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Business ethics, corporate social responsibility, and brand attitudes: An exploratory study

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ABSTRACT

It is important to understand the relative importance of business ethics and social responsibility in determining brand attitudes. However, there has been a failure in prior research to differentiate between attitudes toward business ethics and CSR. This research reviews customer-brand research related to business ethics and social responsibility and conducts a study to evaluate customer attitudes. Four scenarios offer variations in company behaviors related to positive and negative conduct of customer social responsibility and business ethics. Study findings from a panel of 351 respondents provide new insights related to a customer's expectations and perceptions of company CSR and business ethics behavior. We conclude that although CSR attitudes remain important, customers value business ethics as a critical behavior in their perceptions of brand attitudes.

1. Introduction

The relationship between ethics and social responsibility in customer-brand relationships is important in understanding brand attitudes (Kumar & Reinartz, 2016). Many types of brands and brand relationships have been associated with customer-company identification (Bhattacharya & Sen, 2003). Research results are often conflicting and incomplete on how consumers define business ethics and corporate social responsibility (CSR). Ethics is often defined as “doing good” and interrelated with CSR (Schwartz & Carroll, 2008). Moreover, researchers have not differentiated attitudes toward business ethics and CSR, especially in the development of scales to measure these two constructs. Most consumer research blends business ethics and CSR together (Brunk, 2012), whereas consumer ethics scales typically measure personal ethical perspectives about firm behavior related to both business ethics and CSR (Vitell & Muncy, 2005).

While academic research often combines business ethics and CSR as one overlapping concept, Weller (2017) discovered that in practice the concepts are socially negotiated, contextual with different meanings and relationships. While Weller's (2017) research involved senior managers, there have been no studies to determine if CSR and business ethics are viewed as different constructs by customers. This research addresses this gap in knowledge by investigating customer brand attitudes related to business ethics and CSR.

A number of complementary frameworks appear to be in competition for preeminence including corporate social responsibility (CSR) and business ethics and stakeholder management (Schwartz & Carroll, 2008). Social responsibility has been defined as corporate social performance, stakeholder theory and even business ethics theory (Carroll, 1999). Therefore, the academic community has often combined the constructs of business ethics and CSR. Business ethics is often limited to philosophical theories related to right or wrong decisions. A survey of definitions found rules, standards and moral principles were mentioned most often for business ethics (Lewis, 1985).

Ethical brands have been explored from the perspective of social responsibility issues such as sustainability, fair trade, or helping to improve customer welfare. Studies have explored brands being positioned using ethical attributes (Peloza, White, & Shang, 2013; White, MacDonnell, & Ellard, 2012). In addition, studies have specifically addressed the effects of CSR on corporate reputation and brand equity (Hsu, 2012). However, research has not clearly defined the difference between business ethics and CSR. For example, White et al. (2012) defines ethical brands as fair trade while Sierra, Iglesias, Markovic, and Singh (2017) assess ethical brand image using social responsibility indicators. For example, statements such as environmentally responsible, beneficial to the welfare of society, socially responsible brand, and creates new jobs are used. These inconsistencies are typical of many studies that treat business ethics and CSR as one and the same. This

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research represents an initial effort to assess if there is a difference between business ethics and CSR as they relate to brand attitudes.

Previous research has identified consumer responses to unethical consumption and unethical organization behavior (Bian, Wang, Smith, & Yannopoulou, 2016; Lindenmeier, Schleer, & Pricl, 2012). For example, research has examined individual values and brand attitudes, but the focus is primarily on moral philosophies or values that guide individual behavior (Brunk, 2010). Very little research has focused on organizational behavior, business ethics and CSR from a customer perspective (Keller & Lehmann, 2006). Thus, there is a need to explore the relationship between business ethics, CSR, branding and organizational behavior. Specifically, we will focus on the business ethics and CSR issues related to decision-making and behavior of the organization. Examining this descriptive approach to general customer expectations toward how a company should act (CSR, ethics behavior), will guide a deeper understanding of attitudes toward the brand when the firm engages in either positive or negative behavior.

Business ethics (Ferrell, Crittenden, Ferrell, & Crittenden, 2013) and social responsibility can be evaluated from both a normative and descriptive perspective. Descriptive or positive perspectives describe, explain, and/or predict that a phenomenon exists (Hunt, 1991). Normative perspectives explain what ought to be in evaluating and improving ethics (Laczniaik & Kennedy, 2011). Business ethics from a normative perspective relates to principles, values, and norms for organizational decisions. From a descriptive perspective, business ethics in an organization refers to codes, standards of conduct, and compliance systems and typically relate to decisions that can be judged right or wrong by customers. Therefore, ethical decision-making is typically associated with internal organizational decisions by individuals or social units about appropriate conduct. These decisions can impact internal stakeholders and external stakeholders.

CSR from a normative perspective focuses on values and principles for fulfilling economic, legal, ethical, and philanthropic responsibilities (Carroll, 1991). Therefore, CSR issues are associated with evaluations of concepts such as social issues, sustainability, consumer protection, corporate governance, legal, and regulatory (Ferrell, Fraedrich, & Ferrell, 2017). From a descriptive perspective, social responsibility issues can be legalized through laws and regulations. CSR activities can be observed from a descriptive perspective. Therefore, social responsibility is associated with positive or negative impact on stakeholders. Organizational leaders can make decisions about how to deal with stakeholders which have both CSR and ethical outcomes. In this research we define the difference between these two concepts based on how business ethics and CSR (perceived by customers) relate to brand attitudes. We use the artifacts of business ethics and CSR observations, structure and decisions to develop our research approach.

The purpose of this research is to determine the relative importance of business ethics and CSR in determining brand attitudes. Four scenarios (Fig. 2) measure different company behaviors that identify (1) negative business ethics and negative social responsibility, (2) negative business ethics and positive social responsibility, (3) positive social responsibility and positive business ethics, and (4) positive business ethics and negative social responsibility. This unique contribution collectively examines both CSR and business ethics where brand attitudes can be evaluated relative to both constructs.

The following contributions of this research relate to improving and understanding the importance of business ethics and CSR in customer-brand relationships.

- (1) Independent measures of general consumer expectations of business ethics and CSR are extended from prior scales.
- (2) Consumer expectations of business ethics and social responsibility are used to evaluate both negative and positive firm behavior.

First, we review the literature covering past research and knowledge about consumer-brand relationships. Next, we specify hypotheses and a

conceptual model, followed by the methodology and statistical analysis. The results provide critical findings related to a customer's expectations of company CSR and business ethics behavior involving different scenarios. The relationship of business ethics and CSR in developing brand attitudes provides strategic guidance for brand management. The prioritization of business ethics vs. CSR in determining brand attitudes provides new insights for future research.

2. Review of literature

There is significant research evaluating business ethics and CSR in terms of definitions and the relationship to brand attitudes. While much of the scholarly work on business ethics and CSR definitions is conflicting, there is agreement that business ethics relates more to individual and social unit decision making and CSR relates more to the impact on stakeholders. While business ethics and CSR are usually defined as interrelated in research related to brand attitudes, positive behavior or stakeholder outcomes are supportive of positive brand attitudes (Brunk, 2012).

2.1. Business ethics and CSR form a descriptive perspective

There is evidence that practitioners and academic researchers have different perspectives on the relationship of business ethics and CSR. Research on how practitioners implement these constructs provides important insights and descriptive understanding of business ethics and CSR in practice. Using communities of practice theoretical perspective provides insights that are important to understanding business ethics and CSR activities in the context of a business organization. Using interviews with senior managers found that business ethics and CSR have only informal relationships and diverse meaning in practice (Weller, 2017). This is in contrast to many academic scholars interpreting business ethics and CSR as similar and interrelated (Fassin, Van Rossem, & Buelens, 2011).

Fisher's (2004) review of textbooks across the management and business ethics disciplines found that in many that the two constructs are the same, just applied to different levels of analysis. Davidson and Griffin (2000) and Joyner and Payne (2002) explicitly state that the two constructs are the same thing. To compound the confusion, Carroll (1991) states that business ethics is one part of CSR or vice-versa. Finally Epstein (1987) argues that business ethics and CSR are related but distinct. In the academic community there is no clear resolution about the relationships of business ethics and CSR.

To state that the definitions of business ethics and CSR have been widely discussed and resolved would not be correct. Our research is the first to explore the definitions of business ethics and CSR from a descriptive customer perspective. Comparing our findings with Weller's (2017) findings from senior manager should bring new insights on how the constructs are viewed by two key stakeholders outside the academic community. Weller (2017) concludes that managers believe "CSR is a part of business ethics and reject those that believe business ethics and CSR are interchangeable" (p 20). Boundaries exist in organizations between business ethics and CSR activities. Distinct communities exist with few formal organizational and only a few informal relationships. Our research answers Weller's (2017) call for more research to explore the relationship between business ethics and CSR, both conceptually and in practice. Customer perceptions of these two constructs makes a significant contribution to advancing knowledge related to improved understanding of how the two constructs contribute to value and stakeholder satisfaction. If managers and customers can draw distinction between the two constructs then academic scholars need to reexamine their belief that the constructs are interchangeable.

2.2. Business ethics and CSR relationship to brand attitudes

Existing research on relationship business ethics and CSR related to

brands is based on several different perspectives. First, there is research about attitudes toward ethical products (Pelozo et al., 2013) and ethical consumption (Davies & Gutsche, 2016). This stream of research can examine the preference for brands that are promoted through appeals to social responsibility and business ethics. To date, most research about ethical brands is associated with social responsibility (White et al., 2012). Ethical brands are usually identified as doing something good for society or the consumer such as, organic ingredients, fair trade, or in some way addressing the needs and desires of stakeholders.

Fan (2005) defines an ethical brand as promoting the public good with attributes such as honesty, integrity, quality, respect, and accountability. Results are mixed in assessing the impact of ethical brand perceptions. Pelozo et al. (2013) found that ethical product attributes are not as important as product performance. Singh, Iglesias, and Batista-Foguet (2012) found that perceived ethicality of a brand has a positive effect on brand trust, and in turn brand trust is positively related to brand loyalty. The consumer perceived ethicality (CPE) scale (Brunk, 2012) is mainly based on CSR items and used to measure consumer perceptions of an ethical brand.

Muncy and Vitell (1992) and Vitell and Muncy (1992) developed a consumer ethics scale to evaluate consumer attitudes toward ethical misconduct. This scale was updated by Vitell and Muncy (2005) to address additional consumer attitudes toward issues such as buying counterfeit goods, recycling, and doing the right thing. Numerous studies have used this scale, but it is about consumers exhibiting ethical attitudes, not business ethics or CSR of firm behavior related to the brand.

Another stream of research focuses on customer brand perspectives of business ethics as they relate to company/brand perceptions. This research evaluates positive ethical behavior or ethical transgressions (Cohn, 2010). Moderating factors that may influence emotions, reasoning, and judgments in consumer-brand relationships has been explored, but not in the context of determining the impact of business ethics vs. social responsibility in making judgments about brand relationships (Schwartz, 2016).

Brand misconduct research focuses on negative brand actions (Trump, 2014). Brand misconduct is associated with negative consequences in brand attitudes and repurchase intentions (Huber, Vollhardt, Matthes, & Vogel, 2010) and brand behavior related to satisfaction has a positive impact of brand attitude. Hsiao, Shen, and Chao (2015) found that brand misconduct displayed a lower response on marketing relationships. In addition, communications such as advertising can be effective in mitigating the negative impact of brand misconduct. There is adequate evidence that measuring negative vs. positive conduct related to business ethics and CSR will have an impact on brand attitudes.

A widely used scale to measure consumer perceived ethicality (CPE) of a company or brand does not provide a clear distinction between social responsibility and ethics (Brunk, 2012). Scale indicators include law, social responsibility, and being a good company. The scale does not clearly define behaviors that evaluate ethical decision making in an organization. The ethical attitude questions are associated with applying one's personal moral philosophies of deontology and teleology, in most cases to CSR activities. The scale is based on being a market actor, being socially responsible, avoiding damaging behavior, and evaluating positive vs negative consequences (Brunk, 2012). Furthermore, the scale does not relate to specific organizational ethical behaviors, such as codes of ethics, deception, fairness, transparency, and avoiding bribery, etc.

There are a number of other issues related to the CPE scale. The 36 unethical behaviors are from 20 participants in the United Kingdom and Germany. These countries rank high in business ethics conduct and with so few respondents, it is questionable whether the participants are aware of the many important business ethics issues (Shea, 2010). In addition, as Brunk (2012) points out “nothing is known about the meaning the consumer ascribes to the term ‘ethical’.” Finally, Brunk

(2012) described being ethical as being socially responsible, and concluded “being ethical is almost synonymous to abiding by the law.”

This research examines consumer attitudes toward organizational artifacts in business ethics and CSR identifying artifacts in organizational behavior not customer normative evaluations related to personal philosophies. Brunk (2012) concludes that consumers are not able to use their own knowledge to differentiate between business ethics and CSR. Therefore, we identify behavioral artifacts related to ethical decision making and CSR activities to develop measures of business ethics and CSR. We use the artifacts of how business ethics and CSR are implemented and outcomes in practice to determine if customers differentiate the constructs.

3. Conceptual framework

An artifact approach is used to identify and differentiate business ethics and social responsibility. The National Business Ethics Survey (2018) identifies ethical decisions related to risk areas and issues that are typical for U.S. employees. Similarly, the Ethics Compliance Officer Association (ECO) identifies ethical decision making topics at their annual program. These two sources provide artifacts for refining scale items on topics that organizations typically face in making ethical decisions.

To extend measures used in current research, stakeholder issues associated with social issues, corporate governance, consumer protection, philanthropy, legal responsibilities, sustainability, and employee well-being from a stakeholder's perspective were identified (Ferrell et al., 2017). These issues are well documented and relate more to artifacts or outcomes of decision making. The items selected for business ethics represent decisions that could be made by individuals or social units about right or wrong behavior, and the CSR items relate to stakeholder concerns about negative or positive impacts on stakeholders.

Academic research typically view business ethics and social responsibility as a generalized concept of doing good, doing the right thing, or from positive or negative outcomes perspective. This research is a conceptualization of business ethics and social responsibility as independent constructs from a customer perspective based on documented artifacts from business outcomes.

Four scenarios were developed with each scenario consisting of both business ethics and CSR components. The scenarios were based on real world organizations that had both positive and negative outcomes from their business conduct and CSR activities. The scenarios disguise the real organizations but recognize that both positive and negative possibilities exist as outcomes for activities. Respondents could use their judgement or perceptions to evaluate the behavior. The hypotheses were developed to measure reactions to positive and negative behavior or outcomes in the scenarios. The scenarios require a response to perceptions of business ethics and CSR behavior as positive or negative. Each scenario facilitates comparison of both business ethics and CSR behavior.

4. Hypothesis development

The hypotheses were developed based on a review of research which establishes that negative and positive brand attitudes can develop based on observations related to business ethics or CSR (Folkes & Kamins, 1999; Becker-Olsen, Cudmore, & Hill, 2006). In addition, it has been found that attitudes can be negative or positive. Negative behavior can be more important to customers than positive behavior (Rivers & Sanford, 2018). Customers can have a deep emotional involvement with brands and can be seen as congruent or connected as a part of or a relationship with themselves (MacInnis & Folkes, 2017). Therefore customer's expectations of how a company should act (business ethics and CSR), and the perception of a company's positive or negative behavior can affect attitude toward the brand. While previous research establishes relationships between business ethics and CSR as a single

construct our hypotheses are unique in that they evaluate business ethics and CSR as distinct constructs.

Customers maintain personally held expectations toward companies CSR and business ethics practices. Preconceived attitudes of how companies should act have the potential to impact the customer's perception of a company's actual behavior. *Hypotheses 1–4* examine the extent that personally held attitudes toward CSR or business ethics are positive or negative CSR or business ethics behavior.

Hypothesis 1 is based on previous research that expectations of CSR will have a positive effect when the company's behavior is positive (Kang & Hustvedt, 2014). On the other hand, there should be a less favorable effect when there is negative CSR or a combination of negative CSR or business ethics behavior. When CSR and business ethics scales are combined, attitudes are strongly influenced either positively or negatively by customer response to company behaviors (Brunk, 2010).

Hypothesis 2 is based on the research that would suggest positive CSR behavior would have an effect on perceived positive business ethics behavior but less favorable effect with any combination of negative business ethics or CSR behavior. This is supported by multiple attribute attitude models that indicate there is considerable potential to change values consumers attached to brands (Lutz, 1975).

Hypotheses 3 and 4 follow the same logic as *H1 and H2* as it relates to business ethics. Positive business ethics as a distinct construct will have a positive effect on perceived CSR. Negative combinations of business ethics and CSR will have a negative effect on business ethics. This again is based on constructs that combine business ethics and CSR (Vitell & Muncy, 2005). *H4* is parallel to *H1* related to CSR but examines whether expectations of business ethics will have a positive effect on perceived business ethics behavior. Any negative combination of business ethics and CSR will have a less favorable effect. The following hypotheses examine the extent that personally held attitudes toward CSR (business ethics) has on a company's CSR (business ethics) in the midst of positive or negative CSR (business ethics) behavior. Accordingly, we anticipate that:

Customer expectations of CSR

H1. A customer's expectation of CSR will have a positive effect on perceived CSR behavior when the company's behavior is positive but will have a less favorable effect when the company presents any negative combination of CSR or ethics behavior.

H2. A customer's expectation of CSR will have a positive effect on perceived business ethics behavior when the company's behavior is positive but will have a less favorable effect when the company presents any negative combination of CSR or ethics behavior.

Customer expectations of business ethics

H3. A customer's expectation of business ethics will have a positive effect on perceived CSR behavior when the company's behavior is positive but will have a less favorable effect when the company presents any negative combination of CSR or ethics behavior.

H4. A customer's expectation of business ethics will have a positive effect on perceived business ethics behavior when the company's behavior is positive but will have a less favorable effect when the company presents any negative combination of CSR or ethics behavior.

H5 and H6 are parallel and straight forward to determine whether CSR (business ethics) behavior will have an effect on the brand. A company's questionable behavior often causes negative consumer perceptions which in turn damage the brand and weaken a company's reputation (Brunk, 2010). These results have been found in a number of studies where CSR (Anguinis & Glavas, 2012; Bhattacharya & Sen, 2003) and business ethics are expected to have an effect toward the brand (Fan, 2005; Pelozo et al., 2013; Trump, 2014). Therefore, we

expect that:

The role of a company's CSR and ethical behavior in brand attitudes

H5. A customer's response to the perception of a company's CSR behavior will have an effect on their attitude toward the brand.

H6. A customer's response to the perception of a company's business ethics behavior will have an effect on their attitude toward the brand.

4.1. Scenarios

Although companies are fictitious, scenarios were based upon authentic occurrences of CSR and business ethics behavior (Fig. 2). Following development of the scenarios, pre-study interviews were conducted with college students to examine whether the situations were realistic (Dabholkar & Bagozzi, 2002; Groza, Pronschinske, & Walker, 2011; Hess, Ganesan, & Klein, 2003; Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009), the magnitude of the scenarios were fairly consistent and the perceptions of each scenario direction (e.g., positive, negative) were appropriately identified. Appendix A provides the four scenarios.

This study consists of evaluating the impact of consumer attitudes toward corporate social responsibility and ethical behavior through four different scenarios, with each scenario representing a fictitious brand. The first scenario illustrated positive corporate social responsibility and ethical behavior. The second scenario described negative corporate social responsibility and ethical behavior. The third scenario characterized a brand that exhibited negative corporate social responsibility but positive ethical behavior. Finally, the fourth scenario revealed a brand that portrayed positive corporate social responsibility but negative ethical behavior. Respondents evaluated the behavior of only a single brand.

4.2. Measures

The scales used in this study were adapted from existing ones while others, general expectations toward a company's corporate social responsibility and ethical behavior, were extensions from prior scales. The scales measuring the consumer's general expectations of a company's CSR and business ethics were based upon established, theoretical conceptualizations and then extended from prior research (Choi & La, 2013; Creyer, 1997; Hess et al., 2003; Kang & Hustvedt, 2014; Skarmas & Leonidou, 2013; Vlachos et al., 2009). Brand attitude was measured on a 10 pt. scale using 4 items adapted from Wagner, Lutz, and Weitz (2009). Perceived response to the brand's corporate social responsibility and ethical behavior, as presented in each scenario, was measured on a 10 pt. scale with single items adapted from Grappi, Romani, and Bagozzi (2013). All constructs contained a minimum of three items, with the exception of questions on perceived response to CSR and ethical behavior, which were measured using a single item from previous research evaluating a company's behavior (Grappi et al., 2013). For a complete list of items, see Table 1.

4.3. Data collection and sampling

A pilot study of 48 consumers was conducted to identify any confusion with the survey instrument. Following minor revisions to the instrument, the final questionnaire was administered through use of a Qualtrics panel. Participants consisted of consumers over the age of 18 years old and located within the United States. In total, the sample consisted of 400 respondents. Following the examination of data, removal of outliers and straight liners, the useable sample size was 351 respondents and can be described as follows: 76% females, 24% males, 31.3% between the ages of 18–35, 23.6% between the ages of 36–51, 37.3% between the ages of 52–70 and 7.7% were > 70 years old, 8.8%

Table 1
Outer loadings.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
<i>General perception of CSR</i>				
I believe companies should _____.				
Support their communities	0.843	0.790	0.563	0.719
Support employee diversity	0.816	0.736	0.845	0.806
Contribute to solving social issues	0.780	0.733	0.841	0.669
Support employee inclusion	0.849	0.822	0.881	0.776
Provide adequate benefits to employees	0.812	0.820	0.618	0.846
Make charitable contributions	0.823	0.782	0.666	0.734
Provide fair return to investors	0.741	0.813	0.582	0.748
Address social issues	0.752	0.755	0.710	0.685
Incorporate sustainability information for all stakeholders	0.801	0.799	0.721	0.845
<i>General perception of business ethics</i>				
Companies should have a code of ethics	0.898	0.888	0.760	0.913
I believe companies should not engage in bribery	0.861	0.809	0.728	0.752
companies should not be involved in communication that deceives facts	0.780	0.786	0.655	0.776
I do not want to do business with companies that damage customers	0.931	0.915	0.848	0.894
I feel that it is important for companies to be transparent in engaging stakeholders	0.877	0.770	0.643	0.872
I do not want to do business with companies that deceive customers	0.899	0.937	0.736	0.821
Managers should avoid conflicts of interest by not advancing their own interests over those of the firm	0.774	0.894	0.687	0.671
I feel that it is important for companies to be honest in engaging stakeholders	0.915	0.891	0.741	0.894
<i>Response to CSR behavior</i>				
Ethics please rate (company in the scenario) on their ethical behavior.	1.000	1.000	1.000	1.000
<i>Response to business ethics behavior</i>				
The company (represented in the scenario) is undoubtedly socially responsible.	1.000	1.000	1.000	1.000
<i>Brand attitude</i>				
In general, my feelings toward (company represented in the scenario) are _____.				
Very unfavorable–very favorable	0.983	0.981	0.986	0.985
Very bad–very good	0.970	0.993	0.988	0.987
Very unpleasant–very pleasant	0.980	0.977	0.988	0.983

reported an income of < \$10,000, 45.2% earned \$10,000–\$39,000, 38.5% earned \$40,000–\$99,999, and 7.4% earned > \$100,000.

Responses to exogenous and endogenous constructs were collected using a single questionnaire. To minimize the likelihood of common methods variance (CMV), the questionnaire followed guidelines recommended by Podsakoff, MacKenzie, Lee, and Podsakoff (2003). To assess the presence of CMV we applied Harmon's single factor method that has been deemed a good measure of CMV (Babin, Griffin, & Hair, 2016; Fuller, Simmering, Atinc, Atinc, & Babin, 2016). This test indicated the variance did not exhibit common methods bias.

5. Analysis and results

5.1. Method of analysis

The SmartPLS 3 software (Ringle, Wende, & Becker, 2015) was used for analysis. PLS-SEM is widely accepted across disciplines as a robust technique (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014; Hair, Sarstedt, Pieper, & Ringle, 2012; Hair, Sarstedt, Ringle, & Mena, 2012). PLS-SEM is most appropriate in studies where theory is underdeveloped and prediction and explanation of endogenous constructs is the primary objective (Hair, Hollingsworth, Randolph, & Chong, 2017; Hair, Ringle, & Sarstedt, 2011; Hair, Sarstedt, Ringle, & Gudergan, 2018). Since this study focuses on prediction, PLS-SEM is the appropriate choice for analysis (Hair, Matthews, Matthews, & Sarstedt, 2017).

Measurement and structural models were examined separately for each of the four scenarios. Outer loadings in scenarios 1 and 2 exceed 0.70 and are significant, while in scenarios 2 and 3 several items were below 0.70 but still met recommended guidelines (Hair, Black, Babin, & Anderson, 2019; Hair, Hult, Ringle, & Sarstedt, 2017). Composite reliability and average variance extracted exceeded recommended guidelines (Hair et al., 2019) for all groups. Thus, convergent validity was demonstrated (Henseler, Ringle, & Sarstedt, 2015).

Discriminant validity was evaluated based upon recommended

guidelines (Hair, Hult, et al., 2017). Following the Fornell and Larcker (1981) criteria, the square roots of the AVEs for the five constructs were higher than the interconstruct correlations. The HTMT approach for assessing discriminant validity was also examined, and construct correlation values were all below 0.90 (Hair, Hult, et al., 2017; Henseler et al., 2015; Hair, Hult, et al., 2017), providing further support for discriminant validity (Henseler et al., 2015).

5.2. Hypothesis testing

The following section examines the hypothesized relationships (Fig. 1). The results are reported and evaluated by examining critical relationships to understand how a consumer's general expectations of both CSR and business ethics impacts brand attitudes within different scenarios. In general, Hypotheses 1 and 2 examine the impact of a consumer's expectations of a company's CSR with consumers' perceptions of the actual company's CSR and ethical behavior. Hypotheses 3 and 4 explore the impact of a consumer's expectations of a company's business ethics and the consumer's perceptions of the company's actual CSR and ethics behavior. Finally, Hypotheses 5 and 6 investigate the impact of the customer's response to the actual company's CSR and ethical behavior and brand attitude.

In scenario 1 (+CSR/+BE), Hypotheses 1 and 2 (see Table 2) propose that general customer expectations of CSR exhibit a positive effect on the perception of a brand's CSR and business ethics behavior when a company's overall behavior is positive. In settings where the company portrays positive CSR and business ethics simultaneously, the company meets the customer expectations and they respond positively in their perception. The path relationship between CSR expectations and the actual perception of a brand's CSR behavior is positive and significant ($\beta = 0.263$; $p \leq .10$). Therefore, H1, scenario 1 is supported. Contrary to the hypothesized relationship, however, the path between the customer's expectations of CSR and perception of the actual brand's business ethics behavior is not supported ($\beta = 0.084$; $p > .10$).

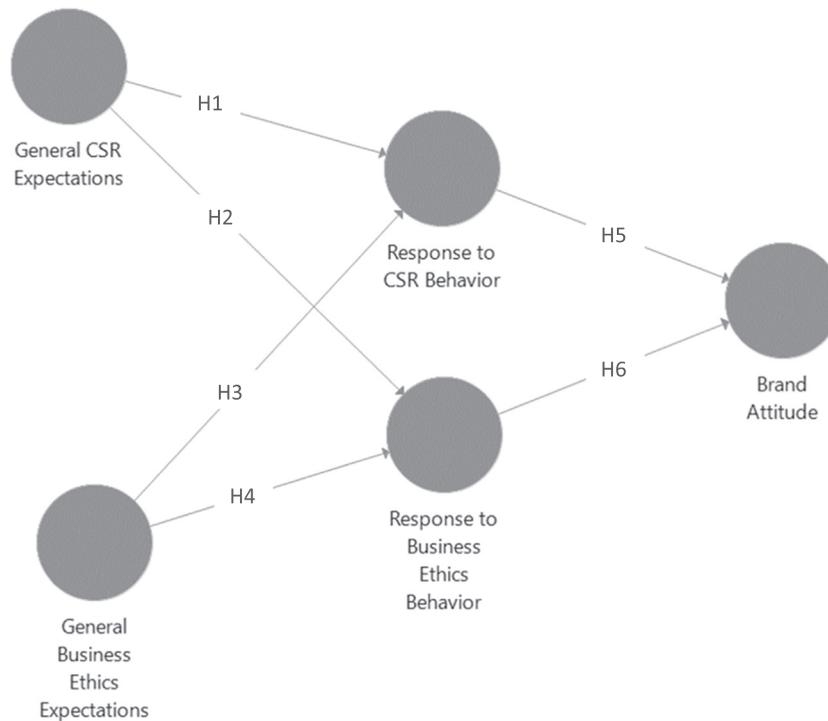


Fig. 1. Conceptual model.

In scenarios 2 (-CSR/-BE), 3 (-CSR/+BE) and 4 (+CSR/-BE), **Hypotheses 1 and 2** (see Table 2) propose that due to inconsistent behavior, responses to brands that portray any negative behavior will create skepticism with any positive behavior, increasing a customer's negative perception of both corporate social responsibility and business ethics (Wagner et al., 2009). Although the path relationships for **H1**, scenario 2 ($\beta = -0.028$; $p > .10$), **H1**, scenario 3 ($\beta = -0.100$; $p > .10$), **H1**, scenario 4 ($\beta = -0.179$; $p < .05$) **H2**, scenario 2 ($\beta = -0.130$; $p > .10$) and **H2**, scenario 4 ($\beta = -0.168$; $p > .10$) are consistent with the hypothesized direction, only, **H1**, scenario 4 ($\beta = -0.179$; $p < .05$) and **H2**, scenario 3 ($\beta = -0.179$; $p < .10$) are significant.

In scenario 1(+CSR/+BE), **Hypotheses 3 and 4** (see Table 2) posit that general customer expectations of business ethics have a positive effect on the perception of a brand's CSR and ethical behavior when a company's overall behavior is completely positive. That is when a customer expects a company to maintain high business ethics, they respond positively in their perception of a company. **H3**, scenario 1

($\beta = 0.300$; $p < .10$) and **H4**, scenario 1 ($\beta = 0.629$; $p < .01$) are supported.

In scenarios 2 (-CSR/-BE), 3 (-CSR/+BE) and 4 (+CSR/-BE), **Hypotheses 3 and 4** propose that due to inconsistent behavior, response to brands that portray any negative behavior will create skepticism with any positive behavior, increasing their negative perception of both corporate social responsibility and business ethics. The direction of the relationships is consistent as posed by the hypotheses and all relationships are significant, with the exception of **H4**, scenario 3 ($\beta = -0.018$; $p > .10$). In sum, **H3**, scenario 2 ($\beta = -0.563$; $p < .01$), **H3**, scenario 3 ($\beta = -0.285$; $p < .01$), **H3**, scenario 4 ($\beta = -0.173$; $p < .05$), **H4**, scenario 2 ($\beta = -0.432$; $p < .01$) and **H4**, scenario 4 ($\beta = -0.275$; $p < .05$) are supported.

Hypotheses 5 and 6 (see Table 3) propose that if customers perceive a company's CSR and business ethics in any scenario to be exceptional, they will in turn exhibit a more favorable attitude toward the brand. **H5**, scenario 1 ($\beta = 0.561$; $p < .01$), **H5**, scenario 3 ($\beta = 0.384$; $p < .01$), **H5**, scenario 4 ($\beta = 0.423$; $p < .01$), **H6**, scenario 1

Scenario 1	Scenario 2
Brand Exhibiting Positive CSR and Ethical Behavior	Brand Exhibiting Negative CSR and Ethical Behavior
Scenario 4	Scenario 3
Brand Exhibiting Positive CSR and Negative Ethical Behavior	Brand Exhibiting Negative CSR and Positive Ethical Behavior

Fig. 2. Scenario description.

Table 2
Path coefficient, t-value.

Independent variables	Dependent variables	
	Response to CSR behavior	Response to ethics behavior
<i>CSR expectations</i>		
Scenario 1 (+ CSR/+ BE)	0.263 [*] /1.427	
Scenario 2 (- CSR/- BE)	-0.028/0.240	
Scenario 3 (- CSR/+ BE)	-0.100/0.839	
Scenario 4 (+ CSR/- BE)	-0.179 ^{**} /1.768	
<i>CSR expectations</i>		
Scenario 1 (+ CSR/+ BE)		0.084/0.581
Scenario 2 (- CSR/- BE)		-0.130/0.934
Scenario 3 (- CSR/+ BE)		-0.179 [*] /1.332
Scenario 4 (+ CSR/- BE)		-0.168/1.257
<i>Business ethics expectations</i>		
Scenario 1 (+ CSR/+ BE)	0.300 [*] /1.537	
Scenario 2 (- CSR/- BE)	-0.5634 ^{***} /04.102	
Scenario 3 (- CSR/+ BE)	-0.285 ^{***} /3.297	
Scenario 4 (+ CSR/- BE)	-0.173 ^{**} /1.695	
<i>Business ethics expectations</i>		
Scenario 1 (+ CSR/+ BE)		0.629 ^{***} /4.563
Scenario 2 (- CSR/- BE)		-0.432 ^{***} /2.666
Scenario 3 (- CSR/+ BE)		-0.018/0.160
Scenario 4 (+ CSR/- BE)		-0.275 ^{**} /2.313

* $p < .10$.
** $p < .05$.
*** $p < .01$ (one-tailed).

Table 3
Path coefficient, t-value.

Independent variables	Dependent variable
	Brand attitude
<i>Response to CSR behavior</i>	
Scenario 1 (+ CSR/+ BE)	0.561 ^{***} /5.605
Scenario 2 (- CSR/- BE)	0.138/1.183
Scenario 3 (- CSR/+ BE)	0.384 ^{***} /4.001
Scenario 4 (+ CSR/- BE)	0.423 ^{***} /3.208
<i>Response to ethics behavior</i>	
Scenario 1 (+ CSR/+ BE)	0.308 ^{***} /3.177
Scenario 2 (- CSR/- BE)	0.763 ^{***} /7.157
Scenario 3 (- CSR/+ BE)	0.515 ^{***} /5.370
Scenario 4 (+ CSR/- BE)	0.389 ^{***} /2.998

*** $p < .01$ (one-tailed).

($\beta = 0.308$; $p < .01$), **H6**, scenario 2 ($\beta = 0.763$; $p < .01$), **H6**, scenario 3 ($\beta = 0.515$; $p < .01$) and **H6**, scenario 4 ($\beta = 0.389$; $p < .01$) are supported.

Tables 4 and 5 shows the impact of exogenous constructs on endogenous constructs. General expectations that customers have with a company's CSR and ethical behavior explains between 10% and 34% of their perceptions regarding the company's CSR behavior and between 4% and 49% of their perceptions of the company's business ethics behavior. Customers' responses to the company's CSR and business ethics behavior explain between 57% and 70% of their attitudes toward the brand. While prior ethics, CSR and brand attitude research has not examined demographic controls, for this study, two control variables

Table 4
 R^2 .

	R^2 - S1	R^2 - S2	R^2 - S3	R^2 - S4
Brand attitude	0.659	0.754	0.645	0.568
RespCSR	0.280	0.342	0.124	0.100
RespEthics	0.485	0.291	0.036	0.161

(age, income) were evaluated. Following the examination of the control variables within all scenarios, results indicated the impact of control variables with brand attitude was not meaningful. For example, when they were examined with scenarios 2 and 3 one of the controls were significant. At the same time, for scenarios 1 and 4, age was significant but the R^2 values were minimal (0.069/0.058). The results (Table 5) for f^2 indicate the effect size of the exogenous constructs on the three endogenous constructs. Across the four scenarios, general expectations of CSR have a small effect in 4 of the 8 hypothesized relationships on the response to a company's CSR and business ethics behavior. Customers' general expectations of business ethics have small and medium effects on how customer's perceive a company's CSR and business ethics behavior in 7 of the 8 hypothesized relationships. Although responses to a company's CSR and ethics behaviors exhibit small to large effects on their perceptions of the brand, overall the customer's response to business ethics behavior has a larger effect on brand attitudes.

The Q^2 results (Table 7) of the three endogenous constructs are above 0 and provide support for the model's predictive relevance of the endogenous latent variables. In all 4 scenarios, brand attitude has the highest Q^2 values. In scenarios 1 and 4, brand attitude is followed by response to a company's ethical behavior and then response to a company's CSR behavior. In scenarios 2 and 3, brand attitude is followed by response to a company's CSR behavior and then response to a company's ethical behavior.

6. Findings and discussion

This research provides new insights about customer expectations of business ethics and CSR and how they likely influence attitudes toward brands. We compare attitudes toward both positive and negative conduct for business ethics and CSR activities as observed in practice. When asked to review descriptions of business ethics and CSR, 74.9% of respondents suggested that both ethics and social responsibility are equally important. This suggests that customers value both of these behaviors. While customers value both behaviors, when descriptive constructs were developed from organizational practice, ethics had more impact on brand attitudes than CSR.

The four scenarios examined represent typical behavior associated

Table 5
f².

	Scenario 1			Scenario 2			Scenario 3			Scenario 4		
	Brand attitude	RespCSR	RespEthics									
GCSR		0.040	0.006		0.000	0.010		0.008	0.022		0.022	0.021
GEthics		0.052	0.318		0.194	0.106		0.062	0.000		0.021	0.056
RespCSR	0.442			0.037			0.271			0.198		
RespEthics	0.133			1.128			0.490			0.167		

with artifacts of organizations. In the positive business ethics and positive CSR scenario, the firm focused on long-term relationships with customers and truthful, transparent communication. In addition, the firm was involved with philanthropic and sustainability initiatives. In contrast, the negative business ethics and negative CSR scenario involved in false claims about sustainability, covering up regulatory violations, gender discrimination, and large fines for environmental violations. Firms exhibiting major legal misconduct are associated with negative perceptions of CSR and business ethics, especially when management covers up misconduct. This may be because the unethical behaviors more directly relate to brand and product attitudes that could impact performance.

The negative CSR scenario addresses issues related to being deficient in sustainability, oil spills, and failing to engage in philanthropic activities, but at the same time the firm has a strong ethics and compliance program with a reputation of zero-tolerance on bribery and conflicts of interest. The positive CSR and negative ethics scenario has socially responsible activities including philanthropic activities, but in combination major misconduct related to deceptive sales, taking advantage of customers and not being truthful and transparent.

When presented with a company scenario that simultaneously displays both positive CSR and ethical behavior, results indicate that customer CSR expectations have a greater positive effect on the company's CSR behavior, but do not impact how customers respond to the company's ethical behavior. At the same time, expectations of business ethics strongly influence customer perceptions of both CSR and ethical behavior. Overall, results suggest that the impact of a customer's expectations of business ethics has a stronger relationship with how a customer responds to the company's CSR and ethical behavior. Interestingly, customer responses to the company's CSR behavior have a greater impact on brand attitudes. In contrast, customer responses to the company's CSR behavior have a greater impact than the ethical behavior perceptions on attitudes toward the brand. This suggests that when evaluating the most favorable company, customers value CSR behavior more favorably. This result may be due to customer's emotional engagement with general CSR expectations (e.g., well-being of society) in situations where there are no transgressions by the company.

These results confirm that three fourths of the respondents thought business ethics and CSR were equally important when asked directly. CSR is often more visible and more often communicated to customers than ethical behavior. Customers cannot see good ethical decisions made on a daily basis. They are more likely to see mass media reports of negative ethical behavior. This explains why CSR has a greater impact on attitudes toward the brand.

When evaluating a company that displays both negative CSR and negative ethical behavior, results indicate that how a customer perceives both a company's CSR and ethical behavior is a consequence of the customer's business ethics expectations. That is, the impact of a customer's expectations of business ethics has a stronger relationship with how a customer responds to the company's CSR and ethical behavior. For example, when customer expectations are unfavorable, this further motivates a customer's negative perception of the company's unacceptable behavior. In this scenario, the concern appears to be with business ethics behavior where customers would potentially anticipate a direct breach that would impact them through the poor quality of

products or services.

Negative ethical behavior has a stronger relationship because this conduct probably overwhelms even negative CSR activities. Negative ethics may destroy trust and put a negative image on all the firm's activities. Negative CSR would be viewed as possibly expected from a firm that engages in negative ethical behavior. Also, negative ethical behavior may be viewed as posing direct harm to the customer with CSR posing indirect harm.

When confronted with a scenario that includes negative CSR but positive ethical behavior, customer CSR expectations have a greater negative effect on perceptions of the company's ethical behavior, on the other hand CSR expectations do not impact how a customer responds to the company's negative CSR behavior. Therefore, customer expectations of CSR perhaps creates skepticism about the authenticity or consistency of the company's positive ethical behavior; creating a less trusting response. A customer's response to the company's negative CSR behavior is an outcome of the extent to which a customer expects the company to perform on business ethics but does not impact how a customer responds to the company's positive ethical behavior.

When a customer expects a company to behave ethically, it increases the strength of the negative perception that a customer has with the lapse in CSR behavior making it even more unacceptable. The relationship between the customer's response to the company's CSR and ethical behavior and brand attitude are both meaningful, but ultimately the impression of the company's ethical behavior has a stronger impact on the attitude toward the brand than expectations of CSR. There is a more favorable brand attitude among customers that feel companies are achieving a high level of ethical behavior. These results confirm the importance of ethical behavior. Indeed, this positive behavior can overwhelm the negative CSR activities related to brand attitude.

When encountering a company scenario that includes positive CSR and negative ethical behavior, customer CSR expectations have an effect on perceptions of the company's positive CSR behavior, but do not impact how a customer responds to the company's negative ethical behavior. Expectations of business ethics acts as the authority by which a customer perceives both a company's positive CSR and negative ethical behavior. Results suggest that the impact of a customer's expectations of business ethics has a stronger relationship with how a customer responds to the company's CSR and ethical behavior. The customer's response to the company's CSR and ethical behavior both significantly impact attitude toward the brand. However, the customer's response to the company's CSR behavior has a slightly stronger impact on how the customer feels about the brand. Therefore, when there is negative ethical behavior is exhibited, CSR can be a driver to develop positive attitudes toward the brand.

Overall, the findings indicate the customer expectations of a company's ethical behavior primarily influence the perception of a company's CSR and ethical perceptions. In addition, the total effects (see Table 6) indicate that in regard to the ultimate endogenous construct brand attitude, customer's general expectations of business ethics have the strongest total effect. Although previous research emphasizes the importance of CSR behavior, the current findings indicate that companies should also consider focusing on highlighting their efforts to maintain positive ethical behavior. In addition, the contrasting responses (e.g., strength of relationships) between scenarios that impact

Table 6
Total effects.

Total effects	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	Brand attitude	p value						
GCSR	0.173	0.123	−0.103	0.182	−0.131	0.097	−0.141	0.050
GEthics	0.362	0.008	−0.407	0.002	−0.119	0.077	−0.180	0.017

Table 7
Q².

Total	Q ² - S1	Q ² - S2	Q ² - S3	Q ² - S4
Brand attitude	0.587	0.690	0.595	0.519
RespCSR	0.218	0.296	0.098	0.050
RespEthics	0.443	0.264	0.003	0.117

both a customer's response to behavior and brand attitude is perhaps contextual in nature. That is, the egregious level of failure by the company generates differentiated responses. The negative conduct related to business ethics had a strong total effect on brand attitude.

6.1. Theoretical and managerial implications

Unlike most prior research, this exploratory research concurrently examined the expectations and perceived response to a company's CSR and ethics. This research should encourage both theoretical development and empirical testing of the role of business ethics and CSR related to brand attitudes. Future research should consider a framework developed by Schwartz (2016) to explore moderators that may influence brand attitude. While most consumers do not think of business and CSR as different constructs (Brunk, 2012), this research indicates that when presented with different organizational behavior scenarios, consumers can differentiate their attitudes toward brands. This is consistent with Weller's (2017) finding that senior managers see the constructs as different in practice, if there are no ethical issues that are visible, CSR becomes more visible and can relate to a positive brand image. This should stimulate more research into why behaviors associated with business ethics have more impact on brand attitude.

CSR activities are more visible than ethical decision making, since often ethics decisions only become visible when there is misconduct. The finding that business ethics has more influence on brand attitudes hopefully will encourage more research to determine if business ethics has more influence that CSR on reputation as well as other attitudes toward the organization. For example, does business ethics have more influence on reputation, product quality, loyalty, or satisfaction?

From a managerial perspective, firms should recognize the need to determine behaviors that consumers consider positive business ethics and positive CSR. Because risk areas are different for each firm, this will require an audit to determine positive behavior and risk areas to monitor and take corrective actions for when behavior is seen as questionable. Positive ethical behaviors need to be identified that relate to brand attitudes. These positive ethical behaviors should be communicated to customers to support positive brand attitudes. Therefore, development of additional corporate ethics and compliance programs should be a top priority, and the benefits of ethical behavior should be linked to brand attitude and financial value.

CSR should be seen as important, not isolated, and integrated with corporate strategy. Cause related marketing could link organizations with a nonprofit to collaborate with on social issues. Strategic philanthropy can link charitable activities with a cause that will support strategic business objectives (Becker-Olsen & Hill, 2006). More research into the effectiveness of cause related marketing and strategic philanthropy should assess the impact of these activities on brand attitudes.

Finally the business ethics and CSR constructs developed in this

exploratory research should provide opportunities for testing, revision and improvement of the scales. This in turn can provide more opportunities to investigate the relative importance and role of business ethics and CSR on brand attitudes.

One limitation of this research is that moderators may impact the relationship between business ethics, CSR and brand attitudes. Future research should test moderators that potentially affect the direction and strength of relationships. For example, personal moral philosophies could be useful in classifying how these personal, moral perspectives relate to attitudes toward the brand related to negative and positive business ethics and CSR attitudes. Customer's view of the importance of business ethics and CSR could also affect their attitudes toward the brand.

While this research uses a descriptive approach and the artifacts of existing behavior, there is an opportunity for additional research using a normative perspective. Customer's normative values and moral philosophies may be important in forming attitudes toward business ethics and CSR defined from a descriptive perspective. In addition, previous research indicates that moral philosophies can influence broad attitudes with scales that combine business ethics and CSR (Brunk, 2012). Comparing our findings with distinct business ethics and CSR scales with normative expectations should provide additional insights related to brand attitudes. Laczniak and Murphy (2012) emphasize normative approaches to a societal grounded license for performance outcomes. The use of normative approach to CSR in organizations should create the artifacts of business ethics and CSR used in this study.

6.2. Conclusions

Business ethics and CSR are often defined as “doing good” and not damaging others. This research has examined scenarios of business ethics and CSR that are used to measure consumer attitudes toward brands. The results provide evidence that business ethics has more impact on brand attitude than CSR activities. This finding should not diminish the value of CSR, because CSR is important to firms and society beyond its impact on brand attitudes. CSR has been related to the reputation of the firm and can influence hiring opportunities, employee loyalty, as well as relationships with regulatory groups (Russell, Russell, & Honea, 2016). Our findings are that ethical conduct is more aligned with brand attitude, thus suggesting an opportunity for future research to determine why consumers are more concerned about business ethics as it relates to brand attitudes. Pelozo et al. (2013) found that consumers were more concerned with performance of the brand than CSR. Possible business ethics transgressions could decrease expectations related to brand performance. CSR may be viewed as incremental and not required, but business ethics is required by established rules that are mandatory or essential before purchasing the brand.

Future research should focus on moderators that can explain the strength of the relationship between expectations of business ethics and CSR related to brand attitude. How does loyalty, trust, and experience with a brand influence reactions to business ethics conduct and CSR activities? This research provides a solid foundation for a new direction in business ethics and CSR research. Viewing these two areas as different related to attitudes toward brands can extend and change the direction of academic research and managerial focus. The opportunity to expand insights and knowledge in this important topic is compelling.

Appendix A

Scenario 1: Brand exhibiting positive CSR and ethical behavior	Scenario 2: Brand exhibiting negative CSR and ethical behavior
<p>OrangeRiver is an online retailer that focuses on long term relationships with customers. They have a 100% satisfaction guaranteed policy in order to foster customer satisfaction and provide free shipping and returns. They also commit to truthful and open communication with customers and impressive benefits for employees.</p> <p>The firm is engaged in philanthropic efforts and most recently donated a generous amount to hurricane victims. OrangeRiver has a strong sustainability program and supports diversity as well as numerous community causes. The company measures their ‘carbon footprint’ and negative impact upon the environment and strives to improve their sustainability and green business initiatives.</p>	<p>Panther is a global automobile company that, according to J.D. Power’s Initial Quality Study, makes top ranked quality automobiles. The company is known for excellence in service and making high integrity cars.</p> <p>While Panther claims its cars are environmentally friendly, more recently it was found that many of its models were violating environmental regulations in a number of countries. Top management was aware of the violations but tried to cover up the issues and a scandal evolved. A number of executives were convicted for assisting in the cover up. Panther paid millions in fines for its environmental violations. Panther has also been fined for not meeting mileage requirements on a number of sports cars. In addition, the company is under investigation for gender discrimination in their hiring and promotion processes. Panther continues to sell cars that are highly desired by consumers and seems to have a competitive advantage in the industry.</p>
Scenario 3: Brand exhibiting negative CSR and positive ethical behavior	Scenario 4: Brand exhibiting positive CSR and negative ethical behavior
<p>Petrocin is a leading oil company with its brand of gasoline sold across the U.S. The firm claims it has the highest quality products and services along with clean gas stations. Petrocin has been criticized for pipeline leaks as well as fracking activities that have contaminated the water of ranches close to oil wells. The firm has not taken a definitive stance about the impact of fossil fuels on global warming.</p> <p>Petrocin makes very minimal contributions to the local and national community. The company, however, fosters a strong ethics and compliance program in addition to taking a zero-tolerance stance on bribery and conflicts of interest. The ethical leadership of managers insists on honesty, truthfulness, and transparency in communications. The firm also has a positive reputation of being honest and fair with all consumers.</p>	<p>TurboBank is an international bank that engages in many charitable initiatives. The bank tries hard to protect the privacy and the data of their customers. Employees receive positive benefits and other incentives for being productive and aligning themselves with these values. The bank also focuses on trust and transparency with all stakeholders.</p> <p>Recently it was revealed that the bank was making subprime loans to auto buyers that had low credit scores. This added cost resulted in some consumers defaulting on their auto loans. In addition, TurboBank included insurance policies without the customer’s prior knowledge. There will be an investigation with the possibility of large fines. The company has been under investigation in the past for, potentially, taking advantage of some of their customer diversity and not being as truthful and transparent as they should.</p>

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