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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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.

Keywords

Corporate hypocrisy, Corporate social responsibility, Corporate citizenship, Corporate reputation, Corporate crisis, CSR history, CSR motives

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 communication. 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 determineCSR 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’s 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 of CSR highly relevant to its business activities could be neutral or even negative (Yoon et al., 2006). For example, although some anti-smoking campaigns targeting youth were successful, a tobacco company, the Philip Morris tobacco company faced huge criticism for its CSR campaign that supported youth smoking prevention, as consumers perceived misalignment between its business and CSR activities (Yoon et al., 2006). Bae and Cameron (2006) asserted that people tend to infer a corporation’s charitable giving as a mutually-beneficial activity when a company has a good reputation; however, when a company has a bad reputation, people tend to infer corporate charitable giving as a self-interested activity. This is because the public is likely to be suspicious of what might be a two-faced strategy in CSR when a company’s social and industrial performance is not well perceived. And, more perilous, CSR of a company with a bad reputation might be even more harmful to its corporate image, thus counterproductive to the positive outcome the company intends.
2.1.2. Crisis

Crises, involving unforeseen risks and ambiguity, can happen at any time to an organization (Coombs, 1999, Coombs, 2006, Coombs, 2007a, Kim and Cameron, 2011 and Pearson and Clair, 1998). An organizational crisis can be defined as “a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution” (Pearson & Clair, 1998, p. 60). Coombs, 2006, Coombs, 2007a and Coombs, 2007b identifies a crisis as a reputational threat to an organization because it frequently stirs up negative publicity for corporations and, consequently, people tend to think negatively about an organization. Also, Coombs (2011) stated that a crisis is “the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization’s performance and generate negative outcomes” (p. 19).

A crisis can be classified as exploding, immediate, building, or continuing in terms of its stage (Kim & Cameron, 2011). Depending on the cause, types of crises can be listed as follows: natural disaster, technological disaster, confrontation event, skewed values, deception, and misconduct (Kim & Cameron, 2011). Moreover, Coombs (2011) noted that people commonly use three causal dimensions when attributing organizational responsibility to causes of crisis: stability, locus (i.e., internal vs. external cause), and controllability. In an experimental study about response strategies to crises, Coombs and Holladay (1996) classified types of crises employing a theory-based category system, which concerns two factors in an event of crisis: external control and intentionality. Based on the attribution of the cause of a crisis, whether a crisis is caused by an organization itself or outside actors, and whether an organization causes a crisis intentionally or unintentionally, there are four types of crises: emerged-accident, transgression, faux pas, and terrorism. Of course, the most ethically-challenging encounter for a corporation is transgression. In particular, this study attempts to explore public perception of corporate social responsibility with an ethically-charged transgressional crisis as the background, and examines to what extent corporate effort in CSR might be morally damaging.

A corporation will lose trust and social legitimacy if it is seen as being irresponsible and manipulative; thus, to counter any loss of reputation, an organization must act consistently with social norms and required obligations. Yet in many cases where crisis management fails, a favorable reputation might become a bad reputation. Similarly, Coombs, 2006 and Coombs, 2007b placed an emphasis on the function of a crisis response strategy. More often than not, CSR is conducted as an effective response strategy to a crisis, preparing and preventing reputational damage during the crisis (Peters, 2009 and Vanhamme and Grobben, 2009). However, when the public sees CSR as accommodative window-dressing, CSR might not be conducive to resolving or mitigating a crisis. Considering the potentially-poor perception, a company should place greater weight on corporate ability than on CSR to resolve the issue over corporate ethics (Kim, Kim, & Cameron, 2009).

Often, a crisis involves ambiguity that tends to lead people to speculate about its cause (Kim & Cameron, 2011). Kim and Cameron (2011) found that anger and sadness play a role in public attribution of crises based on how news frames a crisis and how a company reacts to it. While a previous study found a limited effect of CSR on inoculating a company against reputational damage prior to a crisis (Kim et al., 2009), more details need to be explored regarding how a crisis will affect the perception of a company’s CSR. To be specific, what will audience members perceive from a CSR statement if a company is involved in a crisis that needs to be dealt with? Moreover, how will this crisis affect public appraisal of the CSR
effort and the company’s motives, and how will the crisis affect the company’s reputation? Thus, this study proposes a crisis as a critical element in news framing that might generate audience reaction in relation to CSR perception.

2.1.3. Previous CSR history

While company reputation refers to the appraisal of the overall performance of a company across the market and society, previous CSR effort closely relates to the evaluation of constancy in CSR (Schietz & Epstein, 2005). In this study, previous CSR history refers to whether or not there was a previous CSR effort made for the benefit of the same community before the launch of a new CSR campaign. While previous CSR history indicates that a company has been investing stable efforts and resources in CSR and in the wellbeing of a community, merely producing a CSR statement with no CSR history might give an impression that a CSR campaign could possibly end up being a temporary showcase.

Previous research has shown that CSR history can serve as a reservoir of good will (Jones, Jones, & Little, 2000; Schietz & Epstein, 2005). A company’s accumulated efforts in CSR help to protect a company’s reputation even during a crisis; thus, stock market value can be sustained. However, a company without any CSR history may struggle to recover from a crisis (Schietz & Epstein, 2005). Webb and Mohr (1998) also found that the duration of CSR for a social cause influenced public evaluation of altruistic motives in CSR. In addition, Vanhamme and Grobben (2009) found that the length of a company’s investment in CSR matters when CSR activities are used as a means of countering negative publicity during a crisis. Also, their study indicates that consumer skepticism tends to become more evident in situations when a company has a shorter CSR history rather than a longer CSR history. Therefore, this study proposes that a previous record of social investment indicating a company’s stable effort for a social cause might be able to decrease the perceived hypocrisy of a CSR statement.

2.1.4. Corporate hypocrisy

Corporate hypocrisy is defined as “the belief that a firm claims to be something that it is not” (Wagner et al., 2009, p. 79). It also refers to a lack of sincerity in a corporation’s motives (Yoon et al., 2006) or to self-interested motives (Bae & Cameron, 2006). Psychologically, the perception of hypocrisy tends to occur when there is a “distance between assertions and performance” (Shklar, 1984, p. 62). Hypocrisy is often ascribed to individuals as a dispositional characteristic, yet the concept is also applicable to organizations, brands, or firms, since people perceive hypocrisy from diverse corporate activities (Aaker, 1997). Corporate hypocrisy applied in the CSR context reflects the public’s ethical judgment of corporate philanthropic and pro-social endeavors.

Many studies have found that corporate hypocrisy negatively impacts corporate reputation regarding the attribution of CSR motives. Yoon et al. (2006) suggested “a mediating role of perceived sincerity of motives in determining the effectiveness of CSR activities” (p. 377). To illustrate, if a company has a bad reputation, CSR effectiveness is diminished mainly because the degree of salient benefits from CSR increases the suspicion of CSR motives. Also, if people learn about CSR through a company source (e.g., CSR advertising), they may suspect that the company invests more in its advertising than in its actual CSR (Yoon et al., 2006).

Bae and Cameron (2006) also indicated that perceived motives of CSR might mediate the effect of corporate reputation on attitudes toward a company. According to their findings, perceived altruistic
motives of CSR might lead to positive attitudes toward a company, whereas perceived self-interested motives for charitable giving might lead to negative attitudes toward a company. Wagner et al. (2009) found that when a firm's CSR statements were shown prior to the conflicting behavior observed, the sense of corporate hypocrisy increased, accruing negative attitudes toward the company. Moreover, they found that an inoculative communication strategy, where both a moderate degree of negative information and a corresponding reputational defense are combined, reduces perceived hypocrisy as well as its negative effect on attitudes toward a company.

2.2. Attribution theory and the role of emotion

Attribution theory serves to address the “whys” of the entire phenomenon on many social and individual levels. According to attribution theory, success and failure in achievement-related contexts are grounded in the following components: locus, stable effort, controllability, intentionality, and globality (Fein, 1996 and Jones and Harris, 1967). Locus refers to whether an event is attributed to an internal or external cause. Stable effort indicates whether constant endeavors were made to deal with an issue or event. Controllability refers to whether an event was manageable or unmanageable by an actor. Intentionality refers to whether an event occurs purposely or accidentally. Globality refers to whether negative events are consistent across different contexts.

To apply attribution theory to this study’s context, when a company has a good reputation (success), its CSR effort is perceived as being started based on its intrinsic value, with good intentions and a stable effort. Thus, the company’s altruistic motives in a stable effort of investment in CSR toward the public good would be obvious to that public. Consequently, when a crisis affects the company, that crisis might look as if it stems from an external locus (bad luck). On the other hand, when a company has a bad reputation (failure), a crisis would be perceived in the opposite way as the company’s crisis would be regarded as having an internal locus (with fault lying within the company). Efforts toward CSR are then perceived as actions compelled only by circumstances, done only to avoid criticism and to reduce damage to business and profits (marketing or reputation-rehabilitation motives).

Negative situational or external conditions such as a crisis, a bad reputation, or no previous efforts in CSR might guide the attribution process and, thereby, trigger an adverse evaluation regarding corporate image. In this, different situations framed by media exposure might influence the attribution process of hypocrisy and, thereby, shape attitudes toward a company.

Ample research studies on CSR perception have employed attribution theory; Yoon et al. (2006) conducted three experiments and found that both the relevance of CSR to the benefit of a business, and the source of CSR information, affect the attribution of suspicion regarding the perception of CSR. Also, Wagner et al. (2009) confirmed that communication strategies—such as narrative styles—influence the attribution of corporate hypocrisy. Bae and Cameron (2006) also noted the usefulness of attribution theory to explain why pro-social behavior was not necessarily evaluated in a favorable light because of ulterior motives perceived by an audience. Thus, this study formulates the following hypotheses (see Fig. 1):

H1. A company’s bad reputation.


H3. No previous CSR activity, will increase perceived corporate hypocrisy.
H4. Corporate hypocrisy will mediate the effect of (a) bad reputation, (b) an occurrence of crisis, and (c) having no previous CSR on negative attitudes toward a company.

Fig. 1. The mediating role of corporate hypocrisy between corporate reputation, an occurrence of crisis, and CSR history between company attitudes.

3. Method

3.1. Design, participants, procedure

The primary purpose of this study was to investigate the effect of three independent factors on hypocrisy perception and the mediating effect of corporate hypocrisy on the attitude toward the company. To test our propositions, we employed a 2 (company reputation: high, low) × 2 (whether a company faces a crisis: crisis, non-crisis) × 2 (CSR history: no previous CSR, previous CSR) method between-subjects and a full-factorial design of CSR information. This experiment was conducted using an online survey service (i.e., Survey Monkey). Participants were randomly assigned to each condition (high reputation: n = 94 vs. low reputation: n = 102, crisis: n = 100: non-crisis: n = 95, no previous CSR: n = 98, previous CSR: n = 97).

A hypothetical scenario, which included news content about a fictitious corporation’s reputational ranking, an occurrence of crisis and previous CSR history, and the company’s subsequent CSR announcement, was given to participants. Participants were randomly assigned to one of the eight conditions. Participants were first provided with some background information about a hypothetical electronic company, Human-Tech, producing and selling electronic goods. They then were exposed to additional information about a company crisis according to the experimental conditions. Company
reputation was presented through a fictitious company-reputation ranking by Fortune magazine. The company crisis was depicted as a recent civil penalty imposed on the company for a violation of defect notification. While the “crisis” group was manipulated through offering the crisis information as illustrated above, “no crisis” manipulation was done through not offering any crisis information. CSR history was depicted as Human-Tech’s global education programs that had been implemented continuously before the launching of a new CSR program for science education. In the same manner, the “CSR history” condition was manipulated through offering previous CSR information, whereas the “no CSR history” condition was not offering the CSR history information. Participants indicated their beliefs about the firm’s hypocrisy and CSR practices, attitudes, and manipulation checks using seven-point scales. The context of the study is particularly relevant for college students because they are a major consumer group for electronic suppliers and should be keenly aware of corporate ethics and CSR issues.

The researchers conducted a pretest of the manipulations with a total of 80 students enrolled in Public Relations courses at a Northeastern university in the US. The researcher ran a t-test for each manipulation, such as reputation, crisis, and prior CSR effort. The t-test showed a significant difference between high company-reputation groups and low company-reputation groups. Crisis and prior CSR effort also were perceived with a significant difference according to how they were manipulated.

Participants were 197 students from a Northeastern university in the US. The students’ email addresses were collected with their permission. Then the researcher emailed the survey link using an online survey application service. The participant pool was 76.8% female and average age was 20 and 1/3 years.

3.2. Measures

To test the hypotheses, the researcher measured the mediating variable and dependent variables, which included corporate hypocrisy and attitudes toward the firm. The researcher measured these variables using reflective multi-item measures and seven-point rating scales. Items for the constructs were developed and adapted from previous literature (Wagner et al., 2009). A summative index of six items was used to gage corporate hypocrisy. On a 7-point scale, ranging from 1 (strongly disagree) to 7 (strongly agree), participants were asked to indicate how strongly they agreed with statements such as “Human-Tech acts hypocritically,” “What Human-Tech says and does are two different things,” “Human-Tech pretends to be something that it is not,” “Human-Tech does exactly what it says,” “Human-Tech keeps its promises,” and “Human-Tech puts its words into action.” The index was $M = 24.19$, $SD = 5.24$ and reliability was $\alpha = .87$. To assess the attitude toward the company, a summative index of four items was used (good-bad, favorable-unfavorable, pleasant-unpleasant, and positive-negative) on 7-point semantic differential scales. The index ($M = 17.07$, $SD = 4.20$) produced acceptable reliability ($\alpha = .92$). Items for the constructs were developed and adapted from previous literature (Wagner et al., 2009).

Measurement items for attitude toward a company were borrowed from previous CSR literature (Wagner et al., 2009).

In addition to measurement reliability for each construct, using confirmatory factor analysis, the current research tested the discriminant validity of Corporate Hypocrisy and Attitudes toward the Company. The results demonstrate that the measurement systems of the two variables, used in the current study, are discriminantly valid. Three sets of confirmatory factor analyses were conducted:

(1) model 1: one-factor model (i.e., one factor with 6 indicators of corporate hypocrisy and 4 indicators of attitudes toward the company): $\chi^2(197, 32) = 127.06$, $p < .001$, $CFI = .93$, $RMSEA = .12$, $AIC = 193.06$;
(2) model 2: two-factor uncorrelated model (i.e., one factor with 6 indicators of corporate hypocrisy and the other uncorrelated factor with 4 indicators of attitudes toward the company): \( \chi^2(197, 32) = 231.42, p < .001, \text{CFI} = .85, \text{RMSEA} = .18, \text{AIC} = 297.42; \)

(3) model 3: two-factor correlated model (i.e., one factor with 6 indicators of corporate hypocrisy and the other correlated factor with 4 indicators of attitudes toward the company): \( \chi^2(197, 31) = 81.11, p < .001, \text{CFI} = .96, \text{RMSEA} = .09, \text{AIC} = 149.11; \)

Between the nested models 2 and 3, the result of \( \chi^2 \)-df test reveals that model 3 (i.e., two-factor correlated model) is significantly more valid than model 2: \( \Delta \chi^2 = 150.31 (\Delta \text{df} = 1), p < .001 \). Next, although they are not nested models for direct comparison, model 1 (i.e., a one-factor model) and model 3 (i.e., a two-factor correlated model) were compared with data-model goodness-of-fit indexes. Throughout all goodness-of-fit indexes, model 3 is more valid than model 1, suggesting the hypocrisy index and the attitude index are measuring two separate variables.

3.3. Manipulation check

To assess the effectiveness of the experimental manipulations, a series of t-test analyses were performed. To assess perceptions of company reputation, participants were asked “What do you think about Clean Oil’s overall reputation?” A significant difference occurred in scores for high reputation (M = 4.93, SD = 1.00) and for low reputation (M = 4.01, SD = 1.14) conditions; t (194) = 6.00, \( p < .001 \).

To assess perceptions of company crisis, participants were asked “To what extent do you agree that Human-Tech faced a company crisis to be dealt with? (1 = strongly disagree, 7 = strongly agree).” A significant difference occurred in scores for crisis group (M = 5.05, SD = 1.23) and no crisis group (M = 4.64, SD = 1.11) conditions; t (193) = 2.44, \( p < .05 \).

To test the difference in perception of prior effort made by the company between prior CSR group and no prior CSR group, “To what extent do you agree that Human-Tech has made a previous effort in science education?” was to be answered (1 = strongly disagree, 7 = strongly agree). A significant difference occurred in scores for the prior CSR history group (M = 4.95, SD = 1.11) and the no CSR history group (M = 4.57, SD = 1.08) conditions; t (193) = 2.40, \( p < .05 \). Therefore, the manipulation check for all three independent variables confirmed that experimental manipulation was operated successfully.

4. Results

The purpose of this research was to investigate how corporate reputation, an occurrence of crisis, and CSR history, create the perception of corporate hypocrisy and consequently shape attitudes toward a company.

4.1. ANOVA Analysis

According to the ANOVA analysis, the company’s low reputation and the occurrence of crisis significantly increased the perception of corporate hypocrisy, yet, the history of CSR failed to demonstrate an effect on hypocrisy perception.

H1, H2, and H3 are to examine the main effect of a company’s reputation, an occurrence of crisis, and previous CSR history on public perception of corporate hypocrisy. A three-way between subjects ANOVA
was conducted to compare the effect of each independent variable, and the result showed two main effects of the company’s reputation ($F[1,185] = 15.74, p < .001, \eta^2 = .081$) and the occurrence of crisis ($F[1,185] = 16.76, p < .001, \eta^2 = .086$). Thus, H1 and H2 were supported while H3 failed to yield a significant result, and no significant interaction effect was found (see Table 1).

Table 1. Three-way analysis of variance of corporate reputation, crisis, and previous CSR on the perception of corporate hypocrisy.

<table>
<thead>
<tr>
<th>Score</th>
<th>Mean</th>
<th>SD</th>
<th>F</th>
<th>df</th>
<th>Sig.</th>
<th>\eta^2</th>
<th>Power</th>
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<tr>
<td>Main effect and interaction</td>
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<td>Main effect of reputation</td>
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<td>Good (n = 90)</td>
<td>22.78</td>
<td>5.47</td>
<td>15.74</td>
<td>.000</td>
<td>.081</td>
<td>.976</td>
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<td>Bad (n = 96)</td>
<td>25.51</td>
<td>4.68</td>
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<td></td>
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<td>Main effect of crisis</td>
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<tr>
<td>No crisis (n = 92)</td>
<td>22.73</td>
<td>5.37</td>
<td>16.76</td>
<td>.000</td>
<td>.086</td>
<td>.983</td>
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<tr>
<td>Crisis (n = 94)</td>
<td>25.62</td>
<td>4.72</td>
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<tr>
<td>Main effect of CSR history</td>
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<td>Previous CSR (n = 92)</td>
<td>23.71</td>
<td>5.36</td>
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<tr>
<td>No previous CSR (n = 94)</td>
<td>24.66</td>
<td>5.11</td>
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<td>Interaction effect</td>
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<tr>
<td>Reputation × crisis</td>
<td>2.56</td>
<td>1</td>
<td>.112</td>
<td>.112</td>
<td>.014</td>
<td>.356</td>
<td></td>
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<tr>
<td>Reputation × previous CSR</td>
<td>.42</td>
<td>1</td>
<td>.518</td>
<td>.518</td>
<td>.002</td>
<td>.099</td>
<td></td>
</tr>
<tr>
<td>Crisis × previous CSR</td>
<td>2.17</td>
<td>1</td>
<td>.142</td>
<td>.142</td>
<td>.012</td>
<td>.311</td>
<td></td>
</tr>
<tr>
<td>Reputation × crisis × previous CSR</td>
<td>.31</td>
<td>1</td>
<td>.578</td>
<td>.578</td>
<td>.002</td>
<td>.086</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.19</td>
<td>5.24</td>
<td></td>
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</tbody>
</table>
4.2. Regression analysis

According to the regression analysis, corporate hypocrisy only mediated the effect of the company's reputation and the occurrence of crisis on the attitudes toward the firm; however, CSR history was not mediated by corporate hypocrisy in the creation of attitudes toward the firm.

H4a, H4b, and H4c were to test the mediating effect of corporate hypocrisy on corporate reputation, an occurrence of crisis, previous CSR history, and attitudes toward a company.

To examine the mediating effect of corporate hypocrisy on attitudes toward the company in the study, two regression analyses were conducted: one was to determine the direct effect of each independent variable on the perception of corporate hypocrisy; the other was to test the direct effect of variables on the attitude toward the company. Then, the bootstrapping procedure (1000 samples) was used to test the indirect effect of corporate hypocrisy on attitudes toward the company.

There were direct effects of reputation, crisis, and CSR history on the perception of corporate hypocrisy. A multiple linear regression was conducted to predict participants’ perceptions of corporate hypocrisy. A significant regression equation was found (F(3,182) = 10.99, p < .001) with an R2 = .153. Corporate reputation, the occurrence of crisis, and prior CSR history were the independent factors, and the measure of perceived corporate hypocrisy was the dependent variable. As we assumed, corporate reputation significantly predicted corporate hypocrisy scores (B = 2.78, b = −.26, SE = .71, p < .001). The occurrence of crisis also revealed a significant effect on the perception of hypocrisy (B = 2.90, b = .28, SE = .71, p < .001). However, CSR history failed to provide a significant effect on the perception of corporate hypocrisy (B = .90, b = −.09, SE = .71, p = .213) (see Table 2).

Table 2. Ordinary least squares-based regression: corporate hypocrisy.

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>SE</th>
<th>Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>14.288</td>
<td>1.893</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>Corporate reputation</td>
<td>2.775</td>
<td>.714</td>
<td>−.265</td>
<td>.000</td>
</tr>
<tr>
<td>An occurrence of crisis</td>
<td>2.891</td>
<td>.714</td>
<td>.276</td>
<td>.000</td>
</tr>
<tr>
<td>CSR History</td>
<td>.891</td>
<td>.714</td>
<td>−.085</td>
<td>.213</td>
</tr>
</tbody>
</table>

Note. N = 197. Equation: R2 = 15.3%.

4.3. Direct effects of reputation, crisis, and CSR history on attitudes toward a company

Further, to predict the direct effect on attitudes toward the company, the dependent variable was attitudes toward the company, the independent variables were the company's reputation, an occurrence of crisis, and CSR history for the first block and corporate hypocrisy for the second block.

The first equation yielded a significant regression model (F(4,182) = 10.27, p < .001) with an R2 of .143. Among the independent factors in the first block, corporate reputation (B = −2.34, b = −.28, SE = .58, p < .001) and the occurrence of crisis (B = 2.19, b = .26, SE = .58, p < .001) significantly predicted attitudes toward the company. In contrast, CSR history failed to yield a significant effect on attitudes toward the company (B = −.38, b = −.01, SE = .58, p = .948).
With corporate hypocrisy put in the second block, approximately 40% of the variance in attitudes toward the company was increased ($F(4,182) = 53.92, p < .001$) with an $R^2$ of .548. While corporate hypocrisy significantly predicted attitudes toward the company ($B = -.56, b = -.69, SE = .44, p < .001$) the effects of corporate reputation and the occurrence of crisis became insignificant (see Table 3). Thus, according to mediating effect testing (Baron & Kenny, 1986), it was indicated that corporate hypocrisy mediated corporate reputation and the occurrence of crisis on attitudes toward the company.

Table 3.

Ordinary least squares-based hierarchical regression: attitude toward a company.

<table>
<thead>
<tr>
<th>Company attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>Corporate reputation</td>
</tr>
<tr>
<td>An occurrence of crisis</td>
</tr>
<tr>
<td>CSR history</td>
</tr>
</tbody>
</table>

Note. $N = 197$. Equation 1: $R^2 = 14.3%$. ***$p < .001$, Equation 2: $R^2 = 54.8%$. ***$p < .001$.

4.4. Indirect effect of corporate hypocrisy

The bootstrapping procedure (1000 samples) used to generate a 95% bias-corrected (BC) confidence interval tested the relationships between independent variables (i.e., corporate reputation, crisis occurrence, and CSR history) and company attitudes. First, perceived corporate hypocrisy strongly mediated the relationship between corporate reputation and company attitudes: unstandardized coefficient $= -1.54, SE = .46, p < .05$, BC 95% CI (-2.45, -.60) with bootstrap samples ($N = 1000$). Because the 95% bias-corrected confidence interval for the indirect effect was estimated to lie between $-2.70$ and $- .84$—zero and was not included in this 95% confidence interval, it is safe to conclude that the indirect effect significantly differed from zero, at $p < .05$ (see Preacher & Hayes, 2008 for a detailed
explanation of this procedure). Second, the occurrence of crisis also strongly associated with company attitudes through corporate hypocrisy: unstandardized coefficient = −1.68, SE = .46, p < .05, BC 95% CI (−2.70, −.84) with bootstrap samples (N = 1000). However, perceived corporate hypocrisy did not strongly mediate the relationship between CSR history and company attitudes: unstandardized coefficient = −.58, SE = .45, p > .05, BC 95% CI (−1.54, .32). Thus, results supported H4a and 4b but failed to support H4c (see Table 4).

Table 4. Indirect effects of corporate hypocrisy.

<table>
<thead>
<tr>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>B</th>
<th>SE</th>
<th>BC 95% CI*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Company attitudes</td>
<td></td>
<td></td>
<td>Lower  Upper</td>
</tr>
<tr>
<td>Corporate reputation</td>
<td>Corporate hypocrisy</td>
<td>Company attitudes</td>
<td>−1.5378*</td>
<td>.4649</td>
<td>−2.4516 −.6049</td>
</tr>
<tr>
<td>An occurrence of crisis</td>
<td>Corporate hypocrisy</td>
<td>Company attitudes</td>
<td>−1.6814*</td>
<td>.4595</td>
<td>−2.6957 −.8435</td>
</tr>
<tr>
<td>CSR history</td>
<td>Corporate hypocrisy</td>
<td>Company attitudes</td>
<td>−.5833</td>
<td>.4539</td>
<td>−1.5359 .3208</td>
</tr>
</tbody>
</table>

Note. BC, bias corrected; 1000 bootstrap sample.

5. Discussion and limitations

This study confirmed that reputation and crisis have an effect on the perception of corporate hypocrisy. Corporate hypocrisy mediated the effect of reputation and crisis on attitudes toward the company. However, CSR history was not mediated by corporate hypocrisy.

The direct effect of corporate reputation aligns with prior studies asserting that a company’s bad reputation is likely to increase suspicion levels regarding a CSR message (Bae and Cameron, 2006 and Yoon et al., 2006). Also, the finding aligned with buffering effect (Sohn & Lariscy, 2012) that explains consumers’ psychology which tends to overlook or ignore a company’s crisis as they try to keep their attitudes consistent with perceived company reputation. Thus, the study further strengthens the proposition that the role of a company’s reputation might be the antecedent condition for an audience to perceive goodwill and altruistic motives in CSR.

This study investigates the role of crisis in CSR perception and the result supports the hypotheses. The findings contribute to crisis and CSR scholarship in that the previous framework focused primarily on the role of CSR as a buffer against reputational damage to a company. Noticing that CSR might not help in reducing the possible reputational loss of a company (Kim et al., 2009 and Peters, 2009), this study’s findings further warn that crisis-related CSR might even tend to backfire by increasing the perception of hypocrisy. Therefore, it should be noted that CSR as a bolstering strategy (Benoit, 1995) that informs
stakeholders of the company’s previous efforts in a community’s wellbeing should be used with caution, especially when the company’s crisis is related to the company’s immoral business, rather than to corporate ability (Sohn & Lariscy, 2012).

Contrary to our assumption, prior CSR history did not affect perceptions of hypocrisy. This finding is in stark contrast to previous studies’ claims that sustainability in CSR is a critical factor in CSR’s ability to help protect a company’s reputation in a crisis (Schietz and Epstein, 2005 and Vanhamme and Grobben, 2009). This inconsistent finding might be due to methodological issues—that is, limited validity in the experimental study, in that a hypothetical case was unable accurately to represent long-term and sustainable effort in the company’s CSR as would be the case in real life. Also, we assume that, instead of the control group (without any statement of prior history) used for the current study, if participants were given a clearer cue to say “This is the first kind of CSR by this company,” this study could have been able to find significant difference by CSR history.

Yet, carefully considering the result, it might suggest that today’s CSR activities are not regarded as merely temporary, but rather as a generic and constant corporate effort regardless of corporate motives—whether it is perceived as an accommodating measure for damage control in a crisis, or as an altruistic desire for social wellbeing and development. For example, in marketing and business fields many studies concern the trend of downsizing corporate investment in CSR in response to a company’s shrinking financial resources; this means CSR is becoming a more substantial asset to a business’s survival in the market (Yelkikalan & Köse, 2012). This study also suggests that audiences might not be that sensitive to the duration of CSR activities when evaluating the ethical level of a company by its CSR activities. Instead, CSR seems to be becoming more of a social obligation for a company, thus PR managers strategically should manage communication of a company’s purposes and motivations in CSR rather than merely focus on publicizing CSR efforts to a greater extent.

One of this study’s notable findings lies in the mediating effect of hypocrisy perception on the formation of attitudes toward a company. In general, positive outcomes of CSR for a company’s reputation have been taken for granted. However, this result indicates that if people perceive in CSR more hypocrisy than altruistic motives, this might harm a company’s promotional effort more than anticipated.

Thus, PR managers publicizing CSR messages should consider emphasizing “genuineness,” “honesty,” “sincerity,” and “a no-spin policy” in CSR communication, rather than an outcome-based approach that often focuses on social recognition and a company’s award winnings. More important, when a company has a bad reputation or is caught in a crisis, strategic silence about CSR effort can be wise in dealing with a public suspicious toward CSR. That is, although a company firmly believes the outcome of CSR would benefit communities and stakeholders, those stakeholders’ focus might be different in that audiences tend to judge how a company might benefit from CSR in terms of profitability and political advantage in issues management. Thus, a delicate and tailored message design, with understanding of how audiences perceive messages, becomes even more important than the amount of publicity itself. Future studies should devote more attention to this area.

In further studies, several aspects should be improved. First, it should be noted that the study’s sampling procedure might reduce the study’s validity, as PR students were surveyed for data collection. Thus, future study can extend sample scope via a wide range of age brackets and a wider population. Second, this study used a fictitious company hypothetically caught in a crisis of a transgression type, and
hypotheses tested turned out to be significant. That said, it is not assured that the result could resonate with real-life situations with a real company and brand, because we used only a manipulative score in the CSR performance index as an indicator of the reputation of a company. Were we to use a real company, consumers’ life experiences and well-thought-out evaluations might affect the perception of a crisis, so results could differ from this study’s. Therefore, more effort should be invested in addressing concerns this study has raised.

6. Conclusion and suggestions for future study

Although past research has explored either crisis communication or CSR effectiveness, knowledge is scant about the interaction of crisis, reputation, and CSR history on perceptions of corporate hypocrisy. The study suggested that CSR might not be a magic wand for boosting a company’s reputation without any altruistic motives appreciated by an audience. Thus, future research should further advance theories on effective communication strategies. To reduce levels of perceived hypocrisy, PR managers should successfully be able to separate CSR communication designed for altruistic and philanthropic purposes from crisis communication necessary to pacify any social backlash.

There are also more issues to be explored in corporate hypocrisy perception vis-à-vis CSR as one of the exponentially growing yet untapped areas in public relations. In particular, in response to increased globalization, PR is going beyond the conventional framework prioritizing attention to positive relationship building with stakeholders or the public. As today’s PR is becoming involved with more fragmented and diverse stakeholders than ever, a reframing in PR approaches is needed with a focus on sorting out factors causing negative impressions and/or dissolved relationships in corporate communication. This academic perspective is of importance to the extent that corporate hypocrisy is key to uncovering a wide variety of social problems embedded in globalization due to a lack of understanding of cultural and social discrepancies between local and international markets. Thus, future CSR studies should acquire more knowledge of audience traits and their effects on hypocrisy attribution, thereby contributing to international public relations involving a variety of transnational companies and international PR practitioners.

While various academic and practical attempts have been made to reduce negative symptoms regarding corporate hypocrisy perception, it should be noted that better communication strategy still might be unable to weed out fundamental consequences of bad or wrong decision-making. Hence, especially when implementing an issue or crisis-related CSR campaign to mitigate negative publicity or criticism of a company’s unethical business operations, a company should acquire, listen to and examine a wide range of stakeholders’ opinions. A company might as well be keenly aware of anticipated public sentiments and feedback regarding a CSR campaign before it actually implements that campaign and its communication strategy. This would help gain better grasp of why a company incurs negative attitudes despite all its efforts at positive community relations and the wellbeing of society.

Acknowledgement

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References


