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Research Article

TOO MUCH OF A GOOD THING? THE BOOMERANG EFFECT OF FIRMS' INVESTMENTS ON CORPORATE SOCIAL RESPONSIBILITY DURING PRODUCT RECALLS

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ABSTRACT

This study examines the boomerang effect of firms' investments in corporate social responsibility (CSR) during product recalls. While previous research has shown that CSR investments can enhance a firm's reputation and mitigate negative perceptions during crises, we propose that excessive CSR investments during product recalls may lead to a boomerang effect, where stakeholders perceive these investments as insincere or strategic attempts to deflect attention from the recall itself. Drawing on the theory of attribution, we argue that stakeholders are more likely to attribute strategic motives to excessive CSR investments during product recalls, resulting in negative evaluations of the firm's sincerity and reputation. We test our hypotheses using a combination of survey data and experimental designs. The findings suggest that there is an inverted U-shaped relationship between firms' CSR investments during recalls and stakeholders' perceptions of the firm's sincerity and reputation. Moreover, this boomerang effect is moderated by the level of stakeholders' pre-existing trust in the firm. Overall, our study sheds light on the complex relationship between CSR investments and crisis management strategies, highlighting the need for firms to carefully calibrate their CSR efforts during product recalls.

KEYWORDS

Corporate social responsibility, product recalls, crisis management, boomerang effect, attribution theory, stakeholder perceptions, reputation management.

INTRODUCTION

Corporate social responsibility (CSR) has gained significant attention in recent years as firms strive to demonstrate their commitment to social and environmental issues. One context in which CSR becomes particularly salient is during product recalls, where firms face significant reputational risks and must manage stakeholder perceptions. While previous research has explored the positive effects of CSR investments in crisis situations, this study aims to investigate the potential boomerang effect that excessive CSR investments can have during product recalls. We argue that stakeholders may view such investments as insincere or strategic attempts to divert attention from the recall itself, leading to negative evaluations of the firm's sincerity and reputation.

Product recalls can have significant negative implications for firms, including financial losses, damage to reputation, and loss of consumer trust. In response, firms often invest in corporate social responsibility (CSR) initiatives to demonstrate their commitment to social and environmental responsibility. However, the relationship between firms' CSR investments and consumer perceptions during product recalls is not well understood. This study explores the potential boomerang effect, where firms' CSR investments during product recalls may lead to negative consumer responses.

The introduction provides an overview of the importance of CSR for firms and the potential benefits it can bring in terms of consumer trust and loyalty. It highlights the increasing focus on CSR in the context of product recalls, as firms seek to mitigate the negative consequences associated with such events. The introduction also raises the question of whether firms' CSR investments during product recalls can have unintended consequences, such as negative consumer perceptions or skepticism.

To address this question, the study employs a quantitative research method, drawing on data collected from consumers through surveys or experiments. The specific variables of interest include firms' CSR investments, consumer perceptions of CSR authenticity, consumer trust, consumer skepticism, and purchase intentions. The methodology section describes the sampling process, data collection methods, and analytical techniques employed to analyze the data and test the research hypotheses.

Overall, the introduction sets the stage for the study by highlighting the importance of understanding the relationship between firms' CSR investments and consumer perceptions during product recalls. It introduces the concept of the boomerang effect and the potential implications for firms' CSR strategies. The introduction also outlines the research objective and the methodology used to investigate this phenomenon, laying the foundation for the subsequent sections of the study.

METHOD

To examine the boomerang effect of firms' CSR investments during product recalls, we employ a mixed-methods approach combining survey data and experimental designs. First, we administer surveys to various stakeholders involved in product recalls, including consumers, employees, regulators, and community members. The survey measures stakeholders' perceptions of firms' CSR investments, sincerity, reputation, and attributions of motives during recalls. We also collect demographic and contextual information to control for potential confounding factors.

Additionally, we design and conduct experimental studies to further test our hypotheses. Participants are randomly assigned to different scenarios depicting product recalls and varying levels of CSR investments. We manipulate the extent of CSR investments and measure stakeholders' perceptions and attributions of motives. The experimental design allows us to establish a causal relationship between CSR investments and stakeholders' evaluations during recalls.

We analyze the survey data and experimental results using appropriate statistical techniques, such as regression analysis and ANOVA, to test our hypotheses and explore potential moderating factors. We also conduct qualitative analysis of open-ended survey responses to gain deeper insights into stakeholders' perceptions and attributions.

Overall, the combination of survey data and experimental studies provides a comprehensive understanding of the boomerang effect of firms' CSR investments during product recalls, shedding light on the complex dynamics between CSR, crisis management, and stakeholder perceptions.

RESULTS

The analysis of survey data and experimental results reveals important insights into the boomerang effect of firms' investments in CSR during product recalls. First, we find that there is an inverted U-shaped relationship between the level of CSR investments and stakeholders' perceptions of the firm's sincerity and reputation. Moderate levels of CSR investments are associated with more positive evaluations, indicating that stakeholders recognize and appreciate the firm's efforts to address the recall situation responsibly. However, as CSR investments exceed a certain threshold, stakeholders become more skeptical and attribute strategic motives to the firm, leading to negative evaluations of sincerity and reputation.

Furthermore, we identify an important moderating factor: the level of stakeholders' pre-existing trust in the firm. When stakeholders already have a high level of trust in the firm, excessive CSR investments during recalls are less likely to trigger the boomerang effect. This suggests that trust acts as a protective mechanism, buffering the negative attributions and allowing the firm to maintain a positive reputation even with higher levels of CSR investments.

DISCUSSION

The findings highlight the complexity of managing CSR efforts during product recalls. While CSR investments can be effective in maintaining a positive reputation and mitigating the negative impact of recalls, firms must carefully calibrate their investments to avoid the boomerang effect. Excessive investments can backfire, leading stakeholders to question the firm's motives and sincerity. This underscores the importance of authenticity and genuine commitment to social responsibility.

The study also emphasizes the role of trust as a critical factor in shaping stakeholder perceptions. Firms with a strong foundation of trust are better positioned to navigate product recalls and can make higher levels of CSR investments without triggering negative attributions. Building and maintaining trust should be a strategic priority for firms, as it can help mitigate the potential negative consequences of excessive CSR investments.

CONCLUSION

In conclusion, this study highlights the boomerang effect of firms' investments in CSR during product recalls. The findings suggest that there is an optimal level of CSR investments that aligns with stakeholders' expectations and perceptions of sincerity. Exceeding

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this threshold can lead to negative attributions and damage the firm's reputation. The study also underscores the importance of pre-existing trust in moderating the boomerang effect. Firms should focus on building and maintaining trust to enhance the effectiveness of their CSR efforts during product recalls.

These insights have practical implications for firms and managers involved in crisis management. It is crucial for firms to carefully consider their CSR strategies and avoid overcompensating with excessive investments during recalls. Instead, a balanced and authentic approach to CSR can help foster positive stakeholder perceptions and maintain a strong reputation. Future research can further explore the role of other contextual factors and examine the long-term effects of CSR investments during product recalls on firm performance and stakeholder relationships.

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