Evaluating Consumer Perceptions of Businesses Pre- and Post-Midterm Elections Using Business Ethics Index (BEI)

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Type of manuscript: research paper

Abstract*: In the United States, the political landscape is characterized by biannual changes in power between the two major political parties, the Democratic and Republican parties. The shift in power can lead to significant changes in the regulatory environment for businesses, with each party having different policies and priorities when it comes to business regulation. Our research investigates the impact of political power shifts on consumer perceptions of business ethics. We collected two sample datasets through telephone interviews, the first conducted before the November 2018 mid-term elections (N=1,003) and the second after the elections (N=1,009). Our findings were surprising. Despite the mid-term elections being a significant political event and a change in power, we found that they did not immediately impact consumer perceptions of business ethics. This study offers new insights into the relationship between political power shifts and consumer perceptions of business ethics in the United States and is the first to examine this issue. The results suggest that consumer perceptions of business ethics may be relatively stable despite changes in political power. The leniency or stringency of regulations imposed on businesses by political parties may not significantly alter consumers' perceptions of ethical behavior. It is an important finding for businesses as it highlights the importance of maintaining ethical practices and behavior, regardless of political circumstances. Our research sheds light on the complex relationship between political power shifts and consumer attitudes toward business ethics. It provides a starting point for future investigations into this topic, which is especially relevant in today's political climate. The findings have significant implications for businesses, as they underscore the importance of maintaining a strong ethical foundation and reputation, regardless of changes in the regulatory environment. By doing so, businesses can build trust and maintain consumer loyalty in the long run.*
Keywords: consumer perceptions, political affiliation, mid-term elections, perception of business ethics.
JEL Classification: D72, M38.

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Introduction

USA's midterm elections are held near the midpoint of the tenure of the reigning President, focusing on the two chambers of Congress – the US Senate and House of Representatives. Since the Presidency tenure expires in four years, the midterm elections are held after two years of the Presidency of the governing President. Our data was collected using the presidential US election that took place in November 2016 and hence, the midterm election took place in November 2018.

The US follows a biparty system of democracy, and every individual confirms as a Democrat, a Republican, or an Independent (when they vote for a candidate based on the issues the candidate has taken up during a campaign rather than a political ideology). Each party has a different way of dealing with corporations or businesses in general. For example, when Democrats come into power, reliance on the government is heavy to regulate the economy. However, when Republicans come into power, reliance on government is limited and businesses are favoured more hence, they are by and large considered business-friendly. It could potentially bias consumers' perceptions in favour of or against the establishment. In 2016, Republicans came into power and while the midterm elections saw some shift in power with Democrats forming a majority in the house, the Republicans remained in charge. Hence, the consumer perception of businesses could have been altered or remained the same based on the results of the midterm elections. We are interested in exploring if this change in power caused a change in people's perception of businesses behaving ethically, especially considering the turmoil in pre-midterm elections. Also, the elections in 2016 caused a distinct divide among people, and we felt it would be fascinating to prove that even this distinct division of political ideologies and the slight change in the house did not result in any change in how people view businesses behaving (ethically, unethically or the same).

The purpose of this article is to evaluate consumers' perception of businesses behaving ethically or unethically after midterm elections held in November 2018, measured on the Business Ethical Index (BEI). We hypothesize that despite the ongoing issues and disagreements between Republicans and Democrats and the apparent divide between the two, the midterm elections will not change the perception of businesses in the eyes of the customers. In other words, this is in line with the null hypothesis for our case.

Literature Review

Business Ethics Index (BEI) was developed to measure customers' sentiments toward business ethical practices (Tsalikis & Seaton, 2006). BEI is an amalgamation of two existing customer sentiment indices: the University of Michigan's Index of Consumer Sentiments (ICS) and the Conference Board Consumer Confidence Index (CBCCI). BEI provided a means of measuring business ethical perceptions. It was the first measure of consumer perception of an organisation's ethical behaviour. Previous literature on businesses and their ethical behaviour outlines that ethical behaviour on the part of buyers and sellers is tantamount to the effectiveness of the marketplace (Fullerton, 1996). Unethical behaviour by either party disrupts the relationship and produces unproductive and ineffective exchanges (Morgan & Hunt, 1994). Creyer & Ross Jr (1997) examined the issue of unethical corporate behaviour from the consumers' perspectives. Consumers relied on ethical norms and perceptions of consequences in forming ethical judgments and determining their behavioural intentions in situations with ethical content (Vitell, Singhapakdi, et al., 2001).

While the business's view of its ethical framework has been widely studied, the consumer's perception of businesses still needs in-depth exploration (Mohr et al., 2001; Newholm & Shaw, 2007; Sen & Sen & Bhattacharya, 2001). Further, the business perspective of what constitutes ethical behaviour might not align with consumer perceptions (Galavielle, 2004). Organisations have limited knowledge regarding the same, as Crane (2005) points out. Brunk (2010) tried to fill this gap by presenting a framework with comprehensive guidance to managers on what consumers might perceive as ethical or unethical behaviour. Hillman, Zardkoohi, et al. (1999) found that linkages with the government positively affect firm value. Pittman (1977) and Zardkoohi (1985) found that businesses more affected by government decisions and regulatory changes attempted to increase their power and influence over the existing political processes. Political Action Committees (PACs) are often used to lobby, persuade and provide campaign donations and

contributions to gain access to political favours and influence parties or individuals in power. Getz (1993) categorised the firm's political actions into seven broad categories – lobbying, reporting research results, reporting survey results, testifying at government hearings, legal actions, personal service, and constituency building. There is evidence to support that these activities are designed to gain access to essential, influential people and directly influence policy outcomes. This policy change could influence that specific organisation and the industry as a whole (Zardkoohi, 1985; Teece, 1988).

However, previous research does not connect a consumer's political inclination concerning their perspectives of how a business would be impacted in light of a major political impact. We attempt to bridge this gap by seeing the effect of midterm elections on consumers' perception of how businesses would be carrying out activities (ethically/unethically). It could be tied into the existing literature of organisations establishing contacts with influential people in the government by how consumers would perceive that. For example, does an organisation that invested in the campaign of a particular candidate change the views of how businesses operate for consumers? We intend to explore this aspect through the eyes of a consumer and establish a corresponding relationship with their perception of business activities after the midterm elections. In what follows, we describe the methodology adopted to investigate the research question, detail data analysis and results, and conclude by acknowledging the limitations and future research avenues for this research.

Methodology

Data Collection. The data used in the paper is collected one week before the midterm elections and one-week post-midterm elections. In this paper, we examined the effect on consumer perceptions of corporations before and after an important political occurrence (like midterm elections, in this case). Data for this research was collected via telephonic interviews through randomly selected landline telephone numbers (sample size = 1003) and mobile telephone numbers (sample size = 1009). The final sample considered for data analysis was obtained by an appropriate weighting of demographics such that the final sample represents the adult US population. Professional US-based interviewers conducted telephone interviews, and they used a Computer Assisted Telephone Interviewing (CATI) system. Telephone CARVAN was used for the collection of data. A dual-frame sampling design was used, in which two independent samples were drawn to counterbalance landline and mobile phone numbers.

The landline sample was generated using a "list-assisted methodology" where the updated white page listings were used to identify telephone number banks. The telephone interviewers used the Genesys Sampling system to provide a "random digit dialling sample". It provided a strict equal opportunity of selection method sample of residential telephone numbers and provided the most realistic random sample of existing and legitimate landline phone numbers. The mobile phone sample also used similar sampling techniques and was supplied by Sample Solutions, BV. The mobile phone sample was created by dividing the possible phone numbers into subsets of numbers and within each of the subsets, one number is chosen randomly. The sample was then screened for activation of a SIM card to verify the authenticity of the number. A comprehensive explanation of the CARAVAN methodology is presented in Appendix A.

Measures. The respondents were asked to choose from a 5-point scale if they identified as a Republican, Democrat, Independent, Other parties, or none of the above mentioned. If the respondents did not choose to identify with either a Democrat or a Republican, they were asked which side they lean on more on a 4-point scale (Democratic, Republican, Neither/Other, Don't know/Refused). The next question asked the respondents how they felt the businesses have behaved in the past year, and there were two sections of this question – the respondent's experience with businesses as a customer (Question C1A) and the respondent's experience based on what was heard through others or the media (Question C1B). This question was measured based on the variables mentioned in the BEI. Further, the respondents were asked about their expectations of businesses in the future (Question C5C), measured on a 4-point scale (More ethically, About the same, More ethically and Don't know). These variables are again consistent with the ones mentioned in the BEI. The last question directly asked the respondents if they believed that because of the new President Donald Trump, how would the consumer's belief that the businesses will behave (Question C5D), measured on a 4-point scale (More unethically, About the same, More ethically and Don't know). We conducted correlations among the four questions and found them significantly correlated. The details of the correlation are provided in Table 1.

Table 1. Correlations Amongst Questions Asked of Respondents

	Question C1A	Question C1B	Question C5C	Question C5D
Question C1A	1	0.474	0.049	0.174
Question C1B	0.474	1	0.059	0.153
Question C5C	0.049	0.059	1	0.113
Question C5D	0.174	0.153	0.113	1

Source: Compiled by the authors

We decided to go ahead with the analysis despite the questions being closely correlated as our research question wanted to analyze the change in perception of businesses pre-midterm and post-midterm elections and to rule out any confounds, we wanted to make sure the questions covered every possible aspect. In addition to the above answers, the respondents were also questioned about their demographic variables such as age, gender, area code, marital status, household composition, race, and level of education.

Analysis. Data analysis began with the multivariate analysis of variance (MANOVA). MANOVA was used to establish the statistical significance, if any since it enables us to analyze all the dependent variables collectively and simultaneously instead of conducting several univariate analyses that will cause Type I errors. In this case, the independent variable was political affiliation and gender, whereas the dependent variables were the questions the respondents asked. The idea was that their current political affiliation and gender could strongly predict their perception of businesses acting ethically or unethically. The analysis was done on both the sets of data obtained from the pre-midterm election as well as the post-midterm election.

We analysed pre-election and post-election data to investigate further the effect of the mid-term elections on consumer perception of business ethics. We set the pre-election data as time 1 and the post-election data as time 2. However, no significant effect was identified for any of the predictor variables, and we did not observe any significant changes. Responses for question C5C (perception of how businesses will behave because of the new President Donald Trump) were significantly different across times 1 and 2, consistent with our findings above. However, the effect size was minimal and insignificant, so we did not report the results.

Results

For the pre-midterm election, a sample size of 788 (50.6% male, 49.4% female) was analysed. The results of MANOVA for gender (Wilk's lambda = 0.998, F value = 0.360, p=0.837) and for interaction between gender and political affiliation (Wilk's lambda = 0.967, F value = 1.079, p=0.360) were insignificant. The results of MANOVA for political affiliation (Wilk's lambda = 0.693, F value = 12.444, p<0.05) did come out significant for 3 out of the 4 questions asked to respondents but the resultant effect sizes were very small and hence, they are reported but the researchers believe it could have come significantly because of an error.

The first question about the experience of businesses behaving ethically (as a customer) in the past year came out with a partial eta squared value of 0.036, meaning 3.6% of the variance in perception of businesses (as a customer) as behaving ethically could be attributed to political affiliation. The second question of the experience of businesses behaving ethically (as an opinion based on what was heard) in the past year came out with a partial eta squared value of 0.026, meaning 2.6% of the variance in perception of businesses as behaving ethically (opinion based on what was heard) could be attributed to political affiliation. The third question of expectation of businesses behaving ethically in the future came out insignificant. The fourth question of expectations of businesses behaving ethically because of the new president Donald Trump came out significant with a partial eta squared value of 0.283, meaning 28.3% of the variance in perception of businesses as behaving ethically due to the president could be attributed to political affiliation.

Even though the effect size of 28.3% is not too small, we found that this question was significant for people with independent or no political affiliation. The details of the results for the pre-midterm election are elucidated in Table 2.

Table 2. Results of Pre-Midterm Elections

	Question	F value	Significance	Partial eta squared
Gender	C1A	0.548	0.460	0.001
	C1B	1.065	0.302	0.001
	C5C	0.199	0.656	0.000
	C5D	0.002	0.965	0.000
Political affiliation	C1A	4.794	0.000	0.036
	C1B	3.465	0.002	0.026
	C5C	0.991	0.430	0.008
	C5D	50.803	0.000	0.283
Gender*Political affiliation	C1A	2.252	0.037	0.017
	C1B	0.483	0.821	0.004
	C5C	0.250	0.959	0.002
	C5D	0.725	0.629	0.006

Source: Compiled by the authors

A sample size of 824 (50.8% male, 49.2% female) was analysed for the post-midterm election. The results of MANOVA for gender (Wilk's lambda = 0.991, F value = 1.849, p=0.118) and for interaction between gender and political affiliation (Wilk's lambda = 0.961, F value = 1.333, p=0.128) were insignificant. The results of MANOVA for political affiliation (Wilk's lambda = 0.678, F value = 13.806, p<0.05) did come out significant for 2 out of the 4 questions asked to respondents but the resultant effect sizes were very small and hence, they are reported, but the researchers believe it could have come significantly because of an error. The first question about the experience of businesses behaving ethically (as a customer) in the past year came out with a partial eta squared value of 0.018, meaning 1.8% of the variance in perception of businesses (as a customer) as behaving ethically could be attributed to political affiliation. The second question about the experience of businesses behaving ethically (as an opinion based on what was heard) in the past year came out insignificant. The third question of expectation of businesses behaving ethically in the future came out insignificant. The fourth question of expectations of businesses behaving ethically because of the new president Donald Trump came out significant with a partial eta squared value of 0.307, meaning 30.7% of the variance in perception of businesses as behaving ethically due to the president could be attributed to political affiliation. Even though the effect size of 30.7% is not too small, we found that this question was significant for people with independent or no political affiliation. The details of the results for the pre-midterm election are elucidated in Table 3.

Table 3. Results of Pre-Midterm Elections

	Question	F value	Significance	Partial eta squared
Gender	C1A	0.460	0.498	0.001
	C1B	0.021	0.884	0.000
	C5C	0.424	0.515	0.001
	C5D	5.423	0.020	0.007
Political affiliation	C1A	2.455	0.023	0.018
	C1B	1.912	0.076	0.014
	C5C	2.043	0.058	0.015
	C5D	59.683	0.000	0.037
Gender*Political affiliation	C1A	1.053	0.389	0.008
	C1B	1.455	0.191	0.011
	C5C	1.118	0.350	0.008
	C5D	1.876	0.082	0.014

Source: Compiled by the authors

None of the variables described were significant predictors of perceived business ethics. It supports our hypothesis that mid-term elections would not significantly affect business ethics perception. Some variables showed a significant relationship with the DV; however, the effect was small and attributed to data noise. However, they have also been included in our results.

Discussion

Mid-Term Elections. Such a large event would play a significant role in consumer ethics sentiment and how businesses are perceived. However, we find that there is not a significant difference in consumer business ethics perception. This event does not change how people in general view businesses. It suggests, as has been established, that ethics is not a state of being but a more concrete trait that is not easily changed. We

believe that the midterm election is less followed, viewed as less important, and less significant in predicting future policy changes or the direction of the government. However, presidential elections are a much bigger event and could affect how consumers perceive business behaviour or believe they will behave in the future.

Political affiliation. The three major political parties were democrat, republican, and independent. It is generally accepted that the republican party is more business-friendly and less likely to enforce and institute government regulation, while the democratic party is viewed as pro-government regulation of businesses. In this study, we show that while these ideas may be true, they do not translate to the perceived ethics of consumers. With a change of power from democrat to republican, we see no effect on consumer perception of business ethics. They do not believe that business ethics will change in the future, for better or worse. The only instance where this differs is when Donald Trump is mentioned as president in the question. Overall, ethics remains consistent across political lines and political party is not a predictor of perceived business ethics. We also do not see a significant effect from the midterm elections. For example, if the effect were present, we would expect that democrats would view future business behaviour as more ethical because of the change in power in the House of Representatives. However, we do not see a change in future beliefs.

Gender. Males and females do not differ in their perception of past, present, or future business ethics. Ethics beliefs transcend gender and are also a poor predictor of consumer ethics sentiment.

Other Variables. We also tested the effects of age, region, annual income, and education level on ethics perceptions. None of the variables correlated significantly with consumer perception and belief in business ethics.

Limitations. The most significant limitation of this study is the timing of data collection. While the survey was conducted during an election, it was not a presidential election. We hypothesize that a larger event, such as a presidential election, may significantly impact the perception of business ethics as it is a more concrete event that may influence expectations of future business behaviour. Therefore, the results of this study may not be generalizable to all types of elections. In future data collection, it would be valuable to include surveys during different types of elections, such as local, state, and federal elections, to gain a more comprehensive understanding of the impact of different election types on the perception of business ethics. Another limitation of this study pertains to the dependent measures used. The four questions asked in the survey are highly correlated and may not provide sufficiently distinct measures to obtain a comprehensive understanding of perceived business ethics. Moreover, we acknowledge that we have restricted our research to only business ethics perceptions. However, additional factors such as company reputation and product quality could come into play for perceived business ethicality. We also recognize that naming a political leader while asking a question could have also resulted in certain reactions, impacting our results.

We also recognize that the questions may not have been designed to effectively prompt the respondent to consider the election and its potential impact on future business behaviour. This limitation is highlighted by the final question, which asked specifically about Donald Trump and elicited more polarized responses than the other neutral questions. Lastly, since a third-party company was involved in data collection, certain confounding factors, such as the participant's mood, could have impacted our results. With the researchers not privy to the circumstances under which data was collected, we acknowledge that there could be different results had researchers collected the data themselves. However, our large sample size accurately represents the US population, and the result could be generalized based on the sample.

Future Research

Collecting data during the 2020 presidential elections presents an opportunity to investigate how the election may influence consumer perceptions of business ethics. With additional data, we can better understand when and how political events can impact consumer perception, including identifying boundary conditions and providing further rationale for the relationship between political activity and consumer perception. Although our hypothesis suggests otherwise, we cannot detect the primary impact of business ethics on consumer perception. Nevertheless, it would be valuable for future studies to determine how the political environment affects this stable concept. For instance, does it occur during deregulation or an ethical scandal? Additionally, the research could examine recent ethical dilemmas faced by major corporations such as Google, Facebook, and Verizon, and how those incidents have influenced consumer perception of business ethics.

Future research could examine consumer behaviour resulting from these business ethics perceptions. Such research could provide concrete directions for businesses in changing political climate. There is a need for

investigation into the complex interplay between political parties and consumer reactance during election periods. More specifically, it is necessary to examine how an individual's buying behaviour is influenced by their preferred political party's victory or loss in an election. This research could dive into factors that may impact consumer behaviour, such as changes in economic policies, shifts in political rhetoric, or differences in political agendas between parties. It could explore how the election of a political party that advocates free-market policies may influence consumers' perception of the economy and, subsequently, their purchasing decisions. Moreover, future research could frame questions in a way that does not name a political leader so that the results obtained are unbiased.

Implications

Our hypothesis asserts that while political parties may differ in opinion, belief, and many other variables, ethics seems to be a more concrete and cross-political construct. We identified that a political party is not a predictor of perceived business ethics or future expected business behaviour. While political parties tend to disagree on much of everything, they do seem to agree on ethical behaviour. Since ethics is more concrete, businesses need not worry if a new party takes office. Consumers will continue to perceive business behaviour with the ethics compass they already possess. Our findings suggest that even with the perceived division of political ideologies, the perception of business ethicality does not change. Therefore, while businesses are impacted by changing political environment, our findings suggest that these seemingly significant political changes do not impact business ethicality perceptions.

In conclusion, the study findings demonstrate that mid-term elections do not significantly impact consumer ethics. Despite the political noise surrounding election events, consumers' expectations for business conduct remain stable. The results suggest that ethical principles may be steadfast regardless of the regulatory environment. The study suggests that irrespective of the political climate, companies must prioritize ethical behaviour to maintain the trust and loyalty of their customers. Consumers expect what constitutes ethical behaviour, and businesses must meet these expectations to maintain their reputation and appeal to their customers.

Author Contributions: Conceptualization: John Tsalikis, Todd Haderlie, and Sphurti Sewak; methodology: John Tsalikis, Todd Haderlie, and Sphurti Sewak; software: Todd Haderlie and Sphurti Sewak; validation: Todd Haderlie and Sphurti Sewak; formal analysis: Todd Haderlie and Sphurti Sewak; investigation: John Tsalikis, Todd Haderlie, and Sphurti Sewak; resources: John Tsalikis, Todd Haderlie, and Sphurti Sewak; data curation: John Tsalikis; writing-original draft preparation: Todd Haderlie and Sphurti Sewak; writing-review and editing: John Tsalikis, Todd Haderlie, and Sphurti Sewak; visualization: Sphurti Sewak; supervision: John Tsalikis; project administration: Todd Haderlie and Sphurti Sewak.

Conflicts of Interest: Not applicable.

Data Availability Statement: Not applicable.

Informed Consent Statement: Not applicable.

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Appendix A

ORC Methodology and Sampling

(Source: Opinion Research Corporation, CARAVAN® telephone survey).

"This report presents the findings of a telephone survey conducted among a national probability sample of respondents living in private households in the continental United States.

All CARAVAN interviews are conducted using Opinion Research Corporation's computer assisted telephone interviewing (CATI) system. The system is state-of-the-art and offers several distinct advantages such as: full-screen control which allows multi-question screens, fully programmable help and objection screens to aid interviewing, an extremely flexible telephone number management system and powerful data checking facilities. CATI ensures that interviews are conducted in the most efficient manner and allows interviewers easy response recording. This interviewing method also allows for the most accurate form of data entry by guiding the interviewer through the programmed question flow and by providing on-screen interviewer instructions.

The most advanced probability sampling techniques are employed in the selection of households for telephone interviewing. Opinion Research Corporation utilizes an unrestricted random sampling procedure that controls the amount of serial bias found in systematic sampling to generate its random-digit-dial sample. The sample is fully replicated and stratified by region. Only one interview is conducted per household. All sample numbers selected are subject to up to four attempts to complete an interview.

Completed interviews are weighted by four variables: age, sex, geographic region, and race, to ensure reliable and accurate representation of the total population, 18 years of age and older. The raw data are weighted by a custom designed program which automatically develops a weighting factor for each respondent. Each respondent is assigned a single weight derived from the relationship between the actual proportion of the population with its specific combination of age, sex, geographic characteristics and race and the proportion in our CARAVAN sample that week. Tabular results show both weighted and unweighted bases.

The use of replicable sampling standardized interviewing procedures and representative weighting provides that all CARAVAN studies are parallel to one another. Thus, CARAVAN usage is appropriate both for point-in-time analysis as well as tracking and trend comparisons. As required by the Code of Standards of the Council of American Survey Research Organizations, we will maintain the anonymity of our respondents. No information will be released that in any way will reveal the identity of a respondent. Our authorization is required for any publication of the research findings or their implications".