Journal of Business Research 63 (2010) 1364–1367

Contents lists available at ScienceDirect

Journal of Business Research

# Exploring origins of ethical company/brand perceptions: Reply to Shea and Cohn's commentaries

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ARTICLE INFO

*Article history:*
Received 1 June 2010
Revised 1 August 2010
Accepted 1 August 2010

*Keywords:*
Corporate ethics
Corporate social responsibility (CSR)
Qualitative research
Ethical perception
Ethical consumption
Consumer perceived ethicality (CPE)
Brand perception
Brand misconduct

ABSTRACT

This article responds to key questions that Shea (2010) and Cohn (2010) raise on Brunk's (2010a) work on consumer perceived ethicality (CPE) of a company or brand and expands on suggestions for further research. In particular the response here (1) considers concerns of generalizability, impact of cultural context, and transiency of the domain of CPE framework, (2) offers new insights into the complex and dynamic nature of CPE and its formation, (3) discusses issues relating to ethical consumption behavior, and (4) concludes with a debate on managerial implications including real-life strategic as well as operational challenges of effective CSR management.

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## 1. Background

The study by Brunk (2010a) provides a European consumer perspective of corporate ethics and introduces the construct of consumer perceived ethicality (CPE) of a brand or company. The research takes a first step towards filling the consumer perceptions gap identified in the CSR and corporate ethics literature. The article conceptualizes potential sources of CPE and presents a taxonomy that delineates six domains and 36 sub-domains of CPE origin, relating to the impact corporate behavior has on: (1) consumers, (2) employees, (3) the environment, (4) the overseas community, (5) the local economy and community, and (6) the business community.

Shea (2010) and Cohn (2010) raise valuable questions and delineate interesting future research areas which this response addresses and expands upon in the subsequent sections.

Shea (2010), Cohn (2010), and Brunk (2010a) agree on the scientific as well as managerial value of the developed domains of CPE origin framework. Moreover, the authors are aligned about the need for future research to conceptualize the dynamic and complex nature of CPE. Improved understanding of how consumers form ethical perceptions about companies and brands will facilitate deeper insight into consumer reactions to corporate ethics, CSR, or corporate reputation efforts, which is essential groundwork for illuminating the sometimes contradictory findings related to the phenomenon of ethical consumption.

## 2. Issues of generalizability, cultural context and transiency

Shea (2010) discusses the limitations of Brunk's (2010a) study and highlights that the presented domains of CPE origin are not generalizable, owing to the fact that the findings are based on just 20 individuals that moreover come from two different countries. Brunk's (2010a) objective was to generate rich data to the point of theoretical saturation to facilitate in-depth grounded understanding, conceptualize findings and allow theory building within the acknowledged limitations of study methodology cited in the study. Whilst criticism of generalizability is perhaps legitimate, generalization and quantification such as assertions about the frequencies of mentions were never aspirations of the study and would contradict the applied method of inquiry.

The fact that findings draw from two nationalities (UK and German consumers) presents strength rather than weakness of the study. The sourcing of participants in two different European countries was a conscious decision in order to explore potential cross-country variations in ethical perceptions. The study was an opportunity to investigate potentially diverging ethical perceptions across two, culturally more similar, European countries since the majority of studies illustrating cultural differences compare Western with Asian or Middle Eastern cultures (e.g., Belk et al., 2005; Singhapakdi et al.,

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doi:10.1016/j.jbusres.2010.08.010

1999). The study therefore originally set out to explore differences in ethical evaluation between UK and German consumers with the intention to contrast findings against each other upon discovery of disparities.

However, while interviewing and analyzing the data, the anticipated variations in ethical perception were not detected, hence both samples were combined. This observation shows that moral sensitivity across the two countries is similar and may indicate that differences across highly developed central European countries are marginal. Larger perceptual divergence in a European context likely involves countries with different socio-historical backgrounds such as former socialist and lower developed countries and future studies may explore this topic.

An evaluation of European versus US consumers would likely convey disparities, given the contrasting social systems and prevailing degree of capitalist aggressiveness. For example, test interviews conducted with US consumers suggest that issues like job security (i.e., outsourcing abroad, staff lay-offs) do not generate strong unethical perceptions. On the other hand, the shareholder may emerge as a domain of CPE origin, as Shea's assertion underlines (2010, p.264). Most US consumers are also shareholders and rely on financial investments and stocks to support their pension and college funds in a social system where pensions, health insurance and higher education are not provided by the government. Shareholder related matters therefore feature more prominently in American culture.

Shea's (2010, p. 263) concern that the CPE origin framework "represents a snapshot of a moving target," meaning the domains and sub-domains are likely subject to change over time, is a valid one. Belk et al. (2005) demonstrate that questions of ethics are dependent on cultural norms and public discourses. Hence, as prevailing discourses change and cultural shifts occur, so might consumers' moral judgments, and consequently the presented CPE framework. Stemming from the recent and rapid changes in the electronic media landscape and the emergence of online social media such as dating websites, Facebook and Twitter, the protection of customer data privacy is one such issue that has gradually entered public discourse in Europe. If this research was conducted today, data privacy would likely emerge as a sub-category of CPE origin.

However, because changes in moral perception have routes in cultural shifts and prominent discourses, alterations to CPE domains and sub-domains should not occur abruptly and unexpectedly, but rather evolve over time. The developed CPE origin framework is a useful tool for management practice but managers should refrain from regarding it as a static list of un/ethical behavior. Instead, monitoring and seeking dialog with consumers at regular intervals is essential to anticipate new issues which may complement this categorization. The framework may therefore serve as a conceptual guide for managers in Europe and presents a comprehensive starting point for reviewing a company's activities.

## 3. The dynamic and complex nature of CPE formation

Brunk's (2010a) article makes a start at introducing the construct of CPE by exploring its origins. However, further research needs to be conducted to conceptualize the construct and capture the complex facets and dynamic nature of CPE. Shea (2010) and Cohn (2010) raise valuable questions and provide ample stimulation for future research in this domain. This response provides answers to key points of interest.

### 3.1. The impact of un/ethical behavior on CPE

An issue central for both Shea (2010) and Cohn (2010) relates to the dynamics of CPE formation. How does company behavior form and affect CPE? Do all un/ethical behaviors have the same degree of impact on CPE? Cohn (2010) asks, "Are all ethical and unethical actions equally treatable?" Shea (2010, p. 264) questions, "how bad or wrong or important do consumers feel these infractions are?"

Brunk and Bluemelhuber (forthcoming) address the question of direction and magnitude of impact un/ethical actions can have on CPE. Analyzing the forming and shaping of CPE by the various kinds of corporate (mis)conduct, the article illustrates that the impact of un/ethical business practices on CPE is asymmetrical, in other words not every behavior identified as un/ethical affects CPE to the same degree. The resulting taxonomy establishes three distinctive CPE impact dimensions: (1) Monovalent ethical dissatisfiers are corporate acts that have a negative impact on CPE and refer to acting in accordance with prevailing norms; (2) Bivalent ethical dis/satisfiers are business activities that relate to the principle of balancing the needs of the company versus others and, commensurate with a company's efforts, can positively or negatively influence global CPE; and (3) Monovalent ethical satisfiers may – but are not guaranteed to – have a positive impact on CPE and include all company transactions relating to altruism, such as philanthropy or other activities going well beyond the scope of standard business responsibilities.

The findings confirm Cohn's supposition that not all ethical and unethical behaviors receive equal treatment and that virtuous behavior may – in a perceptual sense – not always act as a motivator (Herzberg et al., 1959; Herzberg, 1987), or, what Brunk and Bluemelhuber (forthcoming) identify as an ethical satisfier. This conclusion has important implications for management, which the article discusses. Specifically in reference to Cohn's (2010) question about, "Once a company is perceived as unethical or having a shady past, what, if anything, can be done to change unfavorable CPE?" findings suggest that the nature of holistic perception formation and the diagnosticity of negative information render a full recovery an almost impossible task. Once negative CPE has been established, the detrimental effect cannot simply be compensated by philanthropic activities and therefore may prevail for an extensive period of time. Certainly, more theoretical and empirical treatment is necessary to confirm and further explore the suggested dynamics in order to assist companies in developing marketing strategies to overcome or at least mitigate reputational damage.

### 3.2. Sources of ethical beliefs

Cohn (2010) raises the further issue of how consumers know or think they know about ethical behavior, in other words, how do consumers become aware of un/ethical behavior of corporations? Brunk (2010b) looks into this question and finds that in line with general sources of beliefs that Fishbein and Ajzen (1975) suggest, CPE is derivable from three sources: (1) first-hand experiences; (2) concrete information disseminated via the media, corporate communications or informal advocacy; and (3) inferences in the case when personal experience or concrete information is missing. For example, as a result of published infractions of Nike and Adidas, consumers may infer that Reebok has involvement in child labor too despite its zero-tolerance policy on this issue (Winstanley et al., 2002).

The study identifies four distinct types of inference cues which may instigate ethical inferences: product-, company-, category-, and origin-related cues. The discovery that consumers may infer ethical perceptions is significant and highlights that CPE can be influenced by processes outside the company's direct control, suggesting that controlling CPE and reputation becomes increasingly challenging. Further research is needed to investigate consumer heuristics and confirm the proposed hierarchy of ethical cues (Brunk, 2010b).

With reference to the question of whether consumers ever act as opinion seekers (Cohn, 2010), narratives suggest that consumers predominantly act as passive information receivers, rather than play an active information seeker role. Yet, caution is necessary when attributing this finding to the consumer's lack of interest. Alternative reasons may include resource constraints and a safeguard mechanism

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