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## Consumer responses to corporate offshoring practices

### ABSTRACT

**Purpose.** Our research investigates consumer responses to company communication of offshoring strategies and tries to discover which psychological mechanisms govern these responses. To do these, we examine offshoring strategy communication from the point of view of Regulatory Focus Theory (RFT).

**Design/methodology/approach.** We tested our hypotheses in two different studies. Study 1 examines the associations between company offshoring motives and consumer's prevention or promotion inferences about the company's practices. Study 2 tests if and how the interaction effect between respondents' self-regulatory focus and the company offshoring motive affects respondents' attitude toward the offshoring company.

**Findings.** Our study demonstrated that each of three offshoring motives activates unique self-regulatory orientations (promotion or prevention focus) in consumers, and regulatory fit positively affects consumer attitudes toward the offshoring company.

**Practical implications.** Results suggest how to communicate company offshoring decisions to consumers. By trying to instill a particular regulatory focus in the public with their communication tools, companies can create a better match in the public eye, gaining more positive consumer evaluations.

**Originality/value.** This research shows the mechanisms through which consumers respond differently to specific offshoring motives communicated by a company. By building on psychology theory, our study gains insights into the consumer reactions to company offshoring and, to our knowledge, no research to date has examined these mechanisms.

Keywords: Offshoring; Consumer attitude; Theory of regulatory focus; Regulatory fit

Article classification: Research paper

## **Consumer responses to corporate offshoring practices**

### **1. Introduction**

Offshoring is the practice of companies relocating activities from home base to foreign locations (Bunyaratavej et al., 2011; Doh, Bunyaratavej, and Hahn, 2009; Robertson, Lamin, and Livanis, 2010; Roza, Van den Bosch, and Volberda, 2011). Offshoring is a growing phenomenon that involves a significant number of companies. More than 2 million U.S. jobs were offshored in 2011, with the highest percentage occurring in manufacturing (53%) and IT services (43%) (<http://www.statisticbrain.com/outsourcing-statistics-by-country/>).

Traditionally, offshoring decisions have been evaluated from the perspective of the firm, and scholars have long recognized that firms invest overseas for such reasons as cost savings or the opportunity to access physical assets and markets, as major drivers of offshoring (Dunning, 1993). Recently, interest in offshoring has stemmed also from knowledge needs in strategic decision making (Nachum and Zaheer, 2005; Wesson, 2004). This firm-centric approach neglects other important point of views such as those of consumers. In fact, consumer reactions to offshoring decisions are increasingly of fundamental interest to policy makers (Zutshi, Creed, Sohal, and Wood, 2012). In many industrialized countries, the public, rightly or wrongly, has started to blame company offshoring for domestic job losses, salary stagnation, decreased GDP growth, increased domestic poverty, and lower worker morale (Boedeker, 2007; Mandel, 2007), and recently scholars have shown that offshoring practices can evoke negative reactions widely in the public (Grappi, Romani, and Bagozzi, 2013, Robertson et al., 2010, Schröder, 2013a, b; Thelen, Yoo, and Magnini, 2011).

Companies can play a significant role both in shaping consumers' experiences of offshoring strategies and in determining the resulting responses. The type of communication

selected in fact can shape how consumers appraise the new strategies, which in turn influence their subsequent emotional and behavioral responses. It is therefore important, especially considering the need to reduce the negative perception of paid and nonpaid information conveyed by the company, to pay special attention to situational factors and individual differences in designing communication.

Our research attempts to gain insight into the nature of consumer responses to company communication of offshoring strategies and tries to discover which psychological mechanisms govern these responses. To do this, we examine offshoring strategy communication from the point of view of Regulatory Focus Theory (RFT), which is a theory of how individual decision-makers approach decisions in a strategic sense. This perspective makes a distinction between a promotion focus (which emphasizes attainment, achievement, and advancement) and a prevention focus (which stresses protection, security, and responsibility) (Higgins, 1997). Specifically, we examine how the offshoring motivations communicated by the company activate different promotion-prevention inferences in consumers, as they relate to support of, resistance to, or even actions against firms. A regulatory fit effect, which occurs when the manner of consumer goal pursuit matches a person's regulatory focus (Higgins, 2000), has been shown to positively affect attitudes and evaluations even in the presence of negative information (Cesario, Grant, and Higgins, 2004; Avnet, Laufer, and Higgins, 2013). We argue that regulatory fit will be generated when promotion-prevention inferences related to the motivation to offshore reported by the company match a consumer's regulatory focus, resulting in a positive effect on consumer evaluations of the company.

The paper is organized as follows. First, we briefly review the key research findings and develop hypotheses based on RFT and the concept of regulatory fit, different offshoring motives, and the impact of such motives on the development of regulatory fit. Next, we

present the results of two studies designed to test our hypotheses. The findings add to our understanding of why and how consumers respond to company offshoring decisions under different motivations of firms, and provide useful managerial implications.

## **2. Regulatory focus theory and regulatory fit**

RFT (Higgins, 1997) distinguishes between promotion and prevention motivations in goal pursuit by decision makers. People chronically assume one motivation or the other as personal, strategic orientations, and research shows as well that one orientation or the other can be primed as psychological states. A promotion focus emphasizes accomplishments, achievements, aspirations, and advancements (ideals) as the primary driving force in personal decision making. The promotion system's hedonic concerns relate to the pleasurable presence of positive outcomes (i.e., gains) and the painful absence of positive outcomes (i.e., non-gains). By contrast, a prevention focus stresses protection, security, and responsibility (oughts) as the principle objective of personal decision making. The prevention system's hedonic concerns relate to the pleasurable absence of negative outcomes (i.e., non-losses) and the painful presence of negative outcomes (i.e., losses).

RFT also distinguishes between different *means* in goal pursuit (Crowe and Higgins, 1997; Higgins, 1997). RFT proposes that there is a natural fit between promotion focus concerns and the use of eagerness means, because eagerness means 1) ensure the presence of positive outcomes (i.e., ensure successes through the choice of means geared to advancement) and 2) ensure against the absence of positive outcomes (i.e., do not close off fruitful possibilities). There is also a natural fit between prevention focus concerns and the use of vigilance means because vigilance means 1) ensure the absence of negative outcomes (i.e., ensure correct rejections; being careful) and 2) ensure against the presence of negative outcomes (i.e., ensure against errors of commission; avoiding mistakes).

Promotion and prevention foci are self-regulatory systems that independently co-exist, and individuals act in accordance with the focus that is active at the time of decision making (Higgins, 2002). Individuals usually rely on their chronic regulatory focus which works as a personal strategic decision making style (Higgins et al., 2001). However, in contrast to a chronic regulatory focus, which is a psychological predisposition or *trait*, a given situation can temporarily activate a promotion or prevention focus as a psychological *state*, regardless of the individual's chronic regulatory orientation (Higgins, 2002). People experience a regulatory fit effect when the manner of goal pursuit matches their regulatory orientation (Higgins, 2000; 2005). When there is a regulatory fit, the manner of goal pursuit feels right psychologically and increases the value of what a person is doing, termed "value from fit" in the literature. Value from fit can then be transferred to other value experiences. Feeling right from regulatory fit has proven to be robust in studies employing diverse decision outcomes (Avnet and Higgins, 2006; Camacho, Higgins, and Luger, 2003; Wang and Lee, 2006). In particular, some of these studies have shown that when the manner in which a goal is pursued matches the regulatory orientation of the individual, the evaluation of the situation will intensify. Specifically, in a context of persuasion, studies have shown that the experience of fit can affect the persuasive effectiveness of a message and the attitudes or opinions toward the object of the message (Cesario et al., 2004; Lee and Aaker, 2004). Recently, Avnet et al. (2013) investigated also how regulatory fit affects attitudes and opinions when negative information about some target issues is provided. In particular, in low involvement situations (e.g., where people are only weakly or incidentally interested in an issue or message prior to becoming aware of an incident concerning the issue), regulatory fit increased the positivity of feelings toward the target regardless of the valence of the information provided on such target, making the attitude toward it more positive both in the presence of positive or negative information<sup>i</sup>. In a context of evaluation of company wrongdoings, Avnet et al. (2013) showed

that in the fit condition, individual opinions about the company were more positive than in the non-fit condition, and the reason for this effect is because fit creates a positive experience of “feeling right” that transfers positive feelings toward the target. An interesting implication of these findings is that regulatory fit can be used not only to intensify the positivity of the evaluation of a positive target, but also to reduce the negativity of the evaluation of a negative target under conditions of moderate involvement. This is the way the effect of regulatory fit will be considered in our research where we study reactions of adult consumers toward realistic situations of offshoring communicated by a fictitious (but realistically portrayed) company. These offshoring situations do not directly affect our respondents by, for example, putting at risk their own job or that of people close to them, and for this reason they experience low to moderate levels of consumer involvement in these situations.

### **3. Offshoring and regulatory focus theory: development of hypotheses**

Research done on offshoring suggests a possible association between specific offshoring motives and prevention or promotion focus of consumers who perceive these actions by firms. The distinction between promotion focus and prevention focus applies in fact not only to individual psychological differences, but also situations and tasks can vary in regulatory focus concerns (Higgins, 2000).

Both theoretical research (among others, Contractor, Kumar, Kundu, and Pedersen, 2010; Dunning and Lundan, 2008) and empirical research that further elaborates on the former (Roza et al., 2011) provide support for three categories of offshoring drivers. This study aligns with these perspectives considering three specific motives for offshoring: 1) *cost reduction*, which includes both the motives associated with the search for natural resources at a lower cost and those associated with the search for production-cost rationalization, 2) *access to knowledge and talented people*, that are not readily available in the home country,

and 3) *development of foreign markets*, with the possibility to better understand and exploit such markets and at the same time gaining legitimacy through dealing locally with customers and government agencies. These three specific offshoring motives, each of them focused on specific offshoring company's aim, can be connected to prevention focus or promotion focus as illustrated below.

Offshoring decisions motivated mainly in terms of *cost reduction* resemble a prevention-focused strategy with an emphasis on easing the pain (Higgins, 1997), specifically the high cost, of business operations in developed countries (Lewin and Peeters, 2006). Farrell (2005), for example, found that U.S. and German companies saved \$.58 U.S. and .52 €, respectively, for every dollar/euro spent on jobs they moved to India. The largest portion of these cost savings was realized typically from differences in wages between developed and developing countries. This cost reduction strategy is often considered essential by companies to stay competitive in comparison to players from low wage countries (Roza et al., 2011). By contrast, offshoring motives related to *access to knowledge and talented people* and *development of foreign markets* resemble promotion-focused strategies, given the emphasis on gains. Offshoring arrangements in these cases support companies' growth strategies, in terms of initiatives involving product innovation and design, R&D, and engineering, and in terms of obtaining new customers in foreign markets.

Again, the perception by consumers of short term benefits and highly imitable advantages associated with offshoring motivated by *cost reduction* (Lewin and Peeters, 2006) connect it to typical vigilance-related avoidance means employed by the prevention psychological system to regulate consumer behavior towards desired end-states (Higgins, 1997; Higgins et al., 2001). Conversely, the perception by consumers of the strategic logic of value creation and strengthening of long-term competitive positions by offshoring (Jensen, 2009; 2012; Lewin, Massini, and Peeters, 2009; Lewin and Volberda, 2011), motivated by

*access to knowledge and talented people* or *development of foreign markets*, relate well to eagerness-related approach means of consumers entailed by the psychological promotion system.

Finally, guilt, alarm, and anxiety should be associated by consumers with offshoring motivated by *cost reduction* (Farrell, 2005; Mitra and Ranjan, 2010; Venkatraman, 2004), while creativity, optimism, and hope should be more typical for offshoring motivated by *access to knowledge and talented people* or *development of foreign markets* (Musteen and Ahsan, 2013; Rangan and Schumacher, 2013). These associations relate respectively to prevention and promotion concerns of consumers.

The ideas and findings discussed above suggest an association between offshoring motives and regulatory focus. Since a *cost reduction* motive of offshoring is the cue that activates prevention concerns, individuals should make prevention-focused inferences about the company's practices. Conversely, promotion-focused inferences should be made for offshoring motivated by *access to knowledge and talented people* and *development of foreign markets*. In detail, we hypothesize the following:

H1: Distinct company offshoring motives communicated to the public elicit different consumer inferences about the company's practices:

H1a: when companies offshore for *cost reduction* motives, consumers make more prevention-relevant rather than promotion-relevant inferences about the company practices.

H1b: when companies offshore for *access to knowledge and talented people* motives, consumers make more promotion-relevant rather than prevention-relevant inferences about company practices.

H1c: when companies offshore for *development of foreign markets* motives, consumers make more promotion-relevant rather than prevention-relevant inferences about company practices.

In line with previous research in psychology (Higgins, 2000; 2005), we then argue that a regulatory fit effect can be generated by aligning specific company offshoring motives communicated to the public (given the promotion-prevention inferences associated with them) with consumers' regulatory focus. Consistent with recent research by Avnet et al. (2013), a more positive attitude toward the target issue is expected in the fit conditions (i.e., company prevention motives with consumer prevention focus orientation; company promotion focus with consumer promotion focus orientation), compared to the non-fit conditions. Therefore, companies that offshore, although criticized and attacked for their practices (Grappi et al., 2013; Robertson et al., 2010; Schröder, 2013a, b; Thelen et al., 2011), may be better evaluated by consumers in the presence of a fit between company offshoring motive and consumers' self-regulatory focus, rather than in the absence of such fit. In other words, we expect an interaction effect between respondents' self-regulatory focus and the company offshoring motive on respondents' attitudes toward the company. This suggests the following hypothesis:

H2: Consumer attitudes toward the company are more positive in the fit conditions than in the non-fit conditions.

We tested our hypotheses in two different studies. Study 1 examines the associations between company offshoring motives communicated to the public and consumer's prevention or promotion inferences about the company's practices. Study 2 tests if and how the interaction

effect between respondents' self-regulatory focus and the company offshoring motive affects respondents' attitudes toward the offshoring company. In our study, respondents were primed with promotion or prevention focus messages, and then the manipulation of the offshoring motives was carried out.

#### 4. Study 1

Study 1 was designed to test hypotheses H1a, b, and c and also to verify the assumption about the low to moderate level of consumer involvement toward the analyzed situation, in accordance with RFT (Avnet et al., 2013). Participants were asked to match adjectives to the company's offshoring practice to capture their inferences about the characteristics of the company based on its offshoring motives. As implied by RFT, we hypothesized that participants would select more prevention-relevant adjectives for the offshoring *cost reduction* motive and more promotion-relevant adjectives for the offshoring *access to knowledge and talented people* and *development of foreign markets* motives.

##### 4.1 Respondents and Procedures

Participants were 100 MBA adult Italian students. Each participant responded to only one of the four versions of the questionnaire, identical in each part with the exception of the offshoring motive communicated by the company (i.e., the manipulation), and took approximately 5 minutes to complete it. After finishing the questionnaire, respondents were debriefed by explaining the purpose of the study and thanked. The sample can be characterized as follows: 44% were men, 84% were between 24 and 30 years old and 16% between 31 and 35 years old, inclusive.

Each participant was randomly assigned to only one of the four possible conditions: three describing a company that engaged in offshoring practices for one of the three different

motives—*cost reduction* (i.e., the company explains its offshoring decision as a means through which production costs are reduced to increase company profit), *access to knowledge and talented people* (i.e., the company explains its offshoring decision as a means through which highly-skilled workers can be found, which are not available in the home country), or *development of foreign markets* (i.e., the company explains its offshoring decision as a means through which they can enter foreign markets that otherwise would not be accessible)—and one control condition without information about why the company had offshored its activities (there were 25 respondents in each condition).<sup>ii</sup>

Independently from the conditions to which respondents were assigned, they provided a preliminary evaluation of their level of involvement with the company offshoring decisions based on the general description provided at the beginning (without information about the motives). Later, after reading the specific description of the company and its motives for offshoring, participants were asked to match adjectives to the company's practice. In the control condition, respondents were asked to match adjectives to company's practice without being exposed to any of the three possible offshoring motives. Ten pairs of adjectives (Bullard and Manchanda, 2013), with one prevention-related and one promotion-related in each pair (e.g., adventurous-safe; exciting-responsible; hopeful-reassuring), were presented to respondents asking them to choose, for each pair, only one adjective between the two available that best described company practices. Given the fact that we adapted items initially designed in English, an Italian professor translated them into Italian, and three different professors then independently translated the items back into English. Finally, using comparisons of the original and back-translated versions for semantic equivalence, two bilingual English–Italian speakers refined the survey. An index of association, created by subtracting the number of prevention-relevant adjectives selected from the number of promotion-relevant adjectives selected, was then calculated. Higher numbers indicate a

greater association with a promotion focus, and lower numbers indicated a greater association with a prevention focus.

#### 4.2 Results

Firstly we verified, on 7-point scales (with 1=disagree, and 7=agree, as end points), the respondents' level of involvement with company offshoring (three descriptors were used: interesting, involving, personally relevant) (Shiv, Britton, and Payne, 2004), where  $\alpha = .96$ . The level of involvement ( $M = 3.49$ ,  $SD = 1.40$ ) is significantly lower compared to the mean value of the scale (4),  $t(99) = -3.62$ ,  $p < .01$ , confirming the assumption about the low to moderate level of consumer involvement in these offshoring situations, which were designed without direct implications for respondents.

Then, mean values of the association index were calculated for each condition (see [Table 1](#)). Results from an ANOVA indicated a significant difference between the four conditions,  $F(3, 96) = 44.95$ ,  $p < .01$ . Additionally, we examined the differences among them separately. All the offshoring motive groups are statistically different from the control condition (*control condition* vs. *cost reduction*,  $t(48) = 5.56$ ,  $p < .01$ ; *control condition* vs. *access to knowledge and talented people*,  $t(48) = -4.04$ ,  $p < .01$ ; *control condition* vs. *development of foreign markets*,  $t(48) = -4.72$ ,  $p < .01$ ). Moreover, all the offshoring motive groups are statistically different (*cost reduction* vs. *access to knowledge and talented people*,  $t(48) = -9.09$ ,  $p < .01$ ; *cost reduction* vs. *development of foreign markets*,  $t(48) = -9.21$ ,  $p < .01$ ), with the exception of the *access to knowledge and talented people* and *development of foreign markets* motive groups,  $t(48) = -1.41$ ,  $p = .16$ , as expected. These findings show that *cost reduction* motives of offshoring activate individuals' prevention concerns, supporting H1a, whereas offshoring motivated by *access to knowledge and talented people* and *development of foreign markets* activate individuals'

promotion-focused inferences, supporting respectively H1b and H1c. The next step was to test the effect of regulatory fit, generated between company offshoring motives and individual regulatory focus, on attitude toward the company. Study 2 was designed to test Hypothesis 2.

## **5. Study 2**

Participants experience of fit was manipulated and then they were asked to express their attitudes toward a company that decides to offshore, based on information provided to them in a fictitious (but realistic) newspaper article.

### *5.1 Method*

#### *5.1.1 Respondents*

Participants were approached as they shopped in three city-center shopping areas, one in the north, one in the center, and one in the south of Italy. The interviewers personally distributed the questionnaires to the population of interest, which the authors defined as individuals between about 18 and 70 years of age. We asked interviewers to select respondents based on the approximate proportion of men and women and age range in accordance with national population data, in order to enhance the representativeness of the sample relative to that population, avoiding problems of excessive focus on a single category of respondents and lack of heterogeneity. Interviewers approached 201 individuals and disqualified 24 due to age issues. Among the remaining 177 individuals approached and screened, about 89% agreed to participate in the survey (the total sample was 157 respondents). The number of respondents in each group ranged from a minimum of 19 to a maximum of 32. Each participant answered only one of the different versions of the questionnaire given to them in written form; they

took approximately 10 minutes to complete it. After finishing the questionnaire, respondents were debriefed and thanked.

Of the respondents, 48.4% were men (cf. census percentage according to Statistics Italy for 2012: 49% [www.istat.it]), and the average age was 40 years. Specifically 21% (cf. 18.5% census) were between 18 and 29 years of age, 47.8% (cf. 43.9% census) were between 30 and 49 years of age, and the remaining 31.2% (cf. 37.6% census) were between 50 and 70 years of age. Undergraduate or higher educated respondents accounted for 36.3% (cf. 15.7% census) of the sample, followed by respondents with a high school education (52.9%) (cf. 41.1% census) or less (10.8%) (cf. 43.2 % census). This level of education is somewhat higher than the average for the population; however, preliminary analysis revealed no confounding effects of this socio-demographic characteristic. Overall, the sample is relatively representative of the entire adult population.

### 5.1.2 Design and procedure

We conducted a 3 (offshoring motives: *cost reduction*, *access to knowledge and talented people*, and *development of foreign markets*) x 2 (regulatory focus: promotion vs. prevention) between-subjects experimental design, using a standardized situation with offshoring motives and regulatory focus manipulated as independent variables. Participants were told that they would be taking part in two unrelated studies.

The first part of the study manipulated participants' regulatory focus orientation. Using a standard procedure to prime either a promotion focus orientation or a prevention focus orientation (e.g., Fransen and ter Hoeven, 2013; Higgins, Roney, Crowe, and Hymes, 1994; Liberman, Idson, Camacho, and Higgins, 1999), participants in the promotion focus condition were asked to think about their past hopes, aspirations, and dreams and to list two of them. They were then asked to think about their current hopes, aspirations, and dreams,

and to list two of them. Participants in the prevention focus condition were asked to respond, using the same procedures illustrated for participants in the promotion focus condition, but thinking about their (past and present) duties, obligations and responsibilities, and to list them accordingly.

Once participants completed this task, they continued to the second part of the study. The main attitude task was administered in the second part along with inducing participants' experience of fit. Participants were asked to read a newspaper article about an offshoring decision by a fictitious company and prepare to answer a few questions about it. After participants read the article, the dependent variables were administered.

### *5.1.3 Stimulus material and measures*

To manipulate participants' experience of fit (non-fit), three versions of a fictitious news article, consisting of the same information used in the Study 1, were created, one for each company's offshoring motive.

In the prevention-fit condition, the focus was on cost reduction as offshoring motive; in the promotion-fit condition, the focus was on access to knowledge and talented people or on development of foreign markets as offshoring motives. We expected participants to experience fit when the company offshoring motive matched the participants' manipulated self-regulatory focus, and to experience non-fit when it did not match.

Participants responded to different items adapted from previous research. We used the same procedure for item translation described in Study 1 for the new variables considered here. Specifically, participants responded, on 7-point scales, to three items measuring consumer attitudes toward the company (bad-good; unfavorable-favorable; negative-positive) (Durvasula and Lysonski, 2009),  $\alpha = .91$ . We also verified, on 7-point scales, the respondents' level of involvement with the general company offshoring strategy, without

considering specific motives (interesting, involving, personally relevant) (Shiv et al., 2004),  $\alpha = .93$ ; and their general evaluation of the negativity of this practice (i.e., thinking about the decision of the company to offshore: “I evaluate it negatively,” “I look unfavorably on this decision,” and “I positively consider the company offshoring decision” (reverse coded),  $\alpha = .78$ . The level of involvement ( $M = 3.21$ ,  $SD = 1.35$ ) is significantly lower compared to the mean value of the scale (4),  $t(156) = -7.32$ ,  $p < .01$ . The general evaluation of the negativity of the company offshoring strategy ( $M = 4.62$ ,  $SD = 1.48$ ) is significantly higher compared to the mean value of the scale (4),  $t(156) = 5.22$ ,  $p < .01$ . Three individual characteristics were also measured, on 7-point scales, as control variables: consumer ethnocentrism (e.g., Durvasula and Lysonski, 2009; Sharma, Shimp, and Shin, 1995; Shimp and Sarma, 1987; Thelen et al., 2011), perceived risk of offshoring (Grappi et al., 2013; Thelen et al., 2011), and economic threat (e.g., Durvasula and Lysonski 2009; Sharma et al., 1995).<sup>iii</sup>

## 5.2 Results

The results for the two-way ANOVA indicate a significant main effect for offshoring motives on attitudes toward a company,  $F(2, 148) = 48.17$ ,  $p < .01$  and a non-significant main effect for the regulatory focus orientation,  $F(1, 148) = 1.80$ ,  $p = .18$ . More importantly, the findings show a significant interaction, as hypothesized, between the offshoring motives and the regulatory focus orientation,  $F(2, 148) = 35.11$ ,  $p < .01$ , indicating that any differences between offshoring motives were dependent upon which regulatory focus orientation (promotion or prevention) the subjects exhibited ( $R^2 = .54$ ) (see Figure 1 for a graph of this interaction). Approximately 21% of the total variance of consumer attitude toward the company was attributed to the interaction of regulatory focus and offshoring motives. The three control variables used (i.e., ethnocentrism, perceived risk of offshoring, and economic threat) had no effects on attitude toward the company.

-- Figure 1 about here --

Because the interaction between these two variables was significant, we examined the regulatory focus simple effects, that is, the differences between promotion-focus and prevention-focus conditions for each of the three offshoring motives. Significant differences between promotion and prevention focus were found in each offshoring motives group. In the *development of foreign markets*-motive group, respondents in the promotion-focus condition (under the fit condition) had a significantly higher attitude toward the company ( $M = 4.28$ ) than respondent in the prevention-focus condition (under the non-fit condition) ( $M = 3.40$ ),  $F(1, 148) = 13.61$ ,  $p < .01$ , effect size (ES) = 1.00. In the *access to knowledge and talented people*-motive group, respondents in the promotion-focus condition (under the fit condition) had a significantly higher attitude toward the company ( $M = 3.72$ ) than respondents in the prevention-focus condition (under the non-fit condition) ( $M = 2.49$ ),  $F(1, 148) = 21.40$ ,  $p < .01$ , ES = 1.52. In the *cost reduction*-motive group, respondents in the prevention-focus condition (under the fit condition) had a significantly higher attitude toward the company ( $M = 2.92$ ) than respondents in the promotion-focus condition (under the non-fit condition) ( $M = 1.44$ ),  $F(1, 148) = 39.21$ ,  $p < .01$ , ES = 2.09. These results support H2, consumer attitude toward the company is higher (thus, less negative) under the fit versus non-fit conditions, that is when respondents are primed consistently with the offshoring motives to which they are exposed.

## 6. Conclusion and implications

Our research builds on psychology theory to gain insights into the decision processes that lead to negative consumer reactions to offshoring. Research to date has not examined the psychological decision mechanisms through which consumers respond differently to specific offshoring motives communicated by the company. Our study, filling this gap, makes an

important contribution by opening a new perspective through which to interpret company offshoring decisions and its effects on consumers. RFT (Higgins, 1997) was adapted to explain differential consumer responses to offshoring. Specifically, we demonstrated that each of three particular offshoring motives of firms activates unique self-regulatory orientations (promotion or prevention focus) in consumers, and regulatory fit was then shown to positively affect consumer attitudes toward the offshoring company. Thus, our investigation provides a significant advancement in international management research by revealing the specific processes underlying consumer reactions to company offshoring decisions: consumer attitude toward the offshoring company is systematically more positive when “offshoring motive” and “regulatory focus orientation” are matched, compared to non-matched conditions. Our study demonstrates the value of complementing the traditional firm-centric approach, which focuses on shareholders, with a consumer stakeholder perspective, thus taking into consideration consumer psychological reactions and evaluation of the company’s offshoring decisions (see also Grappi et al., 2013).

Our research offers interesting managerial implications as well. Entrepreneurs and managers are more and more aware not only of offshoring opportunities, as a means for enhancing overall competitiveness, but also of offshoring threats related to consumer concerns and consequent negative reactions (Grappi et al., 2013; Robertson et al., 2010; Schröder, 2013a; 2013b; Thelen et al., 2011). This implies a need to consider tradeoffs and challenges that offshoring decisions can bring in terms of pros and cons for different stakeholders.

Our study suggests important insights into how to manage and communicate company offshoring decisions to the public. Firstly, our research addresses the understudied role of consumer responses to offshoring, which have been regarded heretofore as obscure,

unentangled negative responses (e.g., Boedeker, 2007; Mandel, 2007), rather than as specific psychological reactions, as developed herein. Our findings show that negative consumer evaluations and behavioral reactions are mitigated by the regulatory-focus orientation of consumers, revealing that reactions to offshoring are not undifferentiated negative reactions for all individuals. This suggests specific communication strategies for firms, depending on offshoring motives, to better relate with the public.

More specifically, the results suggest that communication to the public should take into account a promotion-prevention orientation matching of the company offshoring motives to consumer orientations, to temper less negative consumer evaluations of the company and, thus, possible stronger (weaker) intentions to positively (negatively) behave towards it. In other words, companies can communicate and instill a particular regulatory focus in the public with their advertising and communication tools, trying to create a better match in the public eye, when press and other media reveal company offshore decisions. Selecting the most effective messages to use and deciding how to frame them are sensitive communication decisions that a company has to take to trigger desired regulatory promotion or prevention orientations of the public. For example, in the case of a company that decides to communicate its offshoring decision by focusing on “cost reduction” motives, framing a message using prevention focus information (e.g., offshoring to prevent future losses) should induce prevention orientations in the mind of the public that, in turn, favor less negative reactions. On the other hand, when the company decides to focus on “access to knowledge and talented people” or “development of foreign markets” as motives, the message should be framed using promotion-focused information (e.g., offshoring to look for future developments, new hits, means of sales advancement) in order to foster less negative consumer responses.

Last, our study has a number of limitations and opportunities for future research that should be mentioned. Firstly, future studies should examine whether different variables can supplement the moderating roles exerted by regulatory focus orientation and the company offshoring motives by use of the mechanisms shown in our study, such as social influence (Sen and Bhattacharya 2001) and engagement (Higgins, 2006). That is, the conditions under which regulatory focus and fit occur deserve further study.

Secondly, given our findings, the role of the mediator (i.e., positive feelings from fit) deserves additional investigation. In particular, further study could focus on specific positive feelings (e.g., happiness, liking, gratitude) that can be aroused by the match between regulatory focus orientation and company offshoring motives. In this way, it will be possible to better reveal and elaborate upon the mediating role of affective consumer reactions to offshoring. New research might also examine the role of so-called fluency effects (Lee and Aaker, 2004).

Thirdly, it is advisable that future research investigate different consumer outcomes within this framework, such as intention to boycott or desire for retaliation, and the duration of these reactions. For example, are they limited in time or enduring? And, how strong do they persist over time? What factors promote or inhibit positive or negative consumer responses?

Fourthly, future studies should also take into consideration the effects of particular characteristics of foreign countries in offshoring to qualify our findings. Analyzing specific country effects (e.g., the level of consumer animosity, perceived affinity toward a specific country, or country-of-origin effects) might show specific contingencies for the general psychological process analyzed in our study.

Finally, further research should examine the extent to which our results can be generalized to different situations. To improve the external validity it is advisable to use

different stimuli in future studies on this topic (e.g., using different kind of manufacturing and service offshoring companies, examining actual cases of company offshoring and its communicated motives).

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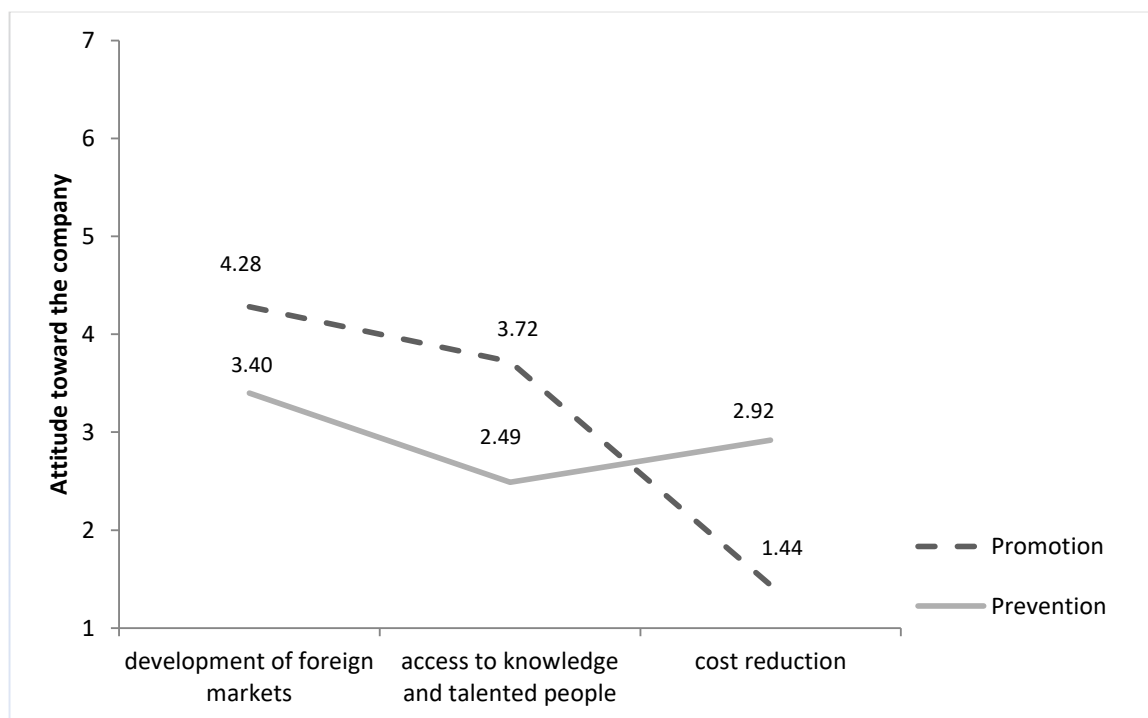
**Table 1** Association index in each experimental condition

Experimental condition	Mean value (SD)
Cost reduction	-5.84 (4.69) <sup>a b c</sup>
Access to knowledge and talented people	4.08 (2.80) <sup>a b</sup>
Development of foreign markets	5.44 (3.94) <sup>a c</sup>
Control condition	.56 (3.34) <sup>a</sup>

a. significant difference between the control condition and each experimental condition at  $p < .01$

b. significant difference between cost reduction and access to knowledge and talented people at  $p < .01$

c. significant difference between cost reduction and development of foreign markets at  $p < .01$



**Figure 1** Attitude toward the company

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<sup>i</sup> In contrast, under high involvement, the fit increases confidence in the evaluative reactions, thereby intensifying the reliance on these reactions, which increase the perceived negativity of the target issue in the presence of negative information (Avnet et al., 2013).

<sup>ii</sup> To ensure that respondent evaluations were not affected by specific characteristics associated with possible destination countries, we structured the narratives without information about the country of destination. Scenarios are available upon request from the authors.

<sup>iii</sup> Consumer ethnocentrism was measured using four items selected from the CETscale (Shimp and Sharma, 1987). A sample item of the scale is “A good citizen does not buy foreign products” ( $\alpha = .84$ ). Perceived risk of offshoring was measured using four items (Grappi et al., 2013; Thelen et al., 2011) given in response to the query, “What do you think of your purchase of a company’s offering that has been located abroad from the company?” A sample item of the scale is “would cause me to worry.” ( $\alpha = .86$ ). Economic threat was measured using three items adapted from Durvasula and Lysonski (2009) and Sharma et al. (1995). An illustrative item is: “Economic problems are mainly due to excessive foreign competitions” ( $\alpha = .74$ ).