and ensuing attitudes toward a firm (Meijer & Schuyt, 2005). More important, the study found that having a left-wing political orientation, a higher level of education, being female, and being older are consumer characteristics all helping to build a positive relationship between the perception of CSR and consumer decision making. This study provides the theoretical ground leading to the assumption that individual culture and characteristics determine how CSR is perceived and evaluated based on an ethical account. Hence, this study presumes that personal ethical sensitivity and philosophy in processing the evaluation of CSR might turn out to be a different behavioral pattern such as positive or negative intention to spread the word about CSR.

The current study's purpose is to develop and validate a theoretical model of the role of ethical philosophy in the perception of CSR and the influence on subsequent communication intention regarding the CSR. The study looks specifically at global health companies' CSR which potentially imposes crisis-related issues, and has demonstrated recognizable effort in social responsibility activities in the global market.

## **Literature Review**

### *Corporate Hypocrisy and Attitudes Formation*

Corporate hypocrisy is a firm's malaise in claiming to be what it is not (Wagner, Lutz, & Weitz, 2009, p. 79). In the reality of business, many companies utilize CSR activities for business and marketing strategies (van de Ven, 2008). Furthermore, misalignment between a firm's self-claimed espousal of virtue ethics, like promoting environmental protection or fair trade, and that firm's actual business practices, can engender suspicion (Becker-Olsen, Cudmore, & Hill, 2006; Sen & Bhattacharya, 2001; Wagner et al., 2009). For example, The Body Shop was criticized for having broken the condition of fair trade, by virtue of its rapid growth against its upheld values, the latter having been advertised heavily from the brand's beginning (Entine, 1994, 2002; Hartman & Beck-Dudley, 1999).

More important, the essence of CSR itself, connecting to a firm's core competencies and values, produces suspicion and a sense of betrayal. As Sasse and Trahan (2007) put it, effective CSR is "hardly distinguishable from good business" (p. 34), and Friedman originally affirmed that this mixture of practices cannot be termed as philanthropy or social responsibility, but rather should be labeled a business responsibility (Beauchamp, & Bowie, 2004). If the firm must invest in social causes so it can eliminate possible threats to itself, claiming it to be more than a legitimate business expense is insincere and hypocritical.

Strategic CSR connected to corporate issues and challenges in society might be closely related to the concept of corporate political activity (CPA). A study on CPA well illustrates the blurring of business activities in pursuit of profit and reputational interests and the social and political activities to deal with market challenges (Mantere, Pajunen, & Lamberg, 2009). Given the potential to conceive CPA as mere opportunistic tools for corporate impression management, CSR and CPA often are mixed with "greenwashing" or "cosmetic" rhetoric which engenders sarcasm toward CSR (Mantere et al., 2009). Many scholars warn that strategic CSR much related to CPA might not be ethically ideal, and over the longer term might harm economic performance as it eventually faces stakeholders' and consumers' suspicions. CSR does not fall entirely under either selfish intention or societal approach; in reality, a continuum of states exists between these polarized concepts. Hence, organizational hypocrisy might be rooted inherently in efforts to balance conflicting demands between corporate interests and social contribution (Brunsson, 2002; Mantere et al., 2009).

Hence, this study postulates that the gap between self-claimed CSR intentions for social causes, and actual CSR outcomes that align closely to corporate performance as perceived by consumers, might relate to the hypocrisy judgment. Also, the current study proposes that people particularly perceive corporate hypocrisy when they attribute CSR motives as financially and reputationally beneficial. In this matter, previous studies have found that attributing suspicion is useful in explaining an unsatisfying CSR outcome to the firm. CSR tends to deliver specific details of CSR information, granting to consumers the diagnostic cues about CSR's underlying purpose (Bhattacharya, Korschun, & Sen, 2009; Sen, Bhattacharya, & Korschun, 2006). Bhattacharya et al. (2009) noted that only a genuine and trustworthy approach in CSR for social causes and the community can bring a positive reaction to CSR, yet bragging and touting of the CSR effort might lead to unfavorable attribution of CSR as a firm's mere "ego trip." In this regard, van de Ven (2008) suggested that a company should restrict its communication about CSR, using this low-profile tactic to build a virtuous corporate brand and avoid the risk of being criticized because of consumers' high expectations about corporate ethics.

Corporate hypocrisy has been a popular concept in explaining a variety of CSR and public relations outcomes (e.g., Sen & Bhattacharya, 2001; Shim & Yang, 2016; Wagner et al., 2009). Conflicts and crises, whether ongoing or concluded, are likely to be detrimental to CSR outcomes; often, negative sentiments are aroused by seeing CSR as a temporary measure to revamp corporate image. Another line of research has delved into the disappointingly limited role of CSR in boosting corporate reputation; Bae and Cameron (2006) found that genuine motives appreciated by people can enhance evaluation of corporate reputation, whereas self-interested motives have an opposite effect.

#### *Ethical Attribution of CSR and Ethically Idealistic Publics*

Researchers argue that while CSR has multifaceted dimensions as it simultaneously cares about corporate business and interests and societal needs, consumers' psychology such as attitudes toward a firm or personal philosophy and cultural reference might be powerful determinants of how CSR is perceived and evaluated (Chun, 2014; Meijer & Schuyt, 2005). This means that even one and the same CSR campaign could be perceived differently based on audience traits and philosophies. Accordingly, this might provide important clues for effective CSR communication and delivery of CSR intention. Chun (2014) noted the alignment between ethical corporate values and consumers'

personal ethics as a key determinant in an effective CSR campaign. And Meijer and Schuyt (2005) pointed out that consumer political orientation and education level, along with gender and age, play significant roles in transferring corporate ethical endeavors into consumer decisions and behaviors.

Similarly, by looking into personal ethical philosophy as a key variable in determining perceptions of CSR, this study will explore the consumer-centered approach in CSR communication. In so doing, Kantian moral philosophy and Utilitarian moral philosophy offer useful perspectives for understanding deontology and consequentialism. Together, these two moral philosophies are deemed the most striking contrast in decision making and information processing (Tanner, Medin, & Iliev, 2008), thus are expected to influence ethical judgment processes regarding CSR.

Deontology is the theory that consequences are not a determinant of ethical behavior; instead, an action is either moral or immoral in and of itself, which Immanuel Kant (1797) dubbed the Categorical Imperative (Tanner et al., 2008). As such, deontology focuses on duty, which concurs with Kant's (1797) belief that reason is key to being moral, overriding any other inherently human characteristic, by informing and fulfilling duty (Anscombe, 1958; Tanner et al., 2008).

Consequentialism, in brief, assumes that ends justify means, that is, consequences are the bases for evaluating the morality of one's action (Anscombe, 1958; Tanner et al., 2008). Consequentialism is rooted in John Stuart Mill's espousal of Utilitarianism. Mill (1979) contended that actions are right in proportion to their tendency to promote happiness, and wrong in proportion to their tendency to produce unhappiness. The study further qualified this by declaring happiness to be "not the agent's own greatest happiness but the greatest amount of happiness all together" (Mill, 1979, p. 18). Simpler put, adherents of Utilitarianism believe in the greatest good for the greatest number.

Many scholars (Bowen, 2002, 2005; Heath & Coombs, 2006; La Cour & Kromann, 2011) claim that true corporate benevolence—that is, Kantian moral philosophy—should be heightened in corporate citizenship. Also, it is averred that "philanthropy can never be strategic and based on an economic foundation" (La Cour & Kromann, 2011, p. 268). More important, a deontological orientation rooted in Kantian moral philosophy tends to impose a stricter and more rigorous standard in acknowledging virtue ethics from the motives and outcomes of philanthropic endeavors.

Applying deontology in Kantian moral philosophy, CSR should initiate from altruistic motives and a responsible approach, rather than from narcissistic, promotional, or self-interest motives. If the public and society's stakeholders aptly sense these latter mentioned attitudes, CSR likely will backfire, no matter how much local communities might otherwise have benefited from CSR. For example, corporate executives announcing they made a morally correct decision simply because it was good for business, has nothing to do with morality. According to deontological thinking, if a corporation does the right thing only when (and for the reason that) it is profitable or it resultantly will enjoy good publicity, its decision is calculating, not moral.

In this regard, deontological publics are apt to impose ethical absolutism as featured in the categorical imperative. They tend to focus on ethical purity in the course of philanthropic endeavors, thus might judge self-interest in motives and outcomes as a violation of ethics, as featured in the categorical imperative. That is, even if they acknowledge that society and communities more or less benefit from a company's CSR campaign, when corporate motives look more self-interested and lacking in altruistic motives, CSR is not appreciated as a high ethical virtue. If, thanks to CSR activities, corporate financial performance ranks more highly, those activities will not seem genuine ethical endeavors based on altruistic motives and social obligations.

Although various items in the literature have examined the impact of individual ethical traits and contributed to theorizing on ethical orientation in predicting people's behaviors, most such research tends to focus on the individual's ethical decision makings and behavioral intentions (e.g., donations, Winterich, Zhang, & Mittal, 2012; and sustainable consumption practices, Kidwell, Farmer, & Hardesty, 2013). How the individual's rigor in evaluation of ethical motivations beyond outcomes

may affect consumers' perceptions of CSR endeavors is a research area that deserves attention, particularly as consumers increasingly are more willing to punish brands and corporations for perceived corporate hypocrisy (Hollenbeck & Zinkham, 2010). Moreover, in the context of corporate communication, previous studies have focused on company moral standards violations that lead to moral outrage (e.g., Batson, Chao, & Givens, 2009; Lindenmeier, Schleer, & Priel, 2012), yet few studies have investigated the impact of ethical philosophy and moral evaluation patterns held by diverse consumer groups regarding corporate hypocrisy issues. This study is an attempt to address that gap.

To apply this logic to CSR perception and corporate hypocrisy judgment, ethical and philanthropic aspects in CSR will be perceived when a company moves toward accomplishing local development, rather than toward embellishing its reputation, image, and/or financial gains via CSR campaigning. Said otherwise, if a company somehow has political or economic benefits as well as initial intentions toward those benefits from CSR, a deontological orientation might see the CSR negatively, cynically attributing the seeking of self-interest to the lack of true ethical virtue. Tanner et al., (2008) affirmed this negative deontological perspective of business activities: Deontological personae tend to regard economic and business values as secular, which cannot compensate for true ethics.

CSR activities are mostly issue-related. To be specific, in some cases, CSR does not imply more than compliance with laws or social obligations (Dentchev, van Balen, & Haezendonck, 2015; Eweje & Wu, 2010; Laufer, 2003). Also, issue-related CSR can be defined in terms of extrinsic motives, while intrinsic CSR focuses on fulfilling altruism. Extrinsic CSR tends to be conducted with an intention to gain business benefits or to evade pressing public opinions (Story & Neves, 2015; Vlachos, Panagopoulos, & Rapp, 2013). Hence, the proposition that the deontological public is disposed more to possessing idealistic and ethically demanding attitudes toward CSR than are others.

Therefore, the authors formulate the following hypothesis:

**Hypothesis 1:** Deontological ethical philosophy will increase corporate hypocrisy perception from issue-related CSR activities.

### *Consequentialism and Ethically Pragmatic Publics*

Contrasting the deontological perspective, the consequentialist perspective stems from hedonistic Utilitarianism, especially with its focus on intrinsic emotional values of ethics—that is, pleasure or happiness (Beauchamp & Bowie, 2004; Mill, 1979). Specifically, hedonistic Utilitarians such as Jeremy Bentham and John Stuart Mill believed that the beauty of ethics lies in achieving happiness by doing good.

Although both consequentialism and deontology may include the same components in countering perspectives, publics highly valuing a certain orientation, whether deontology or consequentialism, may differ in the levels of sensitivity to the happiness and pleasure of those who do good. Thus, the authors may assume that public reaction to CSR's business-related benefits might vary across personal ethical orientations.

Unlike firm adherents to deontology who might not acknowledge morality when they pursue their own happiness through philanthropic deeds (Beauchamp & Bowie, 2004; Enderle, 1999; Spielthener, 2005; Tanner et al., 2008), a consequentialist focuses on causal consequence and maximizing efficiency as a whole. In such a mind-set, as long as local communities benefit by CSR campaigns, then self-interested motives and outcomes might well be excused, or even of no concern, as conventions inherent to CSR, for the betterment of society.

Thus, from the consequentialist viewpoint, the authors may assume that a firm's benefit from CSR would not significantly affect judgment of corporate hypocrisy. The more important determinant is to

what degree local communities benefit from CSR. Considering the pragmatic inclination in consequentialist publics (Whalen et al., 1991), people might care less about conflict and issues during the course of business than they do about the ultimate outcomes of business. Hence, it is expected that consequentialist publics tend to be more acknowledging about business realities, thus more amenable to ethical attribution of CSR and subsequent positive communication intentions regarding a firm.

Accordingly, this study formulates the following hypothesis:

**Hypothesis 2:** Consequentialist ethical philosophy will increase corporate hypocrisy perception from the issue-related CSR activities.

### *CSR and Opinion-Sharing Intention*

Consumers tend to build their own opinions of firms, based on experience and further be willing to share their opinions with others such as fringe with the help of digital technology. Exposure to firms' CSR initiatives or to media coverage of CSR campaigns can provide references to building one's own thoughts about and attitudes toward firms. Ample scholarly literature has set the concept of trust and attitudes toward corporations as evaluative responses to CSR from other sorts of consumers' actual behavioral responses to CSR, such as buying and switching behavior, and word of mouth (e.g., Bhattacharya et al., 2009; Bhattacharya & Sen, 2004; Brønn & Vrioni, 2001; Vock, van Dolen, Kolk, 2013). Based on that premise, the authors suggest that behavioral response to CSR might hinge on individuals' moral traits, and perceived hypocrisy in CSR. Consumers are willing to support firms through positive word of mouth when those firms are believed to be ethical enterprises (Berens, van Riel, & van Bruggen, 2005; Grunig, & Dozier, 2003; Maignan & Ferrell, 2003; Pearson, 1989; ; ). At the same time, much research indicates that consumers will punish firms perceived as insincere in their social involvements (Sen & Bhattacharya, 2001; Simmons & Becker-Olsen, 2004).

Hence, this study assumes that people are regarded as broadly opinionated, and affected by their ethical philosophies and cultural influences. This study expresses the idea that active traits of the general mass population are transient depending on social visibility and the nature of the corporate issue, varying in magnitude and valence (e.g., positive and negative). Furthermore, ethical attribution is apt to trigger "moral outrage" that may induce harsh reactions toward both unethical and hypocritical others (Tetlock et al., 2000), and in corporate communication this phenomenon is similar. Thus, this study postulates that violation of ethical and social norms might be one of the immediate causal factors in inducing consumers' collective action and communication intention.

The real-world impact of informed consumers' communication on shaping a business climate might be like this hypothetical scenario: initially, people become aware of a company's issues or related social programs through media reporting or social media discussion. Although a person has not had direct business relations with the firm, ethical and cultural problems in the issue can serve to elicit favorable or negative attitudes toward the firm. Positive attitudes toward the firm occur when people acknowledge that the firm sincerely is concerned with social interests. On the other hand, in many cases, negative attitudes toward the firm stem from the fact that the company's business routines possess an unethical or hypocritical nature, violating normative ethics, cultural norms, and moral principles.

Despite the hope that consumers will reward CSR effort in social causes, in the reality of business some consumers are aware, consciously so, of corporate ethics, thus, based on their own discretion and what they consider the real intention of CSR communication, they may or may not be supportive (Barone, Miyazaki, & Taylor, 2000; Becker-Olsen et al., 2006; Brown & Dacin, 1997; Creyer & Ross, 1997; Ellen, Mohr, & Webb, 2000; Sen & Bhattacharya, 2001). This study supposes consumers to be potentially active in that they tend to share information and, on particular issues, often share

their opinions with others as part of their daily routines. Price, Nir, and Cappella (2006) described this communicative feature as “opinion-giving.”

Therefore, the authors propose the following hypotheses:

**Hypothesis 3:** Corporate hypocrisy perception from issue-related CSR will decrease positive opinion-sharing intentions toward a firm.

**Hypothesis 4:** Corporate hypocrisy perception from issue-related CSR will increase negative opinion-sharing intentions toward a firm.

## **Method**

### *Sampling Method*

Data for this study were collected during May 2013, via a nationwide electronic mail survey using a reputable data collection organization from two countries—the United States and South Korea. For the U.S. data, a total of 342 responses were obtained; for South Korean data, a total of 261 responses were obtained.

The U.S. subject pool was a convenience sample of 204 respondents recruited from the general population in the United States, via a reputable online survey company. Participants were given credit (electronic vouchers) according to the individual reward policy of the company. For the U.S. data, additionally, another sample of 138 was recruited from a northeastern university’s student and alumni email list. Participants from that list each were given a chance to enter a lottery to win a US\$100 gift card, as reward for participation.

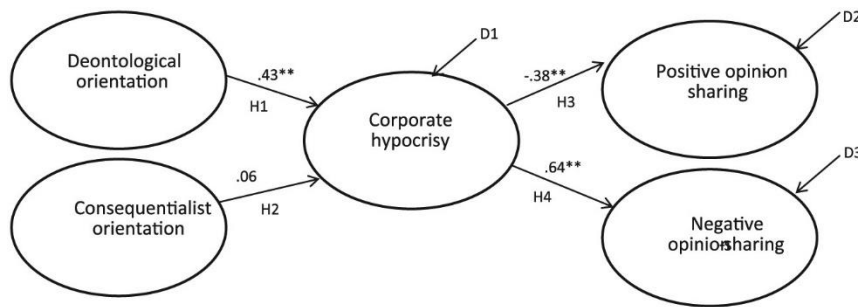
For South Korean data, the recruitment process was conducted similarly to that of the United States. A convenience sample of 261 respondents was recruited from the general population in South Korea, via a reputable online survey company. Participants were given credit (electronic vouchers) according to the individual reward policy of the company.

The samples of this study hold national representativeness based on the U.S. census from 2010 (U.S. Census Bureau, 2010) and the Korea census from 2010 (Korean Statistical Information Service, 2012), without significant deviation. We also note that the University Alumni sample might decrease generalizability as the sample is skewed toward an educated population.

Also, the sample size in both countries is sufficient for data analysis and hypotheses using structural equation modeling (SEM). Based on previous findings (Holbert & Stephenson, 2002), the indication is that a sample size greater than 250 would be acceptable when the standardized root mean squared residual (SRMR) should be close to .09 and the root mean square error of approximation (RMSEA) close to .06 or less. The SEM fit index are SRMR = .0841, Tucker-Lewis index (nonnormed fit index) = .942, RMSEA = .05 (see Figure 1), therefore, we believe our sample size is sufficient to run SEM based on previous studies.



Figure 1. Results of testing research questions with standardized path coefficient (baseline model).



Note. D = error variance of each endogenous latent variable; H = hypothesis. Error variances of each indicator were included in all models examined.  $\chi^2(359, n = 603) = 894.64, p < .001, \chi^2/\text{degrees of freedom} = 2.49$ , standardized root mean squared residual = .0841, Tucker-Lewis index (nonnormed fit index) = .942, root mean square error of approximation = .05, and comparative fit index = .949.

\*\* $p < .001$ .

### Procedure

To measure their personal ethical orientation (i.e., deontology and consequentialism), participants read a vignette about a fictitious company, HUMAN-TECH, facing an ethical dilemma in global business practices. After that reading, participants were asked to respond to questions measuring deontological and consequential ethical judgment relative to the given issue.

Participants then read the CSR coverage of a real company, Pfizer (2017), operating in developing markets' free drug-access programs for patients with fatal diseases such as human immunodeficiency virus—HIV. Participants read CSR information plus a brief introductory statement about the company. Participants also received additional information, including the company's financial and social performance as well as company issues with global health activism in developing countries. Next, at their own pace participants completed dependent measures encompassing corporate hypocrisy and communication intention regarding the company's issue.

The pretest explored four CSR cases from leading global pharmaceutical companies (namely Novartis, Merck, Abbott, and Pfizer). Selection of the companies was based on their scoring in an official social performance index (i.e., sustainability index) attesting to social performances of global health care companies. Although four companies were used for the survey, content amount and structure were the same across participants. Interestingly, company name and awareness of the company did not show statistically significant effect on dependent measures. Thus, actual data collection used only one company, Pfizer, it being the best-known in the pretest.

As noted above, this study's interest lies in why and how consumers perceive company's CSR as hypocritical and this kind of negative evaluation of CSR tend to generate attitudinal and behavioral reaction to the firm. In this sense, we believe Pfizer might be a general example who is seen by public in both negative and positive light, thereby allows us to examine underlying moral philosophy that leads to moral evaluation of CSR. This scholarly interest might be traced back to previous CSR scholarship that focused on bad companies' CSR in need to reputation restoration and so forth (Yoon, Gürhan-Canli, & Schwarz, 2006). Ceaselessly, recurrent corporate scandals elevate the importance of CSR in the corporate world, therefore, the Pfizer context can contribute to CSR scholarship focusing on changing the negative image through CSR activities and effectiveness. Despite widespread use of CSR for image restoration, not every company has been successful. Worse, in some cases such as Monsanto and Exxon, CSR has backfired (Arnold, 2001). Therefore, selecting Pfizer is appropriate to look at why consumers respond differently to companies practicing similar CSR activities.

Under assumption that there is a strong correlation between awareness about Pfizer and negative perception about the firm, selecting Pfizer is appropriate choice to look at why consumers respond differently to companies that practice similar CSR activities.

It is found that people tend to hold polar opposite views of Pfizer, either ranking them as having an “excellent” or “poor” reputation as they are ranked extremely low in reputation rank both within Pharmaceutical industry and across the board (e.g., Pfizer website; the FutureBrand Index Top 100 [2017]). And it is posited that this mixed attitudes toward a business in general is common in today’s consumer-oriented market place. In pursuit of more enhanced external and internal validity of the study, actual data collection showed one company case using Pfizer as successful and exemplary in both financial and social performance in the global pharmaceutical industry.

## **Measurement**

This study identified the concept of personal ethical orientation using two dimensions: deontological orientation and consequentialist orientation. This study identified that the two dimensions conceptually differ from each other and conflict, although a person can be both consequential and deontological simultaneously. Personal ethical orientation was measured through 14 items, adopted from the literature (Reidenbach & Robin, 1988) and modified for this study’s global business context. All the measurement items generated acceptable factor loading score.

### *Deontological Orientation*

Employing a realistic measurement to help participants better understand ethical concepts the questions intend to measure, this study used a vignette describing a fictitious firm in global business enterprises and with a successful business performance. That fictitious firm, namely HUMAN-TECH, is purported to be facing an ethical dilemma and problems in global business practices, and to be causing human labor/environmental crises. After reading the given information about HUMAN-TECH’s ethical issues, participants were asked to respond to seven questions. Response options ranged from 1 (strongly disagree) to 5 (strongly agree). As a result, this study obtained an indication of deontological orientation (seven items, i.e., “I feel the company HUMAN-TECH is bad even though it continues its success”;  $\alpha = .88$ ,  $M = 3.91$ ,  $SD = 0.92$ ). The seven items for deontological orientation loaded on one factor, which explained 70.25% of shared variance (see the appendix).

### *Consequential Orientation*

The same procedure with the measure of deontological orientation was used to measure consequential orientation. As a result, this study obtained an indication of deontological orientation (seven items, i.e., “I feel the company HUMAN-TECH has little reason to worry about the critics of its management as long as it continues its success”;  $\alpha = .82$ ,  $M = 2.50$ ,  $SD = 1.12$ ). Seven items for consequential orientation loaded on one factor, which explained 63.57% of shared variance (see the appendix).

### *Corporate Hypocrisy*

This was conceptualized as the result of the ethical attribution of misalignment between self-interest and altruism in corporate philanthropic endeavors. Three items were used to gauge corporate hypocrisy (i.e., “Pfizer acts hypocritically,” “Pfizer says and does two different things,” “Pfizer pretends to be something that it is not”;  $\alpha = .90$ ,  $M = 3.27$ ,  $SD = 0.95$ ). Regarding validity, three items were loaded on one factor, resulting in 84.05% of total variance in explicating Corporate Hypocrisy.

### *Positive Opinion-Sharing Intention: Positive OSI*

To measure this, conceptualized as supportive and protective opinion-giving and opinion-sharing intention regarding CSR, this study adapted Murray and Vogel's (1997) procompany behaviors, J. N. Kim and Rhee's (2011) megaphoning scales into the CSR context. The study used the following six items (i.e., "I would initiate positive conversations regarding the company's social responsibility in a social media debate," "I would share some articles or reports which praise the company's social responsibility to friends and people I know," "I would not hesitate to say about the company's philanthropic activities to friends and neighbors" "I would persuade people to change a biased or suspicious view about the company's social responsibility even though I don't openly express my positive opinion about it first," "I would defend the company if others attack this company's social responsibility effort," "I would advocate for this company if there are some bad rumors about the social responsibility of this company";  $\alpha = .90$ ,  $M = 2.72$ ,  $SD = 1.01$ ). Response options ranged from 1 (strongly disagree) to 5 (strongly agree). These six items loaded on one factor, which explained 84.05% of shared variance.

### *Negative Opinion-Sharing Intention: Negative OSI*

To measure this, modifying J. N. Kim and Rhee's (2011) megaphoning scales and Moon's (2011) public communication behaviors scales reflecting the CSR context, this study used six items (i.e., "I would distribute some negative articles or reports about the company's social responsibility to my friends or those I know;" "I would blame the company about its hypocritical philanthropic giving whenever I have chance to talk about it;" "I would criticize without any hesitation how the company puts its business first, rather than patients;" "I would correct someone who overestimates the company's philanthropic giving during any conversation about it;" "If someone says a good word for the company's social responsibility, I cannot help but give him or her the opposite aspect/perspective of it;" "I would support negative aspects about the company's social responsibility that others provide";  $\alpha = .92$ ,  $M = 3.00$ ,  $SD = 0.98$ ). Response options ranged from 1 (strongly disagree) to 5 (strongly agree). These six items loaded on one factor, which explained 70.54% of shared variance.

### *Demographic Information of Research Participants*

Demographic distributions in the data set well-reflect the U.S. census from 2010 and the Korea census from 2010, without significant deviation (Table 1). Gender ratio was 50/50 among the 603 research participants answering the gender question. The U.S. survey comprised 172 male participants (50.4%) and 169 female (49.6%). The 261 participants in the Korean survey comprised 129 male (49.4%) and 132 female (50.6%).

Table 1. Research Participants' Ages and Genders (n = 603).

**Table 1.** Research Participants' Ages and Genders (n = 603).

	U.S. (n = 342)			Korea (n = 261)		
	n	Percentage	Census	n	Percentage	Census
<b>Age, years</b>						
25 and younger	90	26.3	8.9	29	11.1	9.35
26 to 35	87	25.4	18.2	46	17.6	19.68
36 to 45	41	12.0	18.2	56	21.5	22.39
46 to 55	53	15.5	20.0	61	23.4	21.41
56 to 64	48	14.0	16.1	53	20.3	13.46
65 and older	23	6.7	17.85	16	6.1	14.75
<b>Gender</b>						
Female	172	50.4	49.16	129	49.4	49.68
Male	169	49.6	50.84	132	50.6	50.32

Source. Census data from the 2010 U.S. Census and 2010 Korean Census.

Regarding research participants' ages, the mode was the range 26 to 35 years (n = 133; 21.1%). Regarding research participants' ages in the U.S. survey, the mode was the range 25 and younger (n = 90; 26.3%). This distribution is almost similar to the U.S. 2010 census data. However, the 26 to 35 years group in the data set (22.1%) is more than the census data (18.2%), and the 36 to 45 years group in the data set (16.1%) is less than the census data (18.2%). The 46 to 55 years age group (data: 18.9%; census: 19.9%) and 56 to 65 years age group (data: 16.7%; census: 16.2%) showed percentages similar to the census. Regarding research participants' ages in the Korean survey, the mode was the range 46 to 55 years (n = 61; 23.4%). Median age in the Korean census in 2010 is 39.7, and the median group is 36 to 45 years, while the median group of the data set was 36 to 45 years, with median age of 45 years. The survey data set has an older population than that in the census data when excluding 65 years and older.

Regarding race/ethnicity, most research participants from the U.S. survey reported they are Caucasian (n = 246, 79.60%). Other race/ethnicity categories included the following: African American (n = 20, 6.5%); Asian (n = 27, 8.5%); Hispanic/Latino (n = 14, 4.50%); Native American (n = 2, .6%); and Other (n = 18; 1.80%). All Korean respondents defined their race as East Asian (n = 261). Like age and gender distribution, race distribution in the data set also well reflects the U.S. census from 2010 without significant deviation.

Survey respondent characteristics seem representative in comparison with census data from both countries. Yet education and income levels from the U.S. sample seems slightly skewed toward the upper level rather than the average level, due to 130 of the total 342 participants having been recruited from the university email list. The university student and alumni population usually shows higher education and income levels than does the average population. However, samples from the university student and alumni email list and general population from the survey company recruitment showed no significant differences in the result.

## Results

The study tested a structural model of corporate hypocrisy as mediator between personal ethical orientations (i.e., deontological orientation and consequentialist orientation) and the public's opinion-sharing intention. The SEM was developed after including all hypothesized paths among variables:

$\chi^2(359, n = 603) = 894.64, p < .001, \chi^2/\text{degrees of freedom} = 2.49, \text{SRMR} = .0841, \text{Tucker-Lewis index (nonnormed fit index)} = .942, \text{RMSEA} = .05, \text{and comparative fit index} = .949.$  Major reference to criteria is based on join-cutoff criteria. They asserted that a SEM model with “comparative fit index  $\geq .96$  and  $\text{SRMR} \leq 1.0$ ” or “ $\text{RMSEA} \leq .06$  and  $\text{SRMR} \leq .10$ ” can be assessed as an acceptable data-model fit. Holbert and Stephenson (2002) suggested the importance of sample size in assessment of model fit index by stating that

when a sample size is greater than 250, many researchers choose to combine SRMR with the root mean squared error of approximation (RMSEA). In this case, the SRMR should be close to .09 and the RMSEA close to .06 or less. (p. 537)

Therefore, fit index, coefficient of relational path, and p value of regression model are all to be examined to test validity and effect size of the relationship between variables and the suggested structural model.

The suggested model indicated all hypothetical paths to be statistically significant except Hypothesis 2 (consequentialist ethical orientation  $\geq$  corporate hypocrisy). The effect of deontological ethical orientation on corporate hypocrisy was significant ( $B = .524, \text{standard error [SE]} = .078, \beta = .43, p = .348$ ; Table 2). However, the effect of consequentialist ethical orientation on corporate hypocrisy was insignificant ( $B = .084, \text{SE} = .089, \beta = .084, p < .001$ ). So Hypothesis 1 was confirmed statistically significant. The result indicated that if a person judges ethical behaviors in a more deontological way, he or she is likely to perceive more corporate hypocrisy than is a person who judges ethical behaviors in a more consequentialist way. The effect of corporate hypocrisy on the positive opinion-sharing intention was ( $B = -.352, \text{SE} = .042, \beta = -.38, p < .001$ ) and on the negative opinion-sharing intention was ( $B = .641, \text{SE} = .042, \beta = .64, p < .001$ ). This result implied that the perception of corporate hypocrisy plays a significant role in generating negative communication intentions toward a company while reducing positive communication intentions. So Hypothesis 3 and Hypothesis 4 were confirmed.

Table 2. Standardized Coefficient of Main Effects in the Hypothesized SEM Model ( $n = 603$ ).

**Table 2.** Standardized Coefficient of Main Effects in the Hypothesized SEM Model ( $n = 603$ ).

	Independent factor		Dependent factor	$B_{\text{TOTAL}}$	$SE_{\text{TOTAL}}$	$\beta_{\text{TOTAL}}$
H1	Deontological orientation	→	Corporate hypocrisy	.53	.08	.43**
H2	Consequentialist orientation	→	Corporate hypocrisy	.08	.09	.06
H3	Corporate hypocrisy	→	Positive OSI	-.35	.04	-.38**
H4	Corporate hypocrisy	→	Negative OSI	.64	.04	.64**

Note. SEM = structural equation modeling; SE = standard error; H = hypothesis; OSI = opinion-sharing intention regarding corporate social responsibility.

\*\* $p < .001$ .

Therefore, all the hypotheses proposed by the study were confirmed statistically significant except Hypothesis 2.

## Discussion

The current study aimed to advance CSR communication research and practices on several points. First, this research developed a comprehensive measurement of the personal ethical orientation and proposed theoretical modeling bringing a negative perception of CSR regarding corporate issues and subsequent consumers' attitudes and communication intentions. In this regard, this study elaborated the role of corporate hypocrisy bridging personal ethical orientation and its effect on attitudes and behaviors.

A theory-wise contribution of the study lies in that we suggest an effective concept relative to the negative outcome of CSR, namely corporate hypocrisy, to describe recent phenomena of negative responses to CSR (Werther & Chandler, 2005). This study found significant effects of corporate hypocrisy in forming the public's opinion-sharing intentions toward a firm. The study noted that a personal ethical judgment style triggers consumers' communicative actions and determines whether that communication is beneficial or detrimental to the company. The study also discovered that the role of hypocrisy was more powerful in predicting negative communication intention than in reducing positive communication intention. Therefore, corporate hypocrisy might be a useful theoretical concept in examining reasons for the failure of strategic CSR campaigns involving ethical or crisis issues in business practices.

A theory-wise contribution of the study rests in that we suggest an effective concept relative to the negative outcome of CSR, namely corporate hypocrisy, to describe recent phenomena of negative responses to CSR (Werther & Chandler, 2005). Accordingly, this study underscores the importance of ethical philosophy in determining stakeholders' judgment of CSR. Results showed that personal ethical orientation is a significant predicting factor in forming attitudes and behaviors toward CSR and a firm's business. Overall, the deontological orientation leads to more corporate hypocrisy than does the consequentialist orientation. The importance of corporate hypocrisy as an outcome of personal ethical orientation turns our attention to consumers' characteristics, especially in judging corporations' business practices as well as philanthropic endeavors. This study found a significant impact of personal ethical orientation on perceived corporate hypocrisy in forming attitudes and behaviors.

A similar pattern in the role of corporate hypocrisy on communication and behavioral intentions also appeared across two different national groups, South Koreans and U.S. Americans. This study's findings align with previous research findings on various forces of personal values—culture, ethics, and the like—in shaping business, marketing, and public relations practices emerging across cultures (Cherry & Fraedrich, 2002; J. N. Kim & Kim; 2010; Y. Kim, 2003; Swart, Hall, Duncan, & Chia, 2009; Wang & Juslin, 2012). As the study demonstrated the significant role of personal ethical orientation in perceiving corporate hypocrisy, heightened importance should be placed on consumers' classification in CSR implementation and its communication. This study's findings extended a view on the running of CSR, with special focus on individual ethical traits.

In light of the above, CSR communication should start from an understanding of a target audience who can foster the collective decision and determine the cultural, political, and social setting of the firm. In a practical sense, a company cannot entirely control business practices to maintain a business-friendly environment, so corporate communication should acknowledge the limits of the CSR effect on issues management. CSR can solidify important relationships only with key stakeholders with much investment or interest in the company's business and practices, but not with a wide range of publics. Findings indicate that the public's ethical standards and evaluations of CSR vary in nature and magnitude, so social expectations of important stakeholder constituencies must be monitored systematically to cultivate an environment friendly to the firm.

In sum, corporate issues are latent problems that never will be solved completely in today's international sphere and the global business arena, and often are mingled with corporate social and

philanthropic efforts. And this inherent paradox of CSR including a crisis management component and would-be-altruistic social involvement causes hypocrisy in CSR and might tend to yield consumers' sudden hostility toward CSR. Ironically, in today's business communication, ethical rigor has become more important as the "last resort" and willpower for companies to confront formidable business reality.

## **Implications**

In temporary CSR research, the ethical value of CSR has received much attention as the core aspect to secure a firm's sustainability. Ample research efforts exist in investigations of corporate ethics (Bowen, 2002, 2005), yet their focus is limited to organizational perspectives on how corporate members tend to attach the importance of business ethics or CSR to their business practices. In contrast, little attention is given to the public's views or judgments of ethics in CSR, and to the consideration of its influence on communicative actions and public opinions determining business environments and outcomes.

Previous CSR communication scholarship offered diverse theoretical concepts useful for segmenting publics based on personal values and characteristics such as involvement, engagement, relationship, loyalty and the like. Building on these previous frameworks, this study also points to personal ethics and culture, and to nationality, as core concepts for CSR in forming publics' opinionated actions toward a company.

In their CSR implementation, practitioners should be mindful of the target public. Is it more demanding, insisting on higher standards for social causes, or is it more driven by self-interest?

To form a business-friendly environment that helps business sustainability, many global firms strive to build solid relationships and establish footholds in local markets. More often than not, in entering a new market, CSR becomes a compulsory tactic in catering to community needs. Considering that global businesses are likely to involve political, cultural, and legal issues regarding labor and the environment, suspicion of and cynicism toward CSR might be unavoidable yet must be overcome.

Of high importance, therefore, is understanding how and why significant and active publics tend to become hostile toward the organization, and what might be the consequences of that. Corporate hypocrisy might be pertinent to exploring negative communicative outcomes of shrewd and educated publics regarding issues management and CSR. It is likely that the public's goodwill or hostility toward a firm is more affected by emotional attitudes stemming from CSR evaluation.

Also, CSR hypocrisy increases negatively opinioned communication intention, while it decreases positively opinioned communication intention. On this basis, the authors may suppose that especially when a company's CSR relates to crises or issues to be dealt with, the company should be more cautious about negative communicative actions against perceived ulterior motives behind CSR. In this context, a caution: publicity of its CSR effort might undermine the CSR's value, considering consumers' increasing negativity about narcissistic characteristics in CSR advertising.

To conclude, because many business issues in global enterprises are rooted in cultural and political contexts, ethics and culture of the public are useful frameworks for understanding the behavioral patterns of the public. The public's judgments of business ethics and CSR can and do carry over to the public's actual behaviors, even to the extent of determining corporate survivability and sustainability in the globalized marketplace.

## **Limitations of the Study and Future Research**

Given the paucity of previous research on CSR ethics relative to opinioned communication intentions, this study can be the preliminary to future studies that might confirm the suggested concept and relational paths in CSR perception, subsequent attitude, and communication behaviors. Beyond that, future studies may further investigate factors relevant to ethical judgment of CSR.

Data collection shortcomings are noted. Given that the sample is a convenience sample, this study's results and findings cannot be generalized beyond the sample to any population at all. This study's theoretical contribution thus is limited to its particular context.

Also, we have noted that there might be age factor to influence individual's deontological or consequential orientation. In concern of age issue, we have run the one-way analysis of variance and found that age displays a significant association with deontological trait, but not with consequentialist trait. Mixed result also was found in that the younger generation has higher awareness of Pfizer, yet lower favorability impression of pharmaceutical companies generally, than has the older generation. As SEM does not allow us to take demographic factors into the model, we have run a regression analysis putting age variable in the first block. The result indicates that age factor is not significant when putting ethical traits into the equation model. Therefore, it is clear that age does have a correlation with ethical traits, yet its impact on the dependent measures which are the focal points of this study was found limited and not sufficiently overwhelming to remove the impact of major variables such as ethical traits and hypocrisy perception in this study.

This study recruited participants using reputable survey companies as well as a university-wide student and alumni mailing list. Whereas the entire pool of Korean survey participants and all experiment participants were recruited the survey company, some of the U.S. participants were recruited from the university-wide mailing list. The different recruiting methods resulted in a demographic difference between nationalities, which possibly distorts the comparative analysis result. Since the U.S. participants group recruited by the university-mailing list belongs to a younger age bracket, a higher income level, and a higher education level than participants recruited from the general population, the result should be taken with caution.

To address this issue, future research could examine further a positive and negative reaction to CSR communication in more various social and national contexts. Considering that this study extrapolated the public's reaction to the CSR message with respect to the reaction of the United States and Korean publics, much empirical research should be conducted especially in developing countries with more implications for global CSR practices.

Also, since this study selected the real global pharmaceutical company Pfizer, and its issues and conflicts with local health activism, the study's findings might not be applicable to other sectors of global business. This study's implication is useful for understanding CSR cases involving ongoing or potential crises or issues that might draw the attention of socially minded general publics. In this regard, future studies further should investigate the role of ethics and culture in various business and CSR contexts.



## Appendix

Table Descriptive Statistics for Measurement Items on Personal Ethical Orientation.

Descriptive Statistics for Measurement Items on Personal Ethical Orientation.

Dimension	Item ( <i>n</i> = 603)	<i>M</i>	<i>SD</i>	<i>ES</i>
Deontological orientation	1. I feel the company HUMAN-TECH is a bad business even though it continues its success.	3.71	1.00	.76
	2. I believe the successful outcomes cannot justify the means to those outcomes.	3.99	0.94	.71
	3. I believe that following moral obligations in managerial process is the most important aspect by which to judge a corporation.	3.71	0.95	.53
	4. Based on my idea of fairness, the Company HUMAN-TECH is an unethical business.	3.93	0.90	.86
	5. I think this company is unethical because it has little ethical concerns in labor rights.	3.95	0.94	.84
	6. I think the company should abide by law in order to be an ethical company rather than to avoid penalty.	4.07	0.80	.62
	7. Although the company did not directly hire the overseas labor workers, the company should be responsible for the poor working conditions.	4.01	0.93	.88
Mean		3.91	0.92	
Consequential orientation	1. I feel the company HUMAN-TECH has little reason to worry about the critics of its management as long as it continues its success.	2.05	1.04	.71
	2. I believe it is more important for a business to be concerned with successful outcomes than the means to achieve those outcomes.	2.27	1.13	.73
	3. Based on my moral standard, the company HUMAN-TECH is an ethical business.	2.00	1.06	.63
	4. In order to turn profits, ethical managerial process can be compromised at times.	2.30	1.07	.47
	5. I feel that successful managerial outcomes are the most important aspect by which to judge a corporation.	2.92	1.13	.70
	6. I think ethical business is mainly based on market success for the greatest good for the greatest number.	3.18	1.25	.66
	7. I think an ethical business should not inflict a loss on investors by all means.	2.75	1.13	.57
Mean		2.50	1.12	

Table Descriptive Statistics for Measurement Items on Positive and Negative Opinion Sharing Intention (OSI).

Descriptive Statistics for Measurement Items on Positive and Negative Opinion Sharing Intention (OSI).

Dimension	Item (n = 603)	M	SD	ES
Positive OSI	1. I would initiate positive conversations regarding the company's social responsibility in a social media debate.	2.61	0.99	.82
	2. I would share some articles or reports which praise the company's social responsibility to friends and people I know.	2.73	1.01	.82
	3. I would not hesitate to say about the company's philanthropic activities to friends and neighbors.	2.78	1.01	.79
	4. I would persuade people to change a biased or suspicious view about the company's social responsibility even though I don't openly express my positive opinion about it first.	2.82	1.02	.74
	5. I would defend the organization if others attack this company's social responsibility effort.	2.68	1.02	.80
	6. I would advocate for this company if there are some bad rumors about the social responsibility of corporation are not trustworthy.	2.70	0.99	.84
Mean		2.72	1.01	
Negative OSI	1. I would distribute some negative articles or reports about the company's social responsibility to my friends or people that I know.	2.79	0.95	.72
	2. I would blame the company about its hypocritical philanthropic giving whenever I have chance to talk about it.	2.90	0.99	.84
	3. I would criticize without any hesitation how the company puts its business first, rather than patients.	3.02	1.05	.85
	4. I would correct someone who overestimates the company's philanthropic giving during any conversation about it.	3.29	0.95	.76
	5. If there is someone who says a good word for the company's social responsibility, I cannot help but give him the opposite aspect/perspective of it.	3.00	0.96	.85
	6. I would support negative aspects about the company's social responsibility that others provide.	3.02	0.95	.85
Mean		3.00	0.98	

Table Descriptive Statistics for Measurement Items on Corporate Hypocrisy.

Descriptive Statistics for Measurement Items on Corporate Hypocrisy.

Dimension	Item (n = 603)	M	SD	ES
Hypocrisy	1. <i>Pfizer</i> acts hypocritically.	3.27	0.92	.87
	2. <i>Pfizer</i> says and does two different things.	3.28	0.96	.89
	3. <i>Pfizer</i> pretends to be something that it is not.	3.27	0.97	.86

Note. ES = effect size.

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