

# Consumers Reactions to Admirable or Reprehensible Corporate Behavior

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Cite as:

Bagozzi Richard, Grappi Silvia, Romani Simona (2020), Consumers Reactions to Admirable or Reprehensible Corporate Behavior. *Proceedings of the European Marketing Academy*, 49th, (59060)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.



## **Consumers Reactions to Admirable or Reprehensible Corporate Behavior**

### **Abstract:**

This work investigates how consumers of a brand from a company perceived as behaving in a socially responsible (reshoring) or irresponsible (offshoring) way react. Four field experiments were performed on adult consumers to test hypotheses. Results show the process through which consumers of a brand from a reshoring or offshoring company come to feel pride or shame, respectively, depending on the level of identification with the company. Pride and shame are shown to lead to intentions to purchase and compensatory behaviors, respectively. An integrative framework based on research on self-conscious emotions and research on social identity is developed and contrasted with recent research based on moral emotions and their role in responses to corporate socially responsible and irresponsible action.

*Keywords: corporate admirable/reprehensible actions, self-conscious emotions, self-identity.*

*Track: Social Responsibility & Ethics*

## 1. Introduction

Do corporate responsible or irresponsible actions affect consumer behaviors in relation to the perpetrator? If so, how does this happen? Research to date has taken one of two approaches to answer these questions. The classic approach to moral decision making maintains that moral judgments drive intentions to act ethically, where cognitive developmental processes undergird these judgments (e.g., Jones, 1991). For Corporate Social Responsibility (CSR), Sen and Bhattacharya (2001) have applied ideas from the classic theories of moral decision making to develop an approach where consumers engage in deliberative processes. Similarly, Bhattacharya et al. (2009) and Tsai et al. (2015) focus on returns to stakeholders, where the consumer is one stakeholder and values, psychological and functional benefits are examined, among others.

The other approach to study reactions to CSR is intuitive or emotional. Building upon Haidt's (2012) social intuitionist model of moral behavior, Romani et al. (2013) showed that felt gratitude mediates the effects of the interaction between perceived CSR and consumer altruistic values on consumer responses to socially responsible actions of a company. Dedeke (2015) recently called for a cognitive-intuitionist model of moral judgment that combines automatic cognitive and automatic emotional pre-processing as drivers of moral judgments.

Our objective is to propose and test a model where particular cognitive and emotional processes are developed. We combine elements of classic models, in particular cognitive processes, and elements of Haidt's approach, in particular emotions, to formulate a parsimonious approach to explaining consumer responses in CSR contexts. However, we take a different approach in the current study than followed by Haidt. Our treatment is quite different from that found with *moral* emotions under Haidt's model; we examine *self-conscious* emotions in moral contexts. In four different studies, emotional reactions to CSR are shown to depend on the self-concept, and the emotional reactions, in turn, influence consumer responses.

## 2. Theoretical Framework and hypotheses development

### 2.1 *Self-conscious emotions*

We examine reactions to a company that one has patronized and has been made to feel, as an agent, certain self-conscious emotions as a consequence of this patronage. Self-conscious emotions (e.g., pride) take the self as the object of scrutiny; self-conscious emotions are unique in that they involve "self-awareness and self-representations" (Tracy & Robins, 2004:105), or equivalently "self-reflection and self-evaluation" (Tangney et al., 2007:347). Importantly, "(a)s

the self reflects upon the self, moral self-conscious emotions provide immediate punishment (or reinforcement) of behavior [and] function as an emotional barometer, providing immediate and salient feedback on our social and moral acceptability” (Tangney et al., 2007:347). Felt or anticipated self-conscious emotions serve to influence decisions and behavior and implicate actual or imagined social situations involving the consumer as decision maker.

Pride is a positive emotion that occurs when “a person focuses his/her attention on the self, experiences public and/or private self-representations, appraises an event that happens to oneself as relevant to and congruent with goals, and attributes the cause of the event to an internal factor, accepting responsibility for the situation” (Tracy & Robins, 2004:116). We investigate the type of pride based on what one does (i.e., purchase a product from a firm doing admirable actions) and involves a kind of private and/or public sense of achievement (i.e., friends praise the consumer for making the purchase).

Guilt and shame are negative self-conscious emotions and are engendered by a common set of cognitive processes: “an individual must focus attention on some aspect of the self, activating public and/or private self-representation; appraise the event as relevant to and incongruent with identity goals; and attribute the cause of the event to some internal factor, blaming the self for the situation” (Tracy & Robins, 2004:115). We focus on shame for purposes of parsimony and also because shame, but not guilt, is regarded as the opposite of pride. Hence shame and pride are complementary emotions for study in our CSR context.

## *2.2 Self-identity*

Self-conscious emotions motivate behaviors that form, maintain, or reinforce, one’s self-identity. Self-identity reflects who one is or who one would like to be. One tries to promote self-enhancement by creating feelings of pride and avoiding feelings of shame (Higgins, 1987). One’s actual and ideal self-representations are influenced by societal expectations, norms in the groups to which one belongs, and interpersonal pressure to conform to satisfy needs for approval (Baumeister & Liar, 1995). Self-identity therefore is a personal representation, but shaped by collective, group, and social interactions. Social identity theory (Tajfel and Turner, 1979) maintains that as one identifies with a group, attention to one’s own individual characteristics and self-concept decreases, especially as it relates to a personal identity. Affirming one’s attachment to a group hence leads to what is termed, deindividuation, in the literature (e.g., Reicher et al., 1995), and to reinforcement of one’s social identity. In a consumption context,

Oyserman (2009) argued that identity affects how people process information, and Kirmani (2009) proposed that a key mechanism in this regard is how the self relates to a brand or product.

We hypothesize that, as a person identifies with a company, this draws attention away from the self as an individual entity, and leads to self-awareness of one's connection to the company. For the case where a consumer feels pride in purchasing a product from a company that is socially responsible, greater versus less identification with the company reinforces one's pride. This occurs because greater vs. less identification accentuates the saliency of the basis for pride (i.e., the admirable behavior of the company and one's purchase thereof). The increase in social identity resulting from greater identification also is manifest in attachment to the company and can be expressed in such feelings as "the company's successes are my successes" (Ashforth & Mael, 1989). As a consequence, we expect:

**H1:** Consumption of a branded product from a socially responsible company, where the conditions for feeling pride are induced versus a control condition, will lead to felt pride, to the extent that the consumer identifies with the company.

For the case where a consumer feels shame in purchasing a product from a company that is socially irresponsible, less vs. more identification with the company or brand reinforces shame. For consumers who identify less with the company, and therefore avoid or reduce deindividuation, the bad behavior of the company becomes a threat to one's self-identity and exacerbates shame. We thus expect that:

**H2:** Consumption of a branded product from a socially irresponsible company, where the conditions for feeling shame are induced versus a control condition, will lead to more felt shame, to the degree that consumers identify with the company at low vs high levels.

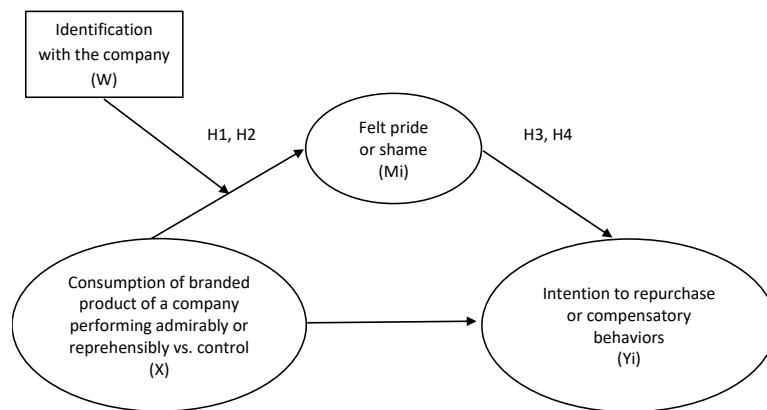
### *2.3 Consequences of felt pride and shame*

It has been argued that pride in the things a person does promotes positive actions (Weiner, 1985). To the extent that purchases of a brand support a company that behaves in a way reinforcing one's pride, we would expect that this will increase the likelihood that one would make a similar purchase again from the company (Barrett, 1995). Making such purchases can therefore confirm a positive self-image and reduce discrepancies between an actual and ideal self (Higgins, 1987). Self-esteem should be maintained or enhanced as well (e.g., Herrald & Tomaka, 2002). Therefore, we expect that:

**H3:** The greater the felt pride, the higher the intentions to buy the brand again.

Shame is an unpleasant emotion and arises in social situations where one feels that he/she has done something disapproved by another person. The classic coping responses for felt shame, at least initially, are to avoid, run away, or hide. But in our experiment, the protagonist is made to feel shame in interaction with friends, where relationships are long-lasting and escape is not feasible. Hence more instrumental, commercial means of coping are called for in relation to the company and its products. Psychological compensation is a defensive coping mechanism that applies in our context (e.g., Bäckman & Dixon, 1992). To compensate for felt shame, we propose that shamed consumers will be willing to make personal sacrifices for favoring a company not committing the reprehensible behavior (e.g., pay higher prices to buy products from companies that do not offshore). (Figure 1 summarizes hypotheses).

**H4:** The greater the felt shame, the more the performance of compensatory behaviors.



**Figure 1. The hypothesized model**

### 3. Empirical Studies

To operationalize admirable and reprehensible corporate behaviors we chose reshoring and offshoring practices, respectively. Reshoring is the decision to relocate business operations to the home country (e.g., Gray et al., 2013), offshoring is the decision to move business operations beyond the borders of one's home country (e.g., Bunyaratavej et al., 2011). These practices have been studied using a demand-side perspective (Grappi et al., 2018; 2019) and through the lens of moral emotions (Grappi et al., 2013; 2015) but not self-conscious emotions and not from the point of view of the self-concept of consumers, as done here.

#### 3.1 Study 1: Pride

*Method.* We developed two narrative versions in which a protagonist is wearing a sweater of an actual company to attend a dinner with friends and, at one point, conversation turns to the

company's reshoring practice (pride condition) or a description of the company without mention of reshoring (control condition). In the reshoring condition, the positive consequences of the practice for individuals, society, and the economy were highlighted, and the protagonist was led to feel pride. Each participant, approached in real shopping contexts, was exposed to only one scenario. A convenience quota sample of adults was obtained (see Table 1).

|         | #respondents |         | Total# | Gender |       | Age (%)     |             |             | Education (%)               |             |       |
|---------|--------------|---------|--------|--------|-------|-------------|-------------|-------------|-----------------------------|-------------|-------|
|         | Experimental | Control |        | M (%)  | F (%) | 18-29 years | 30-49 years | 50-70 years | Undergraduate & high levels | High school | Less  |
| Study 1 | 37           | 44      | 81     | 47     | 53    | 39.2%       | 42.3%       | 18.5%       | 39.0%                       | 32.3%       | 28.7% |
| Study 2 | 44           | 48      | 92     | 46     | 54    | 36.5%       | 45.1%       | 18.4%       | 34.0%                       | 33.3%       | 32.7% |
| Study 3 | 42           | 42      | 84     | 47     | 53    | 33.0%       | 43.2%       | 23.8%       | 32.0%                       | 35.5%       | 32.5% |
| Study 4 | 48           | 41      | 89     | 43     | 57    | 34.0%       | 44.6%       | 21.4%       | 34.3%                       | 36.0%       | 29.7% |

**Table 1. Samples' characteristics**

Participants responded using 7-point scales. Identification with the company was measured with 2 items (Bergami & Bagozzi, 2000;  $r=.68$ ); pride with 4 items (Tracy & Robins, 2007;  $\alpha=.92$ ); repurchase intention with 3 items (Grappi et al., 2015;  $\alpha=.94$ ). A confirmatory factor analysis (CFA) was run ( $\chi^2(24)=43.34$ ;  $p=.02$ ; RMSEA=.08; NNFI=.94; CFI=.96; SRMR=.06). (Details about items used and CFA results are available upon request).

*Results.* We retained only respondents that recalled correctly the company reshoring practice and that the protagonist felt pride. No differences were found between experimental and control conditions on interest for clothing and accessories ( $t(79)=.97$ ;  $p=.34$ ), familiarity with the company ( $t(79)=.11$ ;  $p=.92$ ), and frequency of buying the company products ( $t(79)=1.64$ ;  $p=.11$ ). Hayes' (2013) Process Model 7 was used for the analyses. Table 2 displays results; H1 and H3 are supported. The indirect effect of induced pride on repurchase intention, through felt pride, is stronger for moderate-high levels of company identification than low.

| Mediator variable model (Felt pride)  | b                      | t       |             |
|---|------------------------|---------|-------------|
| X: Manipulation (induced pride vs. control)   | .41                    | 2.79**  |             |
| W: Identification with the company  | .50                    | 4.33*** |             |
| X*W   | .29                    | 2.53*   |             |
| Outcome variable model (Repurchase intention)   | b                      | t       |             |
| M: Felt pride   | .24                    | 2.09*   |             |
| X: Manipulation (induced pride vs. control)   | -.04                   | -.24    |             |
| Conditional indirect effect(s) of X on Y at values of the moderator(s) - Bootstrap 95% Confidence Intervals |                        |         |             |
|   | Company identification | Effect  |             |
|   |                        |         | lower upper |
| Felt pride  | -1.30                  | .01     | -.10 .16    |
|   | .00                    | .10     | .01 .28     |
|   | 1.30                   | .19     | .02 .44     |

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

**Table 2. Results of the experiment on pride**

### 3.2 Study 2: Shame

*Method.* Each participant (see Table 1 for sample's characteristics), approached as in Study1, answered questions addressed to the scenario manipulating shame (or control): a protagonist is wearing a sweater of an actual company to attend a dinner with friends and, at one point, conversation turns to the company's offshoring practice (shame condition) or a description of the company without mention of offshoring (control condition). In the offshoring condition, the negative consequences of the practice were stressed, and the protagonist was led to feel shame. Using 7-point scales, participants responded to 2 items measuring identification with the company (Bergami & Bagozzi, 2000;  $r=.69$ ); 3 items measuring shame (Richins, 1997;  $\alpha=.91$ ); 2 items measuring compensation behaviors (adapted from Milton & Rose, 1997;  $\alpha=.67$ ). A CFA was run ( $\chi^2(11)=11.02$ ;  $p=.44$ ; RMSEA=.004; NNFI=1.00; CFI=1.00; SRMR=.03). (Details about items used and CFA results are available upon request).

*Results.* We retained only respondents that recalled correctly the company offshoring practice and that the protagonist felt shame. The experimental and control groups did not differ in interest in clothing and accessories ( $t(90)=.25$ ;  $p=.80$ ), familiarity with the company ( $t(90)=.26$ ;  $p=.80$ ), and frequency of purchasing the company products ( $t(90)=.92$ ;  $p=.93$ ). Table 3 shows the results that support H2 and H4. Conditional indirect effects show that the effect of felt shame is greatest for low identification.

| Mediator variable model (Felt shame)  |                        | b      | t       |       |
|---|------------------------|--------|---------|-------|
| X: Manipulation (induced shame vs. control)   |                        | 1.19   | 8.79*** |       |
| W: Identification with the company  |                        | -.17   | -1.47   |       |
| X*W   |                        | -.24   | -2.09*  |       |
| Outcome variable model (Compensation)   |                        | b      | t       |       |
| M: Felt shame   |                        | .24    | 1.99*   |       |
| X: Manipulation (induced shame vs. control)   |                        | -.02   | -.07    |       |
| Conditional indirect effect(s) of X on Y at values of the moderator(s) - Bootstrap 95% Confidence Intervals |                        |        |         |       |
|   | Company identification | Effect | lower   | upper |
| Felt shame  | -1.19                  | .35    | .08     | .70   |
|   | .00                    | .29    | .08     | .56   |
|   | 1.19                   | .22    | .07     | .49   |

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

**Table 3. Results of the experiment on shame**

### 3.3 Study 3 and Study 4

To strengthen results, new experimental studies based on different manipulations were designed. Participants watched actual videos during which workers/stakeholders were



interviewed about the reshoring (Study 3) or offshoring (Study 4) decision of real companies to capture their responses about each of the two specific decisions (Quigley et al., 2014). The actual reshoring company used was As do Mar ([www.asdomar.it](http://www.asdomar.it)), the actual offshoring company was Guess ([www.guess.eu](http://www.guess.eu)). Control groups were also constructed (respondents were exposed to a general video description of the corresponding company). The videos used were pretested to ascertain if they evoked the relevant corresponding emotions (details of the pretests available upon request). Samples' characteristics are detailed in Table 1. Respondents first provided the evaluation of their level of identification with the actual company, and we retained only respondents that showed an adequate level of identification with the company (i.e., mid-high level of identification for the pride/reshoring context; mid-low level of identification for the shame/offshoring context). Then, after manipulation, participants rated relevant responses. Finally, emotional reaction associated with each scenario were measured.

*Results.* In the reshoring condition, the experimental group showed a statistically higher intention to repurchase the reshoring company products ( $M=4.33$ ,  $SD=.99$ ) compared to the control condition ( $M=3.42$ ,  $SD=1.24$ ) ( $t(82)=3.74$ ,  $p<.01$ ). A check on the emotional reactions confirmed that those exposed to the manipulation felt higher levels of pride ( $M=4.83$ ,  $SD=1.36$ ) compared to those in the control condition ( $M=4.14$ ,  $SD=1.71$ ) ( $t(81)=2.02$ ,  $p<.05$ ). Findings further support H3. In the offshoring condition, the experimental group showed a statistically higher intention to adopt compensatory behaviors ( $M=4.88$ ,  $SD=1.18$ ) compared to the control condition ( $M=3.48$ ,  $SD=1.50$ ) ( $t(87)=4.92$ ,  $p<.01$ ). Those exposed to the manipulation felt higher levels of shame ( $M=2.82$ ,  $SD=1.21$ ) compared to those in the control condition ( $M=1.74$ ,  $SD=1.03$ ) ( $t(87) = 4.49$ ,  $p<.05$ ). Findings further support H4.

#### **4. General Discussion**

We addressed the questions of *how* perceptions of positive and negative CSR actions influence consumer decisions to continue purchasing from a company doing good or bad, and *when* (i.e., under what conditions) they do so. The *how* question was answered by postulating motivation for acting as residing in felt pride or felt shame, which mediates the effects of perceptions of CSR actions on consumer responses. The *when* question was answered by examining the self-regulatory function of social identification with the company. Identification moderates the effects of perceived positive and negative CSR on felt pride and shame.

Through an integrative approach incorporating cognitive and emotional content, we answer the call of Bhattacharya et al. (2009) to address the “dearth of research on the psychological mechanisms that drive stakeholder responses to CSR activity” and the call of Dedeke (2015) to combine cognitive and emotional drivers. Studies 1-4 contribute to our knowledge of complex decision processes functioning to guide moral choices. These decisions are motivated by felt emotions corresponding to pride or shame experienced as a consequence of purchasing a product from a firm practicing socially responsible behavior or from a firm conducting socially irresponsible behavior, respectively. A key additional contribution of our research is elucidation of the role of the self-concept in decision making and how the self-concept relates to identification with the company selling the product one purchased. We discovered that the degree of felt pride or shame in response to actions taken by a firm are accentuated or tempered, respectively, by the extent that one identifies with the company. For pride of buying from a socially responsible company, rebuy decisions are strengthened because identification with the seller confirms one’s prideful self-image and aligns the actual and ideal self. For shame of buying from a socially irresponsible company, consumers compensate for threats to their self-image by intending to support other companies not practicing the irresponsible actions, because less vs. more identification with the offending company permits consumers to confirm their self-images and align actual and ideal self for a positive self-image.

A number of limitations should be mentioned. We stimulated self-conscious emotions, it would be interesting to expand the domain of stimuli to capture a wider range of conditions engendering self-conscious emotions. We investigated only pride and shame, other self-conscious emotions (e.g., guilt) could be studied as well. We used self-report measures of felt emotions, different methods of assessment of emotions (e.g., physiological measurements) can deepen the validity and generalizability of our findings. We investigated a situation where the company and brand name are synonymous (e.g., Benetton), it would be interesting to study cases where company and brand names are different (e.g., Chevrolet made by General Motors), and different corresponding identifications occur to regulate felt self-conscious emotions.

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