# How do stakeholders react to tradeoffs? It depends on their degree of other-orientation

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**Résumé :**

Les gestionnaires sont souvent confrontés à des parties prenantes avec des intérêts difficilement conciliables. La littérature sur les parties prenantes s'est peu intéressée à ces choix qui prennent généralement la forme de compromis et à leurs conséquences pour l'entreprise. Dans notre contribution, nous présentons une expérience basée sur des scénarios qui vise à mieux comprendre les réactions des parties prenantes face à un compromis de l'entreprise entre les intérêts de différents groupes de parties prenantes. Plus précisément, nous étudions l'impact de compromis sur la décision de clients et employés potentiels à s'associer avec l'entreprise. Ces parties prenantes ont la liberté de s'associer avec l'entreprise ou non ; ce qui rend leur décision de s'associer avec l'entreprise fondamentale pour la performance de l'entreprise à long terme. Notre expérience montre que les parties prenantes ne sont pas systématiquement plus enclines à s'associer avec une entreprise qui les favorise au détriment d'un autre groupe de parties prenantes. Conformément à nos hypothèses inspirées de la psychologie sociale et de l'économie behavioriste, nos résultats indiquent que le degré d'allocentrisme des parties prenantes, c'est- à-dire la tendance à prendre autrui en considération dans leurs actions, modère l'impact direct d'un compromis sur leur décision de s'associer avec l'entreprise ainsi que l'impact indirect d'un compromis à travers la confiance dans l'entreprise. Pour les gestionnaires ceci implique que les compromis entre les intérêts de différents groupes de parties prenantes ont une dimension stratégique car ils influencent le type de parties prenantes qui souhaite s'associer avec l'entreprise.

**Mots-clés :** parties prenantes, compromise, fondements au niveau individuel, allocentrisme, responsabilité sociale des entreprises

# How do stakeholders react to tradeoffs? It depends on their degree of other-orientation

## Introduction

How do stakeholders react to the tradeoffs a firm makes between their own interests and the interests of other stakeholder groups? It is important to answer this question, among others, because primary stakeholders (i.e. employees, customers, suppliers and investors) choose which firm to associate with. This implies that attracting these stakeholders is critical to firm performance (Clarkson, 1995). One way a firm can make itself attractive to primary stakeholders is to treat all stakeholders better than other firms trying to attract these primary stakeholders. Which stakeholder would not want to associate with a firm that simultaneously is among the best companies to work for, is among the very best suppliers and customers in its industry, offers investors superior returns, has the best environmental practices, etc?

In practice however, because corporate resources such as money and managerial attention are scarce, it is rarely feasible for firms to excel at meeting all stakeholders' needs. In other words, managers often face decisions involving tradeoffs among stakeholders' interests because given the limited resources satisfying the needs of one stakeholder group is incompatible with meeting another stakeholder group's needs (Reynolds, Schultz and Hekman, 2006; Rupp *et al.*, 2006). The fact that managers have to balance diverse and sometimes conflicting stakeholders' interests has long been recognized by stakeholder theorists (e.g. Evan and Freeman, 1993; Harrison and Freeman, 1999; Phillips, Freeman and Wicks, 2003; Preston and Sapienza, 1990). Yet, little empirical research has been conducted that can shed light on how to manage tradeoffs (Laplume, Sonpar and Litz, 2008; Margolis and Walsh, 2003). In particular, very little is known about how primary stakeholders react to the tradeoffs firms make.

We take a first step towards understanding the consequences of tradeoffs for firms' attractiveness by studying primary stakeholders' intention to associate with a firm that treats their own stakeholder group either more or less favorably than another stakeholder group. Researchers who work with the assumption that everybody is self-interested may wonder why we need such an empirical study. Is it not obvious that stakeholders' intention to associate with a firm will be higher when the firm favors their own stakeholder group than when it treats another stakeholder group more favorably? There are at least two reasons to question this view of stakeholders' reactions to tradeoffs.

First, social psychologists and behavioral economists (e.g., De Cremer and Van Lange, 2001; De Cremer and Van Vugt, 1999; Fehr and Fischbacher, 2002, 2003) have gathered a large body of evidence showing that individuals are not all self-interested but differ in the degree to which they care about others, which we call their 'degree of other-orientation'. While stakeholders who are self-interested might not attach a positive value to the firm's good treatment of another stakeholder group, stakeholders high on other-orientation might, especially if they care about this other group. We therefore investigate whether stakeholders' degree of other-orientation affects their intention to associate with a firm that favors either their own or another stakeholder group.

The second reason to doubt that stakeholders would always react more positively to a firm that favors their own group is the role played by attitudinal mechanisms, such as trust, in the relationship between stakeholder management and stakeholders' reactions. According to stakeholder theory, trust is essential in creating stakeholder support (Barnett, 2007; Hosmer and Kiewitz, 2005; Jones, 1995; Jones and Wicks, 1999) and a firm's fairness towards other stakeholders may serve as an important heuristic signaling trust (Rupp, 2011; Rupp *et al.*, 2006). An unfavorable treatment of other stakeholders could therefore deter stakeholders from associating with a firm because it signals that the firm cannot be trusted, even if the firm caters to their own needs. In other words, while the main effect of a preferential treatment of stakeholders' own group might be positive (especially for self-interested stakeholders), the indirect effect, though trust, of such a treatment might be negative (especially for stakeholders high on other-orientation). We investigate these ideas using an experiment with 908 graduate students who were asked to imagine themselves as customers or prospective employees of a firm that treats more favorably either the respondent's stakeholder group or another stakeholder group, namely suppliers in developing countries or the environment.

Our work contributes to stakeholder theory in several ways. First, we show that tradeoffs affect which type of stakeholders a firm attracts. Stakeholders high on other-orientation were found to have higher intention to associate with a firm when this firm favors suppliers in developing countries than when it favors their own stakeholder group, while the reverse held for stakeholders low on other orientation. Managers should take this self-selection effect into account when deciding how to trade off stakeholders' interests. Second, this finding that stakeholders high on other-orientation may prefer a tradeoff in favor of another stakeholder group calls for re-thinking the notion of tradeoffs among stakeholders' interests. The literature should not focus narrowly on tradeoffs among interests expressed in terms of stakeholders' personal and material well-being if stakeholders high on other-orientation value fairness towards other stakeholders in addition to the personal and material benefits they get from the firm.

Third, this study identifies trust as a key attitudinal mechanism in the relationship between stakeholder management and stakeholders' intention to associate. Interestingly, we found that trust can shelter an organization from negative reactions to tradeoffs that are not in favor of stakeholders' self-interest. Trust can thus be seen as a valuable resource that helps counter-act the negative impact of tradeoffs. However, the degree of other-orientation was found to be an important moderator of the intervening role of trust: individuals who scored high on other-orientation were more sensitive and responsive to trust than low-scoring individuals.

## Theory and Hypotheses

### Tradeoffs among stakeholders' interests

While managers are unlikely to communicate to stakeholders that they are trading off the interests of one stakeholder group to advance the interests of another group, prospective stakeholders may observe that some stakeholders are treated more favorably than others. We can expect prospective stakeholders to be sensitive to these differences in treatment when deciding whether to become one of the firm's stakeholders. For example, Turban and Greening's (1996) results suggest that prospective employees consider the firm's treatment of other stakeholders as well as employees when deciding whether to apply for a job.

Yet, the relationship between tradeoffs and stakeholders' reactions is not straightforward. The very few empirical studies that have broken down firms' investments in stakeholder relations into investments targeted at stakeholders' own group and investments targeted at other stakeholder groups have provided mixed results (Peloza and Shang, 2011). For example, consumers in Auger *et al.* (2003, 2008) were not willing to sacrifice minimum product quality standards in favor of socially responsible investments targeted at employees or the environment. In contrast, Folkes and Kamins (1999) found that product quality lost its positive effect on consumers' attitude toward a company when corporate social responsibility (CSR) towards other stakeholders was low. Along the same line, Handelman and Arnold (1999) showed that, for a company performing poorly on CSR targeted at other stakeholder groups, store image attributes did not have a positive impact on consumer's support for the firm. In other words, in these latter studies high investments targeted at consumers could not fully compensate for low investments targeted at other stakeholder groups. These mixed results suggest that, in order to understand stakeholders' intention to associate with a firm that trades off stakeholders' interests, we need to go beyond the main relation between tradeoffs and stakeholders' reactions. We do so by investigating individual differences as well as trust, which is one of the causal mechanisms linking tradeoffs and firm's attractiveness.

**Tradeoffs and stakeholders' degree of other-orientation**

In order to explain primary stakeholders' intention to associate with a firm in reaction to a preferential treatment of one stakeholder group over another, we use microfoundations that capture heterogeneity in how much stakeholders care about others. Individual-level differences that might affect the relationship between stakeholder management and stakeholders' reactions have received little attention (Aguilera *et al.*, 2007; Aguinis and Glavas, 2012). On the one hand, some work discussing the management of tradeoffs rests on the assumption from traditional microeconomics that all stakeholders are self-interested, i.e. care only about themselves (e.g., Jensen, 2002). On the other hand, stakeholder theorists have long argued that stakeholders value fairness (e.g., Bosse, Phillips and Harrison, 2009; Evan and Freeman, 1993; Harrison *et al.*, 2010; Phillips *et al.*, 2003) and many of them have thus adopted the assumption that all stakeholders care about fairness.

Yet, assuming homogeneous stakeholders' motives is difficult to reconcile with the large body of evidence gathered by social psychologists and behavioral economists that shows, first, that individuals differ in the degree to which they care about others' welfare, which we call 'degree of other-orientation', and, second, that these differences in individuals' degree of other-orientation affect how individuals behave when others are involved (Bridoux, Coeurderoy and Durand, 2011). Social psychologists have proposed that, when making choices that affect their own and others' welfare, individuals differ in the weight they assigned to (1) the outcomes for self, (2) the outcomes for others, and (3) the fairness of the outcome distribution (e.g., De Cremer and Van Lange, 2001; Stouten, De Cremer and Van Dijk, 2005; Van Lange, 1999). Differences along these three dimensions lead to different 'social value orientations' (Messick and McClintock, 1968; Nauta, De Dreu and Van Der Vaart, 2002). While there are many social value orientations, a large majority of people can be classified as either 'individualists' (20 to 40 percent) or 'prosocials' (40 to 60 percent) (e.g., Abbink, Irlenbusch and Renner, 2000; Fehr and Falk, 1999; Gächter and Falk, 2002; Kuhlman and Wimberley, 1976; Liebrand *et al.*, 1986). Individualists are self-oriented individuals in the sense that they are inclined to maximize their personal outcomes regardless of anything else (De Cremer and Van Lange, 2001). In contrast, prosocials are *other-oriented* as they care for others' outcomes as well as theirs and for the fairness of outcomes (De Cremer and Van Lange, 2001).

Social value orientations help explain why individuals behave differently in social interactions, i.e. situations in which outcomes are the result of one's own and others' actions combined. In particular, individuals high on other-orientation have repeatedly been found to be more willing to cooperate than individuals low on other-orientation (e.g., De Cremer and Van Lange, 2001; De Cremer and Van Vugt, 1999), e.g. organizational citizenship behaviors occur more frequently among employees who are high on other-orientation (e.g., Korsgaard, Meglino and Lester, 1997; Rioux and Penner, 2001). While individuals high on other-orientation are more inclined to cooperate in general, they exhibit behaviors contingent on how fair they perceive the other party's behavior to be: they aim to increase (decrease) the outcome for the other party when they perceive this other party as behaving (un)fairly (Abbink *et al.*, 2000; De Cremer and Van Lange, 2001; Fehr and Falk, 1999; Liebrand *et al.*, 1986; Van Lange, 1999). In other words, other-oriented individuals assign more weight to others' outcomes than self-oriented individuals do but this weight is not always positive, it depends on the fairness of the other's behavior, underlying intention, and the procedure to allocate the outcome (Bolton, Brandts and Ockenfels, 2005; Turillo *et al.*, 2002). In contrast, self-oriented individuals will only adopt contingent behaviors if they expect higher present or future personal outcomes that offset the cost of behaving in such a way (which is known as 'reciprocal altruism', cf. Trivers, 1971).

Based on the evidence gathered by social psychologists and behavioral economists, we expect stakeholders' degree of other-orientation to moderate their intention to associate with a firm that treats their own group more or less favorably than another stakeholder group for two reasons. First, as explained above, the degree of other-orientation influences how much individuals value personal benefits compared to others' benefits. The literature on corporate social responsibility has already used this argument to suggest that stakeholders' degree of other-orientation plays an important role in their decision to associate with firms that pursue broader societal goals, including prospective employees' decision to join (Evans and Davis, 2011) and customers' purchase intention (Doran, 2009; Schuler and Cording, 2006).

Second, research has found that individuals' degree of other-orientation functions as an interpretation scheme that influences how salient the information about the firm's treatment of another stakeholder group is: individuals high on other-orientation are more responsive to social information, which increases the salience of other stakeholders (Agle, Mitchell and Sonnefeld, 1999). Indeed, individuals' degree of other-orientation is not only linked to differences in the valuation of personal benefits, others' benefits, and fairness, but it is also linked to heterogeneity in the type of information individuals attend to, assimilate, and dismiss (Simon, 1990, 1993). For example, Korsgaard, Meglino and Lester (Korsgaard *et al.*, 1996, 1997; Meglino and Korsgaard, 2004) showed that individuals high on other-orientation are more likely to ask questions, listen carefully, and observe behaviors in order to understand others' perspective. As individuals high on other-orientation are more sensitive to social information (Simon 1990, 1993), they are more likely than stakeholders low on other-orientation to be influenced by information regarding the treatment of another stakeholder group.

To sum up, we expect that stakeholders who are low on other-orientation will clearly prefer a preferential treatment in favor of their own group over a preferential treatment in favor of another stakeholder group, which will translate into a significantly higher intention to associate with the firm in the former than in the latter case. By comparison, we expect the difference between the two treatments to be less marked for stakeholders who are high on other-orientation because they are more responsive to information about other stakeholders and more likely to care about them. This leads to the following hypothesis about the moderating effect of the degree of other-orientation:

*Hypothesis 1: Stakeholders' degree of other-orientation moderates the relationship between a firm's preferential treatment of one stakeholder group over another and stakeholders' intention to associate with the firm: the higher stakeholders' degree of other-orientation, the smaller the difference in intention to associate with the firm between a treatment that is more favorable to the stakeholders' own group and a treatment that is more favorable to another stakeholder group.*

**Tradeoffs, trust, and stakeholders' degree of other-orientation**

Trust can be defined as 'the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party' (Mayer, Davis and Schoorman, 1995: 712). Researchers in stakeholder theory have posited trust as an essential mechanism through which stakeholder management affects stakeholders' support (Calton and Lad, 1995; Jones, 1995; Jones and Wicks, 1999; Laplume *et al.*, 2008). Highly trusted firms signal that they will not behave opportunistically towards their stakeholders and stakeholders have been argued to reciprocate this trustworthiness with increased commitment, job pursuit intention, satisfaction, repeat purchases, reduced turnover intention, and so forth (Vlachos *et al.*, 2009; Greening and Turban, 2000). Whilst many of the aforementioned contributions are theoretical, some recent work has provided empirical support for the argument that trust mediates the effect of stakeholder management in the form of corporate social responsibility on stakeholders' behavioral responses such as loyalty, turnover intention and organizational citizenship behavior (De Roeck and Delobbe, 2012; Hansen *et al.,* 2011; Vlachos *et al.,* 2009).

Examining trust as attitudinal mechanism is especially relevant in relation to tradeoffs because overall impressions of trust have been argued to be formed on the basis of how a firm treats both one's own and other stakeholder groups (Gillespie and Dietz, 2009; Rupp *et al.,* 2006; Rupp, 2011). Stakeholders would consider the treatment of other stakeholder groups because it provides them with a proxy of whether or not a company will act in their (long term) interest (Rupp *et al.*, 2006; Rupp, 2011). For example, De Roeck and Delobbe (2012) found that firm's activities directed at the natural environment provided a strong signal regarding the firm's trustworthiness. Hence, some authors have concluded that firms are ill-advised to act irresponsibly towards any of their stakeholders, as this raises suspicion about their trustworthiness (Gillespie and Dietz, 2009; Hillenbrand, Money and Ghobadian, 2013).

So, in line with the literature that has put forward trust as an important attitudinal mechanism, we expect trust to mediate the relationship between a preferential treatment of stakeholders' own or another stakeholder group and stakeholders' intention to associate with the firm:

*Hypothesis 2: Trust mediates the relationship between a firm's preferential treatment of one stakeholder group over another and stakeholders' intention to associate with the firm.*

We theorize that the mediating influence of trust is moderated by stakeholders' degree of other-orientation. As stated earlier, research in social psychology and behavioral economics has shown that individuals high on other-orientation have a greater inclination to cooperate because they care for the welfare of others alongside their own welfare (e.g., McClintock and Allison, 1989; Van Vugt, Meertens and Van Lange, 1995). However this 'natural inclination to cooperate makes them vulnerable for being exploited by non-cooperative alters' (Boone, Declerck and Kiyonari, 2010: 800). For example, in their relationship with a firm, stakeholders high on other-orientation are very vulnerable to the firm's opportunistic actions because they are willing to contribute to the firm's objectives beyond what is personally rewarded (e.g. through organizational citizenship behaviors for employees). Aware of this danger, individuals high on other-orientation are much less likely to cooperate if they suspect the other party to be uncooperative (De Cremer and Van Lange, 2001; Van Lange and Semin-Goossens, 1998). Trust is thus very important to help individuals high on other-orientation overcome the fear of exploitation (Bogaert, Boone and Declerck, 2008; Boone *et al.,* 2010).

In contrast, individuals low on other orientation 'expect others to be non-cooperative, and opt for non-cooperation themselves' (De Dreu, 2010: 704), unless cooperating serves their own interest best (e.g. Van Dijk, de Cremer and Handgraaf, 2004). Individuals low on other orientation are therefore less likely to be exploited by non-cooperative others. In consequence, trust has been found to be less important for these individuals than it is for individuals high on other-orientation (Boone *et al.*, 2010; Joireman *et al.*, 1997).

On the basis of these arguments, we expect that the behavior of stakeholder high on other-orientation to be more sensitive to trust than the behavior of stakeholders low on other-orientation. Hence:

*Hypothesis 3: Stakeholders' degree of other-orientation moderates the strength of the mediated relationship between a firm's preferential treatment of one stakeholder group* *over another and stakeholders' intention to associate with the firm via trust, such that the mediated relationship will be stronger the higher stakeholders' other-orientation.*

## Method

### Experimental design and procedure

Stakeholders' responses to a preferential treatment for their own or another stakeholder group were measured using a vignette study. Vignette studies have an experimental design in which respondents are presented with 'similar but not identical' scenarios where 'factors describing the object of interest' and their corresponding levels are manipulated (Wallander, 2009: 505). Vignette studies have been frequently used in academic research in psychology and marketing (e.g., Sen and Bhattacharya, 2001; Sen *et al.*, 2006; White, MacDonnell and Ellard, 2012) and this approach is becoming more and more common in the strategy field (e.g., Adams, Licht and Sagiv, 2011; Flynn and Wiltermuth, 2010). Vignettes have already been used to study consumers' responses to tradeoffs in product attributes (e.g., Barone, Miyazaki and Taylor, 2000; Berens, Van Riel and Van Rekom, 2007) and to research the moderating influence of personal values (Adams *et al.*, 2011).

To ensure that our results were robust across stakeholder groups, we developed a set of vignettes in which the respondents were put in the shoes of customers and a set of vignettes in which the respondents were put in the shoes of prospective employees. In line with Hillenbrand *et al.* (2013), we chose customers and employees as they are immediate stakeholders of any firm and it has been argued that these stakeholders have the greatest impact on firms' stakeholder management (Aguilera *et al.*, 2007; Walsh *et al.*, 2009). In addition, the choice of customers and prospective employees had the advantage that we could select our respondents from the same respondent pool for both stakeholder groups, which helps increase comparability across the two stakeholder groups. Like in similar studies (e.g., Sen, Bhattacharya and Korschun, 2006), our respondents were graduate students.

We also wanted to make sure that our results were not idiosyncratic to the stakeholder group presented as the other stakeholder group in the vignettes. Thus, we presented the respondents who were asked to imagine themselves as prospective employees with either suppliers in developing countries or the environment as other stakeholder group. In contrast, we only investigated customers' reactions in relation to suppliers in developing countries. We chose the suppliers in developing countries and the environment as other stakeholder groups for two reasons. First, our pretest showed that our respondents were on average sensitive to these stakeholders. Second, the firm's investments in these two stakeholder groups only very indirectly benefit customers and prospective employees, so there is indeed a tradeoff between these stakeholder groups' interests that managers must manage rather than a win-win situation where both stakeholder groups' interests are easily reconciled.

So, in total we collected responses for three sets (customers - suppliers in developing countries, employees - suppliers in developing countries, employees - environment) of three vignettes (favorable to stakeholders' own group – unfavorable to the other group, unfavorable to stakeholders' own group – favorable to the other group, favorable to both groups). We collected responses for the case of a favorable treatment of both stakeholder groups in order to be able to use stakeholders' reactions in the absence of tradeoff as benchmark.

Our vignettes (which can be found in the supplementary material for review) portray a hypothetical company ABC that sells electronic goods and is doing well financially. This context was chosen because our respondent pool, graduate students, are 'significant patrons of consumer electronics retailers' making this context 'particularly relevant' for them (Wagner, Luts and Weitz, 2009: 80). The treatment of employees, consumers, and suppliers was described on the basis of how company ABC scored in terms of both distributive and procedural justice. Stakeholder theory has described good relationships with stakeholders as relationships based on principles of distributive and procedural justice (Bosse *et al.*, 2009; Harrison *et al.*, 2010; Hosmer and Kiewitz, 2005). Empirical work has confirmed that both consumers and employees identify fair processes and procedures as important in their dealings with companies (Folger and Bies, 1989; Hillenbrand *et al.*, 2013; Kumar, 1997).

With regard to distributive justice, the vignettes focused on wages for employees (Schminke, Ambrose, Noel, 1997), the price of products for consumers (Peloza and Shang, 2011), and, the prices paid to suppliers (Park-Poaps and Rees, 2009). Procedural justice toward employee was operationalized based on the seven key managerial responsibilities toward employees outlined by Folger and Bies (1989). Procedural justice toward consumers closely mirrored the employee vignette to allow for comparability between these two stakeholder groups. Procedural justice toward supplier was operationalized using Kumar (1997) and Duffy, Fearne and

Hornibrook (2003). Following Mohr and Webb (2005), the firm's treatment of the environment was operationalized using dimensions such as pollution of factories, recycling of materials, and programs to conserve water and energy. The vignettes presented company ABC as scoring 'higher' or 'slightly lower' than its major competitors in its treatment of the respondent's stakeholder group and as scoring 'higher' or 'slightly lower' in its treatment of another stakeholder group. Extremely negative levels of the manipulation were deliberately avoided to ensure that the vignette came across as sufficiently realistic (Berens *et al.*, 2007). To enhance credibility, the information on company ABC's stakeholder management was described as provided by an independent and highly respected rating agency (Mohr and Webb, 2005).

The vignettes were pretested to ensure that they were perceived to be realistic. The online questionnaire took approximately 20 minutes to complete. To avoid framing effects, participants were randomly assigned to one of the vignettes (Berens *et al.*, 2007). Participants were graduate students from thirteen Dutch universities who were solicited to participate in the study via personal contact on campus and via e-mail.

**Measures**

*Dependent variables*. For customers the dependent variable is purchase intention. The four-item scale is adopted from White *et al.* (2012) and includes the items: 'I would be likely to purchase a product from ABC, 'I would be willing to buy a product from ABC, 'I would likely make ABC one of my first choices in consumer goods electronics' and 'I would exert a great deal of effort to purchase a product from ABC'. For prospective employees the dependent variable is job pursuit intention, measured with a four-item scale coming from Greening and Turban (2000). Respondents were asked to rate the statements: 'I would put in a great deal of effort to work for ABC', 'I would be interested in pursuing a job application with ABC', 'I am likely to send my resume (CV) to ABC' and 'I am likely to accept a job offer from ABC'.

*Trust*. We used the scale from Sirdeshmukh, Singh and Sabol, (2002) and measured respondents' feelings about Company ABC on a semantic differential seven-point scale ranging from very incompetent/very competent, very undependable/very dependable, of very low integrity/of very high integrity, very dishonest and untrustworthy/ very honest and trustworthy.

*Individual characteristics.* As suggested by Schuler and Cording (2006), we used Schwartz's (1994) self-enhancement vs. self-transcendence dimension to capture stakeholders' degree of other-orientation. Schwartz's value theory is a well-accepted approach to personal values and has already been used to understand stakeholders' reactions to firms' CSR activities (e.g. Golob, Lah and Janĉiĉ, 2008). Self-enhancement represents a self-oriented view of social situations as it involves 'the pursuit of one's relative success and dominance over others' (Schwartz, 1994: 25). It includes the two values power (defined as valuing social status and prestige, control or dominance over people and resources) and achievement (valuing personal success through demonstrating competence according to social standards). In contrast, self-transcendence relates to an other-oriented view of social situations as it expresses 'acceptance of others as equals and concern for their welfare' (Schwartz, 1994: 25). Self-transcendence comprises the values universalism (understanding, appreciation, tolerance, and protection for the welfare of all people and for nature) and benevolence (preservation and enhancement of the welfare of people with whom one is in frequent personal contact).

Self-transcendence and self-enhancement were measured using the portrait value questionnaire developed by Schwartz and colleagues (Schwartz *et al.*, 2001). Each portrait describes a person's goals or aspirations that point implicitly to the importance of a value. For example, 'It is important to him to respond to the needs of others. He tries to support those he knows.' describes a person to whom benevolence is important. For each portrait, respondents answer 'How much like you is this person?' on a 6-point scale ranging from 'very much like me' to 'not like me at all'. The number of portraits for each value ranges from three (power) to four (benevolence, achievement) to six (universalism), reflecting the conceptual breadth of the values. Following Schwartz's (1992) recommendation, we mean-centered respondents' scores to control for individuals' differences in the use of the response scale.

*Control variables*. The demographic factors gender, age, nationality, and field of study were included as control variables. In addition, for the vignettes related to prospective employees, we measured respondents' interest in working for a consumer goods company and asked respondents whether they had already found a job for after graduation to control for the influence of these factors on respondents' intention to pursue a job application with Company ABC. Finally, we controlled for respondents' support for the other stakeholder group because authors have found evidence of a moderating effect of customer support for a specific group on the relationships between stakeholder management toward this stakeholder group and customers' evaluation and purchase intention: customers with high level of support for a particular stakeholder group react more strongly to a firm's favorable treatment of this group (e.g. Mohr and Webb, 2005; Sen and Bhattacharya, 2001). We measured respondents' support for the environment with three items adopted from Mohr and Webb (2005). For support for suppliers we adopted three items from De Pelsmacker and Janssens (2007).

*Manipulation checks*. Respondents were asked to assess the company's treatment of the stakeholder groups described in the vignette they received. For example, those who were put in the role of prospective employees were asked to rate the statement 'ABC treats its employees well' on a 7-point scale (not at all – very much). All respondents were also asked to evaluate the statement 'I had no difficulty imagining myself in the situation' on a seven-point Likert scale (not at all-very much) to determine how credible the vignettes were.

## Results

In total, we collected 908 completed questionnaires. Among our respondents, 54 percent are female, 76 percent are Dutch (90 percent are European), 39 percent study Business and Economics (the rest is spread over many different fields of studies), and 16 percent have already found a job for after graduation. The average age is 24.4 year old with little variation (sd =2.45). The 908 respondents were divided almost equally across the nine vignettes.

*Manipulation checks and internal validity of multi-item scales.* Our manipulations were successful. Analyses of variance (ANOVA) conducted to determine the effects of the manipulated firm's treatment of respondents' own and the other stakeholder group on perceived stakeholder treatment show that the manipulated treatment significantly affected perceived treatment in the expected direction for both the own and the other stakeholder group. For example, an ANOVA indicates that the manipulated treatment of the other stakeholder group significantly related to our manipulation checks 'ABC treats its suppliers well' and 'ABC treats the environment well' ($F=268.88$, $p<.001$): multiple comparisons show significant differences between the vignettes in which the manipulation was different for the other stakeholder group and no significant difference between the vignette in which the manipulation was the same. With regard to the credibility of the vignettes, the mean across the entire sample was 4.65 on a seven-point scale and these perceptions were not significantly different across vignettes.

The reliability of the multi-item measures was examined with Cronbach's alphas and factor analyses. All had high alphas ($\alpha_{\text{purchase intention}} = .86$; $\alpha_{\text{job pursuit intention}}= .93$; $\alpha_{\text{trust}}= .85$; $\alpha$ self-

$_{\text{transcendence}}$= .78; $\alpha_{\text{self-enhancement}}$= .84; $\alpha_{\text{support for suppliers}}$= .74; $\alpha_{\text{support for environment}}$= .88) and the items loaded on a single factor.

*Descriptive statistics.* The degree of other-orientation and self-orientation as measured by Schwartz's self-transcendence and self-enhancement are very highly correlated (-.98) suggesting that, in line with our theory, the higher individuals score on self-transcendence, the lower they score on self-enhancement. On this basis and for the sake of parsimony, we only report results for other-orientation measured by self-transcendence. In line with the literature on social value orientations, the correlations indicate that men score lower on other-orientation than women (Van Lange *et al*., 1997) and Business and Economics students score lower on other-orientation than students from other fields (Meier and Frey, 2004). Dutch respondents score lower on other-orientation than other nationalities, which might be explained by the fact that they are younger (Van Lange *et al.,* 1997). Respondents' support for both suppliers and the environment is positively related to other-orientation, which is in line with the literature on corporate social responsibility that has taken personal values into account (e.g., Doran, 2009).

The correlations between the vignettes and purchase and job pursuit intention indicate that intention to associate is higher in the absence than in the presence of tradeoffs among stakeholder groups' welfare. Analyses of covariance including the control variables also support that stakeholders' intention to associate with the firm is significantly lower when the firm treats one stakeholder group less favorably than when both groups are treated well (e.g., for the customers – suppliers set of vignettes, $M_{\text{Customers > Suppliers}} = 3.83$, $M_{\text{Customers < Suppliers}} = 3.92$, $M_{\text{Customers \& Suppliers treated well}} = 5.24$, $F = 61.74$, $p<0.001$). These empirical results confirm the interest of studying stakeholders' reactions to preferential treatments that result from tradeoffs. Finally, the correlations in Table 1 indicate that trust is significantly and positively related with purchase and job pursuit intention.

*Hypothesis tests.* To investigate Hypothesis 1, which predicts that stakeholders' degree of other-orientation moderates the relationships between a preferential treatment of respondents' own or another stakeholder group and purchase and job pursuit intention, we conducted hierarchical regression analyses. For each of the three sets of vignettes, we compared the vignette with the preferential treatment of respondents' own stakeholder group (Self > Other) and the vignette with the preferential treatment of the other stakeholder group (Self < Other). In our regressions, we entered the control variables and the dummy for the vignette Self < Other in the first step (Models 1a, 2a and 3a, Table 2), the moderating variable, degree of other-orientation, in the second step (Models 1b, 2b, and 3b, Table 2), and the interaction effect of this moderating variable with the vignette dummy in the last step (Models 1c, 2c, and 3c, Table 1). The results support Hypothesis 1 as Models 1, 2, and 3 significantly improve when the interaction term is added and the coefficient of this term is significant and positive.

**Table 1. Results of regression analyses testing the moderation effect of other-orientation on the relationship between tradeoffs and purchase and job pursuit intention**

| | Customers-Suppliers vignettes | | | Employees-Suppliers vignettes | | | Employees-Environment vignettes | | |
|---|---|---|---|---|---|---|---|---|---|
| **Predictors** | **Model 1a[a]** | **Model 1b[a]** | **Model 1c[a]** | **Model 2a[b]** | **Model 2b[b]** | **Model 2c[b]** | **Model 3a[b]** | **Model 3b[b]** | **Model 3c[b]** |
| Vignette Self <Other | .096 | .096 | .053 | -.084 | -.085 | -.073 | -.649 *** | -.625 *** | -.613 *** |
| Other-orientation | | .024 | -.222 † | | -.050 | -.239 † | | .209 † | -.026 |
| Vignette X Other-orientation | | | .569 *** | | | .477 * | | | .521 ** |
| *Controls:* | | | | | | | | | |
| Support other stakeholder group | -.177 * | -.184 * | -.221 * | .038 | .057 | .057 | -.271 * | -.304 ** | -.302 ** |
| Male | .191 | .189 | .186 | .454 * | .448 * | .541 ** | -.246 | -.243 | -.196 |
| Age | -.003 | -.005 | -.019 | .000 | -.001 | -.025 | .014 | .005 | -.005 |
| Dutch | .033 | .034 | -.005 | .045 | .038 | -.056 | -.011 | -.016 | -.021 |
| Business and Economics | .213 | .219 | .292 † | -.150 | -.167 | -.193 | .022 | .118 | .121 |
| Found Job | | | | .027 | .024 | .117 | -.533 * | -.449 † | -.482 † |
| Interest Consumer Goods Company | | | | .355 *** | .357 *** | .349 *** | .352 *** | .363 *** | .359 *** |
| N | 194 | 194 | 194 | 194 | 194 | 194 | 207 | 207 | 207 |
| Total $R^2$ | .056 | .056 | .115 | .264 | .265 | .284 | .297 | .310 | .334 |
| Overall F | 1.845 † | 1.583 | 2.996 ** | 8.31 *** | 7.37 *** | 7.26 *** | 10.44 *** | 9.84 *** | 9.84 *** |
| Adjusted $R^2$ | .026 | .021 | .076 | .233 | .229 | .245 | .268 | .279 | .300 |
| Change in $R^2$ | | .000 | .075 | | .001 | .019 | | .018 | .029 |
| F for change | | .066 | 12.22 *** | | .185 | 4.828 * | | 3.84 * | 7.09 ** |

[a] The dependent variable is Purchase intention
[b] The dependent variable is Job Pursuit intention
The unstandardized coefficients are reported.
† $p < .1$, *$p$ , .05; **$p$ , .01; ***$p$ , .001, two-tailed test

The main effects of the vignettes and degree of other-orientation are not significant in Models 1 and 2. So, we graphed the moderation effects to better understand their nature. We can see in Figure 1 that purchase intention and job pursuit intention (in the case of suppliers as the other stakeholder group) are not, on average, significantly different for the vignette Self < Other compared to the vignette Self > Other because individuals high and low on other-orientation have opposite reactions to the vignettes. More specifically, stakeholders high on other-orientation are more willing to associate with the firm when suppliers are treated more favorably than themselves, while stakeholders low on other-orientation are more willing to associate with the firm when their own stakeholder group is treated more favorably.

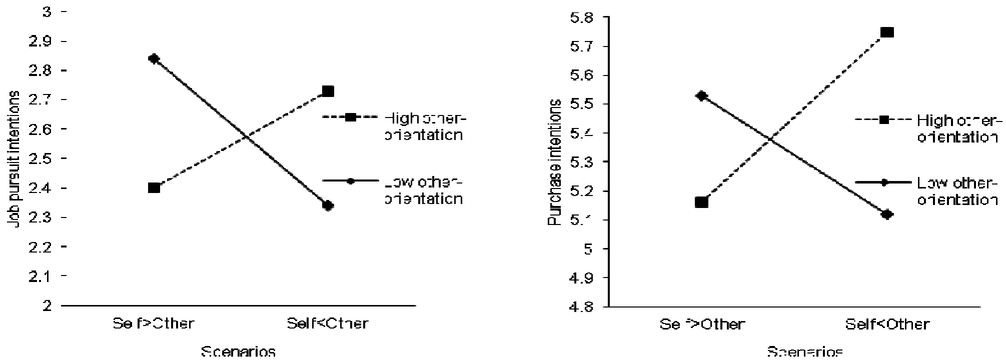


**Figure 1. Moderation effects of other-orientation for the consumers–suppliers (left) and employees-suppliers vignettes (right)**

In contrast, for the pair of vignettes related to the environment, the coefficient for the vignette Self < Other is significant and negative. This indicates that, on average, respondents have higher intention to pursue a job with a firm that treats its employees better than its major competitors but neglects the environment compared to a firm that invests more in protecting the environment but less in its employees' welfare than its major competitors. The degree of other-orientation moderates this relationship in the sense that the decrease in job pursuit intention between the vignette Self > Other and the vignette Self < Other is smaller for other-oriented than for self-oriented stakeholders. Figure 2 shows this moderation effect.

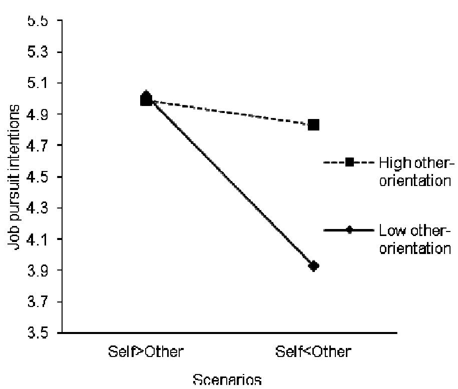


**Figure 2. Moderation effects of other-orientation on the relationship between tradeoffs and stakeholders' intention to associate with the firm for the employees-environment vignettes**

Hypothesis 2 proposes that trust mediates the relationship between a firm's preferential treatment of one of the two stakeholder groups and stakeholders' intention to associate with the firm. According to modern thinking about mediation analysis, demonstrating that the initial variable is correlated with the outcome is not required to establish mediation (Rucker *et al.*, 2011; Shrout and Bolger, 2002; Zhao, Lynch and Chen, 2010). Instead, it is recommended that mediation analyses be based on the significance tests of the indirect effect, which more directly addresses mediation (Preacher and Hayes, 2004). Consequently, we tested Hypothesis 2 using an application developed by Hayes (2012). This application facilitates estimation of the indirect effect, both with the Sobel (1982) test (which is based on the assumption that the indirect effect is normally distributed) and with a bootstrap approach to obtain 95% confidence intervals (which avoids problems of nonnormal sampling distributions of the indirect effect, MacKinnon, Lockwood and Williams, 2004), and it also incorporates the stepwise procedure proposed by Baron and Kenny (1986).

**Table 2. Regression results for testing the mediation effect of trust on the relationship between tradeoffs and purchase and job pursuit intention**

| | Customers-Suppliers vignettes | | | Employees-Suppliers vignettes | | | Employees-Environment vignettes | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trust | Purchase intention | | Trust | Job pursuit intention | | Trust | Job pursuit intention | |
| **Predictors** | **Model 4a** | **Model 4b** | **Model 4c** | **Model 5a** | **Model 5b** | **Model 5c** | **Model 6a** | **Model 6b** | **Model 6c** |
| Vignette Self <Other | .636 *** | .096 | -.281 * | .694 *** | -.084 | -.559 *** | -.302 ** | -.649 *** | -.481 ** |
| Trust | | | .593 *** | | | .685 *** | | | .554 *** |
| *Controls:* | | | | | | | | | |
| Support other stakeholder group | -.082 | -.177 * | -.128 † | -.043 | .038 | .067 | .089 | -.271 ** | -.321 ** |
| Male | .302 * | .191 | .012 | .489 ** | .454 * | .120 | .020 | -.246 | -.257 |
| Age | -.004 | -.003 | -.001 | -.020 | .000 | .014 | -.027 | .014 | .029 |
| Dutch | -.155 | .033 | .125 | -.164 | .045 | .158 | -.230 † | -.011 | .117 |
| Business and Economics | .076 | .213 | .168 | -.213 | -.150 | -.005 | .013 | .022 | .015 |
| Found Job | | | | .273 | .027 | -.160 | -.057 | -.533 * | -.501 * |
| Interest Consumer Goods Company | | | | .080 * | .355 *** | .301 *** | .060 † | .352 *** | .319 *** |
| N | 194 | 194 | 194 | 194 | 194 | 194 | 207 | 207 | 207 |
| Overall F | 6.00 *** | 1.85 † | 10.51 *** | 5.86 *** | 8.313 *** | 18.55 *** | 2.25 * | 10.44 *** | 13.99 *** |
| $R^2$ | .162 | .06 | .283 | .202 | .264 | .476 | .083 | .297 | .390 |

The unstandardized coefficients are reported. † *p* < .1, **p* , .05; ***p* , .01; ****p* , .001, two-tailed test

**Table 3. Indirect effect and significance using normal distribution [a]**

| | Value | SE | LL95%CI | UL95%CI | Sobel z | p |
|---|---|---|---|---|---|---|
| Customers-Suppliers vignettes | .377 | .089 | .230 | .565 | 4.245 | .000 |
| Employees-Suppliers vignettes | .475 | .110 | .284 | .681 | 4.304 | .000 |
| Employees-Environment vignettes | -.168 | .072 | -.348 | -.048 | -2.322 | .020 |

[a] Bootstrap sample size =5000; LL=lower limit; UL=upper limit; CI=confidence interval

The results for testing this mediation effect are reported in Tables 2 and 3. As we hypothesized, a preferential treatment of one of the two stakeholder groups was found to have an indirect effect through trust. This indirect effect is positive for the customers-suppliers (.377) and employees-suppliers vignettes (.475), but negative for the employees-environment ones (-.168). The Sobel test and bootstrap confidence intervals show that these indirect effects are significant, as evidenced, in the case of the customers-suppliers vignettes, by a Sobel z = .089 (p=.000) and a 95% bias-corrected bootstrap confidence interval that is entirely above zero (.230 to .565). It is also interesting to note that the total relationship between the vignette Self

< Other and intention to associate was not significant for the customers-suppliers (.096, p=.52, in Model 4b) and employees-suppliers vignettes (-.084, p=.63, in Model 5b), because the indirect effect (.377 and .475, respectively) and the direct effect controlling for trust (-.281, p=.05, in Model 4c, and -.559, p=.00, in Model 5c) are of opposite sign. This pattern of coefficients suggests the presence of mediational suppression, i.e. the negative direct effect of a preferential treatment of another stakeholder group is cancelled out by the positive indirect effect through trust, resulting in a total effect that is insignificant (MacKinnon, Krull and Lockwood, 2000; Shrout and Bolger, 2002).

Hypothesis 3 proposes that the degree of other-orientation strengthens the indirect effect of trust in the relationship between a firm's preferential treatment of one of the two stakeholder groups and stakeholders' intention to associate with the firm. To test whether the indirect effect is indeed contingent on respondents' other-orientation, we again used Hayes' (2012) application, which provides a method to assess the significance of conditional indirect effects at different values of the moderator variable (which is also known as moderated mediation, Preacher, Rucker and Hayes, 2007). Results for Hypothesis 3 are reported in Tables 4 and 5.

**Table 4. Regression results for testing moderated mediation**

| | Customers-Suppliers vignettes | | Employees-Suppliers vignettes | | Employees-Environment vignettes | |
|---|---|---|---|---|---|---|
| | Trust | Purchase intention | Trust | Job pursuit intention | Trust | Job pursuit intention |
| **Predictors** | **Model 7a** | **Model 7b** | **Model 8a** | **Model 8b** | **Model 9a** | **Model 9b** |
| Vignette Self <Other | .622 *** | -.334 * | .702 *** | -.515 ** | -.287 * | -.480 ** |
| Other-orientation | .036 | -.308 ** | -.260 * | -.094 | -.016 | -.034 |
| Vignette X Other-orientation | .210 | .561 *** | .374 * | .266 | .239 † | .429 * |
| Trust | | .565 *** | | .656 *** | | .521 *** |
| Trust X Other-orientation | | .164 * | | -.086 | | .111 |
| *Controls:* | | | | | | |
| Support other stakeholder group | -.134 † | -.148 † | -.001 | .067 | .076 | -.343 *** |
| Male | .293 * | .072 | .548 *** | .180 | .043 | -.243 |
| Age | -.014 | -.016 | -.042 | -.000 | -.036 | .014 |
| Dutch | -.150 | .095 | -.255 | .113 | -.234 † | .095 |
| Business and Economics | .131 | .195 | -.270 † | -.026 | .056 | .099 |
| Found Job | | | .341 † | -.086 | -.035 | -.460 † |
| Interest Consumer Goods Company | | | .077 * | .303 *** | .063 † | .327 *** |
| N | 194 | 194 | 194 | 194 | 207 | 207 |
| Overall F | 5.237 *** | 10.57 *** | 5.442 *** | 14.100 *** | 2.339 * | 11.49 *** |
| $R^2$ | .185 | .366 | .229 | .483 | .107 | .415 |

The unstandardized coefficients are reported.
† $p$ < .1, *$p$ , .05; **$p$ , .01; ***$p$ , .001, two-tailed test

**Table 5. Conditional indirect effects at other-orientation = mean ± 1 SD [a]**

| | Customers-Suppliers vignettes | | | | Employees-Suppliers vignettes | | | | Employees-Environment vignettes | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Effect | SE | LL95%CI | UL95%CI | Effect | SE | LL95%CI | UL95%CI | Effect | SE | LL95%CI | UL95%CI |
| -1SD | .197 | .086 | **.055** | **.404** | .270 | .179 | -.071 | .628 | -.212 | .096 | **-.464** | **-.062** |
| Mean | .366 | .082 | **.223** | **.546** | .456 | .104 | **.274** | **.678** | -.152 | .068 | **-.322** | **-.043** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| +1SD | .588 | .139 | **.362** | **.907** | .594 | .174 | **.299** | **.994** | -.048 | .104 | -.291 | .140 |

[a] Bootstrap sample size =5000; LL=lower limit; UL=upper limit; CI=confidence interval

Table 5 shows the conditional indirect effect of a preferential treatment through trust at three levels of other orientation, namely, the mean, one standard deviation above the mean, and one standard deviation below the mean. In the case of the customers-suppliers vignettes, the 95% bias-corrected bootstrap confidence intervals indicate that the three conditional effects are positive and significant. We can also see that the conditional effect is significantly larger when other-orientation is high than when it is low to moderate. In the cases of the employees-suppliers, two of the three conditional indirect effects are significant. The indirect and positive effect of the preferential treatment through trust is observed when other-orientation is moderate to high, but not when other-orientation is low. Thus, Hypothesis 3 is supported in the customers-suppliers and employees-suppliers cases. For the employees-environment vignettes, Hypothesis 3 is not supported. We observe a stronger indirect and negative effect of the preferential treatment through trust when other-orientation is low to moderate than when other-orientation is high (in which case it is not statistically different from zero).

The results reported in Table 4 allow us to examine which stage of the mediation path is moderated by other-orientation. Models 7a, 8a and 9a in Table 5 show that the interaction term of the vignette Self < Other and other-orientation is positive and statistically significant at the 5% level in the employees-suppliers vignettes (b=.374, p=.03) and at the 10% level in the employees-environment vignettes (b=.239, p=.07), but not significant in the customers-suppliers ones (b=.210, p=.14). Models 7b, 8b and 9b show that the interaction of trust and other-orientation is significant in the customers-suppliers vignettes (b=.164, p=.05), but not in the other two cases. This indicates a moderation of the first stage in the employees-suppliers and employees-environment vignettes and a moderation of the second stage in the customers-suppliers vignettes.

## Discussion

### Contributions and implications

Our work contributes to the literature on stakeholder management in several ways. First, by taking into consideration individual heterogeneity in terms of stakeholders' degree of other-orientation, our study answers recent calls to introduce behavioral microfoundations in both the strategy and the stakeholder management literature (Cordano, Frieze and Ellis, 2004; Felin and Foss, 2005; Felin and Hesterly, 2007; Freeman *et al.*, 2010). Our study shows that stakeholders' degree of other-orientation helps explain stakeholders' reactions to the firm's stakeholder management practices when those involve balancing the interests of several stakeholder groups.

For theory development, these results suggest a need to rethink the concept of tradeoffs. In relation to tradeoffs the literature has narrowly focused on stakeholders' *material* well-being, which leads to see tradeoffs among stakeholder groups in all situations in which increasing the material well-being of one stakeholder group comes at the cost of the material well-being of another group. Even stakeholder theorists who have argued that managers should not frame decisions as trading off stakeholders' interests but should look for ways to achieve win-win synergies have primarily emphasized stakeholders' material well-being in their illustrations of win-win synergies (e.g., Freeman *et al.*, 2010). Here is such an illustration: increasing wages might improve employees' material well-being and, at the same time, serve shareholders' material interests if the increase in wages is more than compensated by an increase in employees' productivity. Yet, as our results confirm, personal material well-being is not all that matters for stakeholders high on other-orientation. So, it might in fact be easier to reconcile the economic and moral component in stakeholder management than the literature on tradeoffs usually assumes because the stakeholders high on other-orientation value morality for its own stake (i.e., beyond the material benefits morality could bring them). This calls for a concept of tradeoff that is not based exclusively on stakeholders' personal and material well-being but that takes into account what stakeholders really value (cf. Harrison and Wicks, 2013).

To managers facing the need to make tradeoffs, the moderating effect of stakeholders' degree of other-orientation in the case of the customers-suppliers and employees-suppliers sets of vignettes suggests that which stakeholder group managers decide to give priority to influences the type of stakeholders who will be attracted to the firm. While stakeholders low on other-orientation are more likely to join firms that prioritize their own stakeholder group, stakeholders high on other-orientation might avoid these firms if the advantages for themselves come at a high cost to other stakeholders they care about. This self-selection of stakeholders according to their degree of other-orientation might have a deep impact on firm performance in the longer term, as stakeholders high on other-orientation are likely to be more cooperative and better organizational citizens (Bridoux and Stoelhorst, forthcoming; Korsgaard *et al.*, 1997; Rioux and Penner, 2001).

In contrast, for the employees-environment set of vignettes, we did not find such opposite reactions according to respondents' degree of other-orientation, suggesting for researchers that the identity of the other stakeholder group matters to explain stakeholders' reactions. With the environment as other stakeholder group, both stakeholders who are high and those who are low on other-orientation have higher intention to associate with a firm that prioritizes their own stakeholder group. However, the difference is smaller for stakeholders scoring high on other-orientation, supporting a moderation effect of stakeholders' degree of other-orientation. This difference between suppliers in developing countries and the environment as other stakeholder group cannot be explained by higher support for firm's treatment of suppliers in developing countries than for firm's treatment toward the environment. Our respondents reported high support for both types of activities and even slightly higher support for the environment than for suppliers in developing countries (see averages in Table 1). In addition, as prior research has found evidence of a moderating effect of customer support for a specific corporate social responsibility domain on the relationships between corporate social responsibility in this domain and stakeholders' reaction (e.g. Mohr and Webb, 2005; Sen and Bhattacharya, 2001), we included respondents' support for the other stakeholder group as control variable in our analyses. Another potential explanation would be that other-oriented stakeholders assign a lower weight to a non-human stakeholder such as the environment than to human stakeholders such as suppliers in developing countries, as suggested by Auger, Devinney and Louviere (2007).

A second contribution of our study is to investigate a key attitudinal mechanism linking stakeholder management and stakeholders' reactions, which is important to solidly establish the causality in the stakeholder management-firm performance relationship (Hosmer and Kiewitz, 2005; Lev, Petrovits and Radhakrishnan, 2010). In line with existing stakeholder theory (e.g., Barnett, 2007; Jones, 1995), trust was found to mediate the relationship between a preferential treatment of one of the two stakeholder groups and stakeholders' intention to associate with the firm, but this mediation effect is more complex than scholars previously suggested.

With suppliers as the other stakeholder group, while the direct effect of a preferential treatment of another stakeholder group is negative, the indirect effect, through trust, is positive, indicating that we are witnessing a 'suppressed mediation' (MacKinnon *et al.*, 2000; Shrout and Bolger, 2002). Thus, our results suggest that, in tradeoff situations, stakeholders perceive the favorable treatment of another stakeholder group as a signal that the firm is trustworthy, which compensates for the negative impact of a less favorable treatment of one's own group. These findings explain why stakeholders' intention to associate with a firm does not significantly differ between the two tradeoff situations: the direct and indirect effects cancel each other out (MacKinnon *et al.*, 2000: 175). To our knowledge, studies have not yet recognized the suppression effect of key attitudinal mechanisms on the stakeholder management-firm performance relationship. More generally, failure to include such key intervening variables in previous research may help explain why scholars have been 'unable to reach an empirically grounded resolution' in the stakeholder management-firm performance relationship (Vlachos *et al.*, 2009: 177).

In addition, the examination of the conditional indirect effects revealed that, in the case of suppliers, the positive indirect effect of trust was stronger for stakeholders scoring high on other-orientation: individuals high on other-orientation seem more sensitive and responsive to trust than individuals low on other-orientation. More specifically, trust was found to mediate the relationship between tradeoffs and stakeholders' intention to associate with the firm for individuals who scored high on other-orientation, but less (or not at all) for individuals who scored low on other-orientation.

In contrast, in the case of the environment as other stakeholder group, an unfavorable allocation of resources towards respondents' own stakeholder group had a negative direct effect on respondents' intention to associate with the firm as well as a negative indirect effect through trust, suggesting two mechanisms working in the same direction. More research is needed to understand why trust sometimes acts as a suppressor and other times not in tradeoff situations. We conjuncture that in our study the difference is linked to the non-human nature of the environment. Furthermore, the negative indirect effect was stronger for respondents low on other-orientation. These results suggest that stakeholders low on other-orientation are unlikely to join a firm prioritizing the environment over its employees because they distrust such a firm in addition to being displeased by the low personal payoffs it offers them. This means that, while stakeholders who score low on other-orientation might not care about how the firm treats other stakeholder groups for the sake of these stakeholders, they might well, in some cases, use this information to assess how attractive it is to associate with the firm.

To managers facing the need to make tradeoffs among stakeholders' interests, the mediating effect of trust indicates that trust may provide firms with a valuable resource that can help them offset negative stakeholders' reactions to their own treatment. Managers could monitor how the treatment of their various stakeholder groups influences stakeholders' trust in the firm and use this knowledge to develop trust-building strategies to shelter their firm from negative reactions to tradeoff decisions. An important caveat here is that the mediating influence of trust is contingent on a person's degree of other orientation. Practically, this implies that trust is less valuable resource to managers whose firm attracts stakeholders low on other-orientation.

**Limitations and future research directions**

Several future research directions stem from the limitation of the present research. With regard to the design of the vignettes, we relied on hypothetical vignettes to manipulate the firm's treatment towards different stakeholder groups. Stakeholder surveys that explore the effects of actual tradeoffs made by companies would help establish the external validity of the findings. Furthermore, respondents were exposed to the firm's record regarding the treatment of two stakeholder groups in quick succession. In reality, stakeholders are likely to encounter such information at different points in time. Future research could investigate whether time intervals in combination with different sequence between the treatment of their own group and of another stakeholder group would affect stakeholders' behavioral reactions to tradeoffs. On the basis of the anchoring effect in human decision making (Tversky and Kahneman, 1974), we would expect the first piece of information about a firm's stakeholder management practices to have a larger effect on stakeholders' overall evaluation and reactions than pieces of information that come later. In addition, our vignettes describe a consumer goods company (Wagner *et al.*, 2009). Stakeholder reactions to tradeoffs may vary across industries. For example, we would expect stakeholders to be more sensitive to information about the firm's treatment of suppliers in industries where firms have repeatedly been criticized for their bad treatment of suppliers in developing countries (e.g., the apparel or food industry) and to be less sensitive to the firm's treatment of the environment in industries where firms have a negligible influence on the environment (e.g. services industries).

As it is often the case in studies of stakeholders' reactions (e.g. Sen *et al.*, 2006), the behavioral reactions were self-reported intention rather than actual behavior. A drawback of this research method is that respondents might realize that their reported intention does not have actual consequences. Future research should study actual behavior to check the generalizabiity of our results. Our choice of master students as respondents might also be viewed as a limitation. Using students as respondents enabled us to compare several stakeholder groups, but the generalizability of our findings to all stakeholders can be questioned as our respondents are young and highly educated.

To conclude, beyond the dyadic relationship between a firm and stakeholders' own group, we found that stakeholders' intention to associate with a firm is also influenced by how the firm treats other stakeholder groups, directly and indirectly through trust, and that this influence depends on stakeholders' degree of other-orientation. However, our results suggested that the identity of the other stakeholder group about whom the focal stakeholders have information matters. For example, our respondents high on other-orientation were more responsive to the firm's treatment of suppliers in developing countries than to the treatment of the environment. Similarly to what Mitchell, Agle and Wood (1997) have done for stakeholders' salience to managers, it seems important to research which attributes and mechanisms make stakeholders belonging to other groups salient and important to a focal stakeholder. Perceived similarity could be one such attribute and empathy could be one mechanism.

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