How are corporate social responsibility crises perceived by the consumer?

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Comment les consommateurs perçoivent-ils les crises liées aux activités socialement irresponsables de l'entreprise?

Résumé:
Ces dernières années, de plus en plus d'entreprises sont confrontées à des crises liées à leurs activités socialement irresponsables (crises RSE). Lorsque de telles crises surgissent, les professionnels du marketing doivent être en mesure de gérer les perceptions des consommateurs vis-à-vis de ces crises et de développer des stratégies de communication de crise appropriées. Cependant, notre compréhension de ce que les consommateurs perçoivent comme étant une crise RSE reste à ce jour très limitée. Dans ce contexte, cet article offre un aperçu des critères utilisés par les consommateurs pour définir une crise comme étant liée à une question de RSE.

Mots-clés: Responsabilité sociétale de l'entreprise, crise, perceptions du consommateur

How are corporate social responsibility crises perceived by the consumer?

Abstract:
In the last few years, news reports about crises involving socially irresponsible corporate activities (CSR crises) are on the rise. When such crises surface, marketing practitioners face the difficult task of dealing with consumers' appraisal of the crisis situation and of developing appropriate communication strategies to manage it. Yet, little is known about those CSR crises. More specifically, we lack a clear understanding of how and when consumers perceive a situation as being a CSR crisis. In that context, this paper offers an understanding of the main characteristics that consumers are likely to use to define a crisis as being CSR-related.

Key-words: Corporate social responsibility, corporate crisis, consumer perceptions
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Introduction

There is no doubt that corporate social responsibility (CSR), defined broadly as “a company’s commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society” (Mohr, Webb, and Harris, 2001, p. 47), has become an integral part of today's business environment. For instance, many companies are developing socially responsible activities, such as promoting good causes, philanthropy, or the development and implementation of socially responsible business practices (Kotler and Lee, 2005), and consumers appear to be particularly sensitive to companies' CSR actions (Bhattacharya and Sen, 2004). Furthermore, public attention towards CSR-related issues has grown in importance. Consumers have notably been showing a higher degree of sensitivity towards social and environmental issues (e.g., Cone Consumer Environmental Survey, 2009), resulting in greater societal expectations towards companies and in changing consumer demands.

Also, media coverage as well as advocacy group accusations about companies’ socially irresponsible practices have dramatically increased in recent years (e.g., Chiquita, BP, Nike, Nestlé), and the number of anti-corporate websites and movie documentaries revealing corporate irresponsible activities is on the rise. As a consequence, allegations related to socially irresponsible corporate actions occur more and more frequently, and the number of such criticisms is even expected to grow in the future (Strike, Gao, and Bansal, 2006).

Of particular concern is that such negative CSR allegations can fall under the scope of crisis situations. For instance, allegations about workplace discrimination are said to have reached crisis status (James and Wooten, 2006). We also find evidence in the literature and in surveys that consumers are willing to punish companies that are perceived to behave illegally or unethically (e.g., Bollen, 2004; Frooman, 1997; GlobeScan, 2010) and that accusations of
irresponsibility have a strong destructive impact on consumer attitudes toward the company (Wagner, Lutz, and Weitz, 2009). When a crisis related to socially irresponsible corporate activities – which we refer to as a CSR crisis – arises, marketing practitioners face the difficult task of dealing with consumers' appraisal of the crisis situation and of developing proper communication strategies to manage it. Because crisis management and communication strategies need to fit the specific crisis type that the company faces (Coombs and Holladay, 2002; Pearson and Mitroff, 1993), it is critical for marketers to understand what those CSR crises precisely are, especially in the eyes of the consumer.

However, most scholars in the crisis literature stream have not adopted a consumer-oriented perspective to define and classify crises, but have remained focused on the company's viewpoint, and therefore fail to reflect consumers' increasing concerns for CSR-related issues in the existing crisis conceptualization. Similarly to the idea of marketing myopia (Levitt, 1960), focusing on the company's perspective is perhaps too shortsighted. Managers might thus be using the wrong criteria to define and classify the potential crises that arise in their environment and, in so doing, they put their company at risk, in at least two respects. First, they take the chance of not recognizing a situation as a crisis when it actually is perceived as such by consumers. Second, as they seek to develop crisis management strategies that fit the crisis situation perceived by their company, they are likely to develop crisis communication strategies that do not meet consumers' expectations and needs. Adopting a more consumer-oriented perspective therefore appears as a relevant alternative to the current focus of the crisis literature to understand CSR crises, especially since “the recent financial crisis and the Deepwater Horizon oil spill has highlighted the general public's increasing awareness and interest in such crises” (PA Consulting Group, 2010).

Accordingly, this working paper investigates how consumers perceive a situation as being a CSR crisis and offers a first understanding of the main characteristics that consumers are likely
to use to define a crisis as being CSR-related. The remainder of this article proceeds as follows: we first provide a definition of the corporate crisis concept and briefly present the existing crisis classifications that have been developed. We then focus on gaining a better understanding of consumers' perceptions of CSR crises. Finally, we discuss some avenues for further research and conclude by presenting the main contributions and implications of our work.

1. Corporate crises and crises classifications

1.1. Definition of a corporate crisis

A corporate crisis is far from being a unanimously defined concept, which can partly be explained by the fact that corporate crises encompass a multitude of characteristics and can differ in various ways. Some researchers notably highlight that a company is vulnerable to limitless types of crises (e.g., Pearson and Clair, 1998; Pearson and Mitroff, 1993), in a way that every crisis could somehow be viewed as a “uniquely undesirable experience” (Snyder & al., 2006, p. 372). What appears in the literature to be the common ground of all corporate crises is the threat that they represent for the company (Dutton, 1986): a threat to its most fundamental goals, such as delivering its products and services, but also a threat to its financial performance, its relationships with its stakeholders, its reputation, and even its viability (e.g., Barton, 1993; Coombs, 2007; Fink, 1986; Lebinger, 1997; Milburn, Schuler, and Watman, 1983; Seeger, Sellnow, and Ulmer, 1998; Weick, 1988) (see Appendix 1).

Moreover, although most scholars in the field have only considered the corporate side of this threat, Pearson and Clair (1998, p. 66) are among the few authors recognizing that a crisis is also a situation “that is perceived by critical stakeholders to threaten the viability of the organization and is subjectively experienced by these individuals as personally and sociall
threatening”. Such a statement emphasizes that crises also represent a threat for the company's stakeholders, i.e., “any group or individual that can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman, 1984, p. 46), such as its employees, its consumers, its suppliers, the local communities and the natural environment. In addition, “the extent of the crisis damage typically extends well beyond the afflicted organization” (Ulmer and Sellnow, 2000, p. 144) and crises therefore have the potential to create a new category of stakeholders that the company had not anticipated before, i.e. the victims (Marcus and Goodman, 1991; Ulmer and Sellnow, 2000), which are “any individuals who believe that they have been traumatized by the unfortunate event” (Pearson and Clair, 1998, p. 62).

1.2. Crises classifications

Given the limitless types of crises that a company might face, various typologies of crises have been developed throughout the years. The value of a crises classification for companies lies in the fact that “dealing with crises means dealing with nightmares and nightmares become less of a threat if someone turns on the light. So classifying crises is the first step to keep them under control since they can be named and analyzed” (Gundel, 2005, p. 106). Moreover, companies can hardly plan for all crises that could potentially affect them (Mitroff and Alpaslan, 2003). Therefore, when crises are grouped on the basis of their similarities, companies are better able to analyze those crises and to prepare themselves to deal with them. Some classifications are based on the type of failure involved, which can either be natural, technical, or human-made (e.g., Egelhoff and Sen, 1992; Lerbinger, 1997; Mitroff, Shrivastava, and Udwadia, 1987; Pearson and Mitroff, 1993), or on the means through which crises are initiated, which can either be normal everyday events or aberrant and deviant situations (e.g., Pearson and Mitroff, 1993; Mitroff and Alpaslan, 2003). Other scholars suggest that crises differ in at least two respects: first, on the easiness with which the victims
of the crisis can be identified; and second, on the easiness with which the company can deny its role in causing the crisis (Marcus and Goodman, 1991). Another distinction is often made between internal and external crises, that is whether they originate within the company and remain company-specific or outside of the company and can affect multiple organizations (e.g., Coombs and Holladay, 1996; Snyder & al., 2006). However, these classifications have been built from the company's viewpoint, some of them arising from organization-based surveys and interviews with managers.

Existing typologies therefore fail to reflect consumers' definition of corporate crises, even if the business perspective of what crises are might not be congruent with consumers' perceptions. For instance, a distinction between the business perspective and consumers' perspective on corporate crises could be made regarding natural disasters, such as floods, earthquakes, or wildfires. Indeed, natural disasters are considered a specific type of corporate crises by most authors as they are threatening and can have a detrimental impact on companies' operations. Companies have to prepare for these crises as well as to defend themselves when such disasters occur (Mitroff and Alpaslan, 2003). However, they are not business-related in any way. Thus, despite the fact that natural disasters clearly are a type of corporate crises in the eyes of the company, they are more likely to be perceived as uncontrollable acts of nature rather than as corporate crises by the consumer.

A first step toward a more stakeholder-oriented perspective has been initiated by Coombs and Holladay (2002). Based on the attribution framework of blame developed by Weiner (1980; 1985), the authors have identified three crises clusters, according to the degree to which stakeholders attribute responsibility to the company for the crisis event: the victim cluster, that triggers weak attributions of responsibility, where “the organization is a victim of the crisis along with the stakeholders”; the accidental cluster, that triggers moderate attributions of responsibility, where “all of the crises represent unintentional actions by the organization”;
and the preventable cluster, that triggers strong attributions of responsibility, where the crises involve “either purposefully placing stakeholders at risk, or knowingly taking inappropriate actions, or human error that might have or could have been avoided” (Coombs and Holladay, 2002, p. 179). Nevertheless, such a classification focuses on stakeholders' reaction to crises, and more specifically on the process through which they attribute responsibility to the company. As a result, the literature remains silent about the way consumers perceive and define corporate crises in the first place, even though “clearly understanding the individual's process of crisis definition is a necessary first step” (Billings, Milburn, and Schaalman, 1980, p. 300).

2. Toward an understanding of consumers' perceptions of CSR-related crises

A preliminary step for consumers to perceive a situation as a CSR crisis is their awareness of a business-related crisis situation, which depends on the information about the situation that is made available. Unless they are the direct victims of the crisis, much of what consumers learn about companies and the issues that surround them come from news reports in the media (e.g., Deephouse, 2000; Dutton and Dukcrich, 1991), even though some information might also be glanced from the company itself. News media play an important agenda-setting role through “their ability to influence the salience of both topics and their image among the public” (Carroll and McCombs, 2003, p. 36). According to Carroll and McCombs (2003), the agenda-setting function of the media has two dimensions. First, “agenda-setting effects are on attention” (p. 38), that is, the media make an issue salient by giving it repeated attention, which in turn influences the salience of the issue on the public agenda. Second, “agenda-setting effects are on comprehension” (p. 38), that is, the media frame the issue, or in other words, emphasize some aspects of it, ascribe meaning to the stories they report, and in so doing, shape consumers’ interpretation of the reported issues (Hallahan, 1999). Hence,
whether a situation is perceived as a crisis by consumers is likely to depend on the amount of attention it receives from the media as well as on the way it is depicted in the media. Once consumers are aware of a potential crisis situation, one can investigate whether they perceive the crisis situation as being CSR relevant, or in other words, as involving socially irresponsible corporate activities. Through their case study research, Kolk and Pinkse (2006) suggest that CSR scandals arise whenever the company has neglected one or more of its stakeholders, even though such practices are not always deliberate. Yet, while much has been written about CSR and what it means to behave in a socially responsible way, only a few researchers have focused their attention on examining companies’ socially irresponsible activities (e.g., Strike, Gao, and Bansal, 2006; Wagner, Bicen, and Hall, 2008). Consequently, our understanding of what can be considered socially irresponsible corporate practices remains quite fuzzy, especially since it is likely to be dependent of each individual consumer's judgment. However, in the light of the existing CSR literature, two aspects appear important to consider.

The first aspect pertains to whether consumers care about the issue at stake (e.g., Sen and Bhattacharya, 2001). Consumers do not necessarily care about all issues reported in the media. Poll results indicate that “consumers, themselves, are deciding which CSR issues are important” (Fleishman-Hillard, 2007, p. 11) and that the most important issues for consumers are those that they find most personally relevant. Such findings find support in the academic literature. For instance, Brunk (2010)'s research, which investigates the sources of consumer perceived un/ethicality of a brand or a company, highlights that six domains – consumers, employees, environment, local community and economy, business community, and overseas community – can influence un/ethical perceptions of a company. Both Brunk (2010)'s research and consumer surveys suggest that consumers are more likely to perceive a situation as CSR-related whenever the crisis situation involves an issue that directly affects their own
well-being (e.g., issues related to product quality, freedom of choice, misleading advertising campaigns, etc.) or indirectly affects them through its impact – or expected impact – on other stakeholder groups they care about or easily relate to, such as employees, the environment, or the local communities. Hence, the proximity to consumers’ CSR concerns of the issue at stake in the crisis situation is likely to be one characteristic that consumers use to define the CSR-relatedness of a corporate crisis.

The second aspect pertains to the degree to which the corporate crisis harms consumers and/or the stakeholders they care about. Beyond its severity, defined as the amount of financial, human, and environmental damage it inflicts (Coombs and Holladay, 2002), a crisis also generates more abstract, psychological harm. The same way “consumers are able to fulfill certain values or important life goals, such as social connectedness, self-esteem and a sense of harmony” through the positive CSR activities developed by companies (Bhattacharya and Sen, 2009, p. 358), a crisis that involves an issue close to the consumers’ CSR concerns might more or less challenge their sense of values, well-being, and rightness. Such a perspective suggests that consumers are more likely to perceive a situation as CSR-related whenever the situation is deemed serious, in both the concrete and abstract sense of the term. Hence, the seriousness of the crisis situation is likely to be one characteristic that consumers use to define the CSR-relatedness of a corporate crisis.

3. Further research

The consumer-oriented approach toward the CSR crisis definition adopted in this working paper provides new and important insights into the corporate crisis conceptualization. Indeed, although they appear important to consider from a consumer standpoint, none of the characteristics that we discuss – that is, the amount of media attention given to the crisis issue, the proximity to consumers’ CSR concerns of the issue at stake, and the seriousness of the
crisis situation – are used by scholars in the crisis literature stream to define and classify corporate crises. However, our objective in the next stage of this research in progress is to improve our understanding of consumers’ perceptions and definition of CSR crises by empirically investigating whether the characteristics identified are the appropriate ones or if other characteristics should be considered.

Such an investigation could be achieved through face-to-face interviews and/or focus groups with consumers, and a subsequent interpretive analysis. Indeed, the unexplored nature of the subject calls for an explorative research, which would allow gaining insights into the phenomenon of interest, rather than for a hypothesis-testing, quantitative research. In contrast to quantitative research, which is primarily concerned with the measurement of concepts and variables, qualitative research is directed toward discovering the meanings and experiences of social actors (e.g., Blaikie, 2000; Mason, 2002; Spiggle, 1994) and therefore suits our general objective of generating a comprehensive understanding of consumers' perceptions of corporate crises, and specifically of CSR crises. In addition, survey-based inquiries present some methodological limitations. For instance, the use of hypothetical scenarios, as in the case of Coombs and Holladay (2002)'s research, takes respondents’ awareness of the crisis situations for granted and imposes the researcher's own view of what corporate crises are, which contrasts with our objective of seeking the 'insider view' (Blaikie, 2000), i.e. consumers' own appraisal of the phenomenon.

Not only are we unwilling to impose our own understanding of corporate crises beforehand but we are also interested in discovering all the situations that consumers could potentially perceive and conceptualize as CSR crises. Accordingly, interviews and/or focus groups with consumers appear as the best means of collecting data. Even though other possible qualitative research methods, such as case studies (Yin, 2003) or netnography (Kozinets, 2002), could be insightful, they would imply to restrict the field of investigation to a few particular crisis
situations. In a further stage, however, the adoption of a netnographic approach – that is, using the information that is publicly available in online forums organized around particular crisis situations – could be a relevant complementary way of collecting data in order to identify the characteristics used by consumers to define CSR crises. In addition, in the context of interviews and focus groups, announcements about various negative business-related allegations reported in newspapers and in the managerial press could be used in order to stimulate discussion and direct participants' attention to the corporate crisis topic. Indeed, the use of elicitation materials in conjunction with interviews and focus groups appears particularly appropriate since, at first glance, consumers might not think of corporate crises as a personally relevant and easy topic to talk about. Elicitation materials could therefore facilitate communication and help consumers to elaborate on corporate crises (Moisander and Valtonen, 2006). Thus, prior to interviewing consumers, we plan on collecting news reports about a representative array of business-related issues.

A challenge that arises when trying to tackle CSR-related topics, and which should therefore be taken into account, is the potential social desirability response bias (Crane, 1999). “Socially desirable responses are answers that make the respondent look good, based on cultural norms about the desirability of certain values, traits, attitudes, interests, opinions, and behaviors” (Steenkamp, de Jong, and Baumgartner, 2010, p. 200). Although this bias has mainly received attention in the context of quantitative research (e.g., de Jong, Pieters, and Fox, 2010; Mick, 1996; Steenkamp, de Jong, and Baumgartner, 2010), qualitative interviewing methods are equally affected (Crane, 1999). One way to minimize any social desirability effects on responses is to keep the interviewees anonymous (Mohr, Webb, and Harris, 2001). Additionally, face-to-face interviews allow the researcher to account for this bias, to some extent, by recording the respondents' physical and verbal responses to the more ethically-oriented questions (Fineman, 1996).
Some consumer-specific factors that could potentially moderate their perception of the CSR nature of corporate crises should also be taken into consideration. Those factors can be socio-demographic ones (e.g., age, gender) or linked to consumers’ social value orientation, which relates to their motivation to process CSR information (Du, Bhattacharya, and Sen, 2010) and which can either be prosocial, individualistic, or competitive (Van Lange & al., 1997).

4. Conclusion

Corporate crises “have become an inevitable, natural feature of our everyday lives” (Mitroff and Anagnos, 2001, p. 3). Nowadays, a growing number of crises appears to be related to socially irresponsible corporate practices but such CSR crises remain ill defined. Indeed, although the crisis conceptualization should be adapted to the continuous flow of new challenges that companies face in their environment, the existing crises’ definitions and typologies do not reflect the increasing public interest in CSR-related issues. The fact that the crisis literature has not adopted a more consumer-oriented perspective on crises in the past might explain such a lack of CSR considerations. This working paper is a first step toward filling those gaps. We offer some new insights into the main characteristics that consumers are likely to use to interpret corporate crises and to define them as being CSR-related – namely, the amount of media attention given to the crisis issue, the proximity to consumers’ CSR concerns of the issue at stake, and the seriousness of the crisis situation. Moreover, as it provides insights to managers and marketing practitioners into consumers’ perceptions of CSR crises, our research also has important managerial implications. Identifying consumers’ definition of CSR crises could not only help marketers to better identify and understand the type of crisis their company is dealing with, but could also offer them a more accurate foundation for the identification and development of crisis management and communication strategies that would match consumers' needs and expectations in times of CSR crisis situations.
By outlining the characteristics that consumers are likely to use to define corporate crises as being CSR-related, we hope to contribute to an understanding of corporate crises that better match the current environment in which companies operate, where CSR and related issues have gained a lot of importance. We also hope to provide interesting and relevant insights for research developing around the identification and elaboration of appropriate crisis management and communication strategies.

In keeping with this idea, further research should notably focus on identifying the crisis communication strategies that best suit CSR crises. In this perspective, attention should not only be given to reactive but also to proactive strategies, as recent research suggest that sending messages about the company before the crisis may provide an alternative strategy to crisis management (Wan and Pfau, 2004). In their research, Wigley and Pfau (2010) notably show that inoculation, bolstering, and sending positive CSR messages are three proactive communication strategies that might be effective in reducing the company's reputational loss in the event of a crisis. However, in the prospect of a CSR crisis, developing a proactive CSR communication might not be in the company’s best interest, as some research seem to suggest that promoting the company as socially responsible might increase, rather than decrease, the damage caused by negative CSR allegations (e.g., Knight and Greenberg, 2002; Pashupati, Arpan, and Nikolaev, 2002; Wagner, Lutz, and Weitz, 2009).

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(accessed Nov. 21, 2010).


### Appendix 1: Key corporate crisis definitions

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<tr>
<th>REFERENCES</th>
<th>DEFINITION</th>
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<tr>
<td>Hermann (1963)</td>
<td>“(1) threatens high-priority values of the organization, (2) presents a restricted amount of time in which a response can be made, and (3) is unexpected or unanticipated by the organization” (p. 64)</td>
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<td>Milburn, Schuler, and Watman (1983)</td>
<td>“(a) opportunity for the organization to attain its current goals; or (b) demand or threat on the organization which either prevents the organization from attaining its goals or actually removes or reduces an organization’s ability to attain its goals, that the organization seeks to resolve because the outcomes at stake are important and the resolution strategy is uncertain” (p. 1144)</td>
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<td>Fink (1986)</td>
<td>“A situation that runs the risk of escalating in intensity, falling under close media or government scrutiny, interfering with the normal operations of business, jeopardizing the positive image presently enjoyed by a company or its officers, and damaging a company’s bottom line in any way” (pp. 15-16)</td>
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<td>Weick (1988)</td>
<td>“Characterized by low probability/high consequences events that threaten the most fundamental goals of an organization” (p. 305)</td>
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<tr>
<td>Barton (1993)</td>
<td>“A major, unpredictable event that has potentially negative results. The event and its aftermath may significantly damage an organization and its employees, products, services, financial condition and reputation” (p. 2)</td>
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<tr>
<td>Lerbinger (1997)</td>
<td>“An event that brings, or has the potential for bringing, an organization into disrepute and imperils its future profitability, growth, and, possibly, its very survival” (p. 4)</td>
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<td>Pearson and Clair (1998)</td>
<td>“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, as well as by a belief that decisions must be made swiftly” (p. 60)</td>
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<tr>
<td>Seeger, Sellnow, and Ulmer (1998)</td>
<td>“A specific, unexpected and non-routine event or series of events that create high levels of uncertainty and threaten or are perceived to threaten an organization's high priority goals” (p. 233)</td>
</tr>
<tr>
<td>Fearn-Banks (2002)</td>
<td>“A major occurrence with a potentially negative outcome affecting the organization, company, or industry, as well as its publics, products, services, or good name.” (p. 2)</td>
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<tr>
<td>Coombs (2007)</td>
<td>“A sudden and unexpected event that threatens to disrupt an organization's operations and poses both a financial and a reputational threat” (p. 164)</td>
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