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The Moderating Role of Power Distance on the Reaction of Consumers to the CEO as a Spokesperson During a Product Harm Crisis: Insights From China and South Korea

Daniel Laufer^a, Tony C. Garrett^{b,*}, Bo Ning^a^a School of Marketing and International Business, PO Box 600, Victoria University of Wellington, Wellington 6140, New Zealand^b Korea University Business School, Korea University, Anam-Dong, Seongbuk-Gu, Seoul 02841, Republic of Korea

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ABSTRACT

During a crisis the corporate message is not the only issue facing the company. The role of the spokesperson is an under-researched area which is examined in this paper. In studies conducted in South Korea and China we examine the reaction of consumers to the CEO as a spokesperson during a product harm crisis. We find in both countries that consumer responses to the CEO was contingent on the consumers' level of power distance. When consumers had high levels of power distance they had higher future purchase intentions when compared with consumers who had low levels of power distance when the CEO was the spokesperson during the crisis. In addition, in a study conducted in South Korea we find that higher levels of power distance generate increased levels of brand trust when the CEO is the spokesperson, which in turn increases future purchase intentions. Our studies have important theoretical and managerial implications which are discussed in the paper.

1. Introduction

There are significant negative consequences for a company facing a crisis including the loss of an organization's financial value (Chen et al., 2009), a decrease in sales (Van Heerde et al., 2007), the diminishing of a company's brand value (Dawar and Pillutla, 2000) and lowered future purchase intentions (Coombs and Holladay, 2008; Dawar and Pillutla, 2000; Kaufmann et al., 1994). Therefore, the topic is of great interest to both academics and practitioners, and guidance to companies on how to respond during a crisis is of great value.

Whereas much has been written about how to craft an effective corporate message during a crisis, for example how to incorporate an apology in a company response (e.g., Roschk and Kaiser, 2013), very few researchers focus on how the message is communicated impacts stakeholders (for exceptions see: Claeys and Cauberghe, 2014; De Waele et al., 2015). For example, does the source of the crisis communications influence stakeholders' perceptions of a crisis? The paper examines this important issue, focusing on the role of the Chief Executive Officer (CEO) as a communicator during a product harm crisis.

A key tool at the organization's disposal during a crisis is its CEO. The CEO, whether a well-known public figure or not, could play a key role in influencing a consumer's reaction to a crisis. In particular, the question that is increasingly being asked is whether the CEO should be the company's spokesperson. Previous research suggests that the role of the spokesperson is important for inspiring support for, confidence of, and enhancement of the organization's reputation (Arpan, 2002; Pauly and Hutchison, 2005; Verhoeven

* Corresponding author.

E-mail addresses: dan.laufer@vuw.ac.nz (D. Laufer), tgarett@korea.ac.kr (T.C. Garrett), bo.ning@vuw.ac.nz (B. Ning).<https://doi.org/10.1016/j.intman.2017.12.002>

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et al., 2012). Leadership has been said to also play an important role in framing the meaning of a crisis, and it is argued that the top manager's visible involvement in the crisis response helps to reduce some of the crisis induced negative reactions (Seeger et al., 2003). Therefore, the use of a CEO as a spokesperson during a crisis may help a company limit the damage resulting from a crisis.

Despite the apparent benefits of using the CEO as a spokesperson during a crisis, there are conflicting views on whether the CEO should be used as a spokesperson. For example, some researchers suggest that the CEO should be seen and involved in all crisis situations (e.g., Turk et al., 2012), whereas others suggest that this depends on the level of blame that is attributed to the organization (e.g. Goodman et al., 2009). We examine in this paper a factor that may influence the reaction of consumers to the CEO as a spokesperson during a crisis, the levels of power distance of consumers. Studies from the field of management have found that this value orientation influences the effectiveness of leadership, and we believe it may also impact the reaction of consumers to a CEO as a spokesperson during a crisis.

2. Literature review and research questions

Researchers in management find that the effectiveness of leadership is impacted by the value orientation of its followers (Kirkman and Shapiro, 2001). A value orientation variable that would seem to be particularly relevant is power distance (Kirkman et al., 2006). Power distance is defined as “the extent to which the less powerful members of a society expect and accept that respect and power is distributed unequally” (Hofstede and Hofstede, 2001, p.98). People from large power distance societies rely on centralization and formalization of authority and are more likely to accept a power hierarchy, top-down communication and are unwilling to disagree with directives from authority (Bochner and Hesketh, 1994; Hofstede and Hofstede, 2001).

In addition to the societal level, power distance has also been examined at the individual level. In the field of management power distance at the individual level (“power distance orientation”) has been found to influence the impact of leadership styles on followers. For example, Kirkman et al. (2009) finds that power distance orientation influences the impact of transformational leadership, with lower power distance followers more favorably impacted by this participatory leadership style.

Although there has been scant attention paid to the role of power distance in the crisis management area (for an exception see Taylor, 2000), research in other areas find that the power distance orientation of individuals within a society moderates the effectiveness of authority messages (e.g., Jung and Kellaris, 2006; Pornpitakpan and Francis, 2000), the levels of obedience or compliance with authority communications (e.g., Pornpitakpan and Francis, 2000), and the levels of trust shown to clear authoritative entities (e.g., Kim et al., 2013). Of particular interest to our study, Kim et al. (2013) find that Japanese respondents, who have high levels of power distance, tend to show more trust toward a restaurant when an owner endorser is used rather than an expert endorser, such as the chef. This is in spite of their arguments that the owner may in fact be biased in the messages that they are conveying. Therefore, we expect that the reaction of consumers to the CEO as a spokesperson in conveying trust and influencing future behavioral intentions will be moderated by the individual's level of power distance.

Based on the above, we hypothesize the following:

H1A. When the company uses a CEO as a spokesperson during a crisis, future purchase intentions will be higher for consumers with higher levels of power distance, when compared with consumers with lower levels of power distance.

H1B. When the company uses a regular company spokesperson during a crisis, there will be no difference in levels of future purchase intentions between high and low power distance consumers.

H2. When the company uses a CEO as a spokesperson during a crisis, brand trust will mediate the relationship between levels of power distance and future purchase intentions.

3. Study 1 – product harm crisis in Korea (laptops)

The purpose of this study was to examine role of power distance on the reactions of consumers to the CEO as a spokesperson during a product harm crisis involving laptop computers. We examine whether people who are higher in power distance have higher levels of trust in the brand when the CEO is the spokesperson, which in turn increases future purchase intentions. We also include in study 1 a regular spokesperson condition, in addition to the CEO spokesperson.

3.1. Subjects, experiment design and procedure

Participants were 99 undergraduate students from a large private university in Seoul, South Korea. Their average age was 23 with an equal division between male and female, 50% each. The product recall scenario in this study involved laptop computers. A product recall message involving the recall of batteries from REX laptops, a fictitious brand was created (Appendix 1). A fictitious brand was used in this study in order to control for the impact of prior attitudes toward the brand. In the message participants learned about a problem with batteries in the laptops that can cause overheating. We chose laptops for the study because of the high level of usage of the product by college students. This type of scenario has previously been used in research relating to crisis communication in Asia (Laufer and Jung, 2010). Participants were randomly assigned to either a CEO spokesperson condition or a company spokesperson condition. All stimulus material was in Korean and scales translated from English followed methods for translation and back translations outlined in Lonner and Berry (1986).

The research was conducted in a classroom setting. Participants were given an experimental packet including the scenario. After

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