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## **Consumer Response to Corporate Irresponsible Behavior: Moral Emotions and Virtues**

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### **Abstract**

A unique theoretical framework for explaining consumer word of mouth and protest behaviors against corporate irresponsibility is developed and tested. Through field surveys with adult consumers, this study demonstrates how consumers' negative moral emotional responses to corporate infractions instigate, in combination with other-regarding virtues, negative word of mouth and protest toward the corporation. Negative moral emotions include contempt, anger, and disgust; whereas other-regarding virtues entail justice, beneficence, equality, and communal cooperation. The results provide scholars and managers with means of improving their understanding and handling of consumers' reactions to corporate irresponsibility.

Keywords: corporate social responsibility, moral emotions, other-regarding virtues, negative word of mouth, protest behaviors

## **Consumer Response to Corporate Irresponsible Behavior: Emotions and Virtues**

Too often, executives have viewed corporate social responsibility (CSR) as just another source of pressure or passing fad. But as customers, employees, and suppliers—and indeed, society more broadly—place increasing importance on CSR, some leaders have started to look at it as a creative opportunity to fundamentally strengthen their businesses while contributing to society. (Keys, Malnight, and van der Graaf, 2009)

### **1. Introduction**

The present study investigates consumer responses to *irresponsible* corporate actions and in doing so tries to address two gaps in the literature. One gap concerns the dearth of research into how consumers respond to harm done by corporations. Such consumer reactions as engaging actively in negative word of mouth behaviors, complaining, boycotting companies, taking legal actions, and other forms of protest obviously run counter to the mission and livelihood of corporations. Research to date, however, has focused primarily on either positive consumer responses to responsible corporate behavior (e.g., Brown and Dacin, 1997; Lichtenstein, Drumwright, and Braig, 2004; Marin, Ruiz, and Rubio, 2009, Sen and Bhattacharya, 2001) or where inquiry has been expanded to include negative responses of consumers, this has been limited most often to the study of such individualistic consumption-related responses as willingness to pay for a product (Creyer and Ross, 1996; Trudel and Cotte, 2009), attitudes (Folkes and Kamins, 1999) attributions (Klein and Dawar, 2004), or intentions (Mohr and Webb,

2005). The current research goes beyond the investigation of individual psychological reactions to include interpersonal and social influence modes of consumer responses to corporate irresponsibility. Early attempts to explore relational benefits of CSR can be found in studies by Du, Bhattacharya and Sen (2007), Marin et al. (2009), Smith, Palazzo and Bhattacharya (2010), and Stanaland, Lwin, and Murphy (2011).

The second gap that the present study considers is the need to do theory-based research so as to provide sound grounding for making policy implications and managerial recommendations. Following the recent call by Bhattacharya, Korschun and Sen (2009) to study the underlying processes driving consumer responses in CSR contexts, the present investigation proposes and tests new theoretical mechanisms underlying consumer responses to corporate wrongdoing. The mechanisms draw upon basic research in psychology and adapt the theories to the study of CSR.

## **2. Fashioning the Phenomena to Be Explained**

Two understudied classes of consumer responses are investigated herein as dependent variables. Negative word of mouth is the promulgation of distaste, disapproval, or disparagement concerning irresponsible actions by corporations. A form of social sharing of emotions with others, negative word of mouth has been the object of research in social psychology (e.g., Rimé, 2009; Wetzer, Zelenberg and Pieters, 2007) but has not been investigated systematically as a response to corporate irresponsibility. The present study examines three forms of negative word of mouth: saying negative things, recommending against purchasing, and discrediting the company. The objective of negative word of mouth is generally to express dissatisfaction out of anger and/or punish or hurt the offending corporation.

A second category of negative consumer responses studied is protest behaviors. Protest behaviors are actions taken against corporate misbehavior with the aim of getting companies to cease perpetrating harmful acts. To date, research into protest behaviors in business has been restricted mainly to the study of direct boycotts (e.g., Hoffman and Muller, 2009; Klein, Smith, and John, 2004; Lindenmeier, Schleer and Pricl, 2011; Yuksel and Mryteza, 2009). The current investigation expands consideration of consumer protest behaviors beyond boycotts to also include blogging against the company, participating in picketing, engaging in efforts to stop firms from selling their goods, taking legal action against corporations, complaining, and joining collective movements against the firm. No empirical studies could be found in CSR research in marketing that consider these protest behaviors as reactions to corporate misconduct.

### **3. Deepening the Explanation of Consumer Responses to Corporate Irresponsibility**

To explain consumer negative word of mouth and protest behaviors, new theoretical insights are required (Bhattacharya et al., 2009; Ketola, 2008). The few theoretical mechanisms proposed to date to account for consumer responses to corporate wrongdoing do not fit well the two specific issues investigated in the current research: harm done to workers and harm done to the community in which a firm operates. For example, social identity theory has been used fruitfully to explain the *resistance* of consumers who identify with a company to engage in negative word of mouth or protest behaviors (e.g., Bhattacharya and Elsbach, 2002) but does not seem adequate to explicate sufficient motives to actually *perform* such behaviors. Likewise, research on information and negativity biases (e.g., Fokes and Kamins, 1999) has helped researchers understand product evaluations by consumers in the face of unethical corporate behavior but does not necessarily contribute to an explanation of how or why consumers engage in negative

word of mouth or protest behaviors. Finally, research into attribution theory has done much to suggest certain bases for actions towards companies (e.g., Ellen, Webb and Mohr, 2006; Klein and Dawar, 2004) but does not go far enough to explain the emotive factors needed to actually stimulate negative word of mouth or protest behaviors (see Klein and Dawar, 2004: 216).

The present research proposes two mechanisms that interact with each other to explain negative word of mouth and protest behaviors. First, the impetus or motivation for performing these behaviors is proposed to be due to specific emotions induced when consumers learn about and evaluate irresponsible corporate behavior. Second, the influence of these emotions on negative word of mouth and protest behaviors is hypothesized to be governed by the strength to which consumers hold certain ethical virtues. In other words, ethical virtues are proposed to moderate the effects of felt emotions on negative word of mouth and protest behaviors. How this happens is developed below.

### *3.1 Corporate Irresponsibility and Negative Moral Emotions*

From one point of view, corporate irresponsible behaviors can be seen as moral transgressions. At least two categories of moral transgressions and their accompanying emotions have been proposed in the psychology and anthropology literatures (e.g., Rozin, Lowery, Imada and Haidt, 1999; Shweder, Much, Mahapatra and Park, 1997). One concerns harm done to other people, such as workers or consumers, that arises because the corporate wrongdoer is seen to violate the freedom or human dignity of these individuals. Such harmful doings have been termed, *ethical transgressions*, in the literature. A second transgression happens when a corporation harms a community in some way, violating norms or expectations of respect of, and

loyalty to the community. Such violations have been termed, *social transgressions*, in the literature.

The specific ethical transgressions studied herein involve the use and abuse of child labor by a multinational confectionery company in its cocoa plantations in the Ivory Coast. The social transgression investigated entails the entrance of a large multinational retailer into a longstanding community, where the retailer purchases and demolishes a beloved community center and proceeds to threaten the livelihood of local shop keepers whose families operated in the community for generations.

Psychologists have shown that ethical and social transgressions engender negative emotional reactions in people and function to link violations of moral standards to moral behaviors (e.g., Haidt, 2001, 2007; Tangney, Stuewig and Mashek, 2007). Three so-called “other condemning” emotions (i.e., contempt, anger, and disgust) have been identified in this regard (e.g., Haidt, 2003; Rozin et al., 1999), but how these emotions function is in dispute in the psychology literature.

One group of researchers maintains that contempt, anger, and disgust serve separate roles and each is associated most strongly, respectively, to social transgressions, ethical transgressions (which they term violations of autonomy or individual freedom or rights), and purity or divinity transgressions (e.g., degrading the environment or spiritual defilement). Rozin et al. (1999) provide evidence for these claims in their experiments with college students, as did Vasquez, Keltner, Ebenbach, and Banaszynski (2001) in a cross-cultural comparison of Filipinos and Americans. Neither group of researchers investigated the co-occurrence of contempt, anger, and disgust, so it is unclear whether these emotions truly function independently or possibly jointly. Gutierrez and Giner-Sorolla (2007) argued recently that it may be premature to limit inquiry into



separate analyses of the effects of contempt, anger, and disgust, stressing that in real situations (such as experienced in the field under naturalistic conditions with adult consumers) the likelihood is great that these negative emotions jointly occur together to express coherent disapproval of the actions of moral transgressors.

Izard (1977) was an early theorist to propose that contempt, anger, and disgust spring from common origins. He termed these emotions, the “hostility triad”, and noted that they occur as a consequence of similar appraisals made by people, such that bad things happen to oneself or “me and mine” that threaten their welfare. The primary appraisals here happen as goal incongruence and entail similar coping responses in many cases (Lazarus, 1991). Such coping responses are manifest in felt action tendencies in response to the experience of the emotions and reflect urges “to move against” an offending party (Frýda, Kuipers, and ter Schure, 1989). Izard (1977) also suggested that “disapproval of others” is a typical reaction provoked by feelings of contempt, anger, and disgust in response to violation of normative or moral standards. Further support for common content in contempt, anger, and disgust can be found in a study by Shaver, Schwartz, Kirson, and O’Connor (1987) who discovered that all three emotions clustered together with similar cognates in a basic emotional category labeled, “anger”. Anger in a CSR context is best characterized as “righteous anger”, where it applies to feelings of ire or wrath aroused when one sees another person’s freedom or dignity violated, to distinguish it from normal anger that stems when someone else thwarts one’s own personal goals.

Recent empirical research appears to support commonality among contempt, anger, and disgust. Hwang, Pan, and Sun (2008) found that contempt, anger, and disgust, along with resentment, formed a factor which they termed, media indignation, and which mediated the effects of people’s exposure to hostile media on their willingness to express criticism of the

media, voice their own views, and discuss their opinions with others. In a study of the aftermath of terrorist attacks that took place in Madrid in 2004, Conejero and Etxebarria (2007) showed that the dominant personal emotions were contempt, anger, disgust, and sadness, and these emotions were more intensely felt than fear.

In sum, both theoretical arguments and empirical evidence suggest that contempt, anger, disgust show distinct variation, whereas other arguments and evidence point to shared variance. One problem preventing reconciliation of the diverging perspectives is that no studies to date have used a methodology accommodating both discriminant and convergent aspects of the three emotions. As described below under Method, the present study uses a second-order confirmatory factor analysis (CFA) procedure that represents both the commonality and uniqueness of people's expression of the three emotions and thereby does not impose, a priori, either a shared or distinct conceptualization or operationalization. That is, actual common and unique aspects of the emotions are represented as they naturally occur in memory with the second-order CFA.

### *3.2 The Role of Virtues as Self-regulatory Processes in Consumer Responses to Corporate Irresponsibility*

Moral emotions serve as the impetus to action and function as motivations to act. They arise as indications that perceived violations of human freedom or dignity and disregard for communal values are deeply offensive to one's moral sensibilities. In one sense, felt moral emotions signal to the person experiencing them that one has reasons to act against the offending party so as to punish or stop them from harming other people or the community. But while action itself against an offender requires motivation to act, whether action will in fact occur demands something

more. Misconduct by corporations arouses one's sensitivity and valuation of the harm done, but something more is needed to orient and direct the felt outrage in a productive way.

The current study proposes that virtues perform a self-regulatory role transforming felt emotional arousal into efforts to punish offenders or get them to change their behavior. Virtues are traits of character that function dispositionally to guide one's responses to situations (e.g., Hursthouse, 1999; Swanton, 2003). There are two broad kinds of virtues for purposes of this study: self-regarding and other-regarding virtues. Self-regarding virtues refer to such individual attributes as humility, patience, prudence, and wisdom. With respect to reactions to corporate irresponsibility and morality, the other-regarding virtues are most pertinent for the current study and include such traits as justice, beneficence, peace, equality, and cooperation. That is, other-regarding virtues capture the propensity of persons to act rightly in situations calling for moral responses.

No research could be found demonstrating the effects of other-regarding virtues on consumer responses to corporate irresponsible actions (see Murphy, 1999, and Murphy, Laczniak, and Wood, 2007, for an analysis and review). However, research into human values supports the notion that values serve to regulate ethical behavior. Schwartz, Melech, Lehmann, Burgess, and Harris (2001: 521) define values as "desirable, trans-situational goals varying in importance, that serve as guiding principles in people's lives" (emphasis added). Although the literature on virtues and the literature on values have been conducted in different fields with little integration, it is relevant to note that moral philosophers conceive of moral values as "those virtues that result in people acting in morally good and morally right ways" (Gert, 2005: 96).

The introduction of the concept of other-regarding moral virtues in the analysis of the linkage between corporate irresponsible behaviors and consumer negative emotions is based on research

showing that moral values, which stress such other-regarding social interests as benevolence and universalism (termed, “self-transcendence values” by Schwartz, 1992), prove useful in explaining high levels of engagement in different forms of cooperative, pro-environmental, and pro-social behaviors (e.g., Fukukawa, Shafer and Lee, 2007; Schultz, 2001; Stern, Kalof, Dietz and Guagnano, 1995). The functioning of other-regarding virtues as traits that moderate the effects of felt emotions on behavior is similar to the social-cognitive model of moral behavior (e.g., Aquino, Freeman, Reed II, Lim and Felps, 2009) in the sense of positing interactive effects of situational and individual differences on moral behavior.

#### **4. Hypotheses**

In the current study, other-regarding virtues are hypothesized to regulate the impact of felt moral emotions in one of two ways, depending on the nature and the perceived negativity of the corporate transgression. For an ethical transgression, the perception of the violation of the human dignity and freedom of children is expected to be highly emotionally arousing and to directly lead to felt contempt, anger, and disgust. But once such emotions are felt, the promulgation of negative word of mouth and protest behaviors are predicted to depend on the degree to which other-regarding virtues are held.

Thus the hypotheses include the following points (see Figure 1, Case A). H1: The stronger the perceived corporate ethical transgression, the greater the felt contempt, anger, and disgust. H2: Felt contempt, anger, and disgust will influence consumer negative word of mouth and protest behaviors, the greater the other-regarding virtues.

For the social transgression, where the magnitude of felt emotions is anticipated to be lower than for the ethical transgression, given the more abstract and less personal threat to the psyche for a communal versus human freedom/dignity violation, it is predicted that the perceived violation of communal standards will lead to felt contempt, anger, and disgust to the extent that other-regarding virtues are held. In other words, perception of the social transgression leads to felt negative emotions, to the extent that moral virtues are held. Then felt emotions are expected to directly stimulate negative word of mouth and protest behaviors. The development of this two basic sub-cases is also in line with the findings presented by Rozin et al. (1999) showing that ethical violations are considered relatively more negative and serious by individuals than social violations, and therefore able to justify different functions of the other-regarding virtues.

Hence, the study includes the following hypotheses (see Figure 1, Case B). H3: Perception of a corporate social transgression will influence felt contempt, anger, and disgust, the greater the other-regarding virtues. H4: The stronger the felt contempt, anger, and disgust, the greater consumer negative word of mouth and protest behaviors.

## **5. Method**

### *5.1 Research Design Overview*

Corporate socially irresponsible actions were manipulated by creating experimental and control conditions. Two between-subjects manipulations and two corresponding between subjects control conditions were created for ethical and socially irresponsible actions to produce four questionnaire versions. The moderating, mediating, and dependent variables were measured variables.

To investigate the treatment effects, the procedures for moderated mediation recently proposed in the psychology and statistical literatures were followed (e.g., Preacher, Rucker, and Hayes, 2007). As a consequence, the variables in the research design are:

- (1) a dichotomous manipulated CSR variable ( $X$ ), indicating exposure to either of one of two experimental conditions or either of one of two corresponding control conditions, where each experimental condition was coded -1 and each control was coded +1,
- (2) a continuous moderator variable ( $W$ ), referring to other-regarding virtues,
- (3) a continuous mediating variable ( $M$ ), consisting of multiple items for each of the three moral emotions: contempt, anger, and disgust,
- (4) two continuous outcome variables ( $Y1$  and  $Y2$ ), reflecting consumer negative word of mouth and protest behaviors, respectively.

## 5.2. Stimulus Materials

Narrative versions of the experimental and control conditions were developed, pretested, and then revised after pretesting. Each negative stimulus narrative used a fictitious corporate name and began with a thorough description of the company and its irresponsible actions and their effects. Although the corporate name was fictitious, each narrative was based on actual corporate malfeasances perpetrated by companies over the years in the contexts in question. The full versions of the narratives are provided in the following website:

<http://webuser.bus.umich.edu/bagozzi/AppendixA.htm>. Very brief versions of these are summarized below:

*Ethical transgressions.* “Dark Chocolate”, a large manufacturer of confectioneries, farms and processes cocoa plants in Africa by use of child labor. Children are regularly conscripted, imprisoned, and physically abused to produce the chocolate.

*Social transgressions.* An international megastore, “Big Retailer”, enters a community, purchases and demolishes a beloved community center, and then proceeds to build a shopping center that threatens the livelihood of local shop keepers who operated for many generations in the community.

To control for the seriousness/negativity of the two violations, a pre-test was conducted. A sample of 65 respondents, 22 men (34%) and 43 women (66%), with ages ranging from 18-85 years ( $M = 33.75$  years,  $SD = 16.14$ ), rated the seriousness of the violations of the two scenarios on 7-point scales. The ethical transgressions ratings averaged 6.64 (on a scale from 1 to 7) compared with a much lower 4.95 for social transgressions. The  $t$ -test statistics show significant differences between ethical and social transgressions ( $t = 9.66, p < .001$ ).

### *5.3 Respondents and Procedures*

Respondents were approached randomly as they shopped in city-center shopping areas by 4 interviewers, and a sample of 280 adult Italian shoppers was achieved (sample error, calculated on the entire Italian population, is 5.9%, with a 95% confidence level). Each participant responded to only one of the different versions of the questionnaire. A very small number of people refused to participate. The questionnaire took approximately 15 minutes to complete. After finishing, respondents were debriefed about the purpose of the study and thanked.

The sample can be characterized as follows: 126 men (45%) and 154 women (55%) participated, 19.3% were between 18 and 24 years old, 34.6% between 25 and 34 years old, 9.6%

between 35 and 44 years old, 18.2% between 45 and 54 years old, 11.8% between 55 and 64 years old, and 6.4% over 65 years old, inclusive. College educated respondents accounted for 28.2 % of the sample, followed by a high school education (50.4%) or less (21.4%).

In addition, 4 items were used to measure respondents' social desirability (Fisher, 1993). The 4 items, measured on a 7-point Likert scale, were "I never feel resentful when I don't get my way", "Usually I do not rebel against people in authority even though I knew they were wrong", "I am always courteous, even to people who are disagreeable", and "I have never been irked when people expressed ideas very different from my own" ( $\alpha = .77$ ). The 4 items were then used as indicators of a social desirability variable ( $M = 3.85$ ,  $S.D. = .97$ ). One sample *t*-test analyses comparing the sample mean and value mean of the scale (4) confirmed that respondents exhibited low levels of social desirability ( $t = -2.66$ ,  $p < .01$ )

#### *5.4 Measures*

Participants responded to a series of multi-item Likert measures on 7-point scales, ranging from "strongly disagrees" (1) to "strongly agrees" (7), to capture the constructs studied: other-regarding virtues, contempt, anger, disgust, fear, word of mouth, and protest behaviors. Measures, item loadings, and alphas appear in Table 1.

Table 1 here.

#### *5.5 Analytical Procedures*

Procedures were used for computing conditional indirect effects recently described by Preacher et al. (2007; see also; Hayes, 2009). Conditional indirect effects express the occurrence of indirect effects, contingent on the values of a moderator. Figure 1 shows the models for the



effect of a manipulated independent variable (the experimental treatment),  $X$ , on an outcome variable,  $Y$ , where the effect passes through a mediator,  $M$ , and the effect of  $X$  on  $M$  and the effect of  $M$  on  $Y$  are both potentially conditioned by a moderator,  $W$ .

Figure 1 here.

Before focal hypotheses were tested, verification was done whether measures of contempt, anger, and disgust can be organized hierarchically in a second-order CFA model. Data from all 4 samples were used to test the CFA model, where measures described above served as indicators of the hypothesized first-order factors. The model fits well:  $\chi^2$  (df) = 177.11 (24),  $p = .00$ , CFI = .97, NNFI = .96, RMSEA = .07, and SRMR = .019. The 9 factor loadings on first-order factors ranged from .91 to .97; the 3 factor loadings relating the higher order factor to the 3 first order factors were .97, .98, and .90, respectively. Given the satisfactory model fit, and very high factor loadings, it is reasonable to create a single CAD (contempt, anger, and disgust) variable in tests of hypotheses by multiple regression models.

## 6. Results

Participants rated the seriousness/negativity of the violation of the two scenarios on a 7-point scale ranging from -3 (very negative) to +3 (very positive). The ethical transgressions ratings averaged -2.23 and the social transgression ratings averaged -1.01. The  $t$ -test statistics show significant differences between ethical and social transgressions ( $t = 7.63$ ,  $p < .001$ ).

Respondents also perceived correctly the two scenarios. They assigned on a 7-point scale the Dark Chocolate scenario as belonging to the ethical category ( $M_{\text{ethic}} = 4.83$  vs.  $M_{\text{social}} = 3.78$ ,  $t = -$

4.59,  $p < .001$ ) and the Big Retailer scenario as belonging to the social category ( $M_{\text{social}} = 4.75$  vs.  $M_{\text{ethic}} = 4.16$ ,  $t = -2.66$ ,  $p < .05$ ).

In the analysis of each scenario, both CAD and fear were considered as possible mediators in order to show the significant differential role of moral emotions compared to non-moral cases. Thus, we expect a mediating role for CAD but not for fear.

*a. Ethical transgression*

*Negative word of mouth.* Table 2 shows the findings for the manipulation of ethical transgression on negative word of mouth. Under the mediator variable model, it can be seen that there is a significant overall main effect of the experimental treatment on CAD ( $b_{11} = -4.25$ ,  $t = -19.49$ ), supporting H1. Under the outcome variable model, a significant interaction occurs between CAD and virtues on negative word of mouth ( $b_{25} = .25$ ,  $t = 2.63$ ), supporting H2. Given that both  $b_{11}$  and  $b_{25}$  are significant, *moderated mediation*, Case A, is satisfied, as forecast. For the rival hypothesis of fear, while  $b_{11}$  is significant,  $b_{25}$  is not, and thus moderated mediation, Case A, is not satisfied, as expected.

Given the interaction, the indirect effects are probed by estimating conditional indirect effects at values of the moderator. Table 2 displays the conditional indirect effect at three values of the moderator variable: the mean (0), one standard deviation above the mean (.82), and one standard deviation below (-.82), along with bootstrapping. All three of the conditional indirect effects are negative and significantly different from zero. Thus, the indirect effect of the experimental treatment via CAD is much higher when virtues are high rather than low, and this is the hypothesized pattern of moderated mediation, case A.

*Protest behaviors.* The top panel of Table 3 summarizes the results for the manipulation of ethical transgressions on protest behaviors. Under the mediator variable model, there is a

significant overall main effect of the experimental treatment on CAD ( $b_{11} = -4.25, t = -19.49$ ), supporting H1. Under the outcome variable model, there is a significant interaction effect between CAD and virtues on protest behaviors ( $b_{25} = .41, t = 5.25$ ), supporting H2. As both  $b_{11}$  and  $b_{25}$  are significant, *moderated mediation*, case A holds, as proposed. For the rival hypothesis of fear, while  $b_{11}$  is significant,  $b_{25}$  is not; hence, moderated mediation is not satisfied, as hypothesized.

Table 3 displays the conditional indirect effect at three values of the moderator variable: the mean (0), one standard deviation above the mean (.82), and one standard deviation below (-.82), along with bootstrapping. All 3 of the conditional indirect effects are negative and significantly different from zero. Also, the indirect effect of the experimental treatment via CAD is much higher when virtues are high rather than low; this is the hypothesized pattern of moderated mediation, case A.

Tables 2 and 3 here.

## 6.2 Social Transgression

*Negative word of mouth.* Table 2 presents the results for the manipulation of social transgression on negative word of mouth. Under the mediator variable model, the experimental treatment and virtues interact significantly to influence CAD ( $b_{13} = -.57, t = -2.37$ ), supporting H3. Under the outcome variable model, a significant effect was found for CAD on negative word of mouth ( $b_{24} = .69, t = 6.10$ ), supporting H4. Because both  $b_{13}$  and  $b_{24}$  are significant, *moderated mediation*, Case B, is satisfied, as hypothesized. For fear, both  $b_{13}$  and  $b_{24}$  are not significant and as a consequence the conditions for moderated mediation are not satisfied, as forecasted.

Given the interaction, indirect effects are probed by estimating conditional indirect effects at values of the moderator. Table 2 displays the conditional indirect effect at three values of the moderator variable: the mean (0), one standard deviation above the mean (.99), and one standard deviation below (-.99), along with bootstrapping. All three of the conditional indirect effects are negative and significantly different from zero at  $\alpha = .05$ , given the absence of zero from each bootstrap interval. Thus the indirect effect of the experimental treatment, via CAD, is higher when virtues are high rather than low. As the direct effect of the experimental treatment on negative word of mouth is nonsignificant ( $b_{21} = .12, t = .66, b_{23} = .22, t = 1.46$ ), moderated mediation, Case B, receives support.

*Protest behaviors.* Table 3 shows the findings for the manipulation of social transgression on protest behaviors. Under the mediator variable model, it can be seen that the experimental treatment and virtues interact significantly to influence CAD ( $b_{13} = -.57, t = -2.37$ ), supporting H3. Under the outcome variable model, a significant effect is found for CAD on protest behaviors ( $b_{24} = .26, t = 3.27$ ), supporting H4. Given that both  $b_{13}$  and  $b_{24}$  are significant, *moderated mediation*, Case B, is supported, as predicted. For fear,  $b_{24}$  is significant and  $b_{13}$  is not; and as a consequence, moderated mediation is not satisfied, as expected.

Given the interaction, the indirect effects are probed by estimating conditional indirect effects at values of the moderator. Table 3 displays the conditional indirect effect at three values of the moderator variable: the mean (0), one standard deviation above the mean (.99), and one standard deviation below (-.99), along with bootstrapping. As can be seen, all three of the conditional indirect effects are negative and significantly different from zero at  $\alpha = .05$ , given the absence of zero from each bootstrap interval. Thus the indirect effect of the experimental treatment, via CAD, is higher when virtues are high rather than low. Given that the direct effect of the

experimental treatment on protest behaviors is nonsignificant ( $b_{21} = .17, t = 1.34, b_{23} = .05, t = .46$ ), the pattern of effects supports moderated mediation, Case B, is supported.

## **7. Discussion**

### *7.1 Theoretical contributions*

Negative consumer reactions to corporate irresponsibility have been rarely studied. The current study identified and operationalized two such forms of harm and studied consumer reactions to them. Unlike the majority of CSR research to date, which has thoroughly studied positive consumer responses, the present investigation examined multiple forms of both negative word of mouth and protest behaviors.

Negative word of mouth and protest behaviors are not only conceptually distinct from positive behaviors, but they differ as well in terms of their social implications. Whereas deciding to purchase a firm's products or not is a largely individualistic activity, negative word of mouth has been shown to entail a type of social sharing of emotions with others (e.g., Rimé, 2009; Wetzer et al., 2007), and obviously involves communication and social influence as well. Likewise protest behaviors encompass social action in the form of people-to-firm influence and are expressions of anger, revenge, or venting behaviors (e.g., Kozinets and Handelman, 2004; Ward and Ostrom, 2006), plus often are performed in groups and involve organized third-party intermediaries that people join or support, such as Greenpeace.

To more directly address the motivation for acting in negative ways to corporate irresponsibility, the current study drew upon basic research in moral psychology (Haidt and Kesebir, 2010; Tangney et al., 2007). Contempt, anger, and disgust, were found to emerge in response to ethical and social harm that corporations do (e.g., Izard, 1977; Rozin et al., 1999).

Although emotions were shown to provide the impetus for action in our research, their precise functioning was found to be moderated by other-regarding virtues held by consumers. In other words, the impact of felt emotions is regulated by the virtues consumers hold. In particular, for the strong case of ethical transgressions, where experimental treatments were found to influence the emotions directly as main effects, it was hypothesized and discovered that the emotions induce action to the extent that other-regarding virtues are high. For the case of social transgression, it was predicted and found that the experimental treatment induced emotions for consumers to the degree that they held other-regarding virtues. For these consumers, felt emotions then influenced negative word of mouth and protest behaviors directly as main effects.

The theory of moral psychology adapted herein was therefore found to be governed by self-regulatory virtues in the particular situations under study. The current research thus developed and tested a theory of specific emotional and cognitive factors underlying consumer responses to corporate irresponsibility, which has not been explored before in business ethics or related business fields. Moreover, research in psychology with regard to moral emotions has not studied the moderating role of virtues in regulating these effects.

### *7.2 Managerial implications*

The findings have interesting implications also for the business community. Since negative consumer reactions can be extremely harmful for companies, as demonstrated by this research, and difficult to recover from, especially considering negative word of mouth, a firm's first priority, beyond of course avoiding the commitment of actual harmful acts, should be to prevent any type of consumers' perception of irresponsible behavior. Therefore, firms should continuously monitor consumer evaluations of the company's behavior (Huber, Vollhardt,

Matthes, and Vogel, 2010). Firms discovering that consumers judge one or more of its activities as controversial or negative can plan effective communication strategies to provide convincing explanations, try to avoid negative moral emotions in consumers and consequent negative responses, thus preserving company image and reputation.

This research also showed that other-regarding virtues held by consumers play a role in explaining people's reactions to company misconduct. Firms should be aware of the importance of virtues held by consumers, and act so as to minimize their effects on negative reactions during potential CSR crises. Virtues can have positive effects, too, to be fostered, as a recent study showed investigating the role that gratitude has on positive word of mouth and support actions, which were also moderated by altruistic values (Romani, Grappi, and Bagozzi, in press).

This study suggests also that CSR activities should have an important role in relationship management between consumers and companies. A firm can establish a positive corporate image through positive CSR activities or, on the contrary, harm its reputation by failing to pursue effective CSR strategies. As showed by Brunk (2010), consumer perceptions of unethical actions of a company enter into the formation of their attitudes toward the company, and therefore potentially contribute to a faltering company image and reputation. Findings in the present investigation show that misconduct can lead to negative consumer reactions and, therefore, can negatively affect the relationship between the company and its publics. To create and maintain a positive company-consumer relationship and favorable competitive positioning in the marketplace, firms should develop detailed plans for CSR activities, achieving high standards of business conduct and avoiding misbehaviors. Thus, firms committed to preventing CSR failures and managing CSR crises can more easily build and strengthen long-term relationships with consumers, and contribute to long-term profitability and value creation. Monitoring such

consumer emotional reactions as contempt, anger, and disgust toward a company and its practices can be an essential early warning signal of perceived corporate malfeasance and help firms respond early to problems before they get out of hand.

To avoid negative effects on corporate image, reputation, and ultimately sales, companies should quickly recognize and recover the possible damages caused by its behaviors (both blameless and blameworthy), show empathy and attention to the problem, try to disconnect the possible negative event from social implications, and communicate ameliorative-strategies emphasizing the efforts made to re-establish equilibrium and goodwill. The British Petroleum oil spill in the Gulf of Mexico in 2012 is an example of a CSR crisis that posed extraordinary challenges for the firm. Millions of gallons of oil leaked into the Gulf of Mexico, threatening wildlife and closing down millions of square miles of gulf fishing. Company unpreparedness for crisis management likely amplified negative effects on corporate image and reputation. BP's own estimate of the total cost of the disaster was announced in November 2010 as nearly \$40bn, and the spill temporarily wiped out half the company's value (Bryant, 2011).

### *7.3 Limitations and Further Research*

The present study has limitations that suggest directions for further research. First, a limitation of the present study is the use of scenario-based experiments. Participants gave their reactions to two different descriptions of corporate irresponsible acts provided to them. It is possible that respondents paid more attention to the scenarios than they might have reading the incidents in newspapers or magazines, for example. It is possible also that the effects of corporate irresponsibility found herein were stronger than would be found in everyday encounters. For this reason, replicating this study under even more naturalistic conditions than



done herein would provide a more conservative test of the effects of corporate irresponsible acts. Note, however, in naturalistic conditions, the public is typically bombarded by repeated news coverage of corporate irresponsibility by any particular perpetrator, and thus, in another sense the stimuli used herein might under-estimate actual effects in the marketplace for high profile corporate irresponsible actions.

Despite the above concerns, the current study has a certain amount of external validity in that respondents were actual adult consumers who responded in the field while shopping, and special effort was taken to construct realistic scenarios whose intent corresponded closely to actual corporate transgressions. Overall, it can be maintained that the present field experiment achieves a reasonable degree of external validity.

Second, in the present study negative moral emotions were measured only by use of a language-based method. It would be desirable to measure emotions through a variety of methods in future research (e.g., facial expressions, autonomic or somatic nervous system responses, fMRI techniques). This would provide a basis for construct validity and generalizability.

Third, the theoretical framework proposed herein could be tested in additional contexts other than ethical and social ones, to strengthen the generalizability of findings, especially considering the moderating role played by other-regarding virtues. Moreover, the theoretical framework could be expanded to include additional processes and individual variables that explain other aspects of consumer responses to corporate misdeeds. For example, empathy (Eisenberg, 2000) promotion/prevention focus (Brockner and Higgins, 2001), or social influence (Sen and Bhattacharya, 2001) might prove useful to investigate as moderators.

Relatedly, an interesting direction for further research would be to investigate the duration of effects of negative emotions on consumers. For example, are these effects limited in time or

enduring? What effects do felt emotions have on attitudes, beliefs, evaluations, and other psychological reactions to a firm, its brand, and communications?

Finally, acknowledging that the current framework is limited to negative consumer reactions to corporate irresponsibility, it can be argued that future research should examine the effects of corporate responsible acts on positive consumer behaviors (e.g., positive word of mouth, supporting behaviors, etc.) and explain these with an emotion- and value- based conceptual framework analogous to the one introduced herein. Of course, the role of positive emotions would have to be examined in this case. Although past research has provided interesting theoretical and empirical evidence on prosocial actions, alternative explanations should prove useful, especially considering the role of positive moral emotions (e.g., gratitude, elevation, and awe) in motivating consumer behavior.

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Table 1  
Measures, item loadings, and Cronbach alphas

<i>Moderator variable</i>	Factor loadings	alpha
Other-regarding virtues		
Equality: equal opportunity for all	.72	
A world of peace: free of war and conflict	.74	
Social justice: correcting injustice, care for the weak	.83	
Helping: working for the welfare of others	.84	
Cooperation: increasing positive returns for the community	.74	.83
<i>Mediating variables*</i>	Factor loadings	alpha
Contempt		
Contemptuous	.93	
Scornful	.94	
Disdainful	.93	
Anger		
Mad	.91	
Angry	.93	
Very annoyed	.92	
Disgust		
Disgusted	.85	
Feeling distaste	.89	
Feeling revulsion	.85	.95
Fear		
Threatened	.81	
Scared	.90	
Fearful	.86	.90
<i>Outcome variables</i>	Factor loadings	alpha
Negative word of mouth		
I intend to say negative things about this company to friends, relatives, and other people	.96	
I intend to recommend to my friends, relatives, and other people that they not buy products of this company	.94	
I intend to discredit the company with my friends, relatives, or other people	.96	.95
Protest behaviors		
Participate in boycotting the company	.80	
Blog against the company	.80	
Participate in picketing the company	.77	
Participate in actions of resistance against the company (e.g., try to stop the company from selling its products)	.80	
Support legal actions against the company	.84	
Join collective movements against the company	.80	
Complain to the company	.80	.85

\* The factor analysis showed that the proposed emotion items loaded on two different factors. Contempt, anger, and disgust load on one factor, fear on a different factor. As a consequence, under Results below, we designate the contempt, anger, and disgust factor as CAD.

Table 2  
General Linear Model for CAD and fear as mediators and negative word of mouth as outcome  
(see Figure 1)

	Mediator variable model		Outcome variable model	
	b	t	b	t
<b>Ethical transgression</b>				
X: manipulation	-4.25	-19.49***	.48	2.00*
W: other-regarding virtues	.15	.87	.12	.85
X*W	.14	.53	-.18	-.76
M <sub>1</sub> : CAD			.63	6.01***
M <sub>1</sub> *W			.25	2.63**
X: manipulation	-.54	-2.29*		
W: other-regarding virtues	.13	.70		
X*W	.09	.30		
M <sub>2</sub> : Fear			.11	1.19
M <sub>2</sub> *W			-.14	-1.02
R <sup>2</sup> adj		.73		.70
Conditional indirect effects at altruistic values = 0 and ± 1 SD				
Bootstrap 95% Confidence Intervals for Conditional Indirect Effect - Bias Corrected and Accelerated (BCa)				
Other-regarding virtues	(b <sub>11</sub> + b <sub>13</sub> W)*(b <sub>24</sub> + b <sub>25</sub> W)	Lower	Upper	
.82	-3.48	1.21	2.35	
0	-2.66	0.83	1.82	
-.82	-1.88	0.28	1.69	
<b>Social transgression</b>				
	b	t	b	t
X: manipulation	-2.64	-10.97***	.12	.66
W: other-regarding virtues	.70	4.33***	-.02	-.10
X*W	-.57	-2.37*	.22	1.46
M <sub>1</sub> : CAD			.69	6.10***
M <sub>1</sub> *W			-.09	-.77
X: manipulation	-.76	-2.79**		
W: other-regarding virtues	.38	2.07*		
X*W	-.20	-.72		
M <sub>2</sub> : Fear			-.02	-.15
M <sub>2</sub> *W			.09	.52
R <sup>2</sup> adj		.50		.48
Conditional indirect effects at other-regarding virtues = 0 and ± 1 SD				
Bootstrap 95% Confidence Intervals for Conditional Indirect Effect - Bias Corrected and Accelerated (BCa)				
Other-regarding virtues	(b <sub>11</sub> + b <sub>13</sub> W)*(b <sub>24</sub> + b <sub>25</sub> W)	Lower	Upper	
.99	-1.92	.63	1.43	
0	-1.82	.61	1.22	
-.99	-1.62	.37	1.16	

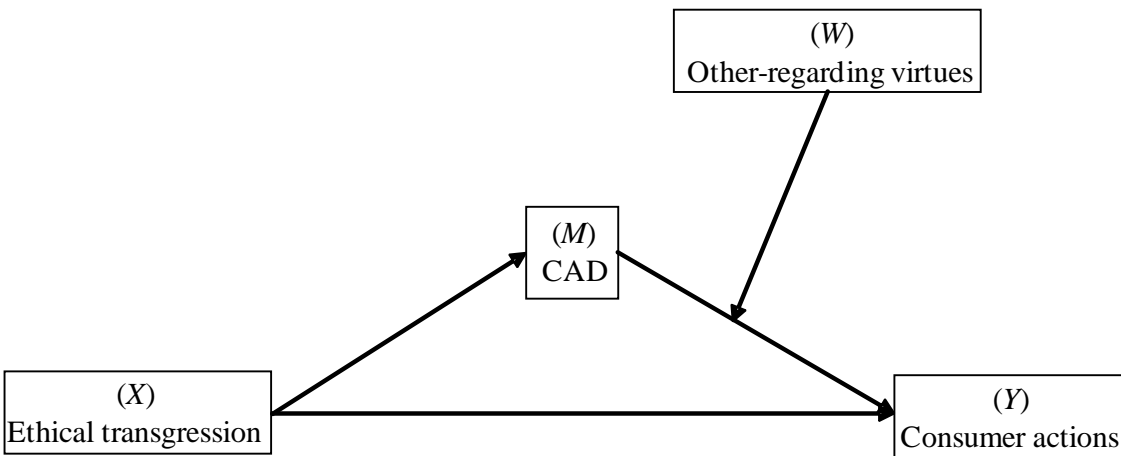
Note: \*p<.05, \*\*p<.01, \*\*\*p<.001; W = moderator, M = mediator, X = manipulation

Table 3  
General Linear Model for CAD and fear as mediators  
and protest behaviors as outcome (see Figure 1)

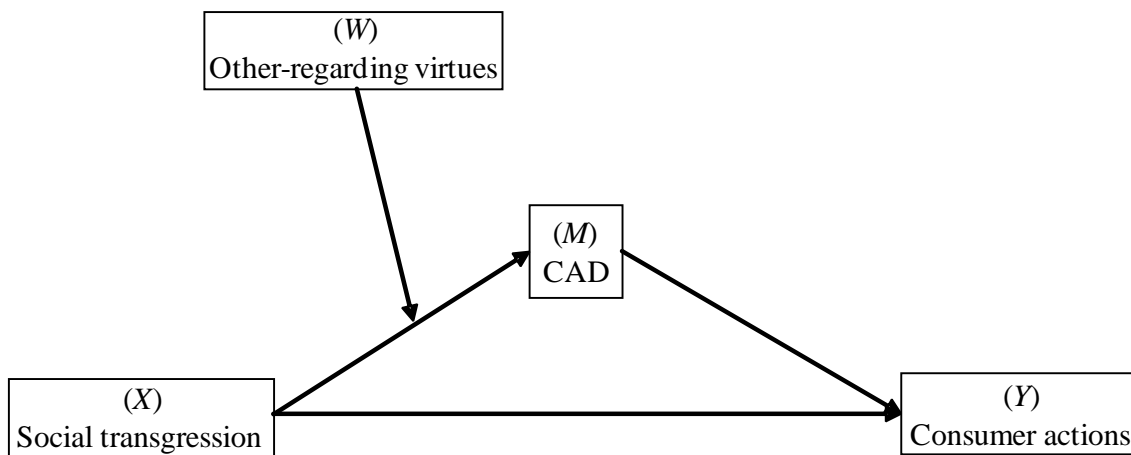
		Mediator variable model		Outcome variable model	
<b>Ethical transgression</b>					
		b	t	b	t
X: manipulation		-4.25	-19.49***	-.56	-2.87**
W: other-regarding virtues		.15	.87	.45	4.01***
X*W		.14	.53	-.31	-1.68
M <sub>1</sub> : CAD				.64	7.60***
M <sub>1</sub> *W				.41	5.25***
X: manipulation		-.54	-2.29*		
W: other-regarding virtues		.13	.70		
X*W		.09	.30		
M <sub>2</sub> : Fear				.03	.40
M <sub>2</sub> *W				-.18	.10
R <sup>2</sup> adj		.73		.59	
Conditional indirect effects at other-regarding virtues = 0 and ± 1 SD					
Bootstrap 95% Confidence Intervals for Conditional Indirect Effect - Bias Corrected and Accelerated (BCa)					
Other-regarding virtues	(b <sub>11</sub> + b <sub>13</sub> W)*(b <sub>24</sub> + b <sub>25</sub> W)	Lower		Upper	
.82	-4.06	1.45		2.52	
0	-2.54	.92		1.64	
-.82	-1.31	.06		1.19	
<b>Social transgression</b>					
		b	t	b	t
X: manipulation		-2.64	-10.97***	.17	1.34
W: other-regarding virtues		.70	4.33***	.14	1.09
X*W		-.57	-2.37*	.05	.46
M <sub>1</sub> : CAD				.26	3.27***
M <sub>1</sub> *W				.12	1.45
X: manipulation		-.76	-2.79**		
W other-regarding virtues		.38	2.07*		
X*W		-.20	-.72		
M <sub>2</sub> : Fear				.16	2.10*
M <sub>2</sub> *W				-.18	-1.50
R <sup>2</sup> adj		.50		.40	
Conditional indirect effects at other-regarding virtues = 0 and ± 1 SD					
Bootstrap 95% Confidence Intervals for Conditional Indirect Effect - Bias Corrected and Accelerated (BCa)					
Other-regarding virtues	(b <sub>11</sub> + b <sub>13</sub> W)*(b <sub>24</sub> + b <sub>25</sub> W)	Lower		Upper	
.99	-1.22	.36		.95	
0	-.69	.26		.69	
-.99	-.29	.08		.59	

Note: \*p<.05, \*\*p<.01, \*\*\*p<.001; W = moderator, M = mediator, X = manipulation

Case A: The effect of the manipulation on the mediator, plus the moderation of the effect of the mediator on the outcome (Ethical transgression)



Case B: Moderation of the effect of manipulation on mediator, plus the effect of the mediator on the outcome (Social transgression)



Note: Mediator variable model:  $M = b_{10} + b_{11}X + b_{12}W + b_{13}X(W) + \varepsilon_1$   
 Outcome variable model:  $Y = b_{20} + b_{21}X + b_{22}W + b_{23}X(W) + b_{24}M + b_{25}M(W) + \varepsilon_2$   
 CAD = contempt, anger, disgust

Figure 1  
Two cases of Moderated Mediation