

# **THE IMPACT OF UN/ETHICAL CORPORATE CONDUCT ON CONSUMERS' ETHICAL PERCEPTIONS—A MULTIDIMENSIONAL FRAMEWORK**

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## **EXTENDED ABSTRACT**

As issues of business ethics and Corporate Social Responsibility (CSR) take centre stage in today's society, companies are increasingly concerned about their ethical image. Following several high profile scandals (i.e., Nike, the GAP, Shell, Nestlé), where subsequent consumer boycotts not only caused a decrease in sales revenues but also damaged brand image and reputation, businesses have realized the potentially punishing force of the consumer. Most corporations designate resources (i.e., CSR managers—a job profile largely unknown 10 years ago) at the highest seniority level to audit internal and external activities of the company and most importantly to portray the company and its brands as ethical players. Altruistic behaviors such as cultural sponsoring, community involvement or charitable giving are among the types of activities companies openly engage in in order to showcase their commitment to being good citizens, or being perceived as ethical. In spite of ample evidence confirming the impact of unethical perceptions on consumer attitudes and purchasing behavior, to this day, little is known about how an un/ethical image of a company emerges in the consumer's mind. This research set out to investigate the impact strength and dimensionality of un/ethical business practices on consumers' ethical perceptions, referred to as consumer perceived ethicality (CPE) throughout the article. The conceptualization of CPE formation dynamics will facilitate a deeper insight into ethical consumerism, and hence fill a research gap in the existing corporate ethics and ethical consumption literature.

The lack of earlier research in the area called for an explorative approach aimed at seeking a grounded understanding of consumers' ethical perception formation process, eliciting themes and patterns in order to allow theory building. The objective of exploration (versus quantification) naturally pointed towards qualitative research. Contrary to existing, US-dominated research on CSR and business ethics, the focus is on European consumers in Germany and the UK. The following findings are based on 20 long interviews (McCracken 1988) with general consumers. For this type of research, creating contrast in respondent selection is of utmost importance in order to manufacture distance (ibid., 37) and to enable as broad a review as possible (Stake 1995; Strauss and Corbin 1990). To achieve such a diverse respondent pool, a theoretical sampling procedure was followed, guided by its characteristic ongoing comparison process,

which allows both data collection and analysis to intermingle (ibid.). Interviewees were recruited via convenience and multiplicity (snowball) sampling (Berg 2006). The resulting pool of participants offers diversity in terms of age (between 17 and 83 years old), gender, marital status, education, and employment status to include students, retirees, self-employed, unemployed, as well as employees at various seniority levels (management versus non-management).

Data analysis and interpretation reveals the novel finding that the effect of im/moral corporate behavior is multi-dimensional. The resulting taxonomy not only establishes the existence of three distinctive CPE impact dimensions, but additionally identifies the nature of business practices pertaining to each dimension: (1) Monovalent ethical dissatisfiers are corporate acts that can have a negative impact on CPE and refer to an adherence to 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 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. A crucial prerequisite for the ethical satisfiers' ability to favorably influence ethical perceptions is that consumers' expectations on the other two dimensions (norms and balancing needs) are met.

The findings have important implications for the academic community investigating ethical consumption and the business community (specifically CSR) and for general management as well as marketing professionals. The fact that altruistic engagement may only enhance ethical perceptions when all other basic moral expectations are met, presents an essential lesson for managers. A company's first priority should therefore be to get their house in order (so to speak) and prevent any type of behavior known to negatively affect CPE. This may call for strategic re-prioritization of CSR activities, particularly in the common case where a companies' CSR focus is predominantly on philanthropy. For academics, the results provide a useful perspective for interpreting existing experimental research that focuses on consumer reactions to un/ethical corporate behavior, CSR initiatives or brand misconduct. The fact that not all business transactions have the same degree of impact on CPE requires consideration when generalizing conclusions.

In terms of limitations, the conceptualized framework of CPE impact dimensions must be viewed with the usual drawbacks of the employed qualitative research methodology in mind. As the focus was not to generalize, but to conceptualize (McCracken 1988) so the presented findings are on an abstract level and not representative of the general population. Naturally, further research should take a confirmatory approach and complement this qualitative exploration with quantitative studies in order to support or refute the dimensionalities, slopes and hierarchies of the presented framework.