

The Effectiveness of Corporate Communicative Responses to Accusations of Unethical Behavior

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ABSTRACT. When corporations are accused of unethical behaviour by external actors, executives from those organizations are usually compelled to offer communicative responses to defend their corporate image. To demonstrate the effect that corporate executives' communicative responses have on third parties' perception of corporate image, we present the Corporate Communicative Response Model in this paper. Of the five potential communicative responses contained in this model (no response, denial, excuse, justification, and concession), results from our empirical test demonstrate that a concession is the most effective and robust communicative option.

Introduction

In response to allegations raised by the California Bureau of Automotive Repair that Sears auto centers had performed unnecessary repairs on customers' cars, Sears placed a full-page ad in *The*

Wall Street Journal on June 25, 1992 to offer the company's viewpoint. In this "open letter to Sears customers", Ed Brennan, Chairman and CEO of Sears, focused on two points. First, he admitted that "our incentive compensation and goal-setting program inadvertently created an environment in which mistakes have occurred" (Brennan, 1992, p. C22). To rectify this situation, he outlined steps that Sears would undertake to modify these practices. Second, in a decidedly different tactical response, he defended Sears' policy of preventive maintenance by stating:

However, one thing we will never change is our commitment to customer safety. Our policy of preventive maintenance – recommending replacement of worn parts before they fail – has been criticized by the California Bureau of Automotive Repair as constituting unneeded repairs. We don't see it that way. We recommend preventive maintenance because that's what our customers want, and because it makes for safer cars on the road.

(Brennan, 1992, p. C22)

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Obviously, companies like Sears do not relish the negative publicity generated by allegations of unethical corporate behavior. When allegations of unethical corporate behavior are raised, executives from these companies often are compelled to offer public responses (Arrington and Sawaya, 1984; Cheney and Vibbert, 1987). Executives, such as Ed Brennan of Sears, hope that they can mold public opinion and protect their corporation's image by choosing the optimal communicative responses.

Objective

While accusations of unethical corporate behavior routinely force executives to offer public responses, relatively little is known about the *effectiveness* of these responses. We have no comprehensive models or definitive empirical data to determine if, for example, Brennan's communicative choices are likely to be effective in molding public opinion in Sears' favor. Instead, existing research has thus far focused primarily on creating descriptive typologies of potential communicative responses to accusations of unethical behavior, and not on evaluating their relative effectiveness (Garrett *et al.*, 1989; McLaughlin *et al.*, 1990).

Therefore, the purpose of this paper is to address this void by proposing the Corporate Communicative Response Model that explains the effectiveness of communicative responses to accusations of unethical organizational behavior. In addition, we will test a series of research hypotheses to provide empirical support for our model. We will close by discussing the results of our experiment and directions for future research.

The corporate communicate response model

As shown in Figure 1, our proposed Corporate Communicative Response Model focuses on the potential effectiveness of corporate communicative responses to accusations of unethical organizational behavior. To fully explain this model, we will first discuss the model's fundamental goal. Next, we will briefly overview some key concepts from impression management theory that form the foundation for our model. Then, using these concepts, we will describe the components and structure of our model.

Model's fundamental goal

This model focuses on confrontational situations in which an external actor publicly accuses a corporation of unethical organizational behavior, such as when the California Bureau of Automatic Repair registered its charges against Sears. Unethical corporate behavior is defined in this paper as business actions that seek profit without regard to the moral principles and standards

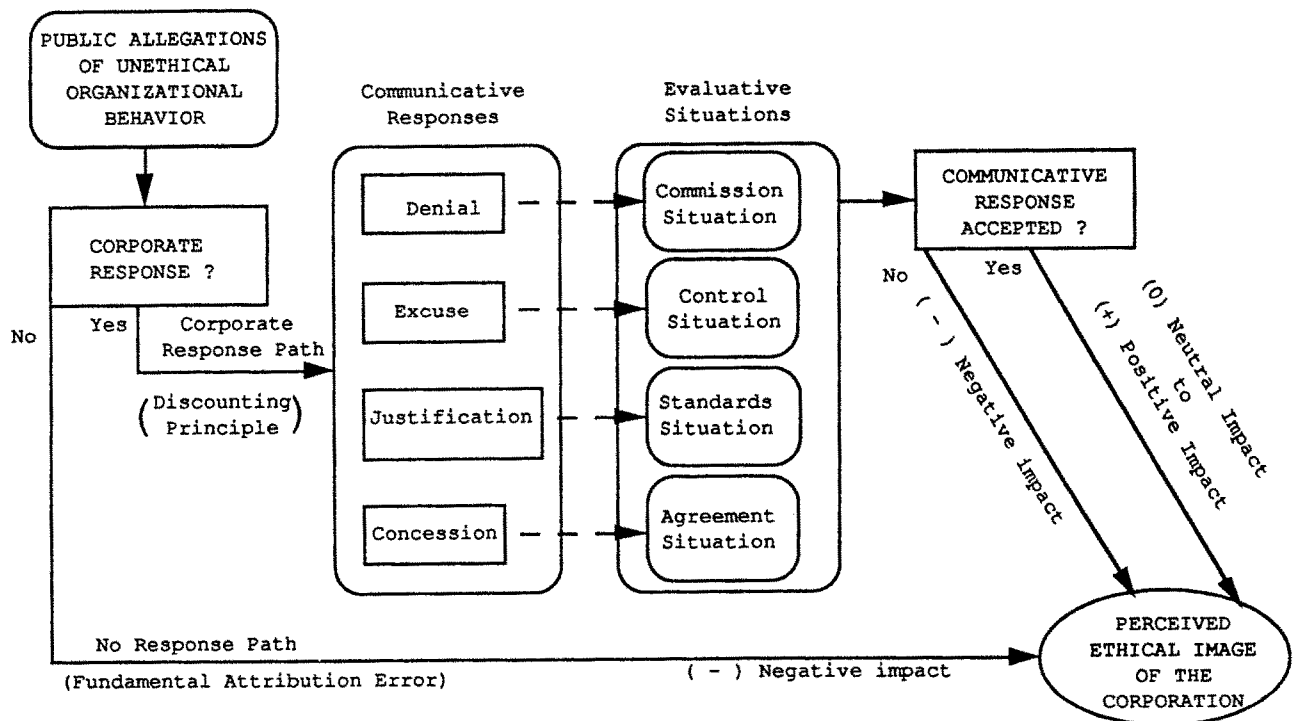


Fig. 1. The corporate communicative response model.

established by society. The goal of this model is to explain the impact that these accusations, and the accused organization's communicative responses, may have on third parties' perceptions of the accused organization's image.

In pursuit of this fundamental goal, this model makes two assumptions which directly limit its scope. First, this model assumes that the accusation is actively disseminated by the accusing actor and/or news media, so that third parties (i.e., those parties who are not a part of either the corporation or the accusing party) become aware of these allegations. Second, this model assumes that third parties do not immediately reject the potential validity of the allegations. For example, third parties could conceivably reject allegations if they believe the accusing party has low credibility or the accusations are wildly improbable. Instead, this model focuses on perceptions held by third parties who are inclined to consider and evaluate the accusations leveled at a corporation. These are the very people that executives would most like to convince, through effective use of communicative responses, of the inappropriateness of these accusations.

With this basic goal and delimiting assumptions in mind, we will next discuss some key concepts from impression management theory that provide a foundation for our model.

Impression management theory

Impression management theory bases many of its concepts on the research commonly found in the attribution literature (Folkes, 1988; Weiner, 1986). But unlike classical attribution theory (Heider, 1958; Kelley, 1967), which assumes that individuals actively search for information to determine the cause of an observed behavior, impression management theory assumes that individuals will determine the cause of a given action and form an image of the involved actor based only on the information made available to them (Hastie, 1984; Schlenker, 1980). Impression management theory recognizes that this attributed image arrived at by observing individuals may not be error free due to missing information. Within the broad expanse of impression

management research, two particular topics, the fundamental attribution error and the discounting principle, played key roles in our model development and will be discussed next.

The fundamental attribution error. Jones and Nisbett (1971) describe the fundamental attribution error as a pervasive tendency for observers to attribute the responsibility for negative actions to stable personal dispositions of the involved actor (e.g., dishonesty, greed, selfishness, irresponsibility). Dispositions refer to the attitudes, intentions, and motivations of the actor that describe their present behavior and may be indicators of their future behavior. Jones and Nisbett (1971) explain that incorrect attributions of an actor's behavior by observers are often based on incomplete information. Observers tend to focus on the negative action or event, and the context in which the event occurred often fades into the background. Unless the actor, whose actions are being evaluated, provides observers with a response that furnishes situational information (i.e., extenuating circumstances surrounding the action), and/or positive dispositional information (i.e., values, intentions, standards, remorse), observers may misattribute the responsibility for the action to negative dispositions within the actor.

The discounting principle. While the fundamental attribution error posits that observers will form judgments about other actors based only on viewing their actions, the discounting principle asserts that these observers' judgments can be influenced by the provision of additional information. According to the discounting principle (Kelley, 1973), the negative dispositions for an offensive action may be discounted if other plausible explanations for the effect are also present. Thus, if an accused actor provides an appropriate explanation for an allegedly offensive behavior, observers may use this information to refute the negative nature of the allegations.

These two concepts from impression management theory, the fundamental attribution error and the discounting principle, provide the theoretical foundation for our Corporate Communicative Response Model. Using these

concepts, we will describe the basic components and structure of our model in the next section.

Components and structure of the model

As shown in Figure 1, our model is composed of two major paths. First, the No Response path explains how a third party observer processes information when a corporation does *not* respond to accusations of unethical behavior. Second, in contrast the Corporate Response path describes how a third party observer processes information when a corporation does respond to accusations of unethical behavior. We will next discuss more fully each of these two major paths.

The no response path. This first path is founded on the fundamental attribution error that suggests, as we discussed earlier, that negative information is likely to be accepted by observers at face value unless countervailing information is also provided. Using this impression management concept, we posit that this negative information will directly and adversely impact the perceived image of an accused organization held by third parties, if managers of an accused corporation do not offer a communicative response to allegations of unethical organizational behavior. However, if a corporation does respond to accusations of unethical behavior, a third party observer's evaluation process shifts to the Corporate Response path, as we describe next.

The corporate response path. This second path is founded on the discounting principle that posits, as we discussed earlier, that actors can present information to influence external observers' perceptions when they evaluate events involving these actors. Of particular relevance to our model, a stream of impression management research has focused on communicative responses actors may offer to influence external observers' evaluations of negative events, such as accusations of unethical behavior (Buttney, 1985; Garrett *et al.*, 1989; McLaughlin *et al.*, 1990; Schonbach 1980). This research reveals four distinct communicative responses that actors accused of

improper behavior may offer, as defined recently by Garrett *et al.* (1989, p. 511):

Denials: Denials are statements that deny the occurrence or existence of the questionable event, or deny that the accused organization is the cause of the event.

Excuses: Excuses are statements that argue that the accused organization should not be held responsible for the occurrence and/or impact of the questionable event because certain factors limited the organization's control over the occurrence and/or impact of this event.

Justifications: Justifications are statements that argue that, even though the accused organizations is responsible for the questionable event, the standards being used by the accusers to evaluate the impact of this questionable event are inappropriate.

Concessions: Concessions are statements that agree that the questionable event did occur, that the accused organization caused this event, that the accused organization had control over the occurrence and/or impact of this event, and that the evaluative standards being used by the accusers are appropriate.

Moreover, this line of impression management research suggests that accused actors must select communicative responses that most appropriately fit the situational characteristics of the allegedly unethical behavior to successfully influence third parties' perceptions (Garrett *et al.*, 1989; McLaughlin *et al.*, 1990). We accordingly identify in our model four different situations (commission, control, standards, and agreement) that may arise when corporations evaluate accusations regarding allegedly unethical organizational behavior, and we link a specific communicative response with each of these situations (denial, excuse, justification, and concession, respectively). Therefore, based on the discounting principle, we assert in our model that:

- (a) when an accused actor can provide evidence that he/she did not commit an allegedly unethical action (commission situation), this actor should use a denial communicative response.
- (b) when an accused actor can provide evidence that he/she did not have control over the occurrence and/or impact of an

allegedly unethical action (control situation), this actor should use an excuse communicative response.

- (c) when an accused actor can provide evidence that inappropriate standards are being used to evaluate this allegedly unethical action (standards situation), this actor should use a justification.
- (d) when an accused actor concludes that the allegations raised are valid (agreement situation), the actor should use a concession.

Then, as our model shows, if an appropriate communicative response is offered and it is *accepted* by third party observers, these accusations of unethical behavior will not harm an accused actor's image. On the other hand, if an inappropriate communicative response is offered and it is *rejected* by third party observers, an accused actor's image will be negatively impacted. For instance, if an accused actor clearly committed and had control over a negative event, the use of denials (lack of commission) and excuses (lack of control) would not be effective because they do not match the characteristics of a standards situation. Given the strong evidence of commission and control, third parties would likely reject the accused actor's denials and excuses as being unconvincing and deceitful. Instead, if inappropriate standards were being applied to evaluate this allegedly unethical event, an accused actor should consider a justification as a potentially more effective communicative response choice for maintaining a positive corporate image.

Summary

Our model explains how accusations of unethical behavior may impact third party observers' perceptions of the ethical image of an accused corporation. If no corporate response is offered, our model shows that third party observers' perceptions will be negatively impacted, as suggested by the fundamental attribution error. But, if an appropriate corporate response (denial, excuse, justification, or concession) is offered that meets an allegedly unethical event's situational charac-

teristics, an accused corporation's image will not be hurt, as supported by the discounting principle.

Next, we will present hypotheses derived from our model that we will submit to experimental testing.

Hypotheses

First, based on the fundamental attribution error, our model posits that an accused corporation's image will be negatively impacted if executives do *not* offer a communicative responses:

- H₁: If no communicative response is offered to accusations of unethical corporate behavior, third parties' perceptions of the image of the accused corporation will be negatively affected.

Based on the discounting principle, our second hypothesis suggests that executives in accused organizations may offer communicative responses that match allegedly unethical events' situational characteristics to protect their corporations' images:

- H₂: Third parties' perceptions of the image of an accused corporation will be more positive when a communicative response that matches the situational characteristics is offered than when no communicative response is offered.

Finally, the previous typological research (e.g., Garrett *et al.*, 1989; McLaughlin *et al.*, 1990) which identified the four potential communicative responses (denials, excuses, justifications, and concessions) suggests that each of these four responses is most appropriate under certain situational parameters, as we discussed earlier. This relationship, which has not been previously evaluated empirically, suggests the following four hypotheses:

- H_{3a}: In a commission situation, a denial will generate a more positive corporate image among third parties than will an excuse, a justification, or a concession.
- H_{3b}: In a control situation, an excuse will

generate a more positive corporate image among third parties than will a denial, a justification, or a concession.

H_{3c}: In a standards situation, a justification will generate a more positive corporate image among third parties than will a denial, an excuse, or a concession.

H_{3d}: In an agreement situation, a concession will generate a more positive corporate image among third parties than will a denial, an excuse, or a justification.

In the next section, we will describe the methodology we employed to test these hypotheses.

Methodology

This section will discuss our experimental design, selection of scenario, data collection procedures, and manipulation checks.

Experimental design

To test these hypotheses we conducted an experiment in which two independent variables, situations and communicative responses, were combined in a 4 × 5 design, respectively. As shown in Appendix 1, fictitious scenarios were created in which the characteristics of each situation were manipulated:

- (1) Commission situation: no evidence of corporate commission.
- (2) Control situation: evidence of corporate commission, but no evidence of corporate control.
- (3) Standards situation: evidence of corporate commission and control, but questionable standards of assessment.
- (4) Agreement situation: evidence of corporate commission, control, and appropriate standards of assessment.

As shown in Appendix 2, five types of communicative responses (no response, denial, excuse, justification, and concession) were created that conformed to the definitions recently offered by Garrett *et al.* (1989).

The dependent variable measured in the model was corporate image. While a review of the literature failed to produce a direct measure of a corporation's perceived image, four dimensions of a corporation's perceived image were identified: (1) honesty, (2) responsibility, (3) concern, and (4) responsiveness (Buono and Nichols, 1985; Carroll, 1979; Cox, 1962; McCoy 1985; Reidenbach and Robin, 1989; Sauerhaft and Atkins, 1989; Sethi and Falbe, 1987; Worcester, 1986). Based on this review, eight statements were generated that measured these four dimensions of corporate image (see Appendix 3).

Selection of scenario

Product safety is a consumer issue often researched in the marketing literature on consumerism (Ackerman, 1973; Morgan and Avrunin, 1982; Schneider, 1977). Therefore, we used a product safety issue as the basis for a fictitious scenario regarding the allegedly negative effects of a new prescription drug, as shown in Appendix 1. In each of these scenarios the Association for Safe Medicine accuses the Ardor Corporation of unethical behavior for its marketing of Destorel, a new drug. This is the type of scenario that is likely to generate considerable media coverage and require a corporate communicative response to protect corporate image.

Data collection procedures

Mail surveys were sent to 900 alumni and parents of current students of a midwestern university. Each potential respondent received one of the twenty scenarios (four situations by five communicative responses). Respondents were asked to read the scenario and then mark their answers to the eight measures of corporate image. A total of 340 usable and complete responses were received for an overall response rate of 38%.

Manipulation checks

The two independent variables used in this experiment were situations and communicative response. The manipulation checks for each independent variable were conducted separately, as we discuss next.

To verify the manipulations of the situations, the survey respondents were asked to respond to the following three statements measuring the situational characteristics of the alleged unethical behavior (commission, control, and standards, respectively). The subjects were asked to respond by using a nine point semantic rating scale ranging from uncertain to certain:

- (1) Destorel, the immunomodulator drug developed by Ardor Corporation, was the cause of the young man's agranulocytosis.
- (2) The Ardor Foods Corporation had control over events that caused the young man's agranulocytosis.
- (3) The Ardor Corporation was more concerned with making a quick profit from the growing medical market than producing a safe drug.

With three dependent measures in the manipulation check (commission, control, and standards measures) and one independent variable (situations), a multivariate analysis of variance (MANOVA) was chosen to evaluate the manipulations of situations. The mean responses to the manipulation checks are reported in Table I. A MANOVA on the situational characteristics of the alleged unethical behavior revealed a situation main effect [Wilks Lambda $F(4, 335) = 4.11$, $p < 0.0001$]. The subsequent ANOVAs on each of the dependent situational characteristics displayed significant main effects:

- Commission situation, $F(4, 335) = 6.97$, $p < 0.0001$.
- Control situation, $F(4, 335) = 6.64$, $p < 0.0001$.
- Standards situation, $F(4, 335) = 3.09$, $p < 0.0001$.

The final step in the manipulations testing of situations determined which cells were significantly different. With unequal cell sizes the

TABLE I
Summary of the findings for the manipulation of evaluative situation

Evaluative situations	Characteristics of the evaluative situation		
	Cause	Control	Standard of evaluation
Commission situation	2.55 ^a U ^{bcd}	2.44 ^a U ^{bcd}	2.88 ^a U ^{bcd}
Control situation	6.77 ^a C ^{bcd}	3.33 ^a U ^{bcd}	2.77 ^a U ^{bcd}
Standards situation	7.66 ^a C ^{bcd}	7.55 ^a C ^{bcd}	3.11 ^a U ^{bcd}
Agreement situation	8.00 ^a C ^{bcd}	8.22 ^a C ^{bcd}	8.55 ^a C ^{bcd}

^a The mean response.

^b C – Certain and U – Uncertain. The '< 4' (certain and '> 6' (uncertain were the a priori cutoff points identified in the qualitative pretesting stage. The level of gravity for each script was measured on a 9 point semantic differential scale ranging from certain (1) to uncertain (9).

^c Significant difference at 0.05 between expected uncertain and certain within evaluative situation.

^d Significant difference at 0.05 between expected uncertain and certain between evaluative situation.

Bonferroni *t*-test was used in the multiple comparison tests (Miller, 1981). This series of comparisons found first that, in the absence of a communicative response, respondents perceived the commission, control, and appropriate standards for the commission situation to be uncertain. Next, respondents found the cause to be certain, but the control and appropriate standards to be uncertain for the control situation. Then, respondents perceived the cause and control to be certain, but the appropriate standards to be uncertain for the standards situation. Finally, respondents perceived the commission, control, and appropriate standards to be certain for the agreement situation. This confirmed that the manipulations of situation were successful.

For the manipulation of the second independent variable (corporate response) to be successful, it was important that there was no

confusion over the type of response provided by the corporation in the script. To validate the corporate response information, the respondents were asked to identify the type of response given by the corporate spokesperson. The definitions of all four response categories were provided with the news story, but the actual response title was not provided with the definition. Instead, subjects selected from definitions with generic titles (no response, type 1 response, type 2 response, type 3 response, type 4 response). 96% of the survey respondents were able to correctly identify the category of the corporate response provided in their news story. These data suggest that the levels of this independent variable were successfully manipulated to allow a valid test of the hypotheses.

Results

A summary of our respondents' perceptions of the image of the Ardor Corporation, the fictitious company in our scenarios, is presented in Table II. Respondents in each of the twenty experimental cells evaluated the eight items designed to measure perceptions of corporate

image, as shown in Appendix 3. The final numbers for corporate image shown in Table II were computed by summing each respondent's scores across the eight items in Appendix 3, and then averaging the total scores across all respondents in that particular cell. The potential range for these image scores is -32 to $+32$.

Our first hypothesis argued that if no communicative response is offered to accusation of unethical corporate behavior, third parties' perceptions of the image of the accused corporation will be negatively affected, as suggested by the fundamental attribution error. Since Ardor Corporation is a fictitious name, it is reasonable to expect that subjects have a neutral image toward the company before being exposed to treatments. Using zero as a neutral reference point, we see in Table III that in each of four situations the no response option yielded negative scores for Corporate Image, ranging from -6.76 to -16.25 , as hypothesized.

To test H_1 , a series of t -tests were performed on the no response means for each of the four situations. This statistical procedure compared actual corporate image means with expected corporate image means (i.e., summed means equal zero). The t -tests found (see Table III) that

TABLE II
Third parties' perceptions of corporate image

Evaluative situation	Corporate response				
	No response	Denial	Excuse	Justification	Concession
Commission situation	17 ^a -6.76 ^b	15 ^a +2.80 ^b	17 ^a +8.12 ^b	16 ^a +6.25 ^b	15 ^a +16.80 ^b
Control situation	19 ^a -8.68 ^b	18 ^a -16.28 ^b	17 ^a +11.12 ^b	15 ^a +7.53 ^b	16 ^a +10.37 ^b
Standards situation	18 ^a -10.27 ^b	18 ^a -17.38 ^b	18 ^a -21.05 ^b	16 ^a +1.89 ^b	16 ^a +13.44 ^b
Agreement situation	20 ^a -16.25 ^b	18 ^a -21.44 ^b	17 ^a -22.12 ^b	18 ^a -14.44 ^b	16 ^a +11.81 ^b

Note: Each cell represents a sum of eight 9-point corporate image scales ranging from -4 to $+4$. A negative number represents a negative corporate image, zero represents a neutral corporate image, and a positive number represents a positive corporate image. The potential range for these image scores is -32 to $+32$.

^a Represents the number of subjects.

^b Represents the summed corporate image scores averaged cross all subjects in this cell.

TABLE III

t-Test comparison of no response corporate image means to expected neutral corporate image means

Evaluative situation	N	Neutral corporate image mean	No response corporate image mean	<i>t</i>	<i>P</i>
Commission	17	0.00	-6.76	26.98	0.01
Control situation	19	0.00	-8.68	28.72	0.01
Standards situation	18	0.00	-10.28	31.02	0.001
Agreement situation	20	0.00	-16.25	38.61	0.001

the no response corporate image mean was significantly lower than the expected neutral corporate image mean for all four situations (commission, $p < 0.01$; control, $p < 0.01$; standards, $p < 0.001$; agreement, $p < 0.001$). These findings supported our hypothesis that failing to respond to allegations of unethical corporate behavior would negatively affect corporate image.

Based on the discounting principle, our second hypothesis stated that third parties' perceptions of corporate image will be more positive when a communicative response that matches a situation's characteristics is offered than when no response is offered. As shown in Table II, taking each of the four evaluative situations separately, we first see in the commission situation that the response hypothesized to be most appropriate (a denial) yielded a higher corporate image score (+2.80) than did the no response option (-6.76). In the control situation, the response hypothesized to be most appropriate (an excuse) resulted in a higher corporate image (+11.12) than did no response (-8.68). For the standards situation, the corporate image score for justification (+1.89), the response hypothesized to be most

appropriate, was higher than the no response option (-10.27). Finally, the agreement situation yielded a score of +11.81 for concession, the response hypothesized to be most appropriate, versus a score of -16.25 for no response. All four of these comparisons were significant (denial in the commission situation, $p < 0.001$; excuse in the control situation, $p < 0.001$; justification in the standards situation, $p < 0.001$; concession in the agreement situation, $p < 0.001$; see Table IV). Thus, in each of the four situations the communicative response we hypothesized to be most appropriate yielded a significantly higher corporate image score than did the no response option.

Finally, the series of third hypotheses asserted that among the available four response options (a) a denial would yield the most positive corporate image score in the commission situation, (b) an excuse would yield the most positive corporate image score in the control situation, (c) a justification would yield the most positive corporate image score in the standards situation, and (d) a concession would yield the most positive corporate image in the agreement situation. However, as shown in Table V, these

TABLE IV

Summary of hypothesis 2 *t*-tests for corporate image

Evaluative situation	<i>t</i> -test comparison of corporate image means	Degree of freedom	Mean square error	Critical <i>t</i>	<i>P</i>
Commission situation	No response vs denial	75	54.54	2.89	0.001
Control situation	No response vs excuse	80	36.16	2.89	0.001
Standard situation	No response vs justification	81	67.84	2.89	0.001
Agreement situation	No response vs concession	84	92.69	2.89	0.001

hypotheses were supported in only one of the four situations. As predicted, for the agreement situation the hypothesized optimal response (concession) did receive a significantly higher corporate image score (+11.81, $p < 0.05$) than did the other potential response options. But in the other three situations, the predicted optimal responses did *not* generate significantly higher corporate image scores than all other potential responses. In the commission situation, the predicted optimal responses (denial) actually received the lowest score (+2.80) of all possible response options. In the control situation, the excuse, the predicted optimal response, did receive the highest score (+11.12), but this was not significantly higher ($p > 0.05$) than the scores for the concession (+10.37) and the justification (+7.53). Finally for the standards situation, the concession's score (+13.44) was significantly higher ($p < 0.05$) than the score for justification (+4.94), which had been predicted to be the best response.

In summary, our results demonstrate that third party observers' perceptions of corporate image

are negatively impacted if no communicative response is offered by corporate executives to accusations of unethical behavior. But, when a response that matches the situational characteristics is offered, our results show that third parties' perception of corporate image become significantly more positive. Finally, contrary to our predictions, the corporate response that we hypothesized to be optimal for each of the four situations did not always receive the highest image score. Instead, the concession response option generally received the highest scores across all situations.

Next, we will discuss the implications of the empirical results we obtained and the limitations associated with this research project.

Discussion

In this section we will first review the negative impact of the no response option, then discuss the importance of choosing a communicative

TABLE V
Summary of *t*-tests for corporate image

Hypothesis	Evaluative situation	Communicative responses	Corporate image mean	<i>t</i> -test comparisons	Difference significant at alpha = 0.05
H _{3a}	Commission situation	Denial (D) ^H	+2.80	—	—
		Excuse (E)	+8.11	D vs E	Yes
		Justification (J)	+6.25	D vs J	No
		Concession (C)	+16.80	D vs C	Yes
H _{3b}	Control situation	Denial	-16.28	E vs D	Yes
		Excuse ^H	+11.12	—	—
		Justification	+7.53	E vs J	No
		Concession	+10.37	E vs C	No
H _{3c}	Standards situation	Denial	-17.38	J vs D	Yes
		Excuse	-21.05	J vs E	Yes
		Justification ^H	+4.94	—	—
		Concession	+13.44	J vs C	Yes
H _{3d} *	Agreement situation	Denial	-21.44	C vs D	Yes
		Excuse	-22.12	C vs E	Yes
		Justification	+1.89	C vs J	Yes
		Concession ^H	+11.81	—	—

* Results supported hypothesis.

^H Hypothesized best corporate response.

response option that matches a situation's characteristics, and finally focus on the comparative effectiveness of concessions.

The negative impact of the no response option

Our data clearly show that if corporate executives do *not* respond, third party observers' perceptions of a corporation's image are negatively impacted by accusations of unethical organizational behavior. This finding is significant because it suggests that corporate executives should focus on *how* to respond, not on *whether or not* to respond to accusations of unethical organizational behavior. If executives remain silent, our study reveals that third party observers are likely to process the accusers' negative information and lower their perceived image of the accused corporation. Thus, our findings lend additional support for the fundamental attribution error that formed the theoretical foundation for the no response path of our model.

The importance of choosing a communicative response option that matches the situational characteristics

In addition, our data indicate that executives must not only respond, but must also select an appropriate communicative response if they hope to protect their organization's image. As shown in Table II, as the situation progresses from commission to agreement, the likelihood of choosing an inappropriate response that is actually *worse* than not responding at all increases. For example, for the commission situation, the denial (+2.80), the excuse (+8.11), the justification (+6.25), and the concession (+16.80) all result in a positive corporate image. However, with an agreement situation, the denial (-21.44) and the excuse (-22.12) actually generated more negative image scores than did the no response option (-16.25). This suggests that third party observers will only respond positively if executives understand the relevant situational characteristics of the ethical dilemma and provide communicative responses that are viewed as

appropriate under these circumstances. While offering no response to allegations of unethical behavior can tarnish the ethical image of a firm, in certain situations no response is better than offering an inappropriate communicative response.

The comparative effectiveness of concessions as a response option

Finally, perhaps the most striking finding in our study was the general robustness of the concession as an effective communicative response option. With the exception of the control situation in which the excuse (+11.12), the concession (+10.37), and the justification (+7.53) were not found to be significantly different, in every other situation the concession was the optimal communicative response option. This finding indicates that the concession may not only protect and maintain corporate image, but may actually enhance it. Therefore, despite executives' general unwillingness to yield to protesters' demands (Garrett, 1987), corporate officials might be well advised to be less reluctant to use the concession response.

The limitations associated with this research project will be discussed next.

Limitations

The results of this study should be viewed in light of certain limitations. As with all laboratory experiments, interpretations of the results must be tempered by an understanding of how well the experimental task represented the actual assessment process of observing corporate stakeholder. Within this context, the applicability of our study's findings must be tempered because our experimental subjects' evaluations (1) did not occur in a natural setting; (2) were based on vicarious observations rather than personal observations of the situational characteristics, communicated accusations, and communicative responses from the corporation; and (3) were based on information presented in exclusively written form rather than as a reaction to a com-

bination of written, verbal, and visual cues, which is more likely to occur in actual controversies regarding allegedly unethical business practices. However, because the goal of this study was to maximize the internal validity of the constructs in the model, rather than the external validity of the model, these particular limitations seem reasonable for this early stage of development of this relatively new research area.

In addition, the scope of the study was restricted to examining only a single business category that may generate accusations of unethical corporate behavior (product safety). A number of other consumer issues, such as deceptive advertising, pricing policy, and product service, may generate public controversy (Frederick *et al.*, 1988; Lacznik and Murphy, 1993; Murphy and Enis, 1985). Therefore, the results of this study may vary depending on which allegedly unethical business activity is being evaluated.

Finally, corporate image, the dependent measure in our model, did not reflect the repetitive use of a communicative response over time in multiple disputes involving the same corporation. Thus, the robust findings for the concession response option do not suggest that the concession response should be used for every situation. In fact, overuse of the concession response when it is not warranted may dilute the credibility of a firm and the effectiveness of this response.

We will close by briefly highlighting some directions for future research in this area.

Directions for future research

As directions for future research in this area, we will first discuss research regarding the effectiveness of the concession response option. Second, research concerning the impact that corporate responses have on sales and profitability will be discussed.

Further research on the effectiveness of concessions

Given the general effectiveness of the concession response option, we believe more research attention should be directed toward explaining this finding. Two streams of research provide plausible explanations for the capability of the concession response to restore corporate image. The sequential expectation paradigm implicit in the research by Sethi (1979), Schlenker (1980), Scott and Lyman (1968), Snyder and Higgins (1990), and Tedeschi and Reiss (1981) may offer an explanation. The sequential expectation paradigm posits that as the magnitude of an actor's negative behavior increases, the response expectations of observing third parties also increase. Each observer is assumed to have expectations about how an accused actor will respond. These response expectations are then compared with the accused actor's actual response. If the observers' response expectations exceed the actual response, the reproach will not be discounted and observing actors' dispositional attributions will be negative. However, when response expectations are met or exceeded, the reproach will be discounted and observing actors will attribute a more positive disposition to the responding actor. The results of our study seem to support this paradigm. The positive corporate image scores of the concession may be the result of a communicative response that meets or exceeds observers' expectation levels in every evaluative situation. In contrast, the denial and excuse may have lost their effectiveness in restoring corporate image as observers' response expectations increased beyond commission and control.

Another plausible explanation for the robust findings of the concession response found in our study may be found in attribution theory. According to attribution theory, when third parties witness a negative behavior they attempt to determine the stability of the behavior (Weiner, 1986). The concession communicates that the negative behavior was just a temporary lapse of judgment rather than a stable reflection of the organization's true character (Goffman, 1971; Weiner, 1986). By offering a concession, an actor may demonstrate that this particular

negative action is an isolated incident and does not reflect the actor's underlying positive character (Darby and Schlenker, 1982). Surprisingly, very few studies have investigated the impact of concessions on attributions of image stability (Darby and Schlenker, 1982; Goodwin *et al.*, 1989; Schlenker and Darby, 1981).

In summary, more research, based on the sequential expectation paradigm and/or attribution theory, is needed to fully understand the true scope of the concession's effectiveness in protecting an accused organization's public image.

Impact of corporate response on corporate sales and profits

The dependent variable in this study was third parties' perceptions of corporate image. While executives are rightfully concerned with their corporations' public images, more research is needed to determine the effect that corporate communicative responses have on present and future company sales and profitability. For instance, is it possible that an inappropriate communicative response may negatively impact third parties' perceptions of corporate image, but *not* appreciably reduce company sales and profits? Or are there situations in which an inappropriate response will appreciably reduce sales and profits? Catastrophe theory (Olivia *et al.*, 1992; Zeeman, 1977) suggests that under certain conditions a single inappropriate communicative response may result in a sudden and dramatic drop in corporate image. While an inappropriate communicative response from a corporation with a positive corporate image may not result in a corporate catastrophe (i.e., dramatic drop in corporate image, lowered profit margins, significant loss in market share), a single inappropriate response by a corporation with a low corporate image may trigger a corporate catastrophe. To provide a theoretical base for addressing this issue, future research should be directed toward evaluating communicative responses within the context of a catastrophe model.

Conclusion

The Corporate Communicative Response Model presented in this paper outlines the effects that accusations of unethical organizational behavior and executives' communicative responses will have on third parties' perceptions of corporate image. Based on the empirical results of this study, we can tentatively conclude that executives may be able to protect effectively their corporation's images if they choose an appropriate communicative response. In particular, our study's results suggest that concessions may be an especially effective response option.

Appendix 1

Evaluative situation scenarios

Commission Situation (No evidence of corporate commission)

A young man was diagnosed today at Memorial Hospital to have agranulocytosis. Agranulocytosis is an infection that blunts the body's ability to produce infection fighting white blood cells. The Association for Safe Medicine (ASM), a consumer advocate group, claimed that the infection was caused by Ardor Corporation's new drug, Destorel.

Destorel, developed by the Ardor Corporation, is one of the new immunomodulator drugs. An immunomodulator drug, unlike other drugs on the market that are designed to remedy a specific illness, cures the body naturally by strengthening the body's immune system. The Ardor Corporation claims that for the first time there is a medication that cannot only cure the common cold, the flu, and allergies, but can actually prevent them. Each of these common sicknesses is caused by a weakening in the body's immune system. Destorel's adrenaline based medication prevents these weaknesses in the immune system caused by poor diet and/or fatigue. Adrenaline is a complex natural steroid hormone produced by the adrenal gland. When the Ardor Corporation first announced the discovery of Destorel, several medical journals hailed the medication as one of the most significant drugs introduced in twenty years.

Destorel is not without its opponents. ASM has protested Ardor Corporation's production and distribution of Destorel, which they consider a health hazard.

When the doctor was asked about the case of the agranulocytosis, he stated that the cause of the agranulocytosis may have been pneumonia, the Asian flu, or possibly the Destorel. The young man had the flu and it was progressing into pneumonia. Both of these illnesses reduce the white blood count and make the body susceptible to a host of viruses including agranulocytosis. The Destorel was administered to help build up the young man's immune system. There are some rare cases where the drug may actually induce agranulocytosis, but without a blood test before and after the administration of the medication, it is impossible to say when the young man contracted the infection. While the infection may sound serious, the doctor stated that if it is identified in its early stages, the infection can be easily cured with antibiotics.

Evaluative situation scenarios

Control Situation

(Evidence of corporate commission but no evidence of corporate control)

A young man was diagnosed today at Memorial Hospital as having agranulocytosis. Agranulocytosis is an infection that blunts the body's ability to produce infection fighting white blood cells. The Association for Safe Medicine (ASM), a consumer advocate group, claimed that the infection was caused by Ardor Corporation's new drug, Destorel.

Destorel, developed by the Ardor Corporation, is one of the new immunomodulator drugs. An immunomodulator drug, unlike other drugs on the market that are designed to remedy a specific illness, cures the body naturally by strengthening the body's immune system. Ardor Corporation claims that for the first time there is a medication that cannot only cure the common cold, the flu, and allergies, but can actually prevent them. Each of these common sicknesses is caused by a weakening in the body's immune system. Destorel's adrenaline based medication prevents these weaknesses in the immune system caused by poor diet or fatigue. Adrenaline is a complex natural steroid hormone produced by the adrenal gland. When the Ardor Corporation first announced the discovery of Destorel, several medical journals hailed the medication as one of the most significant drugs introduced in twenty years. Destorel underwent two years of comprehensive testing before it was introduced early this year.

Destorel is not without its opponents. ASM has

protested Ardor Corporation's production and distribution of Destorel. They consider Destorel a health hazard. Currently, the ASM is demanding that the FDA require the Ardor Corporation to supervise the proper administration of the drug.

The doctor, who examined the youth, stated that the cause of the agranulocytosis was definitely the drug, Destorel. The young man had the flu and it was progressing into pneumonia. The Destorel has been administered to help build up the young man's immune system. This just happened to be one of the rare cases where the young man's immune system reacted to the drug. This reaction induced the agranulocytosis. While the infection may sound serious, the doctor stated that if it is identified in its early stages, the infection can be easily cured with antibiotics.

Evaluation situation scenarios

Standards Situation

(Evidence of corporate commission and control, but questionable standards of assessment)

A young man nearly died today at Memorial Hospital from agranulocytosis. Agranulocytosis is a virulent infection that blunts the body's ability to produce infection fighting white blood cells. The Association for Safe Medicine (ASM) claimed that the infection was caused by Ardor Corporation's new drug, Destorel.

Destorel, developed by the Ardor Corporation, is one of the new immunomodulator drugs. An immunomodulator drug, unlike other drugs on the market that are designed to remedy a specific illness, cures the body naturally by strengthening the body's immune system. Ardor Corporation claims that for the first time there is a medication that cannot only cure the common cold, the flu, and allergies, but can actually prevent them. Each of these common sicknesses is caused by a weakening in the body's immune system. Destorel's adrenaline based medication prevents these weaknesses in the immune system caused by poor diet or fatigue. Adrenaline is a complex natural steroid hormone produced by the adrenal gland. When the Ardor Corporation first announced the discovery of Destorel, several medical journals hailed the medication as one of the most significant drugs introduced in twenty years. Destorel was approved earlier this year by the Food and Drug Administration (FDA). A requirement of the FDA approval was that the Ardor corporation ensure that

each patient's blood is tested before and after the drug is given.

Destorel is not without its opponents. ASM has continually protested Ardor Corporation's production and distribution of Destorel. They consider Destorel a potential health hazard and are demanding that the FDA ban the use of this medication. ASM claims that the Ardor Corporation knew that Destorel had dangerous side effects and marketed the product anyway. ASM considers the marketing of Destorel an example of the Ardor Corporation's aggressive pursuit for profits regardless of the potential dangers to the public.

The doctor, who examined the youth, stated that the cause of the agranulocytosis was definitely the drug, Destorel. The young man had the flu and it was progressing into pneumonia. The Destorel had been administered to help build up the young man's immune system. The young man's immune system reacted to the drug, and this reaction induced the agranulocytosis. The doctor described agranulocytosis as a serious infection, and unless this virulent infection is identified early, it can be fatal.

Evaluative situation scenarios

Agreement Situation

(Evidence of corporate commission, control, and appropriate standards of assessment)

A young man died today at Memorial Hospital from agranulocytosis. Agranulocytosis is a virulent infection that blunts the body's ability to produce infection fighting white blood cells. The Association for Safe Medicine (ASM) claimed that the infection was caused by Ardor Corporation's new drug, Destorel.

Destorel, developed by the Ardor Corporation, is one of the new immunomodulator drugs. An immunomodulator drug, unlike other drugs on the market that are designed to remedy a specific illness, cures the body naturally by strengthening the body's immune system. The Ardor Corporation claims that for the first time there is a medication that cannot only cure the common cold, the flu, and allergies, but can actually prevent them. Each of these common sicknesses is caused by a weakening in the body's immune system. Destorel's adrenaline based medication prevents these weaknesses in the immune system caused by poor diet or fatigue. Adrenaline is a complex natural steroid hormone produced by the adrenal gland.

Destorel is not without its opponents. Several

groups have continually protested Ardor Corporation's production and distribution of Destorel. They feel that the drug has not been tested long enough and the side effects are too severe and unpredictable. ASM considers Destorel a potential health hazard and is demanding that the FDA ban the use of this medication. ASM claims that the Ardor Corporation knew that Destorel had dangerous side effects and marketed the product anyway. ASM considers the marketing of Destorel an example of the Ardor Corporation's aggressive pursuit for profits regardless of the potential dangers to the public. ASM regards the recent incident as just the beginning of many dangerous side effects that will undoubtedly be discovered in the future.

The doctor, who examined the youth, stated that the cause of the agranulocytosis was definitely the drug, Destorel. The young man had the flu and it was progressing into pneumonia. The Destorel had been administered to help build up the young man's immune system. The young man's immune system reacted to the drug, and this reaction induced the agranulocytosis. The doctor described agranulocytosis as a serious infection which disrupts the body's immune system. The combination of pneumonia and agranulocytosis proved to be fatal.

When contacted, a spokesperson for the FDA stated that the Ardor Corporation had never been prosecuted or even accused of producing unsafe products in the past. They did state that it was the Ardor Corporation's responsibility to ensure that each patient would have a blood test prior to treatment by the new drug.

Appendix 2

Corporate communicative responses

Slight variations were made in each response to correspond to the variations in the four evaluative situation scenario scripts.

No Response – No response was provided with the script.

Denial – When contacted, a spokesperson for the Ardor Corporation stated that the firm was concerned about the health of the young man, but denied that the cause of the agranulocytosis was Destorel. Destorel had been extensively tested over a two year period by an independent laboratory before FDA approval. More probable causes for the agranulocytosis are the flu and/or pneumonia.

Excuse – When contacted, a spokesperson for the Ardor Corporation offered the firm's concern about the health of the young man, but affirmed that the Ardor Corporation required the hospital to conduct an enzyme test of the patient's blood before, and once a day for the next week following, the use of the drug for the first time. A review of the young man's medical records revealed that there had not been a test of his blood before Destorel was administered, and it was more than two weeks after he had started on the medication before the hospital finally tested the young man's blood. It was this blood test that revealed the presence of agranulocytosis. The blood testing of the patients is the sole responsibility of the hospital. The Ardor Corporation has no control over whether the hospital administers a blood test or not. When Destorel was extensively tested by the FDA, a blood test was given to every patient before and after the drug was administered and there were no dangerous side effects. There are rare cases where a patient may react to the drug, and for this reason the written procedure describing the administration of the drug clearly states that the patient must be given an enzyme blood test before, and daily for a week afterward. These tests eliminate the possibility of a dangerous reaction.

Justification – When contacted, a spokesperson for the Ardor Corporation offered their concern for the young man, but stated that Destorel poses less of a health threat than majority of over-the-counter drugs being used daily by the public. However, Destorel is not immune to the problems that are present with any medication. Approximately 5% of the customers that are prescribed medication, including such over-the-counter drugs as Aspirin, Alka-Seltzer, and Pepto-Bismal, have reactions or side effects from the medication. Tests conducted by an independent laboratory approved by the Food and Drug Administration revealed that less than 2% of the patients that were treated with Destorel experienced a negative reaction or side effect. With a blood test this 2% can be identified. This makes Destorel safer than Aspirin, Alka-Seltzer, and Pepto-Bismal and no one is demanding that these products be removed from the market place.

Concession – When contacted, a spokesperson for the Ardor Corporation made the following statement. The Ardor Corporation is concerned with the potential health threat of its product to the public and will accept full responsibility for the death of the young man. This is the first time in the firm's 75 year

history that it has been accused of marketing a potentially dangerous product. Before releasing Destorel, the drug was extensively tested by independent laboratories over a two year period. The findings of the independent laboratories as well as Ardor's laboratory indicated that there was a potential danger to less than 2% of the patients that are prescribed the drug. But this potential danger or negative reactions to the drug could be completely eliminated with a blood test. Blood tests are routine tests conducted by any hospital before administering a prescription drug. It was never the intention of the Ardor Corporation to produce a potentially harmful drug. It was Ardor's understanding that all hospitals were informed of the need to test the patient's blood before administering Destorel. The company supports the public's right to safe products and has called for an immediate recall of all of its products made with Destorel. The Ardor Corporation will not release the product on the market again until they can ensure that all patients that receive the drug will be given a blood test or that a new version that no longer requires a blood test is discovered. Furthermore, the Ardor Corporation will pay the medical bills for Destorel related illnesses.

Appendix 3

Measures of corporate image

Below are listed a series of statements followed by a scale like this

Strongly				Neither				Strongly
Agree	Agree	A or D	Disagree	Disagree				
4	3	2	1	0	-1	-2	-3	-4

Read each statement. Then circle the number of the belief that best matches your own. Circling 4 corresponds to strongly agree, circling 3 corresponds to an attitude between strongly agree and agree, etc. If you feel additional comments are needed to better express your opinion, please write them in the space provided for additional comments. If more space is needed, feel free to write on the back of the survey.¹

(Honesty Dimension)²

- (1) The Ardor Corporation is an honest firm whose statements about Destorel can be trusted.

4	3	2	1	0	-1	-2	-3	-4
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- (2) The Ardor Corporation can be trusted to test

its products for customer safety before placing them on the market for sale.

4 3 2 1 0 -1 -2 -3 -4

(Responsibility Dimension)²

- (3) The Ardor Corporation will voluntarily accept responsibility for product safety issues in the future.

4 3 2 1 0 -1 -2 -3 -4

- (4) The Ardor Corporation will correct future product safety problems only if forced to by the government.^R

4 3 2 1 0 -1 -2 -3 -4

(Concern Dimension)²

- (5) The Ardor Corporation is more concerned with profits than producing safe products.^R

4 3 2 1 0 -1 -2 -3 -4

- (6) The Ardor Corporation is motivated by a desire to provide products that adhere to a high standard of overall quality, rather than by considerations of selfish gain.

4 3 2 1 0 -1 -2 -3 -4

(Responsiveness Dimension)²

- (7) The Ardor Corporation is sensitive to complaints about its products.

4 3 2 1 0 -1 -2 -3 -4

- (8) The Ardor Corporation is concerned about preserving a good relationship with its customers

4 3 2 1 0 -1 -2 -3 -4

¹ The additional comments sections have been removed to save space. After each statement there was a brief line that stated Additional Comments. Three lines were provided after each additional comments statement.

² The heading in parentheses was not included in the question, but was provided in the appendix to clarify which questions measured which dimension.

^R Indicates that the response to the statement was reverse scored.

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