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Un/ethical Company and Brand Perceptions: Conceptualising and Operationalising Consumer Meanings

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Abstract Based on three empirical studies, this research sets out to conceptualise and subsequently operationalise the construct of consumer perceived ethicality (CPE) of a company or brand. Study 1 investigates consumer meanings of the term ethical and reveals that, contrary to philosophical scholars' exclusively consequentialist or nonconsequentialist positions, consumers' ethical judgments are a function of both these evaluation principles, illustrating that not any *one* scholarly definition of ethics alone is capable of capturing the content domain. The resulting conceptualisation identifies six key themes explicating the construct. Building upon these findings, studies 2 and 3 were conducted to operationalise CPE. Such operationalisation is an essential prerequisite for future explorations and theory development given the absence of a suitable tool to capture and quantify the strength and direction of CPE. The key focus was on developing a valid and reliable multi-item measurement tool that is practical, parsimonious and easy to administer. The scale's general applicability allows deployment in academic and business contexts as well as different research areas and doing thus facilitates the much-needed theory building in this new research area.

Keywords Corporate ethics · Consumer meanings · Corporate social responsibility (CSR) · Consumer perceived ethicality (CPE) · Brand perceptions · Construct conceptualisation · Scale development

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Introduction

The ethics of business conduct have increasingly come under public scrutiny. Research investigating how corporate behaviour is received by the consumer is rapidly expanding and suggests that corporate misconduct has negative consequences on consumers' responses towards and relationships with a company's products and brands (e.g. Becker-Olsen et al. 2006; Berens et al. 2005; Biehal and Sheinin 2007; Du et al. 2007; Gürhan-Canli and Batra 2004; Lichtenstein et al. 2004; Luo and Bhattacharya 2006; Madrigal and Boush 2008; Sen and Bhattacharya 2001). Moreover, corporate misconduct can have severe implications in the form of long-lasting damage to a company's overall reputation. Moral evaluations play an essential role in corporate reputation formation (Bromley 2001); hence, how un/ethical a company is perceived in conducting its business is inherently linked to its overall reputation (Bendixen and Abratt 2007; Worcester and Dawkins 2005) and its ability to stay competitive in the marketplace.

In the light of the progressively expanding research body on ethical consumerism and despite the fundamental role that consumers' ethical perceptions play in their attitude as well as overall reputation formation, surprisingly, hardly any research has focused on the formation of this perception. Existing studies mainly focus on the direct link between a company's conduct and consumer responses. While the scientific community agrees that consumers respond negatively/positively to companies that they perceive as un/ethical, the vital question of how such ethical perception emerges in the consumer's mind has gone largely unaddressed until very recently. Yet it is this overall perception, resulting from the aggregation of descriptive, informational and inferential beliefs, which will be at the

root of consumers' cognitive, affective and behavioural responses.

Recent research has introduced the construct of 'consumer perceived ethicality' (CPE), defined as 'consumers' aggregate perception of a subject's (i.e. a company, brand, product, or service) morality' (Brunk and Bluemelhuber 2011, p. 134). Whether it is of neutral, positive or negative directionality, CPE is a summary construct representing consumers' overall subjective impression of ethicality, meaning how he/she perceives the moral disposition of a company/brand, which by nature may not accurately reflect actual company behaviour. The need for a new research stream focusing on perceptions, rather than on responses, has been acknowledged (Brunk 2010; Cohn 2010; Shea 2010).

For example, nothing is known about the meaning the consumer ascribes to the term 'ethical'. Hence, it is imperative to conceptualise the term 'ethical' from the consumer's perspective. On a general level, how is 'being ethical' understood, characterised and described? Is consumers' evaluation in line with scholarly definitions and theories of ethics?

Shea (2010) emphasises that measuring the magnitude of CPE in emotional terms—i.e. how bad or how wrong certain infractions are perceived—would constitute a meaningful contribution, also to corporate policymakers. Hence, in addition to the conceptualisation and description of the construct, an empirical investigation into how the construct can be operationalised in the form of measurement is urgently required.

The key objective of this research is therefore twofold: (1) to *conceptualise* and (2) to *operationalise* CPE. In a general sense, how can the consumer representation of 'un/ethical' be described and, furthermore, how can the directionality and magnitude of CPE of a particular company or brand be determined?

By addressing these very basic, yet vital, questions this article hopes to facilitate the much-needed future theory building in the area of ethical consumerism. The assessment of the impact of a company's un/ethical conduct on CPE is a vital prerequisite for developing an improved understanding of the causal link between a company's behaviour and consumer responses. Therefore, the studies hereafter constitute essential groundwork for further investigation of the sometimes contradictory findings related to the phenomenon of ethical consumption and the much-debated attitude–behaviour gap. Moreover, any subsequent research work investigating notions of company and brand misconduct (e.g. Huber et al. 2010), scandal spillover effects (e.g. Roehm and Tybout 2006; Lei et al. 2008), or, more generally, any facets of ethical or socially responsible consumer behaviour, will benefit from this much-needed operationalisation.

Literature

What is 'Ethical'? A Brief Background on Moral Philosophy

In a general sense, the term ethics refers to a set of moral norms, principles or values that guide people's behaviour (Sherwin 1983). The terms unethical or ethical describe an individual's subjective moral judgment of right/wrong or good/bad. By nature, moral sentiments can be either neutral, or negatively/positively valenced.

Moral philosophy offers two main traditions of normative ethical theories: *deontology* and *teleology* (Barnett et al. 2005; Forsyth 1992; Frankena 1973). While deontology is considered a non-consequentialist theory that guides evaluations, teleology represents a consequentialist approach to moral judgment (Crane and Matten 2007). Figure 1 outlines and contrasts both approaches, which shall be briefly discussed in turn.

Deontology

Immanuel Kant, the eighteenth century German philosopher, is considered as the most influential contributor to the normative moral theory of deontology. When deontological principles are applied, the moral judgment is rules-based: An individual evaluates an action as *right or wrong* by referring to higher moral duty, norms, or the law. Whether an action is ethical (right) or unethical (wrong) depends on the underlying moral norms applied by the decision-maker. Hence, deontology calls for rules, which in themselves are based on moral norms, to guide action. By so doing, this tradition of ethical theory offers universal principles and categorical imperatives of right or wrong, but disregards the consequences of such normative actions on society. An example of a norms-based approach to ethical evaluation is the recent article by Clement (2006), who defines the morality of corporate behaviour in legal terms only. In his analysis, only companies that had violated the law were categorised as unethical.

Teleology (Utilitarianism)

In contrast, teleological theories are consequentialist by nature. In other words, a teleological evaluation is based on considering the possible outcome of following a particular rule or action or of taking an alternative route, and tries to predict how much *good or bad* will result from either event. The teleological perspective entails taking into account perceived consequences, their probability, desirability and the severity of positive or negative impact for final judgment. At the centre of the ongoing debate among

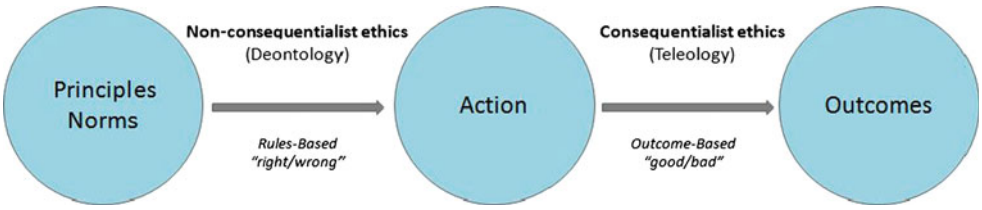

Fig. 1 Theories of business ethics (adapted and extended from Crane and Matten 2007)

the various camps of teleologists is the question of how the optimal balance between benefit and harm ought to be defined. This involves considering trade-offs between increasing benefits and reducing harm for all parties affected.

Utilitarianism, generally connected with Jeremy Bentham and John Stuart Mill, is the most prominent teleological theory in moral philosophy. According to utilitarian principles '…the right is to promote the general good—that our actions and our rules, if we must have rules, are to be decided upon by determining which of them produces or may be expected to produce the greatest general balance of good over evil' (Frankena 1973). Within the utilitarian mindset, the moral decision-maker has the obligation to strike the most optimal balance between harm and welfare, achieving the best possible outcome for *all* who will be affected by it. Hence, in contrast to deontology, utilitarianism focuses on the broader social impact on society, rather than placing emphasis on the individual (Crane and Matten 2007).

Consumers' Ethical Perceptions

From a philosophical perspective therefore, the two types of ethical normative theories outlined are distinctive and exclusive of one another, meaning scholars either strictly adhere to a consequentialist or a non-consequentialist position for ethical evaluation. How, on the other hand, do consumers evaluate the ethicality of a company or brand's actions? Is the scholarly distinction shared, meaning does a person apply *either* deontological norms *or* teleological considerations, or is a consumer's ethical perception based on a combination of both principles? Contrary to the notion that a person's ethical position is either exclusively deontological or teleological, some scholars suggest that an individual's moral judgments may be a function of both deontological norms and teleological considerations (e.g. Shanahan and Hyman 2003; Vitell et al. 2001).

Operationalising CPE: The Need for a New Measure?

The majority of existing studies investigating consumer reactions to corporate ethics and corporate social responsibility (CSR) consist of experiments that induce CPE with the help of various manipulation scenarios of un/ethical company behaviour (e.g. Berens et al. 2005; Brown and Dacin 1997; Folkes and Kamins 1999; Lichtenstein et al. 2004; Madrigal and Boush 2008; Mohr and Webb 2005; Sen and Bhattacharya 2001). In these studies, the impact of specific corporate practices (e.g. child labour) or levels of CSR involvement on consumer responses, such as attitudes or purchase intention is measured. The influence of company conduct on consumers' overall ethical perception of the test company/brand is rarely assessed in the cited studies. Yet, the magnitude of impact un/ethical (or CSR-related) practices have on CPE presents an essential question (Cohn 2010; Shea 2010) and prerequisite for facilitating a better understanding of the 'company action–consumer reaction' relationship as well as the controversy surrounding the attitude–behaviour-gap.

In the case where ethical perceptions are evaluated as part of the experiment's manipulation checks, the most common way of measurement is a single item semantic differential scale ranging from 'very ethical' to 'very unethical' (Tsalikis and Seaton 2006), which only captures the perceived ethicality of a particular action (employed in manipulation scenario), rather than the overall aggregate perception of the company/brand engaging in the practice. Not only does this fail to capture the content domain of CPE, but, moreover, single item measures are statistically problematic for application in a modelling context and therefore limit empirical theory building.

A broader literature review was conducted in search of valid and reliable ethical scales that could be applied in, or adjusted to, the described CPE context. The review included various research areas, such as ethical consumption, business ethics, CSR, marketing ethics and consumer ethics. Ethics-related scales can be broadly classified into those taking the *business perspective*, i.e. measuring ethical evaluation and decision making of business professionals or companies as a whole, and those set up to measure the *consumer perspective*, either evaluating the morality of their own behaviour or that of a company's conduct. While both perspectives were reviewed, only existing consumer-centric scales shall be briefly presented hereafter.

Evaluation of Consumers' Own Morality and Purchase Practices

Moral Positioning Consumers' reflections on, and responses to their own, personal, moral positioning and

behaviour are at the core of the measurement phenomena pertaining to this research stream. With the objective to measure consumers' overall moral positioning on the dimensions of idealism and relativism, Forsyth (1980) develops an ethical position questionnaire (EPQ). However, the scale was found to be highly sensitive to different cultural contexts by Cui et al. (2005).

Purchase Practices Scales in this category relate to consumers' claimed purchase behaviour and therefore do not tap their perceptions of the behaviour of others. For example, Roberts (1996) created a socially responsible consumer behaviour scale to identify socially responsible consumers.

A separate research stream relating to purchase practices focuses on consumer ethics, which mainly relates to morally questionable behaviour by the consumer. Consumer ethics scales capture the consumer's own mis/behaviour in consumption-related situations (e.g. pirating music or redeeming expired coupons). Muncy and Vitell (1992) developed the 'consumer ethics scale', validated on many occasions across different countries and cultural contexts (Rallapalli et al. 1994; Rawwas 1996; Van Kenhove et al. 2001; Vitell et al. 1991).

While this section briefly identifies ethical scales relating to consumers' morals and purchase behaviour, measuring consumer responses to their own practices is inherently different to capturing consumer responses to a company or brand's practices; hence these scales are unsuitable in the context of intended CPE.

Consumer Position and Response to a Company's Morality and Business Practices

The issues of business ethics and CSR are comparatively new fields of empirical research. The consumer perspective has received much less attention compared with the corporate perspective and is generally recognised as being under-researched (Mohr et al. 2001; Newholm and Shaw 2007; Sen and Bhattacharya 2001). Therefore, existing scales addressing the consumer perspective of corporate ethics are scarce.

Perceived Importance and Attitude Towards Ethical Corporate Behaviour Creyer and Ross (1997) take the consumer perspective and develop four multi-item measures that aim to capture (1) consumer expectations about ethical corporate behaviour, (2) how important ethicality is and whether consumers are, (3) willing to reward ethical and (4) punish unethical behaviour. Consumers' personal support for specifically CSR issues was assessed by Sen and Bhattacharya (2001). Folkes and Kamins (1999) investigated the question of how product quality attributes and various ethical/unethical acts of companies counteract and influence consumer behaviour. However, the dependent variable was consumers' general attitude towards the firm/brand, and hence, the resulting CPE from the various experimental conditions was not measured.[1]

Corporate Associations Corporate associations held by consumers have been evaluated in various ways. None of the corporate associations measured by the reviewed scales captures the content domain of CPE in its full extent but rather measures some closely related concepts. For instance, the 'The Reputation Quotient' by Fombrun et al. (2000) functions as a measure of corporate reputation. The measurement instrument was developed taking a general stakeholder perspective (to which consumers are counted in a broader sense only). The 20-item scale includes subscales for 'social and environmental responsibility' as well as evaluates the 'workplace environment', which by nature are, or can be, ethics-related. Lichtenstein et al. (2004) measure perceived CSR of a company with a five-item scale. However, all indicators exclusively relate to philanthropy and exclude other CSR facets. Scales deployed in studies by Brown and Dacin (1997), Sen and Bhattacharya (2001) and Berens et al. (2005) address the level of CSR associations for a given company, while Madrigal and Boush (2008) measure a brand's social responsibility (three items). However, to measure the strength of association with CSR, the employed scale items do not measure an overall, holistic perception, but relate to very specific prototypical CSR-related activities, such as philanthropy (e.g. charitable giving) and concern for the environment.

Sentiments Toward Business Ethics (General) Tsalikis and Seaton (2006) measure consumer perceptions of business ethics in general. The developed index is a longitudinal tool that aims to estimate shifts in consumer sentiments towards business ethics over time. By nature, this four-item scale is not company/brand specific. Furthermore, with semantic differential scales ranging from 'very ethical' to 'very unethical', the scale does not explicate and capture the content domain of ethicality per se. Hence, this index is inappropriate in the context of measuring CPE.

Figure 2 provides an overview of the consumer scales discussed, categorised by measurement phenomena. Existing measures fail to either sufficiently capture the holistic perceptual nature of the construct of CPE and/or are inappropriate for the intended context. Operationalising CPE by developing a parsimonious CPE scale is therefore

[1] A one-item manipulation check ('How ethically right or wrong is it for company … to engage in the practice described by the scenario') was performed, measuring perceived ethicality of the actual practice and not the impact on global CPE of the brand/company.

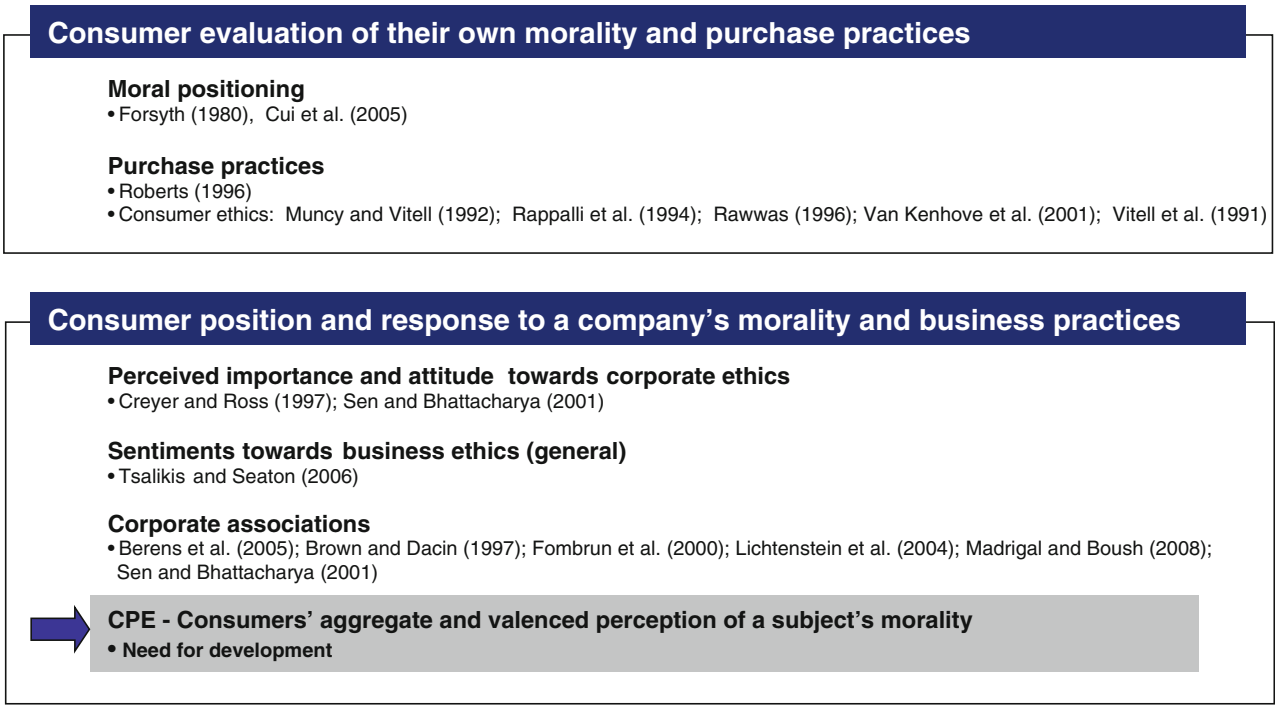

Fig. 2 Overview of previously employed ethics-related consumer scales

highly warranted and essential for any subsequent research activities and future theory building in the area of ethical consumption.

Objectives

The key objective of this research is twofold: (1) to *conceptualise* and (2) to *operationalise* CPE. In a general sense, how can the consumer representation of 'un/ethical' be described and, furthermore, how can the directionality and magnitude of CPE of a particular company or brand be determined?

Given the scarcity of existing research relating to consumers' ethical perceptions of companies and brands, the first objective is to conceptualise the content domain. The resulting conceptualisation intends to serve as a foundation for the second research objective, which, in line with the highlighted absence of a suitable measure to capture CPE, is to operationalise CPE for further research efforts. The intention is to construct a multi-item scale that is practical, parsimonious, easy to administer and applicable in different contexts, i.e. at the brand or corporate level, or in academic as well as business (applied) research.

Research Approach

The research objectives are achieved by means of a multi-method approach encompassing three studies in total. To facilitate a solid conceptual foundation, an inductive study precedes the operationalisation.

Study 1 comprises a qualitative inquiry to conceptualise CPE. Based on the emerging themes, potential scale items are suggested, which are reviewed by experts for suitability. The intention of study 2 is to test and refine the proposed CPE scale structure based on a survey conducted among general consumers. An exploratory factor analysis (EFA), followed by a confirmatory factor analysis (CFA) is applied to the data to verify the dimensionality of scale items, investigate potential optimisation as well as to test the reliability of the scale structure. Study 3 is administered to demonstrate reliability and stability of the measurement model across a second independent sample. The second survey therefore serves a purely confirmatory purpose through verification of satisfactory psychometric scale properties. The procedures employed to devise the CPE scale follow accepted empirical methods of scale development in consumer research (e.g. Churchill and Gilbert 1979; Gerbing and Anderson 1988; Ping 2004; Spector 1992) and are also in line with the more rational development approach as advocated by Rossiter (2002). All study subjects volunteered to participate in the conducted interviews and surveys. In line with general ethical standards in research, information that might disclose informants' identity has been omitted.

The UK was selected as the most suitable country of research for several reasons: First, most of the existing literature is based on the US samples. Conducting research

in Europe provides a new perspective and a much-needed extension to the present body of research. Second, concepts of corporate ethics and social responsibility have been emphasised for longer in the UK than in any of the other leading economies in Europe. UK legislation encourages exemplary business ethics. In 1996, an amendment to the Pensions Act was passed, making it a legal requirement for pension fund trustees to provide ethics information in their annual statement of investment principles from the year 2000 onwards. Consequently, UK companies find themselves increasingly challenged on their social and environmental principles and performance (Crane et al. 2004). The UK's frontrunner position in terms of business ethics and CSR is reflected in public discourses and suggests a strong level of consumer awareness and sensitivity towards these types of issues.

Conceptualising Consumer Meanings

Study 1 conceptualises CPE. Based on the assumption that consumer understanding of the term ethics may not necessarily be congruent with any one scholarly definition, the core question 'what does being ethical mean to consumers?' is investigated for conceptualisation purposes. Hence, on a general level, how is 'being ethical' understood, characterised and described by the consumer?

Method

17 long interviews (McCracken 1988) with general consumers serve as a basis for the conceptualisation phase. A theoretical sampling strategy was followed with the intention to explore diverse and contrasting consumer profiles and therefore generate a broad variety of answers (McCracken 1988; Strauss and Corbin 1990). The resulting group of informants offers a large variety of demographic profiles to include diversity in terms of age, gender, marital status, education, and employment status, including students, retirees, self-employed, unemployed, as well as employees at various seniority levels (management vs. non-management).

To gain the necessary insights pertaining to the consumer's understanding and meanings attributed to the term 'ethical', the content domain was not predefined by the researcher. Instead, informants were requested to describe the personal meaning they ascribe to the term, applying their own words. Interviews, conducted at the informants' home, followed a semi-structured format and employed open-ended, non-directive questions.

With the consent of informants, interviews were recorded and fully transcribed following the conversations. Preliminary analysis started upon completion of the first couple of interviews and continued at regular intervals. To extract meaning, transcripts were reread repeatedly in search of recurrent themes relating to the term 'ethical'. In line with procedures commonly accepted for this type of inquiry, data analysis was an ongoing and iterative process that gradually evolved throughout the data collection phase, a process known as constant comparison method (Spiggle 1994; Strauss and Corbin 1990). The constant comparison method allows data collection and analysis to intermingle, a highly useful strategy for exploratory research purposes (McCracken 1988). Data collection and analysis proceeded until theoretical saturation was achieved, meaning no additional themes emerged during the last interviews.

Findings

Application of Consequentialist and Non-consequentialist Evaluation Principles

Findings suggest that, contrary to the scholarly positions in moral philosophy, which are exclusively consequentialist or non-consequentialist, consumers' ethical judgments are functions of *both* evaluation principles. Consumer explications of CPE illustrate the simultaneous application of deontological (norms-based) and teleological (outcome-based) considerations for ethical judgment, which is illustrated by informant 12's description of the term ethical in a corporate context: 'To me, it means that they have to adhere to the law. For instance, no child labour. Yes, that they don't violate any laws is ethical. That's really important to me. But also, for instance, that they don't discriminate or cause any kind of damage to people'. The quote demonstrates that, contrary to philosophical scholars' exclusive positions, consumers may not hold a clear-cut, categorical position. Rather their evaluation can be a mix of both streams of ethical theory, as previously suggested by Shanahan and Hyman (2003). The fact that consumers appear to apply both evaluation principles randomly and simultaneously suggests that not any *one* scholarly definition of ethics alone is capable of capturing the construct of CPE.

Several key themes emerge from the analysis of consumer narratives that characterise the phenomena of 'being ethical'. Some of the six themes, which shall be discussed in turn, illustrate consumers' deontological (non-consequentialist) evaluation while others showcase teleological (consequentialist) considerations.

Abiding by the Law

In line with deontological evaluation principles, consumer perception of being ethical is almost synonymous to

abiding by the law. As informant 10 responds to the question of what an ethical company means to him: 'So you know they [companies] have to abide by the laws, the financial laws of the state or the country, on top of that, environmental, they need to adhere to the environmental rules and laws of the country, and last, the labour laws of the country'. Consumer narratives suggest that any illegal activities a company engages in are perceived as unethical. This confirms previous findings by Carrigan and Attalla (2001) and Muncy and Vitell (1992). Activities violating the law constitute unethical behaviour in the eyes of consumers and, further to Joyner and Payne (2002), insufficient compliance with legal regulation may have detrimental consequences for a company.

Respecting Moral Norms

An alternative way of describing CPE, which also demonstrates consumers' rules-based approach to moral evaluation, refers to respecting moral norms and basic behavioural principles. As informant 4's short definition of ethics illustrates: 'Basically, I'd say that company behaviour should reflect prevailing moral norms'. Or take informant 6, who elaborates on her understanding of the ethical notion more concretely: 'Treating employees fairly, sticking to rules and guidelines and things like that, so, yeah, being honest and fair, decent wages, decent conditions at work, that sort of thing'. In addition to the importance of moral norms, such as honesty and fairness mentioned by this informant, consumer interviews furthermore included behavioural principles, such as acting with integrity and transparency.

Being a Good or Bad Market Actor

More holistic by nature, this theme elicited refers to the character of a company or brand, whether it is perceived to be genuine and well-intended on a general level. The notion shares some similarity with the sincerity dimension of Aaker's (1997) brand personality framework. Similar to any individual, companies or brands can be perceived as possessing a positive or negative character, and, as illustrated by informant 9, may be characterised simplistically as being good or bad: 'I don't know how to describe it. Let me think, being ethical or unethical, can't think of a definition, really (thinks). You probably want to hear something more sophisticated but what it means to me is whether a company is good or bad, a little bit like with people, there are good and bad people, and companies kind of consist of people. Do you know what I mean? I don't find a better way to put it. Just having good or bad feelings about it'.

Acting in a Socially Responsible Way

Being ethical was also described as acting in a socially responsible way, which consumers define as: actively doing something good and having a positive impact on the community by means of proactive social engagement and philanthropy, as explained by informant 13: 'I would define this by saying that firms can make a profit, without damaging anybody of course, but more importantly they should achieve something positive, something socially responsible. I mean that with the profit they make, they should perhaps share it and give something to charitable causes. That's what ethically correct behaviour is to me'. Informant 1 elaborates further: 'If they (companies) could show in an annual report that we put this much money back into the local community, we set up this school, we've started these programmes for environmental clean-up campaigns, stuff like this. If they could show me that a certain percentage of their profits was being channelled into those activities, then that to me, they could claim to be an ethical company'. By focusing ethical evaluation on the positive consequences of company actions, this description showcases consumers' teleological approach to morality judgment.

Avoiding Any Kind of Damaging Behaviour

Contrary to philanthropic behaviour aimed to improve welfare, the most undesirable outcome from a teleological evaluation perspective would be to cause harm. Consistent with this line of thought, consumers define ethical as avoiding any kind of damaging behaviour. When asked what the term corporate ethics meant to him, informant 1 replied: 'That would mean to me, a company that could demonstrate that they took positive steps to avoid any damaging behaviour from their company's activities'. In a similar fashion, informants 15 and 14 (respectively) describe: 'I guess that they are doing things that aren't going to damage the planet… and then also that they are not investing in any, not adding their sort of money to any sort of regimes in the world that are sort of doing damage to the people or doing damage to the planet as well. Ethics involve the potential abuse of a group of people by another group of people and ethics is what should control that, you know, ethics is what should stop that from happening'.

Weighing up Positive and Negative Consequences

Another behavioural characteristic emerging from consumer narratives pertains to the manner of corporate decision making and reflects utilitarian principles of teleological philosophy. As informant 7 believes: 'They [companies] should take everybody into account. And yes,

I really mean everybody, like the customers and the employees and everybody they interact with'. According to consumers, being ethical calls for balancing the interests of constituents and involves careful consideration and weighing up any positive or negative consequences for all those involved. For instance, in the event of a financial crisis, ethical behaviour calls for the management's willingness to seek the most optimal solution for all parties involved. Rather than prioritising shareholder interests by default—which in many cases would imply outsourcing operations to save costs and increase shareholder return—consumers feel that negative consequences for employees and the local economy must be taken into account equally. This principle of concern for the consequences of corporate action is illustrated by informant 11 in her explanation of being ethical: 'For me, it means not just to focus on profit, I would say. It means taking into account the circumstances and consequences of your decision more, considering everyone, you know, not just to think about yourself as a company but also all the other stakeholders'. Or as another interviewee, informant 17, remarks: 'It's not just looking towards profits and returns for shareholders and for the management of the company but also looking towards the long-term impact on everyone'.

Figure 3 summarises the six key themes that comprise the consumer representation of the content domain of CPE as elicited by this study. Interestingly and contrary to philosophical scholars' exclusively consequentialist or non-consequentialist positions, any one consumer's ethical judgment of company behaviour can be a function of both deontological and teleological evaluation principles. This confirms that not any *one* scholarly definition of ethics alone is capable of capturing the construct of CPE.

Developing, Testing, and Validating the CPE Scale

Developing Measurement Items

The second objective is to operationalise CPE by constructing a valid and reliable measurement tool. A vital prerequisite for measuring a construct is thorough conceptualisation (either based on existing literature or on empirical evidence), which subsequently supports content validity of the scale to be developed. As recommended by Spector (1992), exploring consumers' own representations of the content domain inductively facilitates the formulation of scale indicators that adequately capture the construct. Therefore, the preceding conceptualisation study serves as a foundation for the following two studies, conducted to operationalise CPE. Starting with a full scale qualitative inquiry not only allows in-depth explication of the CPE construct but, moreover, interviews reveal consumer-specific language, which, if incorporated, improve item phrasing and consequently measurement error (Ping 2004). Scale items were phrased to represent each of the six identified key themes. For face validity purposes, description themes elicited from consumer interviews were discussed with a marketing and CSR expert, as well as an English language editor, which resulted in the formulation of the following six CPE scale indicators for further testing:

1. (company/brand) respects moral norms;
2. (…) always adheres to the law;
3. (…) is a socially responsible company/product/brand;
4. (…) avoids damaging behaviour at all cost;
5. (…) is a good company/product/brand; and
6. (…) will make a decision only after careful consideration of the potential positive or negative consequences for all those involved.

Data Collection

Two separate studies are conducted to test and validate the CPE scale. The first survey's intention was to establish and refine the CPE scale. Provided satisfactory results and scale properties, the second survey intends to test the scale's stability across an independent sample, therefore serving purely a validation purpose. Before administration of the first survey, 20 online pre-tests were performed. Participants were asked to provide feedback on survey completion time, ease of use, potential technical issues, as well as clarity and ambiguity of statements. The pre-test feedback was incorporated and resulted in minor adjustments to the final questionnaire.

Both studies were conducted with a convenience sample of general consumers. Per survey, approximately 40

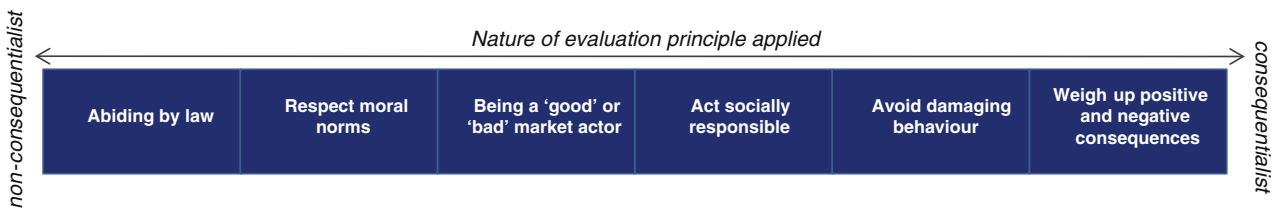

Fig. 3 Conceptualising CPE: explicating the content domain

respondents of intentionally varying demographics (such as different gender, age groups, educational background, and employment status) were contacted via email and invited to participate in a self-administered online survey. A snowball system was applied where, in addition to participating in the survey, respondents were asked to forward the survey link to other friends and colleagues. Participants qualified for the survey if they were at least 16 years old and either UK nationals or residents in the UK for a minimum of 5 years. Foreigners living in the UK for longer than 5 years were included in the sample and assumed to be sufficiently assimilated after exposure to the same local environment and media as UK citizens for an extended period of time. Both samples achieved great variation in terms of age, gender, and education. See Table 4 in Appendix provides a summary of each sample's demographic composition in comparison to published UK demographic data.

Self-administered online questionnaires offered the advantage of precluding potential interviewer bias. This was an important consideration, given previous research suggests an increased risk of social desirability effects when investigating issues of ethics and morality (Mohr et al. 2001; Worcester and Dawkins 2005). Participants in each study were asked to evaluate three brands, after awareness was tested, yielding a total of 303 and 305 cases for analysis in surveys 1 and 2, respectively. For each company, respondents were asked to rate their dis/agreement with the six scale items identified above on a seven-point, Likert-type scale ranging from 1 = 'strongly disagree' to 7 = 'strongly agree', as recommended by Ping (2004, p. 134). To allow validity assessment of the CPE scale, a series of additional items were added to the questionnaire.

Study 2: Testing and Refining the CPE Measure

Initial Item Analysis

Following commonly accepted procedures for empirical scale development (e.g. Churchill and Gilbert 1979; Ping 2004; Spector 1992), the aim of this first survey was to establish and refine the CPE scale. This included the investigation of item dimensionalities and the assessment of the psychometric properties of the measure via exploratory and subsequently CFA.

Six items were subjected to EFA via SPSS using principal component analysis to assess dimensionality of the items. As a first step, the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy was reviewed (Kaiser 1974). Values close to 1 suggest that correlation patterns are compact, hence producing reliable factors. The achieved value of 0.93 is considered excellent, indicating factor analysis is appropriate for the data (Hutcheson and Sofroniou 1999).

A review of the items suggests a one factor solution, meaning that the observed variables represent a single dimension. Only one factor had an eigenvalue greater than one (Kaiser 1960) and the scree plot showed a sharp descent after the first factor, tailing off thereafter (Cattell 1966). All variables loaded highly (>0.86) on the one underlying factor. Inter-item correlations were all above 0.70 yet lower than 0.90, indicating that multicollinearity is not an issue. The proposed one factor solution with six indicators accounts for a considerable 84 % of the variation in the data.

Since unidimensionality is a prerequisite for the effective use of Cronbach's (1951) coefficient alpha, scale reliability was assessed after initial investigation of dimensionality (Gerbing and Anderson 1988; Ping 2004). A coefficient alpha value of 0.96 for the CPE scale indicates an excellent level of internal consistency by being well above the widely accepted rule of thumb of at least 0.70 (Nunnally 1978). Given EFA results meet the general evaluation criteria set forth by Churchill and Gilbert (1979), there was no apparent need to delete any of the six indicators. See Table 1 for a summary of the EFA results.

Scale Purification

While EFA is a useful preliminary technique for constructing a scale, the favourable psychometric properties and unidimensional factor structure of the CPE scale needed to be more closely evaluated in a subsequent confirmatory analysis (Gerbing and Anderson 1988). The primary aim was to assess model fit as an indicator of unidimensionality and investigate the potential need for scale refinement. Hence, items 1–6 were administered and tested in a single factor model CFA via Lisrel.

Initial analysis confirmed that all indicators loaded highly (0.81–0.94) and significantly on one factor. However, the six-item solution failed to meet benchmarks of acceptable model fit by producing a weighted least squares Chi-square of 53.83 (df = 9; $p = 0.00$) and a root mean square error of approximation (RMSEA) of 0.13. Despite the fact there is no universal agreement on an appropriate index to assess model fit (or even a standard set of fit indices) (Ping 2004), certain guidelines have been proposed and widely accepted by the academic community. Browne and Cudeck (1993) as well as Jöreskog (1993) advise that an RMSEA of <0.08 signals acceptable fit and a value of <0.05 indicates close fit, while Hu and Bentler (1999) propose a cut-off value of <0.06. The p value for Chi-square as a measure of exact fit should be larger than 0.05 (Browne and Cudeck 1993).

Table 1 EFA results for CPE scale—survey 1 ($N = 303$)

Scale mean	SD	Cronbach's alpha	Total variance explained (%)	Indicator loadings (range)	Item-total correlation (range)	KMO measure of sampling adequacy
24.6	8.8	0.96	84	0.86–0.94	0.80–0.91	0.93

Modification indices indicate that item six '(…) will make a decision only after careful consideration of the potential positive or negative consequences for all those involved' appears problematic and shares error correlation with three other indicators. Despite the fact that none of the experts and pre-test participants reported issues with this item, it is likely that its length and complexity hindered overall clarity and ease of comprehension, making it difficult for consumers to distinguish conceptually between scale items. One reason this issue did not surface during pre-tests may be that the large majority of pre-test participants were highly educated. The item in question was consequently removed and the measurement model re-estimated.

Model fit for the resulting five-item solution clearly improved, demonstrated by a WLS Chi-square of 17.23 ($df = 5$; $p = 0.004$), RMSEA of 0.09, a comparative fit index (CFI) of 0.99, an adjusted goodness-of-fit index (AGFI) of 0.93, a non-normed fit index (NNFI) of 0.99 and a standardised root mean square residual (SRMR) of 0.013. Overall the model fits the data well (CFI, AGFI, NNFI and SRMR meet widely accepted benchmarks of good fit). However, the Chi-square and RMSEA values are marginally outside the cut-off values of $p > 0.05$ and RMSEA < 0.08. While this may be considered reasonably acceptable fit, modification indices indicated that the model can be further improved by removing item four 'avoids damaging behaviour at all cost'. The fact that the item's error correlates with item one ('respects moral norms') may imply that conceptually both indicators may not be sufficiently distinct. A discussion with one of the expert judges suggested that the item 'respecting moral norms' may be overarching by nature, meaning that respecting moral norms actually encompasses 'trying to avoid damaging behaviour'. Item four was subsequently omitted, further purifying the CPE scale to comprise of four indicators.

A re-estimation of the model for the four-item CPE scale revealed an almost perfect model fit with a Chi-square of 1.25 ($df = 2$; $p = 0.53$), RMSEA of 0.00, CFI of 1.00, AGFI of 0.99, NNFI of 1.00, and SRMR of 0.004. Average variance extracted (AVE) is an excellent 0.82. Ranging from 0.81 to 0.96, factor loading estimates are all significant with t statistics exceeding 21 ($p < 0.003$) and are considerably above the recommended cut-off value of 0.4 (Nunnally 1978). Cronbach's value of 0.95 demonstrates high reliability of the four-item CPE scale and remains almost identical when compared with the original six-item solution (0.96) suggested by EFA. See Table 2 for an overview comparing key fit indices for the discussed six-, five-, and four-item models.

The final number of four measurement items retained in the CPE scale is within the generally recommended number of three to five items for a construct (Rossiter 2002). Hence, the purification phase results in a parsimonious four-item solution that, for validation purposes, was re-tested with a second independent sample.

Study 3: Confirming and Validating the CPE Measure

Re-administration of the CPE Scale

The result of the preceding measurement purification stage raises the question to what extent the emerging four-item solution was a function of the sample employed. Using a new and independent sample of subjects and brands, a second survey was conducted with the objective to evaluate the robustness, hence validate the purified CPE scale and ensure one has not capitalised on chance (Churchill and Gilbert 1979).

Table 2 CFA results for CPE scale purification—survey 1 ($N = 303$)

# indicators	df	WLS χ^2 (p)	RMSEA	NNFI	CFI	SRMR	GFI	AGFI	AVE	Loadings min/max
6	9	53.83 (0.000)	0.130	0.98	0.99	0.016	0.94	0.87	0.80	0.81/0.94
5[a]	5	17.23 (0.004)	0.090	0.99	0.99	0.013	0.98	0.93	0.80	0.81/0.95
4[b]	2	1.25 (0.530)	0.000	1.00	1.00	0.004	1.00	0.99	0.82	0.81/0.96

[a] Removed item 6: 'will make a decision only after careful consideration of the potential positive or negative consequences for all those involved'

[b] Removed item 4: 'avoids damaging behaviour at all cost' in addition to item 6

Table 3 CPE scale fit indices survey 1 versus survey 2

Survey	df	WLS χ^2 (p)	RMSEA	NNFI	CFI	SRMR	GFI	AGFI	AVE	Loadings min/max	α
1 (N = 303)	2	1.25 (0.530)	0.000	1.00	1.00	0.004	1.00	0.99	0.82	0.81/0.96	0.95
2 (N = 305)	2	1.49 (0.470)	0.000	1.00	1.00	0.006	1.00	0.99	0.74	0.71/0.94	0.92

Results confirm that the unidimensional structure resulting from the scale purification phase fits the data very well as shown in Table 3, hence the CPE scale is cross-validated by this new independent survey sample. CFA estimating a one-factor measurement model with four indicators yields excellent fit indices with a Chi-square of 1.49 (df = 2; $p = 0.47$), RMSEA of 0.00, a CFI of 1.00, an AGFI of 0.99, a NNFI of 1.00, SRMR of 0.006 and AVE of 0.74. In line with the first survey, factor loadings are all significant and range between 0.71 and 0.94. A high level of internal reliability is indicated by a coefficient alpha value of 0.92. Hence, the favourable results and almost perfect model fit of survey 1 is replicated by a second independent survey, suggesting robustness of the CPE scale.

As the four-item solution proved stable and consistent in terms of fit across both independent samples, the data from surveys 1 and 2 were pooled to calculate descriptive statistics for the summated CPE scale. The mean on the instrument is 16.8, with a standard deviation of 5.5 ($N = 608$). The possible range on the scale is 4 to 28, with a middle score of 16, putting the actual mean for the instrument close to the middle of the scale.

To provide some rough guidance on positive and negative scale norms, CPE was calculated for each brand evaluated in the survey (see Table 5 in Appendix). With a reputation as one of the most responsible companies globally and a brand essence built on ethical values, brand 2 achieves the highest CPE score of 21.2 ($N = 100$) among the brands tested. Conversely, with a CPE mean score of 13.6 ($N = 102$), brand 6 receives the lowest score in relation to the scale's mean, very closely followed by brand 1's mean score of 14.1 ($N = 102$) and brand 3's score of 14.7 ($N = 101$), which suggests these three companies suffer from unfavourable ethical perceptions. This is not surprising, given their involvement in widely publicised scandals in the past.

Establishing Validity

Evidence of internal consistency and reliability is not sufficient to render the CPE scale a viable measurement tool (Churchill and Gilbert 1979). Moreover, validity needs to be established to conclude that the scale possesses favourable psychometric properties. Validity refers to how well a scale reflects its unobservable construct. Due to the construct's unobservable nature, establishing validity is an essential step. According to Ping (2004), ideally validity of a scale should be gauged by assessing content/face validity, criterion validity, and construct (nomological) validity.

Content Validity The adequacy with which a construct to be scaled was explicated and sampled constitutes a primary consideration when developing a new measurement instrument. The core evaluation criterion is whether the scale items represent the unobservable construct's content domain. The procedures employed to develop the CPE scale suggest that the new measure possesses content as well as face validity. Scale items were developed based on a full-scale empirical study with consumers of varying demographics. The approach taken allowed for a comprehensive conceptualisation of the content domain. The developed scale items are representing the CPE construct well, suggesting content validity (a priori evidence). Furthermore, following the interview stage and development of initial scale items, as well as during the purification stage, expert judges examined the validity of the indicators constituting the CPE scale.

Criterion-Related Validity Having provided evidence of the reliability and content validity of the CPE scale, criterion-related validity—whether the measure behaves as expected—needs to be evaluated. Given CPE is a new construct, which to this point lacked operationalisation, a criterion measure or established 'gold standard' to which the scale is empirically associated, is unavailable. This is not uncommon and in line with Ping's (2004) observations that criterion-related validity is rarely assessed. However, instead of completely refraining from concurrent validity assessment, an exploratory evaluation approach was taken. A proxy item: '(name) is an ethical company' was added to the questionnaire to gauge the lack of an established criterion measure. Consumers were asked to evaluate the statement on a seven-point Likert-type scale ranging from 1 = 'strongly disagree' to 7 = 'strongly agree'. It was hypothesised that the proxy item and the CPE scale are empirically related. Results are as anticipated in that the scale's correlation of 0.9 with the summary item is positive and significant ($p < 0.01$), suggesting concurrent validity. However, the exploratory nature of this evaluation needs to be acknowledged.

Criterion-related validity may alternatively be established by a known-groups comparison, in which case the criterion is categorical instead of continuous (Spector 1992; DeVellis 1991). For this purpose, CPE scale scores were analysed by brand sub-samples. It was hypothesised that following highly publicised scandals, brand 1 (survey 1) and brand 6 (survey 2) would receive significantly lower CPE ratings when compared to brand 2 (survey 1) and brand 5 (survey 2). Paired-sample t tests confirm these expectations. The mean CPE score of 21.2 for brand 2 was significantly higher than the mean score of 14.1 for brand 1 ($t = 10.57$; $p < 0.0001$) and likewise, the mean CPE score of 18.2 for brand 5 was significantly higher than the 13.6 achieved by brand 6 ($t = 6.96$; $p < 0.0001$). The results demonstrate the CPE scale's ability to discriminate between known groups, further supporting criterion-related validity.

Construct (Nomological) Validity In addition to content and criterion-related validity, the CPE scale's validity was also assessed by examining its construct validity. In order to consider a new scale to possess convergent validity, Nunnally (1978) suggests a reliability benchmark of 0.7. However, as measures can contain high error variance, Ping (2004) poses that measures with reliabilities of 0.7 may, in fact, not be convergent valid. In order to gauge convergent validity in meno-method studies, Ping (2004) proposes to analyse AVE in addition and concludes that adequately convergent validity is demonstrated by an AVE above 0.5 and reliabilities of 0.9 and higher. Results for surveys 1 and 2 exceed these benchmarks with AVEs of 0.82 and 0.74 and reliabilities of 0.95 and 0.92, respectively, rendering the CPE scale convergent valid.

Furthermore, construct validity usually involves testing the measurement's correspondence with other constructs (also referred to as a nomological network) to evaluate whether the scale's relationship with other constructs is consistent with predictions derived from prior theory (Ping 2004). However, measures of other constructs employed to assess nomological validity must be already established and their hypothesised relationship with the target measure must be theoretically sound. Hence, the ability to comprehensively assess nomological validity is dependent upon the development stage of related theory (for identifying the nomological network), as well as the existence of valid and reliable measures for the identified constructs (empirically testing the hypothesised relationships with the target measure), which in some instances may not exist (Spector 1992). In the present case of CPE, not only are valid and reliable alternative measures absent from the literature but, moreover, research is still in its infancy. This paper presents an initial attempt at conceptualising and operationalising the construct of CPE to enable further theory building. The fact that little is known about CPE's nomological network prevents the development of theoretically sound hypotheses required to establish nomological validity. Scale development is therefore an ongoing process, meaning as research in the area of CPE and theory building evolves, so will the CPE scale's nomological network. This will allow assessment of the scale's convergent and discriminate validity.

Summary

This research sets out to address two key objectives: to *conceptualise* and subsequently *operationalise* CPE. A total of three studies serve as an empirical base for meeting these research objectives.

Given the scarcity of existing research relating to consumer's ethical perceptions of companies and brands, and based on the assumption that consumer representation of the ethical notion may not necessarily be congruent with any one scholarly definition, the core question of 'what does being ethical mean to consumers?' was investigated for conceptualisation purposes. Consumer interviews reveal that, contrary to philosophical scholars' exclusively consequentialist (teleological) or non-consequentialist (deontological) positions, a consumer's ethical judgment of a company or brand can be a function of *both* evaluation principles, sometimes applied simultaneously. This illustrates that not any *one* scholarly definition of ethics alone is capable of capturing the content domain.

The resulting conceptualisation identifies six key themes that explicate the construct and serve as a foundation for the second research objective: operationalisation of CPE.

In line with the highlighted absence of a suitable measurement tool to capture CPE, and the necessity to further academic research and theory building in this area, this research operationalises CPE by constructing a valid and reliable multi-item scale that assesses the direction and degree of un/ethical perceptions consumers hold of a subject (i.e. a company, brand, or service).

Development of the CPE scale is based on a multi-study approach to meet recommended scale construction procedures, following criticism by Rossiter (2002) as well as Ping (2004, p. 132) that 'new measures frequently seemed underdeveloped'. Scale indicators are drawn from the six themes elicited from consumers during the conceptualisation phase and therefore grounded in a full-scale qualitative study. Following expert item judging, two subsequent survey studies gauge reliability as well as validity of the CPE scale using exploratory and CFA. The result is a stable, unidimensional four-item measure with favourable psychometric properties. By showing consistent model fit over repeated application across two independent samples,

the CPE scale is deemed reliable. Various facets of validity were explored and, given the state of current research, suggest that the CPE scale is valid. In addition to psychometric soundness, the CPE scale meets the set objective of being parsimonious, practical and easy to administer. The final number of unidimensional measurement items retained in the scale is within the recommended number of three to five items per construct.

The developed measurement tool constitutes not only a contribution to the academic community striving to advance scientific understanding in this area, but also is of value in an applied, business context. The scale ought to be of high interest to the business community, specifically CSR, brand, and general managers for conducting regular perception audits and tracking CPE evolution over time. In addition, and as called for by Shea (2010), its application will enable corporate policymakers to evaluate the impact of certain infractions or other CSR-related activities and campaigns on prevailing ethical perceptions.

Applications of the CPE scale may be explored across a variety of contexts, e.g. to measure the moral image of companies, brands, products, services, and potentially even people, such as company's top managers. Furthermore, the scale could be tested for its ability to capture other stakeholder groups' (e.g. suppliers, shareholders) perceptions.

The scale's versatile applicability facilitates deployment in a large variety of research domains. Any subsequent work investigating notions of company and brand misconduct, reputation formation, scandal spillover effects, ethical inferences, explanation efforts relating to the attitude–behaviour-gap, or, more generally, any facets of ethical consumer behaviour, will benefit from this much-needed operationalisation of CPE.

Limitations and Further Research

The use of convenience samples for studies 2 and 3 could be viewed as limiting the validity of the results presented. However, the chosen sampling process was deemed a suitable method of data collection. The literature suggests that the use of student samples is problematic when assessing ethics-related questions (e.g. Murphy 2002) and the validity of ethics-related scales resulting from student samples has been strongly questioned [e.g. Cui et al. 2005 on the EPQ scale (Forsyth 1980)]. A student sample was therefore inappropriate in the given context. Development efforts of the CPE scale therefore required demographic diversity of respondents, which was facilitated by the snowball sample. With only a slight tendency towards younger respondents, both convenience samples are very well balanced when compared to the UK demographic data (see Table 4 in Appendix).

The relative infancy of ethical consumption as a research field and scarcity of established theory relating to CPE posed a constraint on evaluating nomological validity in a comprehensive manner. However, this is common when new constructs are operationalised, rendering scale development an ongoing process. Evolvement of emerging theory on consumers' ethical perceptions should facilitate the establishment of the CPE scale's nomological network and enable improved assessment of its convergent and discriminant validity. Future research should therefore focus on exploring the measure's relationship with other constructs to which it ought to be (un)related.

While the developed CPE scale is diagnostic of consumers' overall ethical perception of a brand or company, the measurement indicators are overarching and broad, hence do not provide detailed insight into consumer thinking. The next logical step would be to explore and include different facets of each of the identified themes. According to study 1 for example, the identified theme of 'moral norms' includes the notions of honesty, fairness, integrity, and transparency. What other moral norms are prevalent among consumers? Future research ought to expand the CPE scale to include antecedents and drivers of ethical perception.

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Appendix

See Tables 4 and 5.

Table 4 Studies 2 and 3: demographic characteristics of survey samples

	Survey 1 $N = 303$	Survey 2 $N = 305$	Published UK demographics[c]
Gender (%)			
Female	60	48	51
Male	40	52	49
Age group (%)			
<30	30	27	19
30–44	32	26	29
45–59	27	32	24
>60	10	14	27
Education (%)			
Higher[a]	58	61	No info
Lower	42	39	
Nationality (%)			
UK	81	80	No info
Other[b]	19	20	

[a] Poly technic/university degree

[b] Minimum 5 years main residence in the UK

[c] 2001 UK census

Table 5 CPE scale scores by brand

	Total ($N = 608$)	Brand 2 ($N = 100$)	Brand 4 ($N = 102$)	Brand 5 ($N = 101$)	Brand 3 ($N = 101$)	Brand 1 ($N = 102$)	Brand 6 ($N = 102$)
Scale mean	16.8	21.2	19.0	18.2	14.7	14.1	13.6
SD	5.5	4.7	4.2	3.8	5.4	4.8	5.4

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