

Proposing public announcement intention and its antecedents from a CSR perspective: a qualitative study

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Abstract This study proposes a theoretical framework of public announcement intention from a perspective of corporate social responsibility, including nine propositions developed to help explain the framework. In the proposed framework, public announcement intention is positively influenced by CSR attitude and opportunism judgment, while CSR attitude is positively influenced by opportunism judgment. Besides, CSR attitude is also positively affected by organizational values and benefit expectations but negatively affected by competitive pressure. Furthermore, opportunism judgment is positively influenced by benefit expectations but negatively influenced by competitive pressure and information asymmetry. Collectively, this study provides a good example for understanding the specific issue of public announcement intention in CSR and is an important complementary research for previous studies in the CSR area.

Keywords Attitude · Judgment · Information asymmetry · Organizational values

1 Introduction

The toxic milk powder supplied from China to many countries in the world has caused a harmful impact not only to those who had eaten the milk but also to those firms who sold the milk unintentionally. In fact, before the safety crisis broke out in September 2008, it was reported that the Chinese company who provided the tainted milk has seen 53,000

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children fall ill and still failed to report complaints and announce honestly in public about the problematic product for months. Many health government officials around the globe took samples of milk powder and several other powdered cooking ingredients across hypermarket chains to check whether they are contaminated by the industrial chemical melamine. It was unfortunate that some food suppliers or retailers did not warn customers on time via public announcement to avoid their eating the tainted milk. For example, a large and well-know hypermarket in Taiwan failed to announce the truth in public and claimed that they did not sell items related to the toxic milk powder. However, it turned out to be a lie ultimately and seriously hurt the reputation of the hypermarket. This phenomenon suggests the importance of understanding public announcement intention of business organizations from a perspective of corporate social responsibility (CSR) when things go wrong. Public announcement intention represents organizations' intention to disclose accurate information to the public when things go wrong and thus can be considered an important indicator of CSR. In fact, most of organizational theorists agree with that if crises are handled effectively via right CSR attitude and behavior, organizations have the potential to benefit from the crisis (Ulmer and Sellnow 2000). To do so, effective public announcement is necessary.

In an age where customers have developed heightened expectations of health and safety, firms across different industries are anticipated to be responsible to economic, societal and environmental needs by confirming ingredient or material safety, responsible product promotion and health (Cheah et al. 2007). Although the public announcement by a firm selling problematic product could substantially hurt the firm's own reputation and profitability for a period of time (Yaros and Wood 1979), firms which were dishonest and slow in reacting to product defects could expose themselves to serious long-term reputation damage and much huger litigation costs (Cheah et al. 2007). It is understandable because firms which cannot perform public announcement about the truth on time, customers are likely to feel cheated after they learn the truth and recognize the lies of the firms. Indeed, CSR is somewhat driven by society's anticipations (Carroll 1999). The famous pyramid of responsibilities by Carroll (1999) rests on economic and legal responsibilities that are "required" whereas ethical and philanthropic responsibilities are anticipated and desired by a society (Ararat 2008). Firms should be aware of the necessity of acting beyond mere compliance with laws to embracing a more responsible CSR attitude towards society (Yaros and Wood 1979) by conducting their public announcement at a timely manner right after they make a mistake.

In fact, it is reported that more than 20% customers were willing to pay more for products supplied by firms that are socially and environmentally responsible (Cheah et al. 2007), suggesting CSR and public announcement are important. In the context of public announcement, constructive actions of a firm to disclose and announce about product defects in public and recall the product can be seen as explicit efforts towards corporate social responsibility (CSR). Such public announcement by the firm can also mitigate the adverse reactions arising from product defects, and in doing so, protect the long-run benefit of the firms (Cheah et al. 2007). Unfortunately, there is scarce research discussing about public announcement intention of business organizations from a CSR perspective. This paper aims to fill the gap in the literature by framing a conceptual framework of public announcement intention from angles of the firms' conditions and their market environment.

2 The development of the theoretical framework and its propositions

This study proposes a theoretical framework of public announcement intention based on an attitude-intention aspect applied by many previous studies (e.g., Ajzen 1991; Lin and Ding

2003). To be different from previous studies, this research discusses and clarifies public announcement intention as a critical outcome that was rarely discussed before and proposes its antecedents from the angles of firms' conditions and their market environment.

More specifically, the antecedents from the angle of firms' conditions include organizational values and benefit expectations (of CSR), while the antecedents from the angle of market environment include competitive pressure and information asymmetry. These four antecedents together influence public announcement intention indirectly via the mediation of CSR attitude and opportunism judgment. Note that arguing a CSR issue from the angles of both firms and their market is very important because most of previous studies related to ethics seldom include external environmental factors (i.e., market) as influential determinants and are likely to overlook the importance of the factors. After all, CSR is a concept whereby business firms integrate their own corporate attitude and their external environmental aspects regarding social responsibilities in their business operations and stakeholder relations on a voluntary basis, and thus it is about managing firms in a socially responsible manner.

CSR refers to the obligations of business firms to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen 1953). CSR was also a critical concept that occupied theoretical discussions about the role of business in society (Carter and Jennings 2002). Bowen (1953) provided one of the earliest modern contributions to the topic of CSR and indicated that corporate decision making processes have to consider not only the economic scope, but the social consequences deriving from their business ethical intention as well (Perrini et al. 2006), suggesting the importance of firms' announcing their wrongdoing to avoid harmful consequences.

CSR represents the medium via which businesses can rise to the challenge of sustainable development, and it is a concept encompassing a wide range of business practices and activities that go beyond a firm's operations (Cheah et al. 2007). Firms should strive to satisfy not only their stockholders, but also non-financial stakeholders in public (Donaldson and Preston 1995). More specifically, firms are responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements (Carroll (1999, p. 270)), revealing the critical role of CSR attitude in affecting their ethical intention and behavior.

CSR attitude is defined as general feelings of favorableness or unfavorableness by a firm for a particular CSR behavior (e.g., Ajzen and Fishbein 1980). Considerable CSR attitude research literature has established that attitude is a reliable predictor of CSR behavioral intentions (e.g., Ajzen 1991; Ajzen and Fishbein 1980). A firm that possesses distinct and positive CSR attitude is likely to have strong intention to announce in public for the mistakes the firm is responsible for. Thus, the first proposition is developed as below.

P₁: CSR attitude is positively related to public announcement intention.

Previous research indicates that the judgment towards ethical issues (e.g., opportunism) significantly affect the attitude and behavioral intentions (e.g., Chiu 2003). Opportunism judgment is considered a cognitive process in which the individual determines whether a specific course of action is morally opportunistic or not. Particularly, opportunism judgment in this study is defined as a capability to decline a strictly selfish behavior of individuals or organizations, which happens at the expense of other people. When a firm's decision makers perceive a carpetbag issue as a good chance (compared with when they perceive it as a threat), they consider that situation to be positive and acceptable (i.e., weak opportunism judgment) and thus attempt to perform actions opportunistically to obtain their goals (e.g., Srinivasan

et al. 2002). In such cases, managers are likely to take proactive measures by evading their wrongdoing and not conduct public announcement (Srinivasan et al. 2002).

Particularly, the opportunistic firms will perceive opportunistic occasions as potential sources of acquiring benefit for the firm and will respond proactively to do things against business ethics, leading to their low intention to perform public announcement after the occurrence of the mistakes they are responsible for. Thus, the proposition is derived as below.

P₂: Opportunism judgment is positively related to public announcement intention.

Opportunism represents the detection avoided by the intentional deception of the controller such as business organizations that sell goods in the market (John 1984). In a regulatory area, opportunism includes knowingly hiding safety violations or intentionally misrepresenting the situation to avoid sanctions (Gilliland and Manning 2002). Most models of ethical decision making find that individuals or firms which clearly judge an action to be opportunistic are more likely to boost CSR attitude positively (e.g., Ajzen and Fishbein 1980; Hunt and Vitell 1986). By contrast, if the opportunism judgment of a firm is vague (i.e., weak opportunism judgment), the firm is likely to have unethical attitude to hide its wrongdoing (i.e., low CSR attitude). Collectively, the judgment that ascertains reporting in all honesty is highly ethical and responsible to the public is likely to significantly affect CSR attitude (e.g., Barnett et al. 1996). Consequently, the next proposition is derived as below.

P₃: Opportunism judgment is positively related to CSR attitude.

Organizational core values prescribe the attitude and character of the organization (Wenstøp and Myrmel 2006). Organizational values of this study can be defined as general beliefs employed to resolve ethical conflicts and make decisions, and thus provide a direct link to understanding CSR attitude (e.g., Lin and Ding 2003). The positive or negative CSR attitude is influenced by organizational values, which are considered as an influence on CSR appraisals, and it has been emphasized in the models of ethical behavioral intention (e.g., Ferrell and Gresham 1985; Hunt and Vitell 1986).

The orientation of organizational values has been used to characterize an organization's stated social responsibilities to its various stakeholders (Beatty 1988). In other words, a firm may adopt a value orientation that focuses mostly on financial results or it can take a more balanced value that includes social responsibilities to other stakeholders such as customers, employees and society at large (Somers 2001). Organizational values differ across business organizations. When a firm faces a CSR dilemma, its value system will influence its perception of the ethical ramifications of the CSR situation (Finegan 1994). Thus, the proposition is derived as below.

P₄: Organizational values are positively related to CSR attitude.

Benefit expectations proposed in this study are judgments and beliefs about the likely beneficial consequences of enacting specific ethical behaviors (e.g., Bandura 1978). These judgments and beliefs are important because firms or people generally do not insist on performing specific ethical behaviors unless an incentive outcome is expected from such behaviors (Bandura 2001). Indeed, proponents of CSR claim that it is in the enlightened self-interest of business firms to undertake various actions of CSR (Moir 2001), suggesting the potential influence of benefit expectations on CSR attitude and opportunism judgment. The benefit herein that might accrue would include enhanced reputation, greater employee commitment, customer loyalty and so on. Note that the notion of benefit expectations is consistent with the outcome expectation of social cognitive theory, which is considered an influential determinant on future intention or behavior (e.g., Bandura 1986).

Previous research indicates that more benefits can be expected by a firm from being more socially and ethically responsible (Moir 2001). On one hand, when firms believe that taking CSR or ethics into account is ultimately beneficial to them, their attitude towards CSR is likely strengthened, leading to a positive relationship between benefit expectations and CSR attitude. On the other hand, when firms appraise that performing opportunistic behavior can be expected to be harmful in a long run, they are likely to possess right judgment about opportunism that should be avoided, suggesting a positive relationship between benefit expectations and opportunism judgment. Hence, the propositions can be stated as below.

P₅: Benefit expectations are positively related to CSR attitude.

P₆: Benefit expectations are positively related to opportunism judgment.

Unethical attitude and judgment can be consequences of market competition which encourage the spread of censured conduct (Shleifer 2004). Organizational sociologists have long argued that firms possess unethical attitude or adopt opportunistic actions because of organizational pressures from competition in market environments. Competitive pressure has been considered a potential explanatory variable for differences in ethical attitude and judgments (e.g., Shleifer 2004). Indeed, previous research indicates that people are likely to act opportunistically so as to relieve themselves of the pressure and tension (Ramaswami et al. 1997). Firms that are aware of competitive pressure in their market environment are likely to perceive stress for having negative attitude about CSR and performing opportunist behavior or strategies, consequently weakening their CSR attitude and opportunism judgment. For example, the competitive pressure in the global market brings children into the labor force in many underdeveloped countries (e.g., Shleifer 2004). Given that hiring children by a firm can reduce its production costs, its competitors are likely driven out of the market if they do not conduct unethical behavior by hiring children for their production (e.g., Shleifer 2004). Such an example suggests that competitive pressure which reflects a matter of organizational survival is likely to weaken firms' CSR attitude and opportunism judgment.

In the case of China's toxic milk, Oded Shenkar, management professor at Ohio State University's Fisher College of Business, said that even though Chinese government tries to crack down on such unconscionable crimes, competitive pressures in the market to commit them have been on the rise (Lelyveld 2008). There is relentless competitive pressure to contain costs, and thus the pressure to cut corners is always there, and some firms cut corners by using ingredients they are not supposed to (Lelyveld 2008). That is to say, climbing costs and competition may be factors in the temptation to adulterate products (Lelyveld 2008), revealing that competitive pressure can weaken a firm's CSR attitude and opportunism judgment.

Firms who suffer from different competitive pressure often act with different behavior in either honesty or opportunism, which is found to be a negative relationship between competitive pressure and opportunism judgment. Accordingly, differences in competitive pressure can influence the attitude of firms regarding the way they see CSR behavior. That is, the less competitive pressure a firm is experiencing, the more likely they care about CSR, resulting a negative relationship between competitive pressure and CSR attitude. Hence, the two propositions can be stated and summarized as follows:

P₇: Competitive pressure is negatively related to CSR attitude.

P₈: Competitive pressure is negatively related to opportunism judgment.

Information asymmetry of this study refers to the extent to which a firm has more information than its customers relating to the firm's area of social responsibility (e.g., Ramaswami

et al. 1997). Particularly, information asymmetry occurs when the customers do not have as much information about the environmental and business practices of a firm, as the firm itself (Kulkarni 2000). Presence of information asymmetry enables people to behave opportunistically (John 1984). The short-term profit maximization objective of a firm is likely to create an incentive for it to act opportunistically given information asymmetry (Kulkarni 2000). Hence, the existence of information asymmetry has important implications for a firm's ethical judgment about opportunism.

Unethical opportunism is considered as a phenomenon widespread in modern organizational and work life circumstances and conditions, and it often arises from information asymmetry (e.g., Douglas and Wier 2000). As mentioned previously, opportunism judgment in this study is defined as a capability to decline a strictly selfish behavior of business organizations, which happens at the expense of other people. Information asymmetry is likely to provide incentive to create slack and unethical attempts (Douglas and Wier 2000), weakening the opportunism judgment of the firms and consequently leading the firms to conduct unethical behavior.

Previous research has suggested a negative relationship between information asymmetry and opportunism judgment. For example, when managers were asked to make a cost allocation decision in which a manipulated information asymmetry (absent or present) is embedded, subjects' perception influenced by information asymmetry is likely to affect their intent to act opportunistically (Cohen et al. 2007), evidencing the negative impact of information asymmetry on opportunism judgment. Thus, the proposition is described as below.

P₉: Information asymmetry is negatively related to opportunism judgment.

3 Conclusion

This research proposes public announcement intention and its antecedents from the angles of firms' conditions and their market environment. Our study provides a nexus between social environmental ethics and organizational economics (e.g., information asymmetry). Recently, Carlin and Strong (1995) have asserted that organizational economics provides a significant perspective on organizational ethics, implying the relationship between information asymmetry and opportunism judgment. According to these researchers, more studies are needed to investigate the implications of opportunism and CSR for business ethics. Drawing on the literature in organizational economics, our study proposes that information asymmetry is the opposite of opportunism judgment, can be contingent on how information influences the major stakeholders (i.e., firms) who are supposed to be socially responsible for their own product.

As the information asymmetry often arises suddenly, a firm that is weak at opportunism judgment may withhold or manipulate some of the information about the safety of its contaminated products. As a result of its unwillingness to announce the product problem or wrongdoing in public, its products may cause serious casualties in a society. This research indicates the substantial indirect influence of information asymmetry on public announcement intention via the mediation of opportunism judgment, which has been rarely mentioned.

Our study examines whether a firm can sustain its informational advantage in the long run. It argues that benefit expectations in CSR may help reduce the threat of information asymmetry and competitive pressure to opportunism judgment. Our paper outlines how it may be possible for a firm to leverage its organizational values and benefit expectations as a source of strengthening its ethical intention to perform public announcement in honest.

Although this study proposes that four antecedents related to firms' condition and their market environment have the most influence on public announcement intention, different determinants may be obtained for other unethical behavioral intentions. Future researchers can try to examine more antecedent constructs (e.g., subjective norm) that may potentially influence firms' decision on public announcement and also conduct empirical investigation as important complementarity of this research.

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