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ABSTRACT: I use a controlled experiment to examine, in the context of CSR crises, whether investors' investment judgments are influenced by a firm's CSR reputation and CSR crisis response strategy. I find that for good CSR reputation firms, the use of a rebuild or deny crisis response strategy does not lead to improvements in investment judgments. However, for bad CSR reputation firms, the use of a deny response strategy leads to improvements in investment judgments while the use of a rebuild strategy does not.

Keywords: *corporate social responsibility, crisis response strategy, reputation, crisis, corporate communication*

Data availability: Please contact the author.

INTRODUCTION

A good reputation for corporate social responsibility (CSR) is generally regarded as an asset for firms. Prior research has established that firms with good CSR reputations can enjoy benefits across various dimensions (e.g. Grunwald & Hempelmann, 2010; Coombs and Holladay, 2006; Klein & Dawar, 2004), including in investor judgments (Rodgers, Choi & Guiral, 2013). However, even as firms have sought to build up good CSR reputations, they are often also faced with CSR crises, which have become more common and widely reported (Paddison, 2015; Zhao, Tan & Park, 2014). To address such CSR crises, firms often adopt various response strategies to communicate with stakeholders in order to mitigate damage (Coombs, 2006). In this study, I investigate how, in the event of a CSR crisis, a firm's CSR reputation and its CSR crisis response strategy influence investor judgments.

Prior research suggests that three factors associated with a crisis shape the corresponding reputational threat to a firm: (1) initial crisis responsibility, (2) crisis history, and (3) prior relational reputation (Coombs, 2007). These factors influence how stakeholders react to crises. In this study, I examine the effects of CSR reputation on investor judgments in a specific context, where a firm has been found to be responsible for the CSR crisis and has been penalized by regulators for the lapse. Accordingly, with respect to the three factors associated with a crisis that shapes the reputational threat to a firm, I examine the context where (1) crisis responsibility has been established to belong to the firm, (2) crisis history is ambiguous, and (3) prior relational reputation is either good or bad. Such a crisis context is one which is increasingly common in the business world, and for which relatively little research exists.[1]

[1] In my experiment, I examine the context where a firm is found responsible for a CSR crisis caused by a data privacy breach and has been penalized by the relevant regulator. Data privacy breaches are an increasingly common form of CSR crises for firms, and have received attention in recent years. For example, Ashford (2016) estimates that UK firms could face a combined £122 billion in data breach fines in 2018. While there has been some anecdotal evidence to suggest that data breaches do not have significant effects on stock price (Kvochko & Pant, 2015), there has been little research into how

Prior research has found positive reputational effects where a good reputation can buffer a company from harm with regard to a wide range of perceptions during a crisis (e.g. Grunwald & Hempelmann, 2010; Ahluwalia, Burnkrant, & Unnava, 2000). Further, following the occurrence of crises, managers often seek to address the situation by adopting specific crisis response strategies (Coombs, 2007). Coombs (2006) proposes several response strategies that exist along a continuum, with a firm being perceived to take full responsibility for the crisis on one end and a firm being perceived to deny any responsibility for the crisis on the opposite end. In my study, I examine, for a firm with either a good or bad CSR reputation, the deny strategy where the firm denies responsibility for the crisis and the rebuild strategy where the firm accepts responsibility for the crisis and apologises.

Using expectancy violation theory (Burgoon & LePoire, 1993), I predict that when a good CSR reputation firm encounters a CSR crisis, neither a rebuild nor deny response strategy will positively influence investor judgments because the crisis event violates investors' prior expectations of how a good CSR reputation firm should behave, leading to skepticism about the motives of the firm in adopting a response strategy. When a bad CSR reputation firm encounters a CSR crisis, a rebuild strategy will not positively influence investor judgments because while the crisis event may be consistent with investor expectations about how a bad CSR reputation firm should behave, the rebuild strategy is likely to violate investors' expectations of behaviour, leading to skepticism about the motives of the firm in adopting the rebuild strategy. In contrast a deny strategy conforms to investors' expectations of how a bad CSR reputation would respond to a CSR crisis. Investors are less skeptical about the motives of the firm, and are likely to improve their investment judgments.

investors react to such CSR crises. I also note that in addition to taking responsibility for a crisis, a firm may or may not have promised to take actions to prevent the crisis from recurring. In my study, I examine a situation where the firm has promised to take actions to prevent the crisis from recurring regardless of the response strategy that it employs.

I choose to examine these issues using an experiment. An experiment allows me to develop a clean manipulation of CSR reputation which would be difficult to do archivally. Archival studies typically measure specific aspects of a firm's reputation based on published rankings which may not be perceived in the same way by different group of stakeholders (Cho, Guidry, Hageman & Patten, 2012). In this respect, I answer the call by Cho et al. (2012) to use experiments to provide insights into how investors perceive reputational cues. An experiment also allows me to manipulate CSR crisis response strategy and to examine its effects on investor judgments, which would be difficult to do cleanly using an archival method. In particular, because firms do not always pursue specific response strategies in a disciplined manner, many crisis responses in practice often contain elements of different response strategies in the same communication. In contrast, an experiment allows me to create a clean manipulation for response strategy in order to examine its effects.

To investigate my research question, I conducted a 2 (*good_rep* versus *bad_rep*) X 2 (*rebuild* versus *deny*) between-subjects experiment using participants recruited from Amazon's Mechanical Turk (AMT) platform as proxies for non-professional investors. AMT participants have been used in prior studies, and have been found to be good proxies for non-professional investors (e.g. Krische, 2015; Rennekamp, 2012). Participants were told that they were to assume the role of shareholders assessing the earnings prospects of a target company. I then manipulated CSR reputation by having participants receive a CSR report compiled by an external consultant that described the target company as having performed well (badly) on four key CSR dimensions. Following that, participants received news that the company had been involved in a CSR crisis (a breach of consumer data privacy). Participants then made initial investment judgments of the target company. Next, I manipulated CSR crisis response strategy by providing participants with a news article which reported the that the target company had taken responsibility for the crisis and apologized to stakeholders in

the *rebuild* condition, and as having denied responsibility for the crisis and blamed another company in the *deny* condition. After attending to this information, participants then made final investment judgments and rated their thoughts/feelings towards the target company on a range of attributes. They also answered questions relating to manipulation checks and demographic information.

Results show that participants' investment judgements of a good CSR reputation firm were not affected by their choice of response strategy. Their investment judgments of a bad CSR reputation firm were more positively influenced by a deny response strategy than by a rebuild strategy. Further I find that participants' feelings of skepticism towards a good CSR reputation firm were not affected by their choice of response strategy while their feelings of skepticism towards a bad CSR reputation firm were more negatively influenced by a deny response strategy than by a rebuild strategy. The effects of response strategy on participants' final investment judgments were also mediated by participants' feeling of skepticism towards the company.

My findings contribute to practice. My results shed light on the effects of specific crisis response strategies on investor judgments. They suggest that when a firm has a good CSR reputation, the specific response strategy does not matter. However, when a firm has a bad CSR reputation, a deny strategy may be superior to a rebuild strategy. This has important implications for how firms should respond to CSR crises, especially as rebuild strategies are generally more expensive to implement than deny strategies (Coombs, 2007).

The rest of my paper proceeds as follows. The next section outlines the relevant theories used and develops my hypotheses. Next, I discuss the method used to test my hypotheses and results. I then present additional analyses. The final section concludes the study.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Literature Review

My study extends current research on the impact of CSR reputation. While Dean (2004) examines the effects of three factors – CSR response strategy, CSR reputation, and responsibility for the event - on consumer attitudes towards a company, his study differs from mine in important ways. First, while he examines effects on consumer attitudes, I examine effects on investor judgments. This is an important distinction given that prior studies have found that consumers and investors can evaluate firms differently (e.g. Aspara & Tikkanen, 2010). Second, Dean (2004) measures consumers' responses at three time points, immediately following the presentation of each of his three independent variables: CSR reputation, CSR response strategy (together with crisis information), and crisis responsibility. In contrast, in my study, crisis responsibility is assigned immediately following the presentation of CSR reputation but before the presentation of CSR response strategy. Unlike Dean (2004), my sequence of presentation of information allows participants to incorporate responsibility attributions into their decision making and judgments in both their initial judgments (where they have information about CSR reputation and crisis responsibility) and final investment judgments (where they have information about CSR reputation, crisis responsibility, and CSR response strategy).[2] The time point where crisis responsibility is assigned is important because, as I show in my study, it has an influence on investors' sense of skepticism towards the company's actions leading to the crisis and its underlying motives in adopting subsequent response strategies. Third, Dean (2004) is unable to examine the specific effects of the firm's crisis response strategy made in response to the crisis because he measures participants' responses after introducing his CSR reputation manipulation (response

[2] In contrast, participants in Dean (2004) only receive information about crisis responsibility *after* information about CSR reputation and response strategy had been presented.

1), then introduces the crisis together with his crisis response strategy manipulation before measuring consumer responses again (response 2). Hence, participants' response 2 judgments in Dean (2004) incorporate incremental information about *both* the crisis and subsequent response strategies. In contrast, I measure participants' initial investment judgments following my CSR reputation manipulation and the introduction of the crisis, and measure their final investment judgments immediately following my CSR response strategy manipulation. As such, I am able to measure the specific incremental effects of the firm's CSR response strategy on investors' investment judgments.

In addition, Sohn & Lariscy (2015) examine the effects of crisis type (corporate ability versus CSR), corporate reputation (good corporate ability reputation versus good CSR reputation), and time point of exposure to crisis information (first versus second versus third experimental session) on consumer attitudes. Similar to Dean (2004), Sohn & Larscy (2015) examine consumer judgments while I examine investor judgments. Also, while Sohn & Larscy (2015) investigate the effects of CSR reputation in crisis situation, they do not examine the effects of crisis response strategy, which can influence perceptions of the firm (Coombs, 2006). My study complements Sohn & Larscy (2015) by examining how a firm's response strategy can influence investor judgments.

CSR Reputation in CSR Crisis Situations

Firms are increasingly spending large amounts of resources on CSR activities in order to build up their reputations for good CSR practices (Herbohn, Walker & Loo, 2014; Guerrera & Birchall, 2008). For example, Kirdahy (2007) reports that GE spends approximately $800 million on management systems to reduce its environmental footprint, $300 million on social programs, and $60 million on 'ecomagination-related' marketing annually. According to the Giving USA foundation, which is part of the non-profit

organization, Giving Institute, corporate giving in the US totalled $18.45 billion in 2015 (Bain, 2016).

There have also been signs that investors' investment decisions are increasingly being influenced by a firm's CSR performance. A survey conducted by the management consulting firm, McKinsey, on CFOs, investment professionals, and CSR professionals found that over 50% of respondents think that an organization's environmental, social, and/or governance programs contribute to shareholder value. In addition, shareholder value is not enhanced by a specific aspect of CSR, but is instead determined by the holistic performance of CSR across various relevant dimensions. For example, the survey also found that over 75% of respondents indicated that environmental, social, and governance programs each contribute to an organization's long term shareholder value (McKinsey, 2009). Another recent survey, conducted by the Association of Chartered Certified Accountants (ACCA) and Eurosif on investors and analysts in 18 European countries, found that CSR reports were the most important source of non-financial information that this group of stakeholders use in making investment decisions. Approximately 89% of respondents in the survey said that CSR reports were 'essential' or of 'high importance' when making investment decisions (ACCA & Eurosif, 2013). In addition, prior studies have also investigated how CSR performance can influence investor judgments. For example, Elliott, Jackson, Peecher & White (2014) use an experiment to show that CSR performance can influence investors' judgments of a firm's fundamental value when they do not explicitly assess CSR performance because they unintentionally rely on their affective reactions (to CSR performance) when estimating fundamental value.

The extent of a firm's performance of CSR activities can directly influence its CSR reputation, which is closely associated with corporate reputation. Fombrum (1996) defines corporate reputation as the "perceptual representation of a company's past actions and future

prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals'." Prior research indicates that CSR is a key dimension of a firm's corporate reputation (Schnietz & Epstein, 2005) and that a firm's performance and reporting of CSR can influence its corporate reputation (Brammer & Pavelin, 2004). In addition, Lewis (2001) suggests that a firm's CSR reputation comprises of perceptions related to a firm's environmental impact, treatment of employees, financial performance, product quality, quality of management or organizational issues, customer service, and social responsibility.

There are various benefits that a firm can reap from establishing a good CSR reputation. In particular, Fombrun, Gardburg & Barnett (2000) propose that establishing a good CSR reputation allows a firm to build community ties and maintain a licence to operate, increase morale and attachment of current employees, prepare and attract potential employees, develop potential customers, and enact an environment where the firm can prosper. In relation to investors, Rodgers et al. (2013) examine a sample of companies listed as a 'top 100 corporate citizen' on an independent platform and find that there is a positive link between a firm's CSR reputation and its firm value, suggesting that investors, on average, perceive a firm's CSR efforts and its resultant good (bad) reputation positively (negatively).

Overall, the existing literature suggests that a good CSR reputation can allow a firm to reap benefits across various dimensions and contexts, including perceptions of responsibility during product recalls (Grunwald & Hempelmann, 2010) and other consumer perceptions (Coombs & Holladay, 2006; Klein & Dawar, 2004). This is consistent with Fombrun et al. (2000) who find that establishing a good CSR reputation allows a firm to generate reputational gains that improve its ability to attract resources, enhance its performance, and build competitive advantage.

CSR Crisis Response Strategies

Even as a firm strives to build up its CSR reputation, it can also encounter CSR crisis situations which have become more common and widely reported in recent years (Paddison, 2015; Zhao et al., 2014). CSR crises can have strong negative impacts on firms. For instance, British Petroleum (BP) was involved in an oil spill off the Gulf of Mexico in 2010 that has been labelled as one of the worst environmental disasters in US history (Sherwell & Lawler, 2015). Despite its efforts to contain and rectify the situation, BP was so badly affected by the crisis that its market capitalization remained at a level that was $49 billion lower than its pre-oil spill level even one year after the incident (Moreano, 2011).

Following the occurrence of crises, firms often also attempt to address the situation by using various response strategies. Coombs (2006) lists denial, diminish, and rebuild as three possible response strategies that are based upon a continuum of recipients' perceptions of a company's acceptance of responsibility for a crisis. First, the deny response option seeks to prove that no crisis exists or the firm does not bear responsibility for the crisis. Second, in using the diminish response option, a manager accepts that a crisis has occurred, but tries to reduce the attributions of responsibility that stakeholders make towards the firm. S/he could do so by arguing that the firm bears minimal responsibility for the crisis or that the crisis is not as severe as stakeholders think it to be. Finally, in adopting a rebuild response strategy, the firm accepts responsibility for the crisis and asks stakeholders for forgiveness. In this study, I examine the deny and rebuild response strategies which are on opposite ends of the continuum of perceptions of a firm accepting responsibility for a crisis.

I use expectancy violation (EV) theory to form expectations for how investor judgments will be influenced by a firm's response strategy, given a good or bad CSR reputation. EV has been used to examine the effects of firm reputation in crisis situations on

the reactions of various stakeholders in prior research (e.g. Sohn & Lariscy, 2015). EV theory argues that pre-interaction expectations about a firm held by individuals are likely to be juxtaposed against the current actions of the firm and serve as cognitive triggers for cognitive processing in such a way that actions which violate pre-interaction expectations lead to more amplified outcomes than do actions which conform to expectations (Burgoon & LePoire, 1993). In the context of my study, a firm's prior CSR reputation forms the basis for investors' prior expectations about the firm (Helm & Tolsdorf, 2013). To the extent that any CSR crisis event which subsequently occurs or any response strategy which the firm adopts to address the crisis violate investors' prior expectations of the actions of the firm, these crisis events or response strategies will serve as triggers for cognitive processing which lead to amplified investor judgments. Prior research suggests that cognitive processing in crisis situations can trigger feelings of skepticism in investors (e.g. Dutta & Pullig, 2011).

When evaluating a good CSR reputation firm, investors are likely to hold high expectations for the actions for the firm. Should a CSR crisis subsequently occur, investors will be presented with negative news surrounding the firm that is inconsistent with their initial high regard for the firm. Information about the crisis is likely to violate the high expectations that investors have about how the firm should act or behave (Rhee & Haunschild, 2006). Consequently, any response strategy which the good CSR reputation firm chooses is unlikely to matter because neither the rebuild nor deny strategy is likely to be able to mitigate the effects of the violation of prior expectations and positively influence investors' investment judgments. Instead, any response is likely to trigger feelings of skepticism about the true motives of the firm in adopting a response strategy (Szykman, Bloom & Blazing, 2004). Accordingly, any response strategy which a good CSR firm adopts is unlikely to lead to improvements in investor judgments.

When evaluating a bad CSR reputation firm, investors are likely to hold low expectations for the actions of the firm. Should a CSR crisis subsequently occur, investors will be presented with negative news surrounding the firm that is consistent with their initial low regard for the firm. Hence, on its own, the crisis event is not likely to violate the expectations that investors have about how the firm should act or behave. However, investors are likely to further examine the firm's response strategy for information that violates/conforms to their expectations about the firm. Specifically, when a bad CSR firm adopts a rebuild response strategy, the response is likely to be perceived to be inconsistent with how a bad CSR firm should act. Consequently, it violates investors' expectations. In particular, investors are likely to question the underlying motives of the firm in using the rebuild strategy as a tactic to defend itself from the negative effects of the crisis, triggering feelings of skepticism (Sohn & Lariscy, 2015). In contrast, when the bad CSR firm adopts a deny strategy, they are likely to be perceived as acting according to character (Sohn & Lariscy, 2015). In such circumstances, investors' expectations of how the firm should act are less likely to be violated. They are unlikely to be as skeptical about the bad CSR reputation firm's intentions in issuing a response, leading to them being less likely to question the contents of the firm's CSR response. Accordingly, investors are likely to be more easily persuaded by a deny response (versus a rebuild response). As such, for bad CSR reputation firms, a deny response strategy is more likely to positively influence investment judgments than a rebuild strategy.

This leads to the following hypotheses:

H1: In a CSR crisis situation, investors' investment judgments will be more positively influenced when a firm adopts a deny response strategy than when it adopts a rebuild response strategy, with this effect of response strategy on investment judgments being stronger for a firm with a bad CSR reputation than one with a good CSR reputation.

H2: In a CSR crisis situation, investors' feelings of skepticism towards a firm will be lower when it adopts a deny response strategy than when it adopts a rebuild response strategy, with this effect of response strategy on feelings of skepticism being stronger for a firm with a bad CSR reputation than one with a good CSR reputation.

H3: In a CSR crisis situation, investors' feelings of skepticism will mediate the relationship between a firm's response strategy and investors' investment judgments, with this mediating effect being stronger for a firm with a bad CSR reputation than one with a good CSR reputation.

METHOD

Participants

I conducted an experiment with 158 participants from Amazon's Mechanical Turk (AMT) platform.[3] This pool of participants represents suitable proxies for non-professional investors. In particular, AMT has been used in prior studies (e.g. Rennekamp, 2012; Koonce, Miller & Winchel, 2015), and has been demonstrated to replicate results obtained in existing accounting studies (Krische, 2015). The extant literature shows that participants recruited on the AMT platform often exert just as much effort as other student participants commonly used in such studies (Paolacci, Chandler & Ipeirotis, 2010). Recruiting from the AMT platform allows me to use participants who possess sufficient knowledge to perform the experiment but at the same time do not represents subjects who are more sophisticated than necessary (Libby, Bloomfield & Nelson, 2002). Consistent with this, Blankespoor, Hendricks & Miller (2017), who use AMT participants in their study, find that participants' perceptions correlate highly with market valuations of their focal firm while Farrell, Grenier & Leiby (2017) find that AMT participants exert equal or more effort than other populations in

[3] Prior approval for the experiment was obtained from my university's Institutional Review Board.

completing accounting-research related tasks. Hauser & Schwarz (2016) suggest that including attention check questions in experimental studies using AMT subjects are an effective way to determine if participants pay sufficient attention when completing experiments. Accordingly, I include two attention check questions in my experiment. Overall, 93.7% (χ^2=120.53, $p < 0.01$) of participants answered the first attention check question correctly and 89.9% (χ^2=100.48, $p < 0.01$) of participants answered the second attention check question correctly, at rates that are greater than chance.[4]

The participants in my experiment have a mean (standard deviation) age of 32.28 (8.33) years and mean (standard deviation) working experience of 7.91 (9.22) years. Overall, 69.62% of participants have experience in investing (e.g. in stocks and bonds) while 72.15% indicated that they intend to make investments in the next twelve months. Each participant was paid US$1 for participating in the experiment.

Design

I used a 2 X 2 between-subjects design, with CSR reputation and CSR communication strategy as independent variables, to test my hypotheses. I operationalized good (bad) CSR reputation by presenting participants with an independent CSR report that rates the target company as having done well (badly) across various CSR performance benchmarks. In addition, I operationalized the rebuild CSR crisis response strategy by presenting participants with a news article that reports the target company as having taken full responsibility for a CSR crisis. The company apologises to stakeholders, asks for their forgiveness, and promises to work to rectify the situation to ensure that it does not recur. In contrast, I operationalized the deny CSR crisis response strategy by presenting participants with a news report that reports the company as having denied responsibility for the CSR crisis. The company instead

[4] Two-tailed tests are presented unless otherwise specified.

blames another company (that they had engaged to perform some work) for the crisis, and promises to work with them to rectify the situation to ensure that it does not recur. [5]

Procedure

Participants were randomly assigned to one of four experimental conditions. At the start of the study, participants were told that they would assume the role of a shareholder assessing the earnings prospects of Great Ocean, Inc., a fictitious US based manufacturer and distributor of consumer electronics. They were then provided with background information about Great Ocean, including a brief introduction to its business operations and a summary of its two most recent quarterly financial performances. Next, participants were told they would view a recently released CSR report on Great Ocean, compiled by an independent research firm. I manipulated Great Ocean's CSR reputation by providing participants with a CSR report on the company that varied according to the CSR reputation condition that they were assigned to. The report, compiled by the independent research firm, rated Great Ocean's performance in CSR across four categories: community, employees, environment, and governance. An overall rating that provides a composite rating across these four categories was also provided. The report further stated that companies could earn ratings ranging from 0 (corresponding to very poor) to 100 (corresponding to excellent) on each category. The format and language used to communicate this information was kept constant across conditions. Participants assigned to the *good _rep* condition received reports where Great Ocean earned ratings of between 84 and 86 while participants assigned to the *bad_rep* condition received reports where Great Ocean earned ratings of between 14 and 16.

[5] The firm, as part of its response, promises to take actions to prevent the crisis from recurring in both the *deny* and *rebuild* conditions. To the extent that promising to take actions to prevent the crisis from recurring impacts the degree to which the firm is perceived to have violated expectations of investors, the presence of this promise by the firm to take actions represents a boundary condition for the results that I observe in the experiment.

Following that, participants in all conditions were told that Great Ocean had been involved in a breach of consumer privacy, and viewed a press release by the Federal Trade Commission (FTC) that described how Great Ocean had collected and sold consumer data unfairly and deceptively, in violation of the FTC act. Great Ocean was also described as having paid $57 million to settle charges levied by the FTC. Participants were then asked to make initial investment judgements about Great Ocean, rating their agreement that Great Ocean was a good long term investment (*investment_pre*). Figure 1 presents an overview of my experimental procedure. Participants' initial investment judgments are labelled [A] and [C] in the *rebuild* and *deny* conditions respectively. Participant ratings were made on a 15-point scale, ranging from -7 (strongly disagree) to +7 (strongly agree).

Next, participants were told that Great Ocean had responded to the FTC's press release. They were then presented with a news article reporting the response. I manipulated Great Ocean's CSR response strategy by providing participants with a news article whose reporting on how Great Ocean had responded to the CSR crisis varied by response strategy condition. Specifically, participants in the *rebuild* condition received a news article which reported that Great Ocean had taken "full responsibility for the incident," and had "apologized to all stakeholders who had been affected by the incident and asked for their forgiveness." The company had also assured stakeholders that it would "work to rectify the incident to ensure that it does not recur." In contrast, participants assigned to the *deny* condition received a news article which reported that Great Ocean had indicated that it "did not bear responsibility for the incident" and that the crisis arose due to actions that was "undertaken by MODO, Inc., an agency that had been hired to help them manage consumer data." The company had also assured stakeholders that it would "work with MODO to rectify the incident to ensure that it does not recur." All other aspects of the news article (including

background information, language use, and formatting) were kept constant across conditions.[6]

Insert figure 1 here

To conclude, participants responded to a range of questions relating to their final investment judgments (labelled [B] and [D] in figure 1). Their final investment judgments related, as in their initial judgments, to the extent that they felt that Great Ocean was a good long term investment (*investment_post*). I also asked participants a range of questions relating to the extent of their feelings and thoughts about Great Oceans and the CSR crisis. Their responses were made on 15-point scales, with -7 corresponding to negative ratings and +7 corresponding to positive ratings. Lastly, they answered questions on manipulation checks, attention checks, and demographic information.

RESULTS

Manipulation Checks

Participants' ratings of Great Ocean's performance in the CSR report in the *good_rep* condition (mean=2.94) were significantly higher than in the *bad_rep* condition (mean=0.07, t=5.80, p<0.00). The manipulation of CSR reputation was thus successful. Also, participants' ratings of the extent to which Great Ocean took responsibility for the CSR crisis in the *rebuild* condition (mean=4.16) were significantly higher than in the *deny* condition (mean=-0.60, t=7.33, p<0.00). Hence, the manipulation of CSR response strategy was successful.

Analysis of Investment Judgments

To examine my hypotheses, I computed a measure of participants' reactions to the firm's response strategy (*investment*) by subtracting *investment_pre* from *investment_post*.

[6] The CSR reports presented to participants in the *good_rep*/*bad_rep* conditions and news reports presented to participants in the *rebuild/deny* conditions are provided in Appendix A and B respectively.

Investment was used as the main dependent variable in examining my hypotheses.[7, 8] H1 predicts that in a CSR crisis situation, investors' investment judgments will be more positively influenced when a firm adopts a deny response strategy than when it adopts a rebuild response strategy. It further predicts that this effect of response strategy on investment judgments will be stronger for a firm with a bad CSR reputation than one with a good CSR reputation. Table 1 presents results for participants' investment judgments. Panel A presents descriptive statistics for *investment* while panel B presents a conventional ANOVA of between-participant effects. The ANOVA indicates that the main effects of CSR reputation (F=1.27, p=0.26) and response strategy (F=0.10, p=0.76) on *investment* are not significant. The interaction effect of CSR reputation and response strategy on *investment* is also not significant (F=1.33, p=0.25). However, because I predict directional effects for how response strategy will influence *investment* given a firm's good or bad CSR reputation, contrast coding is the most appropriate and powerful means of testing H1 (Buckless & Ravenscroft, 1990). Panel C presents the results from my planned contrast. Contrast weights are -1 in the *rebuild*/*good_rep*, *deny*/*good_rep*, and *rebuild*/*bad_rep* conditions and +3 in the *deny*/*bad_rep* condition. Consistent with my predictions in H1, the planned contrast was marginally significant (F=2.82, p=0.10).

Insert table 1 here

Analysis of Investor Skepticism

[7] In the experiment, I also asked participants to make initial and final judgments of their agreement that the firm will recover from its current setback (*recover*). However, the inter-item correlation between *investment* and *recover* is relatively low, at 0.65. A factor analysis, using varimax rotation, also reveals that the two items load onto a single factor which explains a relatively low 62.11% of the variance in the data. As such, it appears that *investment* and *recover* relate to relatively different constructs. Accordingly, I choose to use *investment* as my main dependent variable as it relates more closely to my construct of investor judgments than *recover* which could, in addition to investment related judgments, also include judgments of other operational matters that the firm must deal with in making a recovery.

[8] I find that *investment_pre* is significantly higher in the *good_rep* condition (mean=0.33) than *bad_rep* condition (mean=-1.67, t=3.01, p<0.01). This is consistent with prior research which suggests that decision makers use a Bayesian model to update prior beliefs based on new information received (Koehler, 1993). It is also consistent with prior studies which have found that CSR reputation can shield a firm from crisis situations (e.g. Grunwald & Hempelmann, 2010; Coombs & Holladay, 2006).

H2 predicts that in a CSR crisis situation, investors' feelings of skepticism towards a firm will be lower when it adopts a deny response strategy than when it adopts a rebuild response strategy. It further predicts that this effect of response strategy on feelings of skepticism will be stronger for a firm with a bad CSR reputation than one with a good CSR reputation. To evaluate how participants in my experiment felt towards the firm's actions leading to the crisis, I asked participants to rate the extent to which they agreed that Great Ocean knowingly took actions that led to the crisis (*knowing_action*). They made their ratings on a fifteen-point scale, with -7 corresponding to "strongly disagree" and +7 corresponding to "strongly agree." To the extent that participants felt that Great Ocean intentionally took actions that it knew would lead to the crisis, they are likely to also have felt more skeptical about any subsequent response that the company made. Therefore, I expect that higher values of *knowing_action* represent higher levels of skepticism towards the firm.

Table 2 presents results for participants' feelings of skepticism towards the firm. Panel A presents descriptive statistics for *knowing_action* while panel B presents a conventional ANOVA of between-participants effects. The ANOVA indicates that the main effect of CSR reputation ($F=1.07$, $p=0.30$) on *knowing_action* is not significant while the main effect of response strategy ($F=2.53$, $p=0.11$) is marginally significant. The interaction effect of CSR reputation and response strategy on *knowing_action* is not significant ($F=0.41$, $p=0.52$). However, because I predict directional effects for how response strategy will influence *knowing_action* given a firm's good or bad CSR reputation, contrast coding is the most appropriate and powerful means of testing H1 (Buckless & Ravenscroft, 1990). Panel C presents the results from my planned contrast. Contrast weights are +1 in the *rebuild*/*good_rep*, *deny*/*good_rep*, and *rebuild*/*bad_rep* conditions and -3 in the *deny*/*bad_rep* condition. Consistent with my predictions in H2, the planned contrast was statistically significant ($F=4.21$, $p=0.04$).

Insert table 2 here

Mediation Analysis

H3 predicts that in a CSR crisis situation, investors' feelings of skepticism will mediate the relationship between a firm's response strategy and investors' investment judgments. It further predicts that the mediating effect will be stronger for a firm with a bad CSR reputation than one with a good CSR reputation. I use the Process tool to analyse the mediation effects (Hayes, 2012). The Process tool has been used in recent accounting literature to examine mediation effects (e.g. Bailey, 2015; Bobek, Hageman & Radtke, 2015). Hayes, Montoya & Rockwood (2017) note that even as the Process tool performs path analysis with observed variables as any structural equation modelling (SEM) program does, not all SEM programs can generate all of the statistics that the Process tool generates or implement bootstrapping in a way that facilitates inferences using those statistics. Further, Hayes et al. (2017) also state that for models of observed variables, differences in results obtained tend to be trivial, and rarely will the substantive conclusions a researcher arrives at be influenced by the decision to use the Process tool rather than SEM.

Given that the mediation effect of response strategy on *investment* via *knowing_action* is expected to depend on the firm's CSR reputation, I first conduct a moderated mediation analysis, with CSR reputation as the moderator variable. Panel A of Table 3 presents the results for the moderated mediation analysis. The direct effect of response strategy on *investment* is positive for both the *good_rep* (effect=0.44, -0.12< 90% CI <0.99) and *bad_rep* (effect=0.75, -0.12< 90% CI <1.62) conditions. However these effects are not significantly different from zero at the 90% significance level because the confidence interval incorporates the value zero (i.e. the 90% confidence interval is not entirely above or below zero).[9]

[9] All confidence intervals reported are constructed by the Process tool using 50,000 bootstrap samples.

Further, the indirect effect of response strategy on *investment* via *knowing_action* is negative for both the *good_rep* (effect=-0.01, -0.06< 90% CI <0.03) and *bad_rep* (effect=-0.03, -0.12< 90% CI <0.04) conditions. However these effects are also not significantly different from zero at the 90% significance level. Overall, these results are inconsistent with our predicted moderated mediation effects.

I posit two possible reasons for the lack of a moderated mediation effect. First, our test of a moderated mediation suggests that the mediating effect of *knowing_action* on the relationship between response strategy and *investment* is conditional on (or depends on) CSR reputation. However, to the extent that *knowing_action* mediated the relationship in a similar manner across CSR reputation conditions, testing for a moderated mediation effect will reduce the power of my test.[10] Second, it is possible that the firm's response strategy may have, to some extent, overwhelmed the effect of CSR reputation, particularly when it employed the deny strategy. If the firm's response strategy overwhelmed the effect of CSR reputation (i.e. because response strategy dominates, the firm's CSR reputation now does not matter as much to participants when they make their final judgements), examining the moderated mediation effect on the *investment* variable weakens the strength of my test.[11] Accordingly, I conducted a follow up mediation analysis, examining the mediation effect of *knowing_action* on the relationship between response strategy and investors' final investment judgments (*investment_post*). Examining a mediation effect rather than a moderated mediation effect allows me to investigate the possibility of a similar mediation path for participants across the *good_rep* and *bad_rep* conditions. Further, examining *investment_post*

[10] Consistent with this assertion, I note that, though not significantly different from zero at the 90% significance level, the directions of the direct and indirect effects reported in the moderated mediation analysis are similar when CSR reputation is both good and bad.

[11] To the extent that that the firm's response strategy overwhelms the effect of CSR reputation, I would expect to see a diminished effect of CSR reputation on *investment_post*, particularly in the *deny* condition. Consistent with this, I find that *investment_post* is marginally significantly higher in the *rebuild*/*good_rep* condition (mean=0.43) than in the *rebuild*/*bad_rep* condition (mean=-1.09, t=1.73, p=0.09) and no different in the *deny/good_rep* (mean=0.33) and *deny/bad_rep* (mean=-1.16, t=1.52, t=0.13) condition.

rather than *investment* as my dependent variable allows me to investigate the mediation effect of *knowing_action* under conditions where the firm's response strategy possibly overwhelms their CSR reputation. Results for this mediation analysis are presented in panel B of Table 3. The direct effect of response strategy on *investment_post* is negative (effect=-0.28, -0.82< 90% CI <0.27). However this effect is not significantly different from zero at the 90% significance level. Further, the indirect effect of response strategy on *investment_post* via *knowing_action* is positive (effect=0.10, 0.00< 90% CI <0.25). At the same time, these effects are significantly different from zero at the 90% significance level. Possible mediation effects established by the Process tool include full mediation, partial mediation, and indirect effects (see Mathieu & Taylor (2006) for an overview). The pattern of results observed in my mediation analysis, where the direct effect is not significantly different from zero while the indirect effect is significantly different from zero, suggests that the effect observed is an indirect effect where response strategy is not related directly with investment_post, but is instead indirectly related through significant relationships with knowing_action. Overall, these results are consistent with a mediation effect.

Insert table 3 here

ADDITIONAL ANALYSIS

My theory suggests that CSR reputation and response strategy influences investor judgments via feelings of skepticism. My results are generally consistent with this theory. However, one alternative explanation for my results is that rather than being driven a negative feeling such as skepticism, investor judgments could instead have been driven a positive feeling. For example, Elliott, Hodge & Sedor (2012) find that investors' judgments in response to a firm's acceptance or denial of responsibility for a restatement is mediated by

the positive feeling of trust.[12] In my study, to the extent that the effects of CSR reputation and response strategy on investor judgments are driven by a positive feeling, participants' ratings of this positive feeling would be higher when a firm adopts a deny response strategy than when it adopts a rebuild response strategy, with this effect of response strategy on feelings of skepticism being stronger for a firm with a bad CSR reputation than one with a good CSR reputation.

I conducted further analysis to examine this alternative explanation. In my experiment, I asked participants to rate the extent to which they felt a sense of satisfaction, trust, commitment, and loyalty in their relationship with the company. They made their ratings on a fifteen-point scale, with -7 corresponding to negative ratings of the relationship and +7 corresponding to positive ratings. A factor analysis reveals that participants' responses to these four questions loaded onto a single factor that captures 90.71% of variance in the factor.[13] A reliability analysis also reveals a high Cronbach's alpha of 0.97, suggesting that the single identified factor measures the underlying construct with a high degree of consistency. As such, I computed an index, comprised of the sum of each participants' responses to these four questions, to represent their positive feelings towards the company (*positive_feeling*). Because the alternative explanation makes directional predictions that *positive_feeling* will be higher in the *deny/bad_rep* condition than in the *rebuild*/*good_rep*, *deny*/*good_rep*, and *rebuild*/*bad_rep* conditions, I use contrast coding to test the alternative explanation. Specifically, the contrast weights that I use are -1 in the *rebuild*/*good_rep*, *deny*/*good_rep*, and *rebuild*/*bad_rep* conditions and +3 in the *deny*/*bad_rep* condition. Results indicate that the planned contrast is not significant (F=0.08, p=0.78). These findings

[12] I note that Elliott et al. (2012) do not manipulate the reputation of the firm or CEO in their study. They also do not vary participants' prior expectations about how the firm or CEO should behave. In contrast, I manipulate CSR reputation in my study. To the extent that a firm's CSR reputation leads investors to form prior expectations about a firm, subsequent violations of these expectations (such as through a CSR crisis or response strategy) are likely to have generated feelings of scepticism in my study, which are likely to have been absent in Elliott et al. (2012).
[13] Factor analysis was conducted using a varimax rotation.

are not consistent with the alternative explanation that CSR reputation and response strategy influences investor judgments via positive feelings towards the firm.

CONCLUSION

In this study, I investigate the effects of CSR reputation and CSR crisis response strategy on investor judgments. My results indicate that participants' investment judgements of a good CSR reputation firm were not affected by their choice of response strategy. In contrast, their investment judgments of a bad CSR reputation firm were more positively influenced by a deny response strategy than by a rebuild strategy. Further I find that participants' feelings of skepticism towards a good CSR reputation firm were not affected by their choice of response strategy while their feelings of skepticism towards a bad CSR reputation firm were more negatively influenced by a rebuild response strategy than by a deny strategy. In addition, the effects of response strategy on participants' final investment judgments were mediated by participants' feeling of skepticism towards the company.

My study complements the existing CSR research. Prior studies in this area have examined characteristics of CSR reporting and how they are perceived by investors and other stakeholders (e.g. Bradford, Earp, Showalter & Willams, 2017; Ramanna, 2013). They have also investigated the effects of CSR on various aspects of corporate performance including economic performance (Herremans, Akathaporn & McInnes, 1993), earnings quality (Kim, Park & Wyer, 2012), and reputation risk management (Bebbington, Larrinaga & Moneva, 2008). Elliott et al. (2014) also use an experiment to show that CSR performance can influence investors' judgments of a firm's fundamental value when they unintentionally rely on their affective reactions (to CSR performance) in estimating fundamental value. I extend these studies by examining how CSR reputation and CSR response strategy can influence investor judgments in the event of CSR crises. I also answer the call by Moser & Martin

(2012) for more experimental research in the area of CSR which examines issues which are not easily addressed by existing archival data.

Further, there has been little research into the effects of corporate communication strategy in the accounting literature. For example, existing research in this area has focused on how investors assess the credibility of management disclosures (Mercer, 2004), the effects of investor relations programs on investor following (Bushee & Miller, 2012) and also on the characteristics of communication strategies on investors (Craig & Brennan, 2012). I extend this literature by introducing two specific communication strategies that firms can adopt, and examine their effects on investor judgments.

One limitation of my study relates to its contextualized nature and how the results may not generalize to a wider range of scenarios. Similar to other experimental studies examining the effects of CSR reputation (e.g. Sohn & Lariscy, 2015; Dean, 2004), I note that factors other than CSR reputation and crisis response strategy may influence investor judgments in CSR crisis situations (both via a main effect or an interaction effect with my independent variables).[14] Further, while data privacy breaches (which I examine) are an increasingly common form of CSR crises (Ashford, 2016), various other forms of CSR crises exist. Many forms of CSR crisis often involve situations which invoke strong emotions (e.g. situations involving death, ill-treatment of vulnerable groups, etc) which may exert especially strong influences on investor judgments not examined in my study. Finally, the size of the CSR crisis may have also influence the effects on investor judgments.

My study also highlights interesting areas for future research. For instance, my study examines a situation where the CSR crisis history of the target firm is ambiguous. However,

[14] For example, while the firm's response strategy in the experiment contains a promise by the firm to take actions to ensure that the crisis does not recur in both the *deny* and *rebuild* conditions, an equivalent promise may not be present in other real life responses which ostensibly adopt a deny or rebuild response strategy.

this is often not the case in practice. Future research could examine how crisis history influences investor judgements. In addition, my analysis suggests the lack of a moderated mediation in the relationship between response strategy and *investment*, with *knowing_action* as the mediation and CSR reputation as the moderator. Instead, I find that *knowing_action* establishes an indirect relationship between response strategy and *investment_post*. While I suggest that this indirect effect is consistent with *knowing_action* mediating the relationship between response strategy and *investment*_post in a similar manner across CSR reputation conditions and with the firm's response strategy having overwhelmed the effect of CSR reputation, future research could examine the process mechanisms to provide further insights into how feelings of skepticism evoked by response strategy influences investor judgments.

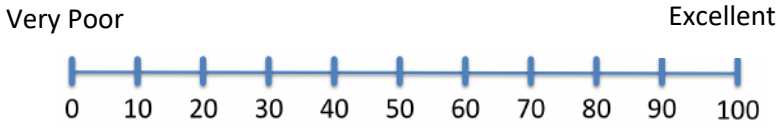
APPENDIX A

Manipulation of CSR Reputation

Corporate Social Responsibility Performance

Great Ocean also participants in corporate social responsibility (CSR) activities. The following two pages contains a recently released report of Great Ocean's CSR performance for 2016, compiled by McKing Consultants, an independent research firm:

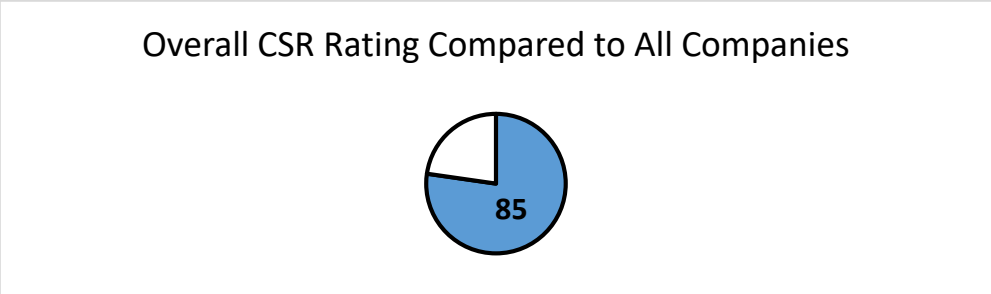
This report provides CSR ratings of Great Ocean, Inc. across four categories: Overall, Community, Employees, Environment, and Governance. Ratings in each category are made on a 100-point scale, with 100 corresponding to an excellent rating and 0 corresponding to a very poor rating.



Great Ocean, Inc. Corporate Social Responsibility Report 2016
(Manipulation: GOOD)

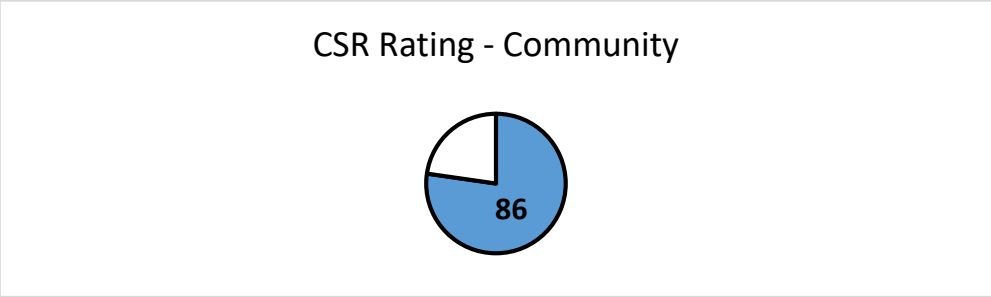
Overall

The Overall rating provides a composite ratings of the company across the following dimensions: (1) Community, (2) Employees, (3) Environment, and (4) Governance.



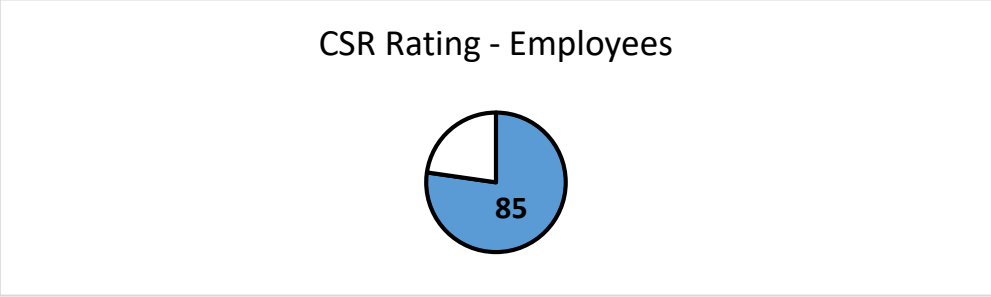
Community

The Community category covers the company's commitment and effectiveness within the local, national, and global community in which it does business. It reflects the company's citizenship, charitable giving, and volunteerism.



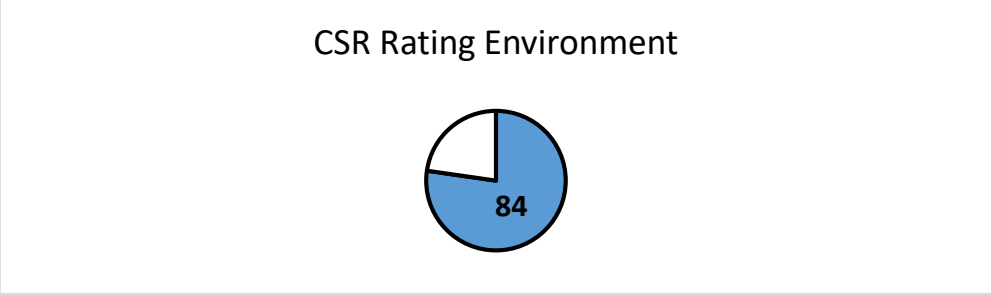
Employees

The Employees category includes the company's disclosure of policy, programs, and performance in diversity, labour relations and labour rights, compensation, benefits and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws, and proactive management initiatives.



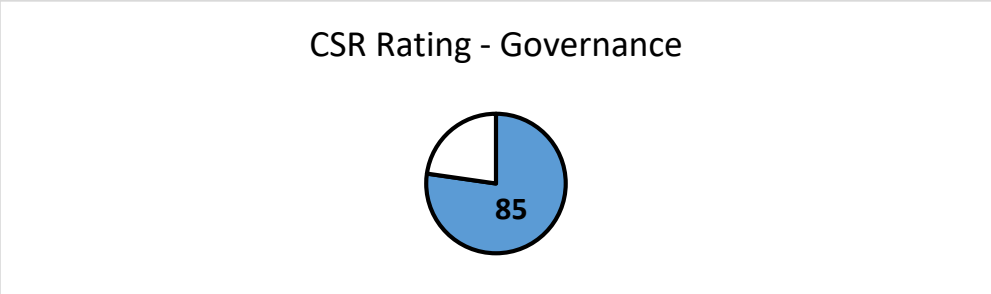
Environment

The Environment category covers the company's interactions with the environment at large, including use of natural resources, and the company's impact on the earth's ecosystems.



Governance

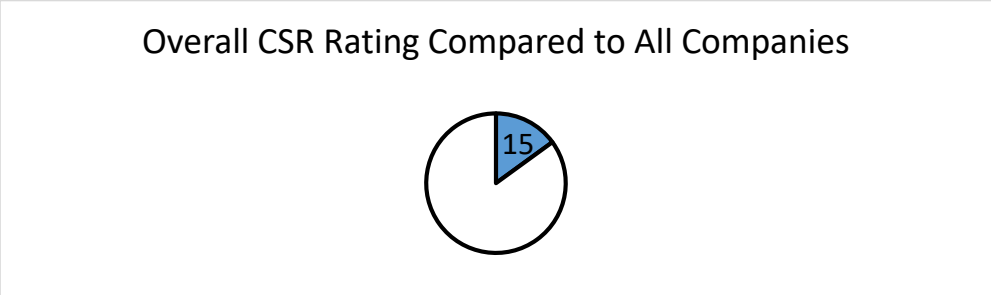
The governance category covers disclosures of policy and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluations of the company's culture of ethical leadership and compliance.



Great Ocean, Inc. Corporate Social Responsibility Report 2016
(Manipulation: BAD)

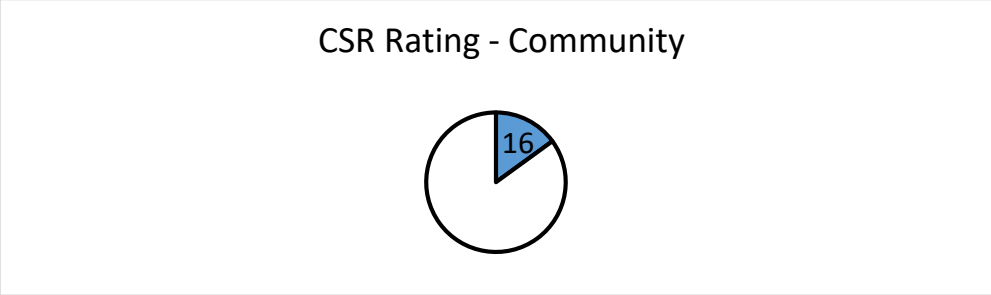
Overall

The Overall rating provides a composite ratings of the company across the following dimensions: (1) Community, (2) Employees, (3) Environment, and (4) Governance.



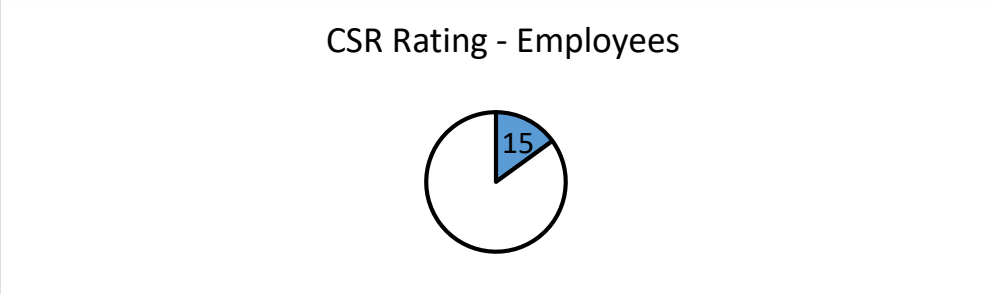
Community

The Community category covers the company's commitment and effectiveness within the local, national, and global community in which it does business. It reflects the company's citizenship, charitable giving, and volunteerism.



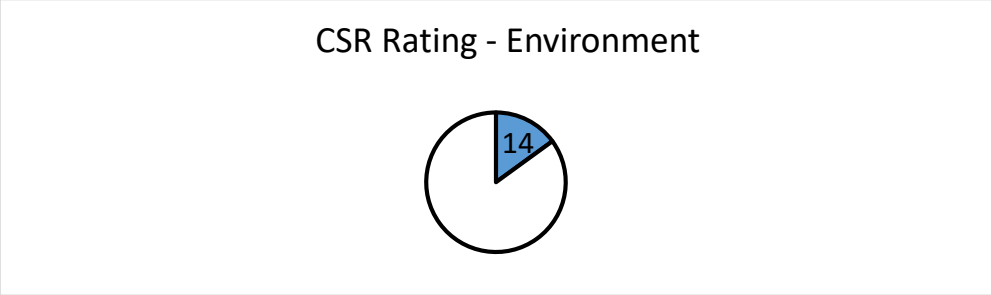
Employees

The Employees category includes the company's disclosure of policy, programs, and performance in diversity, labour relations and labour rights, compensation, benefits and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws, and proactive management initiatives.



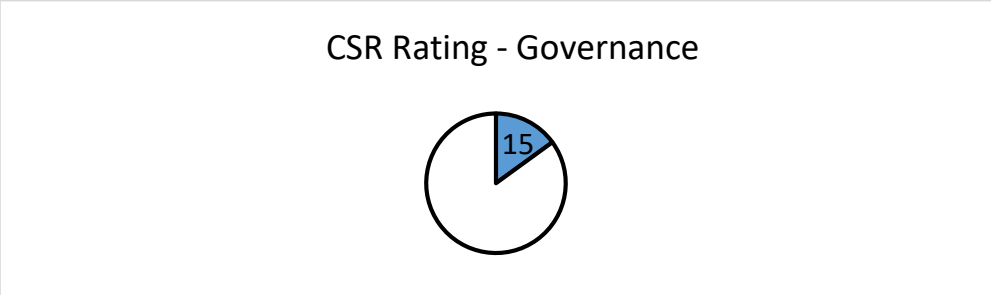
Environment

The Environment category covers the company's interactions with the environment at large, including use of natural resources, and the company's impact on the earth's ecosystems.



Governance

The governance category covers disclosures of policy and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluations of the company's culture of ethical leadership and compliance.



APPENDIX B

Manipulation of CSR Response Strategy

Great Ocean's' Response

Two days later, Great Ocean responded to the revelation of the news. The following is an article carried in the New York Times on Great Ocean's response:

Great Ocean Responds to Consumer Data Privacy Breach (Manipulation: Rebuild)

By Jason Scott / The New York Times / February 28 2017

Great Ocean has today responded to the investigation and subsequent monetary penalty imposed by the Federal Trade Commission (FTC) due to its collection and sale of consumer data without their prior consent.

A spokesperson for the company acknowledged that it had collected and sold viewing data on 35 million consumer TVs without consumers' knowledge or consent.

He said that the incident was "regrettable" and that the company "took full responsibility for the incident." He apologized to all stakeholders who had been affected by the incident and asked for their forgiveness.

He also assured stakeholders that the company would work to rectify the incident to ensure that it does not recur.

Great Ocean Responds to Consumer Data Privacy Breach (Manipulation: Deny)

By Jason Scott / The New York Times / February 28 2017

Great Ocean has today responded to the investigation and subsequent monetary penalty imposed by the Federal Trade Commission (FTC) due to its collection and sale of consumer data without their prior consent.

A spokesperson for the company acknowledged that it had collected and sold viewing data on 35 million consumer TVs without consumers' knowledge or consent.

He said that the incident was "regrettable" but that the company "did not bear responsibility for the incident." He explained that the collection and sale of customer data was undertaken by MODO, Inc., an agency that had been hired to help them manage consumer data.

He also assured stakeholders that the company would work with MODO to rectify the incident to ensure that it does not recur.

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FIGURE 1

OVERVIEW OF EXPERIMENT

	Rebuild Condition		**Deny Condition**	
	Good CSR Reputation	Bad CSR Reputation	Good CSR Reputation	Bad CSR Reputation
Background Information	Business Overview and Summary Financials		Business Overview and Summary Financials	
CSR Report	Good Report	Bad Report	Good Report	Bad Report
CSR Crisis	FTC Press Release		FTC Press Release	
Initial Investment Judgment	Two Investment Judgments [A]		Two Investment Judgments [C]	
CSR Crisis Response	Rebuild Strategy	Rebuild Strategy	Deny Strategy	Deny Strategy
Final Investment Judgment	Two Investment Judgments [B]		Two Investment Judgments [D]	

TABLE 1
Participants' Investment Judgments of Great Ocean *(investment)*

Panel A: Descriptive Statistics - Mean (Standard Deviation) [Sample Size]

	Response Strategy	
CSR Reputation	Rebuild	Deny
Good CSR Reputation	0.22 (3.04) [49]	-0.18 (1.40) [33]
Bad CSR Reputation	0.06 (3.09) [32]	0.89 (3.20) [44]

Panel B: Conventional ANOVA of Between-Participants Effects

Source	**Sum of Squares**	**df**	**Mean Square**	**F**	**p-value**
Intercept	11.60	1	11.60	1.42	0.24
CSR Reputation	10.35	1	10.35	1.27	0.26
Response Strategy	0.79	1	0.79	0.10	0.76
CSR Reputation * Response Strategy	10.86	1	10.86	1.33	0.25

TABLE 1 (Continued)
Participants' Investment Judgments of Great Ocean *(investment)*

Panel C: Planned Contrast Testing for H1

H1: -1 X Rebuild/Good_Rep - 1 X Deny/Good_Rep – 1 X Rebuild/Bad_Rep + 3 X Deny/Bad_Rep = 0

Source	Sum of Squares	df	Mean Square	F	p-value
Contrast: (-1, -1, -1, +3)	22.77	1	22.77	2.82	0.10

TABLE 2
Participants' Judgment that Great Ocean Knowingly Took Action *(knowing_action)*

Panel A: Descriptive Statistics - Mean (Standard Deviation) [Sample Size]

	Response Strategy	
CSR Reputation	Rebuild	Deny
Good CSR Reputation	3.63 (3.25) [49]	3.09 (2.87) [33]
Bad CSR Reputation	3.44 (3.55) [32]	2.16 (3.65) [44]

Panel B: Conventional ANOVA of Between-Participants Effects

Source	**Sum of Squares**	**df**	**Mean Square**	**F**	**p-value**
Intercept	1397.99	1	1397.99	121.71	0.00
CSR Reputation	12.26	1	12.26	1.07	0.30
Response Strategy	29.01	1	29.01	2.53	0.11
CSR Reputation * Response Strategy	4.75	1	4.75	0.41	0.52

TABLE 2 (Continued)
Participants' Judgment that Great Ocean Knowingly Took Action *(knowing_action)*

Panel C: Planned Contrast Testing for H2

H1: 1 X Rebuild/Good_Rep + 1 X Deny/Good_Rep + 1 X Rebuild/Bad_Rep - 3 X Deny/Bad_Rep = 0

Source	Sum of Squares	df	Mean Square	F	p-value
Contrast: (-1, -1, -1, +3)	47.37	1	47.37	4.21	0.04

TABLE 3
Mediating Role of Participants' Judgment that Great Ocean Knowingly Took Action *(knowing_action)*

Panel A: Moderated Mediation Analysis

	Effect	Standard Error	90% Lower Confidence Interval	90% Upper Confidence Interval
Direct Effect of Response Strategy on *Investment* when CSR Reputation is Good	0.44	0.33	-0.12	0.99
Direct Effect of Response Strategy on *Investment* when CSR Reputation is Bad	0.75	0.53	-0.12	1.62
Indirect Effect of Response Strategy on *Investment* via *knowing_action* when CSR Reputation is Good	-0.01	0.03	-0.06	0.03
Indirect Effect of Response Strategy on *Investment* via *knowing_action* when CSR Reputation is Bad	-0.03	0.05	-0.12	0.04

TABLE 3 (Continued)
Mediating Role of Participants' Judgment that Great Ocean Knowingly Took Action *(knowing_action)*

Panel B: Mediation Analysis

	Effect	**Standard Error**	**90% Lower Confidence Interval**	**90% Upper Confidence Interval**
Direct Effect of Response Strategy on *investment_post*	-0.28	0.33	-0.82	0.27
Indirect Effect of Response Strategy on *investment_post* via *knowing_action*	0.10	0.08	0.00	0.25