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**Title:**

**Giving the Benefit of the Doubt: Investigating the Insurance-Like Effect of CSR in  
Mitigating Negative Employee Reactions to Psychological Contract Breach**

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## **Giving the Benefit of the Doubt: Investigating the Insurance-Like Effect of CSR in Mitigating Negative Employee Reactions to Psychological Contract Breach**

### **ABSTRACT**

Many studies document employees' *value-creating* reactions to perceptions of their organization's corporate social responsibility (CSR) initiatives. Unknown, however, is whether perceived CSR can have *value-protecting* effects by mitigating employees' negative responses when they believe the organization's other actions harm their interests, as proposed by theory on the insurance-like effect of CSR. In this respect, we develop hypotheses about the moderating role of CSR-based moral capital, such that higher levels mitigate the effect of psychological contract breach (PCB) on employees' negative assessment of the organization (i.e., corporate hypocrisy) and associated value-eroding responses (i.e., lower loyal boosterism and higher turnover intentions). In Study 1, we use data from time-lagged employee surveys. In Study 2, we conduct two experiments in a causal-chain design. The findings support nuanced hypotheses from our theorized model and provide new insights that contribute to the broader CSR literature on value-protection and insurance-like effects, micro-CSR scholarship, and PCB research.

**Keywords:** corporate hypocrisy, corporate social responsibility, CSR, moral capital, psychological contract breach, insurance-like effect of CSR

## INTRODUCTION

Decades of management research on corporate social responsibility (CSR) reflect a dominant focus on the business case for CSR in multiple discipline-driven streams of scholarship (Aguinis and Glavas, 2012). For example, firm-level studies suggest that CSR can *create* business value due to enhanced reputation among stakeholders (Fombrun and Shanley, 1990; Vishwanathan et al., 2020). Firm-level evidence also supports a complementary perspective highlighting how CSR can *protect* business value by mitigating stakeholders' negative reactions to organizational actions that harm stakeholder interests (e.g., a product safety crisis), thereby providing an insurance-like protection to the firm (Godfrey, 2005; Pelozo, 2006). However, at the micro-level of analysis, while hundreds of studies document underlying mechanisms of value-creating reactions to CSR among employees and customers (Gond et al., 2017; Pelozo and Shang, 2011), few have investigated the core person-level processes underlying the insurance-like effect of CSR.

In his seminal work, Godfrey (2005) details psychological micro-foundations that explain how CSR can have an insurance-like effect that protects against loss of relational wealth—value derived from stakeholder relationships, such as loyalty and support from customers or employees—consequent to a company's injurious conduct. Specifically, Godfrey proposes that philanthropic and community-directed CSR activities, or 'actions that are not required by law but that appear to further some social good and that extend beyond the explicit transactional interests of the firm' (p. 778), are ethically imbued and thus can, over time, generate positive moral capital (i.e., goodwill) in the eye of the beholder. In turn, accrued moral capital can mitigate a stakeholder's negative assessment of the organization and subsequent reactions when a bad act occurs. Godfrey describes the underlying psychology as an attributional process akin to the legal doctrine of *mens rea*: a bad act in itself does not warrant just punishment; what does is a bad act

committed with a bad mind. Accordingly, Godfrey argues that ‘moral capital insures the firm’s relational wealth because it mitigates assessments of bad mind and creates a compelling case for leniency in punishment’ (p. 789).

Firm-level studies report evidence of an insurance-like effect of CSR in market reactions to legal or regulatory sanctions and product recalls (e.g., Godfrey et al., 2009; Noack et al., 2019), as do experimental studies on consumer reactions to similar untoward conduct (e.g., Eisingerich et al., 2011; Klein and Dawar, 2004). The explanatory micro-foundations in Godfrey’s (2005) oft-cited work, explaining why and how the insurance-like effect might occur at the individual level of analysis, however, remain largely unexplored. Indeed, the core person-level mechanism of moral capital explaining *why* CSR can provide insurance-like protection has not been investigated in located research, despite indirect evidence from a few firm-level studies (e.g., Godfrey et al., 2009; Liu et al., 2020; Shiu and Yang, 2017). Similarly, notwithstanding notable insights from marketing studies on consumer purchase intentions in the context of product-harm crises (e.g., Klein and Dawar, 2004; Lin et al., 2011), investigation into the cognitive processes explaining *how* moral capital stemming from CSR can protect the organization’s relational wealth is scant.

Accordingly, we find practical promise and scholarly opportunity in investigating Godfrey’s (2005) theory on the insurance-like effect of CSR among a key stakeholder, namely a company’s employees. Employees differ markedly from the external stakeholders investigated in prior studies that have predominantly focused on shareholders and consumers (i.e., potential customers) who, for the most part, were not directly harmed by a company’s bad acts. By contrast, employees often face direct risk and consequences of injurious employer conduct (Lind, 2001), as highlighted in research on psychological contract breach (PCB) (Coyle-Shapiro and Kessler, 2000), defined as employees’ beliefs about their employers’ failure to deliver on spoken

or unspoken obligations (Morrison and Robinson, 1997). That is, PCB represents a common negative event that employees perceive as detrimental to their interests (Robinson and Rousseau, 1994), which gives rise to conditions for further exploring the insurance-like effect of CSR.

In this respect, our theoretical model depicted in Figure 1 reflects Godfrey's (2005) arguments that moral capital stemming from CSR mitigates stakeholders' (i.e., employees) negative assessments of the organization (i.e., corporate hypocrisy) and the associated loss in relational wealth (i.e., lower loyal boosterism and higher turnover intentions), when a bad act occurs (i.e., PCB). We conducted two studies focused on community-oriented CSR, which Godfrey (2005; Godfrey et al., 2009) posits as a key source of moral capital. In Study 1, we used time-lagged survey data to test hypotheses about the moderating effects of employees' perceptions of CSR-based moral capital on the effects of subsequently experienced PCB. In Study 2, we extend initial findings using a two-experiment causal-chain approach to test (1) the causal effect of manipulated CSR on moral capital, (2) the moderating effect of moral capital in shaping the effect of manipulated PCB on corporate hypocrisy, and (3) the causal effects of manipulated corporate hypocrisy on the same outcomes measured in Study 1 (i.e., loyal boosterism and turnover intentions).

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INSERT FIGURE 1 ABOUT HERE  
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Our study extends the literature in three ways. First, we add to the value-protection CSR literature by delineating and testing some of Godfrey's (2005) core person-level theoretical mechanisms through which the insurance-like effect occurs. Supplementing Godfrey's theorizing with tenets of attribution theory (Kelley and Michela, 1980), our research offers new conceptual and empirical insights about *why* CSR has an insurance-like effect when PCB occurs (i.e., by

generating accrued moral capital) and *how* CSR-based moral capital mitigates negative reactions to PCB (i.e., by buffering its effect on assessment of bad mind). We also contribute empirically by testing the insurance-like effect of CSR in the context of salient and consequential stakeholder–organization (i.e., employee–employer) relationships. Second, while extant employee-centered micro-CSR scholarship has primarily considered the value-creation perspective of CSR (Gond et al., 2017; Jones, 2019), our research offers a novel perspective by investigating the moderating role of CSR in providing a value-protection effect in the context of a negative employee-related event (i.e., PCB). As such, we extend micro-CSR research by shifting attention to a relatively unexplored function of CSR while also providing a complementary and more comprehensive understanding of phenomena located at the intersection of employees, their employment relationships, and their employers’ CSR practices. Third, our findings offer some insights that can inform future PCB research: we highlight the role of community-oriented CSR as a positively valenced organizational factor that can help reduce, in a preventive manner, the damages PCB would otherwise inflict on employees’ support and loyalty to the organization.

## **THEORETICAL FRAMEWORK**

### **Theory on the Insurance-Like Effect of CSR**

Godfrey’s (2005) theory on the insurance-like effect of CSR comprises explanatory arguments and propositions in relation to (1) ‘a simple argument: good deeds earn chits’ (p. 777) and (2) the *mens rea rationale*. First, Godfrey (2005; Godfrey et al., 2009) argues that a company’s CSR activities for community betterment act as a signal of its other-regarding orientation, which typically leads to social approval and positive moral evaluations among its various publics. Thus, an organization’s community-oriented CSR increases its moral capital in the eye of the beholder (Godfrey, 2005).

Second, Godfrey's (2005) theory describes how moral capital accrued from CSR can act as a form of insurance that protects the organization from losing its relational wealth by mitigating a stakeholder's negative assessment of the organization and, thus, resulting reactions when a negative event occurs. To explain the psychological process underlying this phenomenon, Godfrey draws on the legal doctrine of *mens rea*, according to which two elements must be present for a negative event to be an offense worthy of sanctions: 'a bad act and a bad mind' (p. 787). In this respect, establishing *mens rea* entails an attributional process whereby stakeholders seek and infer causal explanations that will enable them to make assessments about the organization's intentionality for the bad act (see also Godfrey et al., 2009). Indeed, determination of the organization's intentions helps address the classic *mens rea* question: is the bad act the result of a deliberate and malevolent action (i.e., a bad actor caused a bad act) or the unfortunate consequence of maladroit management or external situational factors (i.e., a good actor unintentionally caused a bad act)? In this respect, accrued CSR-based moral capital provides evidence of good character that encourages stakeholders to give the organization the benefit of the doubt regarding intentionality when a negative event occurs (Godfrey, 2005). Moral capital stemming from CSR thus performs an insurance-like function against loss of relational wealth by mitigating perceptions of *mens rea* and the resulting negative reactions meted out by stakeholders.

A useful supplement to better delineate Godfrey's (2005) framework, we suggest, is attribution theory. According to this theory, individuals who experience a negative event of personal relevance tend to make inferences of causality to assign responsibility, and thereby better make sense of what happened and why (Harvey et al., 2014; Kelley and Michela, 1980). Although an outcome can have many possible explanations (Wong & Weiner, 1981), the assignment of responsibility is essentially based on individuals' inferences about (1) the locus of



causality, to determine whether the negative event emanated from within the actor (i.e., internal locus) or from the situational context (i.e., external locus), and (2) the intention (or ‘moral responsibility’) that accompanied the act (Hamilton, 1980; see also Lange and Washburn, 2012). The theory also highlights that in most scenarios people are prone to a ‘correspondence bias’ (or fundamental attribution error), whereby they tend to draw dispositional causal inferences from the actor’s behavior, while minimizing or even ignoring the situational factors that may have influenced the actor (Gilbert and Malone, 1995). Indeed, it appears that people spontaneously attribute others’ behavior to dispositional (i.e., internal and intentional) rather than situational (i.e., external and non-intentional) motives, because dispositional inferences are fast and effortless to make (Gilbert and Malone, 1995; Kelley and Michela, 1980, Krull, 1993). Nevertheless, when an actor’s behavior seems at odds with prior beliefs about the actor, people are then more likely to discount dispositional causes for the behavior and attribute it to external or temporary circumstances (Kelley and Michela, 1980; Krull, 1993). In other words, people who previously held beliefs about an actor that are inconsistent with the actor’s behavior are more likely to attribute the behavior to external contingencies and non-intentional motives.

In this way, attribution theory supports Godfrey’s (2005) *mens rea* rationale and related assumptions that an organization’s accrued CSR-based moral capital can help stakeholders attribute a negative event to external factors or managerial maladroitness rather than malevolence. That is, according to Lange and Washburn’s (2012, p. 312) model of corporate irresponsibility attributions, ‘a firm with the perceived disposition of high social responsibility may get the benefit of the doubt among observers, who will discount the possibility of both causality and moral responsibility [i.e., intentionality] when the firm is newly associated with a negative effect’. As such, CSR-based moral capital can mitigate stakeholders’ perceptions of the

organization's mens rea, thereby encouraging their leniency when the organization's action harms stakeholder interests (Godfrey, 2005).

### **PCB as an Instance of a Stakeholder-Related Negative Event**

A psychological contract 'refers to an individual's belief regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party' (Rousseau, 1989, p. 123). In the workplace, it consists of employees' beliefs about what they owe their employer and the perceived promises they believe their organization has made to them (Robinson, 1996; Rousseau, 1989). When employees believe that their employer have failed to adequately fulfill their obligations, the perceived breach of psychological contract usually elicits negative attitudinal and behavioral employee reactions such as withholding extra-role behaviors, engaging in deviant behaviors, and turnover (Coyle-Shapiro et al., 2019; Zhao et al., 2007). Given the idiosyncratic and subjective nature of the psychological contract, different parties to the exchange can hold different beliefs about the mutual obligations involved and, thus, the actions that constitute a breach of those obligations (Morrison and Robinson, 1997; Rousseau, 1989). In this regard, PCB is a common negative event experienced by many employees throughout their careers (Robinson and Rousseau, 1994). PCB thus meets the conditions to test Godfrey's (2005) theorizing at the employee level of analysis, as it represents a negative event that harms employees' interests and typically evokes value-eroding responses from them.

To date, PCB research has demonstrated the importance of social influences and support from leaders, mentors, and colleagues (Doden et al., 2018; Dulac et al., 2008; Ho and Levesque, 2005; Zagenczyk et al., 2009), as well as the role of other post-breach actions (e.g., organizational support, social accounts, speedy resolution; Henderson et al., 2020; Solinger et al., 2016; Tomprou et al., 2015), to repair the damages caused by PCB. Research on the factors that may preventively protect organizations from the negative consequences of a breach, however, is

comparatively limited. Exceptions include PCB literature suggesting employees' prior beliefs about the quality of exchange relationships with the organization and/or the leader can shape the sense-making process following a breach, such that employees with more positive beliefs are less likely to have strong negative reactions to PCB (see Dulac et al., 2008; Robinson, 1996).

Building on these insights and key tenets of attribution theory (Kelley and Michela, 1980), we further explore Godfrey's (2005) core psychological micro-foundations theory by explaining why and how CSR, as a positively valanced organizational factor, can help mitigate employees' negative reactions in the context of PCB.

## **HYPOTHESES DEVELOPMENT**

### **CSR and Accrued Moral Capital**

Signaling theory (Rynes, 1991) argues that key and distinctive attributes and actions of a firm (e.g., CSR programs; Jones and Murrell, 2001) provide stakeholders with information that shapes their impression of the organization (Zagenczyk, 2004). In line with these insights, a core assertion from which Godfrey (2005) develops specific theoretical propositions is that a company's CSR activities, especially those that are community-oriented (i.e., voluntary and non-reciprocal activities intended to increase the well-being of non-transactional stakeholders), send signals to stakeholders that the organization possesses other-regarding dispositions (see also Godfrey et al., 2009). Such signals of benevolence generally elicit social approval from stakeholders and confer moral value on the organization. In this way, CSR activities create positive moral capital (Godfrey, 2005).

Other CSR scholars argue similarly, including in a multi-level theory of CSR engagement (Aguilera et al., 2007), meso-level theory about the signaling effects of CSR on corporate (moral) reputation (Fombrun and Shanley, 1990; Jones, 1995; Jones and Murrell, 2001), and individual-level theory on reactions to CSR among customers (Bhattacharya and Sen, 2004). In micro-CSR

research on employees, scholars have likewise argued and studied how perceptions of CSR activities act as a signal that can increase employees' positive beliefs about the organization's ethics and morality, thereby increasing their support and loyalty to it (Bauman and Skitka, 2012; De Roeck et al., 2016; Ellemers and Chopova, 2021; Vlachos et al., 2010).

According to these studies, discretionary CSR activities, which cannot easily be fully attributable to profit-making motives or legal requirements, signal to stakeholders a company's intrinsic motivation to do good and, thus, to undertake deliberate endeavors to do more than merely be decent (i.e., do no harm) (Ellemers and Chopova, 2021). What Godfrey's (2005; Godfrey et al., 2009) work adds is an emphasis on community-oriented CSR initiatives as a source of positive moral capital on which the insurance-like effect of CSR is based. Indeed, these initiatives are more likely to reflect the other-regarding orientation of the organization than more profit-aligned CSR in areas of governance or supplier and employee relationships, as suggested in firm-level research (Godfrey et al., 2009; Janney and Goves, 2011). Therefore, building on these theoretical insights, we propose that signals from community-oriented CSR will lead to positive moral evaluations of the organization and, thus, to accrued moral capital in the eyes of employees.

*Hypothesis 1:* Community-oriented CSR has a positive effect on employees' perceptions of moral capital.

### **Moderated-Mediation Effects of CSR-Based Moral Capital on Reactions to PCB**

Godfrey's (2005) second core assertion describes how CSR-based moral capital provides an insurance-like protection for a firm's relational wealth, such as support and loyalty from customers or employees, by providing stakeholders with counterfactual evidence that can mitigate their assessment of a bad mind when a bad act occurs. Building on this rationale, we first conceptualize the mediating role of corporate hypocrisy as part of the mens rea process (i.e.,

assessment of a bad mind) and then delineate our theoretical argumentation for the hypothesized buffering effect of CSR-based moral capital on employees' value-eroding reactions to PCB through corporate hypocrisy.

*Mediating role of corporate hypocrisy.* Judgments of corporate hypocrisy entail perceptions that an organization pretends to be something it is not (Wagner et al., 2009). Specifically, such judgments imply perceptions of organizational dishonesty, which reflects poorly on the organization's integrity and, thus, its character (Babu et al., 2020; Monin and Merrit, 2012). In line with the mens rea doctrine underlying Godfrey's (2005) theory, corporate hypocrisy therefore embodies a negative judgment consisting of an assessment of a bad mind. That is, in the context of negative behavior, corporate hypocrisy ultimately reflects the belief that the organization engaged in deceptive practices intentionally (Wagner et al., 2020).

Much like judgments of a leader's or other person's hypocrisy (Greenbaum et al., 2015; Monin and Merritt, 2012), judgments of corporate hypocrisy are fueled by the perceived inconsistencies between a company's words and deeds (Babu et al., 2020; Wagner et al., 2009). As such, PCB, which corresponds to employees' perception that the organization did not deliver on its promises, is a specific type of word-deed inconsistency and, thus, a potential predictor of hypocrisy (Greenbaum et al., 2015). Consistent with the correspondence bias (Gilbert and Malone, 1995), or people's tendency to view an actor's behavior as caused by dispositional characteristics rather than situational contingencies, PCB research confirms that in the absence of strong informational cues about causality, employees tend to attribute breaches to intentional renegeing (Kiewitz et al., 2009; Morrison and Robinson, 1997), and thus are more likely to judge the organization as hypocritical.

In terms of its consequences, stakeholders respond quite negatively to corporate hypocrisy, usually in the form of withdrawal or sanctioning behavior (Wagner et al., 2020). Accordingly,

employees' negative reactions to PCB appear to be transmitted, to some degree, through the positive effect of PCB on corporate hypocrisy. Indeed, similar to the deleterious effects of PCB on extra-role performance and turnover intentions (Zhao et al., 2007), corporate hypocrisy is linked to fewer extra-role behaviors (Babu et al., 2020) and stronger intentions to leave (Scheidler et al., 2019). In line with these insights and Godfrey's (2005) theory on the insurance-like effect of CSR, which highlights the key role of negative assessments of the organization in explaining stakeholders' reactions to corporate actions that jeopardize stakeholder interests, we expect corporate hypocrisy to mediate the deleterious effects of PCB on employees' support of and loyalty to the organization (i.e., loyal boosterism and turnover intentions).

*Hypothesis 2a:* PCB has a negative indirect effect on loyal boosterism through corporate hypocrisy.

*Hypothesis 2b:* PCB has a positive indirect effect on turnover intentions through corporate hypocrisy.

*Moderating role of CSR-based moral capital.* Drawing on attribution theory, PCB research indicates that when employees experience a breach, they make inferences about the cause to assign responsibility for its occurrence (Morrison and Robinson, 1997; Rousseau, 1995). Consistent with Godfrey's (2005) mens rea rationale, Morrison and Robinson (1997, p. 244) also emphasize that 'the most important factors affecting the judgment of responsibility [for PCB] is perceived intentionality'. Building on these insights, Lester et al. (2002) further delineates three main causes for PCB. First, PCB due to renegeing occurs when the organization is believed to have intentionally failed to keep its promises (e.g., laying off employees even when earning sizable profits). Second, disruption is when the breach is perceived as caused by external factors (e.g., economic downturn, fierce competition) that forced the organization to break its promises. Third, PCB resulting from incongruence occurs when employees recognize that the organization

did not intentionally mislead them, with the breach due to, for example, managerial maladroitness or a misunderstanding about the terms and conditions of the psychological contract.

PCB scholars also note that the inherent complexity of the organizational environment tends to impede employees from conducting a fine-grained analysis of the exact causes of PCB (Kiewitz et al., 2009; Lester et al., 2002; Morrison and Robinson, 1997). In this respect, according to the correspondence bias (Gilbert and Malone, 1995), employees are likely to form dispositional causal explanations to assess intentionality and, thus, responsibility for the breach, because they are fast and effortless. Only in some circumstances, such as when PCB is inconsistent with employees' pre-existing beliefs about the organization, will they alter their inference process to consider external (i.e., situational) explanatory factors (see Kelley and Michela, 1980; Krull, 1993). In line with this rationale, Dulac et al. (2008) draw on cognitive dissonance theory (Festinger, 1957) to show that employees' positive beliefs about the quality of their relationship with the organization and/or leader attenuate their negative reactions to PCB, as they tend to attribute the cause to misunderstanding (i.e., incongruence) or non-intentional motives (i.e., disruption) (see also Robinson, 1996). Conversely, studies exploring the role of organizational politics (Kiewitz et al., 2009) and aggressive culture (Restubog et al., 2015) in employees' response to PCB indicate that when employees already hold negative beliefs about their organization (i.e., when PCB does not contradict prior beliefs), they are more likely to attribute the breach to the organization's malevolent disposition (i.e., renegeing) (e.g., Kiewitz et al., 2009; Restubog et al., 2015). In summary, consistent with the tenets of attribution theory, PCB research indicates that people tend to attribute an actor's behavior to internal and intentional causes when the behavior is consistent with their dispositional expectations of the actor but attribute the behavior to external and non-intentional causes when the behavior is inconsistent with their expectations and beliefs about the actor (Robinson, 1996).

Accordingly, on the basis of the reviewed theory and research, we argue that in the context of PCB, pre-existing CSR-based moral capital renders employees less inclined to make strong negative dispositional inferences to explain the organization's actions than they otherwise would. That is, accrued CSR-based moral capital provides contradictory evidence of the organization's negative dispositions (i.e., its bad mind), and therefore employees are more likely to attribute PCB to external factors and/or non-intentional motives (i.e., disruption or incongruence) and thus give the organization the benefit of the doubt regarding its hypocritical nature. Conversely, in line with the correspondence bias (Gilbert and Malone, 1995), employees with less positive views of the organization's CSR-based moral capital are more likely to consider PCB intentional (i.e., renegeing), thereby reflecting its hypocritical nature. In summary, for employees with higher (vs. lower) perceptions of CSR-based moral capital, we expect the impact of PCB on value-eroding outcomes to be weaker, as moral capital will mitigate their judgments of mens rea and, thus, the positive effect of PCB on corporate hypocrisy (Wagner et al., 2009).

*Hypothesis 3:* Employees' perceptions of CSR-based moral capital moderate the positive effect of PCB on corporate hypocrisy; the effect is weaker when perceptions of CSR-based moral capital are higher.

In addition, we hypothesize moderated-mediation effects based on the combined rationale for Hypotheses 2 and 3:

*Hypothesis 4a:* For employees who perceive higher CSR-based moral capital, the negative indirect effect of PCB on loyal boosterism through corporate hypocrisy is weaker.

*Hypothesis 4b:* For employees who perceive higher CSR-based moral capital, the positive indirect effect of PCB on turnover intentions through corporate hypocrisy is weaker.



## **RESEARCH DESIGNS**

We tested our research model in two studies: a time-lagged field survey (Study 1) and vignette-based experiments (Study 2) to increase the generalizability and validity of our findings. In Study 1, we used a naturalistic setting to test all hypotheses except Hypothesis 1. In Study 2, we tested all Hypotheses using an experimental-causal-chain design.

### **STUDY 1**

#### **Respondents and Procedure**

We obtained data from French nationals working in diverse job roles and organizational contexts by sending invitations to complete two confidential online surveys to a random sample of 2,500 alumni of a French business school who graduated between 1991 and 2016. In line with the temporality of Godfrey's (2005) theorized insurance-like effect of CSR against subsequent loss of relational wealth when bad acts occur, at Time 1 we measured CSR-based moral capital; three months later at Time 2 we measured PCB that occurred since Time 1, as well as the mediator and outcomes of its hypothesized effects. We used a three-month interval between the surveys to provide sufficient time to mitigate the impact of same-source bias and other sources of measurement error, while avoiding excessive exposure to contaminating factors that accumulate over time (Doty and Glick, 1998; Podsakoff et al., 2003).

At Time 1, we received survey responses from 733 individuals (29.32% response rate); we retained data from 457 employees after removing cases with person-level response rates below 30% (Newman, 2014) or unemployment at that time. At Time 2, we received responses from 193 individuals (42.23% response rate) and excluded 11 cases with changes in job roles or employment organizations since Time 1.

The final sample comprised 182 employees, 58.79% of whom identified as female; approximately two-thirds reported being at least 30 years of age (less than 30 years: 32.97%; 30–

39 years: 47.80%; 40–49 years: 18.68%; 50 years or more: 0.55%). Approximately one-quarter of the sampled employees had no managerial responsibilities (23.08%), while the others identified as managers (first-line: 30.77%; mid-level: 29.12%; senior: 17.03%). Three-quarters reported having one to 10 years of organizational tenure (less than a year: 13.74%; 1–5 years: 51.10%; 6–10 years: 24.18%; 11–20 years: 8.24%; more than 20 years: 2.75%).

## Measures

All survey items were presented in French after use of a standard translation–back-translation procedure. Responses to the items were rated on a 5-point Likert scale (1 = *strongly disagree*, 5 = *strongly agree*). Appendix A presents all items used in Studies 1 and 2.

*CSR-based moral capital.* At Time 1, we used Wagner et al.’s (2009) three-item measure of overall CSR as a proxy measure of CSR-based moral capital, as the items’ content aligns with Godfrey’s (2005) proposition that ‘determinations of the “goodness” of philanthropic activity will be based on the consistency or agreement of the activity with the ethical values of those stakeholders’ (p. 784). Specifically, the items assess the extent to which employees believe their employer ‘follows high ethical standards’, ‘is concerned to improve the well-being of society’, and ‘is a socially responsible company’ (Cronbach’s  $\alpha = .87$ ). Previous research (El Akremi et al., 2018) has demonstrated the distinctiveness of this three-item measure from more specific and dimension-level measures of CSR activities.

*PCB.* At Time 2, we measured PCB using four items from Robinson and Morrison’s (2000) five-item scale ( $\alpha = .90$ ), which we adapted to include explicit reference to the three-month period following the survey administered at Time 1 (e.g., ‘During the last three months, my employer has broken many of its promises to me’). We excluded one item from the original measure that referred to ‘promises made to me when I was hired’ to avoid distracting respondents from focusing solely on PCB during the prior three months.

*Corporate hypocrisy and outcomes variables.* We measured corporate hypocrisy with Scheidler et al.'s (2019) three-item short-form version of the scale from Wagner et al. (2009) (e.g., 'My organization pretends to be something that it is not';  $\alpha = .91$ ). To measure loyal boosterism, we used Borman et al.'s (2001) three-item scale (e.g., 'I defend my organization when others criticize it';  $\alpha = .85$ ). To measure turnover intentions, we used the item 'How often did you think about quitting your organization within the last 3 months?' (Spector et al., 1988) and a response scale from 1 (*never*) to 5 (*every day*).

*Controls.* We considered controlling for the effects of gender, organizational tenure, and job level based on theoretical justification but found only empirical justification for job level (Becker et al., 2016). We also controlled for job satisfaction because it reflects an attitude toward the broader social context in which employees work and because of its documented relationships to extra-role behaviors (e.g., Coyle-Shapiro and Kessler, 2000), turnover intentions and corporate hypocrisy (e.g., Scheidler et al., 2019). We measured job satisfaction at Time 1 using a single item ('Overall, I am very satisfied with my job') rated on a 7-point Likert scale.

## **Study 1: Results**

*Measurement model.* We used Mplus to conduct confirmatory factor analyses to assess the measurement model and the distinctiveness of four latent constructs: CSR-based moral capital, PCB, corporate hypocrisy, and loyal boosterism. We inferred adequate fit from values of .95 or higher for the comparative fit index (CFI) and Tucker–Lewis index (TLI) and .08 or lower for the standardized root mean square residual (SRMR) (Hu and Bentler, 1999).

As Table I shows, the four-factor measurement model demonstrated a good fit to the data ( $\chi^2 = 110.84$ ,  $df = 59$ ,  $p < .001$ ; CFI = .97; TLI = .96; SRMR = .04). We used chi-square difference tests to compare the fit of the measurement model with the fit of three nested models. Table I shows that the four-factor measurement model produced a better fit than each alternative model,

and all factor loadings were statistically significant. These findings support the convergent and discriminant validity of the study's variables.

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INSERT TABLE I ABOUT HERE  
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*Common method variance.* We assessed common method variance in single-source data collected at two points in time using the unmeasured latent method factor technique (Podsakoff et al., 2003). We partitioned the variance among trait, method, and uniqueness to assess whether systematic error variance unduly accounts for the relationships between constructs. The results indicated no improvement in fit over the measurement model ( $\chi^2 = 110.84$ ,  $df = 58$ ,  $p < .001$ ; CFI = .97; TLI = .96; SRMR = .04), and none of the method factor loadings were significant ( $p > .05$ ), suggesting that common method variance is not pervasive in our data.

*Test of hypotheses.* Table II reports the descriptive statistics and correlations among the study variables. To test the hypothesized indirect effects (Hypotheses 2a and 2b), conditional effects (Hypothesis 3), and indirect conditional effects (Hypotheses 4a and 4b), we used PROCESS (Hayes, 2013), an SPSS macro for path analysis–based tests of moderation and mediation. We estimated the significance of the indirect effects using a 95% confidence interval (CI) of 5,000 bootstrap resampling (Preacher and Hayes, 2008). For ease of interpretation, we mean-centered the variables forming the interaction term (Aguinis et al., 2017). As Becker et al. (2016) recommend, we tested the hypotheses both without (Model 1) and with (Model 2) the controls to rule out the possibility that the results are due to their influence. The results from both models shown in Table III for the effects on the mediator and both outcomes show a similar pattern of significance and comparable values across all effect estimates.

In support of Hypothesis 2, we found significant indirect effects of PCB through corporate hypocrisy on loyal boosterism (Hypothesis 2a) and turnover intentions (Hypothesis 2b) in the expected directions, regardless of whether the control variables were included. The effect estimates with the control variables for loyal boosterism and turnover intentions (Model 2 in Table III) are in line with our predictions ( $b = -.13$ , 95% bootstrap CI =  $[-.20, -.07]$ ;  $b = .10$ , 95% bootstrap CI =  $[.02, .20]$ , respectively).

Consistent with Hypothesis 3, Table III shows that the interactive effect of PCB and CSR-based moral capital on corporate hypocrisy was negative and significant, both without and with the control variables. Analyses of the simple slopes depicted in Figure 2 (including the controls) showed that PCB had a positive effect on corporate hypocrisy at both lower and higher values of CSR-based moral capital (1 *SD* below and above the centered-*M*, respectively). The observed simple effect estimate was comparatively stronger when moral capital was lower ( $b = .52$ ,  $p < .001$ ), whereas we found a weaker effect of PCB on corporate hypocrisy when moral capital was higher ( $b = .24$ ,  $p < .01$ ).

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 INSERT TABLE II AND III AND FIGURES 2 AND 3 ABOUT HERE  
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Finally, analyses of the conditional indirect effects of PCB through corporate hypocrisy on each outcome at lower and higher values of CSR-based moral capital found support for Hypotheses 4a and 4b, both without and with the control variables. When including the controls (Model 2 in Table III), for example, the conditional indirect effect estimates were comparatively weaker when CSR-based moral capital was higher (loyal boosterism:  $b = -.08$ , 95% bootstrap CI =  $[-.16, -.02]$ ; turnover intentions:  $b = .06$ , 95% bootstrap CI =  $[.01, .16]$ ) than when it was lower (loyal boosterism:  $b = -.18$ , 95% bootstrap CI =  $[-.28, -.10]$ ; turnover intentions:  $b = .14$ , 95%

bootstrap CI = [.03, .26])<sup>1</sup>. Figure 3 shows the plots of the conditional indirect effects with 95% confidence bands.

### **Study 1: Discussion**

Study 1 results provide support for Hypotheses 2, 3, and 4, and are consistent with the rationale we developed in the investigated PCB context based on Godfrey's (2005) theory on the insurance-like effect of CSR: employee beliefs about their employer's CSR-based moral capital can mitigate the impact of a subsequently experienced PCB on their judgments of the organization's bad mind (i.e., corporate hypocrisy) and associated value-eroding responses (i.e., lower loyal boosterism and higher turnover intentions). We designed Study 2 to overcome limitations of Study 1, such as the absence of evidentiary basis to infer causality, and to complement and extend Study 1 by using measures and experimental manipulations of the same constructs while separating a manipulated CSR effect from a measured moral capital outcome to test the theoretical mechanism at play in Hypothesis 1.

### **STUDY 2**

Study 2 comprised two experiments that together included three manipulations to enable assessment of the hypotheses and theorized causal effects in the model. Experiment 1 ( $N = 300$ ) used a  $2 \times 3$  factorial design (i.e., six cells) to test for moderation, with a two-level manipulation of CSR (present vs. absent) and a three-level manipulation of PCB (high PCB vs. low PCB vs. no PCB/control). Experiment 2 ( $N = 100$ ) used a two-level manipulation of corporate hypocrisy (high vs. low) to assess inferential evidence of mediation in conjunction with the findings from Experiment 1.

### **Participants and Procedure**

We recruited two independent samples for two vignette experiments using Prolific, a crowdsourcing platform created for academic research (Gleibs, 2017), that provides data

comparable in quality to traditional samples (Peer et al., 2017). For both experiments, we ensured the recruitment of a theoretically appropriate sample (Aguinis and Bradley, 2014) by screening participants according to the following criteria: working full-time, being employed in a large enterprise (either private or publicly listed), and having at least one year of organizational tenure. We also restricted participation to those with a 100% approval rating in Prolific, to limit the potential risk of dishonest responses. Finally, to increase external validity, we collected data equally from participants in the United Kingdom and the United States.

In Experiment 1, we randomly assigned participants to review materials in either CSR condition (CSR-present or CSR-absent), who then responded to items used to measure moral capital, a manipulation check, and demographics. We next randomly assigned them to review materials in one of three PCB conditions (high, low, or no-PCB) before completing the measure of corporate hypocrisy. To increase realism and promote psychological engagement, after each scenario we added a cognitive elaboration task that prompted participants to place themselves in the situation described by constructing a few sentences (e.g., Gerpott et al. 2019; van Gils et al., 2015). In Experiment 2, we followed the same procedure (i.e., random assignment, cognitive elaboration) and asked participants to respond to measures of loyal boosterism and turnover intentions, and a manipulation check.

We followed the recommendation of Lonati et al. (2018), who identify 50 as the minimum sample size required per condition to avoid randomization failure in simple empirical settings. In Experiment 1, we thus collected data from 300 employees; 51.00% identified as female, and their average age was 37.69 years ( $SD = 10.55$ ). In Experiment 2, we recruited 100 employees; 46.00% identified as female, and the mean age was 38.58 years ( $SD = 11.10$ ).

## Experiment 1: Manipulations

*CSR manipulation.* We manipulated CSR using two vignette scenarios adapted from Ng et al. (2019). Rather than developing a high- versus low-CSR condition, with the low-CSR condition likely being perceived as negative due to the organization's suboptimal CSR efforts, we developed CSR-present and CSR-absent conditions so as not to create unfair comparisons (Lonati et al., 2018), where the CSR-absent condition is neutral (with no CSR content) and serves as the control condition. To conduct a stringent test of the insurance-like effect of CSR, which focuses on how CSR provides organizations with positive reputational moral capital (Godfrey, 2005), in the CSR-present condition ( $n = 152$ ) we described the company, called 'Reynolds Corporation', as active in philanthropic and community-oriented CSR activities. In the CSR-absent condition ( $n = 148$ ), we described the company as focusing on productivity and efficiency-related activities. We include all the scenarios used in Study 2 in Appendix B.

*PCB manipulation.* We built on the work of Montes and Zweig (2009) to develop scenarios that manipulated the company's fulfilled and unfulfilled promises. We used three PCB conditions: high-PCB, low-PCB, and no-PCB. In all three conditions, the first part of the scenario described the company as committed to providing employees with (1) help to develop externally marketable skills, (2) help to form professional networks, (3) support with personal problems, (4) interesting work tasks, (5) involvement in decision making, (6) regular bonuses every six months, and (7) annual inflation-adjusted salary increases. In the second part of the scenario, participants read that the company broke four (high-PCB condition,  $n = 101$ ), two (low-PCB condition,  $n = 98$ ), or none (no-PCB condition,  $n = 101$ ) of its promises, using the same ratios in the three-condition manipulation as in Montes and Zweig (2009) (see Appendix B).



## Experiment 1: Measures

Participants responded to the items reported in Appendix A on a Likert scale ranging from 1 (*Strongly disagree*) to 7 (*Strongly agree*).

*Moral capital.* We developed a direct measure of moral capital based on the work of Lin et al. (2016) on moral credit. Lin et al. use moral licensing theory to describe a process through which individuals accumulate moral credits from good deeds. We extended their reasoning and operational approach to develop three items (see Appendix A) that capture employees' perceptions of the organization's moral credits (e.g., 'From my perspective, [name of organization] has earned a lot of moral credits from its conduct and activities'). The measure has a high internal consistency estimate ( $\alpha = .97$ ) and shows proper convergent and discriminant validity: the Jöreskog rho coefficient (.97) and the average variance extracted (.92) are above the cutoff values of .70 and .50, respectively. To further test validity assumptions, we computed the heterotrait–monotrait (HTMT) ratio of correlations between our scale of moral capital and the CSR manipulation check on the basis of the item correlations (see Henseler et al., 2015). The HTMT ratio of correlations (.78) is below the conservative threshold of .85, thus confirming the discriminant validity of our scale.

*Corporate hypocrisy.* As in Study 1, we again measured perceptions of corporate hypocrisy using the three-item scale from Scheidler et al. (2019) ( $\alpha = .96$ ).

*CSR manipulation check.* To check the validity of our CSR manipulation, we used the three-item short-form community-oriented CSR scale from El Akremi et al. (2018;  $\alpha = .94$ ). A sample item is 'Reynolds Corporation provides financial support for humanitarian causes and charities'.

*Control.* We considered controlling for the cultural context of the sample because we collected data from UK and US participants, but it was not significantly correlated with any of

our outcomes ( $r_{\text{moral capital}} = -.04, p > .05$ ;  $r_{\text{corporate hypocrisy}} = .02, p > .05$ ). As such, we did not include it in the analyses as per the recommended practice (Becker et al., 2016).

### **Experiment 1: Results**

*Manipulation check: CSR.* As expected, participants in the CSR-present condition reported significantly higher CSR perceptions ( $M = 5.56, SD = 1.04$ ) than participants in the CSR-absent condition ( $M = 3.73, SD = 1.32$ ;  $t_{(298)} = 13.39, p < .001$ ).

*Manipulation check: PCB.* To prevent the PCB manipulation check from being contaminated by CSR perceptions and the moral capital associated with it, we pretested our vignettes on 75 participants recruited from Prolific, who met the same criteria as the target population for the experiment. We tested the validity of the PCB manipulation using Robinson and Morrison's (2000) five-item PCB scale ( $\alpha = .94$ ) and by asking participants to assess the extent to which the company fulfilled each of its seven promises. The results of the pre-test support the validity of our manipulation: participants in the high-PCB condition reported significantly higher PCB levels ( $M = 5.62, SD = 0.78$ ) than participants in the low-PCB condition ( $M = 3.83, SD = 1.05$ ;  $t_{(48)} = 6.91, p < .001$ ), while participants in the low-PCB condition reported significantly higher PCB levels than participants in the no-PCB condition ( $M = 1.49, SD = 0.61$ ;  $t_{(47)} = 9.60, p < .001$ ). Moreover, our pretest confirmed that in each condition, participants unequivocally identified the promises kept and not kept by the company they read about in the vignette scenario.

*Tests of hypotheses.* Hypothesis 1 predicts that community-oriented CSR activity has a positive effect on perceptions of moral capital. The main effect means reported in Figure 4 provide support for the hypothesis, as participants in the CSR-present condition reported significantly higher moral capital ( $M = 5.90, SD = 0.98$ ) than those in the CSR-absent condition ( $M = 4.31, SD = 1.31$ ;  $t_{(298)} = 11.93, p < .001$ ).

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INSERT FIGURES 4 AND 5 ABOUT HERE  
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Hypothesis 3 predicts that employees' perceptions of CSR-based moral capital moderate the positive effect of PCB on corporate hypocrisy. We first tested the effects of PCB conditions on corporate hypocrisy and plot the main effect means in Figure 5. Participants in the high-PCB condition reported significantly higher corporate hypocrisy ( $M = 5.15$ ,  $SD = 1.31$ ) than those in the low-PCB condition ( $M = 3.67$ ,  $SD = 1.29$ ;  $t_{(197)} = 8.04$ ,  $p < .001$ ), while participants in the low-PCB condition reported significantly higher corporate hypocrisy than those in the no-PCB condition ( $M = 1.62$ ,  $SD = 0.83$ ;  $t_{(197)} = 13.35$ ,  $p < .001$ ). As expected, the PCB manipulation had a positive effect, such that perceived corporate hypocrisy was higher when PCB was greater.

We then tested Hypothesis 3 by assessing the moderating effect of CSR-based moral capital between successive conditions of PCB: low-PCB versus no-PCB (Model 1) and high-PCB versus low-PCB (Model 2). The results reported in Table IV show that in Model 1, the interactive effect of PCB and moral capital on corporate hypocrisy was not significant ( $b = .19$ ,  $p > .05$ ). In Model 2, however, the interactive effect of PCB and moral capital on corporate hypocrisy was negative and significant ( $b = -.27$ ,  $p < .05$ ). Together, Models 1 and 2 show partial support for Hypothesis 3. Analyses of the simple slopes for Model 2 depicted in Figure 6 show that the relationship between PCB and corporate hypocrisy was less positive when moral capital was higher (observed effect estimate at 1  $SD$  above the centered- $M$ :  $b = 1.14$ ,  $p < .001$ ) than when it was lower (observed effect estimate at 1  $SD$  below the centered- $M$ :  $b = 1.88$ ,  $p < .001$ ).

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INSERT TABLE IV AND FIGURE 6 ABOUT HERE  
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We supplemented the test of Hypothesis 3 by assessing the interactive effect of manipulated CSR, rather than measured moral capital, on the PCB–corporate hypocrisy relationship. We found no support for the interactive effect of CSR and the effect of successive PCB conditions on corporate hypocrisy, including the effect of low-PCB versus no-PCB ( $b = .15, p > .05$ ) and the effect of high-PCB versus low-PCB ( $b = -.22, p > .05$ ). Thus, together these analyses support Godfrey’s (2005) argument that it is CSR-based moral capital, and not CSR per se, that can help mitigate the effects of a bad act (i.e., PCB) on assessments of bad mind (i.e., corporate hypocrisy).

### **Experiment 2: Corporate Hypocrisy Manipulation**

We manipulated corporate hypocrisy using two conditions: low-hypocrisy and high-hypocrisy. We developed scenarios for each condition based on the item content of the scale from Wagner et al. (2009). In the low-hypocrisy condition ( $n = 49$ ), the company, called ‘Cable & Co’, makes claims to which its behavior conforms: ‘Its image as a technology pioneer is true’. In the high-hypocrisy condition ( $n = 51$ ), the company makes claims to which its behavior does not conform: ‘Its image as a technology pioneer is false’ (see Appendix B).

### **Experiment 2: Measures**

*Loyal boosterism and turnover intentions.* We used the same three items as in Study 1 (Borman et al., 2001) for loyal boosterism, rated on a 7-point Likert scale ( $\alpha = .98$ ). For turnover intentions, we used the item ‘How likely would you think about quitting your job?’ (Spector et al., 1988) and a response scale from 1 (*extremely unlikely*) to 7 (*extremely likely*).

*Corporate hypocrisy check.* We tested the validity of our corporate hypocrisy manipulation with the same three-item scale from Scheidler et al. (2019) as in Study 1, measured on a 7-point Likert scale ( $\alpha = .97$ ).

*Control.* As in Experiment 1, we controlled for the cultural context of the sample as we collected data from both UK and US participants, but it was not significantly correlated with our criterion variables ( $r_{\text{loyal boosterism}} = -.04, p > .05$ ;  $r_{\text{turnover intentions}} = .02, p > .05$ ); therefore, we excluded this potential control from the analyses (Becker et al., 2016).

## **Experiment 2: Results**

*Manipulation check.* The manipulation was successful: participants in the high-hypocrisy condition reported significantly higher levels of corporate hypocrisy ( $M = 6.29, SD = 0.70$ ) than participants in the low-hypocrisy condition ( $M = 1.80, SD = 1.03$ ;  $t_{(98)} = 25.47, p < .001$ ).

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 INSERT FIGURE 7 ABOUT HERE  
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*Tests of hypotheses.* The results (i.e., main effect means) displayed in Figure 7 show that in the high-hypocrisy condition, participants reported significantly lower loyal boosterism ( $M = 2.22, SD = 1.22$ ) and higher turnover intentions ( $M = 5.51, SD = 1.49$ ) than those in the low-hypocrisy condition (loyal boosterism:  $M = 5.77, SD = 0.89$ ;  $t_{(98)} = 16.55, p < .001$ ; turnover intentions:  $M = 2.16, SD = 1.03$ ;  $t_{(98)} = 13.03, p < .001$ ). Taken together, the findings from Experiments 1 and 2 thus provide inferential evidence consistent with mediation Hypothesis 2 and moderated-mediation Hypothesis 4: PCB leads to corporate hypocrisy, which in turn reduces loyal boosterism (Hypothesis 2a) and increases turnover intentions (Hypothesis 2b), while moral capital resulting from CSR (Hypothesis 1) mitigates the strength of the direct (Hypothesis 3) and indirect (Hypotheses 4a and H4b) effects.

## **Study 2: Discussion**

Study 2, which uses the experimental-causal-chain approach, supports each of the key causal effects in the theorized underlying process: (1) community-oriented CSR initiatives have a

positive causal impact on perceived moral capital, (2) moral capital stemming from community-oriented CSR moderates PCB's causal effect on corporate hypocrisy, and (3) negative reactions to PCB transfer to loyal boosterism and turnover intentions through the causal effect of corporate hypocrisy. Indeed, while Study 1 does not allow us to infer causality from the hypothesized effects in the moderated-mediation model tested among employees, Study 2 shows evidence of a causal relationship at both the first and second stages of the conditional indirect effects (Podsakoff and Podsakoff, 2019). Furthermore, in line with Godfrey's (2005) arguments, Study 2 reveals that community-oriented CSR per se does not seem to mitigate the positive effects of PCB on corporate hypocrisy; rather, it is the moral capital stemming from CSR that gives employees reason to give their employer the benefit of the doubt.

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 INSERT TABLE V ABOUT HERE  
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## **GENERAL DISCUSSION**

Evidence from the field and experimental studies supports our hypotheses about the mitigating effects of CSR-based moral capital on employee reactions to PCB. Table V provides a summary of the supported hypotheses across our studies. Findings contribute to theory and research in both the general and micro-CSR literature as well as, albeit more incrementally, PCB literature.

### **Theoretical Contributions**

*Contribution to the general CSR literature.* This research makes several contributions to the value-protection CSR literature by delineating and testing some of the theoretical micro-foundations of the insurance-like effect of CSR. Specifically, our research provides further insights into Godfrey's (2005) main assumptions explaining *why* and *how* CSR activities can

provide organizations with insurance-like protection for their relational wealth when a negative event affecting stakeholders occurs.

Indeed, meso-level studies typically rely on the assessment of CSR practices (e.g., the KLD dataset) as a proxy to capture moral capital, and thus Godfrey's (2005) first main assumption about *why* CSR can provide insurance-like protection for a firm's relational wealth (i.e., because it increases perceptions of positive moral capital) remains largely unexplored. Although a few studies in marketing use proxies of CSR-based moral capital, as we did in Study 1, our research extends this stream of literature by empirically testing the relationship between CSR and moral capital when assessing the insurance-like effect of CSR. In this regard, our findings from Study 2 confirm the significance of this causal link through an experimental design that manipulates CSR perception and therefore offers a stringent test of its impact on moral capital. Similarly, to our knowledge, (meso-level) studies on the insurance-like effect of CSR have not empirically investigated the process explaining *how* moral capital stemming from CSR can mitigate stakeholders' negative reactions to a bad act (i.e., by attenuating assessment of a bad mind). In this respect, both our studies highlight the role of corporate hypocrisy in explaining the process through which CSR-based moral capital mitigates loss of relational wealth (i.e., employees' support of and loyalty to their employer) when a bad act (i.e., PCB) occurs. The findings thus confirm Godfrey's *mens rea* rationale that CSR-based moral capital provides counterfactual evidence that can help mitigate assessments of a bad mind when it harms stakeholder interests.

Moreover, our studies contribute to CSR research by testing the insurance-like effect of CSR in the context of salient and consequential stakeholder–organization relationships and in a uniquely stringent way: We examined whether perceptions of moral capital can mitigate employees' negative reactions to employer behavior that they themselves perceived as directly undermining their own interests. Indeed, while prior studies on the value-protection role of CSR

have gleaned important insights, their findings largely pertain to consumers' imagined reactions to hypothetical events (e.g., Klein and Dawar, 2004) or financial market reactions to real events such as product recalls (e.g., Noack et al., 2019), which presumably reflect investors' estimates about the negative reactions of affected customers and various other stakeholders. Thus, the evidence those studies provide for Godfrey's (2005) theory is potentially limited by the nature of associated relational contexts. In addition, the beliefs most employees hold about their relationship with their employer are based on direct experiences and access to a wealth of information, which presumably dwarfs the informational basis on which consumers and external stakeholders come to view their relationship with an organization. As such, unlike prior studies, by delineating Godfrey's theory at the micro-level of analysis in the context of PCB, in our research we uniquely examine reactions to actual events (Study 1) that the affected parties themselves perceive as directly harming their own interests (Studies 1 and 2).

*Contribution to micro-CSR research on employees.* Our research makes a unique contribution to the rapidly expanding literature on employee-centered micro-CSR (Gond and Moser, 2021) by introducing a novel perspective highlighting the insurance-like properties of CSR. Indeed, despite Gond et al.'s (2017, p. 239) call to 'evaluate whether and how CSR not only supports [employee] positive outcomes but also potentially prevents the emergence of negative attitudes and behaviors', the micro- (employee) CSR literature has yet to direct its attention to the value-protection role and associated buffering effect of CSR. Arguably, value protection may be just as much associated with an organization's CSR initiatives as value creation. That is, by specifying the value-protection mechanism of CSR at the employee level of analysis, our research contributes to shift attention to new scholarly conversations (Healey et al., 2023) about an important but underemphasized function of CSR – that is, its potential to provide an organization with defensive benefits by protecting its relational wealth with employees.



In particular, as we illustrate subsequently in our section for future research directions, there are many opportunities for micro-CSR research based on untapped theories of specific insurance-like properties of CSR. Also, adopting a value-protection perspective may cast conceptual models with familiar variables in a different light, as effects of perceived CSR described as ‘reactions’ may be attributable not only to value-creating responses but also to tacit value-protection effects of CSR. For example, Ali and Jung (2017) suggest that CSR can directly create value by encouraging employees to develop more positive perceptions of the psychological contract. By contrast, our research on the insurance-like effect of CSR offers new insights into the interlinkage between these two facets of workplace experience by highlighting their interactive effect on work outcomes in a way that protects the organization’s relational wealth with employees.

Researchers in micro-CSR thus have an opportunity to model both value-creation and protection effects of CSR on the same outcomes to advance theory, such that accrued CSR-based moral capital might, on the one hand, create value through a selective perception bias (see Robinson, 1996) that reduces employees’ attention to occurrences of negative events and, on the other hand, protect value by mitigating employees’ negative reactions to a detrimental event, if one is perceived. Overall, by delineating Godfrey’s (2005) insurance-like effect of CSR in the context of employees, our study provides a complementary and more comprehensive understanding of the psychological micro-foundations of CSR and thus sheds greater light on phenomena that span the intersection of employees, their employment relationships, and their employers’ CSR practices.

*Contributions to the PCB literature.* Our findings also offer some insights to the PCB literature. Specifically, our focus on the value-protection role of moral capital from CSR extends PCB research investigating organizational factors that moderate employees’ reaction to a breach. Indeed, beyond the identification of individual differences that cannot easily be changed or

controlled post-hire (e.g., locus of control, Raja et al., 2004), scholars have also recommended investigating the organizational factors that moderate employees' reactions to a breach (e.g., Restubog et al., 2015). In this respect, prior research has highlighted the role of social influences and support (Doden et al., 2018; Zagenczyk et al., 2009) as well as other post-breach initiatives, such as organizational support, speed of resolution and social accounts (e.g., Henderson et al., 2020; Solinger et al., 2016; Tomprou et al. 2015), to help employees better deal with PCB. Our research thus complements existing findings by highlighting practical preventive efforts that organizations can make to protect employee–employer relationships from the deleterious effect of PCB.

In this respect, while some findings in this area contribute to our understanding of what should not be done to increase the deleterious consequences of a breach (i.e., avoid a toxic organizational climate characterized by self-serving, competitive, and confrontational norms and behaviors; Kiewitz et al., 2009; Restubog et al., 2015), our findings instead inform our understanding of what an organization can preventively do to better preserve its relational wealth with its employees in the event of PCB. As such, our study adds to research identifying the role of employees' prior beliefs about the quality of their relationship with the employer in mitigating their reaction to a breach (e.g., Dulac et al., 2008; Robinson, 1996). Specifically, by theoretically tying together the theory on the insurance-like effect of CSR and attribution theory, our model highlights a new mechanism explaining why employees might give their organization the benefit of the doubt in the context of PCB: one based on a positively valanced contextual factor—namely, community-oriented CSR activities.

### **Limitations and Future Research Directions**

Our study has several limitations that present opportunities for future research. Overall, Study 2 supports and extends the main findings of Study 1 through an experimental design. However,

Study 2 (50/50 UK/US sample) differs from Study 1 (French sample) in terms of cultural and institutional context, and thus it would be worthwhile to conduct experiments also in the country in which Study 1 was conducted or similar countries that approach CSR in a more implicit way than in the Anglo-Saxon culture (Gond et al., 2011), to provide stronger cross-cultural confirmation of Godfrey's (2005) theory. In addition, Study 1 used single-source data collected at two points in time and thus may be subject to bias due to common method variance. However, we found support for a specific predicted pattern of relationships associated with moderated-mediation effects, which cannot be attributable to (i.e., inflated or artificially created by) common method bias (Siemsen et al., 2010). Moreover, the results from Study 2 replicated the same pattern of moderated and mediated effects found in Study 1 using an experimental-causal-chain design with two independent samples, which minimizes potential common source biases (Podsakoff and Podsakoff, 2019). Finally, PCB and CSR are complex phenomena to study using experimental designs. As such, we relied on validated vignette scenarios (Montes and Zweig, 2009; Ng et al., 2019) to increase internal validity. Alternative experimental designs based on autobiographical narrative recollection techniques of PCB (see, e.g., Deng et al., 2018) that increase external validity (at the expense of internal validity, compared with controlled manipulated experiment; Baumeister et al., 1990) might therefore serve to replicate our findings. Still, the complementary aspects of the methods we used (i.e., a time-lagged field survey and a causal-chain experiment) reinforce the overall validity and generalizability of our results.

Beyond these limitations, we offer several directions for future research that can further advance knowledge on the insurance-like benefit of CSR at the employee level of analysis. First, as Parzefall and Coyle-Shapiro (2011) report, the accumulation of continuous minor events contributes more to PCB than a given isolated event. Similarly, the underlying psychology that Godfrey (2005) theorizes specifically pertains to stakeholders' assessments of acute events rather

than systemic mistreatment via entrenched organizational practices. Thus, future research could investigate the value-protection effects of CSR-based moral capital over time using multi-wave longitudinal research designs. Indeed, after a certain number of repeated breaches, the buffering effect of CSR-based moral capital may reach a tipping point and thus wear off or even create a backlash effect.

Second, given our finding that CSR-based moral capital buffers the positive effect of PCB on corporate hypocrisy when PCB is more (vs. less) severe, we call for research to further examine which type of PCB is salient enough to trigger employees' attributional processes in the first place, or, conversely, too severe for the insurance-like protection of CSR-based moral capital to even occur. For example, employees may perceive broken promises about support for personal problems or salary as more severe than broken promises about training and development, which can bear on the insurance like-effect of CSR. Relatedly, future research could investigate the buffering effect of CSR-based moral capital on breach of the ideological psychological contract. For example, breaches at the ideological level could create too much inconsistency with the organization's CSR orientation, and thus an employee-CSR tension (see Hahn et al., 2023). This could in turn negatively impact employee loyalty and support but also, as suggested by recent research on ideological contract (Deng et al., 2022), spur positive compensating prosocial behaviors from employees (e.g., serving the social cause) to help them self-affirm their own other-oriented values.

Third, additional research is necessary to determine whether our pattern of results remains consistent with other types of CSR initiatives. In line with Godfrey's (2005) theorization, we focused on community-oriented CSR activities, as these initiatives are more likely to generate positive moral capital by signaling the other-regarding orientation of the organization. However, a different pattern of relationships may emerge when studying CSR practices aimed at

transactional stakeholders (e.g., employees or customers), as such initiatives could be perceived as more self-serving in nature and thus inspire skepticism. Moreover, research in strategy shows that when a company possesses an enhanced reputation for CSR associated with a specific domain (e.g., corporate governance, the natural environment), negative events pertaining to that same domain are more likely to lead to perception of hypocrisy and harsh sanctions by stakeholders (e.g., Janney and Gove, 2011). Thus, future research could examine whether a strong employee-oriented CSR reputation could still help attenuate employee negative reactions to PCB or, conversely, create tensions that could potentially reduce employees' support and loyalty to the firm. Indeed, recent development in micro-CSR research based on paradox theory highlights that CSR tensions can lead to negative outcomes such as reduced organizational attachment and citizenship behaviors (see e.g., Hahn et al., 2023; Maon et al., 2019). For example, CSR's propensity to create moral capital could be compromised for employees who disagree with the company's CSR orientation toward social goals (as opposed to CSR orientation toward business goals; see Hahn et al., 2023). In this respect, we believe that research on CSR attributions (e.g., Bachrach et al., 2022; Vlachos et al., 2017) that investigates the motivations and goals employees attribute to an organization's CSR engagement (i.e., genuine vs. self-serving CSR motivations) could be helpful in uncovering such dynamics and, more generally, the potential boundary conditions in the CSR–moral capital relationship. For example, according to Zagenczyk (2004, pp. 99–100), when 'companies "greenwash," or attempt to create the image of being environmentally conscious in an effort to divert attention from poor environmental track records and abuses ... stakeholders may conclude that its motives are instrumental [i.e., self-serving]'. In such cases, stakeholders' perceptions of CSR initiatives are less likely to lead to accrued moral capital.

## **Practical Implications**

The increasing flexibility and mobility of employees puts growing pressure on organizations to retain their employees and, therefore, to effectively manage employees' psychological contract (Ho, 2005). Therefore, identifying preventive actions that can help mitigate the adverse impacts of PCB is important for organizations and managers that wish to protect the relational wealth they built with employees on a daily basis. In doing so, our findings provide managers with further evidence and additional arguments to justify expanded allocation of finite resources to support an organization's genuine engagement in CSR, which leads to positive moral evaluations in the form of moral capital.

Nevertheless, managers should be aware that when developing beliefs about moral capital, employees may not respond to their actual employer's CSR practices; rather, they respond to what they perceive about their employer's CSR engagement. Indeed, CSR reflects an aspect of the organizational-level context that objectively varies between organizations, yet perceptually varies within a given organization. As such, managers play an important role in communicating and sending signals about the organization's CSR and ethical stance. Within-organization variability in perceived CSR distributed around some reasonably objective level is all but inevitable (Jones, 2019), which implies that managers wishing to positively influence their employees by building moral capital should focus on improving internal communication about existing CSR practices and modeling engagement in socially responsible activities, as well as dedicating more resources to CSR.

## NOTES

<sup>1</sup> We find the same pattern of results and significance using latent moderated structural equations with Mplus as with Hayes's (2013) PROCESS macro for SPSS, regardless of whether the control variables are included.

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Table I. Study 1: Confirmatory factor analysis

Model	$\chi^2$	df	$\Delta\chi^2$	CFI	TLI	SRMR
One-factor (all items combined)	736.72	65	625.88***	.58	.50	.13
Two-factor (PCB, corporate hypocrisy, and loyal boosterism combined)	530.54	64	419.70***	.71	.64	.10
Three-factor (PCB and corporate hypocrisy combined)	423.63	62	312.79***	.77	.72	.09
Four-factor (measurement model)	110.84	59		.97	.96	.04

Note.  $N = 182$ .

\*\*\*  $p < .001$ .

Table II. Study 1: Descriptive statistics and zero-order correlations

Variable	$M$	$SD$	1	2	3	4	5	6	7	8
1. Gender <sup>a</sup>	1.41	.48	—							
2. Organizational tenure <sup>b</sup>	2.36	.91	.02	—						
3. Job level <sup>c</sup>	2.39	1.03	.12	.33**	—					
4. Job satisfaction (Time 1)	5.07	1.54	.03	.12	.24**	—				
5. CSR-based moral capital (Time 1)	3.31	1.08	.12	.17*	.21**	.41**	(.87)			
6. PCB (Time 2)	2.53	1.12	-.13	-.12	-.24**	-.42**	-.31**	(.90)		
7. Corporate hypocrisy (Time 2)	1.82	1.09	.02	-.08	-.21**	-.33**	-.37**	.50**	(.91)	
8. Loyal boosterism (Time 2)	3.73	.98	.12	.11	.26**	.52**	.41**	-.53**	-.59**	(.85)
9. Turnover intentions (Time 2)	3.04	1.65	-.10	-.03	-.17*	-.48**	-.32**	.48**	.41**	-.57**

Note.  $N = 182$ . Cronbach's alphas are in parentheses on the diagonal.

<sup>a</sup> 1 = male, 2 = female.

<sup>b</sup> 1 = [ $<1$  year], 2 = [1–5 years], 3 = [6–10 years], 4 = [11–20 years], 5 = [ $>20$  years].

<sup>c</sup> 1 = non-management, 2 = first-line management, 3 = middle management, 4 = senior management.

\*  $p < .05$ ; \*\*  $p < .01$ .



Table III. Study 1: Multiple regressions results

Variable	Corporate hypocrisy		Loyal boosterism		Turnover intentions	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
(Constant)	1.77*** (.07)	2.20*** (.30)	4.44*** (.12)	3.26*** (.26)	2.42*** (.23)	4.22*** (.50)
PCB	.41*** (.06)	.38*** (.07)	-.28*** (.06)	-.18** (.06)	.54*** (.11)	.39*** (.11)
Corporate hypocrisy			-.39*** (.06)	-.34*** (.06)	.34** (.11)	.26* (.11)
CSR-based moral capital	-.24*** (.07)	-.21** (.07)				
PCB × CSR-based moral capital	-.12* (.06)	-.13* (.06)				
Job satisfaction		-.05 (.05)		.19*** (.04)		-.33*** (.07)
Job level <sup>a</sup>		-.06 (.07)		.05 (.05)		.01 (.10)
$R^2$	.32	.33	.42	.50	.27	.34
$F$	27.97***	17.27***	64.98***	44.25***	32.70***	23.25***
Indirect effect <sup>b</sup>			-.16 [-.24, -.10]	-.13 [-.20, -.07]	.14 [.06, .25]	.10 [.02, .20]
Conditional indirect effect <sup>b</sup>	Lower CSR-based moral capital		-.21 [-.33, -.12]	-.18 [-.28, -.10]	.19 [.08, .33]	.14 [.03, .26]
	Higher CSR-based moral capital		-.11 [-.19, -.04]	-.08 [-.16, -.02]	.09 [.03, .20]	.06 [.01, .16]

Note.  $N = 182$ . Values represent the unstandardized coefficients. Standard errors are in parentheses.

<sup>a</sup> 1 = non-management, 2 = first-line management, 3 = middle management, 4 = senior management.

<sup>b</sup> 95% confidence intervals based on 5,000 bootstrap resampling are in brackets.

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$  (two-tailed tests).

Table IV. Experiment 1: Multiple regressions results

Variable	Corporate hypocrisy
<b>Model 1</b>	
(Constant)	2.63 <sup>***</sup> (.08)
PCB <sup>a</sup>	2.05 <sup>***</sup> (.15)
Moral capital	-.12 <sup>*</sup> (.05)
PCB <sup>a</sup> × Moral capital	.19 (.11)
$R^2$	.50
$F$	64.22 <sup>***</sup>
<b>Model 2</b>	
(Constant)	4.43 <sup>***</sup> (.09)
PCB <sup>b</sup>	1.51 <sup>***</sup> (.18)
Moral capital	-.16 <sup>*</sup> (.07)
PCB <sup>b</sup> × Moral capital	-.27 <sup>*</sup> (.13)
$R^2$	.28
$F$	25.15 <sup>***</sup>

*Note.*  $N = 199$ . Values represent the unstandardized coefficients. Standard errors are in parentheses.

<sup>a</sup> 1 = no-PCB condition, 2 = low-PCB condition.

<sup>b</sup> 1 = low-PCB condition, 2 = high-PCB condition.

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$  (two-tailed tests).

Table V. Summary of Supported Hypotheses Across Studies

Hypotheses	Study 1 (Field study)	Study 2 (Causal- chain experiments)
<i>Hypothesis 1:</i> Community-oriented CSR has a positive effect on employees' perceptions of moral capital.	Not applicable	Supported (Experiment 1)
<i>Hypothesis 2a:</i> PCB has a negative indirect effect on loyal boosterism through corporate hypocrisy.	Supported	Supported (Experiments 1 and 2)
<i>Hypothesis 2b:</i> PCB has a positive indirect effect on turnover intentions through corporate hypocrisy.	Supported	Supported (Experiments 1 and 2)
<i>Hypothesis 3:</i> Employees' perceptions of CSR-based moral capital moderate the positive effect of PCB on corporate hypocrisy; the effect is weaker when perceptions of CSR-based moral capital are higher.	Supported	Partially supported <sup>a</sup> (Experiment 1)
<i>Hypothesis 4a:</i> For employees who perceive higher CSR-based moral capital, the negative indirect effect of PCB on loyal boosterism through corporate hypocrisy is weaker.	Supported	Partially supported <sup>a</sup> (Experiments 1 and 2)
<i>Hypothesis 4b:</i> For employees who perceive higher CSR-based moral capital, the positive indirect effect of PCB on turnover intentions through corporate hypocrisy is weaker.	Supported	Partially supported <sup>a</sup> (Experiments 1 and 2)

<sup>a</sup> In Experiment 1, comparing the high-PCB and low-PCB conditions, the interaction effect of PCB and CSR-based moral capital on corporate hypocrisy was negative and significant. However, comparing the low-PCB and no-PCB conditions, the interaction effect of PCB and CSR-based moral capital on corporate hypocrisy was not significant.

Figure 1. Theoretical model

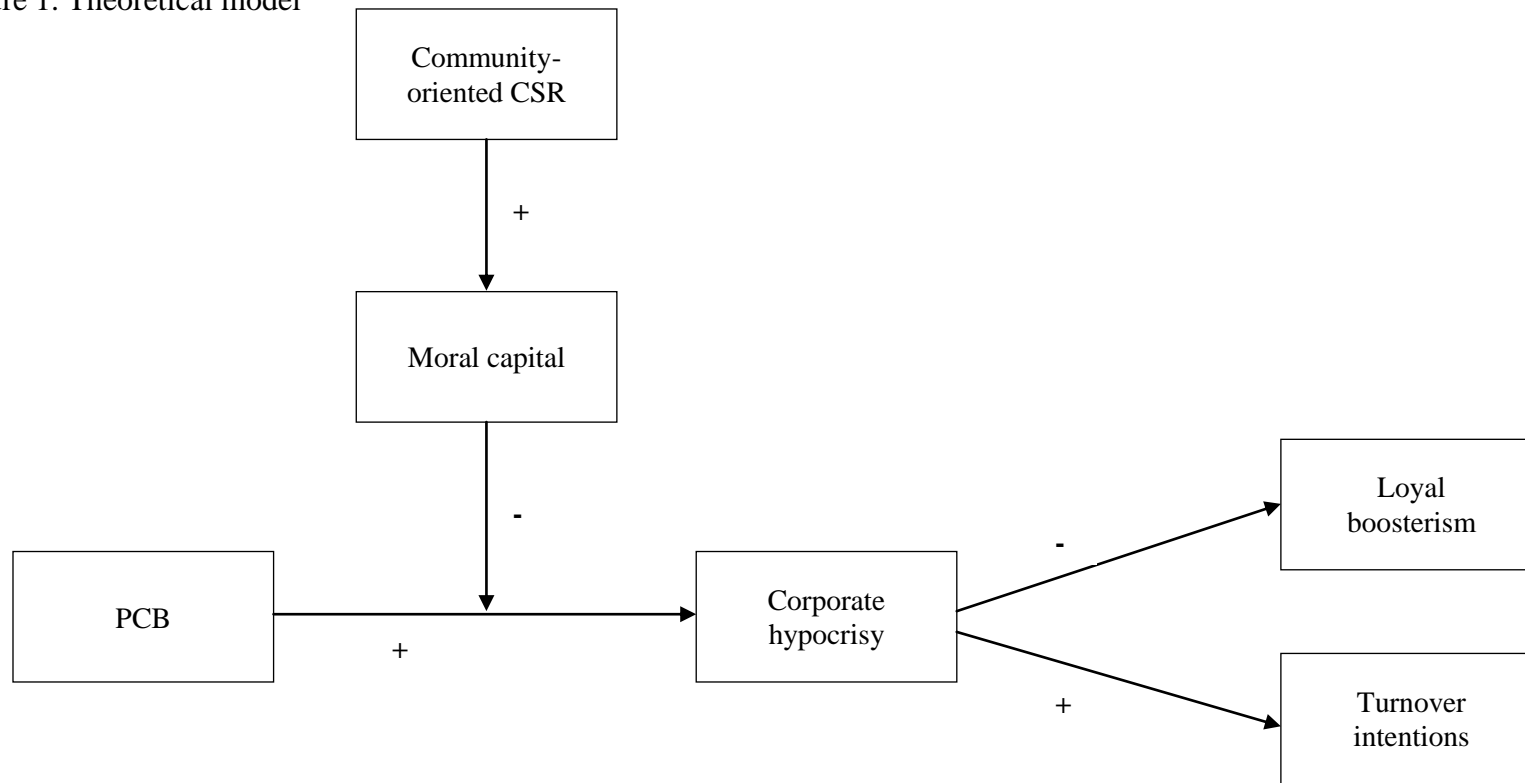


Figure 2. Study 1: Slopes of interaction effect of PCB and CSR-based moral capital on corporate hypocrisy

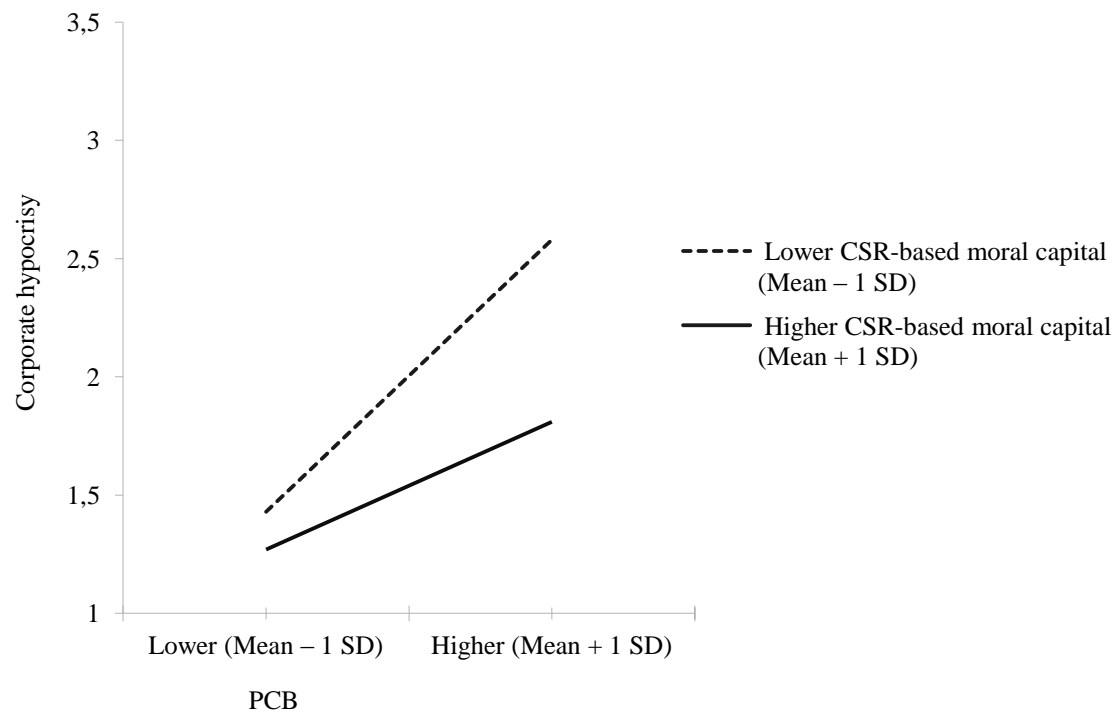


Figure 3. Study 1: Conditional indirect effect of PCB on loyal boosterism and turnover intentions through corporate hypocrisy at different levels of CSR-based moral capital

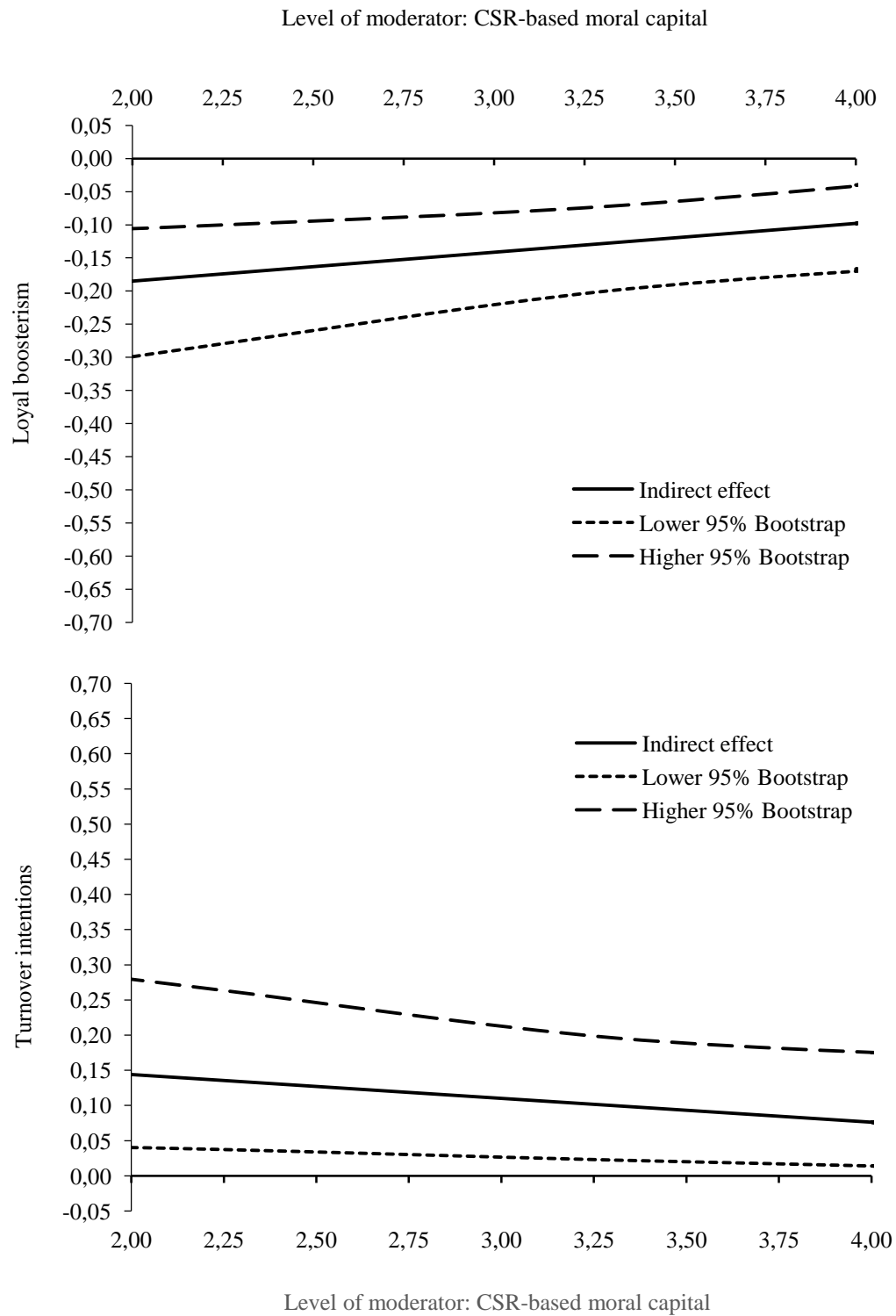


Figure 4. Experiment 1: Direct effects of CSR conditions on moral capital

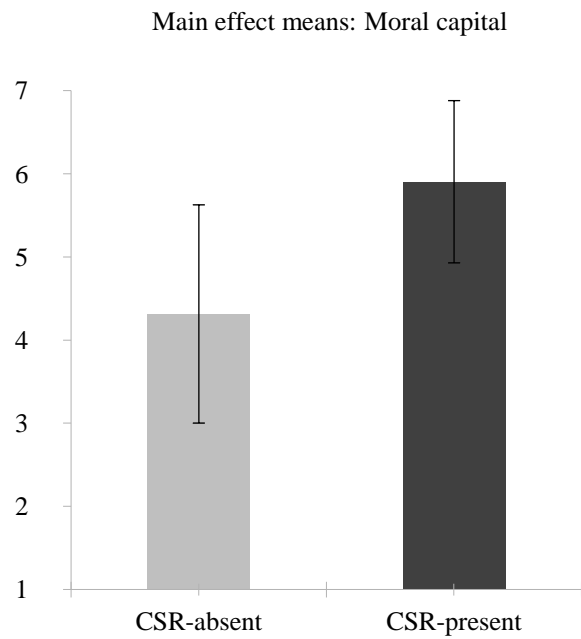


Figure 5. Experiment 1: Direct effects of PCB conditions on corporate hypocrisy

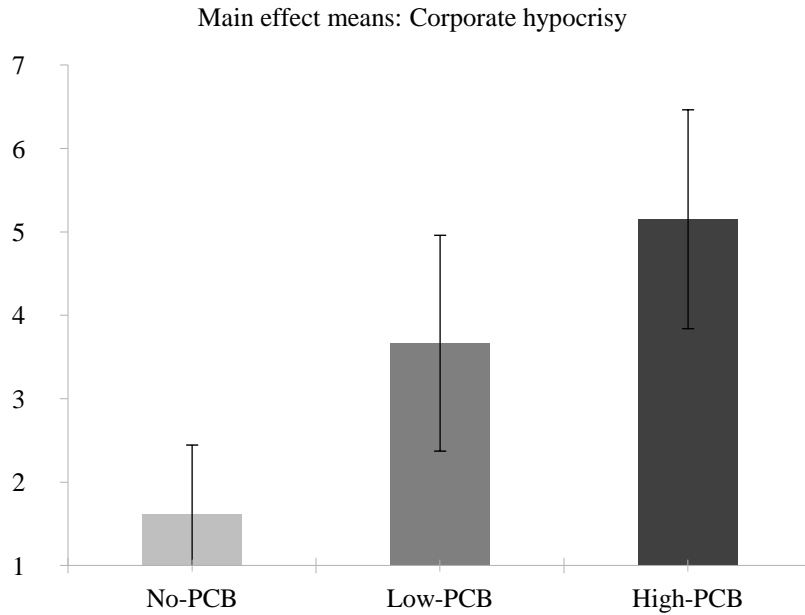


Figure 6. Experiment 1: Slopes of interaction effect of PCB (high vs. low) and moral capital on corporate hypocrisy

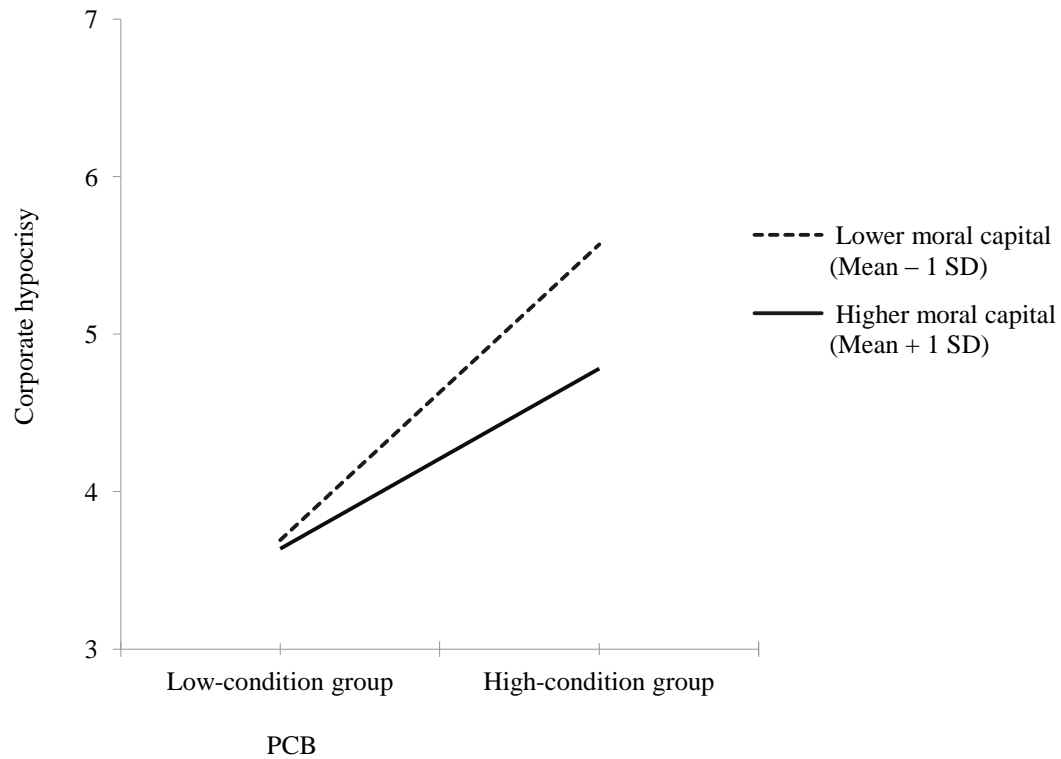
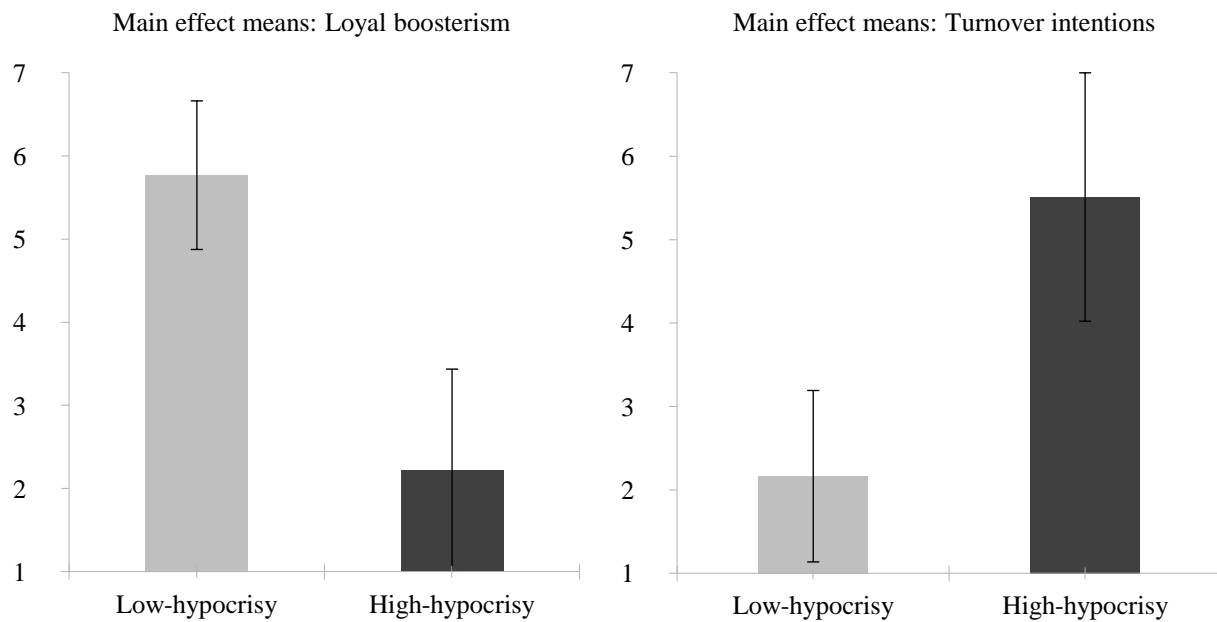


Figure 7. Experiment 2: Direct effects of corporate hypocrisy conditions on loyal boosterism and turnover intentions





## **APPENDIX A: Scales items used in Studies 1 and 2**

### **Study 1**

#### **Moral capital**

1. My organization follows high ethical standards.
2. My organization is concerned about improving the well-being of society.
3. My organization is a socially responsible company.

#### **PCB**

1. Almost all the promises made by my employer during the last three months have been kept. (reverse coded)
2. During the last three months, my employer has done an excellent job of fulfilling its promises to me. (reverse coded)
3. During the last three months, I have not received everything promised to me in exchange for my contributions.
4. During the last three months, my employer has broken many of its promises to me.

#### **Corporate hypocrisy**

1. My organization acts hypocritically.
2. What my organization says and does are two different things.
3. My organization pretends to be something that it is not.

#### **Loyal boosterism**

1. I defend my organization when others criticize it.
2. I actively promote my organization's achievements and positive attributes.
3. I publicly express satisfaction with my organization.

#### **Turnover intentions**

1. How often did you think about quitting your organization within the last 3 months?

### **Study 2: Experiment 1**

#### **Moral capital**

1. If there were such a thing as a 'moral bank account', [name of organization] deserves more moral credits than the average company.
2. From my perspective, [name of organization] has earned a lot of moral credits from its conduct and activities.
3. I give [name of organization] more moral credit than most other companies with which I'm familiar.

#### **Corporate hypocrisy**

1. I personally believe that [name of organization] acts hypocritically.
2. I personally believe that what [name of organization] says and does are two different things.
3. I personally believe that [name of organization] pretends to be something that it is not.

**CSR manipulation check**

1. [Name of organization] invests in humanitarian projects in poor countries.
2. [Name of organization] provides financial support for humanitarian causes and charities.
3. [Name of organization] contributes to improving the well-being of populations in the areas where it operates by providing help for schools, sporting events, etc.

**Study 2: Experiment 2****Loyal boosterism**

1. Working for [name of organization], I would defend my organization when others criticize it.
2. Working for [name of organization], I would actively promote my organization's achievements and positive attributes.
3. Working for [name of organization], I would publicly express satisfaction with my organization.

**Turnover intentions**

1. How likely would you think about quitting [name of organization]?

**Corporate hypocrisy manipulation check**

1. [Name of organization] acts hypocritically.
2. What [name of organization] says and does are two different things.
3. [Name of organization] pretends to be something that it is not.

## **APPENDIX B: Scenarios Used in Study 2**

### **Experiment 1: CSR Manipulation**

#### **CSR-Present Condition**

*Please read the following scenario carefully and imagine yourself in the following situation:*

Imagine that you have decided to look for a new job in your chosen profession. You decide to attend a popular job fair taking place in the city where you live. At the job fair, you meet a representative from Reynolds Corporation, a multinational company, who encourages you to apply for an open position.

Reynolds Corporation is composed of three major divisions: manufacturing, marketing and public relations, and research and development. Each one, contributing with its own expertise, creates a multinational corporation delivering solutions to appliance manufacturing with emphasis on cooking, dishwashing, laundry, and refrigeration products. Reynolds operates in several countries, and has developed core competencies in inventory management that serve the company well in its business.

Reynolds adheres to the principles of high productivity and Corporate Social Responsibility—of achieving success in ways that honor ethical values and respect people, communities, and the natural environment. Especially, Reynolds invests far more than their competitors for social initiatives. For instance, Reynolds matches employees' donations to charity for up to \$10,000 per employee annually, and it also supports a wide range of volunteering initiatives. Furthermore, Reynolds has set up a one-million dollar fund to support a foundation aimed at increasing environmental awareness (e.g., recycling). Finally, Reynolds actively engages with local communities by reinvesting 20% of its profits to support NGOs, social and humanitarian causes, and multiple access-to-education projects.

#### **CSR-Absent Condition**

*Please read the following scenario carefully, and imagine yourself in the following situation:*

Imagine that you have decided to look for a new job in your chosen profession. You decide to attend a popular job fair taking place in the city where you live. At the job fair, you meet a representative from Reynolds Corporation, a multinational company, who encourages you to apply for an open position.

Reynolds Corporation is composed of three major divisions: manufacturing, marketing and public relations, and research and development. Each one, contributing with its own expertise, creates a multinational corporation delivering solutions to appliance manufacturing with emphasis on cooking, dishwashing, laundry, and refrigeration products. Reynolds operates in several countries, and has developed core competencies in inventory management that serve the company well in its business.

Reynolds adheres to the principles of high productivity. Especially, Reynolds invests significantly more than its competitors in developing efficiency in its manufacturing processes. For instance, Reynolds monitors all of its facilities to make sure it is minimizing costs and achieving operational efficiencies, and it is also focused on reducing its production stoppages. Furthermore, Reynolds has made a one-million dollar investment in process improvements and equipment upgrades to increase its overall production rate by at least 20%. Finally, Reynolds is actively expanding its capabilities and expertise in inventory management, logistics, and distribution across sales channels to meet market demands and better secure its long-term financial performance.

## **Experiment 1: PCB Manipulation**

### **Part 1 of the Scenario**

*Please read the following scenario carefully and imagine yourself in the following situation:*

At the job fair, the representative from Reynolds Corporation told you that the organization is very employee-oriented. For example, they will help you develop externally marketable skills (with training workshops), help you form professional networks, and even support you with your personal problems. According to the job description, your tasks will not simply be administrative in nature, in fact, the job sounds like it will be very interesting and challenging. You are also informed that you will be given the opportunity to be involved in decision-making. Finally, the recruiter assures you that in working for this organization, you will receive regular bonuses every 6 months and an annual salary increase adjusted for inflation. Based on this information, you decided to apply for the position. You successfully completed the selection process, and Reynolds Corporation offered you a position. You accepted the job offer.

### **High-PCB Condition**

*Please read the next part of the scenario carefully and continue to imagine yourself in the situation described:*

Now, imagine that you have been working for Reynolds Corporation for two full years. Since you accepted this position, you have been highly committed and have worked very hard. It turns out that your tasks have mostly been administrative. However, throughout the years you have been able to provide a lot of excellent input into decisions that are made. A while back you were dealing with some personal issues so you asked your manager if you could take a few days off to get things in order, but he denied your request. So far, you have received bonus checks twice a year in return for your hard work, but you have not received annual inflation-adjusted salary increases. In terms of developmental opportunities, Reynolds has not held any training workshops since you started so you have not learned any important new skills. But you have had the opportunity to meet interesting people in your field.

### **Low-PCB Condition**

*Please read the next part of the scenario carefully and continue to imagine yourself in the situation described:*

Now, imagine that you have been working for Reynolds Corporation for two full years. Since you accepted this position, you have been highly committed and have worked very hard. It turns out that your tasks have mostly been administrative. However, throughout the years you have been able to provide a lot of excellent input into decisions that are made. A while back you were dealing with some personal issues so you asked your manager if you could take a few days off to get things in order. He approved your request. So far, you have not received annual inflation-adjusted salary increases, but you have received bonus checks twice a year in return for your hard work. In terms of developmental opportunities, Reynolds has held several training workshops since you started so you have learned many important new skills. And, you have had the opportunity to meet interesting people in your field.

**No-PCB Condition**

*Please read the next part of the scenario carefully and continue to imagine yourself in the situation described:*

Now, imagine that you have been working for Reynolds Corporation for two full years. Since you accepted this position, you have been highly committed and have worked very hard. It turns out that your tasks have been quite interesting. And, throughout the years you have been able to provide a lot of excellent input into decisions that are made. A while back you were dealing with some personal issues so you asked your manager if you could take a few days off to get things in order. He approved your request. So far, you have received bonus checks twice a year in return for your hard work, as well as annual inflation-adjusted salary increases. In terms of developmental opportunities, Reynolds has held several training workshops since you started so you have learned many important new skills. And, you have had the opportunity to meet interesting people in your field.

**Experiment 2: Corporate Hypocrisy Manipulation****Low-Hypocrisy Condition**

*Please read the following scenario carefully, and imagine yourself in the situation described:*

Cable & Co presents itself as the leading electronics company with best-in-class products. Specifically, Cable & Co declares producing new technology and creating the competitive tempo for the rest of the industry.

Working at Cable & Co, you know that Cable & Co is honestly invested in technology development and that its image as a technology pioneer is true. Indeed, Cable & Co strives to develop innovative technologies. It delivers unique and original products to its customers that make it stand apart from its competitors.

This makes no surprise to you. Having worked at Cable & Co for years, you know that your employer does exactly what it says and puts its words into action.

**High-Hypocrisy Condition**

*Please read the following scenario carefully, and imagine yourself in the situation described:*

Cable & Co presents itself as the leading electronics company with best-in-class products. Specifically, Cable & Co declares producing new technology and creating the competitive tempo for the rest of the industry.

Working at Cable & Co, you know that Cable & Co is not honestly invested in technology development and that its image as a technology pioneer is false. Indeed, Cable & Co does not strive to develop innovative technologies. It delivers products to its customers that are similar to those of its competitors, and even lag in technology.

This makes no surprise to you. Having worked at Cable & Co for years, you know that your employer does not do what it says and pretends to be something it is not.