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*Understanding individual behavior in a business context*

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# THE MICROFOUNDATIONS OF STAKEHOLDER THEORY

## UNDERSTANDING INDIVIDUAL BEHAVIOR IN A BUSINESS CONTEXT THROUGH THE LENS OF MORAL PSYCHOLOGY

ACADEMISCH PROEFSCHRIFT

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# CHAPTER 1
# INTRODUCTION AND LITERATURE REVIEW

*“Well, you know, I was a human being before I became a businessman.”* (Soros, 2001)

How do people behave in a business context? Did George Soros behave less as a human being after he became a businessman? While Soros’ remark can be taken humorously, he quite seriously suggested that human behavior in a business context departs from behavior in other contexts, and is best predicted on the basis of self-interest (Soros, 2000). This view aligns with the neoclassical economic assumption that individuals behave as self-interested utility maximizers, meaning that individuals maximize personal utility (e.g., Jensen & Meckling, 1976; Jensen & Murphy, 1990). Throughout the 20$^{th}$ century, economists have theorized how organizations can leverage this self-interest in order to create economic welfare (e.g., Jensen & Meckling, 1976; Jensen & Murphy, 1990).

Stakeholder theory, “a theory about organizational management and ethics” (Phillips, Freeman, & Wicks, 2003, p. 480), also relies on theories of individual behavior (e.g., Keevil, 2014). Recently, stakeholder scholars have developed an alternative model of human behavior. They build on findings (e.g., Fehr, Fischbacher, & Gächter, 2002; Fehr & Gächter, 2000) that individual behavior often ‘deviates’ from self-interest. For instance, stakeholder scholars integrate findings that individuals take into account moral considerations (Jones, 1995) such as fairness considerations (Bosse & Phillips, 2016; Bosse, Phillips, & Harrison, 2009; Bridoux & Stoelhorst, 2014). As one manifestation, individuals are predictably found to reciprocate in reaction to fairness (Bosse & Philips, 2016; Bosse, Philips, & Harrison, 2009; Bridoux & Stoelhorst, 2014). This reciprocity means that “when actors perceive fair treatment in competitive situations, they reward it through positively reciprocal behavior; when they perceive unfair treatment, they punish it – often at a cost to themselves – through negatively reciprocal behavior” (Bosse & Philips, 2016: 277). Stakeholder scholars therefore maintain that individuals in a business context are ‘boundedly self-interested’ (Jolls, Sunstein, & Thaler, 1997): they are self-interested, but this self-interest is bounded by moral considerations, for instance considerations of fairness norms (cf. Bosse & Phillips, 2016).

This updated model of individual behavior is essential to descriptive claims in stakeholder theory, but also underlies instrumental and normative claims in stakeholder theory (Donaldson & Preston, 1995). A prominent *descriptive* claim in stakeholder theory is that individuals in a business context act on the basis of moral considerations, and not only on the basis of self-interest (Donaldson, 1999). The central *instrumental* claim is that stakeholder-oriented firms – firms that take the interests of a broad range of stakeholders into account – create more value than profit-oriented firms – firms that prioritize maximizing an abstract measure of utility (Jones, Harrison, & Felps, 2018). The proposed behavioral mechanism underlying the instrumental claim is that stakeholder-oriented firms elicit more cooperative behavior (Bosse & Phillips, 2016; Bosse et al., 2009; Bridoux & Stoelhorst, 2014). An important *normative* claim in stakeholder theory is that stakeholders merit moral consideration (Donaldson & Preston, 1995). Here, a behavioral postulation is that stakeholder-oriented firms, more than profit-oriented firms, guide the firm and its stakeholders to take moral considerations into account (Jones & Wicks, 1999). Hence, this updated model of individual behavior provides essential support to core claims in stakeholder theory.

The necessity of an updated model of individual behavior has also become more widely accepted and popularized, by scholars and practitioners alike (Hanauer, 2018; Wilson & Henrich, 2016). But how accurate is the model of bounded self-interest sketched above? Below I highlight two reasons why the model of bounded self-interest might be in need of refinement (cf. Harris, Johnson, & Souder, 2013). First of all, while the focus has been on positive reciprocity, bounded self-interest also includes behavior that may detract from value creation or moral considerations. For instance, stakeholder-oriented firms might elicit reward, which contributes to value creation (Bosse & Philips, 2016), but stakeholder-oriented firms might also elicit punishment (Bridoux & Stoelhorst, 2016), which arguably can detract from value creation (Bosse & Phillips, 2016). In addition, stakeholder-oriented firms are possibly less attractive to individuals because individuals can be skeptical about a firm's social motives (Skarmeas & Leonidou, 2013). This phenomenon also seems to undermine arguments that stakeholder-oriented firms create more value via – among other things – increased attractiveness of the firm (Bridoux & Stoelhorst 2014). Second, stakeholder-oriented firms might also elicit self-interested behavior (Bridoux & Vishwanathan, 2018) and opportunism (Friedman, 2007; Jensen, 2002). This would weaken the claim made by normative stakeholder scholars that stakeholder-oriented firms guide individuals to take moral considerations into account (Jones & Wicks, 1999).

To summarize, the model of bounded self-interests predicts that stakeholder-oriented firms elicit more cooperative behavior and moral considerations from individuals than profit-oriented firms. On the other hand, stakeholder-oriented firms might also elicit punishment, decreased attractiveness, and self-interested behavior and opportunism. At this point, there is no theoretical framework that reconciles these predictions and their conflicting consequences. This leads to the conclusion that it is necessary to refine the updated model of individual behavior in a business context. In this dissertation, I take up this challenge, and develop and test theory about the effect of stakeholder-oriented firms on individual behavior.

In the remainder of this first chapter, I review the state of the art with respect to how stakeholder-oriented firms influence individual behavior (sections 1.1 and 1.2), and give an overview of the research questions as well as the theoretical and methodological approach of this dissertation (section 1.3). In the three main chapters of this dissertation (chapters 2, 3 and 4), I apply moral psychology to investigate the effect of a stakeholder orientation on individual behavior. While chapter 2 presents a theoretical model, chapters 3 and 4 report the results of 8 experimental studies. In the discussion of this dissertation (chapter 5), I lay out how this work contributes to the descriptive accuracy, instrumental power, and normative validity of stakeholder theory.

## 1.1. The microfoundations of the instrumental stakeholder approach

How do stakeholder-oriented firms influence individual human behavior? This research question is part of recent developments in strategy and management to focus on *microfoundations* (e.g., Foss & Pedersen, 2019), or “how individual-level factors impact organizations” (Felin, Foss, & Ployhart, 2015, p. 576). Microfoundations are also important in stakeholder theory (cf. Bridoux & Stoelhorst, 2014), which is illustrated by the recent development of *behavioral stakeholder theory*, “an approach to stakeholder theory that accounts for real stakeholder behaviors” (Keevil, 2014, p. v). For instance, descriptively, how individuals interact with the firm impacts how the firm is managed. Instrumentally, how individuals react to stakeholder-oriented firms impacts how these firms can create value (Parmar, Keevil, & Wicks, 2019). And, in order to follow prescriptions of normative stakeholder theory, we need to know when and why we can induce individuals to take moral considerations into account.

Within stakeholder theory, scholars distinguish between descriptive, instrumental, and normative approaches to stakeholder theory (Donaldson &

Preston, 1995). However, descriptive questions about individual stakeholder behavior (other than managers, e.g. Mitchell, Agle, & Wood, 1997; Wood, Mitchell, Agle, & Bryan, 2018) have not been extensively investigated (Jones & Wicks, 1999), unless as the handmaiden of instrumental and normative questions. Therefore, I discuss the state of the art of the microfoundations of the instrumental and normative stakeholder approach.

According to Donaldson and Preston (1995, p. 77-78), the instrumental approach in stakeholder theory claims that firms that pay attention to stakeholders' interests will create more value, or have higher firm-level performance, than profit-oriented firms. Stakeholder scholars point to microfoundations as the explanation for the relationship between a stakeholder orientation and value creation. Specifically, they argue that stakeholder-oriented firms elicit more cooperative behavior than other firms (Freeman, 1984; Harrison, Bosse, & Phillips, 2010). In order to better understand this relationship, I first discuss the concept of a firm's management orientation. I then discuss empirical and theoretical findings supporting a relationship between management orientation and value creation. This is followed by insights on the behavioral mechanisms underlying this relationship.

### 1.1.1. Management orientation

In this dissertation, I describe a management orientation as the firm's *purpose* related to value creation, and the stakeholder management *practices* that follow from this purpose. This concept of a management orientation is related to the concept of a stakeholder orientation described by Phillips, Berman, Elms, and Johnson-Cramer (2011) and by Berman, Wicks, Kotha, and Jones (1999), who see it as attitudes and practices towards stakeholders. While *attitudes* seem to apply to the managerial level, a management orientation is usually described and operationalized as a firm-level construct (Berman et al., 1999). It can therefore also be related to the concept of stakeholder culture (see Jones, Felps, & Bigley, 2007), which consists of the firm's shared beliefs, values and practices regarding the solution to recurrent stakeholder-related problems.

I make a distinction between four management orientations: stakeholder-oriented, profit-oriented and two types of balanced orientations. Stakeholder-oriented firms are firms that prioritize value creation for multiple stakeholders in their purpose and practices (Fiss & Zajac, 2004). These firms tend to acknowledge stakeholders' wellbeing as intrinsically valuable (Jones, 1995), and aim to have a positive impact on their stakeholders' experiences, needs, or desires (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). This leads to management practices that are motivated by fairness (Phillips, 2003; Bosse & Phillips, 2016) and moral norms (Jones, 1995; Jones, Harrison, & Felps, 2018), and to stakeholder interaction practices such as collaboration, openness, and incomplete contracts based on trust, and the development of long-term relationships (Bridoux & Stoelhorst, 2014). This stakeholder orientation relates to the notion of a 'broad' stakeholder orientation, which is described by Phillips et al. (2011) as the orientation where multiple stakeholders – as opposed to only shareholders – are taken into account. It also relates to an *intrinsic* stakeholder orientation which describes firms that treat stakeholders' interests as intrinsically legitimate, this is, regardless of their effects on firm performance (Berman et al.1999).

A stakeholder-oriented firm is usually opposed to a profit-oriented firm, which I describe as a firm that prioritizes maximizing an abstract measure of utility, such as profit, in both its purpose and practices. Profit-oriented firms tend to see stakeholders' wellbeing as negatively related to the firm's economic performance, this is, investing in stakeholders' wellbeing negatively impacts an extrinsic measure of utility (Crilly & Sloan, 2012). This leads to instrumental stakeholder interactions such as short-term contracts, hard bargaining, and exploiting information asymmetries (Bridoux & Stoelhorst, 2014). The notion of a profit orientation is often related to the notions of a 'narrow' stakeholder orientation, which is described by Phillips et al. (2011) as the orientation where a single stakeholder (usually the shareholder) is consistently privileged over other stakeholders.

Firms can also balance aspects of a stakeholder and profit orientation (Berman et al., 1999; Brickson, 2005, 2007). In this dissertation, I distinguish between balanced firms with an (instrumentally) mixed approach and balanced firms that create shared value. Both firms are motivated to maximize an abstract measure of utility, but they have different beliefs about how managing for stakeholders impacts profit. Mixed firms believe that there is a trade-off between stakeholder interests and profit. They treat stakeholders fairly with the purpose to maximize a measure of utility, but only if this is expected to pay off. As a consequence, mixed firms treat stakeholders as an instrument for utility maximization. This orientation is similar to the notion of a strategic stakeholder management model by Berman and colleagues (1999), where firms choose to follow a profit-oriented strategy and then treat stakeholders in function of this strategy. Mixed-oriented firms are also similar to an inconsistent approach in that they will switch between a fairness approach and an arm's-length approach depending on what is expected to increase value (Bridoux & Stoelhorst, 2014).

Firms that aim to create shared value, or both financial and stakeholder value (Porter & Kramer, 2011) are, in this dissertation, described as shared value firms. These firms are also motivated to maximize an abstract measure of utility but they belief that taking stakeholders' interests into account will maximize profit. They see stakeholder and profit motives and practices as synergic, rather than as trade-offs (Crilly & Sloan, 2012). As a consequence, they treat stakeholders fairly in a way that is also believed to increases the firm's financial performance. These firms will consistently engage in practices that benefit a broad range of stakeholders, including shareholders.

### 1.1.2. The relationship between management orientation and value creation

Instrumental stakeholder scholars argue that stakeholder-oriented firms will create more value than profit-oriented and mixed firms. This is supported by empirical findings that the extent to which stakeholders are treated beneficially, fairly or morally, is positively related to various aspects of firm-level performance. Firms with higher performance on stakeholder management have, for instance, increased market value (Hillman & Keim, 2001; Ramchander, Schwebach, & Staking, 2012), at least in the long term (Kacperczyk, 2009). Likewise, Choi and Wang (2009) find that firms with higher stakeholder performance recover faster from inferior financial performance and have more persistent superior financial performance. Higher stakeholder performance has also been found to have a positive effect on long-term merger and acquisition performance (Bettinazzi & Zollo, 2017).

While these scholars do not empirically test the underlying mechanism, they propose that cooperative stakeholder behavior underlies this effect. For instance, shareholders expect a positive effect of managing for stakeholders on market value, because they expect stakeholders to reward a firm that scores highly on stakeholder management (Hillman & Keim, 2001). Choi and Wang (2009, p. 897) propose that "good stakeholder relationships […] encourage stakeholders to maintain their commitment and support". Stakeholder-oriented firms can also gain more information from their stakeholders (Harrison, Bosse, & Phillips, 2010) and this arguably helps firms to evaluate and choose merger and acquisition (M&A) alliances (Bettinazzi & Zollo, 2017).

While coherent, the explanation of cooperative stakeholder behavior seems to be too simple. This is suggested by empirical findings that the effect of a stakeholder orientation on firm-level performance is not linear but U-shaped, with higher returns occurring in the long term than in the short term (Garcia-

Castro, Ariño, & Canela, 2011), or after a consistent pattern of investing in stakeholders' wellbeing (Barnett & Salomon, 2012; Brammer & Millington, 2008). If an improvement in stakeholder management would lead to an increase in cooperative stakeholder behavior, then we would expect the relationship to be monotonic and positive (Brammer & Millington, 2008). Clearly, more is going on. Possible explanations are that firms first need to develop specific intangible resources (Hall, 1992) such as stakeholder awareness (Brammer & Millington, 2008), trust (Harrison, Bosse, & Phillips, 2010), reputation and relationships (Barnett, 2007), stakeholder bonds (Bosse & Coughlan, 2016), culture and technology (Surroca, Tribó, & Waddock, 2010) or firm-specific skills (Blair, 1999). These intangible resources or capabilities are costly to develop – thus explaining the short-term drop in firm-level value creation – but will, over time, increase cooperative stakeholder behavior (e.g. Barnett & Salomon, 2012; Barnett 2007). This explanation suggests that cooperative stakeholder behavior is not the only mechanism explaining the relationship between a firm's management orientation and firm-level value creation.

In sum, there is evidence for the main relationship between a firm's management orientation and firm-level value creation, and there are ideas about the mechanisms underlying this relationship. But we need a deeper understanding of individual behavior in a business context in order to grasp the exact nature of the relationship. Below, I discuss the state of the art of studies on individual behavior elicited by stakeholder-oriented versus profit-oriented and mixed firms. This will lead to the insight that moral psychology can provide a better understanding about individual behavior in a business context, and that we must empirically investigate the matter.

### 1.1.3. Individual human behavior

Individual stakeholder behavior is hypothesized as the mechanism underlying the relationship between management orientation and firm-level performance (Donaldson & Preston, 1995; Jones, 1995). The classical suggestion is that stakeholder-oriented firms elicit more cooperative behavior than profit-oriented and mixed firms (Bosse, Philips, & Harrison, 2009; Bosse & Philips, 2016). However, recent work suggests that stakeholder-oriented firms may elicit a broader range of behaviors, such as self-interested behavior (Bridoux & Vishwanathan, 2017) and negative reciprocity (Bridoux & Stoelhorst, 2016). These behaviors may also detract from value creation (Jensen, 2002). In addition, it is unclear to what extent individuals are attracted to stakeholder-oriented firms. This begs the question what kinds of behavior are elicited by stakeholder-oriented firms, compared to profit-oriented and mixed firms, and how we can explain this broader range of behaviors in a parsimonious manner. In this section, I discuss current insights on the impact of a stakeholder orientation on respectively positive reciprocity, self-interest, negative reciprocity and attractiveness of the firm, compared to a profit orientation and a balanced orientation.

***Positive reciprocity.*** Stakeholder scholars argue that stakeholder-oriented firms will create more value than profit-oriented firms because stakeholder-oriented firms benefit from more positive reciprocity than profit-oriented firms (Bosse, Phillips, & Harrison, 2009; Bosse & Phillips, 2016). Positive reciprocity towards a firm is likely to contribute to value creation because it is (at least partly) motivated by other-regard, this is, a concern to increase others' – in this case the firm's – payoff. If actors are sufficiently rational and well-informed, other-regard towards the firm will lead to behavior that does, in fact, increases the firm's payoff (Bridoux & Stoelhorst 2014). In addition, because the behavior is not (only) motivated by self-interest, the individual stakeholders' behavior will still occur "even if their contribution is not fully compensated in the form of a personal economic benefit" (Bridoux & Stoelhorst, 2014, p. 113). When people positively reciprocate they therefore frequently create more value than predicted by the self-interest model (Rand, Dreber, Ellingsen, Fudenberg, & Nowak, 2009). Since profit-oriented firms rely mainly on leveraging self-interest while stakeholder-oriented firms rely on positive reciprocity, stakeholder-oriented firms can create more value than profit-oriented firms.

How, then, does a stakeholder orientation elicit positive reciprocity? According to stakeholder scholars, stakeholder-oriented firms manage their stakeholders on the basis of moral norms such as fairness and, according to stakeholder scholars, stakeholders are also motivated by moral norms (Jones, 1995) such as fairness (Bosse, Phillips, & Harrison, 2009). As a consequence, the stakeholders of stakeholder-oriented firms will engage in positive reciprocity, or return in-kind when firms treat stakeholders in line with moral norms. Positive reciprocity can manifest itself in reaction to two situations. The first possibility, direct reciprocity, happens when stakeholders reward behavior they perceive as fair towards themselves. For instance, firms that treat their employees fairly may induce employees to "share information that will improve the processes of the organization" (Harrison, Bosse, & Phillips, 2010, p. 63). However, stakeholders may also react in-kind when firms exhibit a fair treatment of third parties, which can be other stakeholders as well as non-stakeholders

(Crane, 2018; Hosmer & Kiewitz, 2005). This is called indirect reciprocity. For instance, suppliers may be willing to rewrite a contract and employees may be willing to take a pay cut if they "believe that the decision will advance the good of other stakeholders that are part of a firm's network" (Harrison, Bosse, & Phillips, 2010, p. 64).

The distinction between direct and indirect reciprocity has consequences for firm-level value creation. If individuals only engage in direct reciprocity, one would expect that firms that treat their primary, but not secondary, stakeholders fairly create more value than firms that treat both their primary and secondary stakeholders fairly. Primary stakeholders are those stakeholders that are engaged in transactions with the firm and without whose support the firm cannot exist (Clarkson, 1995). Typically, they consist of employees, customers, suppliers, investors and the community. If a firm treats these stakeholders fairly, they can engage in direct reciprocity, thus positively impacting the value-creation process of the firm. Secondary stakeholders are those stakeholders that are not engaged in transactions with the firm and are not essential for its survival (Clarkson, 1995). For instance, the media and environmental activists are not engaged in transactions with the corporation themselves, but they can affect customers' willingness to buy from a firm, thus indirectly affecting the corporation. As a consequence, secondary stakeholders do not have a strong impact on the firm's value-creating process. If the firm treats its secondary stakeholders fairly, secondary stakeholders cannot, by definition, strongly impact the firm's value-creation process. In addition, if individuals only engage in direct reciprocity, primary stakeholders will not exhibit reciprocity because they are not the beneficiaries of the firm's investments. They might even repent the fair treatment of secondary stakeholders. As a result, a fair treatment of secondary stakeholders is less likely to have a positive impact on the firm's value creation, if stakeholders engage only in direct reciprocity. However, if primary stakeholders also engage in indirect reciprocity, then a fair treatment of secondary stakeholders will have a more positive effect on firm-level value creation. So in order to create most value, we need to know if stakeholders engage in reciprocity, and if they engage only in direct reciprocity or also in indirect reciprocity.

Some empirical studies, even though they do not investigate reciprocity directly, are consistent with the existence of direct reciprocity. In particular, scholars find that the extent to which primary stakeholders are treated beneficially relates to firm-level performance. Firms with higher performance on primary stakeholder management have been found to have increased firm-level performance (Bettinazzi & Zollo, 2017; Choi & Wang, 2009; Hillman & Keim, 2001; Kacperczyk, 2009; Ramchander et al., 2012). Providing empirical support for direct reciprocity, De Luque, Washburn, Waldman and House (2008) find that CEOs who emphasize stakeholder values over economic values increase subordinates' efforts in following their CEOs, which in turn positively affects perceived firm performance.

Are findings also consistent with the existence of indirect reciprocity? Some studies find no positive effect of managing for secondary stakeholders on firm performance (Hillman & Keim, 2001; Van der Laan, Van Ees, & Van Witteloostuijn, 2008). At first sight, this casts doubt on the existence of indirect reciprocity. However, cause-related marketing, in which a third party benefits if a customer buys a product, has also been found to increase customers' brand preference (Barone, Miyazaki, & Taylor, 2000) and purchasing likelihood (Chang, 2008). How can we reconcile these findings? Madsen and Rodgers (2015) point to the mechanism that can explain both findings. They do find a positive effect of a firm's disaster relief investments on firm-level financial performance, but only if primary stakeholders are paying attention to the firm's disaster relief. This supports the existence of indirect reciprocity, provided that primary stakeholders paying attention to the firm's actions towards a third party. This makes sense if you consider that, when firms manage for the benefit of their secondary stakeholders, these secondary stakeholders are often not in a position to reciprocate directly. However, primary stakeholders can engage in indirect reciprocity in reaction to the firm's management of secondary stakeholders; but for this effect to occur, it is necessary that primary stakeholders notice, and care about, the firm's treatment of secondary stakeholders (Moura-Leite, Padgett, & Galán, 2014). Likewise, Henisz, Dorobantu and Nartey (2014) find that the actions and sentiments of political and social actors have an effect on financial market evaluations, but only insofar they are made visible in the media. Providing more direct empirical support for indirect reciprocity, Bridoux, Stofberg and den Hartog (2016) find that other-regarding – but not self-regarding – participants report a higher willingness to buy from a firm that treats suppliers well, even if this disadvantages customers. This supports the argument that primary stakeholders also need to care about the firm's treatment of secondary stakeholders for indirect reciprocity to take place.

This already provides a more nuanced picture about the effect of a stakeholder orientation on individual stakeholder behavior. For indirect reciprocity to take place, firms first need to develop awareness about their stakeholder management; only then can primary stakeholders who care about secondary stakeholders reciprocate the firm's efforts. But some argue that a stakeholder orientation can also elicit a range of other behaviors. I now turn to this complication, focusing first on self-interest.

***Self-interest***. A complication is that stakeholder-oriented firms, next to eliciting positive reciprocity, can also enable opportunistic self-interest (Jensen, 2002; Friedman, 1970) or self-serving behavior (Bridoux & Vishwanathan 2017). I give two reasons why this might happen.

One reason is that a stakeholder orientation provides more behavioral discretion to managers (Phillips, Berman, Elms, & Johnson-Cramer, 2011): it implements less stringent monitoring and bonding devices than what would be necessary under the assumption of self-interest (Bosse & Phillips 2016). While this can enable individuals to contribute to firm-level value creation, it also allows self-interested tendencies to materialize (e.g. Friedman, 1970). For instance, managers who have to balance stakeholders' wellbeing are subjected to a very ambiguous objective function, so it is difficult to evaluate their performance (Jensen, 2002). As a result, they can easily serve their own interests or their favored cause, rather than serving their stakeholders, under the pretext of 'managing for stakeholders' (Jensen, 2002). Another reason is that a stakeholder orientation arguably enables stakeholders to pressure the firm to take their own interests into account (Hill & Jones, 1992; Jensen, 2002), especially if these stakeholders have economic power (Frooman, 1999). This can decrease managers' discretion to take all stakeholders' interests into account (Bridoux & Vishwanathan, 2017), and it can detract from firm-level performance (Coff, 1999).

One possible response to this complication is the suggestion that, on average, individuals act as if everyone is reciprocal (Bosse, Phillips, & Harrison, 2009), and therefore individual 'deviations' from positive reciprocity are not important. Indeed, firms have successfully leveraged the reciprocal tendencies of stakeholder groups such as employees and customers for processes such as invention (Flammer & Kacperczyk, 2015). However, important decisions can also be made by individuals, rather than groups. Powerful individuals who act and make decisions on their own behalf can be self-regarding. For instance, Adams, Licht and Sagiy (2011) find that board members differ in the extent to which they adhere to universalist values, and this influences their tendency to support stakeholders. This means that there is room for self-interested managers supporting their own interests. Hence, even if on average behavior is reciprocal, it remains important to further investigate the effect of a stakeholder orientation on both individuals' reciprocal as well as self-interested behavior. This is the topic of chapter 2 of this dissertation.

Another response, supporting the link between managing for stakeholders and reciprocity, is that individuals vary in the extent to which they are self-interested or reciprocal, and stakeholder-oriented firms select and motivate reciprocal individuals to a larger extent than profit-oriented firms do (Bridoux & Stoelhorst 2014). This can lead to different organizational cultures and different pathways to value creation (Bridoux, Coeurderoy, & Durand, 2017; Bridoux & Stoelhorst, 2014). Adding to this, Bridoux and Stoelhorst (2016) argue that firms can change individuals' motivational state, and stakeholder-oriented firms elicit reciprocal motivations in stakeholders (Bridoux & Stoelhorst 2016). If stakeholder-oriented firms are more likely to select reciprocal individuals and motivate individuals to reciprocate than profit-oriented firms, then stakeholder-oriented firms might be less likely to fall prey to self-interested opportunism or self-serving behavior than profit-oriented firms. Still, the prominence of reciprocity causes its own problems, as discussed in the next section.

***Negative reciprocity.*** If stakeholder-oriented firms elicit more reciprocal behavior, they might elicit both positive and negative reciprocity (Bridoux & Stoelhorst, 2016). Hahn (2015) and Hahn and Albert (2017) build on findings from earlier work (Fehr & Gächter, 1998, 2000; Fehr & Schmidt, 2000; Gintis, 2000) that reciprocal individuals are more likely to positively reciprocate fair behavior, but also more likely to negatively reciprocate unfair behavior. Likewise, Bridoux and Stoelhorst (2016) argue that individuals can become motivated to reciprocate, but that this motivational state elicits both positive and negative reciprocity.

This seems to undermine the instrumental claim in stakeholder theory, as negative reciprocity is assumed to detract from value creation (Bosse, Harrison, & Phillips, 2009). In addition, Hahn and Albert (2015) argue that the presence of strong reciprocators – who are likely to engage in negative reciprocity - will make other stakeholders more likely to boycott a firm that is perceived to engage in wrongdoing. Such social movement protests can provoke negative developments in the firm's stock price (King & Soule, 2007). The existence of negative reciprocity might therefore provide part of the explanation why stakeholder management can both decrease and increase firm-level value creation. Hence, there is a need to investigate both positive and negative reciprocity as a reaction to a firm's management orientation. In chapter 2, we therefore investigate the effect of a stakeholder orientation on both positive and negative reciprocity, and on self-interest, and we investigate how these behaviors can lead to value creation.

As a way to avoid the potential downsides of managing for stakeholders, certain scholars argue that firms ought to manage for stakeholders in order to, and only to the extent that, this maximizes firm-level performance (e.g. Jensen, 2002). The assumption is that this mixed orientation would create more value than a stakeholder orientation. But does a mixed orientation increase cooperative behavior compared to a profit or a stakeholder orientation? Mixed firms have been investigated in the context of the firm's attractiveness to stakeholders. The next subsection clarifies the role of attractiveness in value creation. This is followed by an overview of insights on the attractiveness of mixed, stakeholder- and profit-oriented firms.

***Attractiveness.*** The firm's attractiveness to potential stakeholders is often seen as a precursor of actual affiliative behavior, such as organizational pursuit – actively pursuing a job or requesting more information (Highhouse, Lievens, & Sinar, 2003), and buying behavior (White, MacDonnell, & Ellard, 2012). These affiliative behaviors have been argued to have a positive effect on firm-level value creation. For instance, attracting more applicants increases the chances for an organization to hire top performers and can subsequently result in higher performance (Jones et al., 2016; Ployhart, 2006).

How do stakeholder-oriented firms compare to balanced firms (mixed or shared value) with regard to their attractiveness to stakeholders? Studies on corporate social responsibility suggest that individuals can attribute for-profit motives when a firm acts responsibly towards its stakeholders, and this reduces the firm's attractiveness (Skarmeas & Leonidou, 2013). However, Bridoux and Stoelhorst (2014) argue that most stakeholders will be more likely to join and stay with a consistently fair firm than with a mixed firm. The reason is that a mixed approach can be perceived as inauthentic or insincere, with its espoused values not reflecting its practices (Bridoux & Stoelhorst, 2014). This decreased attractiveness also reduces the firm's performance. In line with this, Cording, Harrison, Hoskisson and Jonsen (2014) empirically find that authenticity has a positive effect on post-merger stock performance. In addition to these apparently conflicting predictions, it has not been investigated how firms creating shared value are perceived and how attractive they are.

In sum, it is not clear which motives individuals attribute to stakeholder-oriented, profit-oriented and balanced firms, and which firms are most attractive as a consequence of these motive attributions. In addition, these effects of a firm's management orientation have not been empirically investigated. In chapter 3, my co-authors and I therefore investigate the effect of a firm's management orientation on stakeholders' perceptions of the firm's motives, and on stakeholders' attraction to the firm. In the concluding discussion chapter of this dissertation, I synthesize the effect of a firm's management orientation on stakeholders' perceptions, positive and negative reciprocity, self-interested behavior, and attractiveness, and the effect of these perceptions and behaviors on value creation. For the next part of this literature review, I turn to normative stakeholder theory.

## 1.2. The microfoundations of the normative stakeholder approach

According to Donaldson and Preston (1995), normative stakeholder scholars investigate the moral guidelines for management. The normative claim in stakeholder theory is that firms ought to be managed for stakeholders, because stakeholders are "persons or groups with legitimate interests", and because "the interests of all stakeholders are of intrinsic value" (Donaldson & Preston 1995, p. 67). This means that normative stakeholder scholars prescribe that the interests of stakeholders merit moral consideration, or consideration for their own sake, and not merely because of stakeholders' ability to increase firm-level performance or further the interests of a small set of stakeholders, such as shareholders (Donaldson & Preston 1995).

An important requirement of normatively legitimate stakeholder management is that it should be 'practicable', because "theory based on utopian ideals or unfeasible expectations is of little use" (Jones & Wicks 1999, p. 214). This requirement reflects the Kantian imperative 'ought implies can' (see also Donaldson, 2012). In this context, this means that if one develops a theory of how one ought to manage stakeholders, one should also make sure that individuals can comply with this, or are cognitively and practically able to adhere to the theory's requirements (see also Gioia, 1999). In line with this requirement, we should investigate how one can induce individuals to show moral consideration for all stakeholders.

There are two research streams that investigate how firms can induce individuals, to show moral considerations. The first research stream (performativity) builds on the idea that theories or narratives are self-fulfilling or performative (Marti & Gond, 2017). Here, the argument is that prevailing theories or narratives in business and economics have shaped institutions, language and norms in a way that disables individuals' moral capacities. Scholars in the second research stream (separation and integration thesis) theorize that certain versions of stakeholder theory can enable individuals to integrate business and ethics or morally evaluate business decisions (e.g., (McVea & Freeman, 2005). Below, I discuss the state of the art in these research streams.

### 1.2.1. Performativity

Some management scholars (Ferraro, Pfeffer, & Sutton, 2005; Ghoshal, 2005; Marti & Gond, 2017) argue that the social science theories are performative or self-fulfilling: using the theories has a profound influence on the behavior of social actors, and therefore increases the conformity between theories and social behavior (Marti & Gond, 2017). In other words, if you use a theory about the social world, the social world will come to think and act in line with this theory. This happens in three different steps.

The first step, which is called 'generic performativity' (Marti & Gond, 2017) entails that social science theories become self-fulfilling prophecies because institutional designs come to reflect the theories of their designers (Ferraro et al., 2005). Likewise, normative stakeholder theory suggests that the theories or narratives that individuals are exposed to influence institutions. According to Marti and Gond (2017), researchers will experiment with theories, but practitioners will similarly experiment with new systems by implementing them. Second, these changes can lead to 'effective performativity', which happens when actors change their behaviors in ways that are at odds with dominant (alternative) theories (Marti & Gond, 2017). This happens because designs, together with the theories they embody, prescribe norms that govern individual behavior, provide a language for comprehending the world (Ferraro et al., 2005), and influence how individuals think and act (Freeman et al., 2010; Jones & Wicks, 1999). For instance, institutions can change norms and language, which in turn influence individuals' cognitive capacities for moral concern and moral behavior (cf. Werhane, 1998). 'Bayesian performativity', the third step, happens "when new ways of doing things […] become widely accepted among all actors" (Marti & Gond, 2017, p. 492).

As an example of performativity, prevalent business and economics theories are seen as having a profoundly *amoralizing* influence on individual behavior and firms: this means that business decisions are increasingly treated as lacking in moral content (Ferraro et al., 2005; Ghoshal, 2005). This influence is widespread, as economic and business theories are taught in business schools and in the social and political sciences, and narrated in the media (Ghoshal, 2005). This ensures that prevalent theories shape business and become used in policy making (generic performativity), that they are used to shape the actions of managers (effective performativity), and legitimize them, thus further convincing a general audience (Ghoshal, 2005) which can lead to a further shift in practices (Bayesian performativity). For instance, normative stakeholder theorists conclude that prevalent theories and narratives ultimate lead to business decisions that are immoral (Purnell & Freeman, 2012), and to a devaluation of the moral worth of stakeholders (Freeman et al., 2010, p. 223; Harris & Freeman, 2008, p. 543; Zakhem & Palmer, 2017). In sum, according to research on performativity, prevalent business and economics theories deter individuals to show moral considerations for all stakeholders.

### 1.2.2. Separation and integration thesis

What are the cognitive mechanisms underlying these relationships between prevalent business theories and amorality? The cause of demoralization is that the language of prevalent business theories falls prey to the separation fallacy, or makes a conceptual distinction between economic and social performance (Wicks, 1996). In the words of Freeman (1994, p. 412), the present discourse of business and ethics has come to commit a separation fallacy because it assumes that "sentences like, "x is a business decision" have no moral content, and "x is a moral decision" have no business content". As a result, managers, policy makers, scholars, students and the general audience have come to think that business decisions are value-free (Freeman et al., 2010; Harris & Freeman, 2008), which in turn disables individuals' capacity for moral imagination, this is, for imagining possibilities that are morally right (Werhane, 1994; Wicks, 1996). It excludes ethical considerations and other-regarding behavior from the accepted behavioral repertoire of individuals in a business context (Ferraro et al., 2005; Ghoshal 2005). In addition, this separation ignores the real impact business decisions have on the (other) interests of human beings (Freeman et al., 2010, p. 7; Newkirk & Freeman, 2008).

A related reason for the amoralizing aspect of prevalent business and economics theories is the view of human nature they rely on (McVea & Freeman, 2005). This is another interpretation of the separation thesis: "managers and business official[s] never take moral considerations into account when they make their decisions, they always behave like the "economic man"" (Sandberg, 2008, p. 217). The assumption of self-interest leads to institutions that incentivize self-interest, norms that prescribe self-interest, and language that frames human behavior in terms of self-interest (Ferraro et al., 2005). This, in turn, influences how one thinks and act. For instance, when business and economics theories assume that all social actors are self-interested, this will induce self-interest among MBA students, executives, and the general audience, also when these social actors are not aware of the assumptions they are building on (Ghoshal, 2005; Jones, 1995).

How can we change this state of affairs? The solution to the separation thesis is to replace theories in business and economics with alternative descriptions, so that individuals can take moral considerations into account (Jones & Wicks, 1999). If theories influence behavior, the upshot is that an alternative theory or narrative might give rise to alternative institutions, norms, and language, which in turn improve individual thinking and behavior in a business context. Indeed, stakeholder theory might be the sought-after alternative as it does not start from the convenient, but simplified, assumption of self-interest, but from observations that human behavior is complex and contingent (Freeman & Newkirk, 2008). It integrates theory, findings and insights from the humanities (Freeman et al., 2010) – anything that can help us understand human behavior. One starting point is that all stakeholders are individuals (McVea & Freeman, 2005) who have interests that are broader than self-interest (Jones, 1995). As a consequence, stakeholders' interests can be seen as legitimate in their own right (Jones, 1995). When business decisions are being made, it becomes a legitimate question who will be impacted by these decisions (Freeman et al., 2010).

Another reason why stakeholder theory can overcome problems inherent in prevalent theories is that stakeholder theory builds on insights that individuals are inherently motivated by social and moral norms, and by a genuine concern for others (Jones & Wicks, 1995). In other words, stakeholders and managers can be intrinsically motivated to act morally. As a consequence, stakeholder theory starts from the assumption that managers are willing to take responsibility for their actions (Freeman et al., 2010). When managerial decision-making is seen as impacting human beings, and managers are willing to take responsibility for their actions, business actors can again see business and ethics as integrated, or see that "most business decisions or statements about business have some ethical content or any implicit ethical point of view" (Freeman et al., 2010). In the words of stakeholder scholars, instead of falling prey to the separation fallacy, individuals exposed to stakeholder theory will adhere to the integration thesis (Freeman et al., 2010). This will elicit in managers a morally sound interaction with stakeholders (Freeman et al., 2010; Jones, 1995; Purnell & Freeman, 2012).

To recapitulate, the separation fallacy implies that prevalent business and economics theories deactivate individuals' moral capacities, because of the assumption of self-interest and because of their conceptual separation of business and ethics. In contrast, the integration thesis implies that stakeholder theory starts from a broader and more complex view of human behavior, and a conceptual integration of business and ethics where business decisions are seen as having moral content. This allows managers to take responsibility for their actions. In the end, stakeholder theory might enable managers and other individuals to make morally sound decisions, also in a business context. In other words, according to the integration thesis, stakeholder theory may induce individuals to show moral considerations for all stakeholders. In this dissertation, I take up the challenge to empirically test the cognitive mechanisms that play a role in establishing the link between a stakeholder orientation and moral considerations.

The overall conclusions of this literature review are that microfoundations are important to instrumental and normative stakeholder theory, and that we need a better understanding of these microfoundations. Stakeholder scholars rely on bounded self-interest as an updated model of individual behavior in a business context. However, recent arguments suggest that we need to take a broader range of individual behaviors into account and improve the descriptive accuracy of our model of individual human behavior. In addition, we need a better understanding of the cognitive mechanisms that play a role in the relationship between a stakeholder orientation and individual behavior. In the next section, I explain how in this dissertation I apply moral psychology to stakeholder theory in order to build theory and empirically test predictions.

## 1.3. This dissertation

### 1.3.1. Research questions

Table 1 provides a schematic overview of the main chapters of this dissertation. This dissertation starts from the question how people behave in a business context. Stakeholder scholars have developed an alternative model of human behavior that builds on the insight that individuals are boundedly self-interested: individuals are self-interested, but this self-interest is bounded by moral norms. As a consequence, stakeholder-oriented firms are likely to benefit from positive reciprocity, which influences value creation (Bosse & Phillips, 2016; Bosse, Phillips, & Harrison, 2009) and they are likely to elicit moral considerations, which is in line with normative moral guidelines. However, we need to take a broader range of individual behaviors into account. In order to improve the descriptive accuracy of this model, in chapter 2, we take up the research question "how do individuals behave in a stakeholder-oriented and a profit-oriented business context?".

Arguments in instrumental stakeholder theory suggest that stakeholder-oriented firms will be perceived as more genuine, which makes them more attractive to stakeholders than mixed firms (Bridoux & Stoelhorst, 2014). However, this seems to conflict with arguments in studies on firms' social responsibility, suggesting that individuals attribute profit motives to firms that take stakeholders' interests into account, and these attributions decrease the firm's attractiveness. In chapter 3 we conduct 5 experiments to investigate the question "how does a firm's management orientation influence the cognitive mechanisms underlying the firm's attractiveness to stakeholders?"

According to normative stakeholder theory, stakeholders merit moral consideration (Donaldson & Preston, 1995). An important assumption in normative stakeholder theory is that stakeholder-oriented firms can guide individuals to take these moral considerations into account (Freeman et al., 2010; Jones, 1995; Jones & Wicks, 1999; Purnell & Freeman, 2012). However, it has not been empirically investigated if, and how, stakeholder-oriented firms would enable individuals to take moral considerations into account. In chapter 4, I empirically investigate the research question "how does a firm's management orientation influence the cognitive mechanisms underlying individuals' moral considerations?".

**Table 1.1: Schematic overview of the main chapters of this dissertation**

| | **Research Question** | **Contribution** | **Methods** |
|---|---|---|---|
| **Chapter 2** | How do individuals behave in a stakeholder-oriented and a profit-oriented business context? | Descriptive<br>Instrumental<br>Normative | Theoretical |
| **Chapter 3** | How does a firm's management orientation influence the cognitive mechanisms underlying the firm's attractiveness to stakeholders? | Instrumental | Empirical<br>(5 Experiments) |
| **Chapter 4** | How does a firm's management orientation influence the cognitive mechanisms underlying individuals' moral considerations? | Normative | Empirical<br>(3 Experiments) |

### 1.3.2. Theoretical and methodological approach

A novel approach in this dissertation is that its look at individual behavior in a business context through the lens of moral psychology. Moral psychology is a joint effort of social psychologists, evolutionary psychologists, philosophers, neuroscientists and behavioral economist (e.g., (Declerck, Boone, & Emonds, 2013; Graham et al., 2011; Greene et al., 2009; Moll, Zahn, de Oliveira-Souza, Krueger, & Grafman, 2005). Moral psychology provides a suitable framework to investigate reciprocal behavior, attraction, moral considerations and their underlying cognition mechanisms, because each of these behaviors and mechanisms is a subset of moral behavior and moral psychology (hereafter 'morality').

The research in this dissertation is the result of theory development and experimental research. In chapter 2, my co-authors and I build a theoretical model. Stakeholder scholars have developed testable theory about individual behavior in a business context, which needs to be refined in order to include a broader range of behaviors. We therefore first develop a theoretical model that can account for such a broader range of behaviors – not only positive reciprocity but also negative reciprocity and self-interest. Theory-building is appropriate here, because there is a need for new insights that can shed light on how these three kinds of behaviors (positive and negative reciprocity, and self-interest) relate to each other (Whetten, 1989). The resulting model proposes that self-interest and reciprocity are driven by different cognitive mechanisms that are elicited by profit-oriented, respectively stakeholder-oriented firms. This insight has the potential to change future scientific theorizing about individual behavior in a business context (Corley & Gioia, 2011).

Chapter 3 aims to investigate the effect of a stakeholder orientation on individuals' perceived motives and on individuals' attraction to the firm. In 5 experiments, my co-authors and I make use of experimental vignette studies. A vignette is "a short, carefully constructed description of a person, object, or situation, representing a systematic combination of characteristics" (Atzmüller & Steiner, 2010, p. 128). Experimental vignettes studies are well-suited to manipulate individual participants' perceptions of the firm's management orientations, while keeping other variables equal or excluding those variables that might confound the results (Aguinis & Bradley, 2014; Atzmüller & Steiner, 2010). Vignettes therefore enable the researcher to test hypotheses about causal relationships by controlling the independent variable (Aguinis & Bradley, 2014). These vignettes are followed by survey questions probing for participants' perceptions of the firm's motives and their attraction to the firm. While vignettes have been used before in studies on organizations and moral psychology (Rai & Diermeier, 2015), they have not been used extensively in management research (Aguinis & Bradley, 2014). However, studies on individual behavior in the field of strategy are relatively novel – they are part of the recent research stream on microfoundations (Foss & Lindenberg, 2013; Foss & Pederson, 2014) – and I therefore expect the popularity of vignette studies to rise.

Chapter 4 aims to investigate the effect of a stakeholder orientation on individuals' moral considerations. Applying moral psychology leads to the prediction that stakeholder-oriented firms will enable individuals to see stakeholders as human beings, and to express more negative moral evaluations when the firm does wrong to its stakeholders. In 3 experiments, I again use vignettes manipulating the firm's management orientation, followed by survey questions probing for participants attributions of human characteristics to the firm's stakeholders, and probing for participants moral evaluations of the firm's wrongdoing towards its stakeholders.

Chapter 5 discusses the theoretical contributions, limitations and implications for further research of this dissertation. It ends with a conclusion about the microfoundations of stakeholder theory. The details about co-authorship can be found in the co-author statements at the end of this dissertation.

# CHAPTER 2
# THE BRIGHT, DARK AND FAR SIDE OF STAKEHOLDER RECIPROCITY: MORAL PSYCHOLOGY AND VALUE CREATION

## 2.1. Introduction

The central proposition of instrumental stakeholder theory is that stakeholder-oriented firms will create more value than profit-oriented firms (Donaldson & Preston, 1995; Jones, 1995). A recent stream of research on the behavioral microfoundations of stakeholder theory proposes reciprocal stakeholder behavior as a crucial mechanism supporting this relationship (Bosse & Phillips, 2016; Bosse et al., 2009; Bridoux & Stoelhorst, 2014; Harrison et al., 2010). This stream of research emphasizes that human behavior is not just driven by self-interest, but also by reciprocal tendencies. Reciprocating stakeholders reward a firm, this is, increase the firm's payoff, when they perceive the firm as treating its stakeholders fairly (positive reciprocity), and they punish a firm, this is, decrease the firm's payoff, when they perceive the firm as treating its stakeholders unfairly (negative reciprocity). The causality that seems to be implied is that stakeholder-oriented firms are more likely to be perceived as fair and will therefore elicit more rewarding stakeholder behavior, while profit-oriented firms are more likely to be perceived as unfair and will therefore elicit more punitive stakeholder behavior (cf., Bosse et al., 2009; Bridoux & Stoelhorst, 2014). Yet, if this were the case it is difficult to explain why stakeholder-oriented firms often face both increased reward *as well as* more and harsher punishment from their stakeholders (e.g. (Briscoe, Chin, & Hambrick, 2014; Dickinson-Delaporte, Beverland, & Lindgreen, 2010; Janssen, Sen, & Bhattacharya, 2015).

This is exemplified in the phenomenon of secondary boycotts (Schrempf-Stirling, Bosse, & Harrison, 2013). Secondary boycotts are boycotts of a more socially responsible firm, because it associates with another firm that is seen as less responsible. For instance, when the Body Shop was taken over by L'Oréal, it was the Body Shop, a company that prided itself for not testing on animals, that was the primary target of negative reactions, rather than L'Oréal, which does make use of animal testing (Sheftalovich, 2014). Without understanding why this pattern emerges and how it can be managed, firm managers may well decide that adopting a stakeholder orientation is too risky.

In this paper, we build on moral psychology (1) to explain why stakeholder-oriented firms are more likely than profit-oriented firms to elicit both positive *and* negative reciprocity, and (2) to explain why this phenomenon nuances, but does not undermine the instrumental case for stakeholder management based on reciprocal stakeholder behavior. The crucial insight from moral psychology for the theory we develop is that humans use two different types of evaluations – moralistic and strategic – that have different antecedents and consequences. Fairness evaluations, as emphasized in the stakeholder literature, are a specific instance of moralistic evaluations – expressions of approval or condemnation of something or someone in and of itself (Graham et al., 2011). Moralistic evaluations trigger categorically different behavior than strategic evaluations – expressions of the instrumental worth of something in relation to one's own payoff (Colman, 2003). We build on insights about the antecedents, behavioral consequences, and underlying mental processes of moralistic and strategic evaluations from moral psychology, in particular dual process theories (e.g. (Cushman, Sheketoff, Wharton, & Carey, 2013; Evans & Stanovich, 2013), and intuitionist models (e.g. (Greene & Haidt, 2002; Haidt, 2007), as well as on supporting evidence for these theories from neuroscience and behavioral economics (e.g. (Coricelli & Nagel, 2009; Declerck et al., 2013).

Based on the distinction between moralistic and strategic evaluations (explained in section 2.2), we build our theory by taking three consecutive steps (in respectively sections 2.3, 2.4 and 2.5). As a first step, we consider, in section 2.3, the different antecedents of these two types of evaluations and propose that stakeholder-oriented firms are more likely to trigger stakeholders' moralistic evaluations, while profit-oriented firms are more likely to trigger strategic evaluations. Next, turning to the behavioral consequences of moralistic evaluations (cf., Baumard, André, & Sperber, 2013) in section 2.4, we propose that moralistic evaluations are likely to elicit reward for actions evaluated positively *but also* punishment for actions evaluated negatively. In contrast, strategic evaluations elicit a much narrower range of self-interested behavior (e.g. Declerck et al., 2013). In the short term, the net effect of reciprocal stakeholder behavior, as compared to self-interested stakeholder behavior, on value creation, is ambiguous and may well be negative. In section 2,5 we delve further, as third step, into the time dimension, proposing that in the long term punishment can sustain and reinforce stakeholders' cooperation, which can dwarf any negative short-term effects of punishment on value creation (e.g. Boyd, Gintis, & Bowles, 2010). Figure 2, which we introduce at the end of the next section, guides our argumentation and presents the model.

By explaining the puzzling phenomenon that stakeholder-oriented firms may be more, rather than less, likely to become the target of stakeholder punishment, we make three contributions to stakeholder theory, as explained further in section 2.6. First, we nuance, but ultimately strengthen, the recent insight that reciprocal stakeholder behavior is a central mechanism underlying the instrumental claim of stakeholder theory. Second, we propose a specific cognitive mechanism for the claim that management and economic theories may increase self-interested stakeholder behavior (Ferraro et al., 2005; Ghoshal, 2005; Ghoshal & Moran, 1996) and for suggestions that alternative accounts, like stakeholder theory, may result in more desirable stakeholder behavior (Hollensbe, Wookey, Hickey, George, & Nichols, 2014). Third, our theory suggests an empirically grounded basis for a normative stakeholder theory, based on a view of the firm as a cooperative enterprise that contributes to solving collective action problems (cf. Alchian & Demsetz, 1972; Bridoux & Stoelhorst, 2016).

## 2.2. Stakeholder behavior, management orientations, moral psychology

### 2.2.1. Stakeholder behavior and value creation for the firm

In order to first clarify stakeholder behavior – the dependent variable in our model – we start by linking the recent view of stakeholder behavior to value creation for the firm. We explain that, in contrast to the classical economic assumption of people as being self-interested, recent accounts see people as reciprocal. These accounts suggest that reciprocal stakeholder behavior has more extreme positive and negative influences on value creation for the firm than self-interested stakeholder behavior.

Neoclassical economic theories of human behavior start from the assumption that people are self-interested (e.g., Jensen & Meckling, 1976; Jensen & Murphy, 1990), this is, they exclusively aim to maximize their own extrinsic payoff (Fehr & Schmidt, 2000). Recently, scholars have successfully incorporated, what they and we regard as, more realistic assumptions of human nature in economic theory (e.g. Fehr & Gächter, 2000). According to these updated views, people also engage in reciprocal behavior. Reciprocal behavior is an in-kind response to others' behavior (Henrich et al., 2001): when another actor's actions are perceived as fair, reciprocating individuals seek to increase the other's payoff to a larger extent than predicted by self-interest models (Declerck et al., 2013). Instead, when the other's actions are perceived as unfair, reciprocating individuals seek to decrease the other's payoff to a larger extent than predicted by self-interest models (Fehr & Gächter, 2000).

According to recent work in stakeholder theory, self-interested and reciprocal stakeholder behavior can be characterized on the basis of its relative contribution to the value creating potential of the firm (e.g. Bosse & Philips, 2016). The firm is here seen as a nexus of contracts between stakeholders (Hill & Jones, 1992). Stakeholders can thus behave reciprocally or self-interestedly towards the firm, via their interactions with other stakeholders such as customers, employees and suppliers. Stakeholders acting purely out of self-interest aim to maximize their personal extrinsic payoff (Bridoux & Stoelhorst, 2014). Their contribution to the firm's value creating potential will therefore depend on the way in which the firm has tied these stakeholders' contribution to value creation for the firm using extrinsic incentives (Bridoux & Stoelhorst, 2014). If, for instance, a firm pays its sales representatives proportionately to the revenues they generate, employees acting in their own self-interest will take more effort to sell the firm's products than if the firm compensates its employees with a fixed pay (Shaw, 2015). Thus, stakeholders acting out of self-interest will contribute more or less to the value creating potential of the firm depending on how this pays off for themselves.

Reciprocal stakeholder behavior contributes more positively or negatively to the firm's value creating potential than self-interested behavior. This is because positively reciprocating stakeholders contribute to the firm's value creating potential over and above what pays off personally (and thus over and above what would be expected based purely on self-interest) (Bosse et al., 2009), while negative reciprocity detracts from the firm's value creating potential over and above what pays off personally (Vasi & King, 2012). This also implies that reciprocity is relatively costly to the reciprocator as it leads stakeholders to incur a higher material cost relative to what they would bear if acting out of self-interest (Hahn, 2015; Hahn & Albert, 2015).

In sum, we can rank positive reciprocity, self-interest, and negative reciprocity in terms of their relative contribution to value creation for the firm. Positive reciprocity contributes most to value creation, the effect of self-interest lies in the middle and negative reciprocity contributes the least to value creation. Behavior that positively contributes to value creation is called cooperation, and can thus be performed out of positive reciprocity or out of self-interest, while behavior that negatively contributes to value creation is called noncooperation, which can also be performed out of negative reciprocity or out of self-interest (Declerck et al., 2013). To be able to refer at once to stakeholder behavior and the motive driving this behavior (see further section 2.4), when cooperation is reciprocal, we speak of *reward*, and when cooperation is self-interested, we speak of *collaboration*. When noncooperation is reciprocal, we speak of *punishment*, and when noncooperation is self-interested, we speak of *defection*.

We can also clarify this by giving some examples from the literature. Organizational citizenship behavior (OCB) is a form of positive reciprocity or reward, because it consists of employee behavior that positively contributes to the organization, over and above the contribution that is formally incentivized by the organization (Podsakoff, MacKenzie, Paine, & Bachrach, 2000). Thus, the contribution of OCB to value creation for the firm is higher than that of self-interested behavior (van Dijke, De Cremer, Mayer, & Van Quaquebeke, 2012). Examples of self-interested collaboration include the situation in which individual sales people excel because their salary depends on the number of products they sell, and when customers have a preference to buy luxury brands out of a desire for personal prestige (Mandel, Petrova, & Cialdini, 2006). In contrast, boycotting can be a form of negative reciprocity or punishment because some boycotting customers aim to damage firms by refusing to purchase products or services, even at a cost to themselves (Hahn & Albert, 2015). An example of self-interested noncooperation or defection is purchasing counterfeit goods in order to gain personal prestige (Cordell, Wongtada, & Kieschnick, 1996).

### 2.2.2. Two management orientations

In this subsection, we turn to elements of firms' management orientations influencing reciprocity and self-interested behavior. A firm's management orientation is described by the firm's purpose or motives as well as the practices this purpose leads to (Jones, Felps, & Bigley, 2007). Moral psychologists and management scholars agree that the perceived motives and behavioral patterns of actors influence how individuals will evaluate and behave towards these actors (Falk, Fehr, & Fischbacher, 2008; McCabe, Rigdon, & Smith, 2003). Since motives cannot be perceived directly, it is the practices themselves, the motives signaled by the practices, and the firm's communications (as part of its practices) that influence stakeholder behavior. Firms communicate with their stakeholders directly via their websites (Maignan & Ferrell, 2004) and reports (Pérez & Rodríguez del Bosque, 2015), but also indirectly, for instance via external auditing agencies (Darnall, Seol, & Sarkis, 2009) or via word of mouth (Van Hoye & Lievens, 2009).

Studies show that firms vary in the extent to which they balance stakeholder- versus profit-oriented motives and practices (Fiss & Zajac, 2004). Firms for which the balance tips in favor of stakeholder-oriented elements are labelled 'stakeholder-oriented' in this paper. Stakeholder-oriented firms have predominantly intrinsic motives, and they tend to be intrinsically motivated by social norms that prescribe to have a positive impact on its stakeholders' experiences, needs, or desires (Freeman et al., 2010). This leads to practices that increase the well-being of their stakeholders or society at large, thus signaling the underlying cooperative motives. In their communications, stakeholder-oriented firms use more words or images depicting the experiences, needs, or desires of their stakeholders and how the firm complies with norms about its impact upon them. For instance, stakeholder-oriented firms are more likely than profit-oriented firms to start and communicate about a cause related marketing offer that fits the firm's products and other practices (Ross, Patterson, & Stutts, 1992).

Firms for which the balance tips in favor of profit-oriented elements are labelled 'profit-oriented'. Profit-oriented firms have predominantly motives to maximize an abstract and extrinsic measure of utility, usually profit for the firm's shareholders (which are in this perspective seen as the firm's owners) (Friedman, 2007; Rappaport, 1986). This leads to interactions with stakeholders that signal a pursuit of profit maximization. In their communications, profit-oriented firms use more words or images related to financial performance or competence measures. For instance, profit-oriented firms are more likely than stakeholder-oriented firms to incentivize stakeholders with stock options, so that they will aim to increase value for shareholders (Jensen & Meckling, 1976).

Findings and theories suggest that, on the one hand, actions of stakeholder-oriented firms elicit, when evaluated positively, more cooperative stakeholder behavior, such as increased purchase intentions (Sen & Bhattacharya, 2001), increased applicant attractiveness (Greening & Turban, 2000), and improved market reactions (Du, Bhattacharya, & Sen, 2007) compared to actions of profit-oriented firms. On the other hand, when evaluated negatively, actions of stakeholder-oriented firms may also elicit increased punishment, such as more activism (Briscoe et al., 2014), harsher criticism after a crisis (C. Janssen et al., 2015), or decreased legitimacy (Ashforth & Gibbs, 1990) compared to actions of profit-oriented firms. In the next subsection we look at the mechanism that can explain this pattern of stakeholder behavior.

### 2.2.3. Moral psychology and two types of evaluations

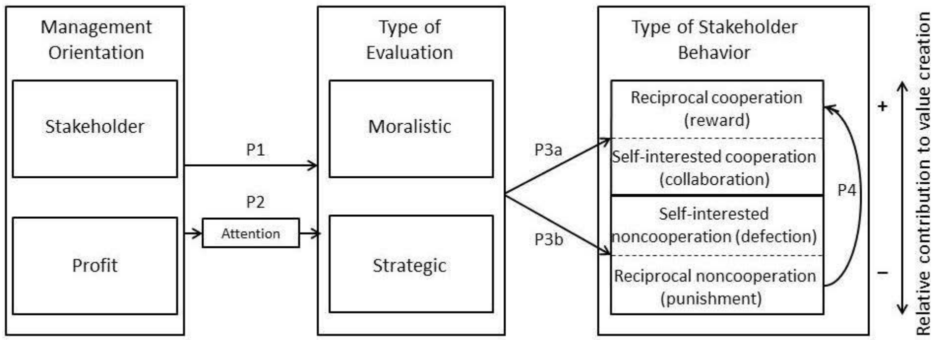
Management scholars find that stakeholder behavior is explained by different mechanisms depending on whether the firm is stakeholder-oriented or profit-oriented. Namely, the relationship between a firm's stakeholder orientation and stakeholder behavior is explained by, for instance, fairness perceptions and trust, while the relationship between a firm's profit-orientation and stakeholder behavior is explained by, for instance, competence. These differences correspond to the difference between moralistic and strategic evaluations. In this section, we describe these distinctive evaluations and their functions. In the next sections (2.3, 2.4 and 2.5), we will apply this theory to firms' management orientations and stakeholder behavior.

Moralistic evaluations consist in assessing an act as being right or wrong, or an actor as being more blame- or praiseworthy or morally responsible (Boone, Declerck, & Suetens, 2008). Individuals formulating moralistic evaluations usually compare the act or actor with the moral norms that are salient (Treviño, Weaver, & Reynolds, 2006): An act(or) is morally right or praiseworthy if in compliance with the salient moral norm, and an act(or) is morally wrong or blameworthy if transgressing the salient moral norm. In contrast, strategic evaluations consist in assessing an act(or) as good or bad. Strategic evaluations assess the act or actor on the basis of the effect on the evaluator's extrinsic payoff. An act(or) is strategically good if increasing the evaluator's payoff, and strategically bad if decreasing the evaluator's payoff.

Moralistic and strategic evaluations have different functions. With a function, we mean that they contribute to a more complex activity (Wouters, 2003). Specifically, moral psychologists concur that moralistic evaluations function to uphold long-term cooperation in a group (Curry, Jones Chesters, & Van Lissa, 2019; DeScioli & Kurzban, 2013; Haidt, 2007). This means that some groups of people are more cooperative than others, this higher level of cooperation being the more complex activity. This capacity exists in these groups because, among its individual actors and in the short term, behavioral patterns exist that support this capacity. Individual actors providing moralistic evaluations is one such behavioral pattern that, in coordination with others, brings about this capacity. In the short term, moralistic evaluations enforce and support behavior that complies with cooperative moral norms, and they undermine behavior that transgresses cooperative moral norms. In the long term, this allows that cooperation in the group is upheld. In contrast, strategic evaluations function to maximize one's own extrinsic payoff (Lyons & Mehta, 1997). This means that strategic evaluations bring about, in concordance with other individual mental functions and behavior, the maximization of one's own extrinsic payoff.

As a consequence of their different functions, moralistic and strategic evaluations have different antecedents, consequences, and underlying mental processes. These will be discussed in the development of our propositions in sections 2.3, 2.4 and 2.5 (for an overview, see Figure 2).

**Figure 2.1: Influence of management orientation on type of evaluation and type of stakeholder behavior**




## 2.3. Antecedents of moralistic and strategic evaluations

In this section, we apply the above theory to management orientations and stakeholder behavior, and explore the management orientations as antecedents of moralistic and strategic evaluations in our first two propositions, shown on the left-hand side in figure 2.

### 2.3.1. Management orientation and the type of evaluation

Evaluations differ in their function; as a consequence, the likelihood of these types of evaluations is influenced by different environmental cues (Frankenhuis & Ploeger, 2007). Findings indicate that individuals are more likely to have moralistic evaluations when they perceive an act as an instance of an issue that needs to be governed by cooperative moral norms. Specifically, an act is more strongly evaluated in moralistic terms if it is to a greater extent perceived as, first, an act caused by an intentional agent, and second, an act impacting a sentient being (Gray, Young, & Waytz, 2012).

Intentional agency "is the perceived capacity to intend and to act (e.g., self-control, judgment, communication, thought, and memory)" (Gray et al., 2012, p. 103). Moral psychologists find that, if individuals perceive that an act is caused by someone who intends that act, ascriptions of moral wrongness, rightness, responsibility, and blame increase compared to when the act is not caused by someone who intends the act (Cushman, 2008; Ditto, Pizarro, & Tannenbaum, 2009; Leslie, Knobe, & Cohen, 2006; Ohtsubo, 2007; Pizarro, Uhlmann, & Salovey, 2003; Woolfolk, Doris, & Darley, 2006). Sentience is "the perceived capacity for sensation or feelings" such as pain or happiness (Gray et al., 2012, p. 103). Individuals in all human cultures report that, when making a moral judgment, they find it relevant whether there is an impact on beings that are perceived as sentient – especially other individuals, but also social groups, gods, animals and nature (Graham et al., 2011; Haidt et al., 2007).

The acts of stakeholder-oriented firms are more likely signaled and perceived as acts caused by an intentional agent and impacting a sentient being than the acts of profit-oriented firms. Namely, the practices and communications of stakeholder-oriented firms are more likely to signal these features. Concerning intentional agency, firms emphasizing an obligation towards stakeholders are found to describe themselves as "a good corporate citizen" (Maignan & Ferrell, 2004, p. 5-6), or as expressing their core values (Maignan & Ralston, 2002). Studies find that actors who communicate about themselves as having 'core values', being 'good', or making a positive impact on social causes, elicit more perceptions of intentional agency than firms not having this focus in their communications (Waytz, Cacioppo, & Epley, 2010).

Concerning sentience, firms emphasizing an obligation towards stakeholders are found to describe themselves as "caring about important stakeholder issues" (Maignan & Ferrell, 2004, p. 5-6), thus acknowledging stakeholders as sentient beings. In addition, Muller, Pfarrer and Little (2013) argue that more vivid references to human beings with needs elicits in the firm's stakeholder appraisals of how these human beings are affected by their plight.

In contrast, firms emphasizing profit goals are found to describe stakeholder-oriented practices as "an instrument to improve its financial performance" (Maignan & Ralston, 2002, p. 501). Thus, these practices are an instrument rather than as an expression of core values, and they impact abstract issues such as financial performance, rather than sentient beings. Letters to shareholders likewise discuss the firm's commitments as arising from external obligations, constraints, and events, and as impacting the financial bottom line (Conaway & Wardrope, 2010). Profit-oriented firms tend to rephrase crises and negative impacts on stakeholders in morally neutral terms such as efficiency, rationality and logistic limits (Bolino & Turnley, 1999). Indeed, stakeholders perceive profit-oriented firms as less intentional, warm, kind, and generous than non-profit firms (Aaker, Vohs, & Mogilner, 2010).

In line with the function of strategic evaluations to increase one's own payoff, psychologists find that a situation is more likely to yield strategic evaluations and self-interested intentions if personal extrinsic gains and losses, such as money, grades, prestige, or career status, are more salient to the evaluator

(Kong, Kwok, & Fang, 2012; Vohs, Mead, & Goode, 2006, 2008). The acts of profit-oriented firms are more likely signaled and perceived as featuring extrinsic gains and losses, as they are communicated to impact money and prestige, rather than intrinsic values (Brickson, 2005, 2007). Exposure to luxury brands, many of which signal prestige, increases individuals' propensity to prioritize self-interest over others' interest (Chua & Zou, 2009; Torelli, Monga, & Kaikati, 2012). In contrast, stakeholder-oriented firms do not, or less so, feature extrinsic gains and losses. Instead, as we discussed, stakeholder-oriented firms communicate about their practices as arising from core values, intended by the firm, thus about their intrinsic motivation. Our arguments lead to the following proposition:

> *P1. Stakeholder-oriented firms are more likely to elicit moralistic evaluations than profit-oriented firms, while profit-oriented firms are more likely to elicit strategic evaluations than stakeholder-oriented firms.*

#### 2.3.2. Management orientation and the likelihood of negative evaluations

Scholars observe that stakeholders do not evaluate all instances of firm misconduct negatively, because stakeholders have only limited attention to allocate to the firm's behavior, and can therefore fail to see transgressions of a norm (Barnett, 2014). In this subsection we argue that, compared to profit-oriented firms, stakeholder-oriented firms are more likely to attract stakeholders' attention and face negative evaluations for firm misconduct – firm behavior that transgresses the firm's signaled norms. In other words, a stakeholder-oriented firm that transgresses its signaled stakeholder-oriented norms is more likely to elicit negative evaluations from its stakeholders than a profit-oriented firm that transgresses its signaled profit-oriented norms.

It is important to note at this point that, in theory, the ideal stakeholder-oriented firm would not undertake any action that can be evaluated as morally wrong by its stakeholders. Specifically, ideal stakeholder-oriented firms would engage all stakeholders as partners in a continuous dialogue, constantly shaping the motives and practices of the firm such that the firm accommodates all stakeholders' needs (Freeman & Liedtka, 1991). Moreover, stakeholder theorists suggest that managers of the ideal firm would find ways to rethink trade-offs such that all stakeholders' interests can go together (Freeman et al., 2010, p. 20). However, in practice, and as emphasized by scholars, stakeholder-oriented firms are not always ideally stakeholder-oriented. For instance, even if stakeholder-oriented, a firm "often has to choose one [stakeholder] at the expense of another"

(Rupp, Ganapathi, Aguilera, & Williams, 2006, p. 541), firms may not yet have managed to align stakeholders' interest, or stakeholders may not always be engaged in dialogue.

Specifically, in this subsection we argue that stakeholder-oriented firms signal an explicit commitment to cooperative moral norms while profit-oriented firms signal an explicit commitment to abstract, morally neutral norms. Cooperative moral norms increase stakeholders' attention to the firm's behavior compared to abstract, morally neutral norms. Increased attention makes it more likely that a transgression of a norm will be detected, and evaluated negatively. Even stronger, when a firm explicitly communicates its commitment to cooperative moral norms, its stakeholders will actively scrutinize the firm's behavior for transgressions of the firm's moral norms, which will then be evaluated as morally wrong.

Moral psychologists find that, when an actor is perceived to be bound by a cooperative moral norm, individuals are more capable of detecting transgressions of that moral norm, than when an actor is perceived to be bound by a more abstract norm. A cooperative moral norm is a norm that specifies how the distribution of benefits is governed via social interactions (e.g. Baumard et al., 2013). For instance, the rule that "if firms want the USDA [The United States Department of Agriculture] organic seal for their products, they should not use GMOs [genetically modified organisms]" is a cooperative moral norm because it specifies that firms will only be given the benefit of the USDA organic seal if they do not to use GMOs. In contrast, the rule that "if firms want to be profitable, they should offer a competitive salary" is a more abstract and morally neutral norm: It does not specify how benefits are distributed via social interactions, but rather how benefits become distributed via market mechanisms.

When individuals are aware of cooperative moral norms, they will more strongly direct their attention to those actors reaping the benefits, and to those actors not complying with the moral norms, than when individuals are aware of more abstract norms (Cosmides, 1989; Gigerenzer & Hug, 1992). In the above example, when stakeholders are aware of the USDA label prohibiting GMO use, they will direct their attention to products with a USDA label and to products containing GMOs. Combining the two, stakeholders are then likely to detect which products with USDA label contain GMOs. In contrast, when stakeholders are aware of the norm that profitability requires competitive employee salaries, they will to a lesser extent direct their attention to firms that claim to be profitable, or to firms that do not offer competitive salaries. Thus, they are much less likely to detect which firms claim to be profitable without offering competitive salaries. As a consequence, people are much better at detecting which firms with a USDA label transgress the moral norm tied to the label, then they are at detecting which firms claiming to be profitable transgress the norm tied to profitability. This pattern has been found consistently and across cultures (Cosmides, Tooby, Fiddick, & Bryant, 2005; Sugiyama, Tooby, & Cosmides, 2002).

Stakeholder-oriented firms are more likely to explicitly communicate their commitment to a cooperative moral norm than profit-oriented firms; the latter being more likely to explicitly communicate their commitment to a more abstract, morally neutral norm. For instance, stakeholder-oriented firms have been found to communicate about their norms that, if employees behave in an exemplary way, the firm should reward them (Maignan, Gonzalez-Padron, Hult, & Ferrell, 2011). In addition, when firms claim to be intrinsically motivated by core moral values – which is a feature of a stakeholder orientation - stakeholders are likely to perceive a social contract stating that "if the firm wants to reap the reputational benefits of referring to its core moral values, it should adhere to these core moral values". In contrast, firms that project a stronger profit image are not likely to refer to moral norms or values and more often use abstract concepts such as competence and performance (Hyland, 1998, p. 236; Kohut & Segars, 1992).

This is in line with a range of otherwise puzzling findings. Indeed, Briscoe and colleagues (2014) find that, for firms where the CEO is a known supporter of diversity issues, stakeholders are more likely to be unsatisfied with the firm's diversity policy than if the CEO is not a known supporter of diversity issues. In addition, it is also in line with the phenomenon of secondary boycotts mentioned in the introduction: When focal stakeholder-oriented firms collaborate with firms whose behavior transgresses the focal firm's explicitly communicated cooperative moral norms, this leads to public outcries against the stakeholder-oriented firm, but not against the associated collaborating firm that actually transgresses the focal firm's moral norms (Schrempf-Stirling et al., 2013). This reasoning leads to the following proposition:

*P2. Stakeholder-oriented firms are more likely to elicit negative evaluations when transgressing their explicitly communicated norms than profit-oriented firms.*

In the next section we turn to explaining stakeholder behavior on the basis of their evaluations, resulting in propositions 3a and 3b. While in these propositions we focus on stakeholders' behavior in the short-term, our fourth proposition (explained in section 2.5) considers the longer-term dynamics that help uphold cooperation in a group.

### 2.4. Consequences of moralistic and strategic evaluations

In this section we argue that the occurrence of moralistic evaluations increases reciprocal cooperation (which we label 'reward', as indicated in section 2.2) as well as reciprocal noncooperation ('punishment', see section 2.2), while the occurrence of strategic evaluations increases self-interested cooperation ('collaboration') and self-interested noncooperation ('defection'). We first compare positive moralistic evaluations with positive strategic evaluations, and then compare negative moralistic evaluations with negative strategic evaluations.

Our argument builds on the differences in functions and mental processes involved in expressing moralistic and strategic evaluations. Specifically, while strategic evaluations are generated by deliberate reasoning processes, moralistic evaluations are generated by faster, more emotional mental processes that are more intuitive and less controlled by deliberate reasoning (e.g., Declerck et al., 2013; Evans & Stanovich, 2013). Indeed, the function of moralistic evaluations – upholding long-term cooperation in groups – is too complex to be generated by deliberate reasoning processes, as this would require much stronger cognitive capacities or very long-lasting reasoning bouts, which would not be functional in everyday social interactions (Goldstein & Gigerenzer, 2002). As a consequence, moralistic evaluations are generated by sentiments and emotions such as elevation and warmth (Aquino, McFerran, & Laven, 2011), or disgust (Wheatley & Haidt, 2005).

#### 2.4.1. The influence of positive evaluations on reward and collaboration

Positive moralistic evaluations consist in assessing a behavior as right, or an actor as praiseworthy, when the behavior complies with the salient moral norm (Boone et al., 2008). Positive moralistic evaluations motivate behavior by virtue of the sentimental and emotional mental processes related to these evaluations (Evans & Stanovich, 2013; Kahneman, 2003a, 2003b). For positive moralistic evaluations, corresponding sentiments and emotions are for instance warmth, trust, or moral elevation (Aquino et al., 2011).

Moral psychologists agree that the occurrence of positive moralistic evaluations increases rewarding behavior. For instance, individuals whose moral values, goals, traits, and behavioral scripts are triggered, report to be more willing to benefit a social cause at a cost to themselves (Aquino, Freeman, Reed, Lim, & Felps, 2009) than individuals whose moralistic mental processes are not triggered. Studies find that neurotransmitters that increase individuals' concern for a variety of moral issues also cause people to engage in rewarding behavior such as increasing donations in a trust game (De Dreu, 2012). Behavior that is perceived to be intentional – thus, eliciting moralistic evaluations – increases rewarding of morally right behavior, compared to behavior that is perceived to be unintentional (Falk et al., 2008; McCabe et al., 2003). When sentience and moral agency is more salient, for instance by increasing the presence of anthropomorphic cues, people are also more rewarding than when mainly objects are salient (Haley & Fessler, 2005; Waytz, Cacioppo, et al., 2010). In a business context too, positive moralistic evaluations are found to increase reward. Studies show that higher employee morale, including an increase in fairness perceptions, increases organizational citizenship behavior, which is an example of positive reciprocity or reward (Podsakoff et al., 2000). Bolton and Matilla (2015) find that, when individuals are primed with norms prescribing a concern for others' welfare and needs, the positive influence of moral norm-compliant firm behavior on loyalty and satisfaction is positively mediated by warmth, a moralistic sentiment.

In contrast, strategic evaluations consist in assessing a behavior as good when the behavior increases the assessor's own extrinsic payoff (Boone et al., 2008). Strategic evaluations motivate behavior by virtue of deliberate reasoning processes related to these evaluations (Evans, 2008; Evans & Stanovich, 2013; Kahneman, 2003a). The occurrence of positive strategic evaluations and associated mental processes increases collaborative behavior, i.e., self-interested cooperation. For instance, when individuals are asked to explicitly list more deliberations underlying their reasoning processes, they choose the least effortful option in a moral dilemma (Rai & Holyoak, 2010). In a business context, when individuals' performance is tied to their monetary gains – which leads to positive strategic evaluations – individuals are more likely to engage in self-interested cooperation with a firm, than when their performance is not tied to their monetary gains (Aquino et al., 2009). Monetary incentives lead to reduced helpfulness but increased persistence in solving a task (Vohs et al., 2006). When sales people perceive that they will receive monetary rewards for higher performance than their peers, some target higher goals (Brown, Cron, & Slocum Jr, 1998). Our arguments lead to the following proposition:

*P3a. Stakeholder-oriented firms will elicit more reward from stakeholders than profit-oriented firms, while profit-oriented firms will elicit more collaboration from stakeholders than stakeholder-oriented firms.*

### 2.4.2. The Influence of negative evaluations on punishment and defection

Negative moralistic evaluations consist in assessing behavior as wrong, or an actor as blameworthy, when the behavior transgresses a salient moral norm (Papadopoulos & Hayes, 2018; Yoder & Decety, 2018). For negative moralistic evaluations, corresponding sentiments and emotions are, for instance, disgust (Wheatley & Haidt, 2005), threat (Declerck et al., 2013), anger, and contempt (Gervais & Fessler, 2017; Hutcherson & Gross, 2011).

Studies find that the occurrence of negative moralistic evaluations increases punishment (Hofmann, Brandt, Wisneski, Rockenbach, & Skitka, 2018). When people report that their negative evaluations about an issue are more connected to their moral convictions, they are more morally outraged (Skitka, 2002), and they prefer to keep a greater social and physical distance from disagreeing others than when they report that their negative evaluations are less connected to their moral convictions (Skitka, Bauman, & Sargis, 2005). Individuals are also more willing to punish others if they consider negative behavior to be intentional – which increases moralistic evaluations – than if they consider the behavior to be unintentional (K. Gray et al., 2012). When an unfair outcome is perceived to have been the result of intentions, participants are more negatively reciprocal than when an unfair outcome is perceived to have been the result of involuntary events (Falk et al., 2008). In a business context, when firms are more anthropomorphized – which increases moralistic evaluations – they may be held more legally responsible for negative behavior than when they are not anthropomorphized (Waytz, Cacioppo, et al., 2010).

In contrast, negative strategic evaluations consist in assessing a behavior as bad when the behavior does not increase the evaluator’s extrinsic payoff (Boone et al., 2008). Findings suggest that the occurrence of negative strategic evaluations increases defection such as shirking, withdrawal, exploitation, or instrumental harm. For instance, people tend to place rivals and people from other groups outside of their moral circle, and this can lead to positive strategic evaluations of outcomes that increase one’s own payoff but harm the other’s payoff. This, in turn, relates to an increase in self-reported likelihood of instrumental harm towards the other (Cikara, 2015). Also, compared to a situation without strategic monetary incentives, exploitation – self-interested behavior that damages the group’s payoff – increases when monetary fines are such that exploitation still increases the actor's payoff (Cardenas, Stranlund, & Willis, 2000). These arguments lead to the following proposition:

> *P3b. Stakeholder-oriented firms will elicit more punishment from stakeholders than profit-oriented firms, while profit-oriented firms will elicit more defection from stakeholders than stakeholder-oriented firms.*

To sum up, we have explained why stakeholder-oriented firms elicit not only more cooperative but also more punitive stakeholder behavior than profit-oriented firms. As we have argued at the beginning of the chapter, stakeholder punishment hurts value creation for the firm more than stakeholder defection. Together with our arguments that, compared to profit-oriented firms, stakeholder-oriented firms' transgressions of their explicitly communicated norms are more likely to be negatively evaluated, this suggests that, in the short term, stakeholder-oriented firms may create less value than profit-oriented firms. How this works in the long term, will be examined next.

## 2.5. Including the long-term effects of reciprocity

In this section we argue that, in the long term, stakeholder-oriented firms can create more value than profit-oriented firms because they are better able to develop and sustain cooperative stakeholder relationships that are characterized by a high incidence of rewarding behavior. The underlying rationale for this prediction is the recognition that human moral psychology functions to uphold cooperation in the long term (Curry et al., 2019; Haidt, 2007, 2008). According to this view of human morality both reward *and* punishment contribute to high levels of cooperation. More specifically, there are two mechanisms underlying the long-term positive effect of punishment on the ability of stakeholder-oriented firms to create value: stakeholders perceiving a higher likelihood of punishment are more likely to engage in rewarding behavior; and punishment increases the likelihood of positively evaluated firm behavior, leading to stakeholder reward.

### 2.5.1. The perceived likelihood of punishment increases reward

Empirical findings on the positive effect of the likelihood of punishment on levels of reward clearly point to a long-term positive role for punishment. Moral psychologists agree that the likelihood of punishment in reaction to transgressive behavior can increase rewarding behavior over time (Panchanathan & Boyd, 2004). Specifically, when stakeholders perceive a higher likelihood that other stakeholders will punish the firm's transgressions, these stakeholders will increase their frequency of rewarding behavior. For example, studies show that when people perceive that they are being watched by agents or institutions with the authority to punish, they reward more (Yilmaz & Bahçekapili, 2016). Such cues are more likely to be present in firms with moralistic stakeholders because, when moralistic evaluations are primed, people are more watchful for potential transgressions of cooperative moral norms (Cosmides, 1989; Cosmides et al., 2005; Gigerenzer & Hug, 1992).

In a business context too, when there is a possibility for stakeholders to punish, rewarding behavior increases (White et al., 2012). The existence of reputation, which enables punishment, likewise increases rewarding behavior (Hung, Durcikova, Lai, & Lin, 2011). While the likelihood of punishment will in general increase reward, in the case of firms we may expect this effect to be also mediated by how a firm responds to non-cooperative behavior by its stakeholders. Specifically, punishment is more likely than defection to increase the likelihood of positively evaluated firm behavior, and this will elicit reward from stakeholders.

### 2.5.2. The influence of punishment on positively evaluated firm behavior

Earlier research in management has found that firms' reactions to legitimate stakeholder punishment range on a continuum from symbolic to substantive accommodation (Waldron, Navis, & Fisher, 2013). Symbolic accommodation consists of reactions to stakeholder punishment that are merely symbolic, such as promises to change practices, and producing impressions of material change. An example is announcing that the firm will install safety equipment to protect employees while no real behavioral change is made (Waldron et al., 2013). Substantive accommodation consists of the firm implementing deep-seated practice changes, such as installing safety equipment to protect employees (Waldron et al., 2013). These practice changes lead to more norm-compliant firm behavior, which can be positively evaluated by stakeholders.

Compared to defection, punishment increases the likelihood of substantive accommodation. This is the case because punishing stakeholders are likely to be very explicit about the reasons for their negative moralistic evaluations (Baron & Diermeier, 2007). This way, stakeholder punishment is a feedback mechanism, informing managers about which specific stakeholder practices are perceived as morally right or wrong (Faillo, Grieco, & Zarri, 2013). Thus, punishment can be seen as a 'voice' behavior, which is an explicit attempt of the stakeholder to repair deteriorating behavior of the firm (Hirschman, 1972). In contrast, defecting individuals are less likely than punishing individuals to voice the reasons for their defection, because this requires an extra effort. Substantive accommodation in reaction to punishment implies that the firm makes its subsequent behavior more norm-compliant which, in turn, enables stakeholders to increase rewarding behavior. Indeed, moral psychologists find that repaired norm-compliant behavior can reinitiate reward from previously punishing individuals (Boyd, Gintis, Bowles, & Richerson, 2003; M. A. Janssen & Bushman, 2008; Krasnow, Cosmides, Pedersen, & Tooby, 2012).

In contrast, when stakeholder punishment is met with symbolic accommodation from the firm's side, rather than with significant behavioral changes, stakeholders will first escalate punishment, after which they will exclude the transgressing firm as an interaction partner (Baumard et al., 2013). Indeed, behavioral observations in small-scale societies show that, when faced with consistently norm-transgressing individuals, individuals will first engage in gradually intensifying forms of punishment (Wiessner, 2005). In a business context too, (Yaziji & Doh, 2013) find that activist campaigns intensify until the targeted firm fulfills the activists' requests. After a while, individuals in small-scale societies will revert to exclusion of the interaction partner (Gurven, 2004). Similarly, in experimental contexts, those who consistently contribute less than others are gradually left out of cooperative exchanges (Barclay, 2004; Barclay & Willer, 2007; Rockenbach & Milinski, 2011). This behavior is in line with the observation that stakeholders will 'exit' the firm when they feel the situation will not improve (Farrell, 1983; Hirschman, 1972).

Exiting stakeholders decrease the likelihood of future rewarding and punitive behavior. The stakeholders who leave are likely to develop interactions with other firms, which makes it less likely that they will re-initiate interactions with the focal firm. Second, studies find that when more stakeholders exit, other stakeholders may come to have increased exit intentions as well (Felps et al., 2009). These exit intentions, in turn, decrease these stakeholders' expected likelihood of future interactions with the firm. Empirical studies show that, when the perceived likelihood of future interactions is lower, individuals reward less (Milinski, Semmann, & Krambeck, 2002).

To recapitulate the argument, stakeholder-oriented firms are better able to sustain cooperative stakeholder relationships than profit-oriented firms because they are more likely to face 'voice' rather than 'exit' behavior, which makes them more likely to react to non-cooperative stakeholder behavior with substantive, rather than symbolic, accommodation. Substantive accommodation sustains reward and punishment while symbolic accommodation leads to escalation, followed by defection and/or a decrease in reward and punishment.

Given the fact that both reward and punishment contribute to maintaining cooperation, and that, over time, the likelihood of punishment has a positive effect on the likelihood of reward, this leads to the following proposition:

> *P4. In the long term, stakeholder-oriented firms are able to create stakeholder relations that create more value than the relations of profit-oriented firm*

## 2.6. Discussion

As can be seen in Figure 2, our model predicts that stakeholder-oriented firms elicit qualitatively different types of (positive and negative) evaluations compared to profit-oriented firms (proposition 1). While stakeholder-oriented elicit moralistic evaluations, profit-oriented firms elicit strategic evaluations. In addition, stakeholder-oriented firms are more likely to elicit negative evaluations than profit-oriented firms, in the event of a transgression by the firm (proposition 2). When looking at the effects of these types of evaluations, propositions 3a and 3b specify that moralistic evaluations lead to reciprocal behavior while strategic evaluations lead to self-interested behavior. In the short term, the former have more positive and negative effects on value creation than the latter. But in the long term, positive reciprocity can be upheld by the presence of negative reciprocity, leading to proposition 4 that stakeholder-oriented firms can create more value than profit-oriented firms. Our theory makes three contributions, which we will explain further below.

### 2.6.1. The instrumental case for a stakeholder orientation

By embedding theories of reciprocal stakeholder behavior in moral psychology, we nuance, but ultimately support, the instrumental case for stakeholder theory. The central proposition of instrumental stakeholder theory is that stakeholder-oriented firms will create more value than profit-oriented firms (Donaldson & Preston, 1995; Jones, 1995). Stakeholder reciprocity has been proposed as an important mechanism underlying this positive relationship, based on the argument that the fairer treatment of stakeholders by stakeholder-oriented firms will lead to higher levels of cooperation towards value creation (Bosse et al., 2009; Bridoux, Coeurderoy, & Durand, 2011). However, while this mechanism is also central to our theory, without further development it begs the question why stakeholder-oriented firms are more likely to face both increased cooperation and punishment than profit-oriented firms, and does not explain empirical findings that a stakeholder orientation only increases value in the long term.

As to the puzzle of increased cooperation and punishment, our theory provides several crucial insights. First, stakeholder-oriented firms increase the likelihood of moralistic evaluations compared to profit-oriented firms and moralistic evaluations trigger reciprocal stakeholder behavior, consisting of both reward and punishment. Second, stakeholders allocate more attention to detecting transgressive behavior of stakeholder-oriented firms than to detecting transgressive behavior of profit-oriented firms, thus further increasing the likelihood of punishment. Therefore, stakeholder-oriented firms will face a higher likelihood of reward, but also punishment, from stakeholders compared to profit-oriented firms.

This explains a range of empirical findings about behavior directed d stakeholder-oriented firm behavior. Studies find that firms that explicitly communicate their commitment to stakeholder responsibility often face increased scrutiny, skepticism, or even a backlash in stakeholder relationships, attitudes and behavior (Janssen et al., 2015). Scholars have explained why some stakeholder-oriented firms face increased punitive attitudes and behavior compared to other stakeholder-oriented firms (Janssen et al., 2015). However, they have not explained why punishment is observed for stakeholder-oriented firms, but less so for profit-oriented firms. Indeed, the phenomenon of secondary boycotts shows that profit-oriented firms are less likely to face stakeholder punishment, even for behavior that seem to transgress norms to maximize profit. In the case of secondary boycotts, profit-oriented firms are not punished, while they are associating with a not-for-profit organizations and therefore seemingly transgressing norms to maximize profit. In contrast, stakeholder-oriented firms are more likely to be punished for associating with norm-transgressing firms. Our theory suggests that profit-oriented firms are simply less likely to elicit the psychological processes that lead to punishment, while stakeholder-oriented firms do, and this explains why stakeholder-oriented firms are more often punished than profit-oriented firms, even for similar behavior and even if both firms transgress the norms they are committed to.

As to arguments that stakeholder-oriented firms increase value creation only after they built a strong history of responsible stakeholder behavior (Barnett & Salomon, 2012), our theory provides an explanation at the level of stakeholder behavior. Previous explanations suggest that firms starting to become stakeholder-oriented need to build credibility with stakeholders. This, however, begs the question through which behavioral mechanism this delay in increased value creation occurs. We suggest that in the short term, the negative effects of stakeholder punishment on value creation can overshadow the positive effects of stakeholder reward on value creation. In the long term, however, the presence of punishment withholds reciprocal stakeholders from leaving the firm while increasing rewarding behavior in other stakeholders, thus gradually increasing stakeholder reward over time. In the long term, the negative effects of punishment on value creation can thus be offset by the increasing likelihood of rewarding stakeholder behavior.

### 2.6.2. The behavioral impact of management theories

Our second contribution is to help substantiate the claim that management theories adopted from economics increase and sustain self-interested stakeholder behavior, and the related argument that alternative theories might positively transform stakeholder behavior (Hollensbe et al., 2014). Scholars have argued that management theories based on the assumption of self-interest tend to become self-fulfilling prophecies because they affect institutional designs and managerial practices (Ferraro et al., 2005; Ghoshal & Moran, 1996; Ghoshal, 2005). As these designs and practices are increasingly geared towards incentivizing stakeholders on the basis of their self-interest, self-interested behavior in fact becomes a social norm. Our theory adds to this argument by identifying why, when, and how firms' management orientations can increase, or decrease, self-interested stakeholder behavior. In so doing, we suggest a specific cognitive mechanism to support this argument and provide empirically testable predictions about the influence of management orientations on self-interested stakeholder behavior.

Other scholars have already suggested alternative management orientations that might positively transform stakeholder behavior. Specifically, firms that aim to create societal benefits may increase stakeholder trust and legitimize business (Hollensbe et al., 2014; Porter & Kramer, 2011). Stakeholder theory, in particular, is proposed as a solution that increases cooperative stakeholder behavior through its appeal to stakeholder reciprocity as opposed to self-interest (e.g. Bosse et al., 2009). Our theory adds precision to this claim by (1) suggesting a specific cognitive mechanism that decreases self-interested behavior and increases reciprocal behavior (2) detailing the particular signals arising from a stakeholder orientation that will trigger reciprocal behavior, and (3) specifying how reciprocal behavior can increase long-term stakeholder cooperation.

We also shows that reciprocal stakeholder behavior needs to be managed properly to increase value creation. Specifically, firms need to treat stakeholder punishment as ‘voicing’ behavior, and should respond to punishment with substantive accommodation to be able to turn stakeholder punishment into reward. As such, our theory suggests that firms aiming to become more stakeholder-oriented should be prepared to continuously improve their practices and learn from their stakeholders, in order to reap the benefits from their stakeholder orientation.

### 2.6.3. The empirically grounded basis for normative stakeholder theory

By integrating instrumental stakeholder theory and moral psychology, the third contribution of our theory is to suggest a possible empirically grounded basis for normative stakeholder theory. Stakeholder theory sees the firm as a cooperative enterprise (Bridoux & Stoelhorst, 2016; Freeman et al., 2010; Phillips, 2003). This is not unlike one of the classical theories of the firm in economics, team production theory, which describes firms as institutions designed to solve collective action problems (Alchian & Demsetz, 1972). Team production theory recognizes that, in order to maximize value creation and social welfare, the central problem in management is to resolve conflicts between stakeholders’ self-interest and the collective interest. However, economic theories propose solutions to these conflicts based on the assumption that people are self-interested: that is, they seek to secure stakeholders’ cooperation towards collective goals through incentives that align stakeholders’ individual interests. However, moral psychology suggests another route towards solving collective actions problems that may be more in line with human nature. Given the argument that human moral psychology evolved to sustain cooperation towards collective goals, triggering people’s moralistic evaluations may be a more effective solution to collective actions problems, simply because that is precisely what moral cognition is for. Moreover, if, as we have argued, stakeholder-oriented firms will trigger people’s moralistic evaluations, whereas profit-oriented firms do not, then the most efficient solution to collective action problems is for firms to become stakeholder-oriented (cf. Bridoux & Stoelhorst, 2016).

In providing an empirical basis for normative stakeholder theory, our work may help ‘to make stakeholder theory whole’ (Donaldson, 1999). One of the reasons for the popular distinction between descriptive, instrumental and normative stakeholder theory (Donaldson & Preston, 1995) was the charge that the stakeholder theory literature, by combining these three aspects in one model, was holding itself back in terms of developing a theory that offered causal explanations (Jones, 1995). As we hope to have demonstrated in this chapter, moral psychology offers empirically grounded insights that can help stakeholder theory offer better causal explanations. In addition, for as far as the central claim of much recent writing in moral psychology is correct – that human moral psychology functions to uphold long-term cooperation – moral psychology also offers a possible basis for the normative branch of stakeholder theory. Thus, stakeholder theory can combine causal explanations with normative arguments. Specifically, the premise for a normative stakeholder theory suggested by our theory is that managers should aim to maximize stakeholder cooperation, because this is what will maximize value creation, and hence social welfare. The instrumental prediction of our theory is that, given human moral psychology, cooperation, and hence value creation and social welfare, will be maximized when stakeholders are treated fairly.

## 2.7. Conclusion

We have used theories and findings from moral psychology to provide insights into the microfoundations of instrumental stakeholder theory, in particular the antecedents and consequences of reciprocal stakeholder behavior. Specifically, we have shed light on the puzzling phenomenon that stakeholder-oriented firms tend to elicit both more cooperation and more punishment than profit-oriented firms, even for similar behavior. Additionally, by making a distinction between the short term and long term effects of stakeholder reciprocity on value creation, we have nuanced instrumental stakeholder theory's central proposition that stakeholder-oriented firms will create more value than profit-oriented firms because of increased stakeholder reciprocity: this proposition does not necessarily hold in the short term. However, stakeholder-oriented firms that properly manage reciprocal stakeholder behavior can indeed expect to increase value created in the long term.

# CHAPTER 3
# YOU CAN'T HAVE YOUR CAKE AND EAT IT: A MIXED PROFIT/STAKEHOLDER ORIENTATION REDUCES FIRM-LEVEL ATTRACTIVENESS

## 3.1. Introduction

Instrumental stakeholder theory predicts that stakeholders will create more value for firms with a stakeholder orientation (firms that prioritize stakeholders and engage in practices based on fairness towards stakeholders) than for firms with a profit orientation (firms that prioritize profit and engage in practices that maximize profit) or for firms with a mixed stakeholder/profit orientation (Donaldson & Preston, 1995; Freeman, 1984; Freeman et al., 2010; Jones, 1995). A recently hypothesized mechanism underlying this prediction is stakeholder reciprocity, or the idea that stakeholders will respond more favorably to stakeholder-oriented firms and more negatively to profit-oriented firms (Bosse, Phillips, & Harrison, 2009; Bridoux & Stoelhorst, 2014; Harrison, Bosse, & Phillips, 2010). Specifically, stakeholders are predicted to be more attracted to stakeholder-oriented firms than to profit-oriented or mixed firms (Bridoux & Stoelhorst, 2014). However, this prediction has not been empirically tested, and seems to be at odds with empirical findings in the corporate social responsibility (CSR) literature that firms emphasizing stakeholder interests run the risk of decreasing their attractiveness to stakeholders compared to firms that emphasize mixed motives (Ellen, Webb, & Mohr, 2006; Forehand & Grier, 2003; Kim, 2014; Skarmeas & Leonidou, 2013).

In this chapter, we develop and test theory predicting that stakeholder-oriented firms are, in fact, more attractive to stakeholders than profit-oriented and mixed firms. We build on moral psychology to predict a serially mediated relationship from a firm's management orientation (stakeholder, mixed, or profit) to its attractiveness. We hypothesize that stakeholders will be more attracted to firms that they perceive as more other-regarding. We also hypothesize that stakeholders will perceive mixed and profit-oriented firms as more self-regarding than stakeholder-oriented firms. A crucial insight from moral psychology is that stakeholders will see a firm's self-regard as a negative signal of its other-regard (Baumard et al., 2013; Hoffman, Yoeli, & Nowak, 2015). This suggests a serial mediation, running from higher perceived self-regard to lower perceived other-regard, which will make mixed and profit-oriented firms less attractive to stakeholders than stakeholder-oriented firms.

Results from a series of five vignette experiments support our theory for participants in the roles of customers and prospective employees.

Our study contributes to instrumental stakeholder theory in three ways. First, we advance the recent stream of research on the behavioral foundations of mutually beneficial firm-stakeholder relationships (Bosse & Phillips, 2016; Bosse et al., 2009; Bridoux & Stoelhorst, 2014; Harrison et al., 2010). This stream of research points to stakeholder reciprocity as a key mechanism underlying the positive relationship between a stakeholder orientation and firm performance, as hypothesized by instrumental stakeholder theory, but its arguments have not yet been tested empirically (for an exception in the context of CSR, see (Bridoux et al., 2016). Second, we also advance this stream of research by further unravelling the nature of the cognitive mechanisms at work in stakeholder reciprocity. In contrast to the implicit assumption that a firm's perceived self-regard and a firm's perceived other-regard have independent effects on a firm's attractiveness to stakeholders, which would imply a parallel mediation of the relationship between a firm's management orientation and its attractiveness to stakeholders, our results suggest that the actual causal pathway is one of serial mediation, with a firm's perceived self-regard negatively influencing its perceived other-regard. Third, this finding has direct implications for the managerial relevance of instrumental stakeholder theory. In particular, it supports the claim of instrumental stakeholder theory that a stakeholder orientation will positively affect a firm's performance as compared to a profit or mixed orientation. This is particularly important given the apparent conflict between the theoretical predictions of instrumental stakeholder theory and some of the empirical research in CSR, as noted above, and given the advocacy for an interpretation of instrumental stakeholder theory that favors a mixed orientation over a stakeholder orientation (Porter & Kramer, 2011).

This chapter is structured as follows. In section 3.2 we compare the concepts, predictions and mechanisms proposed by stakeholder scholars with the concepts, predictions and mechanisms proposed by CSR scholars. In section 3.3, we build on moral psychology to develop hypotheses about the effect of a firm's management orientation on perceived self- and other-regard, and the effect of these perceptions on the firm's attractiveness to stakeholders. In section 3.4 we explain our methodology and we report the results of 5 vignette experiments. In section 3.5 we evaluate our findings in the light of the instrumental claim that stakeholder-oriented firms elicit more positive reciprocity.

## 3.2. Theory

### 3.2.1. Stakeholder theory: concepts, predictions and mechanisms

According to stakeholder theory, firms can be described in terms of their management orientation (Berman et al., 1999; Brickson, 2005, 2007; Freeman et al., 2010; Jones, 1995). The concept of a firm's management orientation refers to the firm's motives that translate into relational practices between the firm and its stakeholders (Brickson, 2005, 2007; Donaldson & Preston, 1995; Gioia, Schultz, & Corley, 2000; Wickert, Vaccaro, & Cornelissen, 2017). Firms' motives describe why, and how firms prefer to relate to their stakeholders, while firms' practices describe how firms do things in relation to their stakeholders (Brickson, 2005, 2007; Wickert et al., 2015). This translates into stakeholders' perceptions of the firm, which refer to firm attributes that stakeholders perceive as fundamental, uniquely descriptive and stable over time (Whetten, 2006). For instance, firms may attend to stakeholders and their interests because this improves the firm's performance; they will then treat their stakeholders instrumentally in order to increase profit (Berman et al., 1999), or firms may care about stakeholders' interests because of fairness considerations, and prioritize stakeholders' interests over profit considerations (Jones et al., 2007).

In line with previous studies, we distinguish between three management orientations (Bridoux & Stoelhorst, 2014), which we call a 'stakeholder', 'profit' and 'mixed' orientation. Stakeholder-oriented firms prioritize motives to attend to all stakeholders' needs and interests, typically out of fairness considerations (Berman et al., 1999; Bridoux & Stoelhorst, 2014; Freeman, 1984, pp. 74–75; Jones et al., 2007). This leads to the voluntary implementation of policies, practices and behavior that result in a fair and beneficial distribution of value to, and satisfaction of the needs of, stakeholders (Bowen, 2014; Bridoux & Stoelhorst, 2014; Freeman, 1984), unless in exceptional cases where the cost to the firm's performance would be unacceptably high. This includes management orientations such as a 'relational orientation' and 'collectivistic orientation' (Brickson, 2005, 2007; Wickert et al., 2015), where firms care about each of their stakeholders, avoid trade-offs between stakeholders, and usually create value in a manner that does not decrease another stakeholder's welfare (Jones et al., 2016).

This orientation is contrasted to the model of the profit-oriented firm. Profit-oriented firms prioritize a motive to increase an abstract measure of utility, such as profit (Friedman 1970). According to this classical view, profit-oriented firms mainly attend to the interests of the firm, "while conforming to their basic rules of the society" (Friedman, 1970). Firms with an 'individualistic orientation', acting out of a concern for the firm's welfare, fall within this category (Brickson, 2005, 2007; Wickert et al., 2015). These firms will aim to increase the firm's utility even if this decreases stakeholders' welfare (Jones et al., 2016).

Finally, firms with a mixed orientation are motivated to attend to the interests of stakeholders as well as to increase the firm's financial performance. The literature distinguishes a variety of mixed orientations. Mixed orientations can refer to hybrids combining elements of an individualistic orientation with a relational orientation (Brickson, 2005, 2007; Wickert et al., 2015). Such firms switch between profit-oriented and stakeholder-oriented practices (Bridoux & Stoelhorst, 2014). For instance, firms can be motivated to treat stakeholders fairly when this is likely to improve the firm's financial performance, and otherwise switch to profit motives. This includes firms with management models such as a 'strategic stakeholder management model' (Berman et al., 1999), or an 'instrumental stakeholder culture' (Jones et al., 2007). Mixed orientations are different from firms that engage in 'shared value creation' (Porter & Kramer, 2011). Shared value firms are introduced in experiment 5 and are motivated to treat stakeholders fairly in a way that is also believed to increases the firm's financial performance.

Researchers find that firms' management orientations vary between firms, while being stable within a firm (Brickson, 2005). Concerning variation between firms, empirical findings suggest that, depending on the industry, up to 40% of firms have an almost exclusive stakeholder or profit orientation, and up to 43% have a mixed orientation (Brickson, 2005). Concerning intra-firm coherence, a firm's management orientation is generally coherent in the sense that most firms adopt the same orientation towards broad groups of stakeholders (Brickson, 2005). Finally, theoretical arguments and empirical findings imply that a firm's management orientation is stable in the sense that, while it fluctuates in the case of hybrids, it does not change abruptly over time (Brickson, 2007). Theoretical arguments are that a firm's management orientation is driven by the firm's identity, which is stable (Brickson, 2005, 2007; Wickert et al., 2015), and that a management orientation is continuously reinforced via stakeholder expectations and interactions (Brickson, 2007; Gioia et al., 2000). Hence, the concept of a management orientation entails that the firm's management orientation is closely linked to stakeholders' expectations and perceptions of the firm.

Stakeholder theory predicts that firms with a stakeholder orientation are more attractive to stakeholders than firms with a profit orientation (Bosse et al., 2009; Bridoux & Stoelhorst, 2014; Freeman, 1984). The theorized mechanism behind this relationship assigns a central role to stakeholder reciprocity, which is triggered by stakeholders' perceptions of the firm. Specifically, stakeholders are expected to be more attracted to stakeholder-oriented firms than to profit-oriented firms because stakeholders perceive these firms as more fair towards stakeholders generally, and stakeholders reciprocate perceived fairness with increased cooperation. Another possibility is that stakeholders perceive a stakeholder orientation as a signal that the firm will treat them more beneficially than other firms, and stakeholders want to enter an exchange relationship in which they will be treated beneficially (Bosse & Phillips, 2014; Bosse et al., 2009). Stakeholders are also expected to be less attracted to mixed firms than to stakeholder-oriented firms because they are afraid that a mixed firm will switch practices from one orientation to another (Bridoux & Stoelhorst, 2014). However, these predictions and mechanisms have not been tested empirically.

### 3.2.2. CSR literature: concepts, findings, and mechanisms

While stakeholder theorists have not yet tested their predictions directly, there are many empirical studies in the CSR literature that may speak to the theoretical mechanisms hypothesized in instrumental stakeholder theory. In particular, the CSR literature has studied in some detail the effect of CSR practices and corporate social performance (CSP), as well as the influence of attributed and emphasized motives for corporate socially responsible programs (CSR motives), on stakeholder attitudes and behavior. CSR practices are a firm's voluntary actions to improve social and environmental conditions for internal and external stakeholders (Madsen & Rodgers, 2015). Thus, studies about the influence of CSR practices on the firm's attractiveness to stakeholders provide suggestions about the influence of stakeholder-oriented practices on firm attractiveness. CSR motives describe the firm's motives for its implemented CSR programs. Thus, studies about the influence of attributed CSR motives provide suggestions about the influence of perceived firm motives on the firm's attractiveness to stakeholders.

Empirical data suggest that the presence and awareness (Madsen & Rodgers, 2015) of CSR activities has a positive effect on stakeholder attractiveness, via stakeholders' perceptions of how the firm will treat them and others (Jones, Willness, & Madey, 2013). Likewise, firms with a higher social responsiveness use disclosure practices which improve the firm's reputation (Fombrun & Shanley, 1990) and attract customers and prospective applicants (Greening & Turban, 2000; Turban & Greening, 1997). This is in line with studies showing a positive relationship between CSP and firm performance, provided that stakeholders perceive CSR practices as substantially benefitting stakeholders (Donia, Tetrault Sirsly, & Ronen, 2017; Donia & Tetrault Sirsly, 2016). Scholars also find that the proposed mechanisms mediating the relationship between firm CSR and stakeholder attractiveness have to do with perceptions of the firm's responsibility to stakeholders generally (El Akremi, Gond, Swaen, De Roeck, & Igalens, 2018; Glavas & Godwin, 2013), or to themselves as first-party stakeholders (Cropanzano & Mitchell, 2005; Rupp, Shao, Thornton, & Skarlicki, 2013).

While the influence of CSR *practices* on stakeholder attractiveness is clear and in line with predictions from stakeholder theory, the influence of perceived CSR *motives* on the firm's attractiveness to stakeholders is less straightforward. Perceived CSR motives do play an important role (Ellen et al., 2006), next to the firm's explicitly communicated CSR motives (Forehand & Grier, 2003). However, while perceived stakeholder motives can elicit more positive thoughts in stakeholders than when stakeholders perceive the firm's CSR motives as self-serving (Becker-Olsen, Cudmore, & Hill, 2006), other studies find that when stakeholders perceive a firm's CSR motives as socially motivated, they tend to evaluate the firm not more positively than when they perceive a firm's CSR motives as mixed, that is, as both other- and self-centered (Ellen et al., 2006; Forehand & Grier, 2003; Kim, 2014). This finding is clearly at odds with the theoretical predictions of instrumental stakeholder theory.

Hence, according to stakeholder theory, firms with stakeholder orientations will be more attractive to stakeholders than firms with profit or mixed orientations. However, studies about CSR motives suggest that firms with stakeholder motives can be less attractive than firms with mixed motives. One possible reason for this conflict between the theoretical predictions of stakeholder theory and the empirical findings in CSR studies is that these two streams of research focus on different mechanisms. While stakeholder theory proposes that stakeholders fear that a firm with a mixed orientation will easily switch practices, CSR studies focus on skepticism about a firm's motives caused by a firm's previous reputation. In fact, a number of CSR studies suggests that the decreased attractiveness of a firm resulting from stakeholder motives only occurs if stakeholders are skeptical about the firm's true intentions, for instance because the firm already has a bad reputation or because the firm's motives are communicated by an unreliable source (Forehand & Grier, 2003; Kim, 2014; Skarmeas & Leonidou, 2013). In other words, while stakeholder theory rests on the assumption that stakeholders perceive a firm's communicated orientation as genuine, CSR studies suggest that this is often not the case. In the studies below, we will therefore eliminate as much as possible skepticism about a firm's true orientation.

### 3.3. Hypotheses

In this section, we build on theory and findings from moral psychology that account for individuals' attitudes and behavior in reaction to the perceived stable identity or character of another agent. We refer to a character that aims to be beneficial to others as 'other-regarding', and a character that aims to be beneficial to the self as 'self-regarding'. Following earlier work that firms and brands can be perceived as agents having humanlike characteristics (Aggarwal & McGill, 2011; Kervyn, Fiske, & Malone, 2012; Morrison & Robinson, 1997), we predict that (1) stakeholder-oriented firms are perceived as less self-regarding than mixed and profit-oriented firms, (2) perceived self-regard negatively influences perceived other-regard, and (3) perceived other-regard positively influences attractiveness. Together this leads to the prediction that stakeholder-oriented firms are more attractive than mixed and profit-oriented firms.

#### 3.3.1. The influence of management orientation on perceived other- and self-regard

Moral psychology holds that people can attribute other-regard and self-regard on the basis of signals of the underlying character of an agent (Frank, 1988). We argue that this process also occurs in reaction to a firm's management orientations. We reconcile this with paradoxical findings from CSR studies that find increased skepticism towards firms that emphasize stakeholder motives.

Since agents with a cooperative character are driven by cooperative motives (Frank, 1988), the most important signals pertain to the underlying motives of the agent. Motives can be inferred via the communications and reactions of third parties – i.e., not the actor or agent itself –, or via consistent practices of the agent. Supporting this, studies show that self-serving behavior is met with shaming, ridicule and ostracism (Wiessner, 2005), while individuals that contribute more to the public good receive higher status by third parties (Hardy & Van Vugt, 2006). Thus, shaming or prestige can be used as signals that a recipient is, respectively, self- or other-regarding. Other signals of other- and self-regard are previous behavioral decisions (Pradel, Euler, & Fetchenhauer, 2009). Indeed, studies finds that individuals can predict agents' future cooperative or self-serving behavior with some accuracy (Brosig, 2002; Verplaetse, Vanneste, & Braeckman, 2007).

According to stakeholder theory, a firm's management orientation is determined by motives that vary in the extent to which they are self-regarding and other-regarding (Jones et al., 2007). Stakeholder oriented and mixed firms are driven by other-regarding motives or fairness motives. This influences stakeholders' perceptions of these motives via signals of the firm's motives, such as third-party reports and third party reactions. This is supported by studies showing that secondary stakeholders and prospective primary stakeholders become aware of a firm's management orientation, for instance via third parties such as media, expert rankings, and independent research NGOs that disseminate and evaluate information about firms (Fombrun & Shanley, 1990; Morsing & Schultz, 2006; Morsing, Schultz, & Nielsen, 2008; Rao, 1994; Rindova, Williamson, Petkova, & Sever, 2005). In the studies below we therefore test our hypotheses in the context of an independent research organization communicating about the firm's motives or practices.

A firm's management orientation also translates into the firm's relational practices with stakeholders. Indeed, stakeholder-oriented firms engage in practices that benefit all stakeholders and resolve trade-offs between stakeholders and such practices are perceived as more fair (Bridoux & Stoelhorst, 2014) than the practices of profit-oriented firms. This can be seen as the extent to which the firm is other-regarding (Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Hahn & Albert, 2017). Both arguments suggest that stakeholder-oriented firms will be perceived as more other-regarding than profit-oriented firms, either via expert communications and/or via the firm's practices. Comparing stakeholder-oriented firms with mixed firms, however both are stakeholder motivated. We therefore do not expect a difference in perceived other-regard. This leads to the following hypotheses:

*Hypothesis 1a: Stakeholder-oriented firms are perceived as more other-regarding than profit-oriented firms.*

Concerning perceived self-regard, profit and mixed oriented firms both are motivated to enhance their own financial performance. This self-enhancement comes down to self-interest at the organizational level (Jones et al., 2007) and clusters in individuals' perceptions with self-interest (Schwartz, 1992). In addition, profit maximization has been found to correlate positively with parts of self-enhancement as well (Adams et al., 2011). This leads to the following hypotheses:

*Hypothesis 1b: Stakeholder-oriented firms are perceived as less self-regarding than mixed firms.*

*Hypothesis 1c: Stakeholder-oriented firms are perceived as less self-regarding than profit-oriented firms.*

### 3.3.2. The influence of self-regard on other-regard

According to moral psychology, being other-regarding can range on a continuum: At one extreme, individuals can be predisposed to benefit others only when it also benefits themselves (mutualism); at the other extreme individuals can be predisposed to benefit others regardless of the cost to themselves (altruism) (Baumard et al., 2013). According to this theory, when individuals care only about others' payoff, i.e., when they are altruistic, they will benefit others regardless of the cost to themselves. However, individuals vary in the extent to which they also care about their own payoff (Fehr & Falk, 1999). When individuals are also driven by self-regard, they are more likely to benefit others when it benefits themselves as well, and less likely to benefit others when it is costly for themselves (De Cremer & Van Lange, 2001). Thus, when individuals care also about their own payoff, there will be situations in which they do not behave beneficially towards others, while less self-regarding individuals would behave beneficially towards others in these situations. Hence, more self-regarding behavior can be used as a signal that the individual has a less other-regarding character. Indeed, theory predicts that an individual showing a consistent pattern of other-regarding behavior increases its attractiveness as a cooperative partner, while signals of self-regard decrease expectations of other-regarding behavior (Baumard et al., 2013) and hence attractiveness as a cooperative partner (Hoffman et al., 2015).

This is in line with empirical findings from moral psychology. Studies find that costly apologies are perceived as more sincere than costless apologies (Ohtsubo & Watanabe, 2009). In line with this are findings that individuals are perceived as more other-regarding when other-regarding behavior happens instantaneously, and not after slow deliberation (Brosig, 2002; Verplaetse et al., 2007). Slow deliberation is usually a signal that the individual is contemplating the costs and benefits for the self.

This observation is also reflected in predictions from stakeholder theory. According to stakeholder theory, stakeholder-oriented firms are perceived as more fair than mixed or profit-oriented firms. The reasoning is that stakeholder-oriented firms engage in practices that are perceived as more fair than the practices of profit-oriented firms. When comparing stakeholder oriented with mixed firms though, both engage in stakeholder-oriented practices. However, mixed firms also engage in profit-oriented practices. Here however, as noted by Bridoux and Stoelhorst (2014), it is not the profit-oriented practices of a mixed firm per se that decrease perceived fairness. Rather, stakeholders are afraid that mixed firms will switch from stakeholder-oriented practices to profit-oriented practices (Bridoux & Stoelhorst, 2014). In line with our argument, this means that the presence of profit-oriented practices, which increases perceived self-regard, decreases perceived other-regard of the firm. This leads to the following hypothesis:

> *Hypothesis 2:Firms that are perceived as more self-regarding are perceived as less other-regarding.*

This hypothesis differs from mechanisms found in CSR studies. While early CSR studies regarded self-regard and other-regard as two extremes on a continuum and hence as negatively related (Szykman, Bloom, & Blazing, 2004), recent CSR studies conceptualize them as distinct factors which are independently at play at the same time (Ellen et al., 2006) – how they influence each other is not investigated. In our model, self- and other-regard are distinct factors, but they do influence each other, and self-regard only influences attractiveness indirectly via other-regard.

#### 3.3.3. From other-regard to attractiveness

A central theoretical insight from moral psychology that has spawned much research is that human beings preferably choose to engage in cooperative interactions with others who have a more other-regarding character (Barclay & Willer, 2007; Baumard et al., 2013), and walk away from non-cooperators (Aktipis, 2004). Indeed, according to established findings in moral psychology, individuals (‘actors’) see others (‘recipients’) as more attractive partners for a cooperative relationship if these recipients are perceived to generally behave in a more beneficial way to (cooperative) others than other recipients (Barclay & Willer, 2007; Chiang, 2010; Nowak & Sigmund, 1998, 2005; Ohtsuki & Iwasa, 2006; Pradel et al., 2009; Sylwester & Roberts, 2010).

Reasoning along the lines of stakeholder theory, we can expect this to also hold for relationships between stakeholders (as actors) and firms (as recipients). According to stakeholder theory, the extent to which the firm distributes value between the firm itself and others, which can be seen as the firm's other-regard (Hahn & Albert, 2015), influences positive reciprocity in stakeholders (Bosse et al., 2009; Bosse & Phillips, 2016). Specifically, firms that are perceived as distributing value more fairly will elicit more positive stakeholder attitudes and behavior towards the firm (Colquitt et al., 2001). An example of positive stakeholder attitudes and behavior is firm attractiveness, the extent to which stakeholders feel attracted to the firm, and how much effort they will undertake to enter into a relationship with the firm (Bridoux & Stoelhorst, 2014). This leads to the following hypothesis:

*Hypothesis 3: Firms that are perceived as more other-regarding are more attractive to stakeholders.*

How does this compare to CSR studies? CSR studies make a distinction between two kinds of other-regarding motives: value-driven motives and stakeholder-driven motives (e.g. Ellen et al., 2006). Value-driven motives are intrinsic motives to give something back or do something morally right, while stakeholder-driven motives are extrinsic motives, specifically, motives that a firm adopts because its stakeholders expect it. These studies find that firms that are perceived to be more values-driven are more attractive. However, firms whose CSR is perceived as more stakeholder driven are not more attractive. At first sight, this might seem to contradict moral psychology. Nonetheless, this may be explained by the argument that intrinsic motives are perceived as a reliable signal of positive outcomes for others, while extrinsic motives are rather perceived as a signal of self-serving behavior (Bénabou & Tirole, 2006). In line with this, studies find that firms engaging in CSR for intrinsic motives engage in more substantial CSR than firms engaging in CSR for extrinsic motives (Graafland & van de Ven, 2006; Looser & Wehrmeyer, 2015). Finally, from our previous hypotheses it follows that:

*Hypothesis 4a: Stakeholder-oriented firms are more attractive than mixed firms. This is serially mediated by perceived self-regard and perceived other-regard.*

*Hypothesis 4b: Stakeholder-oriented firms are more attractive than profit-oriented firms. This is serially mediated by perceived self-regard and perceived other-regard, and it is mediated by perceived other-regard.*

On the one hand, these hypotheses are in line with research showing that CSR can make firms more attractive to employees (Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000; Turban & Greening, 1997) and investors (Cox, Brammer, & Millington, 2004; Graves & Waddock, 1994). On the other hand, it is unclear if CSR can also increase firm attractiveness to customers. Here, the reason might be that the link between CSR and customer attractiveness has been investigated in the context of cause-related marketing (e.g. Ellen et al., 2006), which is not a signal of other-regarding character, but merely a 'one-shot' other-regarding behavior. Indeed, research suggests that cause-related marketing only has a positive effect on customers if customers are not skeptical about the firm's responsibility, if they instead believe that the firm indeed cares about its stakeholders, or if the cause-related marketing effectively influences the firm's image as more responsible (Brønn & Vrioni, 2001). Insofar as perceived responsibility is a proxy for perceived other-regard, this is in line with moral psychology.

## 3.4. Methods and results

We want to empirically investigate stakeholders' mental processes and behavioral intentions in reaction to a firm's management orientation, which can be achieved by a survey. We also need to manipulate management orientation while keeping other things equal, which asks for an experimental study. Vignettes can be useful for investigating participants' behavioral intentions and the mental processes that influence them (Aguinis & Bradley, 2014). Vignette studies also enable researchers to manipulate the independent variable – in this case, management orientation – while controlling for other factors (Aguinis & Bradley, 2014; Atzmüller & Steiner, 2010). Hence, we developed vignettes describing a firm's management orientation, followed by a survey.

Vignettes are widely used in social science research (McFadden et al., 2005), notably in moral psychology (Ohtsubo & Watanabe, 2009) and in CSR (Bridoux et al., 2016; Ellen et al., 2006). They have also been used to gauge managers' ethical values (Barnett & Karson, 1989) as well as managers' support for shareholder versus stakeholder interests (Adams et al., 2011). In a series of five experiments, we developed vignettes based on studies about CSR motives and on definitions of management orientations in the stakeholder strategy literature. The vignettes, questions and survey measures can be found in Appendix A on page 126 of this dissertation.

This chapter includes five between-subject experimental vignette studies, all conducted online. Participants in these experiments are recruited between July 2014 and November 2016 via Amazon.com Mechanical Turk (experiments 1 and 2), at the University of Amsterdam (experiment 3), and via Clickworker.com (experiments 4 and 5) (Buhrmester, Kwang, & Gosling, 2011; Paolacci & Chandler, 2014; Paolacci, Chandler, & Ipeirotis, 2010). In each experiment, we test all our hypotheses. In the first three experiments, we build on CSR studies and only vary the firm's motives, which are the driving force of the firm's management orientation. These experiments allow us to test if – contradicting CSR findings - stakeholder motivated firms are more attractive to customers than mixed motivated firms if the firm continuously engages in CSR rather than as a one-shot engagement or as a cause-related marketing action (experiment 1). The next two experiments (2 and 3) allow us to test if stakeholder motivated firms will be more attractive to customers and prospective employees if the motives are communicated by an independent third party, rather than by the firm itself. In the last two experiments (4 and 5), we manipulate motives and practices. This allows us to test if stakeholder-oriented firms are more attractive to customers and prospective employees than mixed firms if the firm's practices can also serve as a signal of its underlying orientation.

#### 3.4.1. Experiment 1

In the first experiment, we vary the firm's motives, while keeping firm practices constant. In order to properly describe stakeholder, profit and mixed orientations, we build our vignettes on definitions of stakeholder, mixed and profit orientations found in the literature (Bridoux & Stoelhorst, 2014; Jones et al., 2007). Firm practices describe the firm as socially responsible across the three vignettes. This is in line with our description of a firm's management orientation as driven by motives which translate into actions, and it is also in line with our contention, and the implicit assumption of CSR studies, that CSR can be practiced by firms regardless of their orientation. In these vignettes, the firm's management orientation is communicated by the firm's website.

The vignettes start with a general description of a hypothetical firm 'Alpha': "Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service." This is followed by an excerpt from its website which describes practices, and motives for stakeholder, profit, or mixed orientations respectively: "On its website, Alpha emphasizes that it "always seeks to do good" in all of its business activities. The following is an excerpt from its website: "At Alpha, we strive to be a responsible corporate citizen. We believe that the best way *to build a better society* *[stakeholder]/ to promote the interests of our shareholders [profit]/ to promote the interests of our shareholders, and to build a better society [mixed],* is by taking into account the well-being of all our stakeholders. This means that we invest in community development programs benefiting our local suppliers abroad. This increases trust in our commitment as a business partner, and leads to a more stable and reliable supply. Overall, we act responsibly because it is good corporate practice, and because *it protects our planet and the people living on it [stakeholder] / it increases our profits and creates more value for our shareholders. [profit]/ it protects our planet and the people living on it; on top of that, it also increases our profits and creates more value for our shareholders [mixed]*".

After reading the vignettes, participants are asked two questions about the text to see if they have read the vignettes. Each question asked them to check the sentence that was part of the vignette. This is followed by a measure of perceived firm attractiveness as the dependent variable. For experiment 1, the measure of attractiveness is an adaption of 'willingness to buy' (WTB) (Bridoux et al., 2016; White et al., 2012). The four items (Cronbach's alpha = .901) are: "I would be likely to purchase groceries from company Alpha", "I would be willing to buy groceries from company Alpha", "I would likely make company Alpha one of my first choices in groceries" and "I would exert a great deal of effort to purchase groceries from company Alpha." This is followed by questions about the mediators - perceived other-regard (Alpha's activities are: socially motivated; in the interest of society; Cronbach's alpha = .780) and perceived self-regard (profit motivated; in the company's self-interest; Cronbach's alpha = .818). For all dependent and mediator variable items, participants are asked their agreement/disagreement on a scale from 1 to 7. The survey ends with demographics (gender, age, level of education, occupational status, nationality), and questions about the perceived realism of the vignette ("The situation described was realistic", "I had no difficulty imagining this situation"; Cronbach's alpha = .746).

***Sample and results***. 534 participants are randomly assigned to one of the three vignettes and completed the questionnaire. After removing participants that have not properly read the vignettes (because they incorrectly checked a sentence that was not part of the vignette), 334 participants remain ($M_{age}$ = 38.1 +/- 12.8 SD; Gender = 65.6% female; Nationality = 85.3% American; 14.7% other ). We make a dummy for each of the three vignettes and we dichotomize level of education (46.1% no bachelor degree; 53.9 % at least a bachelor degree) and occupational status (52.7% employed as an employee; 47.3% other).

A factor analysis (Maximum Likelihood; Oblimin rotation) on the constructs (perceived realism, perceived self- and other-regard, WTB) reveals a 3 factor model ($p = .000$) where perceived self- and other-regard does not belong to the same factor, while perceived other-regard clusters with WTB. Since WTB and perceived other-regard are semantically different constructs, we treat them as separate constructs.

A mediated regression analysis (Hayes, 2013; Hayes & Preacher, 2014) supports most of our predictions. Figures 3 and 4 provide a schematic overview of the effect of stakeholder orientation compared to mixed orientation (Fig. 3) and compared to profit orientation (Fig. 4) on WTB. Supporting hypotheses 1a-c, we find that stakeholder-oriented firms are perceived as significantly more other-regarding than profit-oriented firms (b. =.316; $p = .032$), and as significantly less self-regarding than mixed firms (b. = -.709; $p = .000$) and profit-oriented firms (b. = -.971; $p = .000$). Supporting hypothesis 2, we find that perceived self-regard negatively influences perceived other-regard ($b = -.135$; $p = .003$), while other-regard, in turn, positively influences WTB ($b = .586$; $p = .000$), thus supporting hypothesis 3. Finally, partially supporting hypothesis 4a, stakeholder-oriented firms are (not significantly) more attractive than mixed firms ($b = .171$; $p = .286$), but the relationship is significantly serially mediated by perceived self- and other-regard (effect = .056; LLCI = .017; ULCI = .125). Supporting hypothesis 4b, stakeholder-oriented firms are significantly more attractive than profit-oriented firms ($b = .532$; $p = .001$), and this is significantly serially mediated by perceived self- and other-regard (effect = .077; LLCI = .023; ULCI = .158), and by perceived other-regard (effect = .185; LLCI = .052; ULCI = .368).

**Figure 3.1: The effect of stakeholder versus mixed orientation on perceived self- and other-regard and firm attractiveness (Exp. 1)**

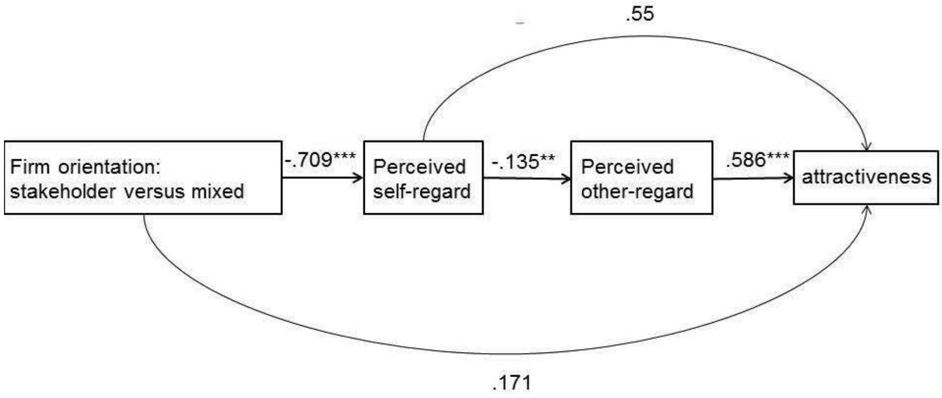
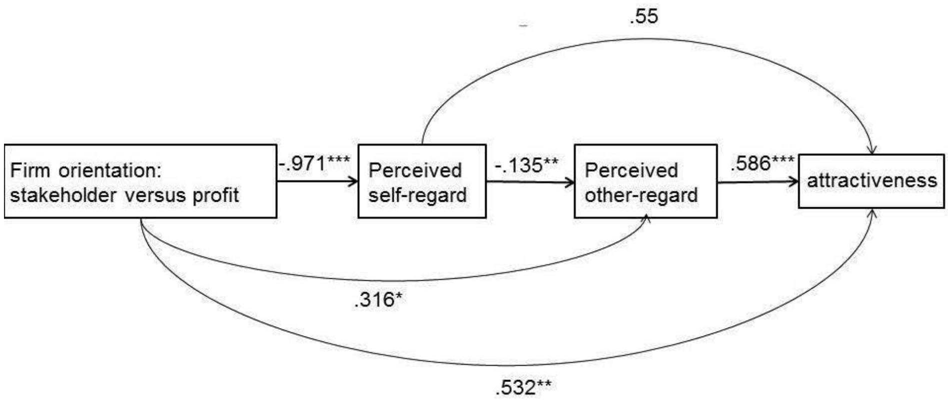



**Figure 3.2: The effect of stakeholder versus profit orientation on perceived self- and other-regard and firm attractiveness (Exp. 1)**




***Discussion***. Experiment 1 provides support for the predicted mechanism that perceived self-regard has a negative effect on perceived other-regard. However, we only find partial support for our hypothesis that this mechanism would cause stakeholder-oriented firms to be more attractive than profit and mixed firms. However, in experiment 1, it is possible that participants are still skeptical about the firm's motives because the motives are communicated by the firm itself, which could have elicited persuasion knowledge mechanisms. Since stakeholders know that firms often publicly communicate about CSR to seem more appealing, company-controlled communication sources may trigger perceptions of persuasion attempts, relative to third-party sources (Vanhamme, Swaen, Berens, & Janssen, 2015). In addition, studies show that secondary and (prospective) primary stakeholders become aware of a firm's management orientation via third parties such as expert rankings and independent research NGOs that disseminate and evaluate information about firms (Fombrun & Shanley, 1990; Morsing & Schultz, 2006; Morsing et al., 2008; Rao, 1994; Rindova et al., 2005). For experiment 2 we therefore develop new vignettes where an independent research organization communicates the firm's motives.

In this first experiment, we also find that our measure for attractiveness does not vary much between vignettes, possibly due to ceiling effects (when the highest possible score for attractiveness is reached, this decreases the likelihood that there is sufficient variation to detect differences in attractiveness depending on the vignettes). In order to mitigate this issue, we use another measure for willingness to buy that explicitly askes participants about their relative willingness to buy, i.e., compared to similar firms, rather than their absolute willingness to buy. In addition, we also test our hypotheses for another stakeholder, prospective employees, in a third experiment.

### 3.4.2. Experiment 2

In this second experiment, the motives for, respectively, stakeholder, profit and mixed firms, are described by stating that "a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because *it has a genuine concern for the long-term interests of the society and the local community [stakeholder] / it hopes to improve the company image to attract more customers and increase sales [profit] / it has a genuine concern for the long-term interests of the society and the local community. In addition, it hopes to improve the company image to attract more customers and increase sales [mixed].*

For experiment 2, the measure of attractiveness is willingness to buy, which was now adapted from a brand equity measure (Skarmeas & Leonidou, 2013; Yoo, Boland, Lyytinen, & Majchrzak, 2012). The four items are: "It makes sense to buy groceries from Alpha instead of another store even if the groceries are the same", " Even if another grocery store has the same customer service as Alpha, I would prefer to buy from Alpha.", "If there was another grocery store as good as Alpha, I would still prefer to buy groceries at Alpha.", "If another grocery store is not different from Alpha in any way, it seems smarter to purchase groceries from Alpha." (Cronbach's alpha = .885). These questions are again followed by the mediators (other-regard, Cronbach's alpha = .837; self-regard, Cronbach's alpha= .956), demographics and control questions (perceived realism, Cronbach's alpha = .780).

***Sample and Results.*** For experiment 2, 442 participants complete the questionnaire. After removing participants that did not properly read the vignettes and two participants that are, respectively, underage and 82 years old, 324 participants remain ($M_{age}$= 36.071 +/- 12.176 SD; Gender 51.2 % female; Nationality = 65.1 % American, 22.5% Indian ; 12.3% other ). We make a dummy for each of the three vignettes and dichotomize level of education (40.4% no bachelor degree; 59.6 % at least a bachelor degree) and occupational status (54.3% employed as an employee; 45.7% other).

A factor analysis (Maximum Likelihood; Oblimin rotation) on the constructs (perceived realism, perceived self- and other-regard, WTB) reveals a 3 factor model (p = .000), where perceived self- and other-regard does not belong to the same factor, while perceived other-regard clusters with WTB. We treat WTB and perceived other-regard as different constructs.

A mediated regression analysis (Hayes & Preacher, 2014) supports most of our predictions. Supporting hypotheses 1a-c, we find that stakeholder-oriented firms are perceived as significantly more other-regarding than profit-oriented firms (b. =.175; p = .000), and as significantly less self-regarding than mixed firms (b. = -2.155; p = .000) and profit-oriented firms (b. = -2.672; p = .000). Supporting hypothesis 2, we find that perceived self-regard negatively influences perceived other-regard (b = -.169; p = .001). The resulting increase in other-regard, in turn, positively influences WTB (b = .434; p = .000), thus supporting hypothesis 3. Finally, partially supporting hypothesis 4a, stakeholder-oriented firms are (not significantly) more attractive than mixed firms (b = .148; p = .316), but the relationship is significantly serially mediated by perceived self- and other-regard (effect = .158; LLCI = .069; ULCI = .293). Supporting hypothesis 4b, stakeholder-oriented firms are significantly more attractive than profit-oriented firms (b = 1.150; p = .000), and this is significantly serially mediated by perceived self- and other-regard (effect = .196; LLCI = .085;ULCI = .369), and by perceived other-regard (effect = .756; LLCI = .444; ULCI = 1.152).

### 3.4.3. Experiment 3

For experiment 3, the measure of attractiveness is applicants' attraction to the firm (AA) (Greening & Turban, 2000; Highhouse et al., 2003). The four items are: "I would put in a great deal of effort to work for Alpha.", "I would be interested in pursuing a job application with Alpha.", "I am likely to send my resume (CV) to Alpha.", "I am likely to accept a job offer from Alpha." (Cronbach's alpha= .944). All other measures and procedures are identical to experiment 2. Cronbach's alpha of other-regard, respectively self-regard is .860 and .846; perceived realism = .832).

***Sample and Results.*** For experiment 3, 134 participants complete the questionnaire. After removing participants that did not properly read the vignettes, 79 participants remain ($M_{age}$= 25.861 +/- 8.647 SD; Gender 40.5 % female; Nationality = 64.6 % Dutch; 35.4% other ). We make a dummy for each of the three vignettes and we dichotomize level of education (40.5% no bachelor degree yet; 59.5 % at least a bachelor degree).

A factor analysis (ML; Oblimin rotation) on the constructs (perceived realism, perceived self- and other-regard, AA) reveals a 3 factor model (p = .000) where perceived self-regard and perceived other-regard do not belong to the same factor, while perceived other-regard cluster with AA. We treat AA and perceived other-regard as different constructs.

A mediated regression analysis (Hayes & Preacher, 2014) supports almost all our predictions. Supporting hypotheses 1a-c, we find that stakeholder-oriented firms are perceived as significantly more other-regarding than profit-oriented firms (b. =1.701; p = .000), and as significantly less self-regarding than mixed firms (b. = -1.488; p = .000) and profit-oriented firms (b. = -1.656; p = .000). Partially supporting hypothesis 2, we find that perceived self-regard negatively influences perceived other-regard (b = -.225; p = .0614), but this is only marginally significant. The resulting increase in other-regard, in turn, positively influences AA (b = .628; p = .000), thus supporting hypothesis 3. Finally, supporting hypothesis 4a, stakeholder-oriented firms are significantly more attractive (AA) than mixed firms (b = 1.007; p = .012), and the relationship is significantly serially mediated by perceived self- and other-regard (effect = .210; LLCI = .016; ULCI = .614). Supporting hypothesis 4b, stakeholder-oriented firms are significantly more attractive (AA) than profit-oriented firms (b = 1.167; p = .010), and this is significantly serially mediated by perceived self- and other-regard (effect = .234; LLCI = .014; ULCI = .654), and by perceived other-regard (effect = 1.052; LLCI = .446; ULCI = 2.039).

***Discussion***. Experiments 1, 2 and 3 mostly confirm our hypotheses. They show that stakeholder-oriented firms are more attractive than profit-oriented firms, and in the case of prospective employees also compared to mixed firms, and that self- and other-regard serially mediate the influence of a firm's management orientation on attractiveness. These experiments do this in the context of consistently responsible practices (e.g. supporting charitable activities, recycling of production waste), which we do not vary in experiments 1-3. Put differently, while we manipulate firm motives across the three experimental groups, the practices are held constant in order to test whether communicated motives alone can impact firm attractiveness. However, since a management orientation is defined as consisting of motives which translate into practices, the following vignette studies go further and are designed to vary firm practices in line with firm motives. In experiments 4 and 5 the firm's management orientation is communicated by an independent research organization, like in experiments 2 and 3. Once again we test our predictions for consumers (experiment 4) as well as for potential applicants (experiment 5).

### 3.4.4. Experiment 4

In experiment 4, we vary practices and motives. In order to develop theoretically supported, realistic vignettes we rely on, first, the description of the management orientation in the theoretical section in this chapter; second, we look at examples of and the literature about how firms communicate their orientations; third, we look at examples of and the literature about how stakeholders would describe firms with these orientations.

In the literature, firms' motives are described as 'commitment to the business' purpose' (Hollensbe et al., 2014). When looking at the report of an independent research organization describing the motives and practices of 50 brands, firms are described in terms of their commitment and practices (Bryher, 2019). We therefore choose to use the concept of 'commitment' to describe the firm's motives, and 'practices' to describe the firm's practices. We opt to give examples of stakeholder-oriented practices that are aimed towards suppliers, employees, customers and the community. The reason for this choice of stakeholders is that our theory discusses the influence of a management orientation *via perceived other-regard* on stakeholders. For most stakeholders, other-regard is about the extent to which the firm cares about *other human beings*. Thus, we describe the firm's attitudes towards other human beings that are its stakeholders. The practices and motives for, respectively, stakeholder, profit and mixed firms, are described as follows:

Stakeholder: "*Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do. This commitment to stakeholder welfare and doing what is morally right translates into practices that improve stakeholder welfare, also if these practices result in lower financial performance. Specifically, Alpha invests in relationships with its suppliers, rather than switching to the supplier who asks the lowest price. In addition,* *Alpha constantly optimizes its operations to increase customer satisfaction, also if this leads to lower profits. When new skills are needed, Alpha trains its current employees, instead of replacing them with skilled applicants who ask the same wage. Finally, Alpha resolves conflicts with the local community through collaboration rather than via legal procedures."*

Profit: "*Alpha is committed to improving its financial performance, because Alpha believes this is necessary to be a successful business. This commitment to financial performance and being a successful business translates into practices that improve financial performance, also if these practices result in lower stakeholder welfare. Specifically, Alpha switches to the supplier who asks the lowest price rather than investing in relationships with its suppliers. In addition, Alpha constantly optimizes its operations to increase profits, also if this leads to lower customer satisfaction. When new skills are needed, Alpha replaces its employees with skilled applicants who ask the same wage, instead of training current employees. Finally, Alpha resolves conflicts with the local community via legal procedures rather than through collaboration."*

Mixed: "*Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is necessary to be a successful business. This commitment to stakeholder welfare and being a successful business translates into practices that improve stakeholder welfare, provided that these practices result in higher financial performance. Specifically, Alpha invests in relationships with its suppliers, but does so only for suppliers who ask the lowest prices. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, if this has proven to increase profits. When new skills are needed, Alpha trains current employees or replaces them with skilled applicants asking the same wage, whichever is faster. Finally, Alpha resolves conflicts with the local community through collaboration, or via legal procedures if less costly."*

The measure of attractiveness is willingness to buy, as in experiment 2, adapted from Yoo and colleagues (2000) and Skarmeas and Leonidou (2013). After reading the vignettes, participants are asked two questions about the text to see if they had read the vignettes. Because these vignettes are more complex than those in experiments 1-3, we include a manipulation check to see whether participants see the firm as stakeholder, profit or mixed oriented, as follows: According to you, how does Alpha prioritize its commitments? (0) = firm performance is Alpha's prior commitment; (50) = both commitments are equally important to Alpha; (100) = stakeholder welfare is Alpha's prior commitment; Do you expect Alpha to have mostly long-term or short-term stakeholder relationships, or both? (0) = only short-term stakeholder relationships; (50) = both relationships to the same extent; 100) = only long-term stakeholder relationships; both items were rated on a scale from 0 to 100.). We predict that participants should perceive stakeholder (profit) oriented firms to assign higher (lower) priority to stakeholders and lower priority to profit than mixed and profit (stakeholder) oriented firms. Participants should also perceive stakeholder (profit) oriented firms to engage in longer (shorter) term relationships than mixed and profit (stakeholder) oriented firms. The manipulation check is followed by the mediators (Cronbach's alpha for self- and other-regard = .791 and .827), demographics, and questions about the perceived realism of the vignette (Cronbach's alpha = .604) In order to further mitigate concerns about participant skepticism, we include a skepticism trait construct as a control question (adapted from Obermiller & Spangenberg, 1998) (Cronbach's alpha = .950). .

***Sample and Results.*** For experiment 4, 85 participants complete the questionnaire. After removing participants that did not properly read the vignettes, and one outlier on both perceived realism and perceived self-regard, 72 participants remain ($M_{age}$= 37. +/- 10.6 SD; Gender 57 % female; Nationality = 76.4 % continental European; 19.4 % Anglophone (British and North-American) and 4.2 % others).

A factor analysis (ML; Oblimin rotation) on all the constructs (skepticism trait, perceived realism, perceived self-regard, perceived other-regard, willingness to buy) reveals that 5 factors is a good fit of the model (p = .000).

The results of the manipulation check show that the stakeholder firm is perceived to prioritize stakeholders to a significantly larger extent than the profit firm (p = .000) and to a larger (non-significant) extent than the mixed firm (p = .228). The profit firm is perceived to prioritize stakeholders to a significantly lower extent than the mixed firm (p = .000). The stakeholder firm is perceived to engage in significantly more long-term relationships than either the profit (p = .000) or mixed firm (p = .006), and the profit firm is perceived to engage in significantly shorter-term relationships than the mixed firm (p = .001).

A mediated regression analysis (Hayes & Preacher, 2014) supports all our predictions. Supporting hypotheses 1a-c, we find that stakeholder-oriented firms are perceived as significantly more other-regarding than profit-oriented firms (b = 1.712; p = .000), and as significantly less self-regarding than mixed firm (b = -1.136; p = .000) and profit-oriented firms (b = -1.26; p =.000). Supporting hypothesis 2, we find that perceived self-regard negatively influences perceived other-regard (b = -.329, p = .024). The resulting increase in other-regard, in turn, positively influences WTB ($b = .520$, $p = .000$), thus supporting hypothesis 3. Finally, supporting hypothesis 4a, stakeholder-oriented firms elicit significantly more WTB than mixed firms ($b = .927$, $p = .0124$), and the relationship is significantly serially mediated by perceived self- and other-regard (effect = .195, LLCI = .051; ULCI = .491). Supporting hypothesis 4b, stakeholder-oriented firms elicit significantly more WTB than profit-oriented firms ($b = 1.581$, $p = .000$), and this is significantly serially mediated by perceived self- and other-regard (effect = .218, LLCI = .029; ULCI = .593), and by perceived other-regard (effect = .718; LLCI = .223; ULCI = 1.534).

***Discussion***. Experiment 4 further supports our hypotheses that stakeholder-oriented firms are more attractive than mixed and profit-oriented firms, and that self- and other-regard serially mediate the influence of a firm's management orientation on attractiveness. However, one issue that can be brought up by these vignettes is that mixed firms are described as sometimes trading off profit for stakeholder welfare, and this may cause participants to see them as less other-regarding. In contrast, the first three experiments, for mixed firms, simply combine stakeholder and profit motives. In order to mitigate the concern that this design, rather than participants' psychological make-up, might drive the results, we add an additional vignette in the fifth experiment. In this vignette, which we call 'shared value orientation', stakeholder and profit motives and practices occur in synergy rather than as a trade-off. This is the particular interpretation of instrumental stakeholder theory in Porter and Kramer (2011).

### 3.4.5. Experiment 5

In order to generalize across stakeholders, for experiment 5, the measure of attractiveness is again applicants' attraction to the firm (adapted from Highhouse et al., 2003). In addition, we randomly assigned respondents to four vignettes instead of three. The vignettes describing a stakeholder, profit and mixed orientation are the same as in experiment 4, except that the firm is now described as being a good employer. We add a fourth vignette, which we call 'shared value orientation', based on descriptions of firms characterized by a shared value orientation according to the literature (Porter & Kramer, 2011). A literature review (Dembek, Singh, & Bhakoo, 2015) argues that shared value is conceptually related to stakeholder theory and describes firm policies and practices that create value for different stakeholders. It is different from our vignette describing a mixed orientation in experiment 4, in that most scholars (cf. Dembek et al., 2015) describe it as a firm that creates value for stakeholders and profit simultaneously, rather than creating a trade-off. In contrast, in our vignettes, the firm with the mixed orientation alternates between creating value for stakeholders and profit. Reasoning along previous lines, participants will perceive the stakeholder-oriented firm to be less self-regarding than the shared value firm. This leads to the following hypotheses:

> *Hypothesis 1d: Stakeholder-oriented firms are perceived as less self-regarding than shared value firms.*

> *Hypothesis 4c: Stakeholder-oriented firms are more attractive than shared value firms. This is serially mediated by perceived self-regard and perceived other-regard.*

The shared value vignette contained the following description: *"Alpha is committed to improving its stakeholders' welfare in a way that turns Alpha into a successful business. This commitment to stakeholder welfare, in a way that turns Alpha into a successful business, translates into practices that improve stakeholder welfare, while these practices also result in higher financial performance. Specifically, Alpha invests in relationships with its suppliers, which enables its suppliers to ask the lowest prices. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, and foresees this to increase profits. When new skills are needed, Alpha trains current employees and goes through this process faster than replacing them with skilled applicants. Finally, Alpha resolves conflicts with the local community through collaboration, in a way that is less costly than via legal procedures."* This is again followed with questions to see if participants had read the vignettes, a manipulation check, the dependent variable, mediators and control questions.

***Sample and Results***. For experiment 5, 139 participants complete the questionnaire. After removing participants that did not properly read the vignettes, 104 participants remain ($M_{age}$= 37.51 +/- 12.16 SD; Gender 55.8 % female; Nationality = 43.3 % American; 43.3 % German, and 13.5 % others).

A factor analysis (ML; Oblimin rotation) on all the constructs (skepticism trait - Cronbach's alpha = .957; perceived realism - Cronbach's alpha = .760; perceived self- and other-regard - Cronbach's alpha = .846 and .930; applicant attractiveness - Cronbach's alpha = .964) reveals that 5 factors is a good fit of the model (p = .000).

The vignettes differ in the manipulation check questions. The stakeholder firm is perceived to prioritize stakeholders over profit to a significantly larger extent than the profit (p = .000), mixed (p = .012), or shared value firm (p = .003), and the mixed and shared value firm prioritize stakeholders over profit to a significantly larger extent than the profit firm (mixed: p = .000; shared value: p = .000). The mixed and shared value firm do not differ significantly from each other (p = .466). The stakeholder firms are perceived to engage in more long-term relationships than the profit (p = .000), mixed (p = .000) or shared value firm (p = .023). The mixed and shared value firm are perceived to engage in more long-term relationships than the profit firm (mixed: p = .000; shared value: p = .000). The mixed and shared value firm do not differ significantly from each other (p = . 138).

A mediated regression analysis (Hayes & Preacher, 2014) supports all our predictions. Supporting hypotheses 1a-d, we find that stakeholder-oriented firms are perceived as significantly more other-regarding than profit-oriented firms (b. = 2.094; p = .000), and as significantly less self-regarding than mixed oriented (b = -1.332, p = .0002), shared value firms (b = -1.162), and profit-oriented firms (b = -2.222, p=.000). Supporting hypothesis 2, we find that perceived self-regard negatively influences perceived other-regard (b = -.406, p = .0002). The resulting increase in other-regard, in turn, positively influences AA (b = .554, p=.000), thus supporting hypothesis 3. Supporting hypothesis 4a, stakeholder-oriented firms are significantly more attractive to applicants than mixed oriented firms (b = .956; p =. 009), and the relationship is significantly serially mediated by perceived self- and other-regard (effect = .2998, LLCI = .098; ULCI = .709). Supporting hypothesis 4b, stakeholder-oriented firms are significantly more attractive than profit-oriented firms (b = 2.652, p=.000), and this is significantly serially mediated by perceived self- and other-regard (effect = .500, LLCI = .202; ULCI = 1.018). Finally, supporting hypothesis 4c, stakeholder-oriented firms are significantly more attractive to applicants than mixed oriented firms (b = .9668, p = .0168), and the relationship is significantly serially mediated by perceived self- and other-regard (effect = .2616, LLCI = .079; ULCI = .658), and by perceived other-regard (effect = 1.167; LLCI = .593; ULCI = 1.943).

### 3.5. Discussion

In this chapter, we set out to test the theoretical prediction of instrumental stakeholder theory that stakeholders will be more attracted to stakeholder-oriented firms than to profit-oriented and mixed oriented firms. The results from five experimental vignette studies support this prediction for participants from the US/UK and continental Europe in the role of consumers and prospective employees. Below, we discuss what we believe to be the three most significant contributions of our work.

First, we think that our study is an important first step in directly testing the predictions of instrumental stakeholder theory (Jones, 1995) in general, and the recent stream of theoretical work on stakeholder reciprocity (Bosse et al., 2009; Bridoux & Stoelhorst, 2014, 2016; Harrison et al., 2010) in particular. Stakeholder theory has a much better track record in terms of theory development than in terms of theory testing, and there consequently is an obvious need for more empirical studies of its main predictions. This is all the more pressing because, as we show, some of the empirical findings in the adjacent stream of research on CSR seem to be at odds with the theoretical predictions of instrumental stakeholder theory – at least at first sight.

However, as we argue on conceptual terms, and show empirically, the theoretical arguments of stakeholder theory and the empirical studies in the CSR literature do not necessarily align very well. At a minimum, a direct test of the predictions of instrumental stakeholder theory needs to take one of the central mechanisms in CSR studies, skepticism, out of the equation, because a management orientation is inherently tied to the firm's identity and stakeholder perceptions and expectations of the firm as relating to stakeholders in a certain way. Our study suggests that taking this link between stakeholder perceptions and a firm's management orientation into account reconciles the predictions of instrumental stakeholder theory with the empirical findings in the CSR literature.

This has important implications for research as well as practice. For practice, it means that managers can hope to fully profit from adopting a stakeholder orientation if their motivations for doing so are perceived as intrinsic and genuine. While this is in line with arguments from CSR studies, our study is the first to empirically support this contention. For research, it suggests that stakeholder theory, with its primarily theoretical orientation, and CSR, with its primarily empirical orientation, can potentially reinforce each other, but only if we are willing and able to unravel the precise cognitive mechanisms that are at work when stakeholders respond to a firm's stakeholder and/or CSR practices.

This brings us to our second contribution, which is to use insights from moral psychology to detail the serial mediation at work in the positive relationship between stakeholder orientation and firm attractiveness. Both previous CSR studies and theoretical work in instrumental stakeholder theory seem to proceed on the implicit assumption that a firm's perceived self-regard and a firm's perceived other-regard have independent effects on a firm's attractiveness to stakeholders. For instance, the recent literature on stakeholder reciprocity assumes that stakeholder-oriented firms are more likely to experience positive reciprocity from their stakeholders because they are seen as other-regarding, while profit-oriented firms are more likely to experience negative reciprocity because they are seen as self-regarding (Bosse et al., 2009; Bosse & Phillips, 2016). This would imply a parallel mediation of the relationship between a firm's management orientation and its attractiveness to stakeholders. In contrast, arguments from moral psychology suggest that perceived self-regard works as a negative signal about the other-regard of an agent, and that perceived other-regard predicts the attractiveness of an agent as a relational partner. Our empirical results suggest that the serial mediation running from self-regard to other-regard that moral psychology has shown to be at work when people react to other individuals, can be generalized to the way in which stakeholders react to firms.

This leads to our third contribution, which is to call into question versions of instrumental stakeholder theory that seem to advocate a specific balanced orientation over stakeholder orientations, such as Porter and Kramer's (2011) 'Creating Shared Value' concept. This concept is in line with a more general tendency in stakeholder theory to push possible conflicts of interest among stakeholders to the background, for instance by arguing that the job of managers is to avoid making trade-offs among stakeholders (Freeman et al., 2010). The rationale for this argument is that balancing stakeholder interests will lead to stakeholder relations that ultimately benefit all stakeholders. While this may well be an accurate statement of the long-term effects of a stakeholder orientation, it seems naïve to expect that managers will never face short-term conflicts among stakeholder interests. One obvious short-term conflict is between profit, which is in the interests of shareholders, and other stakeholder interests. What our empirical findings suggest is that even if some stakeholder theorists may argue, and managers may believe, that there is no conflict between a profit orientation and an orientation towards other stakeholder interests, stakeholders do perceive such a conflict.

While our experiments show consistent results, future research can mitigate a few limitations. We have conducted online experimental vignette studies which allow us to test causal effects of a realistic description of a firm. However, since the firm was hypothetical, future studies could use existing firms and existing communication channels. In addition, future studies can increase participants' immersion in the situation by, for instance, showing video or virtual reality, or conducting the study in real supermarkets or application procedures.

Possible boundary conditions of our research are that the findings only apply to Western individuals, and to individuals who are acting on their own behalf. As Henrich, Heine, and Norenzayan (2010) argue, most participants in experimental studies are Western, Educated, Intelligent, Rich and Democratic – abbreviated as WEIRD. This weird sample though differs somewhat from other demographics. Since our theory is based on weird samples and our findings are based on weird samples, we should be careful in generalizing our findings to other populations. In addition, our findings might not apply to individual representatives of another organization. For instance, if our participants would procure goods from Alpha for their own organization, their mental processes might be guided by other considerations than Alpha's self-regard and other-regard.

### 3.6. Conclusion

In conclusion, we have presented theoretical arguments and empirical findings suggesting not only *that* one of the main predictions of instrumental stakeholder theory holds, namely that stakeholders are more attracted to stakeholder-oriented firms than to other firms, but also *why* this is the case. Firms that adopt a profit or a mixed orientation are perceived as more self-regarding and this causes them to be seen as less other-regarding, which, in turn, makes them less attractive. The main implication of our work, then, is that when choosing a firm's management orientation managers can't have their cake and eat it too: profit orientations, even if combined with stakeholder concerns, will reduce a firm's attractiveness to stakeholders as compared to a genuine stakeholder orientation.

# CHAPTER 4
# DO STAKEHOLDER-ORIENTED FIRMS OVERCOME THE SEPARATION FALLACY?

## 4.1. Introduction

In the 1936 movie *Modern Times*, Charlie Chaplin (1936) criticized business activity as a demoralizing quest for profit (Vance, 2003). For instance, in the movie, the president of a factory constantly speeds up the assembly line without considering the workers' needs. When that does not work, he plugs Charlie, the protagonist, into a feeding machine so that Charlie can continue screwing bolts during lunch. None of these practices elicit negative moral evaluations from any of the characters, because they do not see it as a moral issue. *Modern Times* further portrays this lack of moral salience (the extent to which the firm's behavior is morally noticeable to the stakeholder (Brown, Buchholtz, & Dunn, 2016)) as problematic because it facilitates the exploitation of workers and comes with huge societal costs.

Scholars in normative stakeholder theory likewise suggest that firms with a profit-oriented management approach stimulate individuals to fall prey to a so-called 'separation fallacy', that is they separate business and ethics, or treat business practices as having no moral content (Freeman, 1994; Purnell & Freeman, 2012; Sandberg, 2008). Stakeholder scholars instead advocate a stakeholder-oriented management approach (Freeman et al., 2010). Such an approach would enable individuals to integrate business and ethics (Wicks, 1996), or see the firm's behavior as morally salient (Brown et al., 2016). In the aforementioned example, this would mean that the characters in *Modern Times* would express a negative moral evaluation in reaction to the practice of machine-feeding employees. This suggestion is intriguing, but why would a stakeholder-oriented management approach overcome the separation fallacy?

In this chapter I introduce the theory of dyadic morality developed by moral psychologists (Dillon & Cushman, 2012; Gray et al., 2012) as a new theoretical lens to stakeholder theory. Dyadic morality proposes that humanization – perceiving entities as more human – is essential for moral evaluations (Gray et al., 2012). In the dyadic morality literature, the most prominent example of a moral evaluation is moral condemnation of one human being harming another human being (Schein & Gray, 2018). Applying dyadic morality to a business context, I first hypothesize that individuals see the stakeholder-oriented firm and its stakeholders as more human than the profit-oriented firm and its stakeholders. In other words, individuals humanize stakeholder-oriented firms and their stakeholders compared to profit-oriented firms. I then hypothesize that both paths, firm and stakeholder humanization, increase the strength of moral evaluations of the firm's behavior. As a consequence, when the firm transgresses a norm, I expect stakeholder-oriented firms to elicit more negative moral evaluations compared to profit-oriented firms, mediated by humanization of the firm and its stakeholders.

To test my hypotheses, I conducted three online experimental vignette experiments. For these experiments I developed two vignettes, one describing a stakeholder-oriented firm and the other describing a profit-oriented firm. Participants were randomly assigned to one of the vignettes and were asked to what extent the firm and its stakeholders had typically human features. Participants then read that the firm had engaged in a practice that transgressed a communicated norm as well as stakeholders' interests and they were asked to what extent they considered this practice morally wrong. Higher scores are seen as more negative moral, in line with our theory about moral evaluations in chapter 2 and with previous studies on moral evaluations (Brown et al., 2016; Haran, 2013). In all three experiments, I find that stakeholder-oriented firms and their stakeholders are indeed more humanized than profit-oriented firms and their stakeholders. In line with my hypotheses, I find in one experiment that stakeholder humanization elicits more negative moral evaluations, but only if participants are considering the legitimacy of stakeholders' claims. Surprisingly though, two experiments show that firm humanization elicit less negative moral evaluations. In one experiment, stakeholder-oriented firms elicit in total less negative evaluations than profit-oriented firms.

These findings shed light on three questions. First, how does a firm's management approach influence moral evaluations? I find that stakeholder-oriented firms elicit humanization, and that humanization has an effect on moral evaluations. Hence, this show that also in a business context humanization is essential to understand moral evaluations. Second, does a stakeholder-oriented management approach overcome the separation fallacy? I find that humanization of the firm and humanization of its stakeholders have different effects on moral evaluations. As a consequence, stakeholder-oriented firms do not necessarily elicit more negative moral evaluations, and can even elicit less negative moral evaluations. This nuances (my interpretation of) the separation fallacy, which would predict more negative moral evaluations. This leads to the third question: How can a stakeholder-oriented management approach overcome the separation fallacy? I find that stakeholder humanization can elicit more negative moral evaluations, but only to the extent that stakeholders' claims are perceived as legitimate. Hence, the findings support accounts in stakeholder theory that, in order to elicit more negative moral evaluations, it is necessary to pay more attention to stakeholders and the legitimacy of their claims (Donaldson, 1999).

In what follows, I first discuss the separation fallacy, and how stakeholder scholars aim to overcome it (section 4.2). While humanization is an important variable in the debate on the separation fallacy, it's causal role is not clear. In section 4.3, I build on moral psychology to clarify the causal role of humanization. I develop hypotheses about the effect of stakeholder-oriented firms on humanization, and about the effect of humanization on moral evaluations. In sections 4.4 and 4.5, I report the methods and the results of three experimental vignette studies. In the discussion (section 4.6), I point to the central role of humanization in overcoming the separation fallacy. I also evaluate our findings in light of the question if and how stakeholder theory can overcome the separation fallacy.

## 4.2. Stakeholder theory

Why do the protagonists in *Modern Times* have only practical, and no moral objections against the feeding machine? Scholars in normative stakeholder theory might reply that the protagonists adhere to the separation fallacy. In other words, these individuals have a tendency "to separate what they regard as matters of business and matters of ethics" (Purnell & Freeman, 2012; Sandberg, 2008, p. 219), or they belief, talk and act as if business practices have no moral content (Freeman, 1994; Sandberg, 2008). A real-life example of an individual separating business practices and moral content is Warren Buffet, who describes derivatives as "financial weapons of mass destruction", and only takes profit-considerations into account when buying or selling them (Purnell & Freeman, 2012).

Stakeholder theorists want to overcome the separation fallacy (Jones & Wicks, 1999; Wicks, 1996) and stimulate individuals to adhere to the integration thesis instead. Individuals adhere to the integration thesis when they believe, talk and act under the assumption that business practices do have moral content. In other words, individuals are more likely to think and act under the assumption that business decisions do have moral content (Freeman et al., 2010; Freeman, 1994; Wicks, 1996). A real-life example of an individual integrating business practices and moral content is Muhammad Yunus, who took action to reduce poverty in a way that is also financially sustainable (Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

According to stakeholder theorists, there are two reasons why individuals need to overcome the separation fallacy. First, they argue that most (or all) business decisions have some moral content (Freeman, 1994; Freeman et al., 2010; Purnell & Freeman, 2012). Therefore, as Harris and Freeman (2008, p. 543) state, "pretending the two are divisible at best obscures important considerations". Second, negative moral evaluations of violations of stakeholders' interests (Freeman et al., 2010, p. 282) are desirable because such evaluations can contribute to human flourishing (Freeman et al., 2010; Harris & Freeman, 2008; Martin & Freeman, 2003; Martin & Freeman, 2004, p. 359), or lead to fewer morally reprehensible actions or costs externalized to society (Donaldson & Walsh, 2015; Freeman et al., 2010; Gonin, Palazzo, & Hoffrage, 2012; McVea & Freeman, 2005; Scherer & Palazzo, 2011). The second reason is in line with descriptive cases of the separation fallacy that to focus on (the lack of) negative moral evaluations of business practices that violate stakeholders' interests (e.g. Purnell & Freeman 2012).

Freeman and colleagues (Freeman, 1994; Freeman et al., 2010; Freeman, Wicks, & Parmar, 2004; Thomas M. Jones & Wicks, 1999; Martin & Freeman, 2004; McVea & Freeman, 2005; Wicks, 1996) suggest that specific management approaches, or the underlying theories individuals are exposed to (Ferraro et al., 2005; Ghoshal, 2005; Newkirk & Freeman, 2008; Purnell & Freeman, 2012), influence moral evaluations. Specifically, profit-oriented management approaches preclude individuals to take moral content into account, at least for business decisions (Werhane, 1998, 2008; Wicks, 1996), and especially for business decisions that have an impact on stakeholders' interests (Harris & Freeman, 2008; Purnell & Freeman, 2012; Sandberg, 2008). Instead, a stakeholder-oriented management approach arguably elicits more negative moral evaluations, especially when they show a concern for stakeholders (Harris & Freeman, 2008; Noland & Phillips, 2010). Ideally, a stakeholder-oriented management approach would encourage a broad range of individuals (at least all stakeholders of the firm) to express negative moral evaluations when the firm does not enhance the interests of its stakeholders (Goodstein & Wicks, 2007). But would a stakeholder-oriented approach help individuals to express negative moral evaluations, and overcome the separation fallacy? To answer that question, I first clarify the distinction between a profit-oriented and a stakeholder-oriented management approach.

In line with stakeholder theorists, I make a distinction between a stakeholder-oriented and a profit-oriented management approach (Phillips et al., 2011). These two orientations differ in the firm's purpose, underlying the firms' relational practices towards stakeholders (Berman et al., 1999; Brickson, 2005, 2007; Jones et al., 2007; Wickert et al., 2017). A profit-oriented firm has the purpose to maximize economic value and describes, sees and treats most stakeholders as instruments to reach that goal. As a consequence, they tend to increase profit even if this decreases other stakeholders' welfare (Jones et al., 2016). The firm engages in practices such as aggressive contracting, hard bargaining over the prices suppliers receive, minimizing labor costs, playing stakeholders off against each other, replacing stakeholders and resolving problems through legal procedures (Brickson, 2005, 2007; Bridoux & Stoelhorst, 2014; Jones et al., 2007). Profit-oriented firms also describe their stakeholders as "an instrument to improve [their] financial performance" (Maignan & Ralston, 2002, p. 501); and as impacting the financial bottom line (Conaway & Wardrope, 2010).

In contrast, a stakeholder-oriented firm takes it as its purpose to create value for all stakeholders and describes, sees and treats stakeholder interests as having intrinsic or moral worth, this is, regardless of expected benefits (Berman et al., 1999; Donaldson & Preston, 1995; Jones et al., 2007). As a consequence, these firms engage in stakeholder-oriented practices (Maignan et al., 2011) such as adopting a living wage for employees or suppliers, exchanging relevant information, resolving problems through collaboration, as well as contracting based on trust (Bridoux & Stoelhorst, 2014). In addition, stakeholder-oriented firms are likely to adopt a minimum wage or living wage benchmarking tool, work with suppliers to try to pay a living wage, and support and uphold trade union rights (Bryher, 2019). They refer to moral norms, for instance by describing moral behaviors as a bedrock value, referring to stakeholders' concerns to justify their actions (Maignan & Ralston, 2002), or describing themselves as "a good corporate citizen", as well as entities that 'care' (Maignan & Ferrell, 2004, p. 5-6).

These two management orientations are similar to the distinction between a stewardship culture versus a moralist culture described by Jones and colleagues (2007). Both stakeholder cultures and management orientations refer to firm practices based on goals, specifically, "the ways that firms manage relationships with stakeholders and handle trade-offs among competing stakeholder claims based on the ethical foundations of their corporate cultures" (Jones et al., 2007, p. 137). However, the present notion of a management orientation also includes how firms and their stakeholders are described, which relates to a focus on 'narratives' in normative stakeholder theory (Freeman et al., 2010; Newkirk & Freeman, 2008). The two management orientations also relate to Brickson's (2005, 2007) distinction between an individualistic versus a relational identity orientation. In the former, firms are seen as separate and distinct from others, while in the latter firms are seen as connected to their stakeholders. Lastly, the notion of a profit orientation can also be seen as a shareholder orientation, while our notion of a stakeholder orientation implies that all stakeholders are taken into account.

How would being exposed to a management orientation influence moral evaluations? Normative stakeholder theory suggests that management orientations influence the extent to which business and stakeholders are seen as human (McVea & Freeman, 2005). According to Newkirk and Freeman (2008), abstract descriptions of the profit-oriented firm make it difficult to see business as a human enterprise (Freeman et al., 2010; Newkirk & Freeman, 2008; Parmar et al., 2010). In addition, the prevalence of competition in the profit-oriented view arguably limits individuals to a cardboard view of human nature (Freeman et al. 2010, chapter 9). In contrast, the stakeholder-oriented approach focuses on collaborative value creation, which necessitates a view of business activity as a human relational activity, and a 'thicker' view of stakeholders as human beings (Bridoux & Stoelhorst, 2016; Freeman et al., 2010; Newkirk & Freeman, 2008). In sum, the assumption is that a stakeholder-oriented approach elicits a view of business in general, and of stakeholders in particular, as more human than a profit-oriented approach.

In normative stakeholder theory, humanization of stakeholders is closely related to moral evaluations. Next to integrating business and morality, the integration thesis also states that "it makes no sense to talk about either business or ethics without talking about human beings" (Freeman et al., 2010, p. 7). However, it is not clear if seeing stakeholders as human beings must be seen as a consequence, the equivalent, or a cause of moralization. In the next section, I apply the theory of dyadic morality to further develop the relationship between management orientation, humanization and moral evaluations.

## 4.3. Dyadic morality

The theory of dyadic morality (Dillon & Cushman, 2012; K. Gray et al., 2012; Schein & Gray, 2015, 2018) builds on findings that individuals can perceive both human and non-human entities (for instance organizations, groups, individuals, robots or animals) as having more or less, typically human attributes (Bastian, Loughnan, Haslam, & Radke, 2012; Gray, Gray, & Wegner, 2007; Gray & Wegner, 2012; Rai & Diermeier, 2015). If entities are perceived as having more human attributes, they are humanized. If entities are perceived as having fewer human attributes, they are dehumanized. Below, I argue that both stakeholder-oriented firms and their stakeholders are humanized compared to profit-oriented firms and their stakeholders, and that this humanization influences moral evaluations.

The hypotheses will focus on the two dimensions of humanization: perceived agency and perceived experience (Gray et al., 2007). Agency is the "capacity to intend and to act (e.g. self-control, judgment, communication, thought, and memory)" (Gray et al., 2012, p. 103) while experience is the "capacity for sensation and feelings (e.g. hunger, fear, pain, pleasure, and consciousness)" (Gray et al., 2012, p. 103). The central claim of dyadic morality is that, in order for moral evaluations to occur, a specific mental template has to be active. This template consists of two entities, which are called an 'agent' and a 'patient.' For the moral template to be activated, first, the agent needs to be an entity with the capacity for agency while the patient has to be an entity with the capacity for experience. Second, the agent needs to harm the patient (Gray et al., 2012). If individuals perceive that an entity with more agency causes harm to an entity with more experience, they will have more negative moral evaluations towards the act (Dillon & Cushman, 2012; Gray et al., 2012; Schein & Gray, 2015, 2018). Hence, in section 4.3.1 I theorize that stakeholder-oriented firms and their stakeholders are perceived as more human (having more agency and experience) than profit-oriented firms and their stakeholders. Subsequently, section 4.3.2 explains how I see the influence of humanizing firms and stakeholders on moral evaluations.

### 4.3.1. The link between management orientation and humanization.

Can management orientations influence how individuals see business in general and stakeholders in particular? Empirical studies show that individuals can humanize organizations (Waytz, Cacioppo, et al., 2010; Waytz, Epley, & Cacioppo, 2010; Waytz, Gray, Epley, & Wegner, 2010). Humans and non-human entities are perceived as having more agency and experience depending on their behavior, on how they are verbally described, or on how they are treated (Gray & Wegner, 2012; Haslam, 2006; Ward, Olsen, & Wegner, 2013). Typically, benevolently acting humans are perceived as having more agency than neutrally acting humans (Khamitov, Rotman, & Piazza, 2016). Similarly, individuals that are liked, respected and perceived as good are ascribed more experience and agency than disliked others (Kozak, Marsh, & M Wegner, 2006). Non-human entities can also be perceived as more human (Aggarwal & McGill, 2007; Morewedge, Preston, & Wegner, 2007). For instance, describing a computer (or a human being) as able to feel emotions increases attributions of experience (Gray & Wegner, 2012); and participants are more likely to infer that a (computer) partner is a human being if that partner is more generous (Morewedge, 2009).

Research suggests that organizations can also be perceived as more human. Rai and Diermeier (2015) investigated different kinds and descriptions of companies and found that non-profit organizations ranked higher on agency and experience than companies. It is therefore possible that stakeholder-oriented firms, which do not prioritize profit-maximization, are perceived as more agentic and experiential than profit-oriented firms. Supporting this possibility, benevolent actions have been shown to increase perceptions of agency compared to neutral actions, and stakeholder-oriented firms can be seen as engaging in benevolent actions as they prioritize and increase stakeholders' needs, interests, or welfare, out of fairness or other moral values (Bridoux & Stoelhorst, 2014; Freeman et al., 2010; Sisodia, Sheth, & Wolfe, 2014). In addition, entities that are more respected, liked or perceived as good, are perceived as more experiential and agentic, and stakeholder-oriented firms might be more respected, liked, or perceived as good: a firm's performance on social responsibility has been found to positively impact the firm's reputation or social approval (Bear, Rahman, & Post, 2010; Turban & Greening, 1997). In contrast, when firms focus on profit-maximization they are less likely to refer to moral norms or stakeholder value, and more often use scientific, measurable concepts such as cash flows (Hyland, 1998, p. 236; Kohut & Segars, 1992; Newkirk & Freeman, 2008; Wall & Greiling, 2011). These practices and descriptions make it likely that profit-oriented firms are perceived as less agentic than stakeholder-oriented firms. Finally, profit-oriented firms are seen as cold while non-profits are seen as warm (Aaker et al., 2010) which suggests that profit-oriented firms are perceived to have less experience than non-profits. This leads to the first set of hypotheses:

*H1a: Stakeholder-oriented firms are perceived as having more agency than profit-oriented firms.*

*H1b: Stakeholder-oriented firms are perceived as having more experience than profit-oriented firms.*

Empirical studies show that individuals can also humanize and dehumanize human beings (Waytz et al., 2010a; Waytz et al., 2010b; Waytz et al., 2010c). I argue that firms can, by virtue of their management orientation, influence the extent to which others humanize or dehumanize their stakeholders. As Muller, Pfarrer and Little (2013) pointed out, stakeholder-oriented firms use more vivid references to human beings with needs, and elicit appraisals of how these human beings are affected by their plight. Focusing on emotions has been found to increase perceptions of experience (Gray & Wegner, 2009). In addition, stakeholder-oriented firms tend to engage in practices that highlight the interests of stakeholders, such as accommodating their needs and showing loyalty (Brickson, 2005), thus increasing attributions of experience to stakeholders. Stakeholder-oriented firms also engage in practices that imply that stakeholders have agency, such as resolving problems through collaboration (Bridoux & Stoelhorst, 2014). In contrast, firms emphasizing profit goals describe their stakeholder relations as "an instrument to improve [their] financial performance" (Maignan & Ralston, 2002, p. 501); they also engage in instrumental practices such as replacing stakeholders (Brickson, 2005). Treating humans as instruments to be used can decrease perceived agency and experience of these humans (Haque & Waytz, 2012; Haslam, 2006; Malle, 1999). This leads to the second set of hypotheses:

*H2a: The stakeholders of stakeholder-oriented firms are perceived as having more agency than the stakeholders of profit-oriented firms.*

*H2b: The stakeholders of stakeholder-oriented firms are perceived as having more experience than the stakeholders of profit-oriented firms.*

### 4.3.2. The link between humanization and moral evaluations

In order to study moral evaluations of business decisions, I consider a situation where the firm (the actor) violates the interests of some stakeholders (the victims), which transgresses the firm's explicitly communicated norm. Suggested by stakeholder theory, individuals exposed to stakeholder-oriented firms would exhibit more negative moral evaluations than individuals exposed to profit-oriented firms (e.g. Purnell & Freeman, 2012). Likewise, according to dyadic morality, the situation of an actor harming a victim can elicit more negative moral evaluations if the situation fits a specific cognitive template: if the actor is perceived to intentionally harm a suffering victim (Gray et al., 2012). Both the capacity for intentionality and for suffering are typically human features and humanization of the actor as well as the victim will therefore influence moral evaluations of the transgression.

Indeed, empirical studies show that people judge actions with negative consequences as more blameworthy when they perceive the actor as more intentional (Ohtsubo, 2007). Cushman (2008) similarly finds that participants consider actions more wrong and less permissible if the actor desires or expects the negative outcomes, than if the actor does not have these desires or expectations. Hence, the actor's perceived agency seems related to moral evaluations of the transgression. In contrast, perceived experience of an actor can have the opposite effects. Empirical studies suggest that actors who are ascribed more experience are attributed less moral responsibility for negative outcomes of their actions (Gray et al., 2007; Gray & Wegner, 2009). This leads to the following set of hypotheses:

*H3a: When individuals perceive a firm as more agentic, and the firm transgresses a norm that harms the stakeholder, they express more negative moral evaluations.*

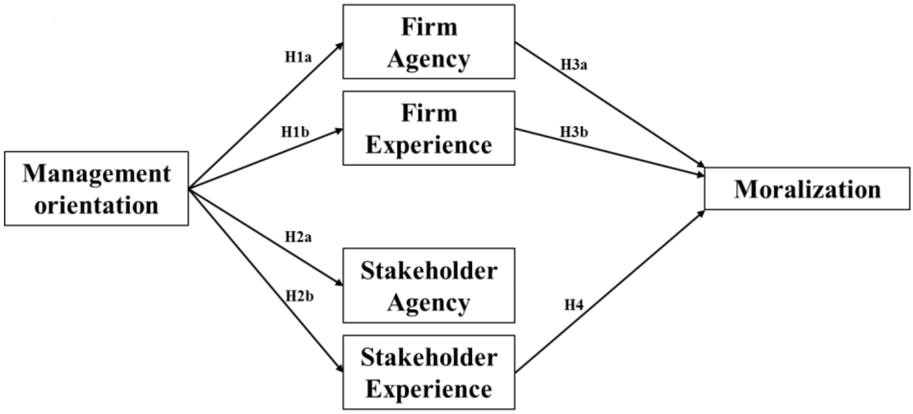
*H3b: When individuals perceive a firm as more experiential, and the firm transgresses a norm that harms the stakeholder, they express less negative moral evaluations.*

In the case of a violation towards a victim, the perceived experience of the victim likely influences moral evaluations. Scholars argue that victims who are seen as more experiential elicit stronger moral concern. For instance, moral concern for animals is related to attributions of experience to animals (Loughnan, Haslam, & Bastian, 2010), and Gray and colleagues (2007) argue that attributing experience is related to attributing rights. This leads to the last hypothesis:

*H4: When individuals perceive stakeholders as more experiential, and the firm transgresses a norm that harms the stakeholder, they express more negative moral evaluations.*

In contrast, individuals tend to be insensitive to victim's agency, suggesting that there is no relationship between perceived stakeholder agency and moral condemnation (Waytz et al., 2010c). I therefore do not hypothesize a relation between perceived stakeholder agency and moralization. Figure 5 provides a schematic description of the hypotheses.

**Figure 4.1: The effect of management orientation on humanization and moral evaluations**




## 4.4. Methods

The aim is to manipulate participants' perceptions of management orientations while keeping other things equal, and to empirically investigate humanization and moral evaluations. This calls for an experimental manipulation followed by survey questions. Experimental vignettes studies can be useful for investigating participants' moral condemnation, while enabling researchers to manipulate the independent variable, controlling for other factors (Aguinis & Bradley, 2014). Vignettes are widely used in social science research (McFadden et al., 2005), notably in moral psychology (Ohtsubo & Watanabe, 2009) and in CSR studies (e.g. Ellen et al., 2006). They have also been used to gauge individuals' moral attitudes in reaction to organizational contexts (Belmi & Pfeffer, 2014; Haran, 2013; Rai & Diermeier, 2015). Hence, I developed vignettes describing management orientations, followed by survey questions. The vignettes, survey questions and measures can be found in Appendix B, on page 151 of this dissertation.

### 4.4.1. Independent variable

The vignettes were developed based on definitions of management orientations in the stakeholder literature. This led to the development of a stakeholder-oriented and a profit-oriented vignette. The vignettes were as similar as possible, only varying relevant words and keeping the length as constant as possible. In order to properly describe stakeholder and profit orientations, we built our vignettes on definitions of stakeholder and profit orientations found in the literature (Bridoux & Stoelhorst, 2014; Jones et al., 2007). I used a scenario where a reputable research organization, rather than the firm itself, reports about the firm's practices and motives in order to avoid skepticism about the firm's motives in reporting its own motives and practices (Hung et al., 2011; Kim, Ferguson, & Ferguson, 2014). All vignettes started with a general description of Alpha: "*Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.*"

This was followed by a description of Alpha's motives and practices, depending on its orientation. In line with the description in the theory section, the stakeholder-oriented vignette stated – in 120 words – that "*Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do. This commitment to stakeholder welfare and doing what is morally right translates into practices that improve stakeholder welfare, also if these practices result in lower financial performance. Specifically, Alpha invests in relationships with its suppliers, rather than switching to the supplier who asks the lowest price. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, also if this leads to lower profits. When new skills are needed, Alpha trains its current employees, instead of replacing them with skilled applicants who ask the same wage. Finally, Alpha resolves conflicts with the local community through collaboration rather than via legal procedures.*" Accordingly, the profit-oriented vignette stated – in 119 words – that "*Alpha is committed to improving its financial performance, because Alpha believes this is necessary to be a successful business. This commitment to financial performance and being a successful business translates into practices that improve financial performance, also if these practices result in lower stakeholder welfare. Specifically, Alpha switches to the supplier who asks the lowest price rather than investing in relationships with its suppliers. In addition, Alpha constantly optimizes its operations to increase profits, also if this leads to lower customer satisfaction. When new skills are needed, Alpha replaces its employees with skilled applicants who ask the same wage, instead of training current employees. Finally, Alpha resolves conflicts with the local community via legal procedures rather than through collaboration.*"

The survey then included an attention check. This consisted of two questions about which statement were part of the vignette. For the first question, participants could choose between "Company Alpha is a grocery retailer selling products that you buy on a weekly basis; Company Alpha has job openings consistent with your career goals; Company Alpha is a corporation that you might include in your investment portfolio". For the second question, participants could choose between: "Alpha is committed to: improving its financial performance, because Alpha believes this is necessary to be a successful business; improving its stakeholders' welfare, because Alpha believes this is necessary to be a successful business; improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do". Participants who checked a statement that was not part of the vignette, or who failed to check a statement that was part of the vignette, were removed from the analysis.

I included a manipulation check to find out if one vignette was indeed perceived as more stakeholder-oriented than the other. According to the stakeholder literature, a stakeholder-oriented management approach is an approach that is more likely to prioritize stakeholders over firm performance than a profit-oriented management approach (Jones et al., 2016). A stakeholder-oriented management approach is also an approach that is more likely to develop long-term relationships with stakeholders than a profit-oriented management approach (Bosse & Coughlan, 2016). These features were implicit in the firm descriptions, and if the manipulation of a management approach worked, participants would perceive the vignettes as different in these respects. I asked participants to indicate on a slider scale from 0 to 100 how they thought Alpha prioritized its commitments, with 0 = firm performance is Alpha's prior commitment; 50 = both commitments are equally important to Alpha; 100 = stakeholder welfare is Alpha's prior commitment. I then asked participants "Do you expect Alpha to have mostly long-term or short-term stakeholder relationships, or both?" with 0 = only short-term stakeholder relationships; 50 = both relationships to the same extent; 100 = only long-term stakeholder relationships. Hence, the average of these two questions was used to see if perceptions of the vignettes were significantly different from each other.

### 4.4.2. Mediator, dependent variable and control variables

As a measure of humanization, I adapted the "individual differences in anthropomorphism questionnaire" (IDAQ) (Waytz et al., 2010a). While this measures individual differences, the measure builds on theory and findings that also show changes in individuals' tendency to humanize entities. In addition, other studies find that individuals can be induced to see organizations as more human (Rai & Diermeier, 2015). Thus, I consider it appropriate to measure humanization of an organization as a state rather than a trait variable. As humanization and the original IDAQ consist of ascribing agency and ascribing experience, our adaption of IDAQ also consists of these two factors. Agency of

Alpha (Alpha’s stakeholders) is measured by three items: To what extent does Alpha (do Alpha’s stakeholders) have intentions?; To what extent does Alpha (do Alpha’s stakeholders) have free will?; and to what extent does Alpha (do Alpha’s stakeholders) have a mind of its (their) own? Experience of Alpha (Alpha’s stakeholders) is measured by two items: To what extent does Alpha (do Alpha’s stakeholders) experience emotions? and to what extent does Alpha (do Alpha’s stakeholders) have consciousness?

The survey then introduced a transgression, which consisted of a description of a policy, followed by the message that Alpha failed at implementing this policy. It stated that “Alpha has the following rule in its human resource policy: If an employee has worked 20 hours' overtime in one month, its floor manager should give the employee a raise. You want to find out whether this rule is ever violated. After reading about Alpha's practices, you find out that Alpha often fails at implementing this policy. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a raise. We would like to know what you think of Alpha's failure in carrying out its policy. Please indicate on a scale from 1 to 7 to what extent you agree with the following statements.” This was followed by a measure for negative moral evaluations, consisting of two items. We asked participants to what extent they agreed with the following statements: “this violation was immoral”, and “this violation was wrong”. These items were taken from Haran (2013), who used them as a measure of moralization.

The experiments concluded by asking participants how skeptical they were towards research reports about organizations, which consisted of nine items adapted from Obermiller and Spangenberg (1998) (see Appendix B for all items). I also asked participants to what extent they agreed with the following statements: “The company described was realistic” and “I had no difficulty imagining this company” (Skarmeas & Leonidou, 2013). For all items (except stated otherwise), participants were asked to indicate their agreement on a scale from 1 to 7. Finally, I asked participants about their year of birth, gender, nationality, level of education, and occupational status.

## 4.5. Results

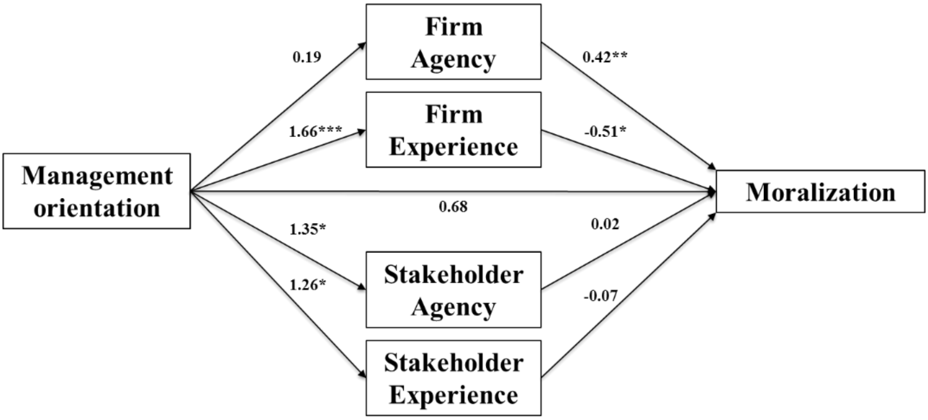
### 4.5.1. Experiment 1

In this experiment the negative event described that “Alpha has the following rule in its human resource policy: If an employee has worked 20 hours' overtime in one month, its floor manager should give the employee a raise.” On the next page, participants read that “After reading about Alpha's practices, you find out that Alpha often fails at implementing this policy. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a raise."

On 6 February 2017, 102 participants from clickworker.com completed the survey. After removing 15 participants that did not give correct answers to the attention check, and 8 participants that indicated that they had done a similar survey before, I retain 79 participants (44 female (55.7%), 36 German (45.6%); 27 US (34.2%); $M_{age} = 37.15$, $SD_{age} = 11.09$). The stakeholder-oriented vignette is filled out by 45 participants, the profit-oriented vignette by 34 participants. There are no significant differences between the perceived realism of the vignettes ($F(1,78) = 0.218$; $p = .642$). The stakeholder-oriented vignette is indeed perceived as more stakeholder-oriented (stakeholder-committed and long-term) than the profit-oriented vignette ($F(1,78) = 96.94$; $p = .000$), suggesting that the manipulation worked.

Controlling for participants' age, gender, nationality, skepticism, educational level, and occupational status, I test with a process analysis (Preacher & Hayes, 2004) if management orientation influenced moral evaluations via perceived humanization of the firm and stakeholders. The findings reveal that stakeholder-oriented firms are perceived as significantly more experiential ($b = 1.66$; $t(76) = 4.72$; $p < .000$) but not more agentic ($b = 0.19$; $t(76) = 0.51$; $p = .61$) than the profit-oriented firms. The stakeholders of the stakeholder-oriented firm are perceived as more experiential ($b = 1.26$; $t(76) = 2.35$; $p = .021$) and more agentic ($b = 1.35$; $t(76) = 2.18$; $p = .032$) than the stakeholders of the profit-oriented firm. Firm agency elicits more negative moral evaluations of the violation ($b = 0.42$; $t(76) = 2.94$; $p = .004$) while firm experience elicits less negative moral evaluations of the violation ($b = -0.51$; $t(76) = -3.35$; $p = .001$). Neither stakeholder experience ($b = -0.07$; $t(76) = -0.57$; $p = .571$) nor stakeholder agency ($b = 0.02$; $t(76) = 0.25$; $p = .801$) influence moral evaluations. A bias-corrected bootstrap (1000 iterations) indicates that there is a significant indirect effect of management orientation on moral evaluations, via firm experience ($b = -0.85$; CI95 = [-1.52, -0.35]. However, the total effect is not significant: stakeholder-oriented firms do not increase or decrease moral evaluations ($b = -0.14$; $t(76) = -0.41$; $p = .683$). Because the total effect is not significant, we cannot speak of mediation; it is more appropriate to speak of an indirect effect via firm experience than of a mediation effect (Preacher & Hayes, 2008). The direct effect, or remaining effect after taking all other paths into account, is not significant: the stakeholder-oriented firm non-significantly elicits more negative moral evaluations compared to the profit-oriented firm ($b = 0.68$; $t(76) = 1.69$; $p = .095$). Figure 6 provides a schematic overview of the findings.

**Figure 4.2: The effect of management orientation on humanization and moral evaluations (Exp. 1)**




***Discussion***. The findings support hypotheses 1b, 2a and 2b, stating that management orientation influences perceived agency and experience of the stakeholders and perceived experience of the firm. Only perceived firm agency of the stakeholder-oriented vignette is not significantly higher compared to firm agency of the profit-oriented vignette, thus, hypothesis 1a is not supported. The findings also suggest that perceived firm agency and experience significantly influence moral evaluations in the predicted directions: more agentic firms elicit more negative moral evaluations while more experiential firms elicit less negative moral evaluations. This is in line with hypotheses 3a and 3b. However, because firm agency is not influenced by the firm's management orientation, we only find a negative indirect effect via firm experience. In addition, perceived stakeholder experience does not influence moral evaluations, thus, hypothesis 4 is not supported. As a consequence, there is also no positive indirect effect on moral evaluations via stakeholder experience. There is are significant total or direct effects.

I find that there was a significant indirect effect of management orientation on moral evaluations, via firm experience. This is the only significant indirect path between management orientation and moral evaluations on humanization I find, supporting the argument that humanization is essential for understanding moralization. Nonetheless, the total effect is not significant. What could explain this? The description of the violation could have played a role. In the description, it was the floor manager, rather than the firm, who does not give the employees a raise. This might cause participants to attribute the transgression to the floor manager rather than to the firm. If the floor manager of the stakeholder-oriented firm is then also perceived as more agentic, this would lead to more negative moral evaluations, thus cancelling out the negative effect of firm experience on moral evaluations. In order to rule out this factor, I conduct the same experiment with the firm instead of the floor manager not giving the employees a raise.

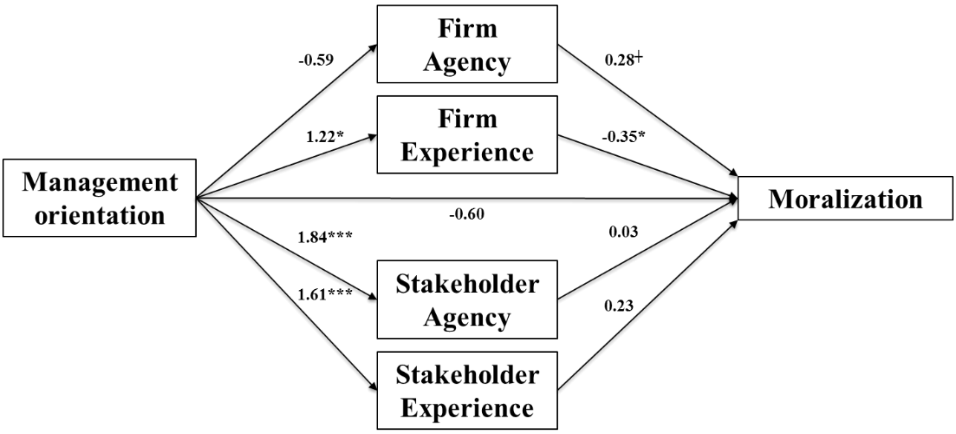
### 4.5.2. Experiment 2

In this experiment, Alpha now has the following rule in its human resource policy: “If an employee has worked 20 hours' overtime in one month, Alpha should give the employee a raise.” On the next page, participants read that “After reading about Alpha's practices, you find out that Alpha often fails at implementing this policy. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a raise.”

On 12 February 2017, 102 participants from clickworker.com completed the survey. After removing participants that did not give correct answers to the attention check, and participants that had done similar surveys before, I retained 68 participants (40 female (58.8%), 31 German (45.6%); 27 American (39.7%); $M_{age} = 36.00$; $SD_{age} = 11.38$). The stakeholder-oriented vignette was filled out by 38 participants, and the profit-oriented vignette by 30 participants. There were no differences in perceived realism between the vignettes ($F(1,67) = 1.67$; $p = .201$). The stakeholder-oriented vignette was perceived as more stakeholder-oriented than the profit-oriented firm ($F(1,67) = 99.84$; $p < .000$).

Controlling for participants’ age, gender, nationality, skepticism, educational level, and occupational status, I tested with a process analysis (Preacher & Hayes, 2004) if management orientation influences moralization via perceived humanization of the firm and stakeholders. The findings reveal that stakeholder-oriented firms are perceived as significantly more experiential ($b = 1.22$; $t(66) = 2.64$; $p = .010$) but not more agentic ($b = -0.59$; $t(66) = -1.42$; $p = .161$) than the profit-oriented firms. The stakeholders of the stakeholder-oriented firm are perceived as more experiential ($b = 1.61$; $t(66) = 4.68$; $p < .000$) and more agentic ($b = 1.84$; $t(66) = 6.00$; $p < .000$) than the stakeholders of the profit-oriented firm. Firms that are more agentic elicit more negative moral evaluations, but this effect is not significant ($b = 0.28$; $t(66) = 1.72$; $p = .091$). Firms that are more experiential elicit less negative moral evaluations ($b = -0.35$; $t(66) = -3.35$; $p = .022$). Neither stakeholder experience ($b = 0.23$; $t(66) = 0.82$; $p = .414$) nor stakeholder agency ($b = 0.03$; $t(66) = -0.11$; $p = .915$) influence moral evaluations. A bias-corrected bootstrap (1000 iterations) indicates that only firm experience negatively mediates the relation between management orientation and moralization (b = -0.43; CI95 = [-1.03, -0.09]. In contrast to experiment A, the total effect is now significant: stakeholder-oriented firms elicit less negative moral evaluations (b = -0.884; t(66) = -2.07; p = .043). The direct effect, or remaining effect after taking all other paths into account, is not significant: the stakeholder-oriented firm does not elicit more or less negative moral evaluations compared to the profit-oriented firm (b = -0.60; t(66) = -1.07; p = .287). Figure 7 provides a schematic overview of the findings.

**Figure 4.3: The effect of management orientation on humanization and moral evaluations (Exp. 2)**




***Discussion.*** As in experiment 1, the findings support hypotheses 1b, 2a and 2b, stating that management orientation influences perceived agency and experience of the stakeholders and perceived experience of the firm. Again, only perceived firm agency of the stakeholder-oriented vignette is not significantly higher compared to firm agency of the profit-oriented vignette, thus, hypothesis 1a is not supported. In line with experiment 1 and hypotheses 3a and 3b, I also find that firm agency increases moral condemnation while firm experience decreases moral condemnation. I also replicate the negative effect of firm experience on moralization, and the positive effect of firm agency on moralization, supporting hypotheses 3a and 3b.

I find that perceived firm experience negatively mediates the influence of the firm being stakeholder-oriented on moral evaluations. This is again the only significant effect of management orientation on humanization I find, supporting the argument that humanization is essential for understanding moralization. As in Experiment 1, there is no direct effect of a stakeholder orientation on moralization but in total, and in contrast to experiment 1, I now find that the stakeholder-oriented firm significantly decreases moralization: the violation is considered as less morally wrong when it is conducted by the stakeholder-oriented firm.

In this experiment, stakeholder-oriented firms elicit less negative moral evaluations compared to profit-oriented firms. This goes against the interpretation of the integration thesis that transgressions by stakeholder-oriented firms would elicit more negative moral evaluations. In addition, stakeholder theorists assign an important role to stakeholder humanization. Why, then, does stakeholder humanization not influence moralization? It could be that I find more positive instead of more negative moral evaluations because, on the one hand, I ask participants about humanization of stakeholders generally; on the other hand, I probe for moral evaluations of a violation against employees specifically. Of course, I expect that humanization of stakeholders would influence moral evaluations of a violation against employees specifically. But I cannot be certain that participants were also thinking about employees specifically when they are asked about humanization of the stakeholders generally. In order to mitigate this concern, I develop a new study. This study uses the same vignettes and a similar violation, but asks participants to indicate the extent to which they ascribe agency and experience to employees, rather than to stakeholders.

It could also be that the violation is not perceived as a violation of stakeholders' welfare as human beings, but rather as a violation of stakeholder's economic interests. The violation states that stakeholders were implicitly promised, but then denied, a raise. However, studies find that monetary concerns (such as a raise) can create social distance (Vohs et al., 2006, 2008) – suggesting that this situation was dehumanizing. This might diminish the effect of stakeholder humanization on moral evaluations. In the next study, I therefore describe a situation where the policy is to give stakeholders a day off – and this policy is then violated.

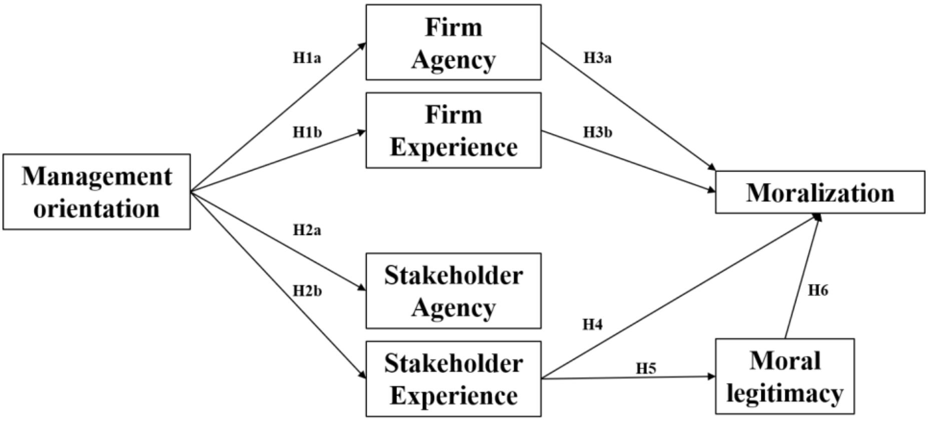
It is also possible that stakeholder humanization influences moral evaluations to the extent that stakeholders' interests are considered morally legitimate. Arguments in stakeholder theory suggest that stakeholder-oriented management orientations, by humanizing stakeholders, increase the perceived moral legitimacy of stakeholders' interests (Freeman et al., 2010). When stakeholders' interests are perceived as intrinsically valuable, or need to be taken into account regardless of their effect on the firm, they are said to be morally legitimate (Agle, Mitchell, & Sonnenfeld, 1999; Jones & Wicks, 1999; Mitchell, Agle, & Wood, 1997). This perceived moral legitimacy, when it is shared and socially accepted, can lead to moralization, such as pressure by third parties to take these stakeholders' interests into account (Eesley & Lenox, 2006).

The theory of dyadic morality supports this argument. Studies find that, when entities are perceived as more experiential, they elicit more attention for their needs. For instance, when an observer perceives a being as more experiential, this observer more strongly wants to avoid harming the entity and this observer has a greater desire to protect the entity (Gray et al., 2007). Entities that are perceived as more experiential, also elicit more positive emotions towards them (Cuddy, Fiske, & Glick, 2007; Fiske, Cuddy, Glick, & Xu, 2002). This care for experiential beings is not influenced by the effect these beings have on others – it might also be intrinsic. For instance, when experiential beings are harmed but also inflict damage, they still elicit care (Gray & Wegner 2009; Khamitov et al., 2016). One can therefore say that the interests of more experiential beings are perceived to be more morally legitimate. This leads to the following hypotheses (see figure 8 for an overview of the final, updated set of hypotheses):

> *H5: When individuals perceive stakeholders as more experiential, individuals consider these stakeholders' interests as more* morally *legitimate.*

> *H6: When individuals consider stakeholders' interests as more morally legitimate, and the firm transgresses a norm that harms the stakeholders, individuals express more negative moral evaluations.*

**Figure 4.4: The effect of management orientation on humanization, moral legitimacy and moral evaluations (updated model)**



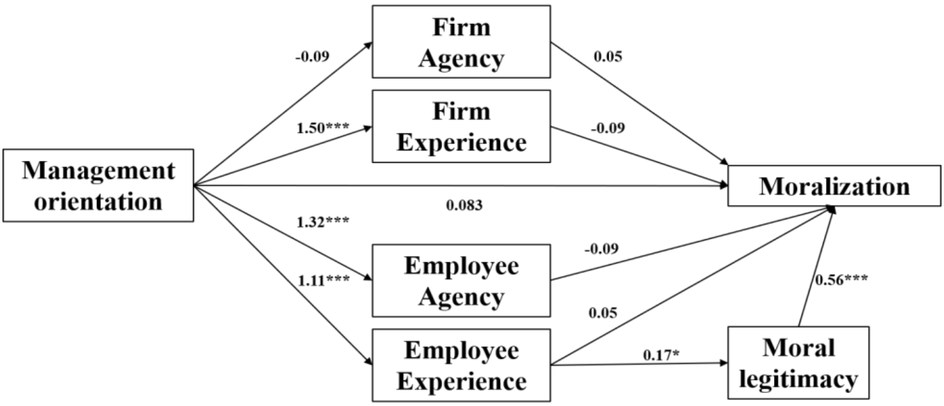

### 4.5.3. Experiment 3

In this experiment, I asked participants to what extent they think the employees – rather than the stakeholders generally – have agency and experience. After asking about humanization, I introduced a rephrased violation. Alpha now has the following rule in its human resource policy: “If an employee has worked 20 hours overtime in one month, Alpha should give the employee a coupon that guarantees a day off.” On the next page, participants read that “*After reading about Alpha's practices, you find out that at Alpha, the rule is often violated. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a coupon for a day off. This goes against Alpha's policy to guarantee these employees a day off*.” In order to measure perceived moral legitimacy, I added a sentence that “employees now claim these days off.” I then asked participants to indicate on a scale from 1 to 7 to what extent they agree that the employees’ claims for days off “are appropriate”, “deserve consideration from Alpha”, “are morally legitimate” and “deserve consideration regardless of their effect on Alpha”. This was followed by the same dependent variable as before.

In May 2018, 80 participants from clickworker.com and 40 participants from prolific.ac completed the survey. After removing participants that do not give correct answers to the attention check, and participants that had done similar surveys before, I retained 93 participants (41 female (44.1%), 26 US (28.0%), 37 German (39.8%); $M_{age}$ = 29.78, $SD_{age}$ = 10.74). The stakeholder-oriented vignette was filled out by 44 participants, and the profit-oriented vignette by 49 participants.

Controlling for participants' age, gender, nationality, skepticism, educational level, and occupational status, I tested the model with a path analysis in R, making use of the package lavaan (Rosseel, 2012). The findings reveal that stakeholder-oriented firms are perceived as significantly more experiential ($b = 1.50$; $z = 4.72$; $p < .001$) but not more agentic ($b = -0.09$; $z = -0.29$; $p = .768$) than the profit-oriented firms. The stakeholders of the stakeholder-oriented firm are perceived as more experiential ($b = 1.11$; $z = 4.18$; $p < .001$) and more agentic ($b = 1.33$; $z = 5.00$; $p < .001$) than the stakeholders of the profit-oriented firm. In this model, only moral legitimacy significantly increases moral condemnation of the violation ($b = 0.56$; $z = 4.28$; $p < .001$). Furthermore, only the path via stakeholder experience and moral legitimacy is significant ($b = 0.10$; $z = 0.058$; $p = 0.058$). There is no total effect ($b = -0.01$; $z = -0.02$; $p = .985$). There is also no remaining direct effect ($b = 0.08$; $z = 0.27$; $p = .785$). Figure 9 provides a schematic overview of the findings.

**Figure 4.5: The effect of management orientation on humanization, moral legitimacy and moral evaluations (Exp. 3)**




***Discussion.*** As in experiments 1 and 2, the findings support hypotheses 1b, 2a and 2b, stating that management orientation influences perceived agency and experience of the stakeholders and perceived experience of the firm. Again, only perceived firm agency of the stakeholder-oriented vignette is not significantly higher compared to firm agency of the profit-oriented vignette, thus, hypothesis 1a is not supported. In contrast to experiments A and B, I now find that the path via firm experience is not significant, and the direct effect of employee experience on moral evaluations (hypothesis 4) also disappears. Instead, I find a significant indirect effect via employee experience and moral legitimacy: the stakeholders of stakeholder-oriented firms are perceived as more experiential than the stakeholders of profit-oriented firms. This increases the perceived moral legitimacy of these stakeholders' claims, and this increase in moral legitimacy in turn increases moralization.

In this experiment, I do find that perceived employee experience can indirectly elicit more negative moral evaluations. This is consistent with arguments in stakeholder theory that a stakeholder-oriented management orientation can increase moral salience of a transgression. However, perceived stakeholder experience only influences moral evaluations insofar as it increases the perceived moral legitimacy of stakeholder claims. This sheds new light on the arguments from stakeholder theory as well as dyadic morality. Stakeholder theory focuses on perceived humanness of stakeholders and relates this to moral evaluations. However, other arguments in stakeholder theory suggest that stakeholders, in addition to being humanized, also have to be legitimate – in line with socially accepted norms – for moral evaluations to be stronger. Without legitimacy, their claims need not be taken into account (Phillips, 2003; Donaldson, 1999). Likewise, dyadic morality focuses on stakeholders' perceived capacity for experiencing harm. The harm done to an experiential victim is predicted to elicit moral condemnation (Gray et al., 2012b). Recent studies, however, argue that moral evaluations will only be strong if the harm is also a norm violation (Schein & Gray, 2018). The results therefore support the argument that humanization as well as norms are necessary for more negative moral evaluations to occur.

## 4.6. Discussion

Across three experiments, I find that a firm's management orientation influences humanization which, in turn, influences moral evaluations. All three experiments show that stakeholder-oriented firms and their stakeholders are humanized compared to profit-oriented firms and their stakeholders. Going into more detail, stakeholders of stakeholder-oriented firms are perceived as more experiential and agentic than stakeholders of profit-oriented firms, and stakeholder-oriented firms are perceived as more experiential than profit-oriented firms. I also find that humanization influences moral evaluations. There are two paths that influence moral evaluations: stakeholder-oriented firms increase perceived firm humanization which decreases negative moral evaluations, and stakeholder-oriented firms increase perceived stakeholder humanization which – via perceived legitimacy – increases negative moral evaluations. This shows that one need to take humanization into account in order to understand moral evaluations.

In addition, humanization of stakeholders might help overcoming the separation fallacy. However, a stakeholder-oriented approach does not per se overcome the separation fallacy because stakeholder-oriented firms can lead to decreased negative moral evaluations.

These findings contribute to a puzzle that is at the heart of normative stakeholder theory: how can a management approach overcome the separation fallacy? The separation fallacy, as formulated by Edward Freeman in 1994, stated that “The discourse of business and the discourse of ethics can be separated so that sentences like, "x is a business decision" have no moral content, and “x is a moral decision" have no business content” (Freeman 1994, p. 412). One interpretation of the separation fallacy is that “Researchers in the mainstream academic disciplines, as well as people in general, tend to separate what they regard as matters of business and matters of ethics” (Sandberg, 2008, p. 219). Stakeholder theorists want to overcome the separation fallacy (Jones & Wicks, 1999; Wicks, 1996) and stimulate individuals to adhere to the integration thesis instead, or see business decisions as having moral content – but how? Building on dyadic morality theory, I first argue and show that humanization is central to understanding moral evaluations; second, I elaborate on the mechanisms by which a stakeholder-oriented management approach influences moral evaluations; and third, I suggest that humanization of stakeholders might help overcoming the separation fallacy.

First, the theory and findings elucidate the role that humanization plays for moral evaluations. Building on dyadic morality, I specify that humanization is part of the cognitive template underlying moral evaluations, and I find that humanization indeed influences the relation between management orientations and moral evaluations. This elucidates accounts in stakeholder theory that link humanization and moralization. In 2010, Freeman and colleagues (p. 7) formulated the integration thesis, the counterpart of the separation thesis:

> *“(1) It makes no sense to talk about business without talking about ethics.*
> *(2) It makes no sense to talk about ethics without talking about business*
> *(3) It makes no sense to talk about either business or ethics without talking about human beings.”*

These and other writings of Freeman and colleagues suggest that seeing stakeholders as human beings is an important antecedent of moral evaluations.

However, it is unclear from this account if humanization is the same, a cause, or a consequence of moral evaluations. I robustly find that stakeholder-oriented firms increase humanization of both the firm and the stakeholders. I also find that humanization influences moral evaluations. This chapter therefore specifies which role, exactly, humanization plays in the management orientation – moral evaluations relationship.

Second, I elaborate on the mechanisms through which stakeholder-oriented firms influence moral evaluations. While firm humanization is consistent with stakeholder theory, the focus in stakeholder theory has been on stakeholder humanization (e.g., McVea & Freeman, 2005). Despite this focus, I robustly find that both stakeholders *as well as the firm* are humanized. This is very important, because we find that humanization of the firm leads to less negative moral evaluations. This suggests that stakeholder-oriented firms can be faced with less negative evaluative reactions towards similar negative events than profit-oriented firms. This is contrary to the predictions, and it also goes against predictions by stakeholder scholars. The upshot is that being stakeholder-oriented might protect a firm against the negative evaluations in reaction to a transgression.

Third, I suggest that humanization of stakeholders might help in overcoming the separation fallacy. The results of Experiment 3 suggest that stakeholder humanization leads to more negative moral evaluations, but only to the extent that stakeholder claims are perceived as morally legitimate. This finding points to a tension in stakeholder theory. On the one hand, stakeholder theorists have suggested that managing for stakeholders increases the strength of moral evaluations because this management approach leaves room for ethics and recognizes stakeholders as human beings (cf. Freeman et al., 2010; Purnell & Freeman, 2012; Noland & Phillips, 2010). On the other hand, certain scholars have argued that, in order to overcome the separation thesis, it is necessary to pay more attention to stakeholders as individuals (Wicks, 1996), with names and faces (McVea & Freeman, 2005), or whose claims are intrinsically (or morally) legitimate (Donaldson, 1999). In general, the findings support the claim that recognizing stakeholders as human beings is not enough to express more negative moral evaluations. More specifically, the findings provide some support that perceived moral legitimacy of stakeholder claims is indeed important, as moral evaluations only become more negative to the extent that perceived legitimacy of stakeholder claims increase. As stakeholder theorists recognize “a plurality of narratives about business useful to the managerial application of stakeholder theory” (Purnell & Freeman, 2012), I find most promising those narratives which focus on stakeholders as human beings with legitimate claims.

A possible limitation of the experiments is the small sample size. Larger sample sizes can be required to detect significant mediation *on the condition that* there is a total effect but the indirect effects are small (Fritz & MacKinnon, 2007). At first sight, this condition does not seem to apply to the studies presented in this chapter. In the studies presented in this chapter, there is no total effect, so the first part of the condition is not met. In addition, indirect effects were detected, even with the small sample size. Therefore, a larger sample size would likely result in the same patterns. However, at second sight, a larger sample size would allow to detect why there was no total effect. In Experiment 1, the indirect effect via firm experience was significant, but the total effect was not significant. The non-significance of the total effect might be caused by an opposing path via stakeholder experience. However, this opposing indirect effect might require a larger sample size to be significant. In Experiment 3, the indirect effect via stakeholder experience was significant, but the total effect was not significant. The non-significant of the total effect might be caused by an opposing path via firm experience, and this opposing effect might require a larger sample size to be significant.

Future studies could develop another operationalization of the integration thesis. According to the integration thesis, individuals ought to see business decisions as having moral content. I drafted a business decision and asked individuals to morally evaluate this decision. I assumed that individuals would vary only in the extent to which they had moral considerations for stakeholders. However, it seems that individuals also vary in the extent to which they have moral considerations for the firm. Future studies could therefore use a measure that separates these two considerations. A possible option is to ask individuals to what extent stakeholders have moral standing – this is, are deemed worthy of respect and moral consideration (Piazza, Landy, & Goodwin, 2014; Sytsma & Machery, 2012). This concept is plausibly less influenced by moral considerations for the firm. Likewise, studies can also probe for perceived moral standing of the firm, in order to test moral considerations towards the firm only.

## 4.7. Conclusions

The question driving this chapter was why the protagonists in *Modern Times* have no moral objections against the feeding machine. According to normative stakeholder theory, but also according to film critics, the factory in *Modern Times* is dehumanizing the employees, almost literally turning them into machines (Vance, 2008), and this might point to the reason why individuals show no moral considerations for the employees. This chapter set out to test this argument. In line with chapter 2, this chapter focused on the effect of management orientation on negative moral evaluations, and predicted that stakeholder-oriented firms would elicit more negative moral evaluations than profit-oriented firms, for the same transgression by the firm. While the findings show that the effects are more complex, it is clear that humanization plays an essential role in individuals' moral considerations. This is also in line with theory in chapter 2. I can conclude that stakeholder scholars need to take humanization into account in order to understand individual behavior towards stakeholder-oriented firms, both humanization of stakeholders and humanization of the firm.

# CHAPTER 5
# DISCUSSION AND CONCLUSIONS

Microfoundations are important to stakeholder theory, but we need a better understanding of these microfoundations. In this dissertation I applied moral psychology in order to develop theory and empirically test predictions about how individuals behave in a business context. The theory and predictions in this dissertation built on an updated model predicting that stakeholder-oriented firms elicit moral considerations and more cooperative behavior than profit-oriented firms. Looking at the microfoundations of stakeholder theory through the lens of moral psychology allowed me to refine this model and investigate a broader range of attitudes and behavior. To this end, chapter 2 investigated positive and negative reciprocity as well as self-interested behavior, chapter 3 stakeholders' attraction to firms, and chapter 4 individuals' moral evaluations of the firm's transgression. In this discussion chapter, I first give an overview of the main findings of the preceding chapters (section 5.1), followed by a discussion of how these findings contribute to the descriptive accuracy, instrumental power, and normative validity of stakeholder theory. Finally, in section 5.3, I reflect on the strengths and limitations of this research, its boundary conditions, and future research.

## 5.1. Findings

Chapter 2 investigated to what extent stakeholder-oriented firms elicit positive and negative reciprocity and self-interest. Embedding theories of individual behavior in moral psychology, my co-authors and I built a theoretical model that asks which cognitive processes are elicited by stakeholder-oriented, respectively profit-oriented firms, and how they may trigger positive and negative reciprocity, as well as self-interest. We distinguished between moralistic and strategic cognitive processes, leading to moralistic and strategic evaluations, which give way to, respectively, reciprocal and self-interested behavior. The theoretical model proposed that stakeholder-oriented firms are more likely to trigger moralistic evaluations, which in the short term increase the likelihood of both positive and negative reciprocity. In contrast, profit-oriented firms are more likely to trigger strategic evaluations, which increase the likelihood of self-interested behavior. At first sight, these propositions undermine the argument that stakeholder-oriented firms create more value than profit-oriented firms. However, we then argued that moralistic evaluations and the behavior they trigger function to uphold long-term cooperation. Thus, this chapter detailed how punitive stakeholder behavior upholds cooperative stakeholder behavior in the long term. This, in turn, has a positive effect on value creation.

Chapter 3 investigated the effect of stakeholder-oriented versus mixed and profit-oriented firms on individuals' attraction to the firm. On the one hand, theoretical studies suggest that stakeholder-oriented firms are perceived as more genuine and therefore more attractive to individuals than mixed firms (Bridoux & Stoelhorst, 2014; Cording et al., 2014). On the other hand, empirical studies suggest that firms engaging in corporate responsibility towards stakeholders can be perceived as motivated by profit, which makes them less attractive compared to mixed firms (Kim, 2014; Skarmeas & Leonidou, 2013; Webb & Mohr, 1998). My co-authors and I built on insights from moral psychology to argue and test that stakeholder-oriented firms are, in fact, perceived as more genuinely motivated to benefit others, which makes them more attractive to stakeholders than mixed and profit-oriented firms. In order to test our hypotheses, we developed vignettes describing three firms: a stakeholder-oriented, mixed, and profit-oriented firm. In a series of five vignette experiments, we found that stakeholder-oriented firms are perceived as more other-regarding, which makes them more attractive than mixed and profit-oriented firms. These findings suggest that a stakeholder orientation is not perceived as the same as corporate responsibility. They call into question theories that advocate mixing elements from a stakeholder orientation with elements from a profit-orientation, and support models in stakeholder theory that advocate a consistent stakeholder orientation.

Chapter 4 investigated to what extent stakeholder-oriented firms elicit moral considerations from individuals. Normative stakeholder theory prescribes that firms and individuals in a business context ought to take moral considerations into account. This prescription relies on the assumption that individuals *can* take moral considerations into account (Donaldson & Preston, 1995), and that stakeholder-oriented firms enable individuals to do so (e.g., Jones & Wicks, 1999). Building on the theory of dyadic morality in moral psychology, I first argued that both stakeholder-oriented firms and their stakeholders are seen as more human than profit-oriented firms and their stakeholders. I then argue that this humanization makes moral evaluations of the firm's wrongdoing more negative. A series of three experimental vignette studies provide support for the hypotheses that stakeholder-oriented firms and their stakeholders are seen as more human, and for the argument that humanization influences moral evaluations. In addition, one of the three experiment shows that humanization of the firm's stakeholders makes moral judgments of the firm's wrongdoing more negative. However, the two other experiments show that humanization of the firm itself makes moral judgments of the firm's wrongdoing less negative. As a consequence, in one experiment, stakeholder-oriented firms elicit less negative moral evaluations of the firm's wrongdoing, which is contrary to predictions. This chapter shows that humanization is central to understanding moral judgments: it explains why stakeholder-oriented firms do not necessarily make moral evaluations of firms' transgressions more negative.

## 5.2. Discussion

How do these findings contribute to stakeholder theory? Donaldson and Preston (1995) identify three different aspects of stakeholder theory: a descriptive, an instrumental and a normative aspect. In each approach to stakeholder theory, descriptions of individual behavior play an important role. By investigating individuals' moral psychology behavior in a business context, I contribute to these three approaches. But before I discuss this dissertation's contributions to each approach, I need to add a caveat. The three sketched approaches require different tests and arguments (Donaldson & Preston, 1995). Both descriptive stakeholder theory and instrumental stakeholder theory rely on empirical findings and theories (Jones & Wicks, 1999), and the empirical findings and theory in this dissertation therefore fit the typical arguments in descriptive and instrumental approaches. However, normative stakeholder theory is grounded in philosophical justifications, and this dissertation does not develop philosophical justifications. How, then, can its results also contribute to the normative stakeholder approach?

As Jones and Wicks (1999), I am convinced that more methodological convergence between normative and instrumental/descriptive approaches is possible. The argument that empirical findings can inform normative theories consists of three parts. First, normative stakeholder theory allows for moral pluralism: a variety of normative or prescriptive theories, each based on a specific moral theory, fit with the idea of normative stakeholder theory (e.g., Phillips, 2003, p. 26). For instance, normative stakeholder theory is compatible with prescriptive theories based on virtue ethics (e.g. Fernando & Moore, 2015), but also with prescriptive theories based on deontic ethics (Evan & Freeman, 1988; Gibson, 2000) or libertarian ethics (Freeman & Phillips, 2002). Second, it is possible to select prescriptive theories on the basis of their 'practicability', meaning that it should be practically possible to implement them (cf. Gioia, 1999). This aligns with the Kantian dictum that 'ought implies can' (Donaldson, 1999, 2012). It leads to the following rule of thumb: if a specific prescriptive theory is not practically possible to implement, then it ought not to be selected, or prescribed. It can then be refined, or replaced by prescriptive theories based on another moral theory. This leads to the third step, in which theories can be selected on the basis of their empirical validity. If the predicted effects of a specific prescriptive theory are not upheld by empirical results, this provides an argument against that specific theory. It should be refined or replaced by another prescriptive theory whose predictions are upheld by empirical results. Therefore, prescriptions based on moral theories can be evaluated on the basis of their empirical accuracy, or “the evaluative success for a normative theory depends, in part, on its empirical adequacy” (Weaver & Trevino, 1994, p. 224).

### 5.2.1. Descriptive stakeholder theory

Descriptive stakeholder theory is tested on the basis of its accuracy, for instance in describing stakeholder behavior (Donaldson & Preston, 1995, p. 66). Several authors have previously expressed pessimism about the feasibility and timeliness of descriptive stakeholder theory. Notably, Jones and Wicks (1999) refer to the work of Brenner and Cochran (Brenner & Cochran, 1991) as an early effort to constitute a descriptive theory of the firm. Specifically, Brenner and Cochran (1991, p. 462) see stakeholder theory as the claim that “the nature of an organization’s stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting organizational behavior”. The work in this dissertation likewise starts from questions about “the nature of the organization’s stakeholders” and “their values”, or from the question how individuals behave in a business context. Nonetheless, Jones and Wicks (1999) doubt the falsifiability of this thesis and object to the work of Brenner and Cochran (1991) for not featuring testable predictions of mechanisms. They conclude that more development is needed before a descriptive stakeholder theory can be tested empirically, a project they leave to other scholars.

While scholars have developed descriptive theories about *managers’* behavior towards *stakeholders* (e.g. Mitchell et al., 1997), the nature of an organization’s stakeholders is under-investigated. Chapter 2 starts with a theoretical model which features testable propositions. This model describes stakeholder behavior, the extent to which stakeholders are motivated by self-interest and moral considerations (or stakeholders’ value concerns, cf. Hosseini & Brenner, 1992), depending on the firm’s management orientation or “the nature of the situation”. After developing this model, chapters 3 and 4 empirically test arguments from chapter 2. Both theory and results in this dissertation contribute to the questions of descriptive stakeholder theory sketched above. Specifically, they contribute to the question of the nature of stakeholder behavior – self-interested or boundedly self-interested – and the nature of the situation – a firm's management orientation.

Historically, stakeholders have long been described as self-interested utility maximizers, and this model has been influential in neoclassical economics and business theories, as well as in other theories of individual behavior such as evolutionary biology (Etzioni, 1988). In the last decades, scholars and practitioners stepped away from this view and converged on the insight that individuals are not purely self-interested. In particular, stakeholder scholars describe stakeholders as complex individuals that are not only motivated by self-interest but also take moral considerations, such as fairness, into account (e.g., Bosse & Phillips, 2016). But is this model of bounded self-interest really more accurate than descriptions of individuals as self-interested?

The theory and findings in this dissertation refine descriptions of human behavior by supporting by the existence of two antagonistic cognitive modes – a moralistic cognitive mode triggered by a cooperative social context, and a strategic cognitive mode triggered by a non-social context. In chapter 4, I further support this dichotomy by showing that stakeholder-oriented firms and their stakeholders are indeed perceived as more human than profit-oriented firms and their stakeholders. As a consequence of this behavioral model supported by cognitive mechanisms, I conclude that there is not one model that is most accurate in all contexts, but that it depends at least on the specifics of the business context. In a profit-oriented context, the relative accuracy of a self-interested cognitive mode is higher than in a stakeholder-oriented context, while in a stakeholder-oriented context, the relative accuracy of a moralistic cognitive mode is higher than in a profit-oriented context.

The theory and findings in this dissertation compare the accuracy of models of self-interest and models of reciprocity in a different way than previous models do. Previous models have for instance suggested that all individuals are boundedly self-interested. The dual model in chapter 2, with a self-interested and a moralistic mode, shows a reconciliation between scholars relying on self-interest and scholars relying on reciprocity. Both Jensen (2002) and Sundaram and Inkpen (2004) rely mainly on self-interest but, when debating stakeholder theory, admit to the existence of stakeholders' fairness concerns. On the other side, Bosse and Phillips (2016) model bounded self-interest, but they see it as a refinement of the self-interest model, thus accepting that individuals are also self-interested. Hence, both groups of authors converge on the assumption that individuals are best seen as homogenously self-interested while bounded by norms of fairness.

Still, there is disagreement about the extent to which individuals are bounded by norms of fairness. Jensen (2002) argues that firms or their managers should not ignore or mistreat stakeholders, this is, negatively deviate from moral norms, because stakeholders would otherwise punish the firm. But, according to Jensen (2002), this suffices for managing stakeholders. Reasoning along these lines, positive deviations from fairness norms are not assumed to elicit reward or positive reciprocity. For Bosse and Phillips (2016) on the other hand, firms should also positively deviate from fairness norms because this will elicit positive reciprocity. Hence, the rapprochement is only half-way and does not give a decisive answer to the question if managers should merely avoid negative deviations or also exhibit positive deviations from fairness.

The dual model in chapter 2 predicts that two different sets of behavior can be elicited depending on the context, and both sets lead to different reactions to positive and negative deviations from self-interest. In stakeholder-oriented firms, a moralistic cognitive mode is triggered and positive and negative deviations from fairness elicit, respectively, positive and negative reciprocity. In profit-oriented firms, a self-interested cognitive mode is triggered, and positive and negative deviations elicit self-interested reactions.

This dual model also adds nuance to an existing tension in stakeholder theory, i.e., the tension between homogeneity and heterogeneity assumptions. Bosse and Phillips (2016) develop the model of bounded self-interest as a homogenous feature of individual behavior in a business context. Arguing for *homogeneity*, Bosse and colleagues state that “most people assess the fairness of others and reciprocate” (Bosse et al., 2009, p. 448). They also state that “the aggregate outcome is consistent with predictions derived under the reciprocity assumption” (Bosse et al., 2009, p. 448). Hence, in their approach, stakeholder behavior is seen as homogenous in the sense that all, or at least most, or at least in the aggregate outcome (Bosse et al., 2009, p. 448), stakeholders can be seen as boundedly self-interested.

Other scholars (Bridoux & Stoelhorst, 2014; Hahn, 2015; Hahn & Albert, 2015) build a model on the basis of *heterogeneity*, adopting the view that individuals differ in their behavioral type: some stakeholders are self-interested types while others are reciprocal types. Self-regarding individuals “only care about their personal payoffs and do not value fairness as such” while reciprocators are inclined to reward fairness and punish unfairness, even at a cost to themselves (Bridoux & Stoelhorst, 2014, p. 108). The heterogeneity assumption explicitly introduces self-interest as a different behavioral type, thus making a categorical distinction between self-interest and reciprocity. In addition, in the heterogeneity assumption these different types also lead to differences in individual behavior, as well as to differences in the aggregate behavioral outcomes, such as effects on value creation (Bridoux & Stoelhorst, 2014, p. 117) or boycott success (Hahn & Albert, 2015).

The theory and findings in this dissertation see individual stakeholders as capable of exhibiting either of the two behavioral outcomes, depending on the context. Because different individuals are exposed to different contexts, we can explain differences in the aggregate perceptions of the firm and its stakeholders (chapter 4), leading to differences in the *behavioral* outcome (chapter 2), in line with the heterogeneity assumption. At the same time, all individuals have the *capacity* for self-interest and moral concern, in line with the homogeneity assumption.

This dissertation's theory and findings are in line with theory from Bridoux and Stoelhorst (2016), in the sense that these authors also developed theory that individuals' perceptions and behavior depend on the context. However, this dissertation differs in several respects. First, the model developed by Bridoux and Stoelhorst (2016) describes how stakeholders frame their relationships with other stakeholders involved in joint value creation, while this dissertation focuses on the stakeholders' perceptions of the firm (in chapters 2 and 3) or the stakeholder's perceptions of the firm and its stakeholders (in chapter 4). This relates to a second difference, which is that Bridoux and Stoelhorst (2016) describe four mental models while my co-authors and I only distinguish between two cognitive mechanisms. This difference makes sense because our theory and findings are rooted in predictions in stakeholder theory, which tends to make a distinction between two kinds of firms. Our model links the dichotomy between two kinds of firms with a binary distinction at the cognitive level. Specifically, chapter 2 argues that stakeholders perceive a stakeholder-oriented context as consisting of cooperative human beings, but a profit-oriented context as consisting of instruments for one's own benefit. The results of chapter 4 support the prediction that stakeholder-oriented firms and their stakeholders are seen as more human than profit-oriented firms and their stakeholders. Because of this humanization, stakeholder-oriented firms elicit different behavior than profit-oriented firms. Because we ground our theory in moral psychology, our dual model is the first to explain why categorically different behavior will be elicited by stakeholder-oriented and by profit-oriented firms.

All in all, self-interest has long been the dominant model of individual behavior, in a business context and beyond. While bounded self-interest is an accepted alternative, it leaves room for questions about the scope of bounded self-interest. This dissertation further develops the idea that individual behavior depends on the context, and it applies this context-dependence to central discussions in stakeholder theory, about stakeholder behavior in stakeholder-oriented versus profit-oriented firms. As such, it contributes to descriptive stakeholder theory.

### 5.2.2. Instrumental stakeholder theory

Instrumental stakeholder theory is tested on the basis of its predictive power, notably its power to predict when firms will create more value (Donaldson & Preston, 1995). The central prediction of instrumental stakeholder theory is that stakeholder-oriented firms will create more value than profit-oriented firms, and the underlying mechanism is that stakeholder-oriented firms benefit from more cooperative behavior than profit-oriented firms (e.g., Bosse et al., 2009; Bridoux et al., 2011; Donaldson & Preston, 1995; Jones, 1995; Jones, Harrison, & Felps, 2018;). But stakeholder-oriented firms may also elicit behavior that seems to be less cooperative (Bridoux & Stoelhorst, 2016; Bridoux & Vishwanathan, 2018; Jensen 2002). This dissertation therefore builds theory and reports findings that include a broader range of behavior. Below I first discuss this broader range of behavior, and subsequently its relation to cooperation and value creation.

***Explaining a broader range of behavior: attractiveness, reciprocity, and self-interest.*** Stakeholder scholars point to cooperation, specifically positive reciprocity, as a reaction to stakeholder-oriented firms. But this seems too simple: theoretical studies also point to the possibility of an increase in self-interest (Bridoux & Vishwanathan, 2018; Jensen, 2002) as well as both positive and negative reciprocity (Bridoux & Stoelhorst, 2016), as possible reactions to stakeholder-oriented firms. In addition, the firm’s attractiveness is also considered an important factor in the value creation process (Bridoux & Stoelhorst, 2014) and it is not clear if stakeholder-oriented firms are more or less attractive than mixed or profit-oriented firms. This dissertation builds on research in moral psychology that explains self-interest, positive and negative reciprocity, as well as the firm’s attractiveness, and which provides a more comprehensive understanding of individual behavior in a business context.

Chapters 2 and 4 shed light on the question when firms will elicit self-interested versus reciprocal behavior. Chapter 2 predicts, and chapter 4 finds, that stakeholder-oriented firms and their stakeholders are perceived as more human than profit-oriented firms and their stakeholders. As a consequence, we can also distinguish between two cognitive modes. A moralistic cognitive mode is elicited in a humanized context and leads to moral evaluations and behavior, which includes moral evaluations as well as reciprocity. A strategic cognitive mode is elicited in a less humanized context and leads to self-interested behavior. Hence, a stakeholder-oriented firm triggers a moralistic cognitive mode while a profit-oriented firm triggers a strategic cognitive mode. Focusing then on a stakeholder-oriented context, this dissertation argues that positive and negative reciprocity are two sides of the same coin, implying that an increase in positive reciprocity also holds the potential of an increase in negative reciprocity (cf. Bridoux & Stoelhorst, 2016). This supports the argument that stakeholder-oriented firms would washbelicit both positive and negative reciprocity. In sum, embedding stakeholder behavior in moral psychology provides insight in self-interested behavior as well as positive and negative reciprocity.

However, the behavioral outcomes of this model seem to be at odds with arguments that individuals are more likely to attribute culpability to firms that are perceived as having a disposition for socially irresponsible behavior (Lange & Washburn, 2012), and for-profit firms are perceived as being disposed to doing more harm (which is irresponsible) than non-profit firms (Bhattacharjee, Dana, & Baron, 2017). As a consequence of these arguments, profit-oriented firms might elicit more negative evaluations than stakeholder-oriented firms, which is hard to reconcile with proposition 2 in chapter 2. However, the findings in chapter 4 might be interpreted in line with this argument. In chapter 4, I find that profit-oriented firms are perceived as less experiential than stakeholder-oriented firms, i.e., they are perceived as less conscious and capable of feeling. Participants might have interpreted ‘feeling’ and ‘consciousness’ as a socially responsible disposition. In this sense, the findings indicate that profit-oriented firms were perceived as less socially responsible. This explains why the measure of firm-level experience decreases negative moral evaluations. While these findings, then, do not resolve the question of the effect of a stakeholder orientation on negative evaluations, they do point to the cognitive mechanisms that mediate the relationship. Hence, a deeper knowledge of the cognitive mechanisms preceding stakeholder behavior helps us to refine the model of individual behavior in a business context. Generally, in this dissertation, embedding individual behavior in moral psychology has provided insight in the cognitive mechanisms underlying individual behavior in a business context.

Chapter 3 explains the firm's attractiveness to stakeholders. This dissertation confirms the predictions of stakeholder theory that stakeholders perceive stakeholder-oriented firms as less self-regarding and more other-regarding than profit-oriented or mixed firms (Jones et al., 2007). At first sight, this seems to conflict with studies on corporate social responsibility. However, a plausible explanation is that CSR findings are not as applicable to stakeholder theory as might be expected. An important difference between a stakeholder orientation and a firm engaging in social responsibility is that a stakeholder orientation is seen as fundamental and stable over time (Brickson, 2007), whereas CSR activities can also be one-shot (e.g. Ellen, Webb, & Mohr, 2006; Forehand & Grier, 2003). Therefore, stakeholders are more likely to question the other-regarding motives of a firm's CSR practices (Du, Bhattacharya, & Sen, 2010; Webb & Mohr, 1998) than of a stakeholder-oriented firm. Indeed, CSR literature shows that firms that engage in CSR for a longer time are seen as more responsible and other-regarding (Vanhamme & Grobben, 2009). This raises the possibility that CSR studies on firms with a long and consistent history of social responsibility activities are more useful to build stakeholder studies on.

In sum, moral psychology helps to explain the firm's attractiveness, individuals' self-interest as well as positive and negative reciprocity. A deeper knowledge of moral psychology therefore helps to refine the model of individual behavior. However, of particular interest is cooperative behavior, because it explains the positive relationship between a stakeholder orientation and firm-level value creation. Now that a broader range of individual behavior is described, it is important to know how this range of behavior contributes to cooperation and value creation. This is the topic of the next subsection.

***Sustaining cooperation and value creation.*** Below, I discuss to what extent individual behavior functions to sustain cooperation which contributes to value creation. Bridoux and Stoelhorst (2014) assign an important role to the firm's attractiveness in explaining value creation by the firm. In chapter 2, my co-authors and I argue that negative reciprocity also sustains cooperation which leads to value creation. But are stakeholder-oriented firms still more attractive if they also increase negative reciprocity? More generally, do stakeholder-oriented firm also create more value when they are both more attractive *and* elicit more negative reciprocity? In this subsection, I first argue that stakeholder-oriented firms might also elicit self-interested opportunism instead of positive reciprocity when they are more attractive to individuals. Second, a possible solution to self-interested opportunism is negative reciprocity, or punishment of self-interested opportunism, but this requires the development of a punishment capability over time. Third, this value creation model is in line with empirical studies that suggest that stakeholder-oriented firms create more value in the long term, but not necessarily in the short term.

First, the increased attractiveness of stakeholder-oriented firms can tempt individuals to act in their own interest. According to Bridoux and Stoelhorst (2014), reciprocal stakeholders are more attracted to stakeholder-oriented firms than to mixed or profit-oriented firms. Chapter 3 does not distinguish between reciprocal and self-regarding stakeholders, but my co-authors and I find that, in the aggregate, individuals are more attracted to stakeholder-oriented firms than to mixed or profit-oriented firms. This begs the question what kind of behavior we can expect from these individuals, after becoming stakeholders of the firm. Will they be cooperative or not?

In chapter 2, my co-authors and I argue that individuals become more cooperative if they are stakeholders of a stakeholder-oriented firm. However, individuals can become tempted to act in their own self-interest if they are stakeholders of a cooperative firm (Bridoux & Vishwanathan, 2018; Jensen, 2002). As a consequence, self-interested behavior can become the norm in a group of previously cooperative individuals. While self-interested behavior may be aligned with value creation in profit-oriented firms, it detracts from joint value creation in stakeholder-oriented firms (see Bridoux & Stoelhorst, 2016). This is a problem, and firms need a mechanism to uphold cooperation based on positive reciprocity. How can stakeholder-oriented firms manage self-interested behavior from individual stakeholders?

Second, as a solution, our theory in chapter 2 suggests that punishment of self-interested behavior can sustain cooperation. However, the model in chapter 2 discusses punishment in the context of dyadic firm-stakeholder interactions, and more specifically punishment from stakeholders of the firm (after the *firm* does something wrong). This will not help to avoid self-interested behavior from *other stakeholders* rather than the firm. Hence, in order to overcome this problem, we need another model of stakeholders punishing other, self-interestedly behaving, stakeholders. Such a model would start from a situation of joint value creation, which is a situation where individual stakeholders interact with each other and cooperate towards a common good (cf. Bridoux & Stoelhorst, 2016). In a situation of joint value creation, it is possible that stakeholders in stakeholder-oriented firms are more likely to punish other stakeholders than stakeholders in profit-oriented firms. This punishment can then act as a deterrent for self-interested defection of other individual stakeholders. However, this probably requires a change in individual stakeholder behavior, or the development of a punishment capability, where stakeholders punish other stakeholders in order to sustain cooperation from all stakeholders. Future research needs to further develop this suggestion (see section 5.3 for future research).

This suggestion is in line with empirical findings on the relationship between a stakeholder orientation and firm-level performance. This is to say, if stakeholder-oriented firms would perform better because of positive reciprocity, we would see a positive monotonic link between stakeholder-oriented practices and firm-level performance. But that is not what we see: the relationship is more complicated and suggests that an interplay of individual behavior mediates the link between a stakeholder orientation and value creation. Let us take a look at this relationship, and how the explanation in this dissertation is an improvement compared to a sole reliance on positive reciprocity.

Scholars argue that the effect of a stakeholder orientation on firm-level performance is not linear, but U-shaped, with higher returns occurring in the long term (Garcia-Castro et al., 2011), or after a consistent pattern of investing much in stakeholders' wellbeing (Barnett & Salomon, 2012; Brammer & Millington, 2008). The proposed explanation is that firms first need to develop specific intangible resources (Hall, 1992; Surroca et al., 2010) such as stakeholder awareness (Brammer & Millington, 2008), trust (Harrison et al., 2010), reputation and relationships (Barnett, 2008), stakeholder bonds (Bosse & Coughlan, 2016), firm-specific skills (Blair, 1999), or capabilities (Bridoux et al., 2017). This, however, begs the question through which behavioral mechanisms these intangible resources can be built. This dissertation points to an explanation at the level of stakeholder behavior. I suggest that a specific punishment capability needs to be built. This is consistent with previous suggestions about the importance of intangible resources, but adds a punishment capability as a specific intangible resource which is central to explaining the observed U-shaped relationship.

In sum, applying moral psychology to the existence of both increased attractiveness and negative reciprocity leads to the insight that firms need to develop a 'punishment capability'. Developing these capabilities is likely to be costly in the short term, and only pays off in the long term. This is in line with empirical findings about the effect of firm-level behavior on firm-level performance. Hence, while the existence of negative reciprocity would at first glance detract from value creation, it offers a solution for disciplining self-interested behavior towards the firm, and it provides an explanation for the U-shaped relationship between a stakeholder orientation and firm-level performance.

### 5.2.3. Normative stakeholder theory

In general, the normative approach to stakeholder theory can be tested on the basis of its normative validity and practicability. Specifically, normative stakeholder theory involves acceptance of the idea that stakeholders are persons or groups that have legitimate and intrinsic interests (Donaldson & Preston, 1995). As a consequence, firms ought to be managed for stakeholders, and managers ought to show moral concern for stakeholders. How, then, can we induce individuals, including managers, to show moral concern for all stakeholders; in other words, when is this prescription practically possible? In the introduction, I argued on the basis of theories on performativity, the integration thesis, and stakeholder influence that the management orientation of a firm can and should influence individuals' outlook and actions towards stakeholders. In this section, I discuss to what extent our theory and findings provide support for this relationship.

There are two ways in which normative stakeholder theory can be practically possible. First, stakeholder theory may influence individuals' moral evaluations, or enable individuals to see business decisions as moral decisions (cf. Freeman et al., 2010). Second, stakeholder theory may enable individuals to humanize stakeholders, or see stakeholders as persons or human beings (cf. Freeman et al., 2010). The next subsection discusses to what extent stakeholder-oriented firms would influence moral evaluations in individuals. This is followed by a discussion about whether stakeholder-oriented firms lead to humanization of stakeholders.

***Moral evaluations.*** Do stakeholder-oriented firms elicit stronger moral evaluations? As I suggested in the introduction chapter, stakeholder-oriented firms might induce individuals (including managers) to exhibit stronger moral evaluations; this can enable individuals to take stakeholders' interests into account, which may eventually increase the prevalence of firms that take stakeholders' interests into account. In chapter 2 my co-authors and I predict that stakeholder-oriented firms are more likely to elicit negative evaluations than profit-oriented firms when the firm transgresses its explicitly communicated norms. The argument is that stakeholder-oriented firms turn on a moral cognitive mode while profit-oriented firms do not – they turn on a self-interested cognitive mode instead. As a consequence of this moral cognitive mode, stakeholders react differently to fair and unfair firm actions. Specifically, in reaction to fair actions, stakeholders in a moral mode will positively reciprocate while stakeholders in a self-interested mode will react in a self-interested manner. In contrast, in reaction to unfair actions, stakeholders in a moral mode will negatively reciprocate while stakeholders in a self-interested mode will react in a self-interested manner. Because reciprocity can increase stakeholders' effort levels more than self-interest (Fehr, Gächter, & Kirchsteiger, 1997), we expect that both positive and negative reciprocity will have a higher positive respectively negative effect on the firm than self-interest.

Chapter 4 empirically tests if stakeholder-oriented firms would elicit more negative moral evaluations in reaction to the firm harming stakeholders or transgressing a norm. However, I do not find a positive effect of stakeholder-oriented firms on the strength of negative moral evaluations. On the contrary, one experiment finds that stakeholder-oriented firms decrease the strength of negative moral evaluations. This suggests that making firms stakeholder-oriented is not a practical way to induce negative moral evaluations for a firm's wrongdoing. But do these findings also contradict predictions in chapter 2? The manipulations used in chapter 4 might also have been unrealistic. The argument in chapter 2 first proposes that stakeholder-oriented firms explicitly communicate their norms in different ways than profit-oriented firms do: the former use more social language while the latter use more abstract language. Second, this leads to an increased stakeholder awareness of situations where transgressions of stakeholder-oriented firms are likely, and an increased possibility that transgressions of stakeholder-oriented firms are detected, compared to transgressions of profit-oriented firms. As such, another manipulation of firm wrongdoing should use different descriptions for the explicitly communicated norm for the stakeholder-oriented description than for the profit-oriented description. In chapter 4 though, I used the same descriptions of wrongdoing for stakeholder-oriented and profit-oriented firms. Future research can therefore further investigate the effect of a firm's management orientation on moral evaluations.

In addition, chapters 2 and 4 also investigate the mechanisms preceding moral evaluations. Specifically, these chapters argue that the effect of a firm's management orientation on humanization is crucial to understand moral evaluations. A better understanding of this mechanism may shed light on why the findings in chapter 4 do not support the predictions in chapter 2. In the next section, I discuss the relevance of these findings for the effect of a firm's management orientation on moral evaluations, which leads to a discussion of the practicability of specific management orientations.

***Humanization***. Do stakeholder-oriented firms elicit humanization of stakeholders? In chapter 2, my co-authors and I argue that the acts of stakeholder-oriented firms are more likely signaled and perceived as acts caused by an intentional agent, and impacting a sentient being, than the acts of profit-oriented firms. As intentionality and sentience are human features, this means that stakeholder-oriented firms and their stakeholders are perceived as more human than profit-oriented firms and their stakeholders. In chapter 4, I empirically test this prediction. On the one hand, I do find that stakeholder-oriented firms and their stakeholders are perceived as more human than profit-oriented firms and their stakeholders. On the other hand, stakeholder-oriented firms are perceived as more experiential but not as more agentic than profit-oriented firms, contrary to predictions in chapter 2. Nonetheless, this pattern has interesting implications for normative stakeholder theory, as I explain below.

The first implication of the findings is that normative stakeholder scholars are correct in thinking that stakeholder-oriented firms humanize stakeholders. Stakeholders of stakeholder-oriented firms are indeed humanized – they are perceived as more experiential *and* agentic than stakeholders of profit-oriented firms. Normative stakeholder scholars prescribe that individuals should see stakeholders as human beings, as is also included in the second formulation of the integration thesis: “(1) It makes no sense to talk about business without talking about ethics; (2) It makes no sense to talk about ethics without talking about business; (3) It makes no sense to talk about either business or ethics without talking about human beings” (Freeman et al., 2010: 7). This can be interpreted in various ways (Sandberg, 2008), but we relate the concept of humanization as applied by moral psychologists. The findings in chapter 4 support the prediction that stakeholder-oriented firms indeed enable individuals to see stakeholders as human beings.

The second implication of the findings is that stakeholder-oriented firms indeed trigger a cognitive mechanism that influences moral evaluations. Normative stakeholder scholars hold that individuals should see stakeholders as human beings, and business decisions as ethical decisions. Normative stakeholder scholars then prescribe a more stakeholder-oriented management orientation, arguably because this will enable individuals to humanize stakeholders and moralize business decisions. At first sight, this scenario is made plausible by our theory and findings. Chapter 2 predicts, and chapter 4 finds, that stakeholder-oriented firms elicit humanization of stakeholders, which elicits more negative moral evaluations.

However, a third implication is that stakeholder scholars need to take humanization of the firm into account. I also find that stakeholder-oriented firms themselves are humanized, and this creates a more complicated picture. Two experiments find a negative effect of firm humanization on negative moral evaluations – making the evaluations less negative - but no effect of stakeholder humanization on moral evaluations. One of these experiments even finds that stakeholder-oriented firms elicit less negative moral evaluations. The other experiment finds a positive effect of stakeholder humanization on negative moral evaluations – making the evaluations more negative - but no effect of firm humanization on moral evaluations. Because of this pattern, stakeholder scholars need to take firm humanization into account and adapt their expectations about moral evaluations accordingly.

A fourth implication is that the findings in chapter 4 provide more specific guidance about which normative stakeholder theories to suggest. Normative stakeholder scholars prescribe that business decisions are seen as moral decisions, and that stakeholders are humanized. In all experiments, I find that the stakeholders of stakeholder-oriented firms are humanized. But this influences moral evaluations in only one experiment. In this experiment, I also asked participants about the perceived legitimacy of stakeholders' claims. This suggests that a stakeholder orientation can enable individuals to integrate business and ethics provided that they are made aware of the legitimacy of stakeholders' interests. This also suggests that normative stakeholder scholars should defend the subset of normative theories that focus on the legitimacy of stakeholders' interests, and not on the subset of normative theories that focus on the firm's responsible motives and practices (as this could activate the path via firm humanization and deactivate the path via stakeholder humanization). This, again, is a possible avenue for future research.

## 5.3. Strengths, limitations, boundary conditions, and future research

This dissertation aimed to investigate the question 'how do individuals behave in a business context'. It built on the updated model of human behavior that human beings also take moral considerations into account. We studied four kinds of attitudes and behavior: reciprocity (both negative and positive), self-interest, the firm's attractiveness and moral evaluations. Key take-away messages are that moral psychology contributes to a deeper and broader understanding of individual behavior in a business context; individuals' behavior in part depends on the orientation of firms; stakeholder-oriented firms need to develop punishment capabilities to uphold cooperation based on reciprocity; and normative stakeholder scholars need to focus on those approaches that highlight stakeholders' legitimate interests.

This work has strengths and limitations. A strength of this dissertation is that it combines theoretical and empirical work, also for normative stakeholder theory. Stakeholder theory has a stronger track record in building theory than in empirically testing theory. This track record might be a reflection of pessimism about the empirical tractability of stakeholder theory (Jones & Wicks, 1999). What is more, scholars question the relevance of empirical research for normative theory, but without an empirical test, this might lead to a proliferation of impractical normative theories. In order to mitigate this state of affairs, this dissertation first built theory about individual behavior in a business context, and then made a start in empirically testing some of its arguments and propositions. The empirical investigation of normative stakeholder theory can be considered a strength of this dissertation.

A limitation of this dissertation is the external validity of our studies. The studies used hypothetical, theory-based vignettes instead of real firms to test our predictions. While this is a good start to investigate causal pathways, in practice, firms are not always clearly stakeholder-oriented, mixed, or profit-oriented. In addition, my co-authors and I only measured behavioral intentions and not real behavior, and there is a gap between intentions and behavior (Vermeir & Verbeke, 2006). This limits the generalizability of our studies to more realistic contexts. Future studies could therefore gradually improve the level of immersion (Aguinis & Bradley, 2014) by developing more realistic stimuli such as websites, audio, video or virtual reality. In field settings, existing firms can be used to investigate their effect on real behavior. Another feature of our vignette studies is that we presented participants with only one vignette. Future studies can do a within-subjects design to give people realistic choices, or could do a conjoint analysis or policy capturing study, where participants have to choose their preferences. This would also allow to collect large amounts of information from a small group of participants. Further limitations to the generalizability are the fact that we only measured a small sample of potential stakeholders. In chapter 3 my co-authors and I focused on potential applicants and potential customers while in chapter 4 I only studied the firm's behavior towards employees. Studies on a broader variety of stakeholders, such as labor unions, suppliers or the community are a logical next step.

A potential boundary condition of this dissertation is the geographical context. Stakeholder theory is a very Western theory which is predominantly developed in the U.S.A.. However, there might be significant differences across continents or regions (García-Castro, Ariño, Rodriguez, & Ayuso, 2008). While in the U.S.A. firms move to a more stakeholder-oriented approach because of bottom-up pressure, legal demands to care for stakeholders play a greater role in Europe (García-Castro et al., 2008) and China (Wang & Juslin, 2009). Because of this, for European and Chinese firms, communication about responsibility is also to a larger extent a compliance issue to manage the relationship with the government (Marquis & Qian, 2013), which makes their stakeholder orientations different than in the U.S.A., although there are also similarities (Kolk, van Dolen, & Ma, 2015). Our theory and findings might therefore not apply in all countries or geographical areas.

Future research can expand the scope of investigation, by developing and testing theory about real firms and real behavior, and across a broader range of stakeholders and geographical contexts. In addition, as already briefly hinted at in section 5.2, I see two fruitful avenues for future theory building and testing. In the instrumental stakeholder approach, follow-up theoretical and empirical work can investigate the effect of a firm's management orientation on the development of specific intangible assets. This requires a shift from the individual level to the group level. One possibility is to investigate how stakeholder-oriented firms can develop a capability for punishment. For now, I identify two complications that a punishment capability needs to solve. First of all, punishment by individuals towards other individuals is likely to elicit counter-punishment or revenge (Denant-Boemont, Masclet, & Noussair, 2007; McCullough, Kurzban, & Tabak, 2013). Second, individuals that punish might in theory punish anything – for instance non-conforming but innovative behavior – but this will not necessarily foster behavior that contributes to value creation at all (Boyd & Richerson, 1992). In order to overcome these two problems, moral psychologists argue that punishment in groups works best if the punishment is institutionalized, this is, regulated by a central individual or unit in the firm.

In the normative stakeholder approach, further theoretical and empirical work can investigate how different approaches to normative stakeholder theory influence moral evaluations. Some approaches to normative stakeholder theory focus on the rights of stakeholders while others focus on the actions of firms. For instance, Evans and Freeman (1988) demand that we treat employees or consumers with dignity and respect. These approaches are grounded in deontic ethics (Gibson, 2000) and focus on stakeholders as human beings who have inalienable rights. Other approaches to normative stakeholder theory focus on the firm as a community striving for a common good (Sison & Fontrodona, 2012). On the basis of findings in chapter 4, I would predict that the former approach would activate moral evaluations based on stakeholder humanization while the latter approach would activate moral evaluations based on firm humanization, with different effects on moral evaluations.

## 5.4. Conclusion

This dissertation started with the question how individuals behave in a business context. This question is important for stakeholder scholars, who built a model of individual behavior in a business context based on bounded self-interest. In this dissertation, I developed a dual model, where moralistic behavior is triggered by stakeholder-oriented firms while self-interested behavior is triggered by profit-oriented firms. I argued that this model is descriptively more accurate, and leads to new insights for the instrumental and normative approach to stakeholder theory. Instrumentally, stakeholder-oriented firms can create more value, but only in the long term and if they manage negative reciprocity well. Normatively, stakeholder-oriented firms can enable individuals to show moral consideration for stakeholders, but only if stakeholder-oriented firms make the legitimacy of stakeholders' claims salient. Further studies should therefore develop theory about more specific stakeholder management practices that leverage negative reciprocity or punishment, and that focus on stakeholders' legitimate claims. In the future, I hope to contribute to this exciting line of research as well.

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# APPENDIX A

## Chapter 3, Experiment 1

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k. quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully  read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following three vignette.]

[Stakeholder-oriented]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

On its website, Alpha emphasizes that it “always seeks to do good” in all of its business activities. The following is an excerpt from its website:

“At Alpha, we strive to be a responsible corporate citizen. We believe that the best way to build a better society, is by taking into account the well-being of all our stakeholders. This means that we invest in community development programs benefiting our local suppliers abroad. This increases trust in our commitment as a business partner, and leads to a more stable and reliable supply. Overall, we act responsibly because it is good corporate practice, and because it protects our planet and the people living on it.

[Profit-oriented]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

On its website, Alpha emphasizes that it “always seeks to do good” in all of its business activities. The following is an excerpt from its website:

“At Alpha, we strive to be a responsible corporate citizen. We believe that the best way to promote the interests of our shareholders, is by taking into account the well-being of all our stakeholders. This means that we invest in community development programs benefiting our local suppliers abroad. This increases trust in our commitment as a business partner, and leads to a more stable and reliable supply. Overall, we act responsibly because it is good corporate practice, and because it increases our profits and creates more value for our shareholders.

[Mixed]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

On its website, Alpha emphasizes that it “always seeks to do good” in all of its business activities. The following is an excerpt from its website:

“At Alpha, we strive to be a responsible corporate citizen. We believe that the best way to promote the interests of our shareholders, and to build a better society, is by taking into account the well-being of all our stakeholders. This means that we invest in community development programs benefiting our local suppliers abroad. This increases trust in our commitment as a business partner, and leads to a more stable and reliable supply. Overall, we act responsibly because it is good corporate practice, and because it protects our planet and the people living on it; on top of that, it also increases our profits and creates more value for our shareholders.”

[Next page]

This question probes for your attention.
Which of the following statements about company Alpha is part of the description?

❍ Company Alpha is a grocery retailer selling products that you need on a weekly basis.

❍ Company Alpha has job openings consistent with your career goals.

❍ Company Alpha is a corporation that you might include in your investment portfolio.

This question probes for your attention.

| According to the description above, does Alpha's website mention the following reasons to act responsibly?<br><br>At alpha, we act responsibly because ... | Yes | No |
|---|---|---|
| It increases our profits and creates more value for our shareholders. | ❍ | ❍ |
| It protects our planet and the people living on it. | ❍ | ❍ |

[Next page]

PART 2

The following questions are about your attitude towards Company Alpha. We want to know what you think about company Alpha.

To what extent do you agree with the following statements?
*1 = not at all; 7 = very much agree*

| | 1 - Not at all | 2 | 3 | 4 | 5 | 6 | 7 - Very much agree |
|---|---|---|---|---|---|---|---|
| I would be likely to purchase groceries from company Alpha | | | | | | | |
| I would be willing to buy groceries from company Alpha | | | | | | | |
| I would likely make company Alpha one of my first choices in groceries | | | | | | | |
| I would exert a great deal of effort to purchase groceries from company Alpha | | | | | | | |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

Company Alpha's responsible activities are:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Profit motivated | | | | | | | |
| Socially motivated | | | | | | | |
| In the company's self-interest | | | | | | | |
| In the interest of society | | | | | | | |

[Not included in the analysis]
What are your feelings about Alpha?

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|---|---|---|---|---|---|---|---|
| Very incompetent | | | | | | | | Very competent |
| Very undependable | | | | | | | | Very dependable |
| Of very low integrity | | | | | | | | Of very high integrity |
| Very dishonest and untrustworthy | | | | | | | | Very honest and trustworthy |

To what extent do you agree with the following statements?

*1 = strongly disagree ; 7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| The situation described was realistic | | | | | | | |
| I had no difficulty imagining this situation | | | | | | | |

[Next page]

PART 3

We now want to know more about yourself.

What is your gender?

❍ Male (1)

❍ Female (2)

What year were you born? [dropdown list]

What is your nationality? [dropdown list]

What best describes your highest achieved level of education?

❍ Did Not Complete High School (1)

❍ High School/GED (2)

❍ Some College (3)

❍ Bachelor's Degree (4)

❍ Master's Degree (5)

❍ Advanced Graduate work or Ph.D. (6)

❍ Other, please specify: (7)

What best describes your current occupational status?

- ❍ Employed as an employee (1)
- ❍ Self-employed (2)
- ❍ Apprentice / trainee (3)
- ❍ Unemployed looking for a job (4)
- ❍ Unemployed not looking for a job (5)
- ❍ Student (6)
- ❍ Homemaker (7)
- ❍ Retired (8)
- ❍ Other, please specify: (9)

Do you have an educational background in business or economics?

- ❍ Yes (1)
- ❍ No (2)
- ❍ Unsure, please explain: (3)

What best describes how often you shop for groceries?

- ❍ Less than once a month (1)
- ❍ Once a month (2)
- ❍ 2-3 times a month (3)
- ❍ Once a week (4)
- ❍ 2-3 times a week (5)
- ❍ Daily or almost daily (6)

Do you have comments about this survey? (This is optional, you can leave this field blank.)

You have reached the end of the survey! Thank you very much for completing it.

**Chapter 3, Experiment 2**

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k. quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully  read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following three vignette.]

[Stakeholder-oriented]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Alpha emphasizes that it is committed to several social responsibility programs: Alpha "always seeks to do good" in all of its business actions. The organization provides extensive employee benefits, supports charitable activities, and is involved in the local and global community.

Recently, a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because it has a genuine concern for the long-term interests of the society and the local community.

[Profit]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Alpha emphasizes that it is committed to several social responsibility programs: Alpha "always seeks to do good" in all of its business actions. The organization provides extensive employee benefits, supports charitable activities, and is involved in the local and global community.

Recently, a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because it hopes to improve the company image to attract more customers and increase sales.

[Mixed]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. The price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Alpha emphasizes that it is committed to several social responsibility programs: Alpha "always seeks to do good" in all of its business actions. The organization provides extensive employee benefits, supports charitable activities, and is involved in the local and global community.

Recently, a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because it has a genuine concern for the long-term interests of the society and the local community. In addition, it hopes to improve the company image to attract more customers and increase sales.

[Next page]

This question probes for your attention.

According to the description, are the following statements about company Alpha true or false?

Alpha is a grocery retailer.

- ❍ True
- ❍ False

A report shows that Alpha has a genuine concern for the long-term interests of the society.

- ❍ True
- ❍ False

A report shows that Alpha hopes to increase profit.

- ❍ True
- ❍ False

[Next page]

PART 2

The following questions are about your attitude towards Company Alpha. We want to know what you think about company Alpha.

To what extent do you agree with the following statements?
*1 = not at all; 7 = very much agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| It makes sense to buy groceries from Alpha instead of another store even if the groceries are the same | | | | | | | |
| Even if another grocery store has the same customer service as Alpha, I would prefer to buy from Alpha | | | | | | | |
| If there was another grocery store as good as Alpha, I would still prefer to buy groceries at Alpha | | | | | | | |
| If another grocery store is not different from Alpha in any way, it seems smarter to purchase groceries from Alpha | | | | | | | |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

Company Alpha's responsible activities are:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Profit motivated | | | | | | | |
| Socially motivated | | | | | | | |
| In the company's self-interest | | | | | | | |
| In the interest of society | | | | | | | |

What are your feelings about Alpha?

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|---|---|---|---|---|---|---|---|
| Very incompetent | | | | | | | | Very competent |
| Very undependable | | | | | | | | Very dependable |
| Of very low integrity | | | | | | | | Of very high integrity |
| Very dishonest and untrustworthy | | | | | | | | Very honest and trustworthy |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| The situation described was realistic | | | | | | | |
| I had no difficulty imagining this situation | | | | | | | |

What is your gender?
- ❍ Male (1)
- ❍ Female (2)

What year were you born? [dropdown list]

What is your nationality? [dropdown list]

What best describes your highest achieved level of education?
- ❍ Did Not Complete High School (1)
- ❍ High School/GED (2)
- ❍ Some College (3)
- ❍ Bachelor's Degree (4)
- ❍ Master's Degree (5)
- ❍ Advanced Graduate work or Ph.D. (6)
- ❍ Other, please specify: (7)

What best describes your current occupational status?

- ❍ Employed as an employee (1)
- ❍ Self-employed (2)
- ❍ Apprentice / trainee (3)
- ❍ Unemployed looking for a job (4)
- ❍ Unemployed not looking for a job (5)
- ❍ Student (6)
- ❍ Homemaker (7)
- ❍ Retired (8)
- ❍ Other, please specify: (9)

Do you have an educational background in business or economics?

- ❍ Yes (1)
- ❍ No (2)
- ❍ Unsure, please explain: (3)

What best describes how often you shop for groceries?

- ❍ Less than once a month (1)
- ❍ Once a month (2)
- ❍ 2-3 times a month (3)
- ❍ Once a week (4)
- ❍ 2-3 times a week (5)
- ❍ Daily or almost daily (6)

Do you have comments about this survey? (This is optional, you can leave this field blank.)

You have reached the end of the survey! Thank you very much for completing it.

**Chapter 3, Experiment 3**

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k.quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following three vignette.]

[Stakeholder-oriented]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Alpha emphasizes that it is committed to several social responsibility programs: Alpha "always seeks to do good" in all of its business actions. The organization provides extensive employee benefits, supports charitable activities, and is involved in the local and global community.

Recently, a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because it has a genuine concern for the long-term interests of the society and the local community.

[Profit]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Alpha emphasizes that it is committed to several social responsibility programs: Alpha "always seeks to do good" in all of its business actions. The organization provides extensive employee benefits, supports charitable activities, and is involved in the local and global community.

Recently, a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because it hopes to improve the company image to attract more customers and increase sales.

[Mixed]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Alpha emphasizes that it is committed to several social responsibility programs: Alpha "always seeks to do good" in all of its business actions. The organization provides extensive employee benefits, supports charitable activities, and is involved in the local and global community.

Recently, a reputable research organization has investigated socially responsible activities in Alpha's industry. Their report shows that Alpha is involved in these activities because it has a genuine concern for the long-term interests of the society and the local community. In addition, it hopes to improve the company image to attract more customers and increase sales.

[Next page]

The following question probe for your attention.
According to the description, are the following statements true or false?

| | True | False |
|---|---|---|

| | | |
|---|---|---|
| Company Alpha has job openings. | | |
| A report shows that Company Alpha engages in socially responsible activities because it hopes to improve the company image to attract more customers and increase sales. | | |
| A report shows that Company Alpha engages in socially responsible activities because it has a genuine concern for the long-term interests of the society and the local community. | | |

[Next page]

PART 2

The following questions are about your attitude towards Company Alpha. We want to know what you think about company Alpha.

To what extent do you agree with the following statements?
*1 = not at all; 7 = very much agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| I would put in a great deal of effort to work for Alpha. | | | | | | | |
| I would be interested in pursuing a job application with Alpha. | | | | | | | |
| I am likely to send my resume (CV) to Alpha. | | | | | | | |
| I am likely to accept a job offer from Alpha. | | | | | | | |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*
Company Alpha's responsible activities are:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Profit motivated | | | | | | | |
| Socially motivated | | | | | | | |
| In the company's self-interest | | | | | | | |
| In the interest of society | | | | | | | |

What are your feelings about Alpha?

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|---|---|---|---|---|---|---|---|
| Very incompetent | | | | | | | | Very competent |
| Very undependable | | | | | | | | Very dependable |
| Of very low integrity | | | | | | | | Of very high integrity |
| Very dishonest and untrustworthy | | | | | | | | Very honest and trustworthy |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| The situation described was realistic | | | | | | | |
| I had no difficulty imagining this situation | | | | | | | |

[Next page]

PART 3

What is your gender?

❍ Male (1)

❍ Female (2)

What year were you born? [dropdown list]

What is your nationality? [dropdown list]

What best describes your highest achieved level of education?
- ❍ Did Not Complete High School (1)
- ❍ High School/GED (2)
- ❍ Some College (3)
- ❍ Bachelor's Degree (4)
- ❍ Master's Degree (5)
- ❍ Advanced Graduate work or Ph.D. (6)
- ❍ Other, please specify: (7)

What best describes your current occupational status?
- ❍ Employed as an employee (1)
- ❍ Self-employed (2)
- ❍ Apprentice / trainee (3)
- ❍ Unemployed looking for a job (4)
- ❍ Unemployed not looking for a job (5)
- ❍ Student (6)
- ❍ Homemaker (7)
- ❍ Retired (8)
- ❍ Other, please specify: (9)

Are you at the moment looking for a job?
- ❍ Yes (1)
- ❍ No (2)

Have you done this, or a very similar survey, before?
- ❍ Yes (1)
- ❍ No (2)

Do you have comments about this survey? (This is optional, you can leave this field blank.)

You have reached the end of the survey! Thank you very much for completing it.

**Chapter 3, Experiment 4**

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k. quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following three vignette.]

[Stakeholder-oriented]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do.

This commitment to stakeholder welfare and doing what is morally right translates into practices that improve stakeholder welfare, also if these practices result in lower financial performance. Specifically, Alpha invests in relationships with its suppliers, rather than switching to the supplier who asks the lowest price.

In addition, Alpha constantly optimizes its operations to increase customer satisfaction, also if this leads to lower profits. When new skills are needed, Alpha trains its current employees, instead of replacing them with skilled applicants who ask the same wage. Finally, Alpha resolves conflicts with the local community through collaboration rather than via legal procedures.

[Profit-oriented]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha’s industry. Their report shows that Alpha is committed to improving its financial performance, because Alpha believes this is necessary to be a successful business.

This commitment to financial performance and being a successful business translates into practices that improve financial performance, also if these practices result in lower stakeholder welfare. Specifically, Alpha switches to the supplier who asks the lowest price rather than investing in relationships with its suppliers. In addition, Alpha constantly optimizes its operations to increase profits, also if this leads to lower customer satisfaction. When new skills are needed, Alpha replaces its employees with skilled applicants who ask the same wage, instead of training current employees. Finally, Alpha resolves conflicts with the local community via legal procedures rather than through collaboration.

[Mixed]

Company Alpha is a grocery retailer selling products that you need on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha’s industry. Their report shows that Alpha is committed to improving its stakeholders’ welfare, because Alpha believes this is necessary to be a successful business.

This commitment to stakeholder welfare and being a successful business translates into practices that improve stakeholder welfare, provided that these practices result in higher financial performance. Specifically, Alpha invests in relationships with its suppliers, but does so only for suppliers who ask the lowest prices. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, if this has proven to increase profits. When new skills are needed, Alpha trains current employees or replaces them with skilled applicants asking the same wage, whichever is faster. Finally, Alpha resolves conflicts with the local community through collaboration, or via legal procedures if less costly.

[Next page]

PART 2

The following two questions probe for your attention.

Which of the following statements about company Alpha is part of the description?

❍ Company Alpha is a grocery retailer selling products that you need on a weekly basis. (4)

❍ Company Alpha has job openings consistent with your career goals. (5)

❍ Company Alpha is a corporation that you might include in your investment portfolio. (6)

According to the description above, what does the report of the research organization say about Alpha?

Alpha is committed to:

❍ improving its financial performance, because Alpha believes this is necessary to be a successful business. (4)

❍ improving its stakeholders' welfare, because Alpha believes this is necessary to be a successful business. (6)

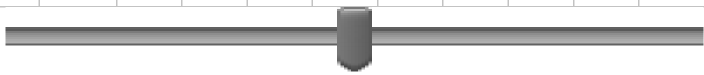
❍ improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do. (7)

[Next page]

The following questions are about your attitudes towards company Alpha.
There are no right or wrong answers, we simply ask for your opinion.

Most companies adhere to a small set of commitments. Some companies prioritize a commitment to increase the welfare of stakeholders - such as customers, employees, suppliers, or the community. Other companies prioritize a commitment to increase the firm's performance - such as the firm's financial performance, market share, or prestige. Still other companies commit to both to a similar extent. According to you, how does Alpha prioritize its commitments?

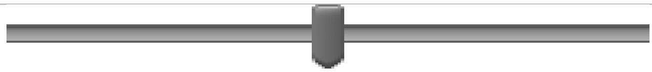
*0 = firm performance is Alpha's priority commitment*
*50 = both commitments are equally important to Alpha*
*100 = stakeholder welfare is Alpha's priority commitment*

| | Firm performance | | | | Both equally important | | | | Stakeholder welfare | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |
| Alpha prioritizes |  | | | | | | | | | | |

Companies differ in how they treat their stakeholders (such as customers, employees, suppliers or the community). For instance, some companies tend to have long-term relationships with stakeholders, while others tend to have short-term relationships with stakeholders. Still other companies have both short-term relationships with some stakeholders some of the time and long-term relationships with other stakeholders some of the time. Do you expect Alpha to have mostly long-term or short-term stakeholder relationships, or both?

*0 = mostly short-term stakeholder relationships*
*50 = both relationships to the same extent*
*100 = mostly long-term stakeholder relationships*

| | Short term | | | | Both to the same extemt | | | | Long term | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

| | |
|---|---|
| Alpha's relationships with stakeholders are mostly |  |

To what extent do you agree with the following statements?

*1 = not at all; 7 = very much agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| It makes sense to buy groceries from Alpha instead of another store even if the groceries are the same. (1) | | | | | | | |
| Even if another grocery store has the same customer service as Alpha, I would prefer to buy from Alpha. (2) | | | | | | | |
| If there was another grocery store as good as Alpha, I would still prefer to buy groceries at Alpha. (3) | | | | | | | |
| If another grocery store is not different from Alpha in any way, it seems smarter to purchase groceries from Alpha. (4) | | | | | | | |

Please indicate to what extent you agree that the following terms characterize Alpha and its commitments and practices.

*1 = strongly disagree ; 7 = strongly agree*

Company Alpha and its commitments and practices are:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Profit motivated (1) | | | | | | | |
| Socially motivated (2) | | | | | | | |
| In the company's self-interest (3) | | | | | | | |
| In the interest of society (4) | | | | | | | |

[not included in analysis] What are your feelings about Alpha?

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|---|---|---|---|---|---|---|---|
| Very incompetent | | | | | | | | Very competent |
| Very undependable | | | | | | | | Very dependable |
| Of very low integrity | | | | | | | | Of very high integrity |
| Very dishonest and untrustworthy | | | | | | | | Very honest and trustworthy |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| The situation described was realistic (1) | | | | | | | |
| I had no difficulty imagining this situation (2) | | | | | | | |

[not included in analysis] According to you, why does company Alpha commit to the specific motives and practices that were sketched in the description?

Please indicate to what extent you agree or disagree with the following motives.
1 = strongly disagree ; 7 = strongly agree

Company Alpha commits to its motives and practices because:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Its leaders feel morally obligated to do so. (1) | | | | | | | |
| Its leaders have a long-term interest in these commitments. (2) | | | | | | | |
| Their owners or employees believe in this. (3) | | | | | | | |
| They want to make it easier for consumers who care about the same commitments to support them. (4) | | | | | | | |
| This way they are trying to give something back to society. (5) | | | | | | | |
| They feel their customers expect it. (6) | | | | | | | |
| Its leaders feel society in general expects it. (7) | | | | | | | |
| Its leaders feel their shareholders expect it. (8) | | | | | | | |
| Its leaders feel their employees expect it. (9) | | | | | | | |
| Its leaders are taking advantage of others to help their own business. (10) | | | | | | | |
| Its leaders are taking advantage of others' commitments to help their own business. (16) | | | | | | | |
| This way they are trying to get a tax write-off. (11) | | | | | | | |
| This way its leaders want to get publicity. (12) | | | | | | | |
| This way its leaders are trying to get more customers. (13) | | | | | | | |
| This way its leaders try to keep more of their customers. (14) | | | | | | | |
| They hope to increase profits. (15) | | | | | | | |

Please rate the extent to which you agree with following statements on a scale from 0 to 10.
*0 = not at all  10 = very much*

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| We can depend on getting the truth in most research reports. (4) | | | | | | | | | | | |
| The aim of a research report is to inform the consumer. (6) | | | | | | | | | | | |
| I believe research reports are informative. (7) | | | | | | | | | | | |
| Research reports are generally truthful. (8) | | | | | | | | | | | |
| Research reports are a reliable source of information about firms. (9) | | | | | | | | | | | |
| Research reports contain well-considered truth. (11) | | | | | | | | | | | |
| In general, research reports present a true picture of the firm being investigated. (12) | | | | | | | | | | | |
| I feel I've been accurately informed after reading most research reports. (14) | | | | | | | | | | | |
| Most research reports provide consumers with essential information. (16) | | | | | | | | | | | |

[Next page]

PART 3

Finally, we ask you more about yourself.

What is your gender?

- ❍ Male (1)
- ❍ Female (2)

What is your nationality? [dropdown list]
What year were you born? [dropdown list]
Do you have comments about this survey? (This is optional, you can leave this field blank.)

You have reached the end of the survey! Thank you very much for completing it. On the next page we show you your confirmation code.

**Chapter 3, Experiment 5**

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k. quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully  read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following three vignette.]

[Stakeholder-oriented]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that  Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do.

This commitment to stakeholder welfare and doing what is morally right translates into practices that improve stakeholder welfare, also if these practices result in lower financial performance. Specifically, Alpha invests in relationships with its suppliers, rather than switching to the supplier who asks the lowest price.

In addition, Alpha constantly optimizes its operations to increase customer satisfaction, also if this leads to lower profits. When new skills are needed, Alpha trains its current employees, instead of replacing them with skilled applicants who ask the same wage. Finally, Alpha resolves conflicts with the local community through collaboration rather than via legal procedures.

[Profit-oriented]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its financial performance, because Alpha believes this is necessary to be a successful business.

This commitment to financial performance and being a successful business translates into practices that improve financial performance, also if these practices result in lower stakeholder welfare. Specifically, Alpha switches to the supplier who asks the lowest price rather than investing in relationships with its suppliers. In addition, Alpha constantly optimizes its operations to increase profits, also if this leads to lower customer satisfaction. When new skills are needed, Alpha replaces its employees with skilled applicants who ask the same wage, instead of training current employees. Finally, Alpha resolves conflicts with the local community via legal procedures rather than through collaboration.

[Mixed]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is necessary to be a successful business.

This commitment to stakeholder welfare and being a successful business translates into practices that improve stakeholder welfare, provided that these practices result in higher financial performance. Specifically, Alpha invests in relationships with its suppliers, but does so only for suppliers who ask the lowest prices. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, if this has proven to increase profits. When new skills are needed, Alpha trains current employees or replaces them with skilled applicants asking the same wage, whichever is faster. Finally, Alpha resolves conflicts with the local community through collaboration, or via legal procedures if less costly.

[Shared value]

Company Alpha has job openings consistent with your career goals. The pay and benefits are competitive and meet your expectations, and the organization has a reputation for providing excellent promotion opportunities.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its stakeholders' welfare in a way that turns Alpha into a successful business.

This commitment to stakeholder welfare, in a way that turns Alpha into a successful business, translates into practices that improve stakeholder welfare, while these practices also result in higher financial performance. Specifically, Alpha invests in relationships with its suppliers, which enables its suppliers to ask the lowest prices. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, and foresees this to increase profits. When new skills are needed, Alpha trains current employees and goes through this process faster than replacing them with skilled applicants. Finally, Alpha resolves conflicts with the local community through collaboration, in a way that is less costly than via legal procedures.

[survey questions as in experiment 4; applicant attractiveness as in experiment 3]

# APPENDIX B

## Chapter 4, Experiment 1

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k.quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully  read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following two vignette.]

[Stakeholder-oriented]

Company Alpha is a grocery retailer which recently built a new store in your neighborhood. Alpha sells products that you buy on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do.

This commitment to stakeholder welfare and doing what is morally right translates into practices that improve stakeholder welfare, also if these practices

result in lower financial performance. Specifically, Alpha invests in relationships with its suppliers, rather than switching to the supplier who asks the lowest price. In addition, Alpha constantly optimizes its operations to increase customer satisfaction, also if this leads to lower profits. When new skills are needed, Alpha trains its current employees, instead of replacing them with skilled applicants who ask the same wage. Finally, Alpha resolves conflicts with the local community through collaboration rather than via legal procedures.
[Profit-oriented]

Company Alpha is a grocery retailer which recently built a new store in your neighborhood. Alpha sells products that you buy on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its financial performance, because Alpha believes this is necessary to be a successful business.

This commitment to financial performance and being a successful business translates into practices that improve financial performance, also if these practices result in lower stakeholder welfare. Specifically, Alpha switches to the supplier who asks the lowest price rather than investing in relationships with its suppliers. In addition, Alpha constantly optimizes its operations to increase profits, also if this leads to lower customer satisfaction. When new skills are needed, Alpha replaces its employees with skilled applicants who ask the same wage, instead of training current employees. Finally, Alpha resolves conflicts with the local community via legal procedures rather than through collaboration.

Which of the following statements about company Alpha is part of the description?

- ❍ Company Alpha is a grocery retailer selling products that you buy on a weekly basis. (4)
- ❍ Company Alpha has job openings consistent with your career goals. (5)
- ❍ Company Alpha is a corporation that you might include in your investment portfolio. (6)

According to the description above, what does the report of the research organization say about Alpha? Choose the statement that is part of the description.

Alpha is committed to:

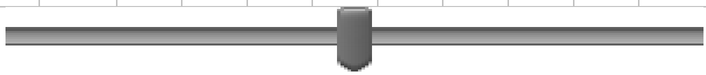
- ❍ improving its financial performance, because Alpha believes this is necessary to be a successful business. (4)
- ❍ improving its stakeholders’ welfare, because Alpha believes this is necessary to be a successful business. (6)
- ❍ improving its stakeholders’ welfare, because Alpha believes this is the morally right thing to do. (7)
- ❍ improving its stakeholders' welfare in a way that turns Alpha into a successful business. (8)

[Next page]

The following questions are about your attitudes towards company Alpha. There are no right or wrong answers, we simply ask for your opinion.

Most companies adhere to a small set of commitments. Some companies prioritize a commitment to increase the welfare of stakeholders - such as customers, employees, suppliers, or the community. Other companies prioritize a commitment to increase the firm's performance - such as the firm's financial performance, market share, or prestige. Still other companies commit to both to a similar extent. According to you, how does Alpha prioritize its commitments?

*0 = firm performance is Alpha's priority commitment*
*50 = both commitments are equally important to Alpha*
*100 = stakeholder welfare is Alpha's priority commitment*

| | Firm performance | | | | Both equally important | | | | Stakeholder welfare | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |
| Alpha prioritizes |  | | | | | | | | | | |

Companies differ in how they treat their stakeholders (such as customers, employees, suppliers or the community). For instance, some companies tend to have long-term relationships with stakeholders, while others tend to have short-term relationships with stakeholders. Still other companies have both short-term relationships with some stakeholders some of the time and long-term relationships with other stakeholders some of the time. Do you expect Alpha to have mostly long-term or short-term stakeholder relationships, or both?

*0 = mostly short-term stakeholder relationships*
*50 = both relationships to the same extent*
*100 = mostly long-term stakeholder relationships*

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Short term | | | | Both to the same extemt | | | Long term | | | |
| | 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |
| Alpha's relationships with stakeholders are mostly | | | | | | | | | | | |

[Next page]

PART 2

We now ask you about your attitudes towards this company.
Please rate the following statements about Alpha's stakeholders on a scale from 1 to 7.
*1 = not at all 7 = very much*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| To what extent do Alpha’s stakeholders have intentions? (4) | | | | | | | |
| To what extent do Alpha’s stakeholders have free will? (5) | | | | | | | |
| To what extent do Alpha’s stakeholders experience emotions? (6) | | | | | | | |
| To what extent do Alpha’s stakeholders have consciousness? (7) | | | | | | | |
| To what extent do Alpha’s stakeholders have a mind of their own? (8) | | | | | | | |

Please rate the following statements about Alpha on a scale from 1 to 7.
*1 = not at all 7 = very much*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| To what extent does Alpha have intentions? (4) | | | | | | | |
| To what extent does Alpha have free will? (5) | | | | | | | |
| To what extent does Alpha experience emotions? (6) | | | | | | | |
| To what extent does Alpha have: consciousness? (7) | | | | | | | |
| To what extent does Alpha have a mind of its own? (8) | | | | | | | |

Please indicate to what extent you agree that the following terms characterize Alpha and its commitments and practices.
*1 = strongly disagree ; 7 = strongly agree*

Company Alpha and its commitments and practices are:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Profit motivated (1) | | | | | | | |
| Socially motivated (2) | | | | | | | |
| In the company's self-interest (3) | | | | | | | |
| In the interest of society (4) | | | | | | | |

Alpha has the following rule in its human resource policy: If an employee has worked 20 hours' overtime in one month, its floor manager should give the employee a raise. You want to find out whether this rule is ever violated.

[Next page]

After reading about Alpha's practices, you find out that Alpha often fails at implementing this policy. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a raise.

We would like to know what you think of Alpha's failure in carrying out its policy. Please indicate on a scale from 1 to 7 to what extent you agree with the following statements.

*1 = totally disagree*
*7 = totally agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| This failure is immoral. (1) | | | | | | | |
| This failure is unethical. (2) | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| This failure breaks a promise made to Alpha's employees. (3) | | | | | | | |
| This failure is a reasonable business practice. (4) | | | | | | | |
| This failure is a rational thing to do. (6) | | | | | | | |
| As a floor manager, I would act the same way and not carry out the policy. (5) | | | | | | | |
| This kind of failure is common for firms like Alpha. (8) | | | | | | | |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| The situation described was realistic (1) | | | | | | | |
| I had no difficulty imagining this situation (2) | | | | | | | |

[Next page]

PART 3

Finally, we want to know more about yourself.
To what extent do you agree with following statements on a scale from 1 to 7?
*1 = not at all  7 = very much*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| We can depend on getting the truth in most research reports. (4) | | | | | | | |
| The aim of a research report is to inform the consumer. (6) | | | | | | | |
| I believe research reports are informative. (7) | | | | | | | |
| Research reports are generally truthful. (8) | | | | | | | |
| Research reports are a reliable source of information about firms. (9) | | | | | | | |
| Research reports contain well-considered truth. (11) | | | | | | | |
| In general, research reports present a true picture of the firm being investigated. (12) | | | | | | | |
| I feel I've been accurately informed after reading most research reports. (14) | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Most research reports provide consumers with essential information. (16) | | | | | | | |

[not included in analysis] To what extent do you agree with the following statements about yourself?
*1 = strongly disagree*
*7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| When I make plans, I am almost certain that I can make them work. (6) | | | | | | | |
| Getting people to do the right things depends upon ability; luck has nothing to do with it. (7) | | | | | | | |
| What happens to me is my own doing. (9) | | | | | | | |
| Many of the unhappy things in people's lives are partly due to bad luck. (11) | | | | | | | |
| Getting a good job depends mainly on being in the right place at the right time. (12) | | | | | | | |
| Many times I feel that I have little influence over the things that happen to me. (13) | | | | | | | |

What best describes your highest level of education?
- ❍ Did Not Complete High School / GED / Secondary Education (1)
- ❍ Completed High School / GED / Secondary Education (2)
- ❍ Some College or University (3)
- ❍ Obtained a Bachelor's Degree (or equivalent) (4)
- ❍ Obtained a Master's Degree (or equivalent) (5)
- ❍ Some or Obtained Advanced Graduate work or Ph.D. (6)
- ❍ Other, please specify: (7)

[not included in analysis] Do you have an educational background in business or economics?
- ❍ Yes (1)
- ❍ No (2)
- ❍ Unsure (you can specify if you want) (3)

What best describes your current occupational status?
- ❍ Employed as an employee (1)
- ❍ Self-employed (2)
- ❍ Apprentice / trainee (3)
- ❍ Unemployed (4)

- ❍ Student (6)
- ❍ Homemaker (7)
- ❍ Retired (8)
- ❍ Other, please specify: (9)
- ❍

What is your gender?
- ❍ Male (1)
- ❍ Female (2)

What is your nationality? [dropdown list]

What year were you born? [dropdown list]

Have you done this, or a very similar survey, before?
- ❍ Yes (2)
- ❍ No (3)

Do you have comments about this survey? (This is optional, you can leave this field blank.)

You have reached the end of the survey! Thank you very much for completing it. On the next page we show you your confirmation code.

**Chapter 4, Experiment 2**

Same as experiment 1, except that the transgression now reads:

Alpha has the following rule in its human resource policy: If an employee has worked 20 hours' overtime in one month, Alpha should give the employee a raise. You want to find out whether this rule is ever violated.

[Next page]

After reading about Alpha's practices, you find out that Alpha often fails at implementing this policy. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a raise.

**Chapter 4, Experiment 3**

[Introductory page]

The following survey takes around 10 minutes and is split up in three parts. First, we present you a short description of a fictitious company. Second, we ask you a few questions about your attitudes towards this company. In the third part, we ask you a few questions about yourself.

In case of ethical concerns, contact the researcher (k.quintelier@uva.nl). Your concerns are treated confidentially.

By clicking on the button below, you consent to taking this survey.

[Next page]

PART 1

Carefully read the description below. Afterwards, we will ask you a few questions about what you have read.

[Participants are randomly assigned to one of the following two vignette.]

[Stakeholder-oriented]

Company Alpha is a grocery retailer which recently built a new store in your neighborhood. Alpha sells products that you buy on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do.

This commitment to stakeholder welfare and doing what is morally right translates into practices that improve stakeholder welfare, also if these practices result in lower financial performance. Specifically, Alpha invests in relationships with its suppliers, rather than switching to the supplier who asks the lowest price.

In addition, Alpha constantly optimizes its operations to increase customer satisfaction, also if this leads to lower profits. When new skills are needed, Alpha trains its current employees, instead of replacing them with skilled applicants who ask the same wage. Finally, Alpha resolves conflicts with the local community through collaboration rather than via legal procedures.
[Profit-oriented]

Company Alpha is a grocery retailer which recently built a new store in your neighborhood. Alpha sells products that you buy on a weekly basis. Both the price and quality of the products meet your expectations, and the organization has a reputation for providing good customer service.

Recently, a reputable research organization has investigated motives and practices in Alpha's industry. Their report shows that Alpha is committed to improving its financial performance, because Alpha believes this is necessary to be a successful business.

This commitment to financial performance and being a successful business translates into practices that improve financial performance, also if these practices result in lower stakeholder welfare. Specifically, Alpha switches to the supplier who asks the lowest price rather than investing in relationships with its suppliers. In addition, Alpha constantly optimizes its operations to increase profits, also if this leads to lower customer satisfaction. When new skills are needed, Alpha replaces its employees with skilled applicants who ask the same wage, instead of training current employees. Finally, Alpha resolves conflicts with the local community via legal procedures rather than through collaboration.

Which of the following statements about company Alpha is part of the description?

- Company Alpha is a grocery retailer selling products that you buy on a weekly basis. (4)
- Company Alpha has job openings consistent with your career goals. (5)
- Company Alpha is a corporation that you might include in your investment portfolio. (6)

According to the description above, what does the report of the research organization say about Alpha? Choose the statement that is part of the description.

Alpha is committed to:

- ❍ improving its financial performance, because Alpha believes this is necessary to be a successful business. (4)
- ❍ improving its stakeholders' welfare, because Alpha believes this is necessary to be a successful business. (6)
- ❍ improving its stakeholders' welfare, because Alpha believes this is the morally right thing to do. (7)

[Next page]

We want to know how you see Alpha's employees.
Please rate the following statements about Alpha's employees on a scale from 1 to 7.

*1 = not at all 7 = very much*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| To what extent do Alpha's employees have intentions? (4) | | | | | | | |
| To what extent do Alpha's employees have free will? (5) | | | | | | | |
| To what extent do Alpha's employees experience emotions? (6) | | | | | | | |
| To what extent do Alpha's employees have consciousness? (7) | | | | | | | |
| To what extent do Alpha's employees have a mind of their own? (8) | | | | | | | |

We now want to know how you see Alpha.
Please rate the following statements about Alpha on a scale from 1 to 7.

*1 = not at all  7 = very much*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| To what extent does Alpha have intentions?  (4) | | | | | | | |
| To what extent does Alpha have free will? (5) | | | | | | | |
| To what extent does Alpha experience emotions? (6) | | | | | | | |
| To what extent does Alpha have consciousness? (7) | | | | | | | |
| To what extent does Alpha have a mind of its own? (8) | | | | | | | |

Now carefully read the description about one of Alpha's policies below.

Alpha has the following rule in its human resource policy: If an employee has worked 20 hours' overtime in one month, Alpha should give the employee a coupon that guarantees a day off. You want to find out whether this rule is ever violated.

[Next page]

After reading about Alpha's practices, you find out that at Alpha, the rule is often violated. Several of Alpha's employees have worked more than 20 hours' overtime in one month, without getting a coupon for a day off. This goes against Alpha's policy to guarantee these employees a day off.

Alpha's employees now claim these days off.

We would like to know what you think of this situation.
Please indicate on a scale from 1 to 7 to what extent you agree with the following statements.
*1 = strongly disagree*
*7 = strongly agree*

The employees' claims for days off:

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| are appropriate (12) | | | | | | | |
| deserve consideration from Alpha (20) | | | | | | | |
| are morally legitimate (21) | | | | | | | |
| deserve consideration regardless of their effect on Alpha (22) | | | | | | | |
| should receive high priority from Alpha (23) | | | | | | | |
| should receive time and attention from Alpha (24) | | | | | | | |

We would like to know what you think of Alpha.

Please indicate on a scale from 1 to 7 to what extent you agree with the following statements.
*1 = strongly disagree*
*7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Alpha has an obligation to satisfy its employees' claims (6) | | | | | | | |
| Alpha should accept responsibility for the effect of its violation on its employees (4) | | | | | | | |
| Alpha should not get away with this violation (5) | | | | | | | |

Finally, we would like to know what you think of this violation.

Please indicate on a scale from 1 to 7 to what extent you agree with the following statements.
*1 = strongly disagree*
*7 = strongly agree*

This violation is:

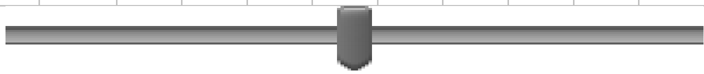
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| harmful for employees (12) | | | | | | | |
| immoral (1) | | | | | | | |
| wrong (3) | | | | | | | |
| a reasonable business practice (4) | | | | | | | |
| a rational thing to do (6) | | | | | | | |

[Next page]

The following questions are about your attitudes towards company Alpha.
There are no right or wrong answers, we simply ask for your opinion.

Most companies adhere to a small set of commitments. Some companies prioritize a commitment to increase the welfare of stakeholders - such as customers, employees, suppliers, or the community. Other companies prioritize a commitment to increase the firm's performance - such as the firm's financial performance, market share, or prestige. Still other companies commit to both to a similar extent. According to you, how does Alpha prioritize its commitments?

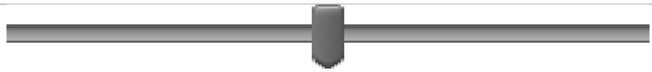
*0 = firm performance is Alpha's priority commitment*
*50 = both commitments are equally important to Alpha*
*100 = stakeholder welfare is Alpha's priority commitment*

| | Firm performance | | | | Both equally important | | | | Stakeholder welfare | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |
| Alpha prioritizes |  | | | | | | | | | | |

Companies differ in how they treat their stakeholders (such as customers, employees, suppliers or the community). For instance, some companies tend to have long-term relationships with stakeholders, while others tend to have short-term relationships with stakeholders. Still other companies have both short-term relationships with some stakeholders some of the time and long-term relationships with other stakeholders some of the time. Do you expect Alpha to have mostly long-term or short-term stakeholder relationships, or both?

*0 = mostly short-term stakeholder relationships*
*50 = both relationships to the same extent*
*100 = mostly long-term stakeholder relationships*

| | Short term | | | | | Both to the same extemt | | | Long term | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

| | |
|---|---|
| Alpha's relationships with stakeholders are mostly |  |

To what extent do you agree with the following statements?
*1 = strongly disagree ; 7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| The situation described was realistic (1) | | | | | | | |
| I had no difficulty imagining this situation (2) | | | | | | | |

[Next page]

PART 3

Finally, we want to know more about yourself. To what extent do you agree with following statements on a scale from 1 to 7?
*1 = not at all  7 = very much*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| We can depend on getting the truth in most research reports. (4) | | | | | | | |
| The aim of a research report is to inform the consumer. (6) | | | | | | | |
| I believe research reports are informative. (7) | | | | | | | |
| Research reports are generally truthful. (8) | | | | | | | |
| Research reports are a reliable source of information about firms. (9) | | | | | | | |
| Research reports contain well-considered truth. (11) | | | | | | | |
| In general, research reports present a true picture of the firm being investigated. (12) | | | | | | | |
| I feel I've been accurately informed after reading most research reports. (14) | | | | | | | |
| Most research reports provide consumers with essential information. (16) | | | | | | | |

[not included in analysis] To what extent do you agree with the following statements about yourself?

*1 = strongly disagree*
*7 = strongly agree*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| When I make plans, I am almost certain that I can make them work. (6) | | | | | | | |
| Getting people to do the right things depends upon ability; luck has nothing to do with it. (7) | | | | | | | |
| What happens to me is my own doing. (9) | | | | | | | |
| Many of the unhappy things in people's lives are partly due to bad luck. (11) | | | | | | | |
| Getting a good job depends mainly on being in the right place at the right time. (12) | | | | | | | |
| Many times I feel that I have little influence over the things that happen to me. (13) | | | | | | | |

What best describes your highest level of education?
- ❍ Did Not Complete High School / GED / Secondary Education (1)
- ❍ Completed High School / GED / Secondary Education (2)
- ❍ Some College or University (3)
- ❍ Obtained a Bachelor's Degree (or equivalent) (4)
- ❍ Obtained a Master's Degree (or equivalent) (5)
- ❍ Some or Obtained Advanced Graduate work or Ph.D. (6)
- ❍ Other, please specify: (7)

[not included in analysis] Do you have an educational background in business or economics?
- ❍ Yes (1)
- ❍ No (2)
- ❍ Unsure (you can specify if you want) (3)

What best describes your current occupational status?
- ❍ Employed as an employee (1)
- ❍ Self-employed (2)
- ❍ Apprentice / trainee (3)
- ❍ Unemployed (4)
- ❍ Student (6)
- ❍ Homemaker (7)

- ❍ Retired (8)
- ❍ Other, please specify: (9)

What is your gender?
- ❍ Male (1)
- ❍ Female (2)

What is your nationality? [dropdown list]

What year were you born? [dropdown list]

Have you done this, or a very similar survey, before?
- ❍ Yes (2)
- ❍ No (3)

Do you have comments about this survey? (This is optional, you can leave this field blank.)

You have reached the end of the survey! Thank you very much for completing it. On the next page we show you your confirmation code.

## CO-AUTHOR STATEMENTS

**Statement of co-authorship by Prof.dr.ir. J.W. Stoelhorst**

From the five chapters in the dissertation, two are co-authored. The single-authored chapters are Chapter 1 (Introduction), Chapter 4, and Chapter 5 (Conclusion). These chapters benefited from multiple rounds of feedback in the normal process of PhD supervision. For the other two chapters, co-author statements are included below.

**Chapter 2**

This chapter is an elaboration on:

-Quintelier, K., Stoelhorst, J.W. and Bridoux, F.M. (2016). The Bright, Dark and Far Side of Reciprocity: Stakeholder Cooperation, Stakeholder Punishment, and Value Creation. AOM - Academy of Management Conference, Anaheim, August.

The original idea for this paper came from Katinka's critical reading of the stakeholder theory literature, in particular the 'behavioral stakeholder theory' stream of research and its discussions of the role of 'reciprocity' as opposed to 'self-interest' in stakeholder relationships. Based on her knowledge of the literature in moral psychology in general, and the literature on the phenomenon of 'moral punishment' in particular, Katinka pointed out an important inconsistency in the treatment of reciprocity in the 'behavioral stakeholder theory' stream of research, including some of my own work with Flore Bridoux. This inconsistency was the implicit assumption that stakeholders would punish profit-driven firms, when punishment is in fact a form of (negative) reciprocity. Given the fact that the behavioral stakeholder theory literature argued that we should expect stakeholder-driven firms to elicit reciprocity, it follows that stakeholder-driven rather than profit-driven firms should be more vulnerable to stakeholder punishment. This idea then led to the paper that is included here as chapter two of the dissertation.

In addition to coming up with the idea for the paper, Katinka was in the lead in writing it. A first version of the paper co-authored with me was presented at the 2015 Strategic Management Conference in Denver. A second version of the paper co-authored with me and Flore Bridoux, was presented at the 2016 Academy of Management Conference in Anaheim. The version of the paper included as chapter 2 of the dissertation is the third version of the paper. In this version, Katinka and I co-authored the front and back end of the paper and

Katinka and Flore Bridoux co-authored the sections developing the propositions. The three of us worked together on streamlining the final text.

**Chapter 3**

This chapter is based on:

-Quintelier, K., Stoelhorst, J.W. and Vock, M. (2017). The Influence of Stakeholder Orientation on Firms' Attractiveness to Stakeholders. AOM - Academy of Management Conference, Atlanta, August.

This chapter started with a study in which we tried to replicate an interesting finding in a Master thesis that I supervised. The replication was unsuccessful, but we did find that different stakeholder orientations had different effects on how attractive firms are to stakeholders. Katinka then developed additional studies to better understand the mechanisms involved in this relationship. Beyond the original (and failed) replication, Katinka was always in the lead in developing the studies and writing the paper. She furthermore collected all the data and ran all the analyses. I was involved throughout this process to help develop the conceptualization and help craft the manuscript. Marlene Vock's role was to help us see the links between the studies that Katinka was designing and extant empirical work in the adjacent corporate social responsibility literature.

# SUMMARY

## The microfoundations of stakeholder theory
## Understanding individual behavior in a business context through the lens of moral psychology

How do individuals behave in a business context? Throughout the 20th century, economists started from the assumption that individuals in a business context act in their own financial interest. The last decades, social scientists rejected this assumption of self-interest, having found instead that individuals often deviate from self-interested behavior. Their insights trickled down to the field of management. Here stakeholder scholars developed an updated model of individual behavior, based on bounded self-interested. This means that individuals are self-interested, but they also care about others and morality, even in a business context.

This updated model of individual behavior has important consequences for how we think of firms. In general, the model suggests that firms should be stakeholder-oriented and not profit-oriented. Stakeholder-oriented firms take the interests of a broad range of stakeholders into account. Profit-oriented firms in contrast aim to maximize the firm's profit for the benefit of shareholders. In other words, in the debate over the proper purpose of the firm – shareholder value or stakeholder value – this model supports the stakeholder view.

There are two arguments why bounded self-interest supports a stakeholder-oriented view of the firm. The first, instrumental argument, holds that if individual stakeholders care about others and morality, they will be more cooperative towards and attracted to stakeholder-oriented firms than towards profit-oriented firms. Stakeholder-oriented firms can therefore create more value than profit-oriented firms. The second, normative argument, holds that if stakeholders care about others and morality, stakeholder-oriented firms, more than profit-oriented firms, will enable individuals to show moral consideration, leading to moral behavior.

But there are problems with these arguments. First, stakeholder-oriented firms might also elicit morally motivated punishment, or they could be unattractive to potential stakeholders. Stakeholder-oriented firms would therefore create less value than profit-oriented firms, undermining the instrumental argument. Second, the effect of stakeholder-oriented firms on individuals' moral consideration has not been investigated. In this dissertation, I therefore take up the challenge to investigate morally motivated punishment,

individuals' attraction to firms, and individuals' moral consideration. I then discuss the consequences of these results for stakeholder-oriented firms.

Chapter 2 of this dissertation presents a dual model predicting that stakeholder-oriented firms trigger moralistic behavior while profit-oriented firms trigger self-interested behavior. This explains that, when a firm is engaged in wrongdoing, a stakeholder-oriented firm is more likely to elicit individuals' punishment than a profit-oriented firm. At first sight, this undermines the instrumental argument for a stakeholder orientation. In the long term though, punishment might sustain cooperative stakeholder behavior. In chapter 5 I discuss the possibility that stakeholder-oriented firms manage individuals' punishment in order to create more value than profit-oriented firms.

Chapter 3 reports the results of 5 experiments. This chapter shows that stakeholder-oriented firms are more attractive than profit-oriented firms, and also than firms mixing elements of a stakeholder and a profit orientation. The explanation is that individuals perceive a firm's profit motives and its social motives to be in conflict. This leads to the insight that firms don't necessarily benefit from combining profit and social motives. In chapter 5, I discus how this calls into question theories that advocate mixing elements from a stakeholder orientation with elements from a profit orientation. This has implications for corporate social responsibility activities that are not part of a consistent stakeholder orientation. These activities will not increase the firm's attractiveness.

Chapter 4 reports the results of 3 experiments. This chapter shows that stakeholder-oriented firms enable individuals to see stakeholders as human beings, and this humanization triggers individuals to express more negative moral evaluations when the firm harms its stakeholders. However, chapter 4 correspondingly shows that individuals also see stakeholder-oriented firms as more human than profit-oriented firms. This, in turn, decreases negative moral evaluations when the firm harms its stakeholders. In chapter 5, I discuss how these results defend the subset of normative stakeholder theories that focus more on stakeholders' interests and less on firms and their motives.

These insights contribute to the descriptive, instrumental and normative approach in stakeholder theory. I argue that the dual model presented in chapter 2 is descriptively more accurate. Instrumentally, stakeholder-oriented firms can create more value, but only if they are consistent and if they manage punishment well. Normatively, stakeholder-oriented firms can enable individuals to show moral considerations, but only if stakeholder-oriented firms highlight stakeholders and their legitimate interests. Further studies should therefore develop more specific theories about consistently stakeholder-oriented firms that leverage punishment, and that focus on stakeholder interests.

# SAMENVATTING / SUMMARY IN DUTCH

## De microfundamenten van stakeholder theorie
## Individueel gedrag in een bedrijfscontext begrijpen door de lens van moraalpsychologie.

Hoe gedragen individuen zich in een bedrijfscontext? In de 20e eeuw namen economen aan dat individuen in een bedrijfscontext uit financieel eigenbelang handelen. Maar de laatste decennia verwierpen sociale wetenschappers deze aanname van eigenbelang. In de plaats daarvan hadden zij gevonden dat individueel gedrag dikwijls afwijkt van zelfzuchtig gedrag. Hun inzichten sijpelden door tot bedrijfskundigen. Deze wetenschappers ontwikkelden een meer actueel model van menselijk gedrag, gebaseerd op begrensd eigenbelang. Dit betekent dat individuen zelfzuchtig zijn, maar ook geven om anderen en om moraliteit, zelfs in een bedrijfscontext.

Dit geactualiseerde model voor individueel gedrag heeft belangrijke gevolgen voor hoe we nadenken over bedrijven. In het algemeen suggereert dit model dat bedrijven stakeholdergericht moeten zijn en niet winstgericht. Stakeholdergerichte bedrijven houden rekening met een brede waaier aan belanghebbenden, of stakeholders. Winstgerichte bedrijven daarentegen streven ernaar om de bedrijfswinst te maximaliseren, ten behoeve van de aandeelhouders. Met andere woorden, in het debat over het juiste doel van bedrijven – waarde voor aandeelhouders of waarde voor stakeholders – kiest dit model de kant van de stakeholders.

Er zijn twee argumenten waarom begrensd eigenbelang de stakeholdergerichte stroming ondersteunt. Het eerste, instrumentele argument, houdt in dat, als individuele stakeholders om anderen en om moraliteit geven, dan werken die individuele stakeholders beter samen met, en worden we meer aangetrokken tot, stakeholdergerichte bedrijven dan winstgerichte bedrijven. Het tweede, normatieve argument, houdt in dat, als stakeholders om anderen en om moraliteit geven, dan laten stakeholdergerichte bedrijven die stakeholders in sterkere mate toe om morele overwegingen te vertonen, wat tot moreel gedrag leidt.

Maar er zijn problemen met deze argumenten. Ten eerste zouden stakeholdergerichte bedrijven ook moreel gemotiveerde bestraffing kunnen uitlokken, of ze zouden onaantrekkelijk kunnen zijn voor potentiële stakeholders. Stakeholdergerichte bedrijven zouden daardoor minder waarde creëren dan winstgerichte bedrijven, en dat ondermijnt het instrumentele argument. Ten twee is het effect van stakeholdergerichte bedrijven op de morele overwegingen van individuen niet onderzocht. In dit proefschrift ga ik daarom de uitdaging aan om onderzoek te doen naar moreel gemotiveerde bestraffing, de aantrekkingskracht van bedrijven, en de morele overwegingen van individuen. Daarna bespreek ik de gevolgen van de resultaten voor stakeholdergerichte bedrijven.

Hoofdstuk 2 van dit proefschrift stelt een tweeledig model voor. Dat voorspelt dat stakeholdergerichte bedrijven moralistisch gedrag veroorzaken terwijl winstgerichte bedrijven zelfzuchtig gedrag uitlokken. Dit verklaart dat, wanneer een bedrijf iets fout doet, een stakeholdergericht bedrijf meer kans heeft om bestraffing uit te lokken dan een winstgericht bedrijf. Op het eerste gezicht ondermijnt dit het instrumentele argument voor het stakeholder perspectief. Op lange termijn echter zou bestraffing samenwerking in stand kunnen houden. In hoofdstuk 5 bespreek ik de mogelijkheid dat stakeholdergerichte bedrijven bestraffing kunnen sturen, om zo meer waarde te creëren dan winstgerichte bedrijven.

Hoofdstuk 3 rapporteert de resultaten van 5 experimenten. Dit hoofdstuk toont dat stakeholdergerichte bedrijven aantrekkelijker zijn dan winstgerichte bedrijven, en aantrekkelijker dan bedrijven die elementen van een stakeholdergericht en winstgericht bedrijf mengen. De verklaring is dat individuen een conflict zien tussen winstmotieven en sociale motieven van een bedrijf. Dit leidt tot het inzicht dat bedrijven niet noodzakelijk voordeel halen uit het mengen van winstmotieven en sociale motieven. In hoofdstuk 5 bespreek ik hoe dit inzicht theorieën in vraag stelt die aanraden om elementen van een stakeholdergericht en een winstgericht bedrijf te mengen. Dit heeft implicaties voor maatschappelijk verantwoorde acties van een bedrijf. Als deze geen deel uitmaken van een consistente stakeholdergerichtheid, maken zij het bedrijf er niet aantrekkelijker op.

Hoofdstuk 4 rapporteert de resultaten van 3 experimenten. Dit hoofdstuk toont dat stakeholdergerichte bedrijven individuen in staat stellen om stakeholders als mensen te zien, Deze humanisering zet individuen aan om meer negatief te oordelen als het bedrijf haar stakeholders schade berokkent. Maar hoofdstuk 4 toont ook dat individuen evenzeer stakeholdergerichte bedrijven als meer menselijk zien dan winstgerichte bedrijven. Dit leidt dan weer tot minder negatieve oordelen wanneer het bedrijf haar stakeholders beschadigt. In hoofdstuk 5 bespreek ik hoe deze resultaten die subset van stakeholder theorieën verdedigt die zich meer richten op stakeholderbelangen, en minder op het bedrijf en haar motieven.

Deze inzichten dragen bij aan de descriptieve, instrumentele en normatieve benadering van stakeholder theorie. Ik argumenteer dat het tweeledig model, besproken in hoofdstuk 2, descriptief meer accuraat is. Instrumenteel gezien kunnen stakeholdergerichte bedrijven meer waarde creëren, maar enkel als ze consistent zijn en bestraffend gedrag in de juiste richting sturen. Normatief gezien helpen stakeholdergerichte bedrijven individuen om morele overwegingen te vertonen, maar enkel als stakeholdergerichte bedrijven vooral stakeholders en hun legitieme belangen belichten. Toekomstige studies zouden daarom meer specifieke theorieën moeten ontwikkelen over consistent stakeholdergerichte bedrijven, die bestraffing sturen, en die focussen op stakeholder belangen.

## ACKNOWLEDGMENTS

This dissertation started in quite an adventurous way, when J.W. and Nachoem hired me for a project about the fashion industry. The first episode set in motion a string of unexpected events. First, I dived into fashion by looking and listening intensely. After a while, I found a shiny niche and focused on corporate social responsibility in the fashion industry. Then, Nachoem started writing poems about corporate social responsibility on Facebook. Nevertheless, we decided to split and I made a vague promise to drink a bottle of champagne to celebrate the end of this experimental collaboration. I think we never drank this bottle. Nachoem, I will give you a bottle of champagne; if you show up on my defense we can drink it there. And I liked the adventure.

The second episode started when Ans became my promotor and J.W. took over daily supervision. Now, the dissertation was about stakeholder theory, which advocates the shiny ambition that firms should be socially responsible in their priorities and practices. I am very lucky to have had such a dedicated supervisor, and I can only admire J.W. for meeting and discussing every week. In the meantime, Ans was there to remind me of the end goal and to make sure that I would deliver a coherent final product. Ans and J.W. are an amazing team, representing the best of the Amsterdam Business School.

I moved to Amsterdam for doing this PhD. This city deserves praise for offering a nurturing environment for scholars. Its people encourage candor, and so I often felt liberated to speak my mind. Then, there is Amsterdam Zuidoost, the district we moved to, which promotes a worldly orientation. In my present home neighborhood, I learned to look wider and further.

In the spirit of looking wider and further, I want to acknowledge historical figures as well. The fact that women can peacefully write dissertations at all, has become possible because of the relentless activism of intellectuals such as Olympe de Gouges, Marie de Gournay, and Mary Wollstonecraft. Such activism is still necessary for others who cannot yet peacefully write dissertations, and I thank present-day writers such as Chimamanda Ngozi Adichie for their eloquent and forceful books. If you want to be inspired, read her work.

During the PhD process, I had a lot of fun with Renske and Brigitte. Others have been generous in their support, kindness or joyfulness (in random order, Bianca, Marlene, Flore, Nicole, Robert, Liselore, Vaclav, Joris, Maurice, Pusphika, Siri, Anouar, Pepijn, Cathalijn, Arno, Francesca, Hannah, Inge, Frederik, Bram). All my colleagues from the OR made meetings great again, and

everyone from the two stakeholder seminars made the purpose of business something to believe in.

Two people in the world make it possible that I enjoy writing, or anything at all. My husband raises the baseline happiness level of my life. My daughter gives color and meaning to it all. My parents, of course, made everything possible. They are doing an excellent job in parenting three children.