



Exploring origins of ethical company/brand perceptions – A consumer perspective of corporate ethics

Katja H. Brunk¹

Solvay Brussels School of Economics and Management, Department of Marketing, Université Libre des Bruxelles, Avenue F.D. Roosevelt 21–CP 145/01, 1050 Brussels, Belgium

ARTICLE INFO

Article history:

Received 1 May 2008

Received in revised form 1 February 2009

Accepted 1 March 2009

Keywords:

Corporate ethics

Corporate social responsibility (CSR)

Qualitative research

Ethical consumption

Brand misconduct

Consumer perceived ethicality (CPE)

ABSTRACT

This research provides a consumer perspective of corporate ethics. The study consists of twenty long interviews [McCracken, G., 1988. *The long interview*. Newbury Park, CA: Sage] with general consumers, and conceptualizes potential sources of consumer perceived ethicality (CPE) of a company/brand by investigating consumers' ethical perceptions of business behavior. The developed taxonomy 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. Findings demonstrate disparities between the consumer and the business perspective and highlight the fact that sources of CPE prove considerably more diverse and complex than the literature suggests, therefore presenting a vital extension to existing research. By providing business managers with a comprehensive assembly of issues which may evoke un/ethical perceptions, the framework may serve as a code of business conduct to prevent, contain, or combat negative CPE.

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1. Introduction

Issues of corporate ethics and corporate social responsibility (CSR) increasingly take centre stage in media reporting. The majority of the existing research relating to business ethics and CSR focuses on decision-making processes within companies. Certainly, the business perspective is of great importance, but, further to recent consumer behavior research that has established a link between a company's CSR or ethics and consumer responses (Berens et al., 2005; Biehal and Sheinin, 2007; De Pelsmacker et al., 2005; Folkes and Kamins, 1999; Gürhan-Canli and Batra 2004; Lichtenstein et al., 2004; Luo and Bhattacharya, 2006; Madrigal and Boush, 2008; Mohr and Webb, 2005; Mohr et al., 2001; Sen and Bhattacharya, 2001), researchers must also investigate the way that corporate decisions are perceived by the public. Despite a considerable extension of the related research body over the last 10 years, the consumer side is still in need of in-depth exploration (Mohr et al., 2001; Newholm and Shaw, 2007; Sen and Bhattacharya, 2001).

The business perspective of what does and does not constitute ethical behavior may not be congruent with consumer perceptions (Galavielle, 2004), and, as Crane (2005) suggests, companies' knowledge about consumers' ethical beliefs and values is limited. Yet consumers' subjective beliefs and un/ethical perceptions act as sources of attitude

formation and may consequently steer buying behavior, to the detriment of some companies.

Among the high profile examples are Gap and Nike (sweat-shop and child labor at manufacturing firms in Asia); Nestlé (aggressive marketing of baby-milk formula in Africa); Shell Oil (Brent Spar and the Niger Delta controversy). Subsequent consumer boycotts not only caused severe damage to sales revenues but also—more detrimentally in the long run—harmed the companies' reputations, brand images and, in the case of Nestlé, triggered a spill-over effect to other unrelated product categories and brands in their portfolio (i.e. Nescafé). Yet little is known about the types of behavior that lead to un/ethical perceptions. As Cowe and Williams (2000) point out, it is crucial to understand the kind of corporate behavior that consumers demand. Next to prototypical transgressions such as environmental pollution, child labor and sweat-shop working conditions, what are the business practices and transactions that are judged to be right or wrong and act as sources of un/favorable consumer perceived ethicality (CPE)? The following research set out to address this fundamental question.

2. Literature review

2.1. The concepts of ethics and CSR

In a general sense, the term ethics refers to a set of moral norms, principles or values that guide people's behavior (Sherwin, 1983). Moral sentiments can be either neutral, or negatively/positively valenced. The terms unethical or ethical describe an individual's subjective moral judgment of right/wrong or good/bad. Philosophy offers two

E-mail address: Katja.Brunk@ulb.ac.be.

¹ Katja H. Brunk is the holder of a research fellowship from the Communauté Française de Belgique.

fundamental types of moral principles that guide evaluations: deontological and teleological (Barnett et al., 2005; Forsyth, 1992; Frankena, 1973; Shanahan and Hyman, 2003). When deontological principles are applied, the judgment is rules based: An individual evaluates an action as right or wrong by referring to higher moral duty, norms, or the law. Teleological evaluation, on the other hand, considers the possible outcomes of following a particular rule or action or of taking an alternative route, and tries to predict how much good or bad will come in either event. The teleological perspective entails taking into account perceived consequences, their probability, desirability and the severity of positive or negative impact. Scholarly support exists for the notion that an individual's ethical judgment can be a function of both deontological norms and teleological considerations (i.e. Shanahan and Hyman, 2003; Vitell et al., 2001).

A company's stance on CSR may strongly influence how ethically the company and its brands are perceived. Since Howard Bowen's (1953) first contribution to the subject, uncountable definitions and conceptualizations of CSR have been offered, reflecting the breadth of the CSR domain and various viewpoints of the respective authors (Carroll, 1979; Mohr et al., 2001; Sen and Bhattacharya, 2001; Ullman, 1985; Zahra and LaTour, 1987). A lack of universal consensus on what the concept of social responsibility entails becomes apparent when reviewing the literature; this is attributable to the concept's broad nature and the conflicting ideological viewpoints of its scholars. To illustrate the complexity, Appendix A shows a range of different–non-exhaustive–conceptualizations of CSR, showcasing variations in focus, level of abstraction and ideology.

Some frameworks embed ethics as a separate CSR sub-domain alongside the legal, economic, and philanthropic responsibilities of a company (i.e. Carroll, 1991, 1979). While many conceptualizations do not explicitly refer to ethical principles, some scholars argue that ethical considerations should guide any responsible corporate decision, hence be at the very heart of CSR. For example, Eels and Walton (1961) offer an early perspective of viewing ethics as a foundation of CSR: “When people talk about corporate social responsibilities they are thinking in terms of the problems that arise when corporate enterprise casts its shadow on the social scene, and of the ethical principles that ought to govern relationships between the corporation and society.” Petkus and Woodruff's (1992) definition of CSR closely resembles the basic principles of ethics: “... a company's commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society.” This conceptualization promotes consideration of the consequences of a company's actions on society, thereby establishing ethics as a guiding principle of CSR, and acknowledging that both concepts are irrefutably linked in their nature and objectives.

The dimensions and types of activities the concept of CSR can comprise are as varied as its definitions. Appendix B provides three frameworks, differing in breadth and level of abstraction: The Socrates Social Ratings Monitor by Kinder, Lydenberg, Domini and Co. (cited from Sen and Bhattacharya, 2001); the CSR framework provided by the EU in its Green Paper in 2001 (Commission of the European Communities, 2001); and the CSR dimensions identified by Perrini, Pogutz, and Tencati (2006) following interviews with top managers.

2.2. The consumer perspective of corporate ethics

The consumer perspective of corporate social responsibility (CSR) and business ethics requires further in-depth exploration (Mohr et al., 2001; Newholm and Shaw, 2007; Sen and Bhattacharya, 2001), yet the majority of the existing literature relating to CSR and business ethics focuses on decision-making processes in companies, with one research stream investigating the ethical judgments of marketing professionals in particular (for an in-depth meta-analysis of marketing ethics see Nill and Schibrowsky, 2007). While an understanding of how business professionals react when confronted with ethical dilemmas is important, an investigation of how corporate decisions

are received by the consumer—a major stakeholder group—should be equally interesting. Crane (2005) suggests that companies lack a clear understanding of their consumers' ethical beliefs. The consumer's perspective of what constitutes un/ethical behavior may differ from a company's definition, and moreover, may not always be in line with widely held definitions of ethics (Clavin and Lewis, 2005; Clouder and Harrison, 2005; Galavielle, 2004).

Despite a progressively expanding research body dealing with links between a company's CSR or ethical image, and consumer responses (Berens et al., 2005; Biehal and Sheinin, 2007; Brown and Dacin, 1997; Carrigan and Attalla, 2001; Creyer and Ross, 1997, 1996; De Pelsmacker et al., 2005; Folkes and Kamins, 1999; Gürhan-Canli and Batra, 2004; Lichtenstein et al., 2004; Luo and Bhattacharya, 2006; Madrigal and Boush, 2008; Mohr and Webb, 2005; Mohr et al., 2001; Sen and Bhattacharya, 2001), and the most recent research on the impact of brand misconduct on consumer brand-relationships (Huber et al., 2008), little is known about what types of behavior can actually evoke un/ethical brand/company perceptions. Creyer and Ross (1997) acknowledge the opportunity to identify the dimensions along which consumers evaluate the ethicality of corporate behavior — in other words, which business practices are judged to be right or wrong. Hence by generating a comprehensive spectrum of issues that matter to consumers, the objective of this research is to identify and conceptualize potential sources of a company or brand's CPE.

Rust et al. (2000) offer five dimensions of customer perception of a brand's ethics: Community events, private policy, environmental record, hiring practices, and guarantees. Given the increasing awareness of ethical issues over the last decade, the dimensions appear limited in breadth and comprehensiveness today. For example, Nestlé's unethical brand perceptions were caused by marketing practices the public deemed immoral. As the number one boycotted brand in the UK, the company has been challenged over its aggressive marketing and selling of infant formula products in Africa, which inhibit breastfeeding and can be life-threatening to infants when used with non-purified water. Yet this type of marketing-related behavior falls outside the realm of Rust et al.'s (ibid.) framework. Hence the development of a contemporary, more comprehensive and holistic framework encompassing the multiplicity of corporate behaviors that may act as potential sources of CPE is highly warranted.

3. Method

Qualitative methods of research were a natural choice given the unexplored nature of the subject and the aim of generating a comprehensive catalog of corporate behavior with ethical content. As part of a larger study, face-to-face consumer interviews were conducted and serve as the main source of data collection.

3.1. Sample

Typically, qualitative research focuses on an in-depth exploration of a small and diverse sample. As McCracken states (1988, p.17): “For many research projects, eight respondents will be perfectly sufficient.” For this research, 20 long interviews (ibid.) were conducted with general consumers aged between 17 and 83 years. Contrary to existing, US-dominated research on CSR and business ethics, the focus is on European consumers in Germany and the UK. Contrasting respondent profiles are a prerequisite for capturing the variety of prevailing attitudes, evaluations and perceptions, so in order to create a diverse pool of participants a theoretical sampling approach was employed, guided by a characteristic on-going comparison process (Strauss and Corbin, 1990). Interviewees were recruited via convenience and multiplicity (snowball) sampling (Berg, 2006; Bryman, 2004). Appendix C demonstrates the sample's diversity in terms of age, gender, marital status, education and employment status/profile.

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