Consumers' Reactions to Acquisitions of Socially Responsible Companies

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This study investigates whether and how consumers react towards the trend of socially responsible companies’ acquisitions by multinational companies. We focus on consumer-company identification as an outcome of such acquisitions and we propose three main drivers: (1) the corporate social responsibility (CSR) profiles of the two companies, (2) consumers’ attributions regarding the companies’ CSR policies, and (3) consumers’ Social Value Orientation (SVO). First, our results suggest that different consumers react differently to acquisitions. Second, companies with low CSR image could strengthen consumer affiliations by acquiring a socially responsible company and promote intrinsic motives (via communication). Finally, acquired companies can strengthen consumer relationships only by promoting intrinsic attributions (via communication) and positioning themselves as truly socially responsible.

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Increasingly, multinational companies are acquiring smaller, socially responsible companies that have loyal customer bases and attractive corporate images (Ben & Jerry’s by Unilever, Body Shop by L’Oreal, Stonyfield by Danone). At the market level, these acquisitions are widely discussed by analysts in terms of operational and cultural fit between the two organizations (e.g., *Business Week*, March 17, 2006). However, from an academic perspective, we do not yet have a good understanding of whether and how consumers react towards two companies after such an acquisition.

**Conceptualization**

Consistent with the literature that examines consumer-company relationships (Bhattacharya and Sen 2003), we focus on an acquisition’s consequences for consumer-company identification (C-C), as identification has been shown to be a key psychological substrate for relational consumer behaviors such as loyalty and advocacy and ultimately, market value. Based on research in acquisitions (Datta et al. 2001), consumer perceptions of company behavior (Niedrich and Swain 2003), CSR (Bhattacharya and Sen 2001), and our own focus group findings, we propose that the impact of acquisitions on C-C identification is a function of three factors: (1) the CSR profiles of the acquiring and the acquired companies, (2) consumers’ attributions regarding the companies’ CSR policies, and (3) consumers’ Social Value Orientation (SVO).

*CSR Profile and Consumer Attributions.* Sen and Bhattacharya (2001) suggest that the information consumers receive about CSR policies influences C-C identification. However, Du, Bhattacharya, and Sen (2006) suggest that awareness of CSR activities does not necessarily lead to favorability. Rather, favorability depends on the influence of consumer attributions about why a company follows CSR policies. These attributions can be extrinsic, where the company is believed to be primarily concerned with increasing its own welfare, and intrinsic, where the company is believed to be primarily concerned with fulfilling its obligations to society (Batson 1998). Thus, we propose that the relationship between companies’ CSR profiles and C-C identification is moderated to the extent that consumers make intrinsic attributions, while extrinsic attributions are not expected to have an effect.

*The Role of SVO.* According to SVO theory, prosocial individuals tend to define social dilemmas as questions of morality, where people can make good or bad choices, whereas proselfs tend to perceive social dilemmas as questions of intelligence, where people can make strong or weak decisions (Van Lange and Kuhlman 1994). Thus, prosocials can perceive the acquisition as a “sellout” by the acquired company or as an opportunity to do more societal good. Moreover, Batson (1987) suggests that prosocials may become more socially responsible acquired company, as long as they retain their altruistic motivations. Applied to acquisitions, this suggests that prosocials are less likely to make nuanced judgments about the conditions of an acquisition. Accordingly, while we generally expect SVO to operate as a second order moderator (i.e., SVO moderates the effect of attributions, which moderate the effect of CSR profiles on C-C identification), we desist from directional predictions.

**Methodology**

We used a 2 (acquiring company CSR profile: low, high) x 2(acquired company profile: product-focused, CSR-focused) between-subjects experimental design, with 184 college students participating. The experiment was conducted in three phases. First, we measured participants’ SVO using the nine-item Decomposed Games Instrument (Cremers and Van Vast 1999). Items in this instrument require a participant to choose from among three different allocations of points between themselves and an unidentified “Other.” Scores range from 0 (completely proself) to 9 (completely prosocial). Second, participants received information regarding the two companies’ profiles and then indicated an initial level of C-C identification toward each, as well as the extent to which they attributed the companies’ CSR policies to intrinsic motives. Finally, after performing distracter tasks for 30 minutes, participants read a news story indicating the acquisition. Afterwards, the C-C identification and attribution measures were recollected, along with potential covariates.

**Results**

The data were analyzed in a moderated multiple regression framework (Aiken and West 1991). The dependent variables were the changes in participants’ C-C identification with each of the two companies. The independent variables were each company’s CSR profile and measures of the participants’ attributions and SVO. The results provide broad support for our conceptualization. We find significant heterogeneity in consumers’ reactions to acquisitions, and this heterogeneity varies meaningfully with both company and consumer characteristics. Due to space constraints, we focus on the relevant two-way (a) and three-way (b) interactions.
(a) Consistent with our predictions, the two-way interaction of acquiring company CSR image and acquiring company attributions had a significant effect on consumers’ identification with both the acquired ($\beta_{2\text{-way interaction}}=.362, p<.001$) and acquiring companies ($\beta_{2\text{-way interaction}}=-.417, p<.001$).

When the acquiring company has a high, rather than a low CSR image, consumers’ identification with the acquired company increases, but only when consumers attribute the acquiring company’s CSR activities to intrinsic motivations ($\beta_{\text{high attribution}}=.514, p<.001; \beta_{\text{low attribution}}=.008, p=.939$). However, consumers’ identification with the acquiring company decreases when they attribute its CSR activities to intrinsic motivations ($\beta_{\text{high attribution}}=.443, p<.001; \beta_{\text{low attribution}}=.157, p=.111$).

(b) As expected, the three-way interaction of acquired company CSR image, attributions regarding the acquired company, and SVO had a significant effect on consumers’ identification with the acquired company ($\beta_{3\text{-way interaction}}=-.292, p=.012$). When consumers do not attribute strong intrinsic motives for the acquired company to engage in CSR, they identify less with the acquired company, regardless of their SVO ($\beta_{\text{proself}}=-.112, p=.378; \beta_{\text{prosocial}}=.119, p=.359$). However, when consumers do attribute intrinsic motives, (a) proself consumers identify more with the acquired company when it is CSR-focused versus product-focused ($\beta_{\text{proself}}=-.285, p=.023$), whereas (b) the identification of prosocial consumers with the acquired company is unaffected by the profile of the acquired company ($\beta_{\text{prosocial}}=.167, p=.217$).

Also as expected, the three-way interaction of acquired company CSR image, attributions regarding the acquiring company, and SVO had a significant effect on consumers’ identification with the acquired company ($\beta_{3\text{-way interaction}}=-.318, p=.034$). When consumers do not attribute strong intrinsic motives for the acquiring company to engage in CSR, both proself and prosocial consumers identify less with the acquired company regardless of its focus ($\beta_{\text{proself}}=-.084, p=.585; \beta_{\text{prosocial}}=.202, p=.199$). However, when consumers do attribute strong intrinsic motives for the acquiring company to engage in CSR, (a) the identification of prosocial consumers with the acquired company decreases regardless of the acquired company’s focus ($\beta_{\text{prosocial}}=.107, p=.448$) and (b) prosocial consumers identify less with the acquired company when it is CSR-focused but do not identify with it any less when it is product-focused ($\beta_{\text{prosocial}}=-.317, p=.042$). Further, and consistent with Sen, Bhattacharya and Korschun (2006), extrinsic attributions towards the acquiring company do not impact consumers’ identification in any of the two-way or three-way interactions (all $p’s>10$).

**Implications**

When asked to comment on recent acquisitions, financial analysts tend to focus on the gains the multinational will achieve by “catching the organic train.” However, our results suggest that consumers’ reactions to acquisitions are varied, depending both on the companies’ profiles as well as personal attributions and SVO. One way for low CSR companies to strengthen consumer affiliations is to acquire a socially responsible company and promote intrinsic motives (via communication). Concerning the acquiring company, our results suggest that the only way to strengthen consumer relationships is by promoting intrinsic attributions via communication and by positioning themselves as manifestly socially responsible. While acquisition seems to be a “catching the organic train” phenomenon, strategic reasons will often compel it. Thus, managers should gain understanding of their customers’ SVO, minimize perceptions of “sellout” from prosocials, and emphasize strategic benefits to proselfs.

**References**


5All regression coefficients are standardized. Coding for the acquiring company CSR image is 0 (1)=low (high) CSR image. Coding for the acquired company CSR image is 0 (1)=product-focused (CSR-focused).