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The effect of bad reputation: The occurrence of crisis, corporate social responsibility, and perceptions of hypocrisy and attitudes toward a company

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ABSTRACT

Based on attribution theory, this study examines how corporate social responsibility (CSR) and media coverage of corporate reputation, crisis, and CSR history affect the attribution of corporate hypocrisy and subsequently shape attitudes toward a company. The study found that perceptions of corporate hypocrisy mediated corporate reputation and attitudes toward a company during a crisis. The study suggested that CSR might be utilized best when a company has a good reputation with no crisis, whereas corporate hypocrisy is perceived most when a bad reputation and/or a company crisis lead the public to infer ulterior motives in CSR. Theoretical and practical implications for corporate communication and effective CSR communication strategies are discussed.

1. Introduction

Corporate social responsibility (hereinafter CSR) has drawn significant attention from both scholars and corporate professionals. CSR is corporate citizenship in which a company conducts pro-social acts for community wellbeing and development (Pride & Ferrell, 2006). According to the Commission of the European Communities (2001), CSR is defined as "the responsibility of enterprises for their impacts on society" (p. 681). Companies attempt to build relationships with their stakeholders by investing in volunteer efforts to address social or environmental concerns.

Many studies have shown CSR's effect on attitudes toward firms (e.g., Brown & Dacin, 1997) and the causal attributions of corporate activities and events (e.g., Sen, Bhattacharya, & Korschun, 2006). Also, previous studies have examined the perceived importance of CSR in shaping purchase intentions (Chua & Lin, 2013), building brand sincerity (Ragas & Roberts, 2009), and affecting salient beliefs about an organization (Werder, 2008).

Well-managed CSR communication includes specific details of CSR information, which serve as diagnostic cues about underlying CSR motives (Sen, Du, & Bhattacharya, 2009). Sen, Bhattacharya, and Korschun (2006) noted that a company's commitment to social causes and the community can enhance the positive attribution of CSR motives; yet the impression of "bragging" might lead to an unfavorable attribution of CSR motives, thus pose an obstacle to reaping benefits from CSR com-

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munication. Further, Du, Bhattacharya, and Sen (2010) warned of the possibility of stakeholders' negative attributions toward CSR motives when they think a company's promotional efforts might exaggerate actual outcomes. Also, some researchers have noted that a good reputation will have a boomerang effect in a company's bad times, as high expectations toward a firm will turn into a sense of betrayal (Sohn & Lariscy, 2012).

Previous studies in this regard have found that perception of suspicion from CSR motives is a possible factor in explaining why CSR communication might be counter-productive in terms of a company's initial intention to boost corporate reputation and image. Du et al. (2010) stated that "the next key challenge of CSR communication is how to minimize stakeholder skepticism" (p. 9). Ample research in marketing and consumer psychology has attempted to delve into the effects of message characteristics and narrative style in CSR information in terms of the perception of suspicion from CSR motives (e.g., Sen & Bhattacharya, 2001; Wagner, Lutz, & Weitz, 2009). Coombs and Holladay (2015) also noted that CSR itself can be a crisis factor especially when stakeholders redefine a corporation's current practices as inconsistent to their self-promoting claim as a socially-responsible company.

Likewise, the public's response to CSR information might not always be the same; only when CSR is effectively communicated can an organization's reputation be bolstered. Exploring the best strategic CSR communication strategy would be a significant contribution to both academic and PR practices. CSR information might best maximize its contribution to shaping positive attitudes toward a company when key factors in forming public judgments about a corporation's motives in CSR are understood. More specifically, why does a particular CSR message tend to encourage public perceptions of corporate hypocrisy?

To address this question, this study aims to develop a set of evidence-based situational factors that might affect CSR evaluation: (1) prior corporate reputation, (2) occurrence of crisis, and (3) perception of CSR effort. These propositions that determine CSR types will guide an effective communication strategy for corporate communication managers.

Hence, this research aims to investigate how a CSR message is framed in the body of a news account, how the message first might direct the cognitive attribution of motives in corporate philanthropic community relations and subsequently influence an audience's attitudes toward a company. Hence, in this study three independent variables are manipulated: (1) prior corporate reputation, (2) occurrence of crisis, and (3) previous CSR history, in media content presented prior to a CSR statement. Then, the study collects information such as participants' perceptions of corporate hypocrisy and their overall attitudes toward a company.

2. Literature review

2.1. Corporate reputation, crises, CSR history, and corporate hypocrisy

2.1.1. Reputation

Basic components of corporate reputation have their roots in the identity and image of a company (Pruzan, 2001). Pruzan referred to reputation as an integrative perspective of a company from a variety of stakeholders: image is the perception of a company from external observers, whereas identity refers to a firm's employees' and managers' perception of the firm.

According to Balmer (1998), an organization's image affects public behavior toward it. Balmer found that an organization's image hinges on the concurrent and interchangeable perception of other concepts such as message, reputation, perception, cognition, attitude, credibility, and belief. Further, Balmer (1998) stated that real corporate identity is as much about behaviors setting an organization apart from other entities as it is about appearance, and that those behaviors are construed by various organizational activities, including markets served, corporate ownership and structure, organizational type, corporate philosophy, and corporate history.

While reputation can be formulated through public perceptions of the various assets and characteristics mentioned above, reputation can be defined in terms of an organization's relationship to stakeholders inside and outside the company: "A corporate reputation is a collective representation . . . It gages a firm's relative standing both internally with employees and externally with its stakeholders" (Fombrun & Riel, 1997, p. 10). In a more recent exploration of the concept, corporate reputation refers to "a cognitive representation of a company's actions and results that crystallizes the firm's ability to deliver valued outcomes to its stakeholders" (Fombrun, Gardberg, & Barnett, 2000, p. 87). Reputation is an intangible yet valuable asset for a company, indicating positive outcomes from the firm's past interactions with stakeholders; it brings to light the unique virtues of a firm and reduces uncertainty about a firm's performance and product quality (Barney & Hansen, 1994; Black, Carnes, & Richardson, 2000; Fryxell & Wang, 1994; Hall, 1992; McMillan & Joshi, 1998; Teece, 1998). Good corporate reputation fosters indirect yet substantial benefits to a company, creating favorable public opinion and a business-friendly environment (Fombrun et al., 2000).

Many studies (Bae & Cameron, 2006; Coombs, 2007b; Lyon & Cameron, 2004; Yoon, Gürhan-Canli, & Schwarz, 2006) have shown that prior corporate reputation shapes the processing of CSR information related to a given company. Yoon et al. (2006) suggested how a company's bad reputation would be detrimental to CSR evaluation. If a company has a bad reputation, the public is more likely to suspect it has ulterior motives for its CSR. Therefore, CSR perception is affected by situational/external factors such as the relevance of philanthropic CSR to a company's business and marketing, or the medium in which the CSR statement is distributed. The study by Yoon et al. (2006) found that how closely related CSR is to the success of a business relates to the public' suspicions toward CSR. If a company has a good reputation, CSR highly relevant to its business activities will benefit it (Sen & Bhattacharya, 2001); however, if a company has a bad reputation, the effect