



Aalto University
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SUSTAINABLE INVESTING AND THE ETHICAL DILEMMA

Consumer Reactions to Sustainable Companies Choosing Controversial Investors

Merika Mattila

International Business
Bachelor's Thesis
Supervisor: Heikki Rannikko
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Author: Merika Mattila

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Objectives

The main objectives of this study were to analyze the phenomenon of sustainable companies choosing unethical investors and fill the gaps in existing literature by focusing on consumer reactions and behaviors resulting from the phenomenon. In addition, this study aimed to examine consumer perceptions towards the sustainable market, as well as the climate crisis. Finally, through providing consumers with additional information of the positive effects of additional funding, this study attempted to examine if the positive effects of funding are significant enough to maintain consumers' willingness to buy from a company.

Summary

This research was conducted through a quantitative study where consumer reactions towards an event where a sustainable company chooses an unethical investor were examined with the help of a survey instrument. In addition, the quantitative study examined the differences in consumer behaviors after the respondents were given additional information on the aforementioned event. The responses of consumers were reviewed and analyzed, and discussion was driven from the analysis.

Conclusions

The existing literature created an assumption that in a situation where a sustainable company chooses an investor with a bad reputation, consumers will have negative reactions. The primary data of this study aligned with these assumptions, revealing generally negative consumer attitudes. However, it was noticed that while having negative reactions, consumers were not ready to take significant actions towards the company. When presented with additional information on the possible positive effects of the funding, consumers' reactions turned to more positive. Through analyzing secondary and primary data, it was concluded that sustainable companies can benefit from big investors despite possible controversy if they manage to communicate their intentions and the positive effects of the funding to their customers.

Key words: sustainable investing, sustainability, unethical investor, unethical funding, unethical business behavior, consumer behavior

Language: English

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1. INTRODUCTION

As climate crisis evolves, businesses and the private sector have had to come up with ways to contribute. The private sector has a good opportunity of supporting sustainable operations by funding companies that work towards a better future. While sustainable investing offers a good way for investors to participate, problems arise when a company chooses an investor who is not consistent with their portfolio, nor perceived as ethical. It creates questions among consumers, such as 'What is the company funding?' and 'What am I supporting in the long run?' Companies end up receiving backlash on social media for the decisions they make when they fail to meet the expectations of the consumers, risking their reputation. While it is debated how often negative events result in significant damage, consumers' disapproval holds a lot of power, as actions such as public backlash and boycotting have managed to put companies in a position of distress.

When the Swedish plant-based company Oatly accepted a 200-million-dollar deal from an investing company Blackstone; a company known for controversial business activities, the event created a media storm followed by public backlash from the company's customers (Helmore, 2020) This case, as well as published academic research create the assumption that consumers tend to disapprove of unethical funding, questioning the core values and objectives of the company that claims to be sustainable and ethical. However, as the sustainable market suffers from the lack of variety in products, as well as a high price that affect consumers' willingness to purchase, companies are in need of funding. With sufficient funding, sustainable companies are able to offer consumers affordable and accessible options to encourage people to switch to more sustainable lifestyles.

1.1 Research Problem

While sustainable investing has been studied a lot, the existing literature mainly focuses on how the activity works around the investor (Mackenzie & Lewis, 1999; Dunfee, 2003; Kölbel et.al., 2020). Thus, there is a lack of academic research regarding consumer reactions to sustainable investing as a business activity,

especially when the investor does not seem to have the same values as the company they are investing in.

While the existing literature creates an assumption that consumers find the aforementioned business behavior unethical, no academic research has been done on the concrete reactions of consumers. Due to the lack of research on the topic, especially regarding consumer behavior, it is essential to explore how consumers react and what actions they take when facing such an event.

In addition, as sustainable companies receive additional funding from investors, thus managing to improve their products, it is relevant to examine how the positive effects of the additional funding change the initial reactions of consumers, given that they are negative. If the effects are proven to be positive enough to keep people buying, sustainable companies can be expected to gain significant benefits from the private sector.

The research problem of this thesis is to fill these gaps in the existing literature, providing an overview of how this type of business activity is perceived by the consumer and how it will affect companies in the long run.

1.2. Research Questions

The goal of this thesis is to find answers to the following research questions:

1. How do consumers perceive the current market of sustainable products?
2. How do consumers respond when a sustainable and ethical company chooses an investor who consumers perceive as controversial?
3. Are the positive effects of controversial funding significant enough to keep consumers buying from the sustainable company?

These questions will be answered with the help of a quantitative analysis on consumers and explained with the help of findings derived from the literature review.

1.3. Research Objectives

Closely related to the research questions, the research objectives of this thesis are to:

1. Provide an overview of how consumers perceive the sustainable market and the products available
2. Find out how dramatically consumers react and what kinds of actions they are willing to take when a sustainable and ethical company chooses a controversial investor
3. Clarify if giving the consumers additional information on the positive effects of controversial funding changes their reactions to more positive, thus keeping them buying from the company

1.4. Outline of Thesis

This thesis will begin with a literature review that gives an overview of the key themes around the topic, as well as theories from academic studies that can be used to support and explain the findings of this research. The literature review will also be a key factor in creating the research questions that are explored in the thesis. Following the literature review, the methodology of this research will be presented and reviewed. After explaining the methodology, findings of the quantitative research will be presented in specific themes that answer the research questions, followed by a discussion section that aims to interpret the findings with the help of the literature review. Lastly, a conclusion section will offer the main findings of the research, present how the findings can be implicated in international business, as well as bring up the possible limitations that rose during the research process.

2. LITERATURE REVIEW

This literature review is created to bring up and examine the main topics around sustainable investing and controversial funding towards sustainable companies. It will create a base of academic research that will be used to support and explain the

findings of this thesis. In addition, this literature review will be working as the key factor in creating the research questions of this study.

This literature review begins by offering an introduction to sustainable investing, the motivations behind it, as well as the reasons for controversy. Next, an overview of corporate social responsibility and its effects will be introduced, followed by an analysis on consumer perceived ethicality, as well as organizational reputation and its modern driver, social media. As a final topic, ethical consumer decision making is introduced and analyzed to give an overview on what is valued in the sustainable market. Finally, in the conclusion part, a conceptual framework is provided that offers a visual representation of the topic. In addition, the conclusion will present reasoning behind the created research questions.

2.1 Sustainable Investing

Sustainable investing (SI) is defined as investing that takes environmental, social, and governance (ESG) information into account instead of just financial opportunity (Kölbel et al. 2020). As the climate crisis is a fast-growing phenomenon and the negative effects require not only social but also economic transformation to mitigate (UNFCCC, n.d.), sustainable investing has been considered a possible means of fighting climate change (IPCC, 2018). In addition, it is believed that the private sector, meaning both companies and investors, has an important role in companies achieving the 17 Sustainable Development Goals set by the United Nations (Betti et al., 2018). By practicing SI and using their shareholder influence, investors manage to either encourage companies to operate more responsibly and sustainably or help sustainable companies grow and improve the quality of their operations, working towards a better future (Kölbel et al., 2020). It can therefore be concluded that the investor impact considering SI is significant and can facilitate positive change in the business world.

2.1.1 Motivations for Sustainable Investing

Despite the environmental possibilities surrounding SI, Kölbel et al. (2020) recognize that all investors do not find making an impact important and they most likely have different kinds of motivation for such investing behavior e.g., financial motivation in terms of less risk and the desire to be morally aligned with their portfolio. This suggests that SI might merely be a tool for investing companies to succeed and to look better on the outside, not to make a positive change. However, MacKenzie and Lewis (1999) prove that some investors might choose SI only due to their personal ethical beliefs.

2.1.2 Controversy Related to Sustainable Investing

Despite the finding, in their study, MacKenzie and Lewis (1999) also notice that while some investors have ethical beliefs and values, they are not consistent with only focusing on ethical investments and only commit a small part of their portfolios on them. This can be seen as hypocritical and inconsistent, as Dunfee (2003) puts it. Indeed, it creates a feeling of pretentiousness, not only in the eyes of companies but also in the eyes of general consumers. The MacKenzie study introduces four justifications that investors with ethical intentions offer to explain the investing behavior mentioned above. Firstly, the investors said to hold unethical investments in order to change the actions of the companies doing these unethical business decisions rather than selling them to someone who does not have interest in making a change. Secondly, some investors labelled their unethical investments as inherited shares that they held out of loyalty to the memory of the family member that the shares were inherited from. Thirdly, a few investors stated that their values had changed since beginning to invest and therefore they were still holding onto some unethical ones and had the plans of disposing of them. However, these plans had not been executed yet and were not making progress to do so. The investors justified this with the feelings of laziness, uncomfortableness and most importantly, the high cost of it. The fourth justification was based on investors having a principle of having a portfolio that consisted of various investments, high risk, high return and lower risk, and by choosing entirely ethical investments, this could not be possible. All of the

justifications can, however, be interpreted as explanations for flawed behavior, as the main conclusion of the study stated that while investors had ethical concerns, they were not prepared to sacrifice the essential financial requirements to address them. The study also focuses on private investors and does not address investment companies who most likely base their decisions on financial performance.

As it could be seen from Dunfee's (2003) comments on hypocrisy and inconsistency, if the motivations behind sustainable investing lie in polishing public image or acquiring financial benefit, it creates public controversy and annoyance. It can, however, be assumed that despite the motivations, the public criticism does not only target the investors, but the companies accepting investments and acquisitions. A good example of this can be drawn from 2020 when a Swedish sustainable plant-based milk brand Oatly accepted a 200-million-dollar investment from Blackstone, a private equity company that has been under controversy for having links to pushing deforestation in the Amazon, as well as having a CEO who has funded Donald Trump's campaigns (Helmore, 2020). The deal caused a series of backlash and public dissatisfaction, resulting in threats of boycotts from activists and consumers (Devenyns, 2020). However, Oatly based their decision on the need of funding in order to grow and improve their operations, as well as showing other private equity firms that green investments can be profitable, sending a message to the private equity market, in other words, relying on investor impact (Oatly, n.d.). Oatly also stated that in order to make a real change, global capital should be moved to more sustainable sources (Helmore, 2020).

One thing is certain. SI can be seen as a positive way for investors to contribute fighting against the climate crisis and therefore it should be enforced. In fact, contrary to the belief of the investors in the Mackenzie study, Betti et al. (2018) state that making a positive change in the world does not wreck financial performance when planned right and the focus is on supporting the right kinds of actions. More precisely, investors should pay attention to the UN's Sustainable Development Goals, as well as supporting the right companies i.e., the ones that actually benefit from the support in order to improve their performance on the ESG issues. This means that investors actually have a good chance of making a positive change on the climate crisis.

2.2. Corporate Social Responsibility

When discussing business decisions in the sustainable business world, the discussion is often based on the concept of corporate social responsibility (CSR). As CSR is a broad topic, it has multiple definitions. Werther and Chandler (2010) define CSR as the relationship between corporations and societies with which they interact and the responsibilities that come with, as well as it being an attempt to define the future of our society. Similarly, Amaeshi et al. (2007) explain CSR as an organization's commitment to act in an economically and environmentally sustainable manner while paying attention to its stakeholders' interests. Haynes et al. (2012) state that CSR refers to 'the responsibilities of corporations as social institutions' (p. 11). In conclusion, CSR represents the companies' responsibility of doing the right thing.

As companies have a dominating role in modern society, they are constantly under pressure to act in socially responsible ways. In addition, people acknowledging the issues around climate change, the depletion of natural resources and human rights has resulted in CSR having become a mainstream activity in business (Haynes et al., 2012). Many authors have highlighted the importance of CSR. Werther and Chandler (2010) state that CSR is 'increasingly crucial to both business and societal success' (p. xxii). Haynes et al. (2012) agree by explaining how, in an ideal situation, successful CSR would have multiple positive effects, such as earth being more inhabitable for all, production processes turning more sustainable and decreasing poverty, corruption and illegal activities.

2.2.1 Corporate Social Irresponsibility and Unethical Business Behavior

As corporate social responsibility plays such an important role in business, paying attention to it is expected of companies. This is why perceptions of socially irresponsible behavior can cause negative consequences for firms. (Lange & Washburn, 2012). In addition, the coexistence of responsible and irresponsible behavior, meaning that a company acts irresponsibly while claiming to do everything correctly, can cause consumers to perceive a company as hypocritical and thus have

a negative effect on their attitudes towards the firm (Chen et al., 2020). As Lange and Washburn (2012) conclude from the findings of multiple other authors, counternormative behavior i.e., behavior that is perceived socially irresponsible can cause lawsuits, financial losses, increase in the cost of capital, decline in market share and network partner loss. There are, however, different views as to how strongly unethical business behavior affects shareholders, some studies saying that acting responsibly brings more economic disadvantage than irresponsible behavior, while other studies state that the costs of acting responsibly are very little compared to the economic loss in the case of misconduct (Long & Rao, 1995). This indicates that the outcomes of unethical business decisions are contradictory.

2.2.2 Consumer Response to Corporate Social Irresponsibility and Unethical Business Behavior

From the terms 'counternormative' and 'perception', it can be interpreted that consumer dissatisfaction in a case of social irresponsibility is mainly based on what consumers perceive to be irresponsible and what is the norm. In addition, as CSR is said to have many definitions depending on the point of view, the way of recognizing perceived irresponsible behavior is unclear. As Lange and Washburn (2012) state, in terms of firm-society relationship and the consequences of irresponsibility to a firm, 'corporate behavior is socially irresponsible only to the extent that observers perceive it as such', implying that the reactions are based on the expectations of the observers (p. 301). There have also been multiple debating studies that explore whether a company's previous responsibility has an effect on the perceived corporate hypocrisy in the case of a negative event (Chen et al., 2020). The findings of Wagner et al. (2009) suggest that previous CSR can increase the perceptions of corporate hypocrisy when a company acts irresponsibly. However, Godfrey (2005) argues that good deeds, i.e., responsible corporate behavior generates moral capital that can protect them from negative attitudes or, as Chen et al. (2020) put it, give them the benefit of the doubt. It can therefore be concluded that finding a clear explanation for negative consumer responses remains debatable.

Many psychological researchers have studied why negative behavior receives such strong responses compared to positive actions. Baumeister et al. (2001) simply explain that humans have a tendency of responding more strongly to bad things than good things. Reuber and Fischer (2010) cite Folkes and Kamins (1999), as well as Mizerski (1982) saying how cognitive processing explains that people put much more weight on negative news than positive ones. Taylor (1991) recognizes that positive and negative events have asymmetrical effects, the effects being greater in the case of a negative event. Taylor (1991) also states that negative events are more likely to evoke causal reasoning, helping a person to take action when a negative event happens. These theories indicate that when a company behaves in a way that is perceived to be irresponsible or unethical, it causes a bigger response than when a company does something acceptable. As it is concluded by Shaver (2012), 'people are never blamed for doing good' (p.3). These observations prove Lange and Washburn's (2012) statement that irresponsible actions may create stronger reactions than responsible ones and have a much more significant effect on firm-environment relationships.

It is clear that consumer responses to a negative event are so strong that they can create consumer outrage, resulting in actions such as boycotting (Lindenmeier et al., 2012). As Friedman (1985) defines it, a consumer boycott is 'an attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace' (p. 97). In other words, Koku et al. (1997) define it as 'a refusal to engage in transactions with the boycott target' (p. 15). Consumer boycott is an action that has many justifications, such as making a difference, empowering the disadvantaged, following ethical aims, venting frustration and restoring righteousness (Klein et al., 2004, Glazer et al., 2010, Lindenmeier et al., 2012). Although undesirable for companies, boycotts can serve as guiding parties to them, as it is a consumer power that informs when something is not done the way consumers would have hoped and needs changing (Klein et al. 2004).

2.3. Consumer Perceived Ethicality

As it could be concluded above, consumers' negative reactions to companies' irresponsible behavior are mainly based on consumers' perceptions of irresponsibility and the expectations they have of companies. When talking about ethical consumers and sustainable businesses, the attitudes of consumers mainly fall down to the concept of consumer perceived ethicality. Consumer perceived ethicality is defined as 'the perception of a brand as being honest, responsible, and accountable toward various stakeholders' (Singh et al., 2012: 543).

Despite it being an important domain in business ethics, not much is known about how CPE is formed and what leads to certain perceptions (Brunk, 2010). Brunk's (2010) research studies CPE and recognizes that the sources of CPE should be studied more, as there can be multiple reasons for certain ethical perceptions and the existing frameworks are not sufficient. Brunk's (2010) research provides a framework that recognizes six sources, the 'domains of CPE origin' that influence the ethical perceptions of companies: consumer, employees, environment, local community and economy, business community and overseas community. These sources form the basis of consumer perceived ethicality and provide a framework that shows what consumers expect from companies that claim to be ethical, as well as give an explanation why consumers perceive certain companies as unethical. Putting CPE in the context of sustainable investing, investment decisions fall under the domain of the business community, as well as the environment, when referring to a sustainable company that accepts an investment from an investor that is perceived unethical or otherwise controversial. This proves that investment decisions contribute to consumer perceived ethicality and therefore can affect company image, as consumer perceived ethicality can influence consumer attitudes and willingness to buy and have a significant effect on brand equity (Brunk, 2010; Klink & Wu, 2017). However, as Brunk's (2010) study suggests, the existing literature in 2010 has not been sufficient and the increase of the media discussions on ethical issues have developed the concept of CPE further. Therefore, it can be assumed that it has developed even more in the last 10 years, suggesting that CPE requires more research to remain relevant in the business world.

2.4. Organizational Reputation

As it can be noticed by the Oatly scandal in 2020, the backlash following company controversy has, to some extent, an effect on the organizational reputation of that company. Damaged reputation has the power of affecting e.g., investors' willingness to invest, customers' willingness to buy, suppliers' willingness to partner, company's cost of capital, employees' willingness to stay in the company, media attention, as well as regulators' viewpoints (Rayner, 2003). Reuber and Fischer (2010) cite Fombrun (1996) when defining organizational reputation as a company's 'overall appeal to its external stakeholders' (p. 41). In her book, Rayner (2003) offers a framework of 'seven drivers of reputation', that depict the threats and opportunities of organizational reputation. These drivers include financial performance and long-term investment value (1), corporate governance and leadership (2), regulatory compliance (3), delivering customer promise (4), workplace talent and culture (5), corporate social responsibility (6) and communications and crisis management (7). The framework does offer a slight conflict when putting it in the context of SI. The third source states how being able to provide services and products with good quality improves reputation. By approving big and possibly controversial investors companies are able to get sufficient funding to improve the quality and availability of their products. However, as the fifth source, CSR, indicates how responsible behavior plays a significant role in company reputation, the company ends up in a contradictory situation when approving these investors and it is difficult to predict the effects to their reputation. However, the seventh source states how the quality of companies' crisis management, as well as transparent communication have positive effects on organizational reputation. This indicates that taking those actions can offer a solution to the situation and maintain good reputation. The framework does, however, include some limitations due to the old age of Rayner's book. Therefore, it would be possible to add more drivers to the framework, such as social media behavior and possible activism.

An overall understanding is that unethical practices can cause damages to organizational reputation. The amount and significance of those damages have, however, been questioned. The research of Reuber and Fischer (2010) claims that companies getting caught behaving unethically or otherwise irresponsibly cannot be

assumed to damage their reputation, as it has been seen in many cases that in the midst of negative publicity, companies have still managed to succeed and survive without their reputation being destroyed. They suggest that reputational damage caused by unethical actions might happen in some instances, depending on what the stakeholders' perceptions prior to the revelations of the actions have been, as well as how the stakeholders process negative information. This suggestion can be supported by Lange and Washburn's (2012) statement that a company's behavior can be stated as irresponsible only as much as observers i.e., stakeholders perceive it as such. Regarding the processing of negative information, Reuber and Fischer (2010: 47) emphasize the importance of recognizing the 'thresholds in people's reactions' i.e., the points that cause people to change their attitudes towards a firm. Reuber and Fischer (2010) also state that when stakeholders perceive a company's negative behavior as something that can lead to legal actions being taken, that behavior will damage the reputation of that company. In addition, Rayner (2003) recognizes that stakeholder expectations and requirements are likely to change and rise over time as their knowledge improves and companies should keep up with the demands in order to maintain a good reputation. To conclude, the expectations of stakeholders play an important role in organizational reputation. Therefore, it is essential for companies to acknowledge and follow them.

The effects of expectations on organizational reputation have also been widely discussed. Through his research, Dean (2004) suggests how, while expectations for good companies are high, there is also a possibility that due to previous positive reputation, stakeholders are willing to give the company the benefit of the doubt and maintain their positive attitudes towards that firm. Godfrey (2005) agrees with the statement, as his argument offers the concept of moral capital that companies are able to generate by behaving responsibly and that can later save them in the case of a negative event. Rayner (2003) also acknowledges this, saying that companies' reputations might affect the willingness of their stakeholders to give them the benefit of the doubt in case of a negative event. Zavyalova et al. (2016) offer a view that suggests the nature of high organizational reputation to be open to interpretation, as it can be seen as a benefit, as well as a burden.

Regardless of the effect of high reputation in the case of a negative event, there is an overall agreement and acknowledgement that the damages can be mitigated by practicing damage control, such as responding to a negative situation publicly (Schwartz, 2000; Dean, 2004; Sims, 2009; Reuber & Fischer, 2010; Zavyalova et.al., 2016). Sims (2009) cites Joshi et al. (2007) by explaining that company responses do vary a lot, including but not limited to denial, avoidance, reluctant acceptance, as well as instant acceptance and punishment of the stakeholders involved. Sims (2009) also cites Huegens et al. (2004), identifying four different ways for companies to prevent reputational damages from happening in the first place, them being increasing trust between stakeholders, convincing stakeholders that the goals of the company are ethical i.e., the ends justifying the means, staying entirely silent and practicing well planned crisis communication. Some of these courses of action are similar, some entirely different and each serve different needs and are relevant in different kinds of circumstances but aim for the same outcome; to mitigate or prevent damage. It is clear that the process of rebuilding or preventing damaged reputation is not an easy task and reputation being damaged is even said to be one of the biggest threats to businesses' operations and value (Sims, 2009; Aula, 2010). The 'right' ways to approach stakeholders after a negative event have been studied and opinions vary. Zavyalova et al. (2016) recognize that when stakeholders' organizational identifications i.e., self-brand identifications are on different levels, they respond to negative events differently and therefore should not be all addressed the same way. Stakeholders with low levels of organizational identification should be offered explanations on how the company will fix the problem, whereas stakeholders with high levels of identification i.e., the ones who have the strongest connection to the company, should be asked for support. Dean (2004) offers a different view, arguing that a company with a high reputation will receive the benefit of the doubt regardless of how they respond, whereas Reuber and Fischer (2010) claim that in some situations damage control is not even needed.

2.5. Social Media - The Modern Driver of Organizational Reputation

Social media has become a significant part of people's lives in the 21st century, giving the possibility of people and companies all around the world to easily gain

information, share their opinions, bring their companies to public knowledge and communicate with their customers (Akram & Kumar, 2017). However, while having the possibility of generating positive publicity for companies, the simplicity and effectiveness of social media create a new kind of risk for companies' reputations and a pressure for companies to act responsibly that cannot be ignored. (Aula, 2010). People trust the information and reviews from other consumers they see online and tend to create an overview of companies mainly based on what they see and learn online, an activity that companies are unable to control. (Gligorijevic & Luck, 2012; Xia, 2013). Adding to the risk, consumers on social media frequently share and discuss information that is not officially verified, resulting in possibilities of exaggeration and even false knowledge. (Aula, 2010). Since consumers put a lot of trust on peer reviews and unverified information is frequent, it can be assumed that numerous consumers do not question the negative comments made about companies and change their attitudes towards them without making research.

Bergström and Jervelycke Belfrage (2018) recognize that while traditional news media still generates the majority of news, their position is currently being shared by social network sites where consumers communicate. In addition, Etter et al. (2017) note that while traditional media has a lot of power to influence the perceptions of consumers, social media has changed this dynamic, as now the opinions, experiences and perceptions an individual might receive significant attention regardless of the status of the individual. While social media has created a new platform for people to start and share discussions, it has also made it possible for people to radically call out others when they fail to act accordingly. For example, when the controversial news about Oatly and Blackstone came out, the company received multiple callouts and cancellation threats on social media (Mustafa, 2020). These callouts started from a Twitter-thread by a climate activist, exposing the previous controversial investments of Blackstone and ultimately making the conclusion that buying Oatly's products would equal the 'money going to the destruction of the planet' (Young, 2020). The thread received thousands of responses in the form of retweets, shares, likes and comments, resulting in a large-scale discussion on social media about Oatly's responsibility, with people, presumably customers, stating that they would withdraw from purchasing Oatly's products and consciously boycott the brand, presumably without doing much

research on the topic. It demanded for a quick response from the company, which they managed to do. However, it can be assumed that every company will not be as efficient in their response and therefore will suffer the risk of losing their reputation.

While offering an opportunity for consumers to speak, social media can and should also be used by companies themselves to communicate with stakeholders (Aula, 2010). The study of Dijkman et al. (2015) states that the level of engagement on social media between the company and consumer correlates positively with corporate reputation. More specifically, more social media engagement results in consumers having a more positive perception of the company's reputation. According to Aula (2010) social media can be used to prevent reputational damages as well as fix them. It can therefore be noted that the means of damage control mentioned above, as well as answering general criticism from consumers can all be done on social media. Xia (2013) recognizes the kinds of reactions companies have to criticism on social media, them being defensive reactions, such as denying and protecting the brand and vulnerable reactions, such as admitting and apologizing. The right way to react presumably depends on the situation, but Xia (2013) argues that the vulnerable reaction is the best as it results in perceptions of sincerity and respect. In short, admitting is better than denying. As an example, when the news of the plant-based milk company Oatly accepting an investment deal from the controversial Blackstone came out in 2020, the company answered the public backlash on Twitter, apologizing for disappointing some of their customers, as well as justifying their actions and providing information on what positive effects their business decision would have (Helmore, 2020). With the theories mentioned above, the response could be interpreted as a mixture of vulnerable reaction and justification, as well as acceptance. As Aula (2010) concludes, social media can offer valuable information as to what consumers expect and demand from companies and therefore should be examined and taken into consideration. In addition, social media offers companies a platform to interact with consumers and provide information on their activities to ensure that unverified information does not dominate consumers' opinions. It can therefore be concluded that companies can effectively use social media to explain and justify their business decisions that have received or could receive backlash. In addition, as Nguyen (2020) states, due to the growing popularity

of social media, it is essential for companies to examine and understand how consumers perceive them and their activities on these platforms.

2.6. Ethical Consumer Decision Making

Ethical consumerism has been seen as a growing phenomenon with significant potential for decades (Doane, 2001). Harper and Makatouni (2002) refer to an ethical consumer as someone who 'buys products which are not harmful to the environment and society' (p. 289). According to Harrison et al. (2005) ethical consumers do not abandon the core values of traditional purchasing i.e., price and quality, rather add some criteria in their process of decision-making. Freestone and McGoldrick (2008) point out that consumers' individual values play a key role in consumer decision making, as they usually choose products and services based on them. As an ethical mindset is based on values, they are particularly important in ethical consumption. Many studies have examined the values and motives of ethical consumer decision making (Shaw et.al., 2005; Wiederhold & Martinez, 2018). The study of Shaw et al. (2005) aims to discover what ethical consumers value the most when grocery shopping and guide them in their decisions. Some of the important values of ethical consumers offer interesting insights on what consumers do and would appreciate in the ethical products they buy. As Shaw et al. (2005) further explain, the emphasis on the value 'curiosity' reveals that there is growing interest in new products in the ethical market. The value 'variety' was not associated with ethical consumption, which indicates that buying ethical products is challenging due to the lack of variety. The study of Wiederhold and Martinez (2018) bring up similar issues, recognizing the concept of an attitude-behavior gap i.e., consumers having the desire to consume ethically but still failing to do so. They further examine the drivers to ethical decision making i.e., the factors that drive consumers to consume or not consume ethically. Focusing on the fashion industry, they find seven factors: price, transparency, image, lack of availability, inertia, consumption habits and lack of information. These studies reveal the issues in ethical consumerism i.e., the factors that prevent people from making ethical purchasing decisions. The main issues are that sustainably and ethically made products are more expensive than 'normal' products resulting in consumers not wanting to buy them. Also, their availability is poor resulting in a lack

of variety and choice and as Shaw et. al. (2005) state, consumers are in need of new products. In addition, consumers do not feel informed enough of sustainability and ethical brands in order to make conscious purchasing decisions and they are used to purchase certain brands, finding it difficult to choose different ones.

2.7. Conclusion and Conceptual Framework

This literature review concludes how sustainable investing has offered a new way for the private sector to contribute to the battle against climate crisis. By funding companies that produce and provide sustainable products to the market, they manage to support the market becoming more versatile, thus encouraging consumers to switch to more sustainable lifestyles. However, the existing research allows an assumption that the aforementioned business behavior is perceived as unethical when the investor who a sustainable company chooses has a bad reputation or is otherwise perceived as unethical, resulting in negative reactions from consumers. It is possible that the negative reactions motivate consumers to take actions towards the company, such as boycotting, as well as leading negative discussions on social media and in real life. However, the additional funding that the company gets from the investor, might allow the company to improve their products, which encourages people to buy them. To conclude, it is assumed that consumers react negatively to sustainable companies approving controversial investors, but as sustainable companies receive additional funding, the improvement of the products might change consumers' initial attitudes to more positive.

The conceptual framework (Figure 1.) shows the two effects of a situation where a sustainable company chooses a controversial investor. The conflict between these effects creates a need to find out the relationship between them. If it is noticed that the positive effects of the controversial funding are sufficient to keep people interested in the company and their products, approving big investors can be considered beneficial despite the possible controversy. However, if the consumer response is significantly negative and the positive effects fail to convince consumers to keep buying from the brand, the business decision should be reconsidered.

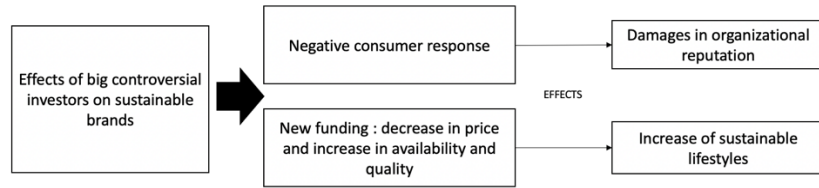


Figure 1. The Conceptual Framework

Due to the lack of literature in the exact topic of sustainable companies approving controversial investors, the reactions of consumers and the concrete actions that they are willing to take need to be investigated. It is relevant to find out if the dramatic reactions rising on social media are only headlines of popular users or if the discussions actually lead to concrete actions. In addition, when people are offered additional information on the positive effects of the funding, it might change their attitudes. This issue creates the research questions of this thesis:

1. How do consumers perceive the current market of sustainable products?
2. How do consumers respond when a sustainable and ethical company chooses an investor who consumers perceive as controversial?
3. Are the positive effects of controversial funding significant enough to keep consumers buying from the sustainable company?

These research questions are examined through empirical analysis. First, the data collection and methods of analysis are presented and then questions answered with a recently collected dataset that was specifically designed for the purposes of this study.

3. METHODOLOGY

The aim of this thesis is to examine and discuss consumer attitudes towards sustainable companies and reactions to the event where a sustainable company chooses a controversial investor. Secondary data was used to drive discussion in the literature review part, as well as to help create the research questions of the study.

Primary data was used to find answers to the research questions. As the intention of the primary research was to find an overall understanding of consumer reactions and attitudes, quantitative methodology ended up being the most optimal choice as it allowed for quick data collection from many respondents. The primary data of this thesis was collected in the form of a survey.

3.1. Approach and Primary Data Collection

The primary data was collected with the help of an online analysis tool and survey instrument called Webropol. The survey created on the website was shared via a public link that was sent to private email accounts of the students at Aalto University School of Business, Mikkeli Campus, as well as shared on two social media channels: Instagram and LinkedIn. The link was active for 16 days, from February 23rd, 2021 until March 10th, 2021. Thus, the collected data is new and therefore relevant for the study.

The survey questions were entirely created by the author of this thesis and they were formed with the help of the research questions. Due to the nature of the thesis and the research questions, the sample could be formed from consumers from any age group, nationality and gender.

3.2. Survey Design

The online survey consisted of 20 questions in total. The questions were designed in a way that they fit consumers of all ages, nationalities and genders, despite their consuming preferences. Questions 1 and 2 asked about the general sustainable buying habits of consumers. Question 1 was a simple selection question asking if the consumer has bought products from sustainable and ethical companies. Question 2 was a multiple-choice question, asking the consumer to specify what types of sustainable products they have bought. Questions 3-10 were formed using the slider-feature with a range of 0-10, allowing for simple analysis of the answers, as well as making it quick and effortless for respondents to answer the questions.

Questions 3-7 aimed to answer the first research question. Questions 3, 4 and 5 asked the consumer to rate the characteristics of sustainable products compared to regular products from the same product categories. The characteristics were respectively: price, availability and variety. These characteristics aligned with the ones that were concluded by Shaw et.al. (2005), as well as Wiederhold and Martinez (2018) as the main characteristics of products that consumers notice when consuming sustainable products. Questions 6 and 7 asked the respondent for their general attitude towards sustainability and climate change. Question 6 asked the respondent to rate how important they think consuming sustainable products and supporting sustainable companies is. Question 7 asked the respondent to rate the amount of concern they have towards the climate crisis and global warming. These questions allow for comparisons of consumers' attitudes towards sustainability and the reactions of them in the case of a sustainable company approving unsustainable investors.

Questions 8-11 focused on finding answers to the second research question. This part included a scenario explaining the case of Oatly selling a 200-million-dollar stake to Blackstone in 2020, and the event causing backlash from Oatly's customers. The scenario offered an overview of what happened and that the event was generally viewed as unethical. However, the scenario did not offer an explanation as to why Oatly decided to make the decision to choose the aforementioned investor. This scenario was used as an example for a hypothetical situation where a sustainable company that the respondent buys/has bought from chooses an investor that is generally perceived as unethical. Questions 8-10 ask the respondent to rate their reactions to the event. The reactions that were asked to rate were respectively: attitude towards the company, willingness to buy from the company and the way one talks about the company to others. The rating was from 0 to 10, 0 being a 'very negative effect' and 10 being a 'very positive effect'. Question 11 was a multiple-choice question, asking the respondents with generally negative reactions to elaborate on the actions they would take towards the company. The people who did not have negative reactions were asked to leave the question unanswered. The choices were respectively: Boycott the company and its products, talk about the company negatively on social media, talk about the company negatively with others,

contact the company, no action, and other. These were actions that can be concluded from the literature review as actions that consumers might take when a company makes unethical business decisions. The last option included a possibility for an open-ended answer in order to get insight on other possible actions of consumers.

The next part of the survey included questions 12-15. The questions aimed to find answers to the third research question. Similar to the previous section, this one was also introduced with a scenario. In this scenario, the same company from the previous scenario receives additional funding from the hypothetical investor and thus is able to lower their prices, make their products more available, add variety to their products and improve the quality of their products. These questions also use the slider-feature, asking the respondent to rate how the aforementioned changed aspects affect their willingness to buy from the company after the event (i.e., when the sustainable company chooses an investor that is perceived as unethical). The given scale is from 0 to 10, 0 being 'lower willingness to buy' and 10 being 'higher willingness to buy'.

Questions 16 and 17 aim to explore how a company's public response explaining the reasons and possible positive effects of the decision would affect the attitudes of consumers after the aforementioned event. Question 16 asked how likely a public response made on the company's website would have a positive effect on the respondent's attitude. Question 17 asked the same question, only in this case the platform of the response would be the company's social media pages. These questions aim to discover if the public response made by a company after a questionable business decision has positive effects on consumer attitudes.

The last two questions, questions 18 to 20, were demographic questions, asking the respondent for their age, gender and nationality. These questions allow for comparisons of demographics and the attitudes of consumers.

3.3. Method of Analysis

The survey answers were analyzed with the help of a statistical software called SPSS and the figures were created on MS Excel. As mentioned before, the majority of the questions were presented as rating-questions, where the respondent could use a slider to rate their answer. These types of questions were analyzed by using means and distributions of the answers to give an average answer for each question, thus giving a clear overview of the average opinions of consumers. The multiple-choice questions were analyzed using frequency tables to give insight on what choices were the most popular among respondents, as well as how many were chosen.

The means and distributions of each slider-question answer were able to provide answers to the research questions. Additional analysis was also introduced to bring further information on the answers and help understand the reasoning behind them. These additional methods included t-tests and bivariate Pearson Correlation tests. T-tests were done with two demographic groups: men and women and age groups 18-21 and 22-59. These specific age groups were chosen because the median was 21 years old. In addition, it can be assumed that by the time a person turns 22, they have more consumer power and knowledge than before. Nationality was not used as a tool for t-tests, as the majority of the respondents were Finnish and non-Finnish respondents did not form a big enough group for significant testing.

4. FINDINGS

The survey examined consumer attitudes towards sustainability and sustainable businesses, as well as their reactions towards an event where a sustainable company chooses an investor that is perceived as unethical. The survey answers were analyzed thoroughly, and the results will be presented in this section.

The findings are presented in sections of the survey that conclude specific themes and answer the research questions, the themes being; attitudes towards climate change and sustainable market (1), attitudes towards and actions resulting from an event when a sustainable company chooses a controversial investor (2), how

improvements of sustainable products due to additional funding affect consumers' willingness to buy despite a controversial investor (3), and the likelihood of a public response of a company after a negatively perceived event affecting consumer attitudes positively (4).

4.1. Description of Sample

The survey received responses from 112 consumers. The average age of the respondents was 22,3 years old with an age range from 18 to 59. Looking at the distribution of the ages of respondents (Figure 2.), the majority of them were young adults. There were respondents from 18 countries, most of them being Finnish (82,9%). 57,1% of the respondents identified as female, 40,2% as male, 1,8% as other and 0,9% preferred not to specify.

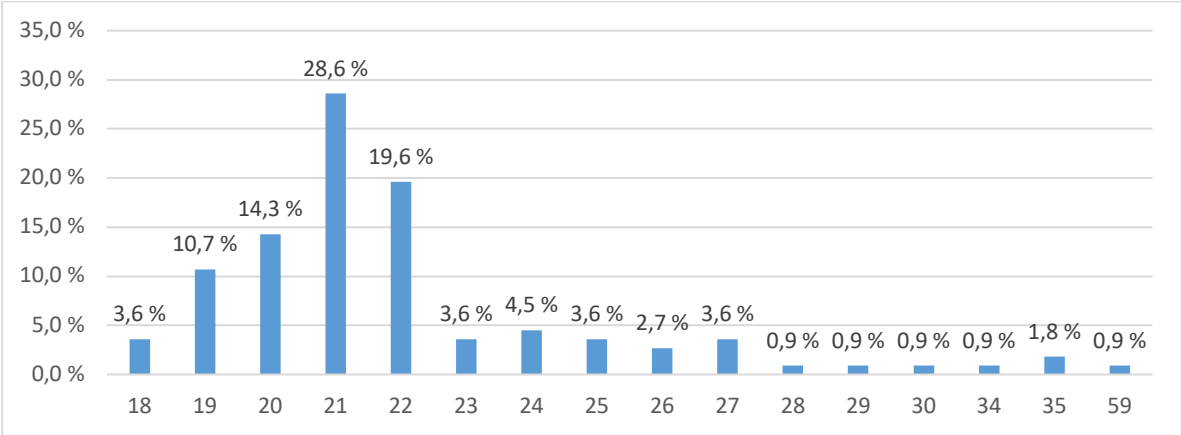


Figure 2. The ages of respondents

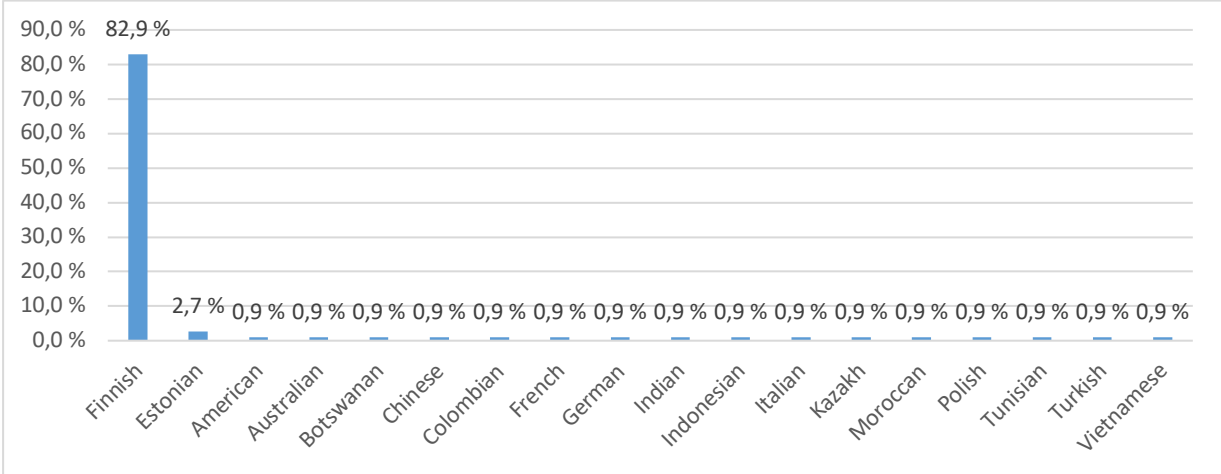


Figure 3. The nationalities of respondents

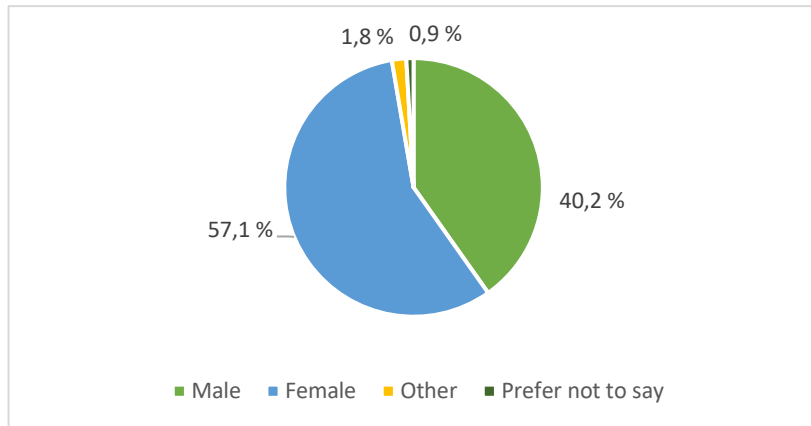


Figure 4. The genders of respondents

The survey asked the respondents if they have bought products from sustainable or ethical companies. Out of 112 respondents, only 1 answered negatively. When asking to specify what kinds of products the respondents have bought, food/drink products were distinctly the most purchased (Appendix B.1.). The average amount of different types of products purchased was 2,22 (SD= 1,002), the most respondents having chosen 2 types (Figure 5.). In conclusion, sustainable products were relatively familiar to the respondents. The respondents who answered with 'Other' specified their answers as for example diesel, toiletries and toys.

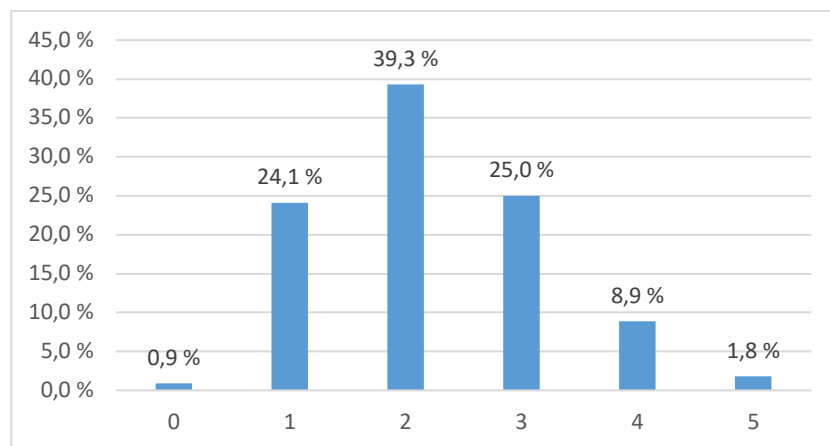


Figure 5. The amount of different product categories bought

4.2. Attitudes Towards Climate Change and the Sustainable Market

Theme number 1 aims to answer the first research question 'how do consumers perceive the current market of sustainable products?' The questions related to this theme are questions 3 to 7. In the first three questions, the respondents were asked to rate specific characteristics of sustainable products: pricing, availability and variety.

The scale of pricing was from 0 to 10, 0 being 'affordable' and 10 being 'expensive'. The average perception of the respondents on the pricing of sustainable products compared to regular ones in the same product categories leaned towards 'expensive', the mean being 6,39 (SD=1,527) (Appendix B.2.). The rating number 7 received the most answers (31,1% of respondents). As the neutral answer is number 5 on the scale, it can be concluded that consumers perceive sustainable products to be more on the expensive side.

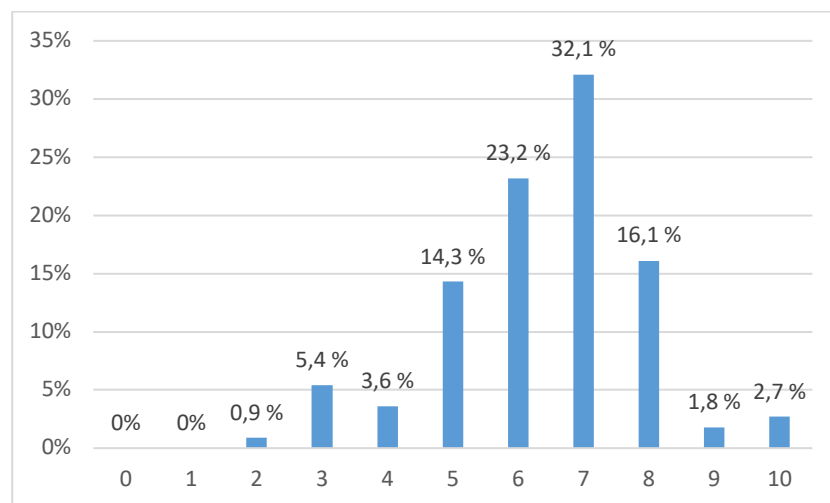


Figure 6. The ratings of respondents on the pricing of sustainable products

The scale of availability was from 0 to 10, 0 being 'not available' and 10 being 'very available'. The average perception of respondents on the availability of sustainable products compared to regular ones in the same product categories stood in the middle, the mean being 5,37 (SD=2,075) (Appendix B.2.). The neutral answer, rating number 5 received the most answers (19,6% of respondents). However, the responses were very evenly distributed. Therefore, it can be concluded that people have varying opinions on the availability of sustainable products.

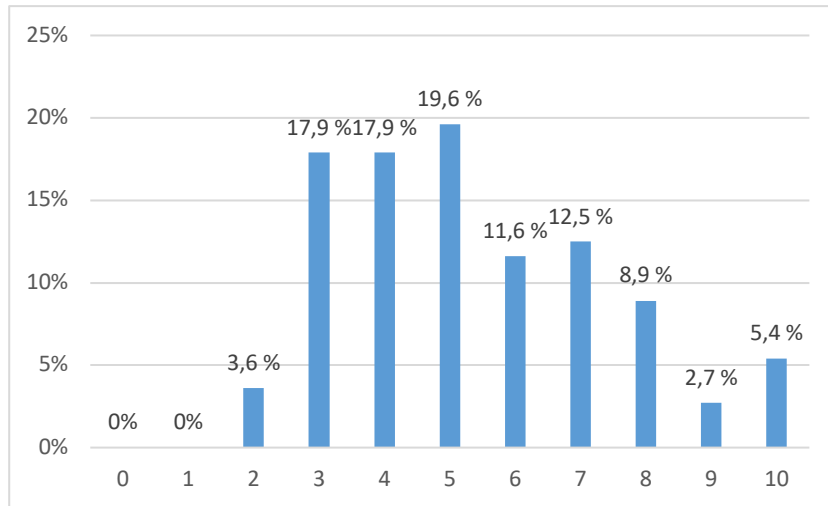


Figure 7. The ratings of respondents on the availability of sustainable products

The scale of variety was from 0 to 10, 0 being 'not a lot of variety and 10 being 'a lot of variety'. The average perception of respondents on the variety of sustainable products was also in the middle, the mean being 4,45 (SD=1,788) (Appendix B.2.). The rating number 4 received the most answers (27,9% of the respondents) Looking at the distribution of the answers (Figure 8.), 60,3% of respondents rated 4 or lower. It can be concluded that the opinions of respondents on the variety of sustainable products do vary, but the majority of respondents lean towards the 'not a lot of variety' side.

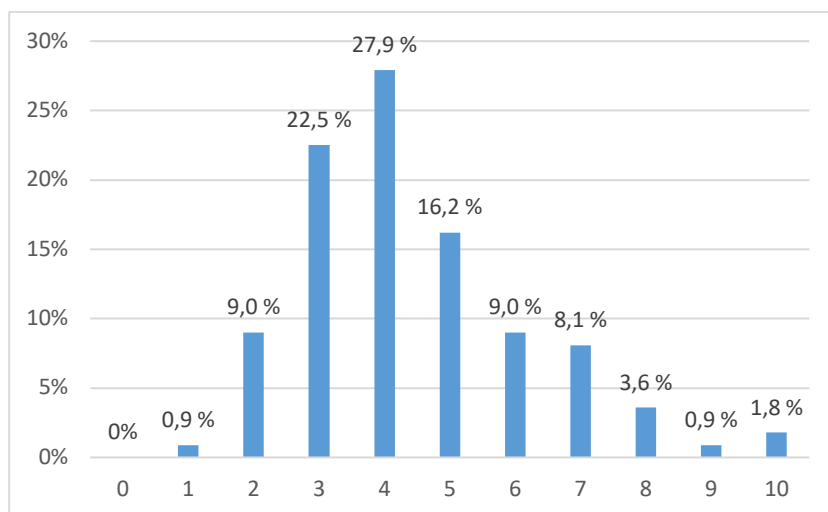


Figure 8. The ratings of respondents on the variety of sustainable products

When comparing the ratings of all characteristics (Appendix B.2.), the pricing of sustainable products was the most negatively perceived on average.

Looking at the last two questions of this theme, they asked the respondent to rate their concern towards the climate crisis and global warming, as well as rate how important they think supporting sustainable companies is.

The question that asked the respondents how important they think supporting sustainable companies is, had a rating of 0 to 10, 0 being 'not important' and 10 being 'very important'. The average rating of respondents on the importance of supporting sustainable companies and consuming sustainable products was 8,33 (SD=1,702), leaning towards 'very important'. The highest rating received the most answers (39,6% of respondents) and every respondent rated 5 or higher (Figure 9.). It can be concluded that the respondents generally find supporting sustainable companies and consuming sustainable products very important.

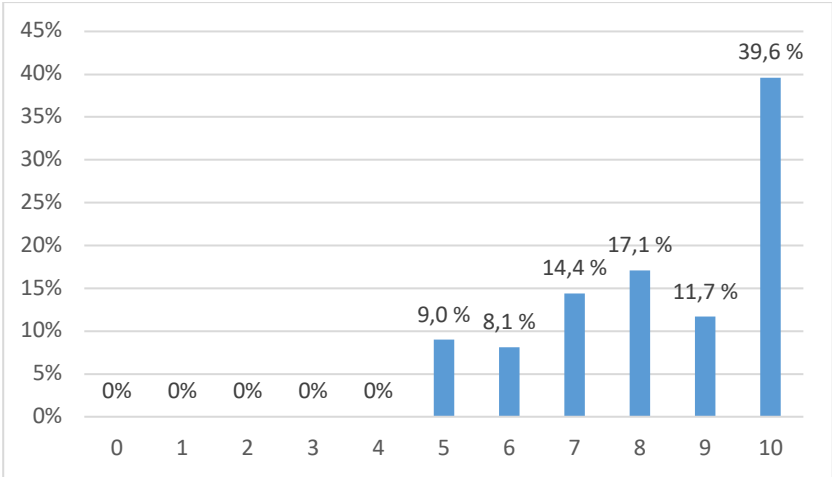


Figure 9. The ratings of respondents on the importance of consuming sustainable products and supporting sustainable companies

The climate crisis question had a rating of 0 to 10, 0 being 'not concerned at all' and 10 being 'very concerned'. The average rating of respondents on how worried they are about the climate crisis and global warming leaned towards 'very concerned', the mean being 8,10 (SD=2,156). The highest rating, number 10 received significantly the most answers (42,0% of respondents) (Figure 10.). It can be concluded that the respondents are generally very concerned about the climate crisis and global warming.

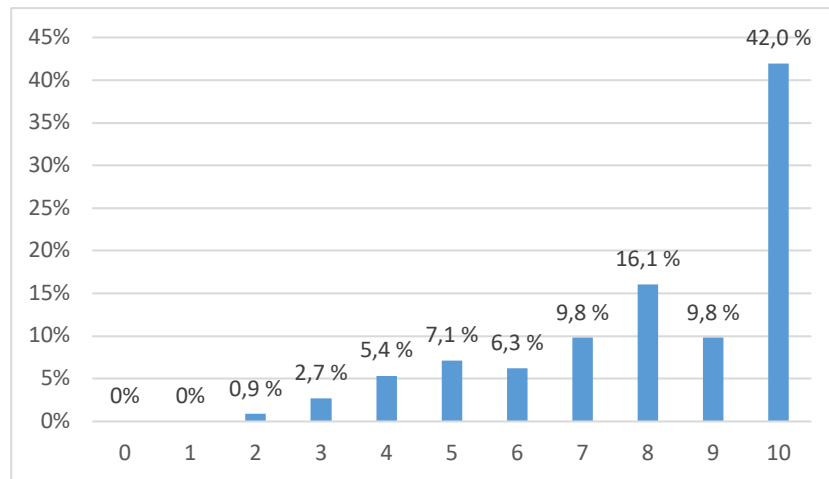


Figure 10. The ratings of respondents on the concern for the climate crisis and global warming

To investigate if there is a difference between the perceptions of the sustainable market and the demographics of the respondents, t-tests were conducted between the demographic groups and the rated attitudes.

In the t-test comparing the two chosen gender groups (male and female) with concern towards climate change, women ($M = 8,53$, $SD = 1,635$) reported significantly higher levels of climate change concern than men ($M = 7,36$, $SD = 2,227$), $t(1) = 107$, $p < .05$. Similar figures could be noticed when looking at the rated importance to support sustainable companies and buy sustainable products. Women ($M = 8,68$, $SD = 1,635$) reported significantly higher levels of importance than men ($M = 7,80$, $SD = 1,687$), $t(1) = 106$, $p < .05$. The mean ratings and the results of the t-test can be seen on Appendix B.3. and Appendix B.4.

The same test was done with the two age groups (18-21 and 22-56) of the respondents. The first age group ($M = 8,25$, $SD = 2,211$) and the second age group ($M = 7,90$, $SD = 2,086$) did not differ significantly on levels of climate crisis concern, $t(1) = 110$, $p = n.s.$ Similarly, the first age group ($M = 8,50$, $SD = 1,633$) and the second age group ($M = 8,11$, $SD = 1,784$) did not differ significantly on the perceived importance on supporting sustainable companies and buying sustainable products $t(1) = 109$, $p = n.s.$ The mean ratings and the results of the t-test can be seen on Appendix B.5. and Appendix B.6.

When comparing the gender groups with the ratings on the characteristics of sustainable products, none of the sections gave significant differences (Appendix

B.7.) The age groups offered the same result, as none of the sections gave significant differences (Appendix B.8.)

There were nonsignificant correlations of .131, -.096 and -.014 ($p = n.s$) between the amount of product categories bought and the characteristics of sustainable products (Appendix B.9.). This means that the number of different product categories people have bought from i.e., the assumable knowledge they have on the market does not affect the way they perceive the products.

To conclude, on the basis of the data-analysis on this section, the answer to the research question 'how do consumers perceive the current market of sustainable products?' is as follows: People have a strong feeling that it is important to buy sustainable products and support companies that provide them. This is driven by a concern towards the growing climate crisis and the warming of the climate system. These feelings are universal among ages; consumers of both age groups feel the same towards these issues. There was, however, a significant difference between the opinions of men and women. Women felt more concern for the climate crisis, and they put more importance on supporting sustainable companies and buying sustainable products than men. Regarding the characteristics of sustainable products, people rate pricing the most significantly out of the tested characteristics. Sustainable products are perceived to be on the expensive side when comparing them to regular products in the same product categories. The majority of people also find that there is not much variety in the sustainable market. Regarding availability, people have varying opinions. Availability and variety do not have very significant average ratings, as both are very close to neutral. Price is significantly the characteristic that has received the most attention. These perceptions do not vary between age groups or genders. In addition, the amount of product categories that consumers have bought from the sustainable market do not affect the way they perceive the market.

4.3. Attitudes Towards and Actions Resulting from an Event When a Sustainable Company Chooses a Controversial Investor

Theme number 2 addresses the second research question ‘how do consumers respond when a sustainable and ethical company chooses an investor who consumers perceive as controversial?’

When asking how the event would affect the respondents’ attitudes towards the company, the average rating was on the negative side, the mean being 3,29 (SD= 1,979) (Appendix B.10.). Rating number 3 received the most answers (25,2% of respondents). When looking at the distribution of the answers (Figure 11.), it can be seen that over 3 quarters of the respondents rated 4 or lower. It can therefore be concluded that respondents generally think that the negative event has a negative effect on their attitudes towards the company.

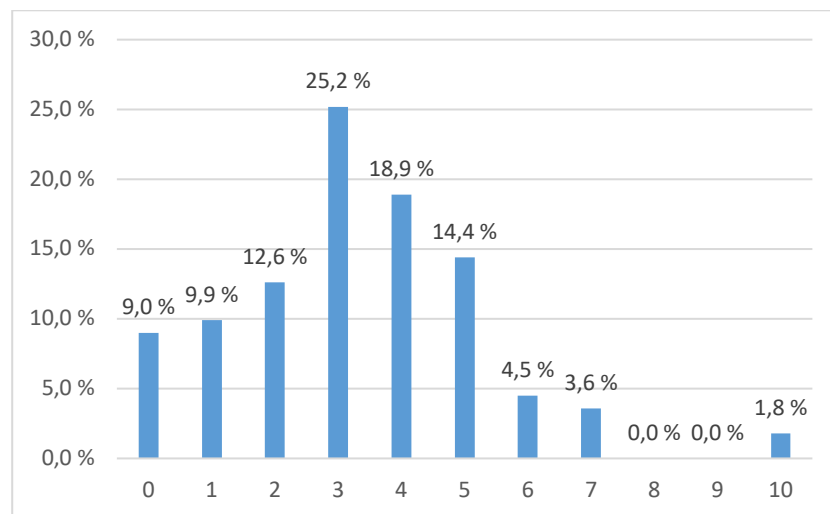


Figure 11. The ratings of respondents on the effects of the negative event on the respondents’ attitudes towards the company

When asking how the negative event would affect the respondents’ willingness to buy from the company, the average rating leaned towards the negative side, the mean being 3,91 (SD= 1,902) (Appendix B.10.). The rating number 5 i.e., the neutral effect received the most answers (26,9% of respondents). When looking at the distribution of the answers (Figure 12.), 63% of the respondents rated 4 or lower. To conclude, the majority of the respondents think that the negative event would negatively affect their willingness to buy from the company.

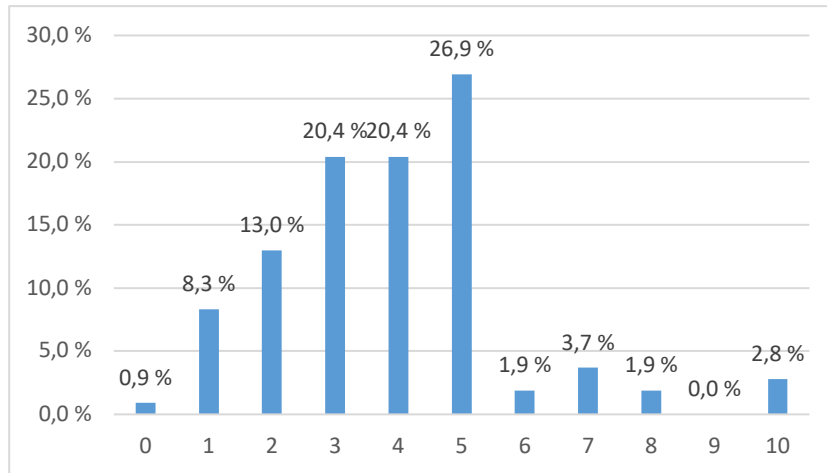


Figure 12. The ratings of respondents on the effects of the negative event on their willingness to buy from the company

When asking how the negative event would affect the way the respondents talk about the company to others, the average rating was again more negative, the mean being 3,80 (SD= 1,777) (Appendix B.10.). The rating 4 received the most answers (28,0% of respondents). When looking at the distribution of the answers (Figure 13.), 68,1% of the respondents rated 4 or lower. It can be concluded that the majority of the respondents think that the negative event would negatively affect the way they talk about the company to other people.

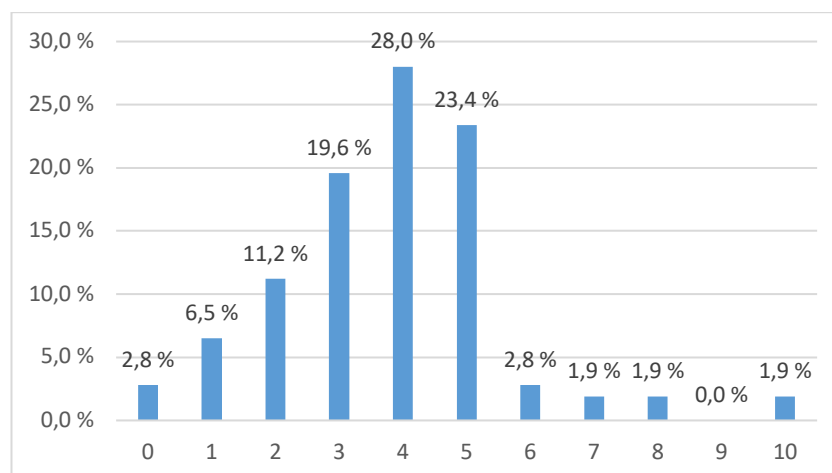


Figure 13. The ratings of respondents on the effects of the negative event on the way they talk about the company to other people

When asking what types of actions the people who had a generally negative reaction would take towards the company, talking about the company negatively to others and boycotting received the most picks (n= 61 and n= 53) (Appendix B.11.). The least

chosen action was 'contact the company'. When looking at the number of actions that the negatively reacted respondents would take, the most respondents (47,3%) chose only one action (Figure 14.). 16 respondents chose not to answer the question, meaning that they perceived their general reaction to not be negative. 8 respondents chose the answer 'other' and specified it with open ended answers such as 'switch to other similar products if they are available', 'ask the company to motivate their actions', and 'sign petitions against the company's bad choices'. All of the open-ended answers to the questions can be seen on Table 1.

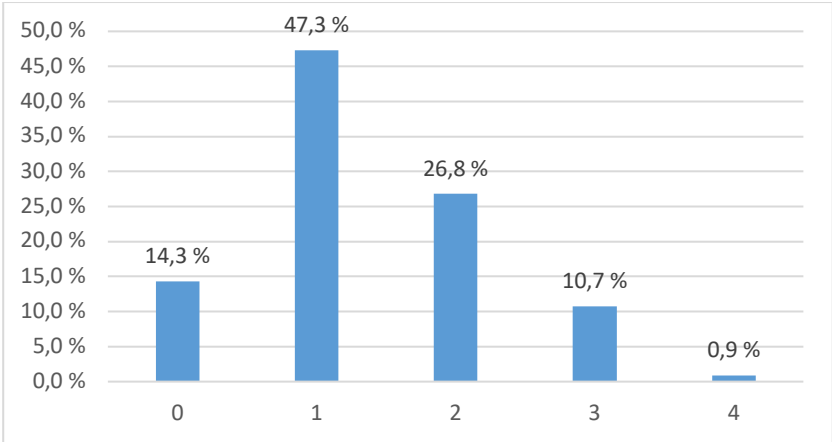


Figure 14. The number of actions that the respondents would take towards the company after the negative event.

Other actions that the negatively reacted respondents would take
Ask the company to motivate their action
Continue buying from the company
I might still buy some of their products if I couldn't find an alternative
Share my opinion to others and suggest getting an alternative company's products
Sign petitions against the company's bad choices
Stop buying their products
Switch to other similar products if there are any

Table 1. Other actions that the respondents would take towards the company

No significant correlations could be noticed between respondents' opinions on climate concern and sustainable market and the reactions of them to the event (Appendix B.12.) Therefore, it can be concluded that the amount of concern on climate change and the level of importance to support sustainable companies does not affect the way respondents reacted to the negative event.

To conclude, on the basis of the data-analysis on this section, the answer to the research question "how do consumers respond when a sustainable and ethical

company chooses an investor who consumers perceive as controversial?' Is as follows: The majority of people feel like the event where a sustainable company chooses a controversial investor would have a negative effect on their attitudes towards that company. Regarding the effect on people's willingness to buy, the direction is similar, although not as significant. Many people feel like the effect would be negative, but many people also feel that there would be no effect. The effect on the way people talk about the company to others looks similar. Many people think that the effect would be negative, but many people also feel that the way they talk would not change. Looking at the big picture, when a sustainable company chooses a controversial investor, people perceive the event to be a negative one. In addition, peoples' concern on climate change and the amount of importance they put on supporting sustainable companies does not significantly affect the way they react to the event. Regarding the actions that people would take towards the company after the event, the answers are vague. Although people perceive the event to be negative, they are not really ready to take much action towards the company. The most popular type of action being 'talking about the company negatively to others', it can be seen that people tend to choose the most effortless action.

4.4. The Effects of Improvements of Sustainable Products on Consumers' Willingness to Buy

The third theme seeks answers to the third research question 'are the positive effects of controversial funding significant enough to keep consumers buying from the sustainable company?'

In the first question referring to lower price, the average answer leaned towards 'higher willingness to buy, with a mean of 6,41 (SD= 2,201) (Appendix B.13.). Rating number 7 received the most answers (21,6% of respondents). Looking at the distribution of answers (Figure 15.), 70,2% of respondents rated 6 or higher. It can be concluded that the majority of respondents find that lower prices due to the additional funding would have a positive effect on their willingness to buy from the company.

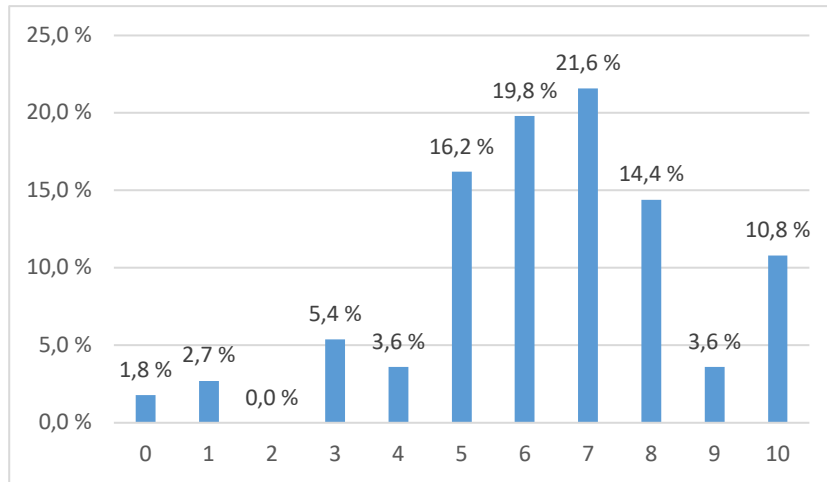


Figure 15. The ratings of respondents on the effects of lower prices on their willingness to buy from the company

In the second question referring to better availability, the average answer was also on the positive side, with a mean of 6.12 (SD= 2,201) (Appendix B.13.). Rating number 6 received the most answers (26,4% of respondents). When looking at the distribution of the answers (Figure 16.), 69,0% of the respondents rated 6 or higher. It can be concluded that the majority of respondents find that better availability would have a positive effect on their willingness to buy from the company.

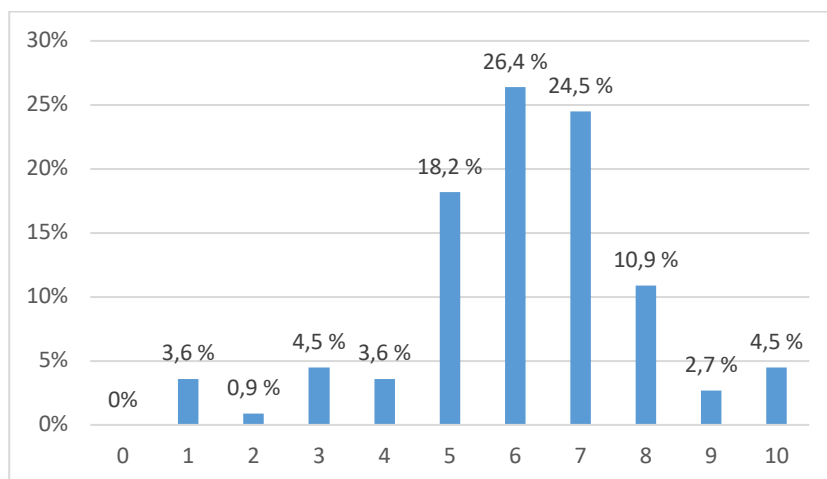


Figure 16. The ratings of respondents on the effects of better availability on their willingness to buy from the company

In the third question referring to better variety, the average rating of respondents was also slightly on the positive side, with a mean of 6,03 (SD= 6,03) (Appendix B.13.). The ratings 6 and 7 received the most answers (24,3 % on both). When looking at the distributions of the answers (Figure 17.), 63,9% of the respondents rated 6 or

higher. It can be concluded that the majority of the respondents find that better variety would have a positive effect on their willingness to buy from the company.

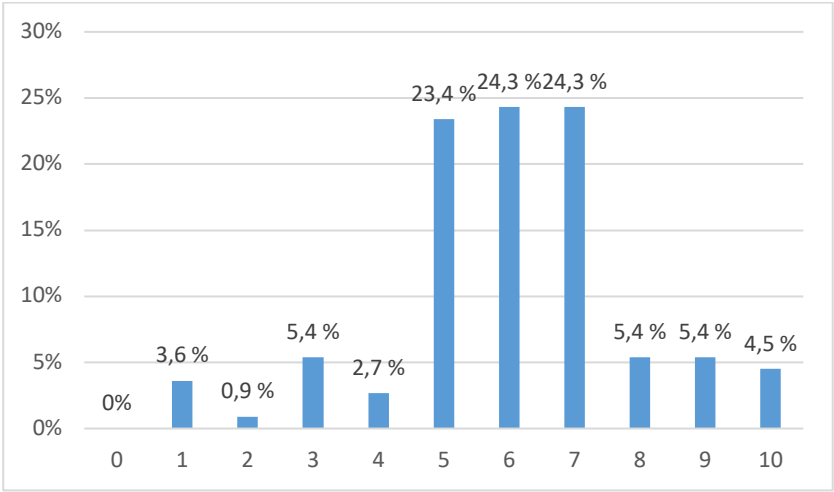


Figure 17. The ratings of respondents on the effects of better variety on their willingness to buy from the company

In the fourth question referring to better quality, the average rating of respondents was positive, with a mean of 6,72 (SD= 2,055) (Appendix B.13.). Rating number 7 received the most answers (33,3% of respondents). When looking at the distribution of the answers (Figure 18.), 64,8% of respondents rated 6 or higher. It can be concluded that the majority of the respondents find that better quality would have a positive effect on their willingness to buy from the company.

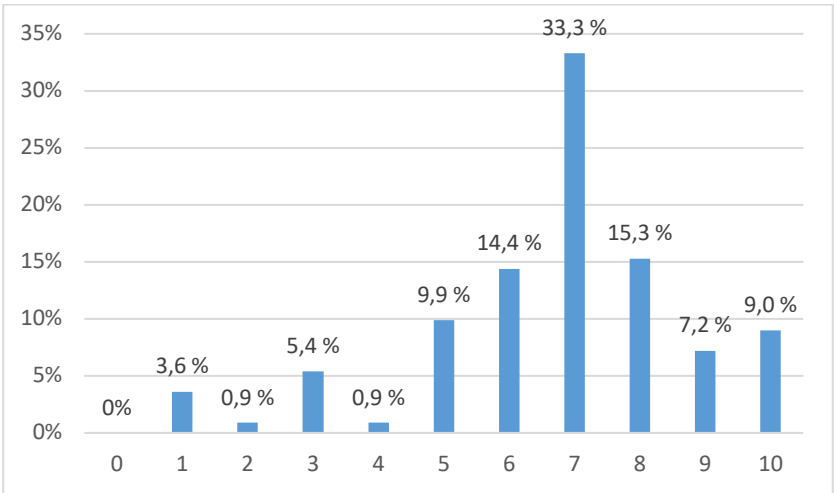


Figure 18. The ratings of respondents on the effects of better quality on their willingness to buy from the company

To conclude, on the basis of the data-analysis on this section, the answer to the research question ‘are the positive effects of controversial funding significant enough

to keep consumers buying from the sustainable company?' Is as follows: When presenting with a scenario where the funding from the controversial investor manages to make positive changes on the company's products, the overall perceptions of consumers change. Looking at the statistics, lower price and better quality of the products have the most significant positive effect on the consumers' willingness to buy after the event. When these characteristics improve, they are likely to keep consumers buying from the company. When the company offers better availability and more variety with the products, the response is positive but not as significant as when the price goes down or when the quality improves.

4.5. The Effects of a Public Response of a Company After a Negatively Perceived Event

The fourth theme is an additional one, referring to questions 16 and 17 i.e., how likely certain actions taken by the company after the negative event would positively affect the respondents' attitudes.

The first question on how likely the company's response on their website would affect the respondents' attitudes received an average answer that was slightly positive, with a mean of 5,74 (SD= 2,567) (Appendix B.14.). Rating number 7 received the most responses (18,8% of respondents). When looking at the distribution of the answers (Figure 19.), 58,0% of respondents rated 6 or higher.

The second question of how likely the company's response on their social media page would affect the respondents' attitudes also had a slightly positive average answer with a mean of 6,03 (SD= 2,462) (Appendix B.14.). Rating number 6 received the most answers (18,9% of respondents). When looking at the distribution of the answers (Figure 19.), 66,6% of respondents rated 6 or higher.

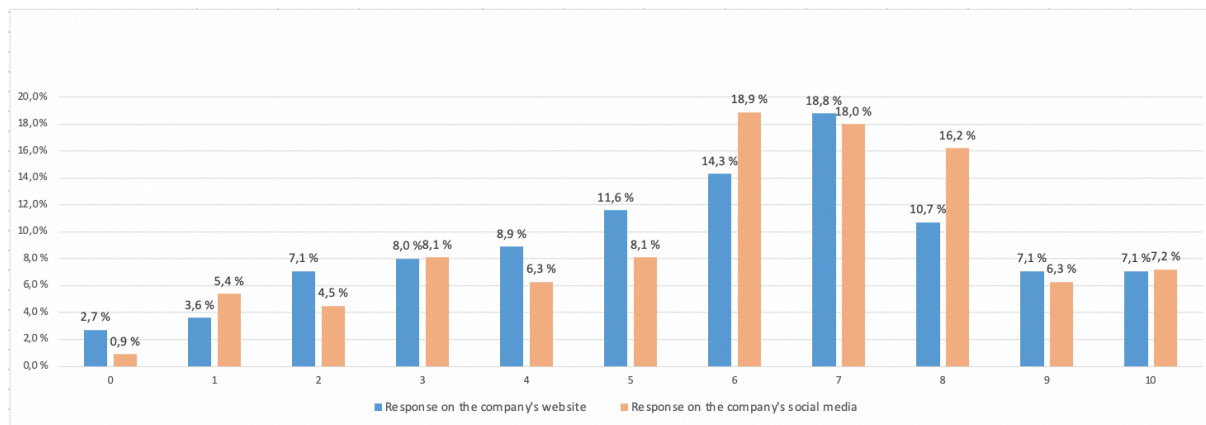


Figure 19. The ratings of respondents on how likely they think that the public responses by the company would positively affect their attitudes towards it

The effect of response on company's website and the effect of response on company's social media page were significantly correlated, $r = .811$, $p < .05$, as expected (Appendix B.15.).

Both questions received very similar answers and they were significantly correlated. To conclude, the majority of respondents think that the responses made by the company on both their website and social media page are slightly likely to affect their attitudes positively.

5. DISCUSSION

This section aims to discuss the findings of the primary research and seeks explanations and similarities from the secondary data collected on the literature review, as well as additional pieces of academic research. Discussion will be drawn from the themes of the findings, creating an overview of how they connect with the existing literature.

5.1 Concern on Climate Crisis and the Importance to Support Sustainable Businesses

The first theme of the findings section reveals the significant worry people have on the climate crisis, as well as how they believe it is essential to buy sustainable

products and buy from companies that provide them. In addition, as it could be seen from the data, over 99% of the respondents had bought sustainable products before. These results were expected, as the literature review discusses how ethical consumption is a growing phenomenon that has significant potential (Doane, 2001). Surprisingly, the findings of the data analysis indicate that women rate their opinions more significantly than men. This finding can, however, be backed up with previous research. As the study of Bord and O'Connor (1997) indicates, women tend to be more concerned for environmental issues than men, mainly due to the reason that they perceive to be more vulnerable to the risks associated with them. This characteristic can also be explained psychologically. The study of Löffler and Greitemeyer (2021) indicates that women tend to be more empathetic than men due to the expectations that come with feminine and masculine identities.

5.2 The Importance of Price and Quality in Consumption

Consumers remain to be very price conscious when looking for products, as it can be noticed that they rate the pricing of sustainable products most significantly out of the asked characteristics. This finding is supported by academic research, as the study of Wiederhold and Martinez (2018) verifies that price is one of the main factors that people notice when buying sustainable products. In addition, according to the findings on this research, price is one of the most significant factors that affect consumers' attitudes after an event when a sustainable company chooses a controversial investor. As the study of Wiederhold and Martinez indicates, the high price of sustainable products keeps people from buying them. Therefore, sustainable companies getting additional funding from the private sector is essential to attract new customers, as that would create the possibility of lowering prices. In addition, the findings indicate that higher quality is the most significant factor that would increase consumers' willingness to buy from the company after the event where it chooses a controversial investor. The importance on quality is not mentioned in the literature review, thus this finding gives more insight on what is actually valued in ethical consumption. What might influence this finding is the nature of the respondents, as the sample included consumers from all backgrounds, not just the ones that consume mainly sustainably. Notwithstanding the external factors that could affect

this finding, it remains clear that consumers find lower price and increased quality important factors when choosing to buy a product. Therefore, if a sustainable company is able to lower the prices and increase the quality of their products with the help of the funding they get, consumers are likely to keep purchasing the products.

5.3. Negative Reactions Followed by a Lack of Action

The existing literature creates an assumption that consumers negatively perceive the event where a sustainable company chooses a controversial investor. The findings of this research support that assumption, as the data shows that consumers have a generally negative reaction to the aforementioned event. The most significant effect is on attitude, which can be explained by the fact that attitude can technically be very easily affected. Attitude is based on emotion, and a lot easier to change compared to the other two characteristics explored that generally require more time to develop, such as making the decision to buy or not to buy or deciding to open a conversation with other people on an issue. However, the other two characteristics can also be expected to be negatively affected to some extent, as the findings indicate.

Despite the findings showing that the reactions of consumers after the event are generally negative, there remains to be a lack of concrete actions taken. This could be explained by the young average age of the respondents, as young people might not be as ready to take concrete actions towards a company without any additional knowledge on the case. In addition, the lack of action could be explained by the nature of the survey, because when creating a scenario about a sustainable and ethical company, consumers might create an image of a company who acts responsibly, and thus every questionable action should have a logical reason behind it. To conclude, they might give the company the benefit of the doubt, as the theories of Dean (2004), as well as Rayner (2003) indicate. Also, in the survey the topic was introduced with the example of Oatly, a company that has a strong brand and a loyal customer base. The case has been very popular on social media and Oatly has publicly justified their actions on social media, as well as their website. If some of the respondents were familiar with the case, it could have changed their attitudes towards the activity.

5.5. Damage Control in the Core of the Event

As was concluded in the literature review, in case of a negatively perceived event, the reputational damages can and should be mitigated by practicing damage control (Schwartz, 2000; Dean, 2004; Sims, 2009; Reuber & Fischer, 2010; Zavyalova et.al., 2016). In this study, the activity of 'convincing stakeholders that the goals of the company are ethical i.e., the ends justifying the means', an activity discussed by Sims (2009), was introduced to the consumers. The findings indicate that the majority of consumers feel that responses by the company justifying their actions would have a slight positive effect on their attitudes after the event. There can also be seen a slight difference in the platform of the response, as social media was generally perceived to have a slightly better influence. However, the difference was very subtle. Some of the existing literature suggest that a response by the company plays a big role in fixing and improving organizational reputation. The findings of this research go in the same direction, but do not give as significant results as expected. This could be explained by the fact that some respondents did not have specifically negative reactions in the first place. The varying findings align with the existing literature, as Dean (2004), as well as Reuber and Fischer (2010) argue that damage control is sometimes not necessary, while other studies claim the opposite (Zavyalova et.al., 2016). However, it can be assumed that making a response as a company is beneficial after a negatively perceived event, at least to some extent. Therefore, it should not be ignored by companies when choosing a strategy after a controversial event.

6. CONCLUSION

This section will provide a conclusion of the thesis. First, the main findings of the research will be presented. This is followed by a description of how the findings can be implicated by sustainable companies in the international business environment. Lastly, limitations that rose during the research process will be presented, mainly focusing on the primary data collection and interpretation. Through acknowledging the limitations, it is possible to provide information on how future research on the

topic could be improved. Suggestions on how that can be done will be presented after the limitations.

6.1 Main Findings

The main findings of this thesis indicate that there is a significant concern among consumers for the climate crisis. Consumers also think that it is very important to support companies that produce and bring sustainable products to the market. Sustainable products remain more expensive than regular products in the same categories. There also is still a slight issue with how available sustainable products are to consumers. In order to improve the attractiveness of sustainable products, companies are in need of funding, which can be achieved through accepting investors from the private sector.

However, the investors in the private sector might not be consistent with their portfolios and they might fund unethical activities of other companies. In this case, consumers tend to react negatively and their attitudes towards the company change. The reactions are mainly based on changed attitudinal aspects, as well as slight negative changes in consumers' willingness to buy and the way they discuss the company with other people. However, many consumers are not ready to take concrete actions towards the in the situation. Although discussions on social media threatening for boycotts towards a company have been seen in such situations, concrete actions that consumers take tend to be at the grassroots level, such as talking about the company negatively and choosing not to buy their products. Some consumers are ready to take more extensive measures, such as discussing the situation publicly on social media and contacting the company, but many consumers seem to approach the situation without that much effort.

As sustainable companies receive the additional funding, they are able to improve their products in the market, such as reduce prices and improve the quality, variety and availability of their products. When consumers are presented with this information, there seems to be attitudinal changes. Consumers' willingness to buy is improved when the initially negative situation shows positive effects. The most

significant characteristic in this concept are price and quality, as their improvement creates the most significant positive effects on customers' willingness to buy from the company.

Finally, it can be noticed that after a sustainable company chooses an investor that has a bad reputation, making a response that explains the reasons of the business decisions, as well as the positive effects of it can be beneficial in improving consumers' initial reactions. Although subtle among the sample on this research, the reactions are on the positive side, meaning that responses by companies should be enforced.

6.2 Implications for International Business

This research offers valuable information on the consumer behavioral aspect of sustainable investing and controversy. While it is clear that the initial consumer reaction to a sustainable company getting funding from a controversial investor is negative, this research shows how certain aspects can make the initial reaction change, making the business decision beneficial.

If a sustainable company makes a decision to accept an investment from an investor that is perceived as unethical by the general public, they must have a strategy in place that will clarify how the decision will be justified to the customers. Sustainable companies are perceived as the ones that make ethical and responsible business decisions, creating an assumption among their customers that they act accordingly. Therefore, the additional information given on the concrete positive effects of the funding will be crucial in getting customers to change their attitudes. Social media offers a good platform to share this information due to the growing user base, as well as the freedom of discussion among consumers.

While taking strategical aspects into consideration, approaching the private sector can be an efficient way to get funding, as well as a way to encourage investors to invest to sustainable ventures. As Oatly (2020) states, the best way to make a

change might be pulling global capital towards a sustainable direction, facilitating positive growth.

6.3 Limitations and Suggestions for Further Research

The lack of previous research on the topic of sustainable companies approving controversial investors limited the research process in the secondary data collection process. A big amount of the literature review was based on attempting to find similarities in the previous research on unethical business behavior and the specific case with Oatly and Blackstone. The academic literature available on sustainable investing was mainly biased toward the investors, not giving much information on the companies that the investors actually invest in, nor their customers.

The online survey made for this study received a relatively small response rate resulting in a limited size of the sample. It allowed for good analysis, but by collecting more answers the data would most likely have been more versatile and offered for more varying responses. The vast majority of the respondents were Finnish, and although many non-Finnish people answered the survey, there were not enough people to form a big enough sample of non-Finnish people. In addition, the majority of the respondents were fairly young, resulting in issues creating the age groups of the data analysis section. Future research is encouraged to form a bigger sample with more geographical variety, as well as more versatile age groups.

Regarding the survey design, none of the questions were made mandatory to answer. This was mainly done to prevent people from failing to finish the survey due to a difficult or a time-consuming question. While the majority of people who opened the link finished the survey, there were also some people who left many of the questions unanswered. This affected the data analysis, as some sections did not have as many data as others. In addition, there was not a specific question that asked about consumers' knowledge on the sustainable market, merely questions asking how they have consumed it. Consuming a lot can technically be interpreted as also having knowledge, but specifically asking it could have given more specific data.

To conclude, regarding suggestions for future research, when doing research on consumers, it could be beneficial to have a bigger and more versatile sample in order to collect more valuable data. In addition, there should be more emphasis on testing consumers' knowledge on the sustainable market, rather than only looking at how much they have consumed products. This could offer a good way to analyze how the knowledge of consumers affect their reactions. In addition, further research on the topic of sustainable investing from the sustainable companies' point-of-view is needed to create an overall understanding on how the phenomenon works in the long run.

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Appendices

Appendix A

Bachelor's Thesis Survey

This survey studies consumer attitudes towards sustainable companies and their approval of big investors with negative reputations. The survey is completely confidential and anonymous and participation is voluntary.

Make sure to read each question carefully before answering. Note that some questions include definitions for clarity.

This survey takes about 5 minutes to finish. If you have any questions regarding the survey or my thesis, send me an email at merika.mattila@aalto.fi.

Your answers are very much appreciated!

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Bachelor's Thesis Survey

Sustainable and ethical companies refer to companies that have minimal negative impact or potentially a positive effect on the global or local environment, community, society or economy.

Sustainable products refer to products that provide environmental, social and economic benefits while protecting public health and environment over their whole life cycle, from the extraction of raw materials until the final disposal.

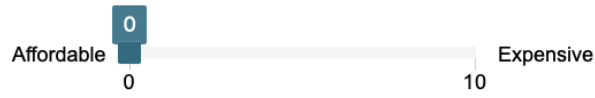
1. Have you bought products from sustainable and ethical companies?

- Yes
- No

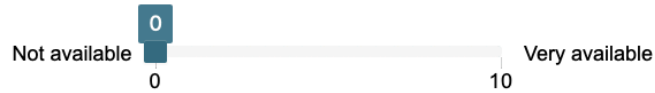
2. What type of sustainable products have you bought?

- Food/Drink
- Fashion
- Cosmetics
- Home/Interior
- Other

3. In general, how would you rate the pricing of sustainable products (compared to regular products from the same product categories)?



4. In general, how would you rate the availability of sustainable products? (compared to regular products from the same product categories)



5. In general, how would you rate the variety of sustainable products (compared to regular products from the same product categories)?

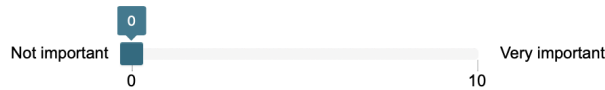


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Bachelor's Thesis Survey

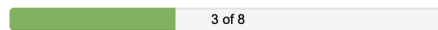
6. How important do you think consuming sustainable products and supporting sustainable companies is?



7. In general, how concerned are you about the climate crisis and global warming?



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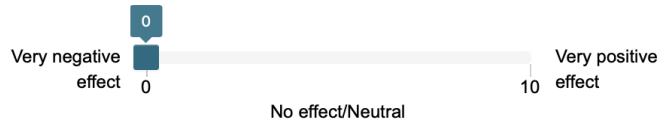


Bachelor's Thesis Survey

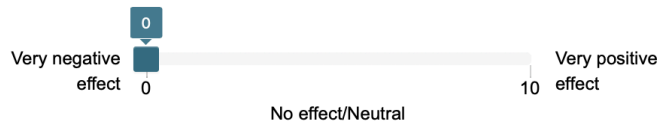
In 2020 the Swedish plant-based food brand Oatly sold a 200-million dollar stake (7% of the company) to an investing company called Blackstone that has been known for funding companies that push deforestation in the Amazon, as well as other unethical campaigns. The event caused a backlash from Oatly's customers.

Imagine a similar situation: A sustainable and ethical brand that you buy products from approves a big investor that is known for controversial operations and generally perceived as unethical. The following questions ask about your attitudes following that event.

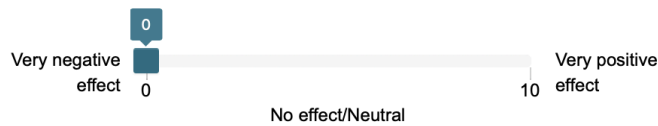
8. How would the event affect your attitude towards the sustainable company?



9. How would the event affect your willingness to buy from the sustainable company?



10. How would the event affect the way you talk about the sustainable company to others?



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Bachelor's Thesis Survey

11. If your reaction is generally negative, what actions would you take towards the company (leave blank if your reaction is not negative)

- Boycott the company and its products
- Talk about the company negatively on social media (i.e. make posts, share negative news/content)
- Talk about the company negatively with others
- Contact the company
- No action
- Other

Previous

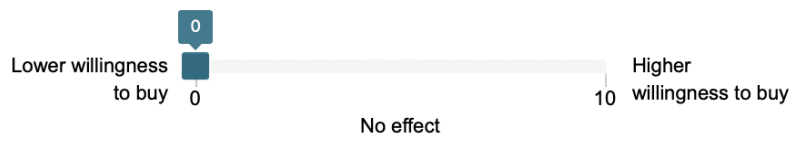
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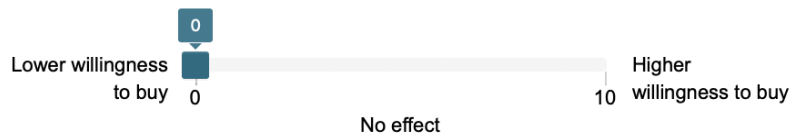
Bachelor's Thesis Survey

Hypothetically, after the event, the additional funding from the investor allows the sustainable company to lower their prices, make their products more available, add variety to their products and improve the quality of their products. How would these aspects change your willingness to buy from the company after the event?

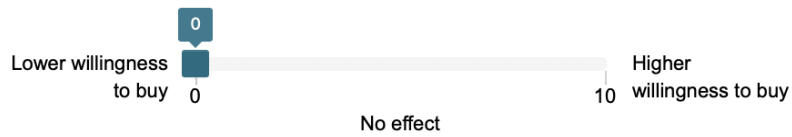
12. Lower price



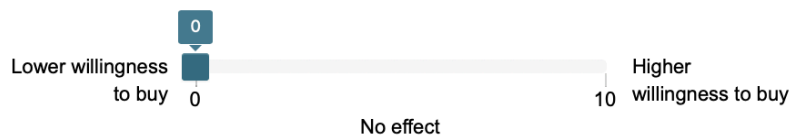
13. Better availability



14. More variety



15. Better quality



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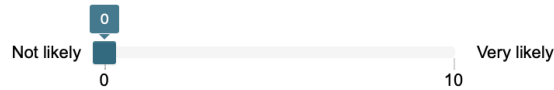
Bachelor's Thesis Survey

How likely would these actions taken by the company have a **positive** effect on your attitudes?

16. Public response on the company's website explaining the reasons and positive effects of the decision



17. Public response on the company's social media page explaining the reasons and positive effects of the decision



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Bachelor's Thesis Survey

18. Gender

- Male
- Female
- Other
- Prefer not to say

19. Age

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20. Nationality

Finnish

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Submit

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Appendix B

\$Products Frequencies

Product categories ^a		Responses		Percent of Cases
		N	Percent	
Product categories ^a	Food/Drink	102	41.0%	91.9%
	Fashion	70	28.1%	63.1%
	Cosmetics	46	18.5%	41.4%
	Home/Interior	27	10.8%	24.3%
	Other	4	1.6%	3.6%
Total		249	100.0%	224.3%

a. Dichotomy group tabulated at value 1.

Appendix B.1. The frequencies of the types of products the respondents have bought

Statistics

		Rated pricing	Rated availability	Rated variety
N	Valid	112	112	111
	Missing	0	0	1
Mean		6.39	5.37	4.45
Median		7.00	5.00	4.00
Mode		7	5	4
Std. Deviation		1.527	2.075	1.788

Appendix B.2. Statistics showing the average answers of respondents on the characteristics of sustainable products

Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Rated importance to support sustainable companies	Male	45	7.80	1.687	.251
	Female	63	8.68	1.635	.206
Rated climate crisis concern	Male	45	7.36	2.227	.332
	Female	64	8.53	1.992	.249

Appendix B.3. The mean ratings of men and women on the concern for the climate crisis and importance to support sustainable companies and buy sustainable products

Independent Samples Test						
Levene's Test for Equality of Variances						
		F	Sig.	t	df	Sig. (2-tailed)
Rated importance to support sustainable companies	Equal variances assumed	.002	.962	-2.730	106	.007
	Equal variances not assumed			-2.715	93.094	.008
Rated climate crisis concern	Equal variances assumed	1.386	.242	-2.889	107	.005
	Equal variances not assumed			-2.833	87.964	.006

Appendix B.4. The significant difference between men and women on the concern for climate crisis and importance to support sustainable companies and buy sustainable products

Group Statistics					
	AGE_2_CATEGORIES	N	Mean	Std. Deviation	Std. Error Mean
Rated importance to support sustainable companies	1.00	64	8.50	1.633	.204
	2.00	47	8.11	1.784	.260
Rated climate crisis concern	1.00	64	8.25	2.211	.276
	2.00	48	7.90	2.086	.301

Appendix B.5. The mean ratings of age group 1 and age group 2 on the concern for the climate crisis and importance to support sustainable companies and buy sustainable products

Independent Samples Test						
Levene's Test for Equality of Variances						
		F	Sig.	t	df	Sig. (2-tailed)
Rated importance to support sustainable companies	Equal variances assumed	.886	.349	1.206	109	.230
	Equal variances not assumed			1.190	94.017	.237
Rated climate crisis concern	Equal variances assumed	.168	.683	.859	110	.392
	Equal variances not assumed			.867	104.324	.388

Appendix B.6. The insignificant difference between age group 1 and age group 2 on the concern for climate crisis and importance to support sustainable companies and buy sustainable products

Independent Samples Test						
Levene's Test for Equality of Variances						
		F	Sig.	t	df	Sig. (2-tailed)
Rated pricing	Equal variances assumed	.036	.850	-.829	107	.409
	Equal variances not assumed			-.832	95.811	.408
Rated availability	Equal variances assumed	1.752	.189	.039	107	.969
	Equal variances not assumed			.039	89.968	.969
Rated variety	Equal variances assumed	.754	.387	.244	106	.807
	Equal variances not assumed			.243	93.109	.808

Appendix B.7. The insignificant difference between men and women on the perceptions of sustainable products

Independent Samples Test

Levene's Test for Equality of Variances

		F	Sig.	t	df	Sig. (2-tailed)
Rated pricing	Equal variances assumed	.001	.977	-.018	110	.986
	Equal variances not assumed			-.018	98.311	.986
Rated availability	Equal variances assumed	.569	.452	.880	110	.381
	Equal variances not assumed			.893	106.347	.374
Rated variety	Equal variances assumed	.010	.922	1.312	109	.192
	Equal variances not assumed			1.294	93.975	.199

Appendix B.8. The insignificant difference between age group 1 and age group 2 on the perceptions of sustainable products

Correlations

		Products_Bought	Rat
Products_Bought	Pearson Correlation	--	
	N		112
Rated pricing	Pearson Correlation	.131	--
	Sig. (2-tailed)	.170	
	N		112
Rated availability	Pearson Correlation	-.096	
	Sig. (2-tailed)	.314	
	N		112
Rated variety	Pearson Correlation	-.014	
	Sig. (2-tailed)	.882	
	N		111

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix B.9. The insignificant correlations of the number of product categories bought on the perceptions

Statistics

		Attitude	Willingness to buy	Way one talks
N	Valid	111	108	107
	Missing	1	4	5
Mean		3.29	3.91	3.80
Median		3.00	4.00	4.00
Mode		3	5	4
Std. Deviation		1.979	1.902	1.777

Appendix B.10. Statistics showing the average answers of the respondents on the effect of the event on their reactions

Actions Frequencies

What actions would you take? ^a		Responses		Percent of Cases
		N	Percent	
	Boycott the company and its products	53	34.6%	55.2%
	Talk about the company negatively on social media	14	9.2%	14.6%
	Talk about the company negatively with others	61	39.9%	63.5%
	Contact the company	4	2.6%	4.2%
	No action	13	8.5%	13.5%
	Other	8	5.2%	8.3%
Total		153	100.0%	159.4%

a. Dichotomy group tabulated at value 1.

Appendix B.11. The frequencies of the types of actions people with negative response would take towards the company after the negative event.

Correlations

		Rated importance to support sustainable companies	Rated climate crisis concern	Attitude	Willingness to buy	Way one talks
Rated importance to support sustainable companies	Pearson Correlation	--				
	N	111				
Rated climate crisis concern	Pearson Correlation	.582**	--			
	Sig. (2-tailed)	.000				
Attitude	N	111	112			
	Pearson Correlation	-.148	-.154	--		
Willingness to buy	Sig. (2-tailed)	.122	.106			
	N	110	111	111		
Way one talks	Pearson Correlation	-.001	-.048	.805**	--	
	Sig. (2-tailed)	.993	.620	.000		
	N	107	108	108	108	
	Pearson Correlation	-.037	-.116	.675**	.711**	--
	Sig. (2-tailed)	.710	.234	.000	.000	
	N	106	107	107	105	107

** . Correlation is significant at the 0.01 level (2-tailed).

Appendix B.12. The insignificant correlations between the rated climate crisis concern, importance to support sustainable companies and buy sustainable products and the rated reactions of respondents to the event

Statistics

		Lower price	Better availability	More variety	Better quality
N	Valid	111	110	111	111
	Missing	1	2	1	1
Mean		6.41	6.12	6.03	6.72
Median		7.00	6.00	6.00	7.00
Mode		7	6	6 ^a	7
Std. Deviation		2.201	1.861	1.890	2.055

a. Multiple modes exist. The smallest value is shown

Appendix B.13. Statistics showing the average answers of the respondents on the effect of the positive changes of products on their willingness to buy from the company

		Statistics	
		Response on website	Response on social media
N	Valid	112	111
	Missing	0	1
Mean		5.74	6.03
Median		6.00	6.00
Mode		7	6
Std. Deviation		2.567	2.462

Appendix B.14. Statistics showing the average answers of the respondents on the effect of the responses made by the company

		Correlations	
			Effect of response on website on attitudes
Effect of response on social media on attitudes	Pearson Correlation		.811**
	Sig. (2-tailed)		.000
	N		111

** . Correlation is significant at the 0.01 level (2-tailed).

Appendix B.15. The significant correlation between the effect of response on company's website and the effect of response on company's social media page

