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The Impact of Corporate Social Responsibility on the Trust Repair of Brand with Negative Publicity: Mental Account as a Mediator

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Abstract: With the development of internet and popularity of mobile terminals, negative publicity of brand has become more and more widespread. This paper aims to study the impact of corporate social responsibility (CSR) on the trust repair of brand with negative publicity. From Chinese cultural aspect of the differential mode of association, CSR is divided into public morality behavior and private one. The concept of mental account is introduced as a mediating variable and CSR history as a moderate one. By a 2 (CSR type: public VS. private morality behavior) × 2 (CSR history: long VS. short) between group experiment, it is found that public morality is more likely to be classified into charity account by consumers, thereby promoting integrity-based trust repair; private morality is more likely to be classified into remedy account, thereby promoting ability-based trust repair. Public morality behavior with long history is more tend to be attributed to charity account by consumers; and CSR including public and private one with short history are more tend to be attributed to remedy account by consumers.

Keywords: corporate social responsibility, mental account, negative publicity, trust repair

1. INTRODUCTION

With the development of Internet and popularization of mobile terminals, the influence of enterprises' negative exposures is more extensive, and the harm is far more than before. In recent years, the negative exposure of enterprises such as Hai Di Lao hotpot chain "back kitchen incident", Ctrip child abuse incident and so on, not only brings great damage to the reputation of the enterprise involved in the incident, but also seriously reduces consumers' trust of the market. A large number of studies show that trust breach will cause negative effects such as revenge, psychological contract damage and uncooperative behavior. So how can the company repair damaged trust after negative exposure? In addition to deny, apology, recall and some other ways, how does CSR affect trust repair? What is the mechanism of the repair? And what is the boundary? Previous literature doesn't well answer these questions. This study, introducing mental accounts, explores the differences between different CSR on the trust repair of negative exposure brands, the mediating role of mental account in the above relationships, and the moderating role of CSR history between CSR and mental account. This study makes contributions to the previous trust repair research, and provides theoretical guidance for enterprises to correctly and timely fulfill CSR to cope with negative exposure crisis.

2. LITERATURE REVIEW

2.1 Corporate social responsibility (CSR)

CSR is an important academic concept, which refers to the organization's behavior and policy in a specific context based on the stakeholder's performance expectations for balance in economic, social, and environmental aspects (Aguinis & Glavas, 2012)^[1]. CSR goes beyond the corporate responsibility of shareholders in the past,

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emphasizing the social responsibility of corporate, including shareholders, employees, consumers, communities and governments. Homburg, et al. (2013) divided CSR into commercial and philanthropic responsibilities^[2] from a stakeholder perspective. Chinese scholar Tong, al. (2015) based on the "5 human relationships of 5 generations" from the cultural aspect of the differential mode of association, divide CSR into public and private morality behavior, and hold that the morality behavior acted to government, shareholders, employees, partners and consumers belongs to private morality behavior, while the morality behavior outside these belongs to public one^[3]. This paper will use Tong's classification to divide CSR into public and private morality behavior.

2.2 Trust repair

Trust is the core relationship between business and consumer. When the trustors perceive their expectations are not in accordance with the behavior of the trustee, there is a breach of trust. But many researches prove trust can be repaired. Kim, et al. (2004) argued that the enterprise's efforts, such as active social responsibility not only help to restore consumer trust, but also even make the repaired trust exceed the past level^[4]. Xie and Peng (2009) summarized previous studies on trust methods as affective, functional, and informative repair strategies^[5]. Base on the previous research of trust breach and repair, this paper divides trust repair into capability and integrity trust repair.

2.3 Mental account

In 1985, Richard Thaler formally put forward the theory of "mental account". He thinks including individual, family, enterprise, and so on, all have the mental account system. Mental account has its own unique accounting rules which are different from traditional economic account. People often make irrational decisions based on this accounting. Existing research on mental account mainly focuses on the cognition of wealth on the funds owned by people. This study tries to explore how consumers view the financial and material inputs of enterprises to fulfill their social responsibilities from the outside. This paper divides the consumer's mental account into remedy account and charity one, the former refers to the expenses incurred by the enterprise fulfilling its social responsibility to recovery from the crisis, and the latter refers to the expenses incurred to promote the well-being of the whole society.

3. MODEL AND HYPOTHESIS

3.1 Model

Basing on the review of previous studies, we divide CSR into public and private morality behavior from the cultural aspect of the differential mode of association, and introduce the concept of "mental account" as a mediator to explore how different types of CSR affect consumer trust repair, and the moderating role of CSR history between CSR behavior and mental account. The research framework of this paper is shown in Figure 1:

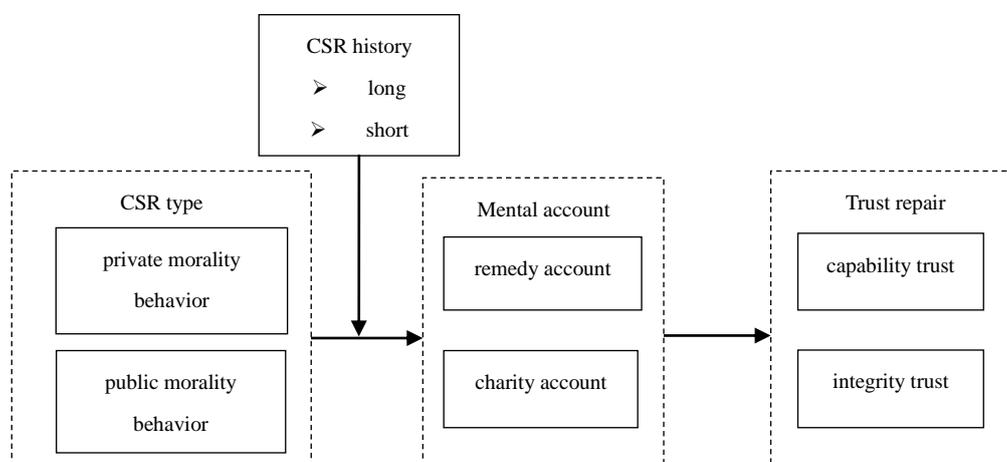


Figure 1. Research framework

3.2 Hypothesis

(1) The impact of CSR on consumer trust repair

CSR belongs to the legitimate ethical behavior of the enterprise, so CSR can generate a strong sense of trust. Compared with the initial trust, the trust repair after the product harm-crisis belongs to the "non-zero starting point", and the occurrence of the breach makes the trust party reinterpret and evaluate the past relationship between the two sides. Dirks et al. (2011) proposed two trust repair mechanisms: perceived confession and perceived prevention^[6]. After the product-harm crisis, compared with the public morality behavior, the private one is more likely to make the public perceive the enterprise's hypocrisy. Tong, et al. (2015) found that private morality behavior made consumers more likely to generate corporate capacity association, thus can promote the ability trust repair; public one made consumers more likely to generate corporate integrity association, which can promote the integrity trust repair. Thus hypothesis H1 is proposed:

H1: Different types of CSR lead to different dimensions of consumer trust repair.

H1a: Compared with public morality behavior, private one tends to repair capacity trust.

H1b: Compared with private morality behavior, public one tends to repair integrity trust.

(2) The intermediating role of mental account

Consumers will judge the motivation of the money spent on CSR activities. They may divide the expense into two categories: charity and remedy account. When an enterprise engages in public morality behavior, consumers will tend to think that it is altruistic, the enterprise is contributing to the society. So consumers will include the behavior of the enterprise in the charity account. However, when enterprises engage in private morality behavior, especially after the negative exposure, consumers will think that the enterprises is self-interest and its CSR is used to copy with the crisis to minimize the negative impact, in this case, consumers will classify the CSR expense as a remedy account. Thus hypothesis H2 is proposed:

H2: Different types of CSR are classified by consumers as different mental accounts.

H2a: Private morality behavior compared with public tends to be classified as remedy account.

H2b: Public morality behavior compared with private tends to be classified as charity account.

(3) Mediating role of mental account

The theory of social exchange holds that all activities carried out by people are in pursuit of various kinds of social resources that can meet their own needs. The breach of trust of enterprises will bring material and emotional losses to consumers, and consumers will reduce their trust in the enterprise in order to prevent their own resources from being devalued in the future, thus triggering a series of negative behaviors such as reducing buying, abandoning the enterprise and spreading negative reputation. A series of efforts by companies after the negative exposures are aimed at reducing the sense of disequilibrium that consumers feel in the exchange. When consumers classify corporate CSR behavior as a charity account, they tend to think that the enterprise is willing to contribute its own strength to social development, so consumers will feel that the exchange with the enterprise is valuable, consumers will tend to trust that enterprise is integrity; and when the CSR behavior of the enterprise is classified as a remedial account, consumers will tend to think that the enterprise is capable and good at improving its own products, consumers can obtain better products in the future exchange, so they are willing to trust the enterprise. Thus hypothesis H3 is proposed:

H3: Different mental accounts have different dimensions of consumer trust repair.

H3a: Remedy accounts are more likely to repair capacity trust than charity ones.

H3b: Charity accounts are more likely to repair integrity trust than remedy ones.

The hypothesis H4 can be deduced by combining H2 with H3:

H4: Mental account plays a mediating role between CSR and trust repair.

(4) **The moderating role of CSR history**

In this study, CSR history is divided into long and short one. Long CSR history refers to enterprise has been engaged in various CSR activities for a long time before it suffers from negative exposure, Short CSR history refers to enterprise engaged in social responsibility just after it suffers from negative exposure. The CSR history plays a moderating role in the process of CSR acting on trust repair, which can be explained by the anchoring effect. When people make decisions, they pay more attention to the initial information. If a company engages in CSR for a long time, it will generate halo effect, and the public morality behavior after the crisis is more likely to be classified as a charity account. But if the CSR history of the enterprise is short, no matter the CSR behavior is public or private, both are regarded as the tool to copy with the crisis, which is easier attributed to the remedy account. Thus hypothesis H5 is proposed:

H5: CSR history plays a moderating role in CSR type and mental account.

H5a: Compared with short CSR history, companies with a long CSR history, the differences between public and private morality behaviors is classified as charity account by consumers is more significant.

H5b: Compared with companies with a long CSR history, for companies with a short CSR history, the differences between public and private morality behaviors is classified as remedy account by consumers is insignificant.

4. EXPERIMENT AND PRETEST

4.1 Pretest

The control material is first developed. We use company S to avoid the subject's bias, and adapt the negative exposure events that occur in real life. In the simulated scenario material, we first give a brief introduction of company S, and then describe its negative exposure, the series of CSR activities conducted by Company S, and its CSR history. Following the material, we display the definition of public morality behavior and private one. Then, we have a pretest. 22 undergraduate students were recruited to test the authenticity of the simulated situation in the questionnaire, and whether the subjects could accurately judge the type and the history of CSR. Among the 22 subjects, 20 subjects accurately judged the CSR type, accounting for 91%, and 21 subjects thought the events described in the simulation scene were authentic, accounting for 95.5%, and all the subjects were able to accurately judge the CSR history. The manipulation is successful.

4.2 Formal experiment

In this study, we design a 2 (CSR type: public morality VS. private morality behavior) \times 2 (CSR history: long VS. short) between group experiment. The control material of above is used. The measurement of mental account is edited according the combination of past research. Charity account and remedy account has 3 items respectively. The measurement of consumer trust is based the scale of Mayer and Kim (2004) including 3 items of capability trust and 3 items of integrity trust respectively. Likert 7-level scale is introduced. The formal experiment consists of four scenarios, 40 questionnaires are distributed in each scenario, 158 questionnaires are collected and 26 invalid questionnaires are eliminated. In the end, 132 valid questionnaires are obtained, with an effective rate of 82.5%. More than 30 questionnaires are guaranteed for each scenario.

5. DATA ANALYSIS

5.1 Reliability and validity check

Cronbach's Alpha examination results: charity account 0.901, remedy account 0.907, capability trust 0.805, integrity trust 0.884, all are greater than 0.7, indicating good reliability of the questionnaire. KMO test results: charity account 0.747, remedy account 0.754, capability trust 0.708, integrity trust 0.724, all are greater than 0.7. Bartlett spherical test probability is 0.000 which is less than 0.001, indicating that the questionnaire has good

structural validity. Because all the questions in the questionnaire are adapted from the mature scales, the questionnaire has good content validity.

5.2 hypothetical test

5.2.1 CSR type and consumer trust repair

Table 1. Capability trust, integrity trust mean comparison

Test variables	Independent variable	Single sample T test				Independent sample T test		
		Mean	T	Df.	Sig.	T	Df.	Sig.
Ability trust	Public morality	4.1940	31.132	66	0.000	-6.440	130	0.000
	Private morality	5.2872	51.820	64	0.000			
Integrity trust	Public morality	5.1791	52.680	66	0.000	-13.22	130	0.000
	Private morality	3.1846	27.723	64	0.000			

(1) Capability trust.

In the public morality control group, the subject's capability trust mean $M=4.1940$, $t=31.132$, $df=66$, $p<0.05$; in the private one, the subject's capability trust mean $M=5.2872$, $t=51.80$, $df=64$, $p<0.05$. It can be seen that the mean of capability trust in private morality control group is obviously greater than that of public one, and $p<0.05$, which is significant, so hypothesis H1a can be proved.

(2) Integrity trust

In the public morality control group, the subject's integrity trust mean $M=5.1791$, $t=52.68$, $df=66$, $p<0.05$; in the private one, the subject's integrity trust $M=3.1846$, $t=27.723$, $df=64$, $p<0.05$. It can be seen that the mean of integrity trust in the public morality control group is obviously greater than that in the private one, and the $p<0.05$, which is significant, so hypothesis H1b can be proved.

5.2.2 CSR types and consumer trust repair

Table 2. Remedy account, charity account mean comparison

Test variables	Independent variable	Single sample T test				Independent sample T test		
		Mean	T	Df.	Sig.	T	Df.	Sig.
Remedy account	Public morality	3.0597	28.403	66	0.000	-19.111	130	0.000
	Private morality	5.6154	71.885	64	0.000			
Charity account	Public morality	5.1542	52.023	66	0.000	-20.398	130	0.000
	Private morality	2.5590	32.354	64	0.000			

(1) Remedy account.

In the public morality control group, the subject's remedy account mean $M=3.0597$, $t=28.403$, $df=66$, $p<0.05$; in the private one, the subject's remedy account mean $M=5.6154$, $t=71.885$, $df=64$, $p<0.05$. It can be seen that the mean of remedy account in the private morality control group is obviously greater than that in the public one, and $p<0.05$, which is significant, so hypothesis H2a can be proved.

(2) Charity account

In the public morality control group, the subject's charity account mean $M=5.1542$, $t=52.023$, $df=66$, $p<0.05$; in the private one, the subject's charity account mean $M=2.52872$, $t=51.80$, $df=64$, $p<0.05$. It can be seen

that the mean of charity account in the public morality control group is obviously greater than that in the private one, and the $p < 0.05$, which is significant, so hypothesis H2b can be proved.

5.2.3 Mental account and consumer trust repair

We conduct a regression analysis using mental account as independent variable and trust repair as dependent variable.

Table 3. The result of capability trust regression

Modles		Non-standardized coefficient		Standardized coefficient	T	Sig.
		B	S.E.	Trial version		
1	(Constant)	6.084	0.241		25.270	0.000
	Charity account	-0.349	0.058	-0.466	-6.013	0.000
2	(Constant)	3.330	0.269		12.360	0.000
	Remedy account	0.325	0.059	0.435	5.507	0.000

It can be seen from table 3, $p < 0.05$, indicating that compared to charity account, remedy account is more significantly positive related to capability trust. H3a is proved.

Table 4. The result of integrity trust regression

Modles		Non-standardized coefficient		Standardized coefficient	T	Sig.
		B	S.E.	Trial version		
1	(Constant)	1.636	0.215		7.614	0.000
	Charity account	0.661	0.052	0.746	12.761	0.000
2	(Constant)	6.920	0.249		27.821	0.000
	Remedy account	-0.631	0.054	-0.713	-11.580	0.000

It can be seen from table 4, $p < 0.05$, indicating that compared to remedy account, charity account is more significantly positive related to integrity trust. H3b is proved.

5.2.4 Mediating effect test

Table 5. The indirect effect of CSR on Y

Y	M	Effect	BootSE	BootLLCI	BootULCI
Ability mean	Remedy account	0.912	0.3243	0.6226	0.7115
Integrity mean	Charity account	0.818	0.2474	0.5360	0.8642

It can be seen from table 5 that the bootstrap confidence interval of indirect effect of the capacity mean are both positive, which indicates that mediating effect of remedy account is significant, and the bootstrap confidence interval of indirect effect of the charity mean are both positive, which indicates that mediating effect of the charity account is significant. H4 is proved.

5.2.5 Moderating effect of CSR history test

Taking the mental account as the dependent variable, ANOVA analysis is conducted. The results are showed as follows:

Table 6. The result of CSR history moderating effect test

	Source	Type III square sum	df	Mean square	F	Sig.
Correction Model	Charity account	240.952	3	80.317	202.798	0.000
	Remedy account	218.270	3	72.757	125.982	0.000
Intercept	Charity account	1958.558	1	1958.558	4945.275	0.000
	Remedy account	2484.988	1	2484.988	4302.898	0.000
CSR history	Charity account	16.672	1	16.672	42.096	0.000
	Remedy account	1.932	1	1.932	3.345	0.070
Type of corporate social responsibility	Charity account	225.039	1	225.039	568.214	0.000
	Remedy account	216.914	1	216.914	375.600	0.000
CSR * CSR history	Charity account	1.879	1	1.879	4.745	0.031
	Remedy account	0.889	1	0.889	1.540	0.217
Error	Charity account	50.694	128	0.396	—	—
	Remedy account	73.922	128	0.578	—	—
Total	Charity account	2275.000	132	—	—	—
	Remedy account	2753.556	132	—	—	—
Corrected total	Charity account	291.646	131	—	—	—
	Remedy account	292.192	131	—	—	—

a. $R^2=0.826$ (adjusted $R^2=0.822$)

— Public morality

b. $R^2=0.747$ (adjusted $R^2=0.741$)

- - Private morality

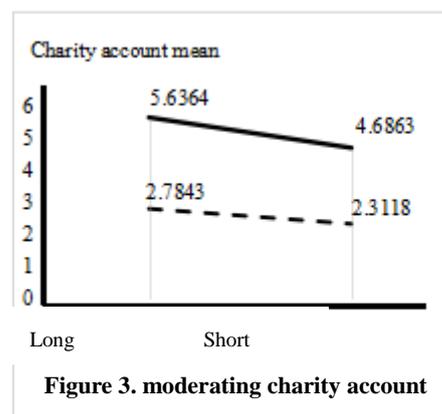
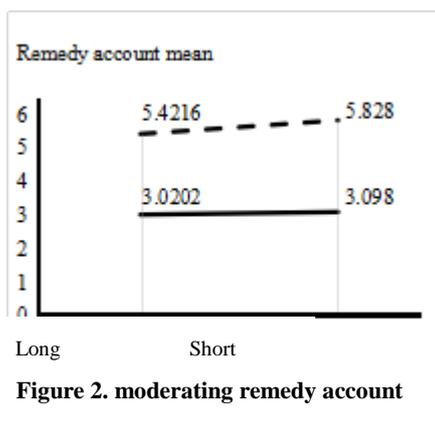


Table 6 shows that CSR type and the history of CSR have a cross significant impact on consumer trust repair, but this effect is mainly manifested in the impact on charity accounts, $p=0.031<0.05$, that is, the behavior of public morality of enterprises with a long history of CSR is more likely to be attributed to charity accounts by consumers, and the CSR with short history is easily attributed to remedy account even if it is engaged in public morality, $p=0.217$, so H5 can be proved.

6. CONCLUSIONS

This study explores the impact of CSR on the trust repair of brand with negative publicity which is a supplement to previous research on consumer trust repair. Firstly, this paper divides CSR into public and private morality from Chinese cultural aspect of the differential mode of association, which makes this study have Chinese local characteristics. Secondly, it introduces mental account as a mediating variable which provides a new explanation for consumers' perception of CSR. Thirdly, this paper introduces CSR history as a moderate variable between CSR and mental accounts, and finds the boundary of CSR to repair brand trust. This research also brings some management implications to companies experiencing negative publicity. First of all, CSR is a good tool to repair consumer trust when companies suffer from negative exposure, but if they want to maximize the role of CSR, they should take reasonable measures based on the type of crisis and damage. There are still limitations in the paper: firstly, this paper adopts the method of scenario experiment, the subjects are mainly student, which leads to external validity questions. Future studies should select more representative and broader samples to further improve validity. Secondly, this study only examines the impact of the mental account as cognitive process, and future research should consider the impacts of emotional factors.

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