

# Socially Irresponsible Corporations and Choices of Consumers: Altruism, Retaliation, or Demand for Reparation?

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## Abstract

In this study we investigate consumers' perceptions regarding corporate social irresponsibility (CSiR), perceived betrayal, and punishment behaviors (altruistic, retaliatory and demand for reparation behavior). This article examined empirically the relationship between CSiR and punishment behaviors with perceived betrayal as a moderator via PLS-SEM and PROCESS. The results supported three main hypotheses (a) consumers' CSiR perception positively predicted their altruistic, retaliatory and demand for reparation behaviors as well as feelings of perceived betrayal; (b) Consumers' feelings of perceived betrayal positively influenced their altruistic, retaliatory and demand for reparations behaviors; (c) Consumers' feelings of perceived betrayal mediated the relationship between CSiR and punishment behaviors. Findings suggest that once consumers perceived CSiR events, they tend to perform punishment behaviors to penalize socially irresponsible corporations.

**Keywords:** corporate social irresponsibility, perceived betrayal, punishment behavior, altruistic behavior, retaliatory behavior, demand for reparation

## 1. Introduction

In recent years, corporate social responsibility (CSR) has received increasing attention in academia and practice (Taneja, Taneja, & Gupta, 2011). In general, CSR represents that businesses abide by existing laws, advocate the promotion of economic growth, and contribute toward ethics, philanthropy, the environment, and stakeholders voluntarily (Dahlsrud, 2008). Extra efforts, such as environmentally friendly technique development, community involvement, and education promotion, for social well-being connect CSR with "doing good" (Lin-Hi & Muller, 2013).

These behaviors of "doing good" can yield many benefits for an enterprise. First, these behaviors can reduce enterprises' costs and risks: When enterprises are willing to establish positive social relationships and commit to environment protection, the negative attention from the society as well as litigation costs may be reduced; moreover, enterprises can have the opportunity to gain preferential tax agreement and achieve reduced regulations. Second, the behaviors can strengthen legality and corporate reputation: Enterprises conduct philanthropic events to reinforce brand trust; moreover, they adopt cause-related marketing to stimulate sales volume and further improve corporate image. Third, they can establish competitive advantage by providing diverse recruitment strategies to attract more talented people, in addition to supporting the relationship with customers to increase brand loyalty. Fourth, they can create a win-win situation through synergy: By organizing philanthropic events, enterprises can cocreate a virtuous circle of CSR with the public (Carroll & Shabana, 2010; Kurucz, Colbert, & Wheeler, 2008).

Lin-Hi & Muller (2013) highlighted that businesses have the responsibility to do good and avoid bad behaviors, to prevent corporate social irresponsibility (CSiR) behaviors such as cheating consumers, contaminating the environment, and exploiting labor. For example, since 2008-2014, Taiwan has faced several major food safety concerns (i.e., tainted starch, expired food, and gutter oil), which have caused panic among people and dissipated their faith in the management and security mechanisms of the government. Consumers are increasingly questioning the reliability of the so-called conscience products.

The preceding descriptions raise the following questions: How do people make ethical judgments when they perceive social irresponsibility or immoral events? Do they rely on emotions, intuition, reasoning, or cognition to make judgments? Chen & Chiu (2011) proposed the dual-process model of moral judgment, which postulates

that after people perceive an unethical behavior, the processes of both cognition and emotion occur simultaneously, consequently leading to personal ethical judgments. Many consumers insist on acting on conscience to make economic decisions based on their moral values, thereby compelling businesses to change their behaviors concerning economic decisions to correspond with the consumers' social values (Valor, 2005). In other words, people's consumption behaviors indicate the identification of the value of moral legitimacy; consumers' perception of a gap between identification and product character (i.e., environmentally unfriendly products, CSiR, and black-hearted products) could lead to more collective consumer protection (Cheng, 2014).

Several researchers have considered how consumers' attribution of CSR motivations affect the linkage between consumers and businesses, as well as and the complex effects of consumers' response to CSR activities (Ellen, Webb, & Mohn, 2006; Sweetin, Knowles, Summey, & McQueen, 2013). If consumers are aware of their consumption consciousness and power, they can take direct or indirect actions in favor of or against businesses on the basis of their perceived CSiR behavior (Sweetin et al., 2013). In general, consumers integrate positive and negative information and consider the consequences of response actions; thus, when businesses engage in irresponsible behaviors, consumers are more likely to respond to such businesses by negative word-of-mouth behavior, complaints, boycotts, legal actions, and conduct different types of protests (Grappi, Romani, & Bagozzi, 2013). The Internet affords convenience and is thus an additional factor; hence, consumers are more willing to punish irresponsible corporate brands (Sweetin et al., 2013). Moreover, when consumers experience failed services, those who feel disappointed express negative word-of-mouth behavior to prevent others from having the same experience, whereas those who are angry express negative word-of-mouth behavior to punish the business (Wang & Wu, 2013).

In certain cases, even consumers' perceived CSiR behaviors might not induce punishment behaviors immediately. The major determining factor of consumers' punishment behaviors may be the relationship between consumers and business, which is similar to a psychological contract; specifically, the relationship can undermine consumers' trust and corporate image. If a business exhibits irresponsible behaviors, consumers may feel negative emotions (e.g., betrayed), which can prompt various actions from the consumers to punish the business (Kucuk, 2010; Sweetin et al., 2013).

In summary, only a few studies have discussed consumer response behaviors from the CSiR perspective; therefore, to address this research gap, the objective of the present study was to provide an improved understanding of how consumers with the knowledge of ethics respond to socially irresponsible companies. Accordingly, this study investigated whether consumers who have perceived CSiR have the feeling of betrayal and whether they exhibit punishment behaviors (altruism, retaliation, or reparation) as a response to penalize the company.

## **2. Literature Review and Hypotheses Development**

### *2.1 CSR and CSiR*

To elucidate the effect of CSiR on consumers' emotions and response behaviors, understanding the definition and scope of CSR is essential. The concept of corporate social contract emerged in the twentieth century; it suggests that the indirect social obligation of an enterprise is similar to the obligations and relationship between citizens and government. The primary social contract values only the responsibility of profit maximization, and social progress and improvement of life quality are by-products of economic progress (Lantos, 2001). Corporate social contract is considered the predecessor to CSR.

Recently, CSR has been primarily concerned with two perspectives. First, shareholder theory suggests that shareholders are the owners of enterprises; managers manage the enterprise as agents representing the shareholders. Therefore, managers must make decisions on the premise that their primary goal is to maximize shareholders' wealth. Second, stakeholder theory highlights that the social responsibilities of an enterprise must not be limited to maximizing shareholders' wealth; instead, such responsibilities must extend to every stakeholder who is related to the enterprise (Carroll & Shabana, 2010; Wu, 2014). The present study thus adopts the definition of CSR provided by Van Marrewijk (2003): Enterprises must consider society and the environment in their business operations and the interaction with stakeholders in their business activities. Chih, Miao, and Chuang (2014) revealed that enterprises have a responsibility toward both shareholders and the different stakeholders such as consumers, customers, employees, community, mass society, suppliers, buyers, and the environment.

Lee, Lau, & Cheng (2013) targeted the food, pharmaceutical, automobile manufacturers, and textile industries and collected 200 paired samples from manufactures and suppliers to examine the relationship between employee rights protection and financial performance. They revealed that the manufactures/suppliers who

protect employees' right can increase their financial performance in addition to improving their corporate reputation. Moreover, Jeong, Paek, & Lee (2013) investigated how brand pages can increase consumers' willingness to respond on social network sites. Using CSR strategy (cause-related marketing vs. cause sponsorship), they demonstrated that when cause-related marketing is adopted, consumers not only willingly join the brand page but also invite personal friends to join; thus, cause-related marketing maximizes the marketing effect.

Kemper, Schilke, Reimann, Wang, & Brettel (2013) gathered data from different countries and industries and tested CSR as a moderator of the relationship between marketing capabilities and firm performance. They revealed that the marketing capabilities of companies with a more favorable CSR positively affect firm performance, but only in a highly competitive industry. Although consumers' expectation of CSR affects firm performance, from consumers' perspective, their consumption behaviors do not necessarily meet their expectations of a company to conduct social responsibility activities. Grimmer & Bingham (2013) examined the relationships between consumers' perception of environmental performance of a company and mobile phone purchase intention, and they determined that consumers tend to purchase mobile phones from companies with favorable environmental performance. However, Achabou & Dekhili (2013) investigated French luxury clothing consumers' tendency to purchase luxury products manufactured using recycled materials, and they revealed that although people generally expect the luxury industry to practice sustainable development, the consumers do not prefer purchasing such luxury products. In other words, consumers are more concerned about the quality of luxury products than they are about the company's social responsibility practices.

Taneja et al. (2011) categorized CSR research into five major types. Type one discussed the meaning, definition, and model of CSR (Carroll, 1979, 1999, 2010; Dahlsrud, 2008; Van Marrewijk, 2003); type two identified factors determining CSR (Lange & Washburn, 2012; Wu, 2014); type three analyzed actions of CSR (Oberseder, Schlegelmilch, & Murphy, 2013; Babiak & Trendafilova, 2011; Bravo, Matute, & Pina, 2012); type four identified the effects of CSR on stakeholders and financial performance (Chih et al., 2014; Lombart & Louis, 2014; Lu, Chau, Wang, & Pan, 2014; Oberseder et al., 2013); type five explored the measurement tools of corporate social performance (Giannarakis, Litinas, & Theotokas, 2011; Turker, 2009; Wood, 2010; Wagner, Bicen, & Hall, 2008). Extensive research has been conducted on CSR; however, little research has addressed the concerns of CSR (i.e., CSiR), which is a major gap in consumer behavior research.

According to the marketing literature, the pioneering study on CSiR was published in the *Journal of Business Research* in 1977 by Armstrong (cited as Murphy & Schlegelmilch, 2013); this study introduced researchers to the unfamiliar concept of CSiR. Lin-Hi & Muller (2013) defined CSiR as the action that leads businesses into bad situations and/or undermines other participants. Jones, Bowd, & Tench (2009) suggested that CSR and CSiR are two separate concepts. Enterprises have been criticized for irresponsible behaviors such as contaminating the environment, exploiting labor, cheating consumers, and causing damage to suppliers (Murphy & Schlegelmilch, 2013). Wu (2014) reported that cost pressure and government corruption are two major factors affecting the possibility of enterprises practicing socially irresponsible behaviors. In other words, enterprises lose customers when they increase the price of a product, and this compels them to reduce their costs (i.e., reduce the personnel cost or jerry-build products) to maintain the price; such cost reduction can stimulate additional irresponsible behaviors.

Groening & Kanuri (2013) studied investors and stakeholders' responses to positive and negative corporate social events, and they revealed that respondents in both categories have varying perceptions: When stakeholders have a positive perception of positive corporate social events, investors may not reward the enterprise and even provide a negative abnormal return to punish the enterprise. However, when stakeholders have a negative perception of negative corporate social events, investors may not punish the behavior, and in certain cases, they may reward the enterprise and provide a positive abnormal return.

Perks, Farache, Shukla, & Berry (2013) combined legitimacy theory and the theory of impression management to investigate how organizations promote CSR strategies through print advertisements and to identify organizations' social and environmental responsibility behaviors. They demonstrated that organizations using different strategies of impression management, such as informing CSR, changing perceptions of and diverting attention from CSiR, and engaging in organizational behaviors appeared legitimate in CSR advertisements.

Murphy & Schlegelmilch (2013) combined and categorized research related to CSR and CSiR into consumer viewpoint (Grappi et al., 2013; Oberseder et al., 2013; Skarmeas & Leonidou, 2013; Sweetin et al., 2013), financial/investing viewpoint (Groening & Kanuri, 2013; Herzig & Moon, 2013; Lee et al., 2013), marketing viewpoint (Achabou & Dekhili, 2013; Jeong et al., 2013; Perks et al., 2013), environmental viewpoint (Grimmer

& Bingham, 2013; Oberseder et al., 2013), concepts and theories (Armstrong & Green, 2013; Arnold & Valentin, 2013; Lin-Hi & Muller, 2013; Prasad & Holzinger, 2013; Windsor, 2013). As mentioned, the present study investigates consumers' responses to CSiR behaviors; therefore, it is categorized as consumer viewpoint research.

## *2.2 Perceived CSiR and Consumer Response Behavior*

Consumer behavior refers to the observable behaviors that consumers or purchase decision makers perform at product or service markets; it represents the dynamic interactions among affection, cognition, behavior, and environment that emerge when people perform exchanging behaviors in their daily lives (American Marketing Association [AMA], 2014). People's thoughts, feelings, and behaviors are continuously changing; therefore, when varying information unceasingly stimulates consumers, their response behaviors become a different dynamic process. For example, when consumers perceive that a certain enterprise has contributed to a local community, such CSR activities affect consumers' purchase intention (Lee & Shin, 2010). Grappi et al. (2013) used variables such as virtue, negative word-of-mouth, and protest behavior to investigate how consumers with negative moral emotions respond to CSiR behaviors. They determined that the effects of consumers' negative moral emotions (i.e., contempt, anger, and disgust) differ from personal virtue, and that these emotions directly affect consumers' negative word-of-mouth and protest behaviors.

Oberseder et al. (2013) compared CSR practices and consumers' perceptions, and they found that the CSR dimensions most valued by consumers were customers, employees and the environment, and consumer-perceived CSR practices such as fair treatment of customers, reasonable prices, information transparency, healthy products, consultation and complaint management, favorable working conditions, reasonable salary, career development and continuing education, diversity and nondiscrimination statement, or family support services. However, the question as to whether consumers truly believe enterprises' claims that they fulfill social responsibilities warrants exploration. Skarmas & Leonidou (2013) addressed consumers' skepticism toward CSR, and they revealed that attributions of egoistic- and stakeholder-driven motives cause skepticism among consumers; nevertheless, values-driven attributions repress skepticism. Moreover, CSR skepticism damages company equity, declines resistance to negative information about the company, and stimulates negative word-of-mouth behavior.

When enterprises do not fulfill consumers' expectations, consumers' response behaviors can be categorized into two types. The first type involves negative word-of-mouth behaviors: Consumers express emotions (disgust, disagreement, or contempt) when enterprises perform socially irresponsible actions; in other words, when consumers' rights are violated, they not only express dissatisfaction or anger through negative word-of-mouth behavior (Grappi et al., 2013) but also punish the enterprise through malicious talks and by recommending rival's products or vilification (Wang & Wu, 2013). The second type involves protest behaviors: Consumers engage in such behaviors to counter and stop an enterprise's unethical behaviors (Grappi et al., 2013), such as boycotting, using blogs to write against the enterprise, watching over, using legal action against the enterprise, and filing complaints (Cheng, 2014; Joireman, Gregoire, Devezer, & Tripp, 2013; Sweetin et al., 2013).

To measure consumers' perceptions of CSiR, Wagner et al. (2008) developed a scale of CSiR in the context of the retailing industry to determine which corporate behaviors are perceived as irresponsible by consumers. They identified the following 14 major CSiR factors: natural environment, local businesses, foreign economies, local employment, societal rules, employee benefits, employee wages, local working conditions, employee discrimination, foreign labor, sales practices, dishonesty, offensive material, and pricing policies. In addition, they encouraged future researchers to investigate the effects of CSiR by combining consumers' perceptions and purchase behaviors.

Sweetin et al. (2013) adopted scenarios of socially responsible, socially irresponsible, and environmentally friendly to examine consumers' willingness to punish, willingness to reward, brand attitude, and purchase intention. They found that consumers are not only willing to punish CSiR brands but also reduce their purchase intention. Marylyn & Ahmad (2001) reported that although consumers describe themselves as willing to support ethical enterprises and punish unethical enterprises, ethical considerations may not influence their purchase decision and behaviors. Consistent with the aforementioned studies, the present study uses unethical behaviors as CSiR events. Furthermore, in accordance with Gregoire & Fisher (2008) and Wetzer, Zeelenberg, & Pieters (2007), the present study categorizes punish behaviors by severity into altruistic and retaliatory behaviors and demand for reparations.

Altruism is a motivation to increase individual or others' well-being (Batson, 1994). For example, people with altruistic goals are willing to share their consumption experiences with others for free (Cheung & Lee, 2012).

Wang & Wu (2013) indicated that according to the concept of altruism, most Taiwanese consumers tend to express negative word of mouth after experiencing service failures. The present study assumes that altruism behaviors represent the action consumers perform to prevent others from making the same mistake. Thus, the following hypothesis was proposed:

H1. Consumers' CSiR perception positively influences their altruism behavior.

When a group of frustrated and powerless consumers have thoughts of punishing enterprises, long-term negative influences are generated. Moreover, if the management does not resolve consumers' concerns in time, it can trigger a severe public crisis and compel consumers to engage in actual punish behaviors (Bunker & Ball, 2009; Sweetin et al., 2013). Retaliations are actions to punish and cause problems for enterprises that have hurt consumers' feelings (Bechwati & Morrin, 2003; Gregoire & Fisher, 2008). Hence, the following hypothesis was proposed:

H2. Consumers' CSiR perception positively influences their retaliatory behavior.

Demand for reparations is a positive justice-restoring mechanism used to compensate consumers when they experience service or product failures (Gregoire & Fisher, 2008; Walster, Berscheid, & Walster, 1973). Therefore, on the basis of the concept of consumer response behavior, the following hypothesis was proposed:

H3. Consumers' CSiR perception positively influences their demand for reparations.

### *2.3 Perceived CSiR, Perceived betrayal, and Consumer Response Behavior*

Trust plays a major role in the relationship between consumers and enterprises (Schoorman, Mayer, & Davis, 2007). Generally, a relationship with trust comprises three elements: interdependence between an individual and group/organization, a vulnerable party, and a party with positive expectations or trust (Koehler & Gershoff, 2003). According to the concept that the relationship between consumer trust and corporate brand is similar to a psychological contract, if the relationship cannot reach consumers' goal, they may punish the enterprise by performing various actions, thereby reducing the identification of the brand and purchase intention (Kucuk, 2010; Sweetin et al., 2013).

Perceived betrayal implies that consumers have identified that the enterprise purposely violates the relationship and consumer regulations (Elangovan & Shapiro, 1998; Gregoire & Fisher, 2008). The enterprise betrayal behaviors identified by consumers include cheating, taking advantage of customers, perfidy, exploitation, and divulging of personal information (Elangovan & Shapiro, 1998). Koehler & Gershoff (2003) determined that based on punishment attribution and negative emotions, people's responses to betrayal behaviors are stronger than those to bad behaviors, which do not violate commitment.

Different types of perceived betrayal cause negative emotions in people, who often respond to the betrayer through alienation or punishment (Koehler & Gershoff, 2003). According to Gregoire & Fisher (2008), consumers are eager to attempt any means (even retaliatory behavior) to restore justice when they feel betrayed; thus, perceived betrayal is a major motive for consumers to exhibit retaliatory behavior and demand for reparations. Hence, assuming that CSiR is the violation of the relationship and regulations and perceived betrayal is consumers' identification of enterprises that purposely violate the relationship and regulations (Elangovan & Shapiro, 1998; Gregoire & Fisher, 2008), this study proposed the following hypotheses:

H4. Consumers' CSiR perception positively influences their feelings of perceived betrayal.

H5. Consumers' feelings of perceived betrayal positively influences their (a) altruistic behavior, (b) retaliatory behavior and (c) demand for reparations.

H6. Consumers' feelings of perceived betrayal mediates the relationship between (a) CSiR and altruistic behavior, (b) CSiR and retaliatory behavior and (c) CSiR and demand for reparations.

Extending on the literature on CSiR and consumer response behavior, this study proposes a conceptual model (Figure 1) for examining the possible relationships among perceived CSiR, perceived betrayal, and consumer response behaviors and also tests perceived betrayal as a mediator of perceived CSiR and consumer response behaviors.

## **3. Method**

### *3.1 Sample and Data Collection*

The sample comprised 321 people enrolled in an Executive Master in Finance program in Taiwan, who mostly took business ethics courses and had the ethical knowledge to judge unethical behaviors. Through a survey questionnaire, the respondents were asked about their perceptions of CSiR descriptions and the response

behaviors that they may perform. The respondents provided their demographic information. The questionnaire was completed in approximately 10 min. The participants represented three areas (northern, central and southern Taiwan) and 33 universities. After the respective program offices were contacted, the questionnaire package was mailed to 20 universities. A total of 321 participants responded to the survey, and only 6 of them did not provide complete data and were thus excluded from the sample; the final sample size was 315. The demographic characteristics of the sample are outlined as follows: Of the respondents, 43.8% were males and 56.2% were females; 32.4% were in management positions and 67.6% were not; 18.7% were aged younger than 25 years, 34.6% were aged 25-30 years, 31.1% were aged 36-45 years, 13.3% were aged 46-55 years, and 2.2% were aged older than 56 years; 80.6% claimed that they paid attention to CSR information or news.

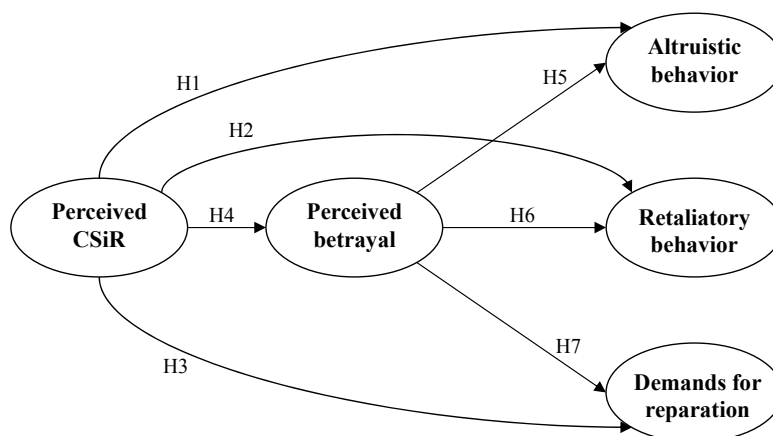


Figure 1. Conceptual model

### 3.2 Measures

In Section 1, CSiR descriptions were developed to measure CSiR perceptions and perceived betrayal. A 13-item perceived CSiR scale was adopted from the study by Wagner et al. (2008); the items were modified to 13 CSiR scenarios, and they demonstrated high internal reliability (Cronbach's  $\alpha = .888$ ). Perceived betrayal was measured using the two-item scale developed by Gregoire and Fisher (2008). The two items were integrated into the CSiR scenarios, and they demonstrated high internal reliability (Cronbach's  $\alpha = .967$ ). Respondents responded to a series of multi-item Likert measures on a 5-point scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

In Section 2, consumer response behavior scales comprised altruistic behavior, retaliatory behavior, and demands for reparation. A three-item altruistic behavior scale was adapted from the study by Wetzer et al. (2007) and modified; the scale had high internal reliability (Cronbach's  $\alpha = .874$ ). Three-item scales for retaliatory behavior and demand for reparations, respectively, were adapted from the study by Gregoire and Fisher (2008) and modified; both scales had high internal reliability (Cronbach's  $\alpha = .792$  and  $.911$ , respectively). Respondents responded to a series of multi-item Likert measures on a 5-point scale, ranging from 1 (strongly disagrees) to 5 (strongly agree). Finally, the demographic variable comprised gender, job position, age, and attention to CSR news.

### 3.3 Data Analysis

To test the conceptual model, this study uses partial least squares (PLS), a variance-based structural equation modeling (SEM) method. PLS is an appropriate method for this study due to the following reasons (Ringle, Sarstedt, & Straub, 2012; Urbach & Ahlemann, 2010): First, the focus of the study is the prediction of dependent variables (consumer punishment behaviors). Second, the construct of perceived betrayal and retaliatory behavior are each composed of two items. Third, the complexity of model (three outcomes). This study uses SmartPLS software for measurement model and structural model analyses as well as PROCESS software for mediating effect and SPSS21 for descriptive demographic data.

## 4. Results

### 4.1 Descriptive Statistics

Consumers' characteristics are presented in Table 1. The mean value for perceived CSiR was 4.35 (SD = .69), that for perceived betrayal was 3.98 (SD = .68), that for altruistic behavior was 3.99 (SD = .81), that for retaliatory behavior was 3.90 (SD = .82), and that for demand for reparations was 3.82 (SD = .85).

Table 1. Descriptive statistics of participants

	N	Valid percentage (%)
Gender		
Male	138	43.8
Female	177	56.2
Age		
Under 25 years old	59	18.7
25 – 35 years old	109	34.6
36 – 45 years old	98	31.1
46 – 55 years old	42	13.3
above 56 years old	7	2.2
Job position		
The management	102	32.4
Staff	213	67.6
CSR attention		
Yes	254	80.6
No	61	19.4

### 4.2 The measurement Model—Validity and Reliability

Convergent validity was assessed with three metrics: average variance extracted (AVE), composite reliability (CR), and Cronbach's Alpha. As shown in Table 2, all of the convergent validity metrics were evidently greater than proposed in relevant literature—AVE should be greater than 0.5, CR greater than 0.7 (Fornell & Larcker, 1981), and Cronbach's Alpha should be greater than 0.7 (Peterson, 1994).

Table 2. Convergent validity

Construct	Indicator	Loading	T-value	CR	AVE	R <sup>2</sup>	Cronbach's alpha
CSiR	CSiR1	0.826	31.808	0.918	0.691		0.888
	CSiR2	0.823	29.209				
	CSiR3	0.855	36.200				
	CSiR4	0.826	29.402				
	CSiR5	0.825	32.167				
P.betrayal	PB1	0.985	314.112	0.984	0.968	0.339	0.967
	PB2	0.983	258.109				
Altruistic	ALT1	0.869	36.889	0.922	0.798	0.270	0.874
	ALT2	0.924	77.988				
	ALT3	0.886	44.620				
Retaliaryoty	RET1	0.889	38.980	0.905	0.826	0.296	0.792
	RET2	0.929	105.064				
Reparation	REP1	0.905	57.089	0.944	0.848	0.249	0.911
	REP2	0.946	108.633				
	REP3	0.911	49.993				

Discriminant validity was first assessed by comparing the squareroot of the AVE of each construct to all of the correlations between it and other constructs (Fornell & Larcker, 1981), where all of the square root of the AVEs should be greater than any of the correlations between the corresponding construct and another construct. Second, we assessed discriminant validity by confirming that all items corresponding to a specific construct loaded higher than with any other construct (see Table 3). These two tests indicated that discriminant validity and reliability were acceptable.

Table 3. Discriminant validity

	Altruistic	CSiR	Reparation	Retaliaryoty	P.betrayal
Altruistic	<b>0.893</b>				
CSiR	0.490	<b>0.831</b>			
Reparation	0.615	0.418	<b>0.921</b>		
Retaliaryoty	0.734	0.520	0.586	<b>0.909</b>	
P.betrayal	0.427	0.582	0.465	0.432	<b>0.984</b>

4.3 The Structural Model - Hypotheses Testing

The path model accounted for 33.9% of the variance of perceived betrayal as well as 27% of altruistic behavior, 29.6% of retaliatory behavior and 24.9% of demands for reparation. The standardized PLS path coefficients for testing the structural model are shown in Figure 2. The results of the analysis supported all of the hypotheses. Perceived CSiR was positive associated with altruistic behavior (H1), retaliatory behavior (H2) as well as demands for reparation (H3) and perceived betrayal (H4). The hypotheses that perceived betrayal would be positively associated with altruistic behavior (H5) as well as retaliatory behavior (H6) and demands for reparation (H7) were also supported, however, the effect is quite small but still significant (see Figure 2).

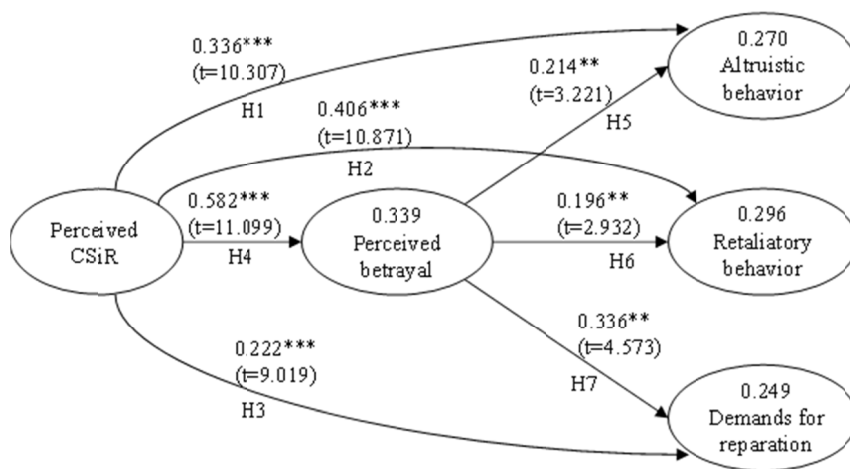


Figure 2. Structural model

Note. \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ .

As shows in Table 4, there is direct relationship between CSiR and altruistic behavior (Alt) ( $c' = 0.406$ ;  $t = 5.767$ ), CSiR and retaliatory behavior (Ret) ( $c' = 0.495$ ;  $t = 6.825$ ), CSiR and demands for reparation (Rep) ( $c' = 0.268$ ;  $t = 3.606$ ), respectively. In addition, a1 and b, as direct effects, in three types of behaviors are all significant. This is a first step to prove the existence of an indirect effect of CSiR on altruistic behavior, retaliatory behavior and demands for reparation via perceived betrayal (PB) as a mediator. Table 5 shows that the significant indirect effect is 0.154, 0.137, 0.242, respectively ( $a1 \times b$ ). This result supports H8a, H8b and H8c, that consumers' perception of betrayal is partially mediating the relationships between CSiR and punishment behaviors (see Figure 3).

Table 4. Mediation analysis

Behavior 1	Behavior 2	Behavior 3	Support
$R^2_{PB} = .340$	$R^2_{PB} = .340$	$R^2_{PB} = .340$	
$R^2_{Alt} = .261$	$R^2_{Ret} = .287$	$R^2_{Rep} = .248$	
H8a: CSiR → Alt = $c'$	H8b: CSiR → Ret = $c'$	H8c: CSiR → Rep = $c'$	Yes
.406***(5.767)	.495***(6.825)	.268***(3.606)	
CSiR → PB = $a1$	CSiR → PB = $a1$	CSiR → PB = $a1$	
.570***(12.687)	.570***(12.687)	.570***(12.687)	
PB → Alt = $b$	PB → Ret = $b$	PB → Rep = $b$	
.270***(3.756)	.240** (3.242)	.425***(5.598)	
Sobel test	Sobel test	Sobel test	
Z=3.592, $p = .000$	Z=3.132, $p = .002$	Z=5.108, $p = .000$	



Table 5. Mediating effects

Behavior	Mediator	Indirect effect	Boot SE	Bias corrected bootstrap 95% confidence interval	
				Lower	Upper
Alt	PB	0.154	0.044	0.075	0.249
Ret	PB	0.137	0.045	0.052	0.230
Rep	PB	0.242	0.061	0.134	0.378

Note. bootstrapping based on n = 5000 subsamples. PB: perceived betrayal; Alt: altruism behavior; Ret: retaliatory behavior; Rep: demands for reparation.

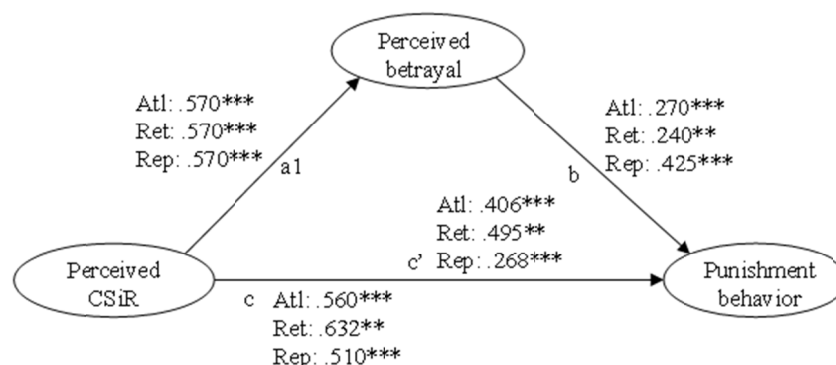


Figure 3. Structural model of mediation

Note. \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ .

## 5. Discussion

### 5.1 Major Findings and Implications

The main focus of the study was to provide insights for how consumers with the knowledge of ethics respond to socially irresponsible companies through consumers' punishment behaviors (altruistic, retaliatory behavior and demands for reparation), and whether consumers' perception of betrayal as a mediator within this relationships. First, this study shows that consumers' perception of CSiR positively and significantly influences consumers' altruistic behavior, retaliatory behavior and demand for reparations. The findings complement a rising body of consumer behavior literature on the consumer's punishment behaviors. Consistent with previous studies (e.g., Cheng, 2014; Grappi et al., 2013; Sweetin et al., 2013; Wang & Wu, 2013) consumers tend to penalize socially irresponsible companies. Moreover, consumers are willing to punish socially irresponsible companies through altruism behavior (i.e., helping other consumers to avoid making the same mistake), retaliation behavior (i.e., negative word-of-mouth and boycott) and demand for reparation (complaining to the consumer agency). Instead of the direct effects of perceived CSiR, this study took into account the consequences of perceived betrayal and tested the direct and indirect effects of perceived betrayal on CSiR and punishment behaviors.

Second, our findings suggest that consumers' perception of CSiR positively and significantly influences consumers' perception of betrayal. The enterprise violated the relationship with consumers when they acting social irresponsibly, which means the psychological contract between a company and consumers is broken (Elangovan & Shapiro, 1998; Gregoire & Fisher, 2008). It seems compatible with our finding. Moreover, perception of betrayal leads consumers to penalize socially irresponsible companies by altruistic behavior, retaliatory behavior and demand for reparations, it appears to be consonant with Gregoire & Fisher's (2008) and Koehler & Gershoff's (2003) argument. Perception of betrayal would trigger consumers' intense negative emotion, and their sense of betrayal may make them more willingly to penalize traitors (socially irresponsible companies) via punishment behaviors.

Third, the results also indicate that consumers' perception of betrayal is partially mediating the relationships between CSiR and each punishment behaviors (altruism, retaliation, or reparation). As Koehler & Gershoff (2003) mentioned, people react to betrayal behaviors with punitive punishments and negative affect. Our results are in line with Gregoire & Fisher's (2008) findings that consumers are willing to attempt any means to restore justice when they feel betrayed, hence, perceived betrayal could be one of the motives for consumers to perform punishment behaviors. For socially irresponsible companies, CSiR events that damage a company's relationship

between consumers can have a significant financial effect on its sales and last for a long time. However, corporations should note that CSR practices does not guarantee the consumers' purchase behavior. But when consumers discovery a company's CSiR action, punitive punishments are they most likely to execute with the company.

### 5.2 Limitations and Suggestions for Future Studies

While this research provides answers to some questions about the consequences of CSiR events from consumers' perspective, it has limitations. This study is limited in that it uses a sample of a Taiwan resident population in three areas. Consumers' response behaviors may be different given alternative cultural in different countries. This study's support for the hypothesis and its findings provides possibilities for future research. Future research should add consumers' emotions and motivations as antecedents to predict punishment behaviors, as well as examine whether consumers' emotions and motivations are related to their actual punishment behaviors as mediators. Lastly, future research should consider whether consumers' moral norm is an effective predictor to predict punishment behaviors.

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