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De-Escalate Commitment? Firm Responses to the Threat of Negative Reputation Spillovers from Alliance Partners' Environmental Misconduct

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Abstract

When faced with the threat of negative reputation spillover from an alliance partner accused of environmental misconduct, the focal firm must decide whether to adopt a supportive or non-supportive response. We argue that this decision denotes a commitment escalation dilemma, but that factors previously found to increase escalation tendencies lead to de-escalation in our crisis contagion context. Specifically, we derive four hypotheses from this reverse effect proposition, and test these using a policy-capturing survey targeting Norwegian CEOs. We found that firms are more likely to select an adversary response when the alliance is of high strategic importance and has high termination costs. Conversely, firms are more likely to select an advocacy response when the alliance

is of low strategic importance and has low termination costs and when the CEO was not involved in the formation of the alliance. Overall, our study answers a call for a more nuanced understanding of commitment escalation and the theory's boundary conditions by introducing reputation spillover crisis as a contextual influencer of escalation behavior. It also extends the reputation literature and provides new evidence that reputation concerns can instigate ethical decision-making.

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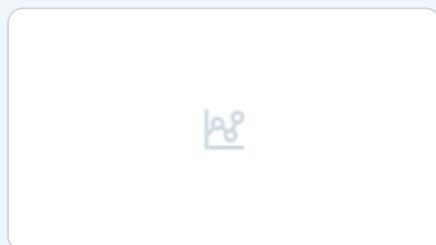
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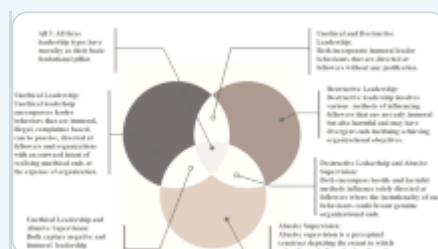
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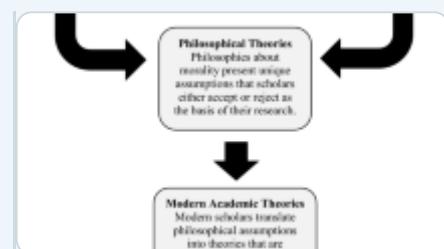
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Notes

1. We incorporate insights from status research, as “status and reputation often have been used interchangeably” (Jensen and Roy [2008](#), p. 496) and status is “a strong correlate of reputation or a dimension that stabilizes reputation ordering” (Rhee and Valdez [2009](#), p. 153). To be parsimonious, we follow previous research in acknowledging but not addressing the differences between reputation and status (Rhee and Haunschild [2006](#); Rhee and Valdez [2009](#)). Moreover, we incorporate insights referring to the (also closely related though different) concept of legitimacy which, as mentioned by Drees and Heugens ([2013](#)), has been operationalized as firm status in several prior studies. In a similar manner, Jonsson et al. ([2009](#)) and Sullivan et al. ([2007](#)) draw on reputation-related insights when discussing legitimacy. These decisions do not affect our hypotheses.
2. Emerging research (Hsueh [2017](#)) provides evidence of asymmetrical effects (e.g., more inertia in positive spillovers than negative spillovers). Although an important issue, it is beyond the scope of this article.
3. In our policy-capturing study, we offer respondents the possibility to adopt a wait-and-see attitude by answering “low” to both advocacy/adversary responses.
4. We exclude firms with low-quality management reputation, which normally struggle to form alliances except in certain circumstances or when they possess exceptional resources (Ahuja et al. [2009](#); Castellucci and Ertug [2010](#)).
5. Only original scenarios were used to test the hypotheses (the two duplicate scenarios were excluded from all statistical analyses).

6. As a supplementary check, we computed another within-respondent consistency score, Φ_L , which is frequently utilized in organizational behavior and occupational psychology literature. This test-retest score was initially proposed by Hammond et al. (1975). We estimated it for each respondent using the following formula and then averaged:

$$= \sqrt{\frac{\sigma_{T,i}^2 - \sigma_{D,i}^2}{\sigma_{T,i}^2}},$$

where $(\sigma_{D,i}^2)$ corresponds to the squared variance in the individual's response to duplicate scenarios and $(\sigma_{T,i}^2)$ corresponds to the squared total variance in the full sample. In our sample, Φ_L was equal to 0.97, which is close to the score obtained in other studies highlighting a high degree of within-respondent consistency in their samples (0.94 in Alkire and Meschi 2018, 0.94 in Kristof-Brown et al. 2002).

7. The average length for filling in the questionnaire by respondents is 31 min.

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Ethics declarations

Conflict of interest

The authors declare that they have no conflict of interest.

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Appendices

Appendix 1

Vignette Presentation Order

Vignette #	Strategic importance of the alliance	Alliance termination costs	Personal responsibility of the focal firm's CEO	Reputation for management quality
1	High	High	Yes	High
2	Low	High	Yes	High
3	High	Low	Yes	High
4	Low	Low	Yes	High
5	High	High	No	High
6	Low	High	No	High
7	High	Low	No	High
8	Low	Low	No	High
9	High	High	Yes	Low
Duplicate 1 for vignette 3	High	Low	Yes	High
10	Low	High	Yes	Low
11	High	Low	Yes	Low
12	Low	Low	Yes	Low
13	High	High	No	Low
14	Low	High	No	Low

Vignette #	Strategic importance of the alliance	Alliance termination costs	Personal responsibility of the focal firm's CEO	Reputation for management quality
15	High	Low	No	Low
16	Low	Low	No	Low
Duplicate 1 for vignette 12	Low	Low	Yes	Low

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