Perception-induced effects of Corporate Social Irresponsibility (CSiR) for Stereotypical and Admired Firms


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Abstract

How do stakeholders react to Corporate Social Irresponsibility (CSiR)? What are the emotional mechanisms and behavioral outcomes following CSiR perception? The psychology of CSR literature has yet to address these important questions and has largely considered CSR and CSiR as the opposite poles of the same continuum. In contrast, we view CSR and CSiR as distinct constructs and theorize about the cognitive (perceptual), emotional and behavioral effects of CSiR activity on observers (i.e., primary and secondary stakeholders) building on theories of intergroup perception. Specifically, building on the Stereotype Content Model (SCM; Fiske, Cuddy, Glick, & Xu, 2002) and the BIAS map (i.e., Behaviors from Intergroup Affect and Stereotypes) (Cuddy, Fiske, & Glick, 2007) – which extends the SCM by predicting behavioral responses – we make predictions on potential stakeholder reactions to CSiR focusing on two practice-relevant cases: (a) a typical for-profit firm that engages in a CSiR activity, (b) an atypical admired firm that engages in CSiR activity.

Keywords. Corporate Social Irresponsibility (CSiR); Corporate Social Responsibility (CSR); Stereotype Content Model; Stakeholders; Psychology of CS(i)R
Introduction

While Corporate Social Responsibility (CSR) has been receiving considerable attention in practice and academia (e.g., Sen, Du, & Bhattacharya, in press), the business world has been tarnished with numerous corporate scandals, corruption, illegality, and other irresponsible behaviors, such as environmental pollution or abuses of human rights in production. These phenomena, which can be conceptualized collectively as Corporate Social Irresponsibility (CSiR), have received comparatively little scholarly attention. Moreover, despite the fact that “individuals act based on perceptions, not objective reality” (Wry, 2009: 156), only the emerging microfoundations perspective in CSR (Rupp & Mallory, 2015) and isolated efforts in the CSiR literature (e.g., Lange & Washburn, 2012) take a micro-level view of the implications of CSR and CSiR on the observer of the firm.

Building on recent calls for more research on the micro-level mediating mechanisms that translate stakeholders' CS(i)R perceptions into outcomes (e.g., Glavas, 2016), in this paper we theorize about the cognitive (perceptual), emotional, and behavioral effects of CSiR activity on observers. Thus we extend the psychology of corporate responsibility literature, which has so far largely focused on CSR rather than CSiR. In particular, we examine the effects of CSiR committed by a typical for-profit firm and the conditions under which these effects may be adverse. Following the increased emphasis on CSR, however, some firms, such as VW, achieve the coveted admired state of being perceived as both economically powerful and socially responsible (communal). Motivated by the recent VW software rigging scandal, we thus consider how such firms (i.e. CSR champions) may be affected by CSiR activity.¹

¹ We develop our propositions without having a particular class of stakeholder group in mind but rather we examine the emotional and behavioral reactions of the generic observer. Future work should refine our model examining differentiating nuances between specific classes of observers (i.e., employees versus customers etc.).
Theoretical Foundations: Perceptions of Typical For-Profit Firms

Our theoretical model examines perceptions of firms' CSiR activities. As such, we draw from the psychological study of interpersonal social relations and, particularly, on the established, validated, primal, and universal Stereotype Content Model (SCM; Cuddy, Fiske, & Glick, 2008), applied recently in CSR (Voliotis, Vlachos, & Epitropaki, 2016). The cognitive aspect of SCM suggests that the perceptual aspect of stereotypes is based on two dimensions, namely *Communality*\(^2\) and *Competence*. Communality is understood as the alignment of the intentions of the perceived to the interests of the perceiver and represents an accommodating orientation that profits others more than the self. Competence, on the other hand, is understood as the ability to bring about desired events and represents self-profitable traits (Cuddy et al., 2008). These two dimensions have been found to be closely related to similar constructs such as communal/agency (Bakan, 1956) and benevolent/credible (Fournier & Alvarez, 2012), respectively, accounting for 90% of the variance between the related constructs (Abele & Wojciszke, 2007). In other words, the content of the stereotype is reduced to a positioning in the two dimensional perceptual space of communality and competence.

Out of the four main possible clusters in this space—high in both dimensions (HCHA),\(^3\) low in both dimensions (LCLA), high communality low competence (HCLA), and low communality high competence (LCHA)—empirical evidence positions the stereotyped predominately in the latter two clusters, the ambivalent ones. For instance, men are primarily perceived as LCHA while women are perceived largely are HCLA (Cuddy et al., 2008).

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\(^2\) The term *warmth* has been originally used in the SCM nomenclature, but for reasons of terminological clarity we shall use the term *communal* instead of the term *warmth* (see Abele & Wojciszke, 2007). Indeed, Kervyn et al. (2012: 206) note that “...warmth as a trait by itself is easily confused with the perceiver's feelings of warmth.”

\(^3\) We use “A” to denote the second dimension in the acronym, which stands for agentic, since using “C” would created obvious ambiguity.
The SCM further posits that the perceiver is likely to experience specific emotions—signature emotions—that correspond to each of the four perceptual clusters. Specifically, prior research has suggested that liking and respecting are the affective signatures of communality and competence, respectively (Fiske et al., 1999; Wojciszke, Abele, & Baryla, 2009). These two affective responses differ in their antecedents: “…liking–disliking is a response reflecting personal interests and preferences, such as fondness (loathing), attachment (dissociation), enjoyment (aversion) […] Respect–disrespect is a response which reflects high regard of and deference to a person” (Wojciszke et al., 2009: 39). These affective responses originate from the structural relations between individuals or between groups (Glick & Fiske, 2001) as operationalized by the nature of their interdependence (competitive versus cooperative) and by the relative status of the group (Fiske et al., 2002), respectively. For example, individuals respect members of the high-status group for their competence but do not like them when there is competitive interdependence (Wojciszke et al., 2009). On the other hand, individuals disrespect low status-groups (e.g., elderly, people with disabilities) for their incompetence but like them when there is cooperative or paternalizing interdependence (Fiske, Xu, Cuddy, & Glick, 1999).

Moving our focus from interpersonal perceptions to perceptions of for-profit corporations, there is evidence that these are stereotyped as low in communality and high in competence. Indeed, by manipulating the “.com” and “org.” heuristics, Aaker, Vohs, and Mogilner (2010) found such stereotyping, which is not surprising since stereotypes are heuristic characterizations (Fiske & Neuberg, 1990) and the for-profit prefix supports a heuristic characterization of low communality. Indeed, although the for-profit company contributes to society by providing employment or meeting consumer needs, societal contribution is not its primary concern.
Moreover, the power-ridden, competitive, corporate context is likely to elicit perceptions of competence.

Based on the cognitive and emotional predictions of SCM discussed above and on the BIAS Map (Cuddy, Fiske, & Glick, 2007), which extends the SCM by making behavioral predictions, in what follows we propose the perception-induced behavioral impact of firm CSiR on the generic perceiver.

**Emotional and Behavioral Effects of CSiR: The Case of the Typical Firm**

First, a stereotypical for-profit company, which, as discussed above, is perceived as low in communality and high in competence (LCHA), is disliked but respected. Stereotype induced behavioral responses are found to be represented in two dimensions, intensity and valence (Cuddy et al., 2007). Intensity can be characterized as either intense or mild and valence can be characterized as facilitative or harmful. The BIAS Map predicts, inter alia, that perceptions induce specific combinations of behaviors, as mediated by affective responses (i.e., liking and respect), and, in particular, that LCHA perceptions will, in normal circumstances, induce mild facilitation. Mild facilitation could amount, for instance, to simply purchasing the company’s produces, while discrediting the company could amount to intense harm. Figure 1 demonstrates the main causal links of this model. However, these perceptions may also elicit intense harm (e.g., negative word-of-mouth and protest behaviors) when fully mediated by anger (Cuddy et al., 2007). CSiR relates to perceptions of moral transgression and of third-party injustice (Lange & Washburn, 2012), both of which powerfully evoke anger. Consequently, CSiR is naturally related to anger, an emotion that expresses moral outrage (Cuddy et al., 2008). Indeed, Grappi,
Romani, & Bagozzi, (2013) find that companies' ethical and social transgressions engender anger. Thus we posit (see Figure 1):

**Proposition 1:** For-profit organizations perceived as LCHA that engage in CSiR are likely to experience intensively harmful observer behaviors mediated by anger.

Therefore, in order to understand the behavioral impact of a CSiR activity by a stereotypical corporation one needs to examine the conditions under which the perceiver is angered. Developing a complete account of the factors that moderate the effect of CSiR on feelings of anger is out of the scope of this article. However, the cognitive appraisal of anger is revealing: anger motivates confrontation after perceived injustice, transgression of social or moral norms, and thwarted goals (Elfenbein, 2007; Ray, Wilhelm, & Gross, 2008). Lange and Washburn (2012), moreover, propose a coherent set of conditions under which firms engaging in dubious activity may be assessed as having engaged in CSiR. In their core model, these conditions include the undesirability of the effect of the potentially irresponsible behavior, the complicity of the affected party, and the culpability of the corporation. They also note, inter alia, that perceivers are more likely to be angered when the company is predisposed to CSiR (i.e., in the context of "sinful" firms operating in controversial industries), which clearly affects perceptions of the firm’s culpability.

Since culpability is also affected by causal attributions and attribution theory is an important but relatively neglected theoretical mechanism in the micro-CSR literature (Glavas, 2016) we highlight, here, *controllability* of the causes underlying the CSiR activity. Controllability is defined as observers' perception that an actor (i.e., the LCHA for-profit organization) can affect the causes underlying an event. Indeed, anger is posited as an attribution of blame (Averill, 1983) and attribution theory predicts that controllability is strongly linked to anger (Weiner, 1985).
Given that the for-profit company is typically stereotyped as LCHA, in the presence of relatively low controllability attributions we expect the effect to be weakened but, nevertheless, remain.

This is because an LCHA firm’s intentions are stereotypically perceived as not aligned with observers’ self-interests (Kervyn, Fiske, & Malone, 2012) and a harmful CSiR only serves to confirm these perceptions, which raises doubt concerning the firm’s apparent lack of control. On the other hand, when attributions of controllability are relatively higher the effect is straightforward: negative reactions are expected, as the literature on individuals' reactions to acts of injustice predicts (e.g., Miller, 2001). For example, firms, such as SIEMENS that settled a large number of cases of bribery of public officials for an estimated €1.3 billion (Patterson, 2009), could be anything from “victims” of extortion or competitive pressure within a corrupt institutional field to “victimizers” who set the corrupt rules (Galang, 2011). We expect the emotional and behavioral reactions of stakeholders to vary substantially depending on the extent controllability they assign to the firm.

**Proposition 2:** Feelings of anger, towards for-profit organizations stereotypically perceived as LCHA that engage in CSiR, are likely to be increased if the effect of the activity is undesirable and perceived as unjust, if the affected party is less complicit, and if the corporation is deemed culpable. Culpability is more likely to be ascribed when the firm is predisposed to irresponsible behavior or when the firm’s controllability of the causes is perceived as high, and it is less likely if controllability is perceived as low.

–INSERT FIGURE 1 HERE–
Cognitive, Emotional and Behavioral Effects of CSiR: The Case of the Admired Firm

The second situation of interest concerns the stereotypically few companies that are stereotypically perceived as admired (Kervyn et al., 2012). Such companies have already been displaced within the perceptual space from the stereotypical LCHA quadrant to the coveted HCHA quadrant. The SCM and the BIAS map, as applied herewith, predict that such companies are expected to be respected and liked (admired) and to be either mildly or intensely facilitated (see Figure 2). How will perceivers be affected cognitively (perceptually), emotionally and behaviorally if such firms engage in CSiR?

Within the theoretical context adopted herewith there are two main possibilities of perceptual impact: (a) the firm remains in the same perceptual quadrant (albeit with its reputation and communality rating slightly dented) or (b) the CSiR activity is potent enough to displace it within the perceptual space to the stereotypical LCHA quadrant that most firms are expected to occupy anyway. We shall look at both possibilities and their emotional and behavioral effects.

First, since by supposition the firm occupies the HCHA quadrant, we may assume that it has already worked very hard on its communality ratings in the past. As such, the firm is now expected to perform communally, in which case the CSiR is both unexpected and negative; conditions that increase the salience of the activity. However, even when the firm is not perceptually displaced, the CSiR activity is likely to dent its communality rating and the liking that it enjoys and, ultimately, the behavioral impact. In particular, since the communality dimension has become salient, behavioral intensity becomes more prominent (Cuddy et al., 2007) and due to the negativity of the firm’s irresponsibility, the facilitative behavioral response of the perceiver is more likely to be mild rather intense, which represents a small deterioration. This is what is essentially suggested in the literature that examines the “insurance-like
properties” of CSR (e.g., Godfrey, 2005; Godfrey, Merrill, & Hansen, 2009). This literature posits that corporations that have invested in the past in CSR activities, will have generated goodwill and moral capital among observers which in the presence of a negative event “...should reduce the overall severity of sanctions by encouraging stakeholders to give the firm ‘the benefit of the doubt’” (Godfrey et al., 2009: 428). Using the event study methodology Godfrey et al., (2009) found that firms engaging in CSR lost on average less market capitalization than their counterparts not engaging in CSR (about one-third less) providing support for the value-loss mitigation role of CSR. If, on the other hand, the firm returns to stereotypically low communality ratings, then the behavioral responses are predicted by our previous model (i.e., Figure 1) and are expected to be quite adverse.

Proposition 3: For-profit organizations perceived as HCHA that subsequently engage in CSiR may either (a) remain in the HCHA quadrant of the perceptual space, in which case the CSiR activity is likely to result in mild facilitation or (b) be displaced to the stereotypical LCHA quadrant in which they are likely to experience intensively harmful observer behaviors mediated by anger.

It is, thus, important to identify conditions that trigger such perceptual displacement from quadrant HCHA to LCHA. As noted above, there are potentially several conditions that could drive such displacement and, although, it is outside the scope of this article to theorize about these conditions in detail, we would like to briefly discuss three quite salient potential conditions and especially highlight the importance of attribution explanations, as before.

The first condition is likely to be the intensity of the for-profit stereotype within the industry: if perceivers firmly believe in it they may assume that the admired company simply reverted to the stereotypically expected behaviors for-profits. Such intensity could vary, for example, depending on geographical locality. Indeed, according to a recent European Commission survey (2013), respondents living in non-European countries are much more likely
to be positive about the overall influence of companies on society (e.g., 79% of Brazilian respondents think that companies have a positive influence on society versus 52% of EU respondents). Therefore, it seems that in the EU (and especially in certain EU countries) the LCHA stereotype is likely to be more entrenched which results in construing the CSiR activity of an admired company simply as a manifestation of its non-communal nature.

The second condition concerns the alignment of the act with the underlying dimension of the firm’s communality rating: if, for instance, the firm is admired as environmentally responsible, an environmental infraction is more likely to affect it than a taxation impropriety. That is because observers will be more likely to characterize a company as been acting hypocritically when there are domain-specific inconsistencies simply because comparisons are more fluent. Congruity theory (Osgood & Tannenbaum, 1955) predicts that individuals appreciate consistency and balance between what they already know and newly obtained information. If there is inconsistency—an inconsistency which is easier to diagnose in the case of domain specific irresponsibility-communality incongruence—individuals will try to restore balance by changing attitudes and in our context this means displacing the firm to the LCHA quadrant. For instance, before the software rigging scandal that concerned emission thresholds, VW was a leader in the auto-industry for its commitment to environmental protection (Hotten, 2015). Our prediction also has implications for the literature that examines the effects of perceptual CSR fit on observer outcomes (e.g., Simmons & Becker-Olsen, 2006), which relates to the extent to which the cause has connections to the firm's core business. Thus, while CSR fit is reported to have positive effects (Becker-Olsen, Cudmore, & Hill, 2006), once a firm engages in CSiR, CSR fit may backfire.
Finally, the third condition relates to the nature of the causal attribution. In particular, if observers perceive the CSiR as a signal of the firm's true core then they will attribute it to the firm's disposition which is likely to cause displacement towards the LCHA quadrant in the perceptual space. Specifically, as in proposition 2, if observers view the act as something that is relatively not controlled by the company, such as unrealistically harsh environmental legislation with unattainable goals or institutional pressures to act accordingly that span the entire industry, then the act will not be attributed to the firms' true core and perceptual displacement may be avoided. On the other hand, if the CSiR act is perceived as relatively controllable then the act will be more likely to be attributed to the firm's core and displacement will might not be avoided.

Proposition 4: For-profit organizations perceived as HCHA that subsequently engage in CSiR are more likely to be displaced in the perceptual space towards the LCHA quadrant if the LCHA stereotype is more entrenched within the industry, if there is congruence between the irresponsible behavior and the firm's communality rating, and if the causes of the irresponsible behavior are attributed to controllable factors.

–INSERT FIGURE 2 HERE–

Conclusion

The psychology of CSR literature has primarily focused on companies doing good, largely assuming that CSR and CSiR are the two polar opposites of the same construct. We argue that these are distinct constructs that require separate theoretical examination (for example, the same company might engage in both CSR and CSiR; Kang; Germann, & Grewal, in press). That said, we now have some knowledge of how stakeholders react to CSR (Glavas, 2016), yet we know less about stakeholders' reactions to CSiR. Specifically, what are the emotional and behavioral outcomes of CSiR perceptions for agentic and for admired firms? We give some initial answers
to these questions and contribute to the psychology of CSiR by providing a general socio-cognitive model of outcomes—a mediating mechanism between the CSiR activity and its effects—that relies on a validated and parsimonious yet universal model of social perception.

Clearly, there is more to follow, for instance: (a) additional moderating factors may be considered, (b) since our model is perceptual, looking at particular classes of observers may yield differential outcomes, and (c) will it be useful for a company to rectify its reputational damage by engaging in CSR following the exposure of its irresponsible behavior?
REFERENCES


**Moderators**

- Perceived harm (+)
- Perceived injustice (+)
- Complicity of affected party (-)
- Perception of culpability (+)
  - Firm’s predisposition (+)
  - Low controllability (-)
  - High controllability (+)
FIGURE 2

Conditions of Perceptual Displacement

- Intensity of stereotype (+)
- Irresponsibility – communality congruence (+)
- Dispositional attribution (+)
  - Low controllability (-)
  - High controllability (+)