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## ***Reaching New Heights after Falling to the Depths: Recovering from a Country Image Faux Pas***

***Louise A. Heslop, Irene R.R. Lu, and David Cray***

Best Paper Award  
Administrative Sciences Association of Canada,  
Marketing Division (2006)

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### *Abstract*

Surveys of Australian consumers before and after French nuclear testing in the Pacific show clear evidence of negative responses of consumers to the 1995 testing. Although evaluations of French products did not decline, evaluations of France and the French did. However, by 2005 ratings of French products and France had more than recovered. A model of effects among country and product belief sets is proposed and tested. The model is strongly supported and helpful in understanding the process of image recover.

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Reaching New Heights after Falling to the Depths:  
Recovering from a Country Image Faux Pas<sup>1</sup>

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# **Reaching New Heights after Falling to the Depths: Recovering from a Country Image Faux Pas**

## **Introduction and Literature Review**

When companies make major mistakes and anger their customers, there is lots of guidance for what they can do to recover from customer anger and restore customer support and loyalty. However, when countries anger international customers, relatively little is known about the consequences and means to recovery. The following sections will review the study of country-product image research. It will then turn to the specific topic of animosity resulting from actions of a country that are reflected in buyer behavior, both as a concept and through the actions of boycotts. Since animosity is an emotion, it is important to place its study in the wider study of the role of emotions in consumer behavior towards countries and their products. Finally, the review will turn to the subject of forgiveness as a possible process for recovery in country and country-product images.

## **Country-Product Image Research**

Country image research has a long history with over 700 published works in the field. It is arguably the most research field in international marketing. Many important conclusions have been drawn from this body of research. Recent and thorough reviews of country image research have recently appeared by Papadopoulos and Heslop (2003) and Srinivasan and Jain (2003). Country image effects can be measured and can impact consumers at both the level of individual products, at the product category level, and across a wide range of product categories. Country images act as an extrinsic cue and affect consumer purchases but not for all products in all circumstances. Their effects vary in intensity across products, buyers, and circumstances. In some cases, country image effects have been found to be stronger than brand effects. Country images affect the decisions of consumers, business buyers, investors, and likely immigrants. Country image effects are multidimensional and include both images of the countries themselves and images of products produced or associated with the country. Finally, country images are often strongly held but can change over time and across product categories in response to long-term developments or as the result of major events

The final point above is of particular interest in this paper. In some cases, countries have been remarkably successful in improving their country image. The most noted example of this is Japan whose product images have improved dramatically over the last 50 years. Some countries have had rapid increases in their product-country profiles, e.g., in the case of several South East Asian countries, such as South Korea, the home of LG electronics and of remarkably strong car quality (J.D. Power and Associates, 2004). In some cases, the views of countries have declined. However, the fall has not usually been based on declining product quality, but rather in response to changes in attitudes towards the people or policies of the country. For example, the recent war in Iraq resulted in several instances of discrimination against products made or associated with several countries, particularly American products in Muslim countries and even products with French names (French fries) in America.

## **Animosity**

In an effort to understand country image downturns based on activities of governments, such as war, economic rivalry, or political disagreements, several researchers (Ang *et al.*, 2004; Amine, 2005; Brunner *et al.*, 1993; Ettenson and Klein, 2005; Klein and Ettenson, 1999; Klein, *et al.*, 1998) have studied the effects of animosity towards countries and the impact of animosity on attitudes towards purchasing products from these countries. Klein *et al.* (1998) have defined animosity as “the remnants of antipathy related to previous or ongoing military, political, or economic events” that are perceived as “grievous and difficult to forgive.” (p.90). Animosity, as portrayed, is clearly an emotional response. They included this construct in a model to predict the willingness of Chinese consumers to buy products of Japan, along with other measured constructs of consumer ethnocentrism and product judgements. The animosity of the Chinese consumers towards Japan for atrocities in China during the Second World War was negatively related to willingness to buy Japanese products and was independent of product judgements. The same construct was tested in a study of Australian consumers’ response to products of France by Ettenson and Klein (2005). They again demonstrated evidence of animosity impacts on willingness to buy that were independent of product judgments. This two-part study compared responses of Australian consumers collected in 1995 when France was carrying out nuclear testing in the Pacific and again one year later after France had declared they would do no more testing. They concluded antipathy decreased over time. However, animosity effects remained, and in the longer term appeared to have spillover effects to product judgments. Therefore, the position of the studies of Klein and Ettenson is that the animosity emotion has effects which act directly on willingness to buy and, in their most recent study, may ultimately impact product judgments.

## **Boycotts**

Boycotting is a form of consumer protest behaviour. Traditionally it is used to describe organized behaviour activities targeting entities, e.g., corporations, countries, whose actions are perceived to be offensive, immoral or egregious. The actions may be directly related to product quality, or to other marketing activities, (e.g., promotion or advertising campaigns), or to non-marketing business activities, (e.g., environment or worker related offences). More and more, consumer boycotts are being used to advance political agendas rather than consumer agendas (Friedman, 1999). The actions are not based on beliefs about the product quality, but rather about the political or social positions of the producers.

Animosity may be directly expressed by consumers in the form of boycotts. In the case of boycotts of products from countries, the effects of the actions are felt by producers in the targeted country. As a result, the normal marketplace associations between beliefs and emotions associated with product performance and brand associations are not translated into willingness to buy. Rather, the political beliefs and emotions override beliefs and emotions about the product.

In some cases, consumer boycotts are organized by groups directly or indirectly representing the aggrieved party. However, boycott actions may arise as a spontaneous pan-consumer response. In such cases, it is highly likely that emotional responses, e.g., indignation,

anger, hostility, animosity, will be at the root of the action, i.e., the response will be emotionally driven. Cognitive elements of attitudes need not and likely do not change.

### **Emotions in Country-Product Image Effects and the Place of Animosity**

The literature on country-of-origin effects broadly refers to attitudes toward products made in or otherwise associated with (manufactured in, assembled in, designed in, ingredients from) a country. Attitudes are conceptualized as having three components – cognitive (beliefs), affective (emotions or feelings) and conative (response). (Hawkins *et al.*, 2004, p. 387) Most research on country effects deals mainly with the cognitive components or beliefs about product quality, reliability, innovativeness, attractiveness, performance, etc. Country image effects on behavioural response elements (e.g., intentions to buy, willingness to buy, buying, rebuying, willingness to pay) should be studied from both a cognitive and an affect base. Views of a country may impact purchase behaviour through several routes, some of which involve product beliefs and some of which involve emotion-related responses, (e.g., liking, trusting, pride) and overall evaluations and judgements (e.g., preference, satisfied with, value, and ideal).

Country-product image research has documented the role of emotion-based and evaluative impacts of country images on consumer responses. Of note are recent models of country-product image effects by Knight and Calantone (2000); Heslop *et al.* (2004) and Orbaiz and Papadopoulos (2003). In these studies, more general measures of beliefs and feelings about countries and their people have been measured, and their effects on product beliefs, judgements and attitudes/willingness to buy have been modelled. In all cases, positive impacts of country and people emotion-based responses and evaluations were found to be significant, usually serving as independent predictors of product responses, even when product beliefs and evaluations are also shown to have effects.

While animosity studies have focussed on this particular emotional response, they have not contextualized the understanding of this emotion. Moreover, the questionnaire design for the animosity scales used by Ettenson and Klein in their studies can be seen to be seriously flawed, since respondents were asked questions about attitudes to the country's offensive actions before questions about product judgments and buying intentions. As a result, reactive effects of the animosity measure were unavoidable and inseparable from any pre-existing, animosity or its effects. Better insight regarding the impacts of major events, such as war, political disagreements, etc., on consumer reactions and possible boycotts would be forthcoming from research designed in ways that take a wider view of emotional responses. This richer view of consumers' emotional landscape would also better facilitate the tracking of responses over time and would not be so event-specific as the current measures of animosity.

### **Recovering from Disaster – the Possibility of Forgiveness**

Can a company or country recover from a public image disaster? Can consumers reengage with the product or the producer after a transgression? Such reengagement may happen if consumers “have” to buy the product, for example, if they need the product and no alternative supplier is available or prohibitively priced. Some boycotts end because consumers do not feel they can avoid purchasing the product (see Friedman, 1999). In such a case, emotional responses

may not change or at least not prior to repurchasing. However, can emotional reengagement occur, i.e., can the consumer forgive?

Chung and Beverland (2005) propose that the study of forgiveness has value to both marketers and consumers in understanding recovery from breakdowns in relationships resulting from consumers' perceptions of transgression on the part of the marketer. Forgiveness covers a range of emotional responses and involves the release of negative feelings associated with a transgression and overcoming resentment (Sells and Hargrave, 1988). Forgiveness involves the release of negative emotions and often the development of empathy towards the transgressor. However, the construct has received little attention from consumer researchers.

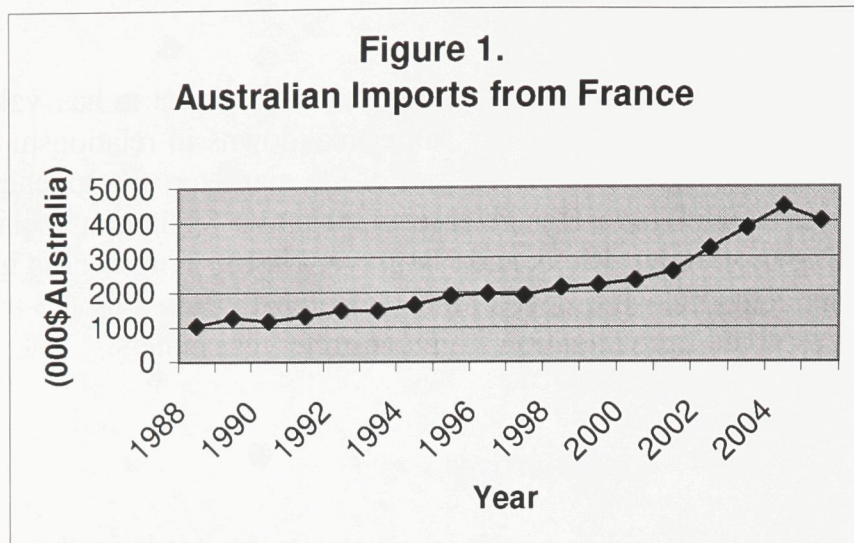
## **Objectives**

The applications of animosity and forgiveness constructs are made in the context of a longitudinal study of Australian consumers' attitudes and behaviors towards France and French products in the period of 1992 – 2005. In 1995 France conducted nuclear testing in the Pacific north of Australia. Australians widely and vociferously protested this action. In 1996 France dismantled their nuclear testing program, but as late as 2003, Jacques Chirac, President of France, was still defending the program as having increased the safety of those living in the region. (The Tocqueville Connection, 2003) The objectives of the study are to:

1. track views of France, the French and French products held by consumers in a country over a period of time involving a significant international disagreement between that country and France
2. test a general model relating views of country-people, views of products from the country, and response to determine shifts in model relationships across the event history time period. This test would determine if a general model of country effects would be effective under these circumstances and contribute to understanding animosity and forgiveness processes.

## **Methodology**

There are few opportunities to study the formation of consumer animosity towards a country and its possible resolution through forgiveness. The French testing of nuclear weapons in the South Pacific was a good example of a political decision that had dramatic reaction from citizen-consumers in other countries. Australians were outraged by the actions, and there is evidence of considerable spontaneous boycotting of French products in Figure 1, which tracks French imports between 1988 and 2005. While there is no period of declining sales, there is a clear plateauing around 1995 and several years following after a long period of sustained growth prior to 1995. The dashed line in Figure 1 shows what could have been projected from the trend in import growth in the five years preceding the year of testing, 1995. The area under the dashed line above the actual import levels line suggests the value of lost sales due to boycotting and that expected levels and upward trends in imports did not recover until about 2003.



Source: Based on Australian Bureau of Statistics, "International Merchandise Imports 1998-2005," Publication 54390, Table 2.

To study consumer responses at the attitudinal level, Australian consumers in a west-coast city were surveyed in each of 1992, 1995 and 2005. This range of time periods surrounds and includes the period of French testing of nuclear weapons in the South Pacific. Specifically, the 1995 data were collected after consumers were knowledgeable about French nuclear testing activities. This study is one of the few in any consumer behaviour area that has repeated a study design in the same country across multiple periods over an extended period of time and particularly one that includes a major political event that seriously disrupted international relations.

A drop-off/pick-up questionnaire was distributed to randomly chosen neighbourhoods. Response rates were approximately 40% in all years and total responses for each round were approximately 300. The questionnaire contained the 13 country-people and 14 product related 7-point bi-polar scales shown in Table 1 to provide multiple measures of each of the constructs. The scales were drawn from earlier studies by (reference supplied after review). The scales specifically solicited information about:

- beliefs about France as an advanced industrialized country, i.e., competency of the country and people - industrialized, rich, stable, highly educated, hard working
- beliefs about the character of the country and people - democratic, many individual rights, peaceful, safe, trustworthy
- country evaluations - ideal country, like, aligned with our country
- product beliefs and evaluations- products are attractive, innovative, reliable, technically advanced, well serviced, good workmanship, good value for money, high quality, good overall
- response-related beliefs – willing to buy, proud to own, satisfied with.



## Results

Prior to data analysis, we examined the data for problems related to missing data, non-normality, outliers, and multicollinearity. The results indicated that the items are reasonably normally distributed. In addition, the relative multivariate kurtosis estimates from PRELIS 2.54 (Jöreskog and Sörbom, 2001) are around 1.5 for all three samples, suggesting that multivariate kurtosis is not severe. Missing values were less than .3% and the Expectation-Maximization (EM) approach in SPSS Missing Values Analysis (SPSS version 14) for the imputation. Mahalanobis distances within each sample were used to detect multivariate outliers, which were found to be few with almost no effects on results. We employed the variance inflation factor (VIF) to examine multicollinearity among the indicators. The VIFs are all less than the cutoff value of 10 (Stevens, 2002), ranging between 1.00 and 3.00 in each sample.

Respondents were compared between samples on several demographic characteristics to ensure that any differences observed between groups could not be attributed to these background variables. The distributions across response categories, means, and confidence intervals for age and gender indicated no differences across samples. However, the 2005 had slightly higher proportion of university graduates than the earlier two samples and fewer high school graduates. To determine the possible impact of the education variance on ratings, responses on the ratings scales were tested for correlation with age. Since the number of tests was large, significance at  $p < .01$  was used as a cut-off point. Very few of the scales were significantly related to age and all correlations were at the  $r = .1$  or less. These scales were scattered across different beliefs sets identified in Table 1. Additionally, because of the discrepancy in the mean education level across years, the possibility of using education as a covariate in model tests was explored. Based on the finalized measurement model, the correlated of the factor scores (regression type) of each construct with education was determined. The proportion of common variance (i.e., square of the estimated correlation) between education and each construct ranged from .5% to 2.2%. Due to the low common variance, the incorporation of an education covariate could be seen to offer little benefit, consequently using education as a covariate in subsequent analyses was not pursued. Therefore, it can be concluded that the samples are substantively comparable on demographic variables.

### Overview of Scale Ratings Across Years

The results seen in Table 1 provide a rich view of the responses of Australian consumers to France and its products untainted by direct reference to French political activities and decisions. The first observation is that beliefs and evaluations did change, as did responses to the products across the time periods, in ways that could be perceived to be related to the events of 1995. However, the effects were not universal across all measures. The views of the performance of French products, by and large, did not change at all over the period. This finding supports Klein and Ettenson's results for their 1995 survey of Australians but not their 1996 survey findings of a decrease in product ratings over time (Ettenson and Klein, 2005). The only exception was the increase in the judgement of reliability of French products, which did not decline in 1995 but was higher in 2005 than in the previous two periods.

Table 1. Comparison of Ratings of France and French Products in Australia –  
1992, 1995, 2005

Belief Scales	Year (N)			F-test signif	Direction of belief change		
	1992 (N=291)	1995 (N=300)	2005 (N=302)		1992-1995	1995-2005	1992-2005
<b>Country-people industrialization/competency</b>	Mean Rating (Scale rating from 1-7)						
<i>Industrialized</i>	5.48	5.58	5.66	*	ns	+	+
<i>Educated</i>	5.85	5.68	6.13	*	ns	+	+
<i>Stable</i>	5.22	4.88	5.72	*	ns	+	+
<i>Rich</i>	5.37	5.15	5.79	*	ns	+	+
Hard working	4.47	4.57	4.59	NS			
<b>Country-people character</b>							
<i>Democratic</i>	4.83	4.62	5.45	*	ns	+	+
<i>Rights</i>	5.36	5.18	5.65	*	ns	+	ns
<i>Safe</i>	5.01	4.39	5.56	*	-	+	+
<i>Ideal country</i>	4.54	3.80	5.09	*	-	+	+
<b>Country-people evaluation</b>							
<i>Peaceful</i>	4.23	3.22	4.81	*	-	+	+
<i>Trustworthy</i>	4.37	3.44	5.01	*	-	+	+
<i>Like</i>	5.07	4.05	5.63	*	-	+	+
Aligned with us	3.97	3.09	4.24	*	-	+	ns
<b>Product evaluative beliefs</b>							
<i>Good overall</i>	5.31	5.03	5.45	*	ns(.05)	+	ns
<i>Good workmanship</i>	5.25	5.10	5.35	NS			
<i>Good quality</i>	5.29	5.20	5.50	NS			
<i>Reliable</i>	4.86	4.85	5.20	*	ns	+	+
<i>Satisfied with</i>	4.96	4.62	5.11	*	-	+	ns
Attractive	5.54	5.54	5.74	NS			
Innovative	5.16	4.93	5.23	NS			
Good after sales service	4.08	3.96	4.12	NS			
Easy to find	4.30	4.50	4.18	NS			
Recognizable brands	4.93	4.97	5.09	NS			
Expensive	5.71	5.89	5.77	NS			
Good value	4.12	3.78	4.08	NS			
<b>Product response</b>							
<i>Proud to own</i>	4.62	3.68	4.84	*	-	+	ns
<i>Willing to buy</i>	4.21	3.14	4.84	*	-	+	+

1. Significant ANOVAs for year difference test reported at  $p < .01$  level only
2. Dunnett's test for differences between means with variance equality not assumed; significance reported at  $p < .01$  level only. Empty cells indicate no post-hoc tests were noted because the ANOVA results were not significant.
3. Scales in italics were verified as reflective indicator measures in structural equation modeling described later.

Some views of France and its people did change dramatically. Images of France as an industrialized country did not change. However, views of the France regarding its aggressiveness, as being a safe country, and as being trustworthy dropped precipitously. However, by 2005 these ratings had recovered. What is particularly astonishing is that almost all

ratings of France in 2005 were higher than 1992 ratings of the country, even for those characteristics that suffered significantly in 1995.

Finally, noting responses to French products, these paralleled views of the country and people character ratings, rather than ratings of the products or the country industrialization ratings. Response-related measures declined greatly in 1995 and suggest that Australian consumers were rejecting French products and would likely boycott them for the perceived sins of the country's government. That these survey responses have external validity is supported by the actual import trends (Figure 1). However, by 2005 the perceived satisfaction, and pride of ownership had rebounded and the willingness to buy measure was even higher than 1992 levels. Again, these survey responses are reflected in and supported by actual import levels in 2005.

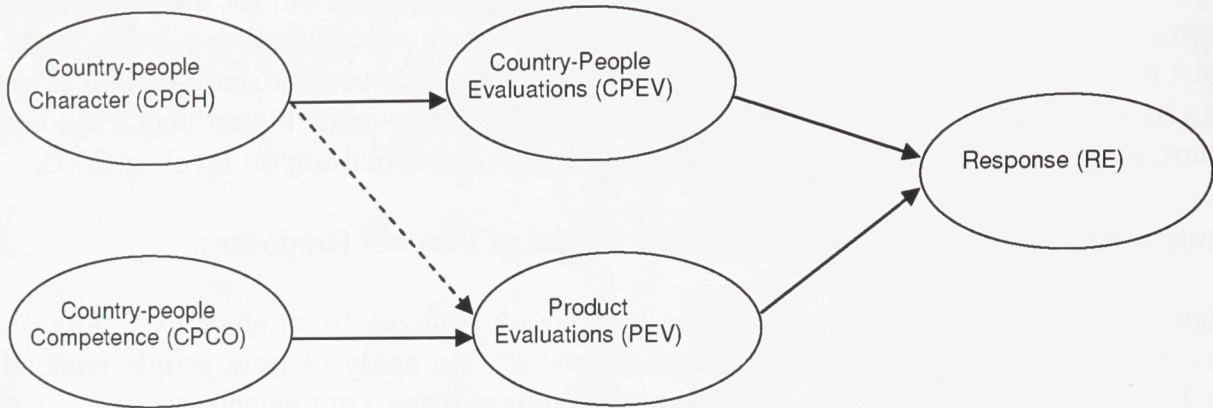
### **Development and Testing of a Country Effects Model of Product Responses**

To further study the association of country and people images to product evaluations and responses, a model of effects is proposed and tested. In the study of how people respond to products based on country images, a number of country image components can play a part. Previous research indicates that responses to products from other countries can be based on:

- country-based beliefs about product performance
- beliefs about the capabilities or competency of the country and its people to produce desirable products
- qualities or character of the country and people that make relationship-building desirable, i.e., what might be termed the "personality" of the country. Such "personality" characteristics are the basis of emotional-based branding for products (Holt, 2004)
- overall evaluations of the country-people, i.e., country-people composite evaluative beliefs

Figure 2 indicates the underlying relationships of interest to the study. The model is based on research by (authors to be added after review), which includes both country and people character (CPCH) and competency (CPCO) ratings in the formation of product country image effects. It indicates that evaluations of products from a country (PEV) can be expected to be impacted mainly through beliefs about the country's ability to produce desirable products as reflected by the relationship of images of the country and people industrialization/competency (CPCO) to product evaluation beliefs. However, a secondary effect (indicated with dashed arrow) from country-people character images (CPCH) is also possible. Country-people evaluations (CPEV) are formed primarily from images of the character of the country and its people (CPCH). In turn, country and product evaluations directly impact on the interest in associating with these people and country through purchase response mechanisms (RE). All the effects are hypothesized to be positive. The maximum likelihood (ML) estimation procedure of LISREL 8.54 (Jöreskog and Sörbom, 2001) was employed for the analyses of measurement model evaluation, structural model evaluation, and multigroup comparisons.

**Figure 2**



**Measurement model evaluation.** The proposed measurement model was formulated as congeneric, consisting of five unidimensional constructs with all cross-loadings and covariances between or within construct error variances constrained to zero. A congeneric measurement model satisfying these constraints is considered to have construct validity and represent sound measurement properties (Carmines and McIver, 1981; Hair, *et al.*, 2005). Each construct was initially proposed as having between three and five proposed reflective indicators. All the scales proposed as reflective of the model constructs were tested and measures that did not fit the proposed construct were tested for fit with other constructs where there was possible intuitive fit and retained or eliminated based on findings concerning reasonable fit. Concern was given to create consistency across the three time periods to facilitate cross-year comparisons. The final measures used for each construct are indicated in italics in Table 1. The final measurement model fits relatively well in all three samples. All model fit indices are within the range of recommended values ranges of measures across all samples with the exception of chi-square. ( $X^2/df=1.53-2.20$ ;  $RMSEA=.038-.060$ ;  $CFI=.96-.98$ ;  $GFI=.91-.93$ ;  $NNFI=.96-.98$ ) (Bollen 1989, Browne and Cudeck 1993, Hoyle 1995, Hu and Bentler 1999, Kline 2005). The chi-square test is not used as a criterion for assessing model fit due to its sensitivity to large sample size (e.g., Hu and Bentler, 1995). Nevertheless, the chi-square is reported for the reader's reference.

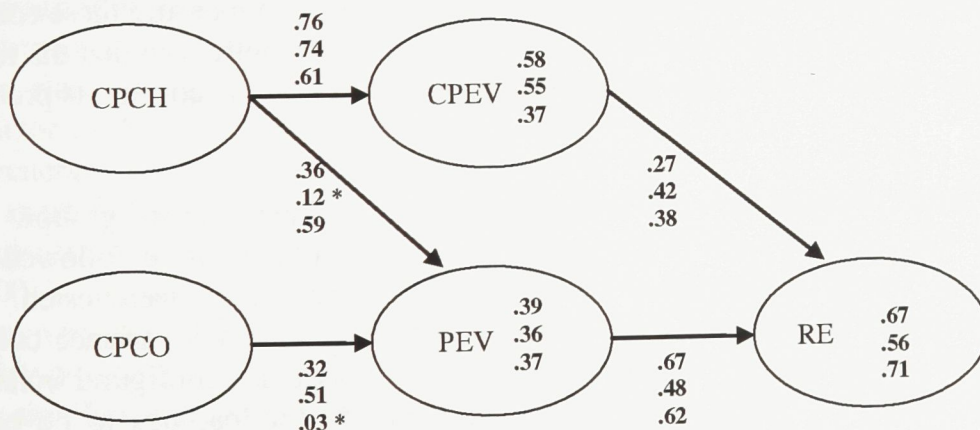
To further assess the quality of the measurement model, the convergent, discriminant, and nomological validity of the constructs were examined for each sample separately. Factor loadings and reliability are often used to estimate the relative amount of convergent validity among the indicators. All factors loadings of the final measures are highly significant ( $p < .01$ ), as required for convergent validity. The average loadings across years exceed the minimum values of .5 suggested by Hair, *et al.* (2005), except for “democratic” and “rights” in construct Country-People Character (CPCH) with loading estimates of .49 and .45, respectively. These two indicators were retained in the model since they did not appear to significantly harm model fit or internal consistency and are close to the cut-off value. The average construct reliability

estimates are all above the recommended value of .7 (Hair, *et al.*, 2005), except for the construct Country-People Character (CPCH) with an estimate of reliability of .65, which is close to the cut-off. In addition, the model fits relatively well for all three samples. Taken together, the evidence generally supports the convergent validity of the measurement model.

A construct has high discriminant validity if it does not correlate too highly with other constructs. Support for construct discriminant validity within each sample was found. The 95% confidence intervals around the estimated inter-construct correlations do not contain a value of 1 (Anderson and Gerbing, 1988). and all estimated inter-construct correlations are below .8. A construct has high nomological validity if it associates with other constructs or variables in a way that is consistent with a priori expectations (Peter, 1981). The inter-construct correlations support the theoretical prediction that the five constructs are positively related to one another.

**Evaluation of the hypothesized structural model.** Having established an acceptable measurement model, the hypothesized structural model can be evaluated. The validity of the hypothesized structural model was assessed by examining indices of model fit, structural parameter estimates, and the proportion of variance explained in the endogenous construct RE. Figure 3 and Table 2 summarize the model fit indices and the estimated structural paths for each model. The hypothesized structural model fits all three samples very well as all fit indices fall within the recommended range (Bollen 1989, Browne and Cudeck 1993, Hoyle 1995, Hu and Bentler 1999, Kline 2005). The hypothesized effects are all statistically significant, except for the path from country-people character (CPCH) to product evaluations (PEV) in 1995, and the path from country-people competency (CPCO) to product evaluations (PEV) in 2005. All the statistically significant relationships are in the hypothesized direction; again, this is support for the nomological validity of the constructs. Response to French products (RE) has 67%, 56%, and 71% of its variance explained in 1992, 1995, and 2005, respectively. In addition, the model does not suffer from interpretational confounding, as the estimated factors loadings have not changed substantially from the loadings in the preliminary CFA model; this is further support for the validity of the measurement model (Hair *et al.*, 2005).

**Figure 3. SEM Results for Each Year, Independent Tests**



Note: Numbers on the structural paths are standardized path coefficients; the top, middle, and bottom value are coefficients from 1992, 1995, and 2005, respectively. Numbers inside a construct indicate the percentage of variance of that construct explained by its predictors (i.e.,  $R^2$ ); the top, middle, and bottom values is the  $R^2$  from the 1992, 1995, and 2005 sample, respectively.  $df = 129$  for the model in each year. All coefficients are significant ( $p < .01$ ), except for those marked with \*.

**Table 2. SEM Overall Model Goodness of Fit Indices for Independent Tests of the Model in Each Year**

SEM Overall Model Goodness of Fit Indices									
	$\chi^2$ (df)	$\chi^2 / df$	RMSEA	RMSEA 90% C.I.	CFI	SRMR	GFI	NFI	NNFI
1992	261.71 (129)	2.03	.060	(.049, .070)	.97	.053	.91	.95	.97
1995	308.46 (129)	2.39	.068	(.058, .078)	.96	.061	.90	.93	.95
2005	199.71 (129)	1.55	.043	(.031, .054)	.98	.056	.93	.95	.98
Recommended Value Ranges	p >.05	< 5	<.05 good <.08 reasonable		>.90	<.08	>.90	>.90	>.90

Note: Recommended ranges based on Bollen (1989), Browne and Cudeck (1993), Hoyle (1995), Hu and Bentler (1999), and Kline (2005).

**Evaluation of a rival model.** It is recommended as part of model evaluation that researchers compare competing theoretical models (Hair *et al.*, 2005; Hoyle and Panter, 1995; Kline, 2005; Rigdon, 1998). Accordingly, a less parsimonious rival model was formulated that posits a direct path from CPCO to CPEV. Compared with the initial model, the fit indices for the rival model remains unchanged for each sample, except for chi-square and the normed chi-square ( $\chi^2 / df$ ). The normed chi-square differs by only one tenth of a decimal. The CPCO to CPEV path is statistically significant in 1995 but not in the predicted direction. Finally, little to no additional predictive power with the rival model, as the variance explained in the construct RE was essentially the same despite the extra path. Therefore, the original hypothesized model was preferable and was used for the following multigroup analyses.

### Multigroup Comparisons for Construct Means and Structural Relationships

To achieve our research objectives of cross year comparisons of model effects paths, MGCFA and MGSEM were used to assess the differences in construct means and structural relationships across groups (i.e., years). Before valid group comparisons of construct means and inter-construct relationships, it is important to address the issue of measurement invariance. That is, do the items across the groups indeed measure the same constructs, and measure these constructs equally well? This issue is because unless we can say with some confidence that the same constructs are being tapped in each group, any group comparison of the constructs proceeds on shaky ground.

**Measurement invariance.** To assess factorial invariance across groups, procedures outlined by Hair *et al.*, (2005) and Vandenberg and Lance (2000) were followed. Tests of invariance involve a comparison of nested models; and in this case, three were tested. The first is the baseline model where the same measurement model (without any invariance constraints) is specified and tested on the three groups simultaneously and assesses configural invariance (i.e., weak factorial invariance). The second model constrains factor loadings to be equal across groups and assesses metric invariance. The third assesses scalar invariance by constraining both factor loadings and intercepts to be equal across groups. The extent of measurement invariance increases from the first to the third model; reasonable fit to each model correspondingly suggests greater degree of invariance. The most common statistic for testing the difference between nested

models is the chi-square difference test (Bollen, 1989). However, based on an investigation of fit index performance in measurement invariance studies, Cheung and Rensvold (2002) argued that other indices are superior to the chi-square difference test. Therefore, Cheung and Rensvold recommended examining the change in CFI. All three models were found to have good overall fit to the data. Most importantly, the CFI remained unchanged across models, proving support of metric and scalar invariance (Cheung and Rensvold, 2002). (Details of findings are not reported here due to space limitations.)

**Comparisons of construct means across groups.** MGCFA was used to assess the differences in construct means across groups by constraining the factor loadings and intercepts of the indicators to be equal across groups. The reference group used was the pre-crisis, 1992 sample as the base for comparisons (i.e., we estimate how much the 1995 and 2005 means differ from the 1992 means; see, e.g., Jöreskog and Sörbom, 2001 and Kline, 2005). Table 3 shows that the means of the constructs of country-people character (CPCH), country-people evaluations (CPEV), and response (RE) in 1995 are statistically significantly lower than those in 1992. Except for the product evaluations construct (PEV), all the construct means in 2005 are statistically significantly higher than those in 1992. Across the three years, the 2005 means of country-people character (CPCH) and country-people evaluations (CPEV) are the highest while the 1995 means of country-people evaluations (CPEV) and response (RE) are the lowest.

**Table 3. MGCFA Comparison of Construct Means**

Year	CPCH	CPCO	CPEV	PEV	RE
1995	-0.61 (0.12) <i>-5.14 ***</i>	-0.18 (0.08) <i>-2.39 **</i>	-1.00 (0.13) <i>-7.81 ***</i>	-0.20 (0.10) <i>-2.07 **</i>	-0.94 (0.13) <i>-7.13 ***</i>
2005	0.59 (0.11) <i>5.43 ***</i>	0.37 (0.07) <i>5.21 ***</i>	0.60 (0.11) <i>5.54 ***</i>	0.16 (0.09) <i>1.83 *</i>	0.40 (0.12) <i>3.41 ***</i>

Note: 1992 is the reference group. In each cell, the first value is the estimated relative mean difference (relative to the 1992 mean); the standard error appears in brackets. The *t*-test statistic is the italicized value. \*  $p < 0.1$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$ .

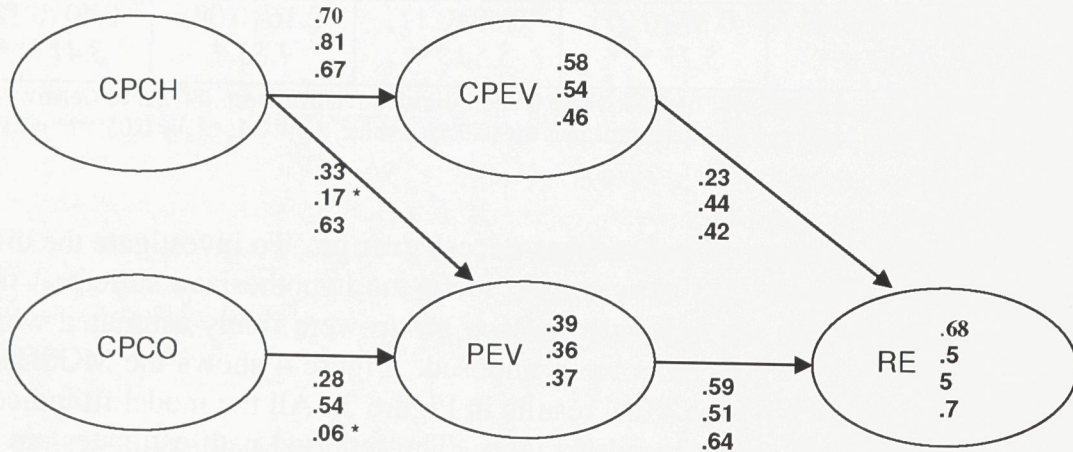
**Comparisons of structural relationships across groups.** To investigate the differences in inter-construct relationships, MGSEM was used to fit the hypothesized structural model for three groups simultaneously. Structural paths in each group were freely estimated while group invariant factor loadings for the indicators were imposed. Figure 4 shows the MGSEM results, which are generally consistent with the SEM results in Figure 3. All the model fit indices shown in Table 4 again fall within the recommended range. The reported path estimates are common metric standardized solutions (i.e., estimates are comparable across groups; see Jöreskog and Sörbom, 2001). Again, the hypothesized effects are all statistically significant<sup>1</sup>, except for the path from country-people character (CPCH) to product evaluations (PEV) in 1995, and the path from country-people competency (CPCO) to product evaluations (PEV) in 2005. All the statistically significant relationships are in the hypothesized direction. Response (RE) has 68%, 55%, and 70% of its variance explained in 1992, 1995, and 2005, respectively.

<sup>1</sup> Because the estimated path coefficients are common metric, they can no longer be directly evaluated for statistical significance. Rather, the statistical significance of each coefficient is based on a corresponding *t*-statistic that has not been reported here.

As can be seen in Figure 4, there are several notable changes in structural relationships from 1992 to 2005. The estimated path from country-people character (CPCH) to product evaluations (PEV) went down then back up again (from 0.33 to 0.17, then to 0.63); the 2005 path coefficient is almost twice as high as the 1992 path. An opposite pattern of change occurred for the path from country-people competence construct (CPCO) to product evaluations (PEV) (from 0.28 to 0.54, then to 0.06); the 2005 path is even lower than the 1992 path. Among all the paths, the path from country-people character (CPCH) to country-people evaluations (CPEV) is the strongest across all years. The path from product-evaluations (PEV) to response (RE) is always stronger than the path from country-people evaluations (CPEV) to response (RE).

Table 5 shows the total and indirect effects (e.g., see Keith, 2006; Raykov and Marcoulides, 2000). From 1992 to 2005, the total effect of country-people character (CPCH) on response (RE) increased (from 0.36 to 0.44, then to 0.68), while the total effect of country-people competence (CPCO) on RE increased in 1995 (from 0.17 to 0.28) but then diminished to non-significance (0.04) in 2005. Specifically in 1995, the total effect of country-people character (CPCH) on response (RE) (0.44) can be attributed to the indirect effects through country-people evaluations (CPEV) (0.36) and product evaluations (PEV) (0.09), i.e., country-people evaluations (CPEV) are largely responsible for the total effect. In 2005, on the other hand, the total effect of country-people character (CPCH) on response (RE) (0.68) is due more to the indirect effect through product evaluations (PEV) (0.40) than to the indirect effect through country-people evaluations (CPEV) (0.28).

**Figure 4. MGSEM Results**



Note: Numbers on the structural paths are common metric completely standardized solutions; the top, middle, and bottom value are coefficients from 1992, 1995, and 2005, respectively. Numbers inside a construct indicate the percentage of variance of that construct explained by its predictors (i.e.,  $R^2$ ); the top, middle, and bottom values is the  $R^2$  from the 1992, 1995, and 2005 sample, respectively. All coefficients are significant ( $p < .01$ ), except for those marked with \*.



**Table 4. MGSEM Model Goodness of Fit Indices for Combined Years Model**

Goodness of Fit indices	$\chi^2 (df)$	$\chi^2 / df$	RMSEA	RMSEA 90% C.I.	CFI	SRMR	GFI	NFI	NNFI
		860.65 (413)	2.08	.060	(.055, .066)	.97	.068	.92	.94
Recommended Value Ranges	P >.05	< 5	<.05 good <.08 reasonable		>.90	<.08	>.90	>.90	>.90

Note: Recommended ranges based on Bollen (1989), Browne and Cudeck (1993), Hoyle (1995), Hu and Bentler (1999), and Kline (2005).

**Table 5. Total and Indirect Effects in MGSEM**

	Total effects			Indirect effects	
	CPEV	PEV	RE		RE
CPCH	0.70	0.33	0.36	CPCH → CPEV →	0.16
	0.81	0.17	0.44		0.36
	0.67	0.63	0.68		0.28
CPCO		0.28	0.17	CPCH → PEV →	0.19
		0.54	0.28		0.09
		0.06	0.04		0.40
CPEV			0.23		
			0.44		
			0.42		
PEV			0.59		
			0.51		
			0.64		

Note: For each effect, the first row is for 1992, the second for 1995, and the third for 2005.

## Discussion

In summary, it appears the crisis has shifted the relative importance of country-people character beliefs in explaining consumer responses. During the crisis, negative feelings (animosity) towards the people-country character of France rose, and the role of these country-people character beliefs in explaining responses to products increased in their impact directly through overall country-people evaluations. Moreover, country-people character effects have come to dominate over country-people competency in explaining product evaluations.

In the final period, the actual values of country and people character have more than recovered. Also, these character beliefs now more strongly predict product evaluation assessments. These product evaluations have recovered their importance in explaining consumer responses. Therefore, the recovery of French products, both in terms of evaluations and response, seems based on improvement in evaluations of the character of the country and people. Moreover, these country-people character evaluations play a relatively much stronger role now in product evaluations.

Since country-people competency ratings are less likely to be affected by political events, their rise in importance in explaining product evaluations and response during the “active crisis” period in 1995 was of benefit to France in stabilizing the ratings towards French products from more devastating impacts of declines in country-people character and country evaluations. The decline in the explanatory power of competency beliefs is worrisome if there is a recurrence of negative country-people evaluations in the future, i.e., there has been a loss of brand trust as “the well” has been tapped and may no longer provide support.

Overall, Australian consumers seem to have changed both their ratings of the French and French products, as well as the ways they come to their response-based decisions about French products. In both cases, France has come out the winner, at least for now. The shift in country ratings and the rebalancing of the use of ratings of the character of the French people may be explainable by reference to forgiveness mechanisms. Forgiveness works in many ways but four, in particular, bear mention here in understanding how they may have affected the recovery of the position of France in Australian consumer markets:

1. forgiving generates positive benefits for the forgiver, regardless of the reason for forgiveness (Witvliet *et al.*, 2001). As Australians have come to forgive France, the forgiving process itself creates good feelings. Through the process of attribution, these feelings can be transferred to the object of forgiveness, improving assessments of the object itself. This mechanism would explain why ratings of France and French products have recovered to levels higher than those before animosity developed. This emotionally positive response is internally felt and indirectly attributed to France
2. forgiveness involves embracing benevolent, compassionate, loving views of the offender (Enright *et al.*, 1998). In the process of forgiving, France is more loved. The findings show the feelings-related measures toward France have risen to levels higher than originally held. Here the response is largely affect or emotionally based and directly related to feelings about France and its people
3. one route to forgiveness is through a more balanced view of the object of forgiveness. Gartner (1988) contends that the intellectual or cognitive side of forgiveness involves the integration of both the good and bad sides of the transgressor as a more realistic view of the nature of the transgressor. Applying the process of forgiving, France is seen as having both good and bad characteristics, rather than being either good or bad. As a result, beliefs about the character of French people and the country recover. This intellectual route would suggest the value of rebalancing views of the country-people character in country evaluations and product response.
4. forgiveness may be a necessary response to resumption of associative actions. The recovery of trade may, in fact, be the basis for a shift in the beliefs and evaluations, i.e., the model may work in reverse. Over time, Australian consumers’ enthusiasm for actively avoiding French products may simply have dissipated. They may have come to feel that they have made their point and simply return to previous purchasing habits, buying French products when they see them as superior. The products themselves are rewarding in the experiences they provide and forgiveness arises from this rewarded association. People avoid non-fit between attitude components and may readjust their beliefs to coincide with their behaviour to maintain internal consistency. (Hawkins *et al.*, 2004, p.391) This approach to forgiveness is behaviourally driven, as behaviour leads to readjustments in beliefs and feelings and may be a less stable form of forgiveness, one that is more likely to be withdrawn if offence is taken again.

While there is considerable support for the conclusion that Australian consumers have forgiven France, they may not have truly forgotten. The shift to greater reliance on country-people character in product evaluations suggests there is a new sensitivity to the more general nature of the country and its people by Australian consumers in thinking about doing business with France. If France does engage in activities that are offensive to Australians in the future, old animosities will likely be easily rekindled with major effects. Indeed, some evidence of this can be seen in the sharp downturn of French imports in 2005 shortly after the French President made remarks praising the Pacific for “allowing nuclear testing” and suggesting the nuclear tests were justifiable, clearly inflammatory remarks indicating no contrition for any wrongs inflicted.

This study is unique in contributing to understanding country image and country equity over time:

1. there are very few studies which have used model-based evaluations of effects of country and people beliefs and evaluations to explain responses to consumer products from foreign countries, especially involving multi-group structural equation modelling to test model invariance effects. The stability of the model constructs and paths provides strong support for the model’s usefulness in examining country equity over time
2. the measures used here were general and not event specific. The previous studies of impacts of international conflicts have used measures of animosity that were patently obvious and highly reactive. By making no reference to the events that affected international relationships and might but might not affect consumer responses, a more valid test of consumer response mechanisms, including the sources of effects, is possible.
3. leading from the first two points, what is apparent is that the animosity measure is not needed. A much better approach is to monitor attitude components of country-people and product images over time to be able to assess temporal or crisis-based shifts in attitudes and responses.
4. by comparing actual import data with reported changes in attitudes and willingness to buy, support is found for the measures and constructs used in the research
5. significant evidence is provided concerning the length of recovery time from major international conflicts and can be used to compare to future events and their impacts on consumers. This approach can likely also be used to track the impacts of positive events, such as the Olympics to track the length and mechanisms for consumer responses.
6. a mechanism for recovery, through forgiveness is introduced. While it is introduced here as a plausible hypothetical mechanism, there is good support through understanding of the underlying processes at work in forgiving.

Since this study is only one study of consumers in one country, the results cannot be considered definitive. Certainly further work is needed on the development for construct scales used in the model and exploring further effects paths, but opportunities for repeated measures longitudinal studies such as this are fairly rare. Events with such enormous consumer reaction are extremely difficult to predict. Notwithstanding, as this paper is being completed, Muslim boycotts of Danish foods are being imposed around the world in protest over cartoons published in a Danish newspaper that were deemed to be insulting to Islam. It is likely such forms of protest will increase rather than decrease in the future. Much more needs to be understood about processes affecting boycott behaviours directed at products of countries and for the restoration of consumer relations through forgiveness or other processes.

The potential contribution to understanding the mechanisms involved in consumer country image formation and use is substantial.

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