Asymmetric Expectations of Firms Stereotyped As Warm Versus Competent

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This research suggests that large firms are stereotyped as competent and small firms as warm. However, consumers penalize small but not large firms relatively more for committing transgressions inconsistent (vs. consistent) with size-based stereotypes because consumers perceive low warmth behaviors as more unexpected when committed by small versus large firms.

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EXTENDED ABSTRACT

Prior research has noted that stereotypes applied to groups of people (Fiske, Cuddy, and Glick 2007) and those applied to groups of firms (Aaker, Vohs, and Mogilner 2010; Kervyn, Fiske, and Malone 2012) can be characterized by the two fundamental dimensions of warmth and competence. Warmth relates to a group’s intentions and includes traits such as helpfulness and sincerity, whereas competence relates to a group’s ability to carry out those intentions and taps into traits such as effectiveness and skill. We posit that firm size—small versus large—is associated with distinct stereotypes such that consumers expect small firms to be warmer than large firms but large firms to be more competent than their smaller counterparts.

Supporting this notion, a recent survey commissioned by the Public Affairs Council (2012) found that 52 percent of Americans thought small-business owners were honest and highly ethical, but only eight percent viewed the CEOs of major corporations as such. However, Americans also believe that major corporations do the “basics” of business well, such as providing useful products and services (73%) and serving their customers (66%). To confirm that a consensus does exist in terms of the traits closely associated with large and small firms, we used the diagnostic ratio method to assess firm size-based stereotypes (Martin 1987; McCauley and Stitt 1978), which compares the percentage of group members believed to possess particular traits with baseline ratings of the percentage of people in general believed to possess these traits. Consistent with our predictions, large and small firms activated stereotypical traits that fell along the warmth and competence dimensions (see table).

Given that stereotypes help people predict the behaviors of others, and guide their own behavior, violations of stereotypical expectations, especially negative violations, can be surprising and disruptive to people, signaling uncertainty and suggesting that they may have misjudged their ability to predict others’ behaviors (Olson, Roese, and Zanna 1996). This suggests that if consumers hold stereotype-based expectations about small and large firms, firm transgressions that violate these expectations will elicit particularly negative responses from consumers. Although this prediction is intuitively appealing, it may not fully account for consumers’ responses to stereotype violations.

We propose that the effect of size-based firm stereotypes is more nuanced. The impression-formation literature finds that transgressions in the warmth domain are perceived as more informative than transgressions in the competence domain (Reeder and Brewer 1979). This occurs because people have different expectations regarding the frequency with which warm relative to competent individuals engage in behaviors that are consistent versus inconsistent with their traits. This implies that people will find low warmth behavior (e.g., stealing) coming from a presumably warm individual (e.g., a nun) much more surprising than if it came from a low warmth individual (e.g., a politician). However, people will not find low competence behavior (e.g., driving erratically) as necessarily more unexpected if it came from a presumably competent (e.g., a racecar driver) relative to incompetent individual (e.g., a teenager) due to potential attenuating circumstances like road conditions or distractions. Thus, we propose the following:

Hypothesis 1: Consumers will penalize small firms more than large firms for committing warmth transgressions, but they will not penalize large firms more than small firms for committing competence transgressions.

We also predict that it is the unexpectedness of stereotype-inconsistent transgressions committed by a small firm in the warmth domain that leads to more negative responses.

Hypothesis 2: Consumers will rate warmth transgressions committed by small firms as more unexpected than those committed by large firms, but they will not rate competence transgressions committed by large firms as more unexpected than those committed by small firms.

This implies that perceptions of unexpectedness should mediate the effects of firm size and transgression type on consumers’ willingness to purchase:

Hypothesis 3: Unexpectedness will mediate the effect of firm size on consumers’ purchase intentions, but only when warmth transgressions, not competence transgressions, are committed.

We test our hypotheses in three laboratory studies. Study 1 was a 3 (transgression type: warmth vs. competence vs. no transgression) × 2 (size: small vs. large) between-subjects design (N=91). Results showed that small relative to large firms are penalized more for warmth transgressions (Msmall = 1.93, Mlarge = 3.42; F(1, 85) = 6.47, p <.05) but not for competence transgressions (Msmall = 2.44 vs. Mlarge = 1.83; F(1, 85) = 1.13, NS). Study 2 replicates this asymmetric effect of stereotype-inconsistent transgressions in the context of nonprofit organizations (N=162; Msmall = 2.29, Mlarge = 3.14; F(1, 158) = 4.27, p < .05). Importantly, a moderated mediation analysis showed that unexpectedness fully mediated the effect of firm size on purchase intentions, with an indirect effect of .10 and a 95% CI exclusive of 0 (.01, .24).

Study 3 finds confirmatory evidence for the asymmetric expectations hypothesis by examining the effect of firm size-based stereotypes on internal versus external attribution of blame. A 2 × 2 study (N=157) with firm size (small vs. large) and transgression type (warmth vs. competence) showed that for competence transgressions, internal attributions for blame to the firm were lower when the firm was large (M = 0.84) than when it was small (M = 1.91; F(1,156) = 11.96, p < .001). However for warmth transgressions, whether the firm was large (M = 1.32) or small (M = 1.66; F(1,156) = 1.54, NS) did not influence participants’ attributions of blame.

This research suggests that expectancies for small firms (stereotyped as warm) to behave in a stereotype-consistent manner are stronger than those for large firms (stereotyped as competent). Consequently, the low-warmth behaviors of small firms are more likely than the low-competence behaviors of large firms to violate stereotype-based expectancies and reduce purchase intentions. Our findings add to the growing stream of work on warmth and competence by suggesting that size-based stereotypes map fairly closely on to these two dimensions, and by showing that the content of these ste-
reotypes is important for understanding consumer responses to stereotype-inconsistent behavior. Furthermore, our results suggest that violations of warmth expectations may actually have a larger impact on purchase intentions than violations of competence expectations.

REFERENCES