The Impact of Ethical Company Ratings on Consumer Behavior

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Motivation

Many consumers are looking for sustainable and ethical businesses.

Third parties now produce **ethical impact ratings**, reflecting companies' ethical impact internally (i.e., **on employees**), and externally (i.e., on **the environment** and **society**).

Previous research has focused on the effect of ethical impact ratings on investment decisions, finding mixed results (e.g., significant impact (Berthelot, Coulmont, & Serret, 2012; Hartzmark & Sussman, 2019) or no impact (e.g., (Durand, Paugam, & Stolowy, 2019; Hawn, Chatterji, & Mitchell, 2018).

Given the increasing availability of ethical impact ratings, it is critical that marketers understand the multifaceted consequences of making a company's ethical performance salient.

We study the effect of ethical impact ratings on **job-seeking preferences** and the downstream consequences of ethical impact ratings on **business news consumption.**

In this work, we used **Ethiscores** which are ethical impact ratings created by CorporateCritic©.

- Other examples of ethical impact ratings include ESG (environment, social, governance) and CSR (corporate social responsibility) ratings.

Overview of Results

Across two pre-registered experiments, evidence indicates **ethical impact ratings** not only **influence attitudes toward companies** (Experiment 1), but also influence **purportedly consequential job-recruitment preferences** (Experiment 2, Part 1), and consumers' subsequent **perceptions and reactions to news concerning rated companies** (Experiment 2, Part 2).

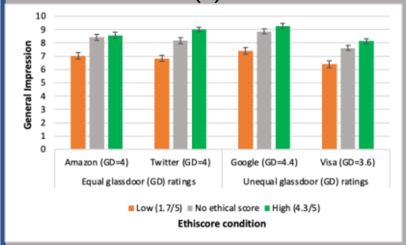
Experiment 1 (N = 613)

Methods

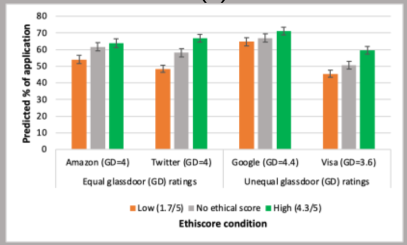
Subjects **evaluated two job flyers** from a set of two companies that did not include (**Control**) or did include ethical impact ratings (**Ethiscore**). Each flyer included basic company information, a job description, and a third-party rating of employee satisfaction. In the Ethiscore condition, subjects evaluated one company with a high Ethiscore (4.4/5) indicating positive ethical impact and one company with a low Ethiscore (1.7/5) indicating a less positive ethical impact. Ethiscore was randomized in each pair and the order in which companies were evaluated was counterbalanced. After evaluating the first flyer, subjects answered our measures (See DVs) and then repeated the process on the second flyer.

DVs: general impression of the company (a), predicted the percentage applicants to the company (b), and likelihood to recommend the company to a job-seeking friend (c).

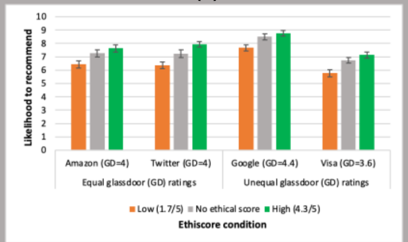
(a)



(b)



(c)



Results Experiment 1

Subjects typically **felt more positively** (***negatively***) about a company **when the company was rated more** (*un*)**ethical**.

Experiment 2 (N= 212)

Experiment 2 was a survey consisting of two parts.

Experiment 2, Part 1

Business students indicated their preferences for their upcoming annual career fair. Space at the career fair would be limited. Thus, **students were given 100 points to allocate** between the eight companies under consideration and were informed that **the companies which received the highest total points would be invited to the career fair**. All companies were presented with basic company information. Four companies were designated top employers, indicating they often hire from the university. Students viewed company information with (i) or without (ii) Ethiscores.

Part 1 Results Summary

Revealing the **ethical impact** of companies **shifted** students' **preferences** from unethical companies to ethical companies. There was a moderating effect of top employer status; being a top employer decreased the ethical impact ratings effect.

(i)

(ii)

Experiment 2, Part 2

Students then **read** and responded to **a recently published news article** concerning a multimillion-dollar investment **by one of the low Ethiscore companies assessed** in part 1.

Part 2 Results Summary

Compared to the control, Ethiscore students who previously learned the company had a **low ethical impact** rating believed words from company management quoted in the news article were **less sincere**, held **less positive attitudes** about the company, and reported the **investment would** be (marginally) more likely to **benefit the company** than the community.

To view pre-registrations, an extended abstract, discussion of the methods and results, please visit: https://www.dropbox.com/sh/v975uni7bryfmuu/AABDwiWjOkNfjNcAK0j6rLDRa?dl=0