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The ethics of corporate hypocrisy: An experimental approach

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ABSTRACT

In the current landscape of management and business ethics scholarship, a prominent type of dissimulation is exemplified by corporate hypocrisy. The concept of corporate hypocrisy brings traditional morality to bear on the institutions of the modern society and thereby emphasizes the contested relationship between the research programs of individual and institutional ethics. Assuming that morality in the modern society resides in institutions rather than individuals, institutional ethics emphasizes limits to the ability of traditional morality to come to terms with the moral complexity of the market economy. The case of corporate hypocrisy shows however that traditional morality nurtures individual sensitivity to immoral behaviors which may undermine the modern institutional fabric theorized by institutional ethics. This argument is supported by our central experimental finding that the moral evaluation of individual and corporate hypocrisy is driven by essentially the same psychological mechanisms. Moreover, the experiment showed that both corporate and individual hypocrisy are condemned stronger than frankly wrong behavior even if their consequences are identical.

1. Introduction

Today's institutional economists describe modern Western societies as "open access orders" which maximize evolutionary possibilities by installing rule of law and introducing competition in economy and politics (Hielscher & Pies, 2016; North, Wallis, & Weingast, 2009). In premodern societies, the range of available evolutionary possibilities is supposed to be considerably more limited (Roth, Dahms, Welz, & Cattacin, 2019; Roth, Schwede, Valentinov, Žažar, & Kaivo-oja, 2019). The Luhmannian sociological standpoint affirms this vision. Luhmann considered modern society to comprise mutually incommensurable but highly interdependent function systems, such as economy, politics, law, and science. In the regime of functional differentiation, evolutionary possibilities are multiplied through ongoing mutual observation of function systems, which is itself enhanced by the use of a broad range of communication media (Roth, Schwede et al., 2019; Roth, Dahms et al., 2019). In discussing the proliferation of evolutionary possibilities in today's welfare state, Andersen and Pors (2016) speak of "technologies of potentialization" aimed at strengthening and diversifying the extant entwinements between organizations and function systems (cf. Andersen & Stenner, 2020; Roth, Schwede, Valentinov, Pérez-Valls, & Kaivo-Oja, 2020). From a broader institutional economics perspective, there is room to argue that the significance of potentialization goes far beyond welfare provision. There seems to be a sense in which potentialization underpins the very possibility of multifarious win-win potentials, or positive-sum games, which could not exist in a society with a more limited scope

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of what is possible.

In addition to the proliferation of evolutionary possibilities, partly through the employment of potentialization technologies, a further characteristic of modernity is distancing from traditional morality which is geared to small kinship-based groups rather than large and diverse societies (Greene, 2013; von Hayek et al., 1998). The onset of modernity and functional differentiation has by no means led to the disappearance of this morality (Heath, 2014; Homann, 2002; Luetge, Armbrüster, & Müller, 2016; Pies, Beckmann, & Hielscher, 2014; Valentinov et al., 2019). Today, traditional morality becomes prominently manifest in what Luhmann called “moral communication” which paradigmatically invokes approbation and disapprobation of the moral standing of specific persons. Luhmann believed that moral communication is too person-centered to do justice to the systemic realities of the regime of functional differentiation, a standpoint shared by the research program of institutional ethics (Heath, 2014; Homann, 2002; Luetge et al., 2016; Pies et al., 2014; Valentinov et al., 2019). These scholars hold that the moral quality of the modern society does not depend on the moral virtues of specific individuals. Instead, it depends on the moral quality of institutions, which is determined by the extent to which institutions are able to harness desirable social dilemmas while blocking the undesirable ones (Booth, Rowlinson, Clark, Delahaye, & Procter, 2009; Fuller & Loogma, 2009; Fuller, 2017; Zackery, Shariatpanahi, Zolfagharzadeh, & Pourezzat, 2016).

The field of futures studies provides a context where the notions of potentialization and traditional morality seem to unfold a novel dynamic originating from potentialization’s ambivalent side-effects. In this field, the phenomenon of potentialization is given a boost by a plethora of social constructionist methods such as simulation studies, foresight approaches, scenario planning, and counterfactuals (Booth et al., 2009; Fuller & Loogma, 2009; Fuller, 2017; Zackery et al., 2016). While useful and even indispensable in the age of “postnormal science” (Funtowicz & Ravetz, 1993), these methods walk a thin line between simulation and evidence, thus potentially exempting themselves from conventional forms of scientific critique (Roth, Kaivo-oja, Van Assche, & Dahms, 2020). If simulations develop a certain immunity from scientific scrutiny, they get dangerously close to dissimulations whose impact on further research and policy making may be devastating (Andersen & Stenner, 2020). The present paper will suggest that it is in detecting and bringing to light these problems that moral communication and the attendant traditional morality may yet play an important role, even in the full-fledged regime of functional differentiation. A specific problem of this kind explored in the paper is corporate hypocrisy.

In fact, the conjectured relationship between potentialization and immunity is not unique to the field of futures studies, nor even to science more generally. Andersen and Stenner (2020) suggest that it is hardwired within the basic workings of the regime of functional differentiation. They argue that potentialization technologies present “immune mechanisms which serve to protect the social system from itself ... by problematizing institutional structures” (Tosini, 2020, p. 79; cf. Tosini, 2020). Importantly, Andersen and Stenner (2020) point out that these immune mechanisms have the problematic property of being unable to “discriminate between productive and unproductive structures” (Andersen, 2020). In the language of the research program of institutional ethics, this property amounts to the impossibility to discriminate between desirable and undesirable social dilemmas, and thus to maintain a high moral standard of institutional settings. While this outcome would be catastrophic for institutional ethics, it can be prevented, at least partly, by releasing waves of moral communication which draw public attention to its corrosive and system-shattering consequences. Just as Andersen (2020) observes that potentialization technologies in the Western welfare systems exact a price in terms of lost legal coherence and professional certainty, Roth, Kaivo-oja et al. (2020) argue that a science immunized against critical scrutiny may become oppressive and perilous. The key contention of the present paper is that if moral communication and traditional morality succeed in calling these side-effects by the name, they offer a hope and a platform for corrective action.

The paper will buttress this contention in a somewhat circuitous fashion. It will deal with a phenomenon that psychologists call “self-presentational dissimulation”, which is a “process by which people control the impressions others form of them” (Leary & Kowalski, 1990, p. 34). In the corporate context, self-presentational dissimulation comprises impression management techniques, employed by corporate managers seeking to create a favorable public image of organizational performance, given that they themselves do not believe in this image (Merkl-Davies, Brennan, & McLeay, 2011). A less technical name for corporate self-presentational dissimulation is corporate hypocrisy, a phenomenon exceptionally suited for illustrating the dynamic interplay between the notions of immunity, potentialization, and traditional morality. Business ethics and management scholars generally agree that corporations are confronted with a broad range of societal expectations which they seek to meet through communication of their corporate social responsibility policies and ambitions, i.e., CSR communication (Carroll & Buchholtz, 2009; Crane & Matten, 2010; Sacchetti & Tortia, 2020a). CSR communication plausibly incorporates the aspects of immunity and potentialization. If convincing, CSR communication renders corporations relatively immune to a certain range of critical stakeholders who would otherwise raise moral concerns about corporate activities. As Christensen, Morsing, and Thyssen (2013) suggested, CSR communication, even if unsupported by corporate action, may be a source of inspiration, exploration and aspiration, and may thereby unfold important potentialization effects.

However, it is uncertain to what extent the potentialization effects of CSR communication generally translate into corporate practice, or to what extent corporations “walk the talk” (cf. Christensen & Schoeneborn, 2017). Jauernig and Valentinov (2019) argue that competitive pressures may give rise to the inflationary dynamics of CSR communication which may run up against credibility problems and generate skepticism and charges of corporate hypocrisy. In this context, it is highly significant that hypocrisy is a classic category of traditional morality and thus falls squarely within the scope of individual ethics. It embodies the cardinal sin of lying (Lynas, 2015). If corporations seek to forestall being charged with hypocrisy, they will be forced to prevent the distance between corporate talk and action from increasing indefinitely. This way, moral communication and traditional morality may be found to prevent those dysfunctional linkages between potentialization and immunity that ultimately translate into corporate dissimulation.

Taken as an exemplification of the precarious relationship between potentialization and immunity, the case of corporate hypocrisy acquires a broader significance arising from the fact that, under some circumstances, the lack of organizational transparency not only does not result in the perceptions of hypocrisy, but even facilitates moral corporate behavior. In the business ethics literature, one influential definition of transparency is in terms of “the degree to which corporate decisions, policies, activities and impacts are

acknowledged and made visible to relevant stakeholders” (Crane & Matten, 2010, p. 71). The very possibility of corporate hypocrisy rests on the lack of transparency understood in the above sense. Yet, Christensen and Schoeneborn (2017, p. 360) rightly note that transparency often produces new opacities (cf. also Christensen & Langer, 2009; Fenster, 2005; Van Assche, Beunen, & Duineveld, 2014). Furthermore, “in complex and turbulent environments with many different and sometimes hostile audiences, it is often necessary for organizations and their communicators to cultivate ambiguity because it allows them to strike a balance between being understood, maintaining a specific image and not offending others” (Christensen & Schoeneborn, 2017, p. 360). Decades ago, Eisenberg (1984) referred to ambiguity as strategy in organizational communication. No less importantly, a lack of transparency may “create a sort of ‘protected enclave’ in which corporate managers develop moral ambitions and identify the ways of their realization” (cf. Christensen et al., 2013; Valentinov, Verschraegen, & Van Assche, 2019, p. 297).

If the relationship between corporate hypocrisy and the lack of organizational transparency is so ambivalent, how can the former be identified as such? In other words, given the lack of organizational transparency, where exactly does corporate hypocrisy begin? The present paper contends that, in methodological terms, these questions can be answered by bringing the psychological research on individual hypocrisy, which is part of the traditional subject-matter of traditional morality, to bear on the context of corporate hypocrisy. In line with this methodological approach, the paper presents an experimental investigation of the psychological mechanisms underlying the evaluation of individual and corporate hypocrisy. The investigation affirms that the boundaries of corporate hypocrisy are indeed detected by psychological mechanisms drawing on the moral sensitivity rooted in the traditional individual-centered morality. The psychological mechanisms underlying the evaluation of individual and corporate hypocrisy are found to be identical; moreover, it turned out that subjects condemned both corporate and individual hypocrisy stronger than frankly wrong behavior. The paper starts by clarifying the conceptual foundations of corporate hypocrisy, proceeds to introduce the experiment, and discusses the implications of the experimental findings for the clarification of the conceptual relationship between traditional morality, moral communication, modern business ethics, and corporate dissimulation.

2. Defining corporate hypocrisy

According to a common sense understanding, corporations act hypocritically if they pretend to be socially responsible while covertly acting in ways that do not comply with this claim (Wagner, Lutz, & Weitz, 2009). A more pointed definition by Wagner et al. (2009) holds that a hypocritical corporation wants to “appear something that it is not.” A prominent example of corporate hypocrisy is “Dieselgate,” referring to the German car manufacturer Volkswagen (VW) deceiving legislators and millions of customers by manipulating emission tests. VW systematically implemented the use of the so-called “defeat devices.” Similar devices had been used by car manufacturers almost as soon as governments had begun testing vehicle emissions. VW, however, took the deception to an unprecedented level of technical sophistication, as Washington’s Center for Auto Safety noticed. The public outrage was particularly severe because VW had gained a reputation for producing fuel-efficient cars. The company had received Germany’s National Energy Globe and was ranked among Interbrand’s “best global green brands,” while Forbes and Maclean’s had ranked the company on their lists of notable socially responsible companies. As an immediate consequence of the scandal, VW’s CEO, Martin Winterkorn, resigned and the company set aside \$ 7.3 billion to cover the coming financial hit. Financial markets reacted immediately, and the price of the VW stock fell drastically.

Wagner et al.’s (2009) definition of corporate hypocrisy seems perfectly consistent with traditional morality which ascribes full moral agency to individuals. Just as individuals bear moral responsibility for hypocrisy, so do corporations. Wagner et al. (Wagner et al.’s, 2009) ascribe moral agency to corporations as if they were individual moral agents. For instance, a letter referring to “Dieselgate” published in the Guardian heads “VW deceived customers like us on emissions. *It must face the consequences [italics added].*” Moreover, Wagner et al.’s (2009) definition seems to be quite consistent with the four criteria we identify below as constitutive for the concept of corporate hypocrisy.

According to the first criterion, corporate hypocrisy implies communicating a moral claim and signaling the commitment to it. We consider a claim to be of moral character if the agent or any observing party believes it to have morally relevant content and to make a general prescription, for instance: “Corporations have a duty to protect the health of their employees”. Corporations can communicate a normative claim by making an explicit statement, e.g., in codes of conduct, CSR reports, advertising, or in press releases. They may also implicitly indicate their willingness to adhere to the standards of a certain social practice, such as the organic food movement, vegetarianism or green lifestyle, e.g., by funding relevant initiatives, by design and branding, through corporate volunteering, or by accepting awards, to name but a few options. Simple promises about (morally relevant) behavior in single instance are not by themselves moral claims according to our understanding. “We will initiate a workplace safety program next year” does therefore not count as a moral claim. Statements of this kind may, however, implicitly signal the company’s adherence to relevant moral standards, if they are embedded in a communicative context suggesting this interpretation. Note that, in order to qualify as hypocrisy, normative communication must express an ethical position with action implication (Chang, 2016). If the claim is of exclusively ideal nature, such as “one should never think of hurting another human being”, there is no chance of observing a breach of the moral postulate and, consequentially, hypocrisy.

According to the second criterion, in line with Wagner et al. (2009), corporate hypocrisy requires an inconsistency between the

communicated moral claim and actual business conduct in at least one instance, or, in other words: “preaching water, but drinking wine.”¹ Wagner et al. (2009) characterize hypocrisy as “attitude-inconsistent behavior” or as “discrepancy between words and action”. Inconsistencies of this kind, however, are common and many of them are probably not seen as hypocritical by most observers. For instance, a corporation might openly admit that it is currently unable to fulfill some of the standards that it accepts in principle and report that it is investing in changing this situation. Admitting failures and showing willingness to incur cost seem to mitigate the perception of a corporation as hypocritical. We therefore take prototypical hypocrisy to correspond to two further criteria.

The third criterion is the attempt to deceive. Attempted deception may be active, such as covering up the instance of moral failure or communicating the moral claim proactively in order to distract from the failure. Alternatively, it may be passive, such as communicating incompletely or failing to rectify wrong public beliefs. In this way, the corporation can secure its reputation, while acting contrary to standards that feed positively into its public image. According to our understanding, deception is targeted at internal and external stakeholders, such as employees,² customers or the public. While self-deception has been prominently discussed as a feature of individual hypocrisy in the psychological literature (Batson, Kobryniewicz, Dinnerstein, Kampf, & Wilson, 1997; Grundherr, Jauernig, & Uhl, 2021), we suggest for the sake of clarity to regard the cases of self-deception as a separate phenomenon.

According to the fourth criterion, a hypocritical corporation must act inconsistently and deceive with the aim of reaping profit in a way that contradicts its moral claim (cf. Batson et al., 1997), e.g., by gaining competitive advantage through a failure to invest in an expensive environmental-friendly measure that had been advertised. Even if benefits are actually never cashed, we can still speak of hypocritical behavior. The (expected) profits might be material, such as saving actual cost, or psychological, such as maintaining a desirable self-image. Morally inconsistent and deceitful behavior that is not even considered as profitable by the perpetrator is hard to bring to terms with goal-directed economic behavior, leaving it open whether the agent acts from a bad intention or plan.

In short, we distill four aspects from the general literature on hypocrisy, which we consider constitutive for corporate hypocrisy, too. A corporation or corporate management is hypocritical in the prototypical sense if and only if:

- 1 (claim) it makes a general moral claim, e.g. by explicitly stating principles or ideals or by implicitly signaling the willingness to adhere to the rules of a certain social practice and
- 2 (inconsistency) it fails to live up to the moral claim in at least one instance and
- 3 (deceit) it attempts to deceive stakeholders about this failure and — consequentially — about the inconsistency between its claim and behavior and
- 4 (profit/actual motive) it performs the behavior described in conditions 2.–3. with the aim of reaping profits in a way that contradicts its moral claim.

In what follows, we will illustrate the definition with several actual cases, some of which happened long before the term was coined.

In 1964, the majority of the American tobacco companies agreed to abide by the “Cigarette Advertising Code” (Richards, Tye, & Fischer, 1996), which proscribed advertising targeted at teenagers and young adults. Yet, research has shown that the tobacco firms systematically broke the agreement (Arnett, 2005). Committing to the “Cigarette Advertising Code” was a public moral claim. Its implicit violation constituted inconsistency and deception as indicated by our definition. Young people starting to consume tobacco products were an important target group for the industry and addressing them in advertising ensured future market outlet. Furthermore, paying lip-service to the code was in the tobacco companies’ economic interest, too, as it safeguarded their reputation and might ultimately delay anti-smoking regulation. Companies signing and ignoring the code thus fulfilled the fourth criterion of our definition (profit). While we do not know any details of the underlying organizational decision mechanisms, the systematic violation of the code seems to be an obvious case of corporate hypocrisy.

In 2004 palm oil producers met at the “round table on sustainable palm oil” (RSPO) to create a quality label to certify sustainable palm oil production. An integral part of the agreement was the “zero-burning-policy”, requiring that no tropical rain forest shall be destroyed to gain land for the plantations. Nevertheless, one of the founders of the initiative, the Malaysian palm oil producer IOI, was accused of clearing rain forest in Indonesia by the NGOs “Milieudefensie” and “Friends of the Earth Europe”. The allegation was based on aerial images and reports of locals. In 2015, the sustainability counselor “Aidenvironment” officially lodged a complaint against IOI and in March 2016, IOI was excluded from the quality label. As a consequence, food corporations like Unilever, Kellogg Company and Mars Inc. terminated their cooperation with IOI. Meanwhile IOI regained the RSPO certificate after having met a number of conditions including full compliance.³ By submitting to the RSPO standards, IOI presented itself as a sustainable and environmentally concerned company. By explicitly signing and covertly violating the agreement in a profitable way, it deceived customers, business partners and other stakeholders such as local inhabitants about the inconsistency between its moral claim and its actual conduct and thus qualifies as a corporate hypocrite according to our definition.

“Dieselgate”, the environmental scandal of VW mentioned above, is another instance of corporate hypocrisy covered by our

¹ This inconsistency, however, is evaluated differently in the literature. Kotchen and Moon (2012, p.3) argue that companies use CSR to distract from their wrongdoing. Some authors, on the other hand, argue that hypocrisy is a necessary result of meeting different stakeholder concerns (Choi et al., 2015) or may even stimulate CSR improvement (Christensen et al., 2013).

² We thank an anonymous reviewer for the hint that internal stakeholders are also concerned. In fact, research shows that social engagement and credibility is one aspect of what makes a company attractive to potential employees (see, e.g., Duarte, Gomes, & das Neves, 2014)

³ The Guardian, August 08, 2016, <https://www.theguardian.com/environment/2016/aug/08/palm-oil-giant-ioi-group-regains-rspo-sustainability-certification>, retrieved January 20, 2017.

definition. There is a striking inconsistency between the company's own commitment to environmental standards — including the acceptance of high-visibility awards such as Germany's National Energy Globe — and the actual pollution rates that were not even fulfilling legal requirements. Moreover, VW did not only hope that this failure would go unnoticed, but actively invested in designing “defeat devices” as a means of deception. As long as it was not exposed, this practice was profitable for VW, allowing it to sell certain types of cars without spending additional time and money for the development of actually clean engines.

The definition and examples of corporate hypocrisy form the base for our experimental investigation of the evaluative reactions to corporate hypocrisy. Empirically, we want to understand whether using the term “corporate hypocrisy” is more than a superficial metaphor from a psychological point of view. To this effect, we will investigate whether individuals react to corporate hypocrisy in the same way as they react to hypocrisy of individual people. A parallelism of this kind would have far-reaching theoretical as well as practical consequences. When people perceive corporations as agents who can be guilty of hypocrisy, a large body of research methods and results on reactions to individual hypocrisy becomes relevant for business ethics and helps to understand the moral indignation that corporate hypocrisy causes.

3. Experiment: are companies seen as hypocrites?

3.1. Hypotheses

Bjornsson and Hess (2016) argue that, ontologically, corporations possess moral agency. Wagner et al. (2009, p. 79) explicitly refer to psychological studies suggesting “that it is appropriate to examine perceptions of organizations and coherent groups for dispositional qualities or characteristics that are commonly associated with perceptions of individuals”.

In order to test these general findings for the specific case of hypocrisy, we will identify the features of the moral response to hypocrisy as compared to morally correct and non-hypocritical wrong behavior. If responses to individual and to corporate hypocrisy are similar in respect to these features, we take this as a good indication that the same or similar mechanisms are at play. This, in turn, warrants taking reactions to individual behavior as proxies for reactions to corporate hypocrisy.

We hypothesize that the strong emotional reactions to corporate behavior are based on the very same mechanisms that trigger strong moral reaction to individual hypocrisy.

Hypothesis 1. *The features of the moral evaluation of hypocritical behavior by individuals and corporations are similar.*

Recent findings from social neuroscience support the claim that “our brains understand and analyze the actions of corporations and people very similarly, with a small emotional bias against corporations” (Plitt, Savjani, & Eagleman, 2015, p. 113). According to this study, there is a tendency to evaluate corporations more strictly than individuals. This renders our approach of exploiting the research on individual hypocrisy for investigating corporate hypocrisy rather conservative. Another study shows that people ascribe moral agency to corporations just as they ascribe it to individuals but find it more difficult to see them as suffering (Rai & Diermeier, 2015). This perception may also be based on the fact that corporations suffer in a different way than individuals: While corporations can go into insolvency, they cannot suffer immediate bodily harm as individuals can.

Hypothesis 2. *Corporations are generally evaluated more strictly than individuals.*

If our findings corroborate the existence of the emotional bias suggested by Plitt et al. (2015), it seems worthwhile to gain a deeper understanding of this effect. The literature hints at least at two potential motivations that could cause stricter moral evaluations of corporations as opposed to individuals: first, the involvement of a multitude of agents in corporations or, second, a stronger ascription of greedy motives to corporations that may already be perceived as wealthier.

First, the involvement of many agents in corporations may make any unethical act seem like an institutional encouragement of wrongdoing. While we might excuse individuals for occasional moral weaknesses, we may expect higher ethical standards from organizations that have hierarchies and authorization procedures in place. This is because the resulting group decision-making should lead to more rational decisions (see, for instance, Bornstein, Kugler, & Ziegelmeyer, 2004; Kugler, Kausel, & Kocher, 2012). The fact that companies are artificial constructs that are not perceived as suffering or depressed actors may also contribute to this aspect. If companies are believed to deserve less empathy than natural persons, they might also be granted fewer moral missteps.

Second, the term “firm” may make people ascribe more greedy motives to the agent, because firms are believed to be wealthier than private individuals (see, for instance, Gino & Pierce, 2009; Piff, Stancato, Côté, Mendoza-Denton, & Keltner, 2012). The associated perception of insatiability may make people more morally critical of corporations in general.

To disentangle both explanations, evaluations of a single individual strongly associated with the firm, for instance, by occupying a leading position within the corporation, should be informative. If such a manager is evaluated more critically than the private individual, this indicates that the ascription of greedy motives might play a role. If not, this indicates that the group thinking or artificial nature ascribed to a firm seems to drive the latter's more critical perception. Finally, it is also conceivable that an emotional bias against firm is based on a mixture of both these explanations, because they are not mutually exclusive.

3.2. Method

3.2.1. Participants

The experiment was conducted online. Study participants were 617 German adults (mean age = 45.2 years, sd = 13.69, 372 females, 46 students), recruited from the German survey platform SoSci (Leiner, 2018). The SoSci panel provides convenience samples.

Panelists accept invitations to surveys that they can choose by topic. Although subjects participate without financial compensation, topic interest has been identified as a good predictor of data quality (Groves et al., 2006). The SoSci subject pool exceeds traditional student samples in heterogeneity regarding age, geographic and professional background. To avoid participants' exhaustion, SoSci limits survey load to four invitations per year with a minimum lag of two weeks between two invitations. Moreover, every SoSci survey is subjected to a peer-review process before it is launched to ensure the quality of the surveys presented to the panelists. Participants were randomly ascribed to one of three conditions and were presented vignettes about the behavior of private individuals (N = 211), managers (N = 206) and firms (N = 200).

3.2.2. Design

After a brief introduction, participants had to read four short vignettes (for a translation of the originally German vignettes, see Appendix A). In each of the vignettes, an agent decided to employ a cleaner. In the first story, he follows the law, registers the cleaner with the respective authorities and pays taxes as well as fees for a professional indemnity insurance (legal). In the second story, the agent does not register the cleaner and avoids paying taxes and fees (illegal). In the third story, the agent behaves in the same way with reference to the cleaner. However, he is also publicly known to be a member of an NGO that opposes illegal labor and, in a social media post, pretends to have registered the cleaner (hypocrite). In the final story, we included a control vignette in which the agent is portrayed as an anonymous member of the same NGO, who fills in a form for registering the cleaner, but is inconsistent and does not submit it (inconsistency). To make it easier for the subjects to understand, the vignettes were always presented in the above order, yet they had the chance to revise their judgment after having read all vignettes. The legal story served as a benchmark for the illegal story. The hypocritical story then extended the illegal one by the element of moral pretense. The control case of inconsistency was always presented in the end to make sure that subjects would not simply worsen their evaluation from story to story without further reflection.

We varied the nature of the agent in three conditions (see Fig. 1). Depending on the condition, the agent was either a private individual, a firm or a human resources manager. Between conditions, the texts of vignettes did only differ in the label for the agents, all other formulations being fully identical so that confounding variables between conditions could be assumed as negligible (see Appendix A). Notice that the condition with the manager is useful to disentangle the two potential explanations for an emotional bias against corporations explicated in our hypotheses section. If the given behavior is seen more critical in case of a firm because the firm implies the involvement of many agents, the single manager should not be evaluated worse than the single private individual. However, if it is seen more critical in case of a firm because of the wealthier firm's higher-level greed, the manager as the firm's representative should be evaluated no less critical than the firm.

After reading each vignette, the participants were asked to label the described behavior and to evaluate it on a continuous slider scale from "very bad" (0) to "very good" (100).⁴ After evaluating all four vignettes, the participants were presented with an overview screen on which they could adjust their evaluations if they wanted. This made sure that we measured a comparative rating.

To check for the effect that an evaluator's moral sensitivity has on his or her judgments of the observed behavior, we included an established measure from the psychological literature into our analysis. The *self-importance of moral identity* (Aquino & Reed, 2002) is a scale capturing whether individuals consider their morality or other more pragmatic traits to be central to their self-concepts. Splitting the sample at the median of their moral identity scores allows us to divide subjects into evaluators with relatively high and low self-importance of moral identity. In line with this consideration and to check for another shade of moral sensitivity, we added a single item measure for self-reported religiosity. Subjects had to indicate on a 7-point Likert scale whether they considered themselves to be, by and large, as religious or believing people. About one third of all participants (225) stated that they were not religious at all, another third of participants (195) said they were moderately or strongly religious. As we assumed that work and leadership experience might potentially bias the evaluation of corporate behavior, we also asked our subjects whether they were employed and whether they had a leadership role: 529 participants indicated that they were employed, 44 % had leadership functions.

The subjects were highly compliant. All participants finished the questionnaire and the rate of missing answers was very low (*Mdn* = 3%, *Q3* = 4%). The subjects took a sensible amount of time to read and evaluate the four vignettes (*Mdn* = 61 s/28 s/56 s/79 s – note that the second vignette contained a rather short text, which was also a variant of the first vignette's text).

An analysis of subjects' labeling of the hypocrite validated our definition of corporate hypocrisy discussed in the previous section. About one fifth of subjects across all three conditions called the behavior outright hypocritical. Between 70 % and 80 % of subjects who did not ascribe the specific label of hypocrisy used at least one of the four constitutive criteria for hypocritical behavior suggested above: They wrote that the agent was either inconsistent, deceptive, immoral, reaping profits or they used a combination of the respective adjectives. It is noteworthy that only 10 % of subjects (including the ones not making an entry) in each condition did not use at least one of these labels.⁵

4. Results and discussion

The analysis examined the effects of agent type (private individual, firm, manager), behavior (legal, illegal, hypocritical, inconsistent) and self-importance of moral identity (high, low) on moral evaluation. Thus, we analyzed differences in evaluative judgments using a 3 (type of agent) times 4 (type of behavior) times 2 (high or low moral identity score) repeated measures ANOVA with type of

⁴ We used the German words "schlecht" (bad) and "gut" (good) without the prefix moral, because this is the most idiomatic and common way to talk about moral behavior in German. Subjects' labeling of the described behavior supports our view that people think about it in moral terms.

⁵ Three coders independently categorized subjects' labels. Any disagreement was discursively resolved on a case-by-case basis.

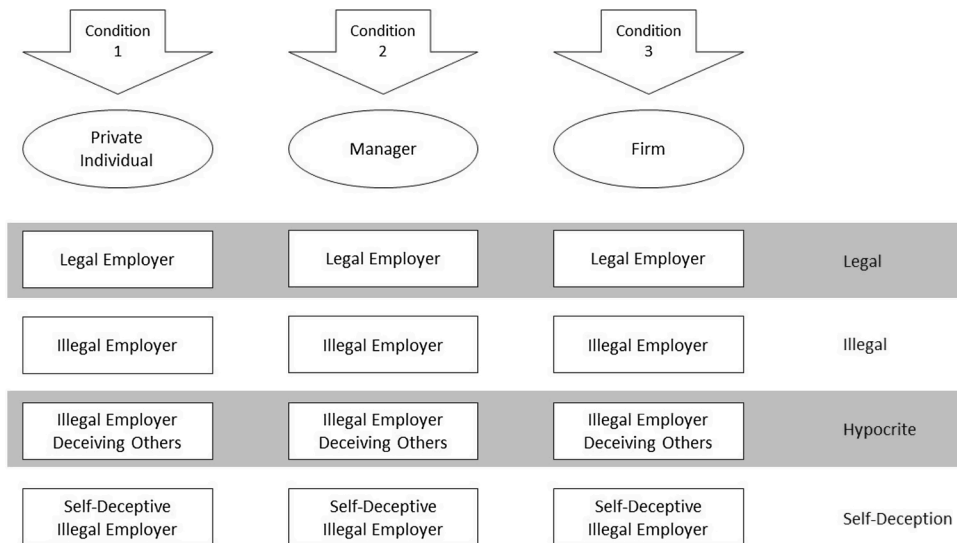


Fig. 1. Overview of Conditions and Behaviors.

behavior as repeated measure. The analysis yielded large main effects for type of agent ($F(2,611) = 53.03, p < 0.001, \eta^2 = 0.15$) and type of behavior ($F(3, 1833) = 4551.11, p < 0.001, \eta^2 = 0.88$). There was also a significant, albeit small, interaction effect between type of agent and type of behavior ($F(6, 1833) = 12.19, p < 0.001, \eta^2 = 0.04$). There was no significant effect of moral identity.

Adding gender, religiosity and leadership experience to the analysis did not affect these central findings. We observed, however, weak and unsystematic trends in gender effects. Women tended to give slightly more credit to firms and managers for good behavior and were stricter in their reactions to hypocrisy. Religious subjects did not differ from others when evaluating private individuals but showed slightly more pronounced evaluations of behaviors in an organizational context. In particular, they evaluated hypocritical behavior of firms ($M = 1.96, SD = 2.89$) more strictly than other subjects ($M = 4.61, SD = 13.43$), $t(116) = 1.98, p = .050$. They also gave hypocritical managers ($M = 2.20, SD = 3.12$) worse evaluations than non-religious people did ($M = 5.14, SD = 13.70$), $t(138) = 2.28, p = .024$. People with leadership experience showed a trend towards more pronounced evaluations of firms, but not of managers or individuals. In particular, they evaluated hypocritical behavior of firms significantly more negatively ($M = 1.73, SD = 2.25$) than other subjects ($M = 4.22, SD = 12.11$), $t(151) = 2.31, p = .022$.

See Table 1 for a more detailed presentation of moral evaluation of the different behaviors by type of agent. Post-hoc tests revealed that the different behaviors were evaluated significantly differently in all conditions. Most differences were in the range of strong and relevant differences (more than 10 points on the percentage scale). Differences in the evaluation of hypocritical and inconsistent behavior were in the range of small, but systematic differences (roughly 5–10 points), as expected on the basis of pilot data. Asking for the evaluation of inconsistent behavior in the end also provides an attention check for subjects' answers. The fact that subjects evaluated the inconsistent behavior more positively than the hypocritical one controls for the possibility that subjects simply decreased their consecutive evaluations from story to story.

Most importantly, the ranking order of the behaviors was fully significant in all conditions and the behaviors were ranked in the same order in all conditions. This finding supports Hypothesis 1 claiming that evaluative reactions to individual and corporate behavior follow the same pattern.

Moreover, in line with Hypothesis 2, the behavior of firms was evaluated more critically than the behavior of private individuals. To understand why the firm was evaluated worse than the private individual, we consider how the manager was evaluated in comparison to the private individual and the firm. It turns out that the moral evaluation of the manager tended to fall between those of the private individual and the firm. The fact that the manager was evaluated more critically than the private individual suggests that the ascription of greedy motives lets the behavior of individual agents appear in darker colors. However, the manager is evaluated less critically than the firm. This suggests that the involvement of many agents or the lack of empathy for an artificial entity that cannot suffer that are both implied by the corporative nature of the firm adds to its critical overall evaluation. It should be mentioned, however, that these differences are small in both cases of hypocritical behavior, because the illegal employer was already evaluated very negatively.

To summarize, the results of the experimental study indicate that assuming a parallelism between the evaluation of individual and corporate hypocrisy is plausible. As a consequence, findings from research on reactions to individual hypocrisy may give a strong indication that similar mechanisms are at play in the evaluation of corporate hypocrisy. In particular, this finding allows us to examine actual sanctioning behavior.

5. Implications

The case of corporate hypocrisy provides a highly illuminating illustration of the way in which the categories of traditional morality

Table 1
Evaluation of Different Agents.

	Private Individual	Firm	Manager
Behavior	mean (sd)	mean (sd)	mean (sd)
Legal	94.02(13.22) ^a	80.03(22.41) ^a	85.54(18.72) ^a
Illegal	24.86(19.48) ^b	11.44(14.43) ^b	11.98(12.97) ^b
Hypocrite	4.81(8.76) ^c	3.40(10.06) ^c	3.98(10.76) ^c
Inconsistent	11.91(15.29) ^d	8.10(12.91) ^d	8.64(12.87) ^d

Note. Values in one column with different superscripts differed significantly in post-hoc test at .05 level (paired *T*-test with Holm adjustment).

and individual ethics support the operation of the modern capitalist institutions. The standpoint of institutional ethics is that these categories, such as those of the individual benevolence and solidarity, fail to capture the complexity of the systemic win-win scenarios enabled by the market economy. Interestingly, even Habermas (1985, p. 150), who certainly cannot be identified with institutional ethics, conceded that in the modern society dominated by systemic imperatives, the individual “goal-directed actions are coordinated not only through processes of reaching understanding, but also through functional interconnections that are not intended by them and are usually not even perceived within the horizon of everyday experience” (Sacchetti & Tortia, 2020b).

In contrast to the institutional ethics standpoint, the experimental investigation reported in the previous section highlights the significance of traditional morality for the detection of immoral behaviors, not only at the individual level, but also at the level of institutional actors such as corporations (or other organizational forms (cf. Sacchetti & Tortia, 2020b)). Whereas traditional morality may indeed fall short of the complexity of the multilevel structures of the win-win potentials, it appears to be considerably more helpful in delineating the boundaries of immoral behavior. This is particularly important in the ambivalent situations, such as those of the lacking organizational transparency, which cannot be associated with immorality per se. The moral sensitivity required for determining the point at which the lacking transparency begins to be immoral evidently originates from the traditional morality and does not seem to be explicitly theorized by institutional ethics.

Advocates of institutional ethics might object that this contribution of traditional morality may be made redundant by the possibility of the elaboration of precise criteria for a rational and objective identification of immorality. However, the very idea of potentialization technologies as evolutionary accomplishments of the modern society (Andersen & Pors, 2016) implies that the evolving and emerging potentials for simulation and dissimulation practices are inherently unpredictable and consequently irreducible to any specific set of such criteria. Even if a range of immoral behaviors is assumed to be completely known and identifiable today, tomorrow’s potentialization may bring forth radically new varieties of both unreliable simulations and ingenious dissimulations. If these behaviors are to be recognized for what they are, in spite of their limited predictability, individuals must be able to draw on traditional morality in order to exercise moral judgment and discrimination, evidently through cognitive processes that Chester Barnard (1938) famously characterized as non-logical rather than logical. Interestingly, a recent commentary on Barnard’s work conceptualized corporations as arenas where systemic drives and imperatives are moderated by human moral sensitivities (Valentinov & Roth, 2021). The present paper affirms this conceptualization by highlighting the way in which moral sensitivities informed by traditional morality prevent modern potentialization technologies from developing morally problematic immunities.

The notion of moral sensitivity has been at the center stage of our experimental investigation of the individual reactions to the legal, illegal, and hypocritical behavior of private persons, firms, and managers.

According to the vignettes, the hypocritical agent took high moral ground by being a member of an NGO campaigning against illegal labor but deceived either himself or others about his failure to register the employed cleaner correctly. It turned out that the participants reacted in a structurally identical way to the behavior of the three different types of agents: private individual, firm and manager. In all conditions, inconsistency was rated worse than straight incorrect behavior and hypocrisy was rated even worse. We take these results to indicate that people make the same or very similar distinctions in the evaluation of individual and corporate agents. Specifically, as people’s labeling of behaviors suggests, they seem to ascribe abilities to corporations in the same way as they ascribe these abilities to individuals: making moral commitments, deceiving intentionally (or lying) about one’s behavior and having the intention to reap profits. More importantly, the moral reactions that are induced by the perception of the respective features of a corporation’s behavior have the same shape. For instance, deceiving oneself is considered as less severe than deceiving others (see also Lönnqvist, Rilke, & Walkowitz, 2015). Despite this fact, one may of course question whether reactions of this kind are ultimately justified, or whether our findings contribute to a literature claiming that individuals tend to commit “category mistakes” when ethically evaluating corporate behavior (cf. Engelhard & Trautnitz, 2005). Our study shows that when people resent hypocrisy, they seem to react to two clusters of moral reasons. First, they are upset that hypocrites fail to live up to substantive moral or legal expectations. Thus, follows from our finding that observers in the experiment evaluated the non-deceptive illegal employer more negatively than the legal employer. Second, people resent the hypocrites’ attempts to deceive others or themselves about the inconsistency between their moral claims and the actual moral quality of their behavior. Hypocrites, who employed illegally but publicly pretended to oppose moonlighting, were evaluated more negatively than equally law-breaking, but non-deceptive employers.

Furthermore, institutional ethics envisages two key possibilities for steering the institutional structures of the modern society: the establishment of desirable social dilemmas and the prevention of the undesirable ones. To the likes of Pies (cf. Pies et al., 2014) and Heath (2014), a central example of the desirable social dilemma is the market competition. Whereas this competition is a dilemma from the point of view of individual firms that have to exert their best efforts in order to withstand the competitive struggle, it is

desirable from the point of view of consumers who enjoy the resulting supply of goods and services. A likely reason why traditional morality fails to grasp the functioning of market institutions is that it is paradigmatically geared toward the resolution of social dilemmas rather than their establishment and maintenance (cf. [Greene, 2013](#)).

At the same time, a likely reason why traditional morality nevertheless remains important in the modern society is that it is probably much more functional for the detection of undesirable social dilemmas which are maintained by behaviors that this morality identifies as immoral. For example, a lack of organizational transparency is not, generally speaking, immoral, even though some of its specific manifestations may be. As shown above, traditional morality may serve the purpose of identifying precisely these manifestations. Evidently, this identifying function is critically needed for the detection of the undesirable dilemmas, a task that is probably no less important for the modern society than the task of the establishment of the desirable dilemmas. As argued by [Jauernig and Valentinov \(2019\)](#), corporate hypocrisy does present an undesirable dilemma in that it undercuts the functionality of CSR communication both for corporations and their stakeholders. Faced with hypocrisy charges, corporations cannot use their CSR communication channels which are an important instrument for meeting stakeholder expectations ([Pies et al., 2014](#)). Furthermore, it is clear that, in view of their substantial resources, corporations can engage in hypocrisy on a much broader scale than individuals. If so, corporate hypocrisy can be expected to cause more moral indignation than individual hypocrisy, a point affirmed by the verification of the second hypothesis in the undertaken experiment. Relatedly, corporations might be evaluated worse because they lack the tendency for instinctive or emotional immoral behavior that characterizes weak-willed individuals. Instead, corporations are often seen to invest substantial resources into achieving their objectives. In the process, corporations take much more calculated decisions that are therefore harder to excuse.

Conversely, if corporations have the potential to inflict greater damage on the existing institutional structures than individuals have, then one may agree with the institutional ethics argument that corporations bear responsibility for the maintenance and improvement of these structures (cf. [Pies et al., 2014](#)). To fulfill this responsibility, corporations need take “take a political role” ([Scherer, Rasche, Palazzo, & Spicer, 2016, p. 226](#)) which requires them to “participate in rule-setting processes and rule-finding discourses” ([Scherer et al., 2016](#)). This argument resonates with much of the business ethics scholarship that explores the political dimension of CSR. In a seminal paper, [Scherer et al. \(2016, p. 276\)](#) note that this dimension involves corporate engagement “in public deliberations, collective decisions, and the provision of public goods or the restrictions of public bads in cases where public authorities are unable or unwilling to fulfill this role” ([Scherer et al., 2016, p. 276](#)). Corporations may be similarly thought of as corporate citizens if they supplement formal governments in improving the administration of social rights, civil rights, and political rights for individual citizens ([Crane & Matten, 2010, p. 78](#)). All these approaches revolve around the basic theme that corporations are more powerful than individuals, bear accordingly more responsibility than individuals, and may well provoke greater disapprobation than individuals may do in similar circumstances. Crucially, as our experimental findings suggest, the psychological drivers of this disapprobation may be essentially similar for both corporations and individuals.

At the same time, the experimental findings affirming the positive functional significance of the categories of traditional morality for supporting the institutional setting of corporate life should not be overgeneralized. The findings cannot be taken to suggest that the identification of corporate hypocrisy as immoral behavior is always justified. [Jauernig and Valentinov \(2019\)](#) argue that the public skepticism toward CSR communication, and accordingly the charges of corporate hypocrisy, may likewise arise as a byproduct of the philosophical contestation between the ethical and instrumental approaches to understanding CSR. From the point of view of the ethical approach, instrumental CSR may be criticized as hypocritical in the sense of exhibiting limited moral worth, and possibly encompassing the cases of bluewashing or greenwashing ([Roth, Kaivo-oja et al.'s, 2020, p. 2](#)). From the point of view of the instrumental approach, ethical CSR may be accused of hypocrisy in the sense of being unsustainable, weak, and superficial ([Roth, Kaivo-oja et al.'s, 2020, p. 2](#)). Each of these types of hypocrisy charges does appeal to traditional morality but retains an ideological underpinning that might interfere with the capacity of traditional morality to generate the moral sensitivity required for detecting the undesirable social dilemmas. However, as the authors explain, the pervasive public anticipation of corporate hypocrisy may itself become a driving force of some real CSR efforts primarily aimed at the legitimation of corporate participation in the moral talk ([Roth, Kaivo-oja et al.'s, 2020, p. 2](#)). Along the lines of the institutional ethics paradigm, these CSR efforts can be interpreted as “credible commitments or ‘hostages’ enabling the productive interaction between corporations and their stakeholders” ([Roth, Kaivo-oja et al.'s, 2020, p. 2](#)). If correct, this argument implies that understanding the full effects of corporate hypocrisy probably requires a combination of both the institutional and individual ethics paradigms as well as the constructive dialogue between them.

6. Concluding remarks

In the present paper, the concept of corporate hypocrisy is used to erect a novel bridge between two distinct discourses dealing with specific moral problems of the modern Western society. One of these discourses is exemplified by [Roth, Kaivo-oja et al.'s \(2020\)](#) concern over potentialization technologies engendering a flurry of simulation and dissimulation practices that tend to become overly immune to sound scientific critique. The other discourse is sustained by the research program of institutional ethics which used to highlight the limited adequacy of traditional morality and moral communication to the institutional conditions of the modern corporate life (cf. [Pies et al., 2014](#)). The case of corporate hypocrisy is shown to add a critical nuance to this research program, while simultaneously suggesting a possibility for moderating the possible dysfunctional effects of potentialization more generally. Just as corporate hypocrisy is discernible, at least partly, by human moral sensitivities which may trigger destructive waves of negative moral communication, so do the multifarious potentialization technologies remain at least partly constrained by the limits set by traditional morality. Traditional morality is thereby shown to nurture human sensitivity to immoral behaviors triggered by institutional problems such as the undesirable social dilemmas which are of key interest to institutional ethics.

This unique and counter-intuitive connection between the institutional and individual ethics is affirmed by our central experimental finding that the moral evaluation of individual and corporate hypocrisy is driven by essentially the same psychological mechanisms. We show experimentally that subjects condemned both corporate and individual hypocrisy stronger than frankly wrong behavior given identical consequences. Furthermore, corporations were evaluated more strictly than individuals, a finding likewise consistent with the traditional moral intuitions, as the extent of corporate immorality may be felt to exceed that of individual immorality. Interestingly, our experimental findings include the intermediate case of corporate managers who are evaluated more strictly than private individuals but less strictly than corporations, presumably because the managers are associated with their firm's wealth but are not measured by the same rationality standards that are applied to group decisions in firms.

The reported experiment sheds a new light on the relationship between individual ethics, traditional morality, and moral communication. The skeptical stance of institutional ethics toward each of these phenomena resonates with Niklas Luhmann's (2012) concerns about the potentially dysfunctional and conflict-provoking nature of moral communication in the modern society (cf. Iliopoulos & Valentinov, 2017; Homann, 2002). Yet, Luhmann (2012) conceded that moral communication may be helpful in indicating breakdowns in the operation of specific institutions; as Gensicke (1998) put it, it may fulfil a valuable "alarm function". Our findings inform these arguments by drawing attention to the role of individual ethics and traditional morality in detecting the actual occurrence of institutional breakdowns and in discerning the appropriateness of releasing the moral alarm.

The significance of these findings goes beyond a new illumination of the philosophical debate between the institutional and individual ethics. Corporations can draw practical lessons from the evaluation of deceptive behavior of individuals in order to better understand the risks resulting from corporate hypocrisy charges (for experimental evidence on the reputational risks of corporate hypocrisy see Arli, van Esch, Northey, Lee, & Dimitriu, 2019). We found evidence that the public perception of the deception adds to the condemnation of the substantive norm-violation. This evidence contributes to the explanation of the highly sensitive and suspicious reactions to proactive CSR-communication (cf. Cho, Laine, Roberts, & Rodrigue, 2015): As most people tend to assume that corporations are exclusively profit-oriented, active CSR communication may turn out to be risky. Moreover, this evidence stands in marked contrast to previous research suggesting that corporate hypocrisy may be not only unavoidable (Brunsson, 2007) but even supportive of the actual CSR activity (Christensen et al., 2013). Our findings may not be intuitively clear to corporate decision-makers who might accordingly benefit from CSR trainings aimed at raising their sensitivity to the possible effects of corporate hypocrisy. On this basis, corporate decision-makers may come to develop more comprehensive CSR programs.⁶

Our study generates wide-ranging implications for further research. At the most basic level, the similarity of the reactions to individual and corporate hypocrisy needs to be checked in new contexts, such as that of greenwashing. The corporation's affiliation with certain industries may likewise have an influence on the evaluation of its moral conduct. In this regard, it appears to be especially worth to investigate industries that are either seen as problematic per se such as the fossil fuel industry, and industries which have a good image, such as the solar energy industry. When charges of corporate hypocrisy occur, corporations with a negative image could either be condemned even more by the public, or due to low expectations in the first place the public condemnation could be rather mild. Likewise, for corporations with a good image, charges of corporate hypocrisy could be condemned mildly because moral credit is granted to the corporation due to its previous performance, or the condemnation could be especially hard because the corporation disappointed previous high expectations. One limitation of our experiment is that all our subjects shared the same western and moderately individualistic cultural background. Henrich et al. (2006) demonstrated that patterns of moral evaluation can depend on cultural contexts. In line with this research, Hofstede, Hofstede, and Minkov's (2010) theory points out some interesting cultural dimensions that are likely to influence the evaluation of corporate hypocrisy. For instance, cultures that are less prone to question authority and asymmetric power may also be less likely to see powerful corporations in a more critical light than individuals. Similarly, cultures with a more collectivist cultural background that put stronger emphasis on in-group loyalty might also make lower ethical demands on the group reasoning of corporations.

The insights we gained into the details of the cognitive mechanisms underlying the evaluation of hypocrisy generate new hypotheses about specific CSR cases that can be investigated with further vignette-based surveys and experiments in the laboratory as well as in the field. This research is essential for attaining a comprehensive understanding of how the general mechanisms of moral psychology translate into specific reactions and which moderating factors may intervene. Further research efforts could be directed toward investigating the cases in which deception carries more weight than failure to live up to moral expectations. It is no less interesting to know whether the evaluation of deception depends on the specific content of the norm, in addition to the moral quality of the covered behavior. For example, when stakeholders make companies responsible, do they tend to forgive individual managers who find plausible excuses? Are consumers and managers aware of the asymmetry between moral evaluation and punishment of hypocrisy? Finding answers to these questions could shed light on the mechanisms of corporate hypocrisy and enable us to work towards a framework for fostering compliance to moral norms.

⁶ VW placed advertisements in several German newspapers and announced a comprehensive change effort: "We know that backfitting of the engines is not enough. We won't rest until we earn back your trust. We are working on this thoroughly, honestly and reliably." [Authors' translation of: "Wir wissen, dass es mit der reinen Umrüstung der Motoren nicht getan ist. Wir wollen Ihr Vertrauen zurückgewinnen. Und daran arbeiten wir rund um die Uhr. Gründlich, ehrlich, zuverlässig."] Similar ads were placed in newspapers around the world. See the article "VW fährt groß angelegte Print-Kampagne für Rückrufversprechen" in Die Zeit, March 5, 2016, <http://www.zeit.de/news/2016-03/05/auto-vw-faehrt-gross-angelegte-print-kampagne-fuer-rueckrufversprechen-05110803>, retrieved on January 26, 2017.

Appendix A. Instructions

Condition 1: Private Individual

Case 1

Mr. Meier hires a new cleaner for his private household. He orders the form to register the cleaner at the job registration office. Mr. Meier hands in the form. He employs the cleaner and pays social security taxes.

Case 2

Mr. Meier hires a new cleaner for his private household. He employs the cleaner cash-in-hand and does not pay any social security taxes.

Case 3

Mr. Schneider is an active member of “legal employment”, an association that campaigns against unreported employment. The association promotes fair competition and equal chances for social insurance for all employees. Mr. Schneider reports on his membership on his private homepage and promotes “legal employment”. Mr. Schneider hires a new cleaner for his private household. He orders the form to register the cleaner at the job registration office. He shares a picture of the filled-out form on twitter (with the hashtags #fairwork #legalemployment).

Mr. Schneider never hands in the filled-out form. He employs the cleaner cash-in-hand and does not pay any social security taxes.

Case 4

Mr. Schmidt is an anonymous sustaining member of “legal employment”, an association that campaigns against unreported employment. The association promotes fair competition and equal chances for social insurance for all employees. Mr. Schneider keeps his membership secret and does not promote “legal employment”. Mr. Schmidt hires a new cleaner for his private household. To preserve his positive self-image, he orders the form to register the cleaner at the job registration office. Nobody finds out about this.

Mr. Schmidt never hands in the filled-out form. He employs the cleaner cash-in-hand and does not pay any social security taxes.

Condition 2: Manager

Case 1

Mr. Meier is human resources manager at MLR KG. He hires new cleaners for MLR KG’s offices. He orders the form to register the cleaners at the job registration office. Mr. Meier hands in the filled-out form. He employs the cleaners and pays social security taxes.

Case 2

Mr. Mueller is human resources manager at BNH KG. He hires new cleaners for BNH KG’s offices. Mr. Mueller employs the cleaners cash-in-hand and does not pay social security taxes.

Case 3

Mr. Schneider is human resources manager at NLS KG. In this function, he or she is an active member of “legal employment”, an association that campaigns against unreported employment. The association promotes fair competition and equal chances for social insurance for all employees. NLS KG reports on its membership on its homepage and promotes “legal employment”. Mr. Schneider hires new cleaners for NLS KG’s offices. He orders the form to register the cleaners at the job registration office. He shares a picture of the filled-out form on NLS KG’s twitter account (with the hashtags #fairwork #legalemployment).

Mr. Schneider never hands in the filled-out form. He employs the cleaners cash-in-hand and does not pay any social security taxes.

Case 4

Mr. Schmidt is human resources manager at KRJ KG. In this function, he or she is an anonymous sustaining member of “legal employment”, an association that campaigns against unreported employment. The association promotes fair competition and equal chances for social insurance for all employees. KRJ KG does not report on its membership on its homepage and does not promote “legal employment”. Mr. Schmidt hires new cleaners for KRJ KG’s offices. To preserve his positive self-image, he orders the form to register the cleaners at the job registration office. Nobody finds out about this. Mr. Schmidt never hands in the filled-out form. He employs the cleaners cash-in-hand and does not pay any social security taxes.

Condition 3: Firm

Case 1

MLR KG hires new cleaners for its offices. MLR KG orders the form to register the cleaners at the job registration office. MLR KG hands in the form. It employs the cleaners and pays social security taxes.

Case 2

BNH KG hires new cleaners for its offices. BNH KG employs the cleaners cash-in-hand and does not pay any social security taxes.

Case 3

NLS KG is an active member of “legal employment”, an association that campaigns against unreported employment. The association promotes fair competition and equal chances for social insurance for all employees. NLS KG reports on its membership on its homepage and promotes “legal employment”. NLS KG hires new cleaners for its offices. It orders the form to register the cleaners at the job registration office. NLS KG shares a picture of the filled-out form on NLS KG’s twitter account (with the hashtags #fairwork #legalemployment).

NLS KG never hands in the filled-out form. It employs the cleaners cash-in-hand and does not pay any social security taxes.

Case 4

KRJ KG is an anonymous sustaining member of “legal employment”, an association that campaigns against unreported employment. The association promotes fair competition and equal chances for social insurance for all employees. KRJ KG does not report on its membership on its homepage and does not promote “legal employment”. KRJ KG hires new cleaners for its offices. To preserve its positive self-image, it orders the form to register the cleaners at the job registration office. Nobody finds out about this.

KRJ KG never hands in the filled-out form. It employs the cleaners cash-in-hand and does not pay any social security taxes.

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