

CAUSAL ATTRIBUTIONS OF PRODUCT HARM CRISIS AND CONSUMER MORAL REPUTATION TOWARD THE WOUNDED COMPANY- HOW DOES SOCIETAL DAMAGE MATTER?

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Abstract - Despite large body of research on product harm crisis, wide spreading crises in the global market place induce the study to investigate the matter through a new empirical angle, i.e., company's moral responsibility that reflects consumers' moral reputation toward the affected company. Societal damage significantly shapes consumers' moral reputation toward the affected company during product harm crises. Total 201 respondents participated in two crises grounds; company culpable and consumer culpable, in two cultures; China and Sri Lanka, showed that consumers' moral reputation toward the troubled company downgrades significantly during product harm crises regardless of the cause of the crisis. Perceived societal damage further downgrades the negative effect of company culpable crisis on consumers' moral reputation toward the troubled company. Interestingly perceived societal damage was insignificant when consumer himself culpable for the crisis. Further study showed that national culture significantly shapes consumers' moral reputational perceptions. Being consumers from a low uncertainty avoidance country, Chinese were morally disrepute the wounded company lower than their Sri Lankan counterparts. This study provides interesting theoretical and managerial implications in conjunction with future research directions for a sustainable marketing environment.

Keywords - Causative Dimensions, Moral Reputation, Perceived Societal Damage, Product Harm Crisis, Uncertainty Avoidance

I. INTRODUCTION

When a crisis occurs, the general public wants to know what happened and consequently, there is a need to uncover the causation of the accident (Dean, 2004). Moreover, consumers spontaneously construct attributions of blame for faulty or harmful products (Folkes and Kotos, 1986). Therefore, after the product harm crisis event, consumers often become involved in an Attributional activity (Folkes, 1988) and seek to assign blame (Janoff-Bulman, 2004). These attributions are important from a marketing perspective, because they form the basis of consumers' brand judgments and behavior. Product harm crisis are grounded by consumer ethical beliefs (Vassilikopoulou et al., 2011), and perceptions of product harmfulness and target vulnerability affect publics' judgments of the ethics of the strategy (Smith and Cooper-Martin, 1997). Product harm crises can be regarded as ethical situations not only because crises can inflict harm on individuals (Hartel et al., 1998), but also due to the involvement of a responsible agent (Lerbinger, 1997). Product harm crisis causes consumer negative emotions toward the affected company (Vassilikopoulou et al., 2011), and these emotions are key drivers of moral behavior (Greene and Haidt, 2002). Moral reputation defers from reputation in the sense that moral thought reflects ethics and one's moral reputation may be something too important to be entrusted just to one's moral sense (Sperber and Baumard, 2012). Moral values are those preferences that are integral

to any moral reasoning process. It is the art-science that critically evaluates the subject. As such, ethics identifies the norms or standards of behaviors that either are or can become the values that are implemented through moral reasoning (Muller, Charles, and Yzerbyt, 2005). Further, there is a significant positive relation between blame, anger and ethical beliefs (Vassilikopoulou et al., 2011). Therefore, it is rational to assume that consumers who hold the company responsible for the product harm crisis, tend to express high levels of anger (Vassilikopoulou et al., 2011) thereby may reduce their moral reputation toward the troubled firm. Hence, from a company's reputation perspective, moral reputational perceptions may be more fruitful to consider than reputational perceptions in product harm crises, as crisis events are characterized as the most important, unexpected ethical situations (Hagan and JoLong, 2005) that threaten a company's existence (Muller, 1985).

Even the situation exists as such, not a single has addressed the consequences of product harm crisis, on the basis of consumers' moral reputational perceptions toward the troubled company.

In addition, even the visual phenomenon of product harm crisis is a societal damage that judges the consumers' actual feeling; very few research investigations have discussed on this issue so far (Siomkos and Kurzbard, 1994; Vassilikopoulou et al., 2009).

Therefore, this study tries to address these gaps in product harm crisis literature. Hence, the main purpose of current study is to uncover consumers' moral perceptions toward the wounded company in a product harm crisis comparatively to two Asian grounds. The specific objectives are to find how causative dimensions and societal damage of the crisis shape consumers' moral perceptions in the Asian context.

II. HYPOTHESES DEVELOPMENT

Present study bases its rationale on the key differences between two main causes of product harm crisis; company and consumer culpable, and the key differences between two main cultures; china and sri lanka, while incorporating consumers' moral reputation toward the troubled company.

A. Key Differences Between the two Main Causes of the Crisis with Respect to Consumers' Moral Reputation toward the Company and Brand

Klein and Dawar (2004) showed that if the crisis is company located (internal) and the behavior is stable and controllable, observers (consumers) tend to attribute responsibility to the actor (company) and subsequent consumer behavior such as blame or anger is directed toward the actor. Therefore, when a negative event occurs due to controllable cause, the observer evaluates the action according to his/her moral beliefs, attributes, responsibility, and then becomes angry and wants to punish the subject (Weiner, 1986; Alicke, 2000). In addition, when a bad outcome is due to another's controllable actions, a person feels angry (Weiner 1980b). Product harm crisis can severely harm a consumers' trust in a brand or a company when an organization is not able to handle a product harm crisis properly and it results the permanent damage to the reputation of a brand (Wix and Mone, 2007). Based on the possible attribution tendencies suggest by Shaw and McMartin (1977), observers of a product harm crisis are more motivated to avoid harm than to avoid blame, as a result they will blame to the company. Three crisis studies (Jorgensen, 1994, 1996; Kaman Lee 2004) have demonstrated that internal controllable crises (when the actor is responsible) resulted in worse consumer reactions than external uncontrollable crises (external factor).

B. Key differences between the two countries with respect to response to product harm crisis

Weiner (1979) has noted the placement of a causal attribution in terms of causal dimensions vary greatly from person to person, as well as from situation to situation implying the importance of a cross-cultural study in the face of product harm crisis. A body of literature suggested that different beliefs, value orientations, and perceptions are influenced by individual differences in attribution thinking and cross-cultural orientation (Betancourt, Hardin, & Manzi, 1992; Fletcher & Ward, 1988; Kluckhohn & Strodtbeck, 1961).

Even it is well accepted phenomenon that consumer perceptions vary across cultures (Laufer and Coombs, 2006; Laufer et al., 2005; Sorrentino et al., 2013), not a single research tries to capture consumer moral perceptions in

cross-cultural perspective during product harm crisis. Product harm has not yet become a crisis in Sri Lanka and China is a common ground for crises according to the crises history. Out of 152 consumer products recalled by the United States Product Safety Commission since January 2007, 104 were made in China (Roth et al., 2008). In 2008, out of the 86 consumer products recalled in the UK, 72% or 62 of these products were made in China (Rapex, 2009). Hence, to the best of our knowledge, this study is the first study of comparing two countries; Sri Lanka and China where consumers' experience related to product harm crises can drastically vary. Moreover, this is the first study capturing Sri Lankan consumers' view in a product harm crisis ground.

In terms of cultural differences, Hofstede (1997) showed four dimensions by which countries could be differentiated. As study concerns product harm crisis, discussion of the uncertainty avoidance dimension will yield fruitful results, out of other three: namely, power distance, individualism- collectivism, and masculinity-femininity (Hofstede, 1997), as product harm crisis events are uncertain events. Hofstede (1997, p.263) defined uncertainty avoidance as "the extent to which the members of a culture feel threatened by uncertain or unknown situations". According to that dimension, Greece, Belgium, Japan, Russia Germany, etc., are classified under high uncertainty avoidance countries, while, Singapore, USA, UK, China, India, etc. are classified as low uncertainty avoidance countries, along with their respective UAI (Uncertainty Avoidance Index). Unfortunately, Hofstede did not provide UAI for Sri Lanka. However, study posits that there exists a variation among consumer perceptions.

C. How perceived societal damage shapes consumer perceptions during product harm crisis

Product harm crises are defined as well publicized incidences where in products are found to be defective or dangerous (siomkos and kurzbar, 1994). Therefore, crises by definition generate substantial risk. Indeed, crises damage to the society. Robbenolt (2000) reviewed studies examining the psychology's defensive attribution hypothesis and found that when an incident results in a more severe outcome, more blame will be attributed to a potentially responsible party by an observer to the incident. Damage resulting from a product harm crisis depends on the perceived seriousness of the failure by the consumer (dawar and pillutla, 2000). Moreover, in the product harm crisis literature, the construct problem severity has been proposed as a moderating factor in consumer attributions

of product harm crisis (su and tippins, 1998). Related to the celebrity publicity, zhou and whitla (2012) showed that in the event of negative celebrity publicity, perceived societal damage is likely to amplify the impact of celebrity's personal misconduct of attribution on evaluation of the moral reputation of that celebrity. According to the weiner's attribution theory, in the first stage the individual evaluated the outcome and typically experiences happiness or sadness depending on the outcome. It is perfectly reasonable for consumers to evaluate the company negatively, when the perceived danger associated with the product they use is high. Consumers expect a degree of good assurance from companies whose products they use and hope that the products they buy will be unadulterated and reflect a reasonable fit with the purpose they intend. When company fails to protect that faith and when the company is responsible for the occurrence and the controllability of that product defect which is stable over time, the reduction of moral sense toward that company is unavoidable. However, when consumer is responsible for the crisis and when it is unstable and uncontrollable by the company, the societal damage seem unlike to moderate this link.

H2: perceived societal damage of the crisis accelerates the negative impact of company culpable crisis on consumers' moral reputation toward the wounded company

H3: perceived societal damage of the crisis will not accelerate the negative impact of consumer culpable crisis on consumers' moral reputation toward the wounded company

III. METHODOLOGY

A self administrated, pre-tested questionnaire survey was conducted to test the proposed hypotheses. The study used a fictitious product harm crisis scenario to highlight the company and consumer culpable product harm crises situations. Two experimental surveys were conducted in October, 2012 in Sri Lanka and November, 2012 in China. Experimental condition preferred as experimental researches are essential to build evidence based- knowledge for crisis management (Coombs and Holladay, 2008). Moreover, Theofilou et al., (2011) showed the significance of using imaginary scenarios as a valid method in crisis management research. Experimental scenario was followed by different questions to elicit perceptions of the locus, stability and controllability of the cause of the crisis event, and consumer moral

reputation toward the company. A fictitious yogurt brand “X” was used as the stimulus brand in both experimental situations. A fictitious brand related to a fictitious crisis scenario was taken to avoid confounding effects due to consumers’ potential relationships or experiences with existing brands and past product harm crisis situations (Siomkos and Kurzbard, 1994).

Sample and Conceptual Framework

Study conducted a survey of convenience two samples of Sri Lankan (n=100) and Chinese (n=101) based undergraduate marketing and business management specialized students. The convenience sampling method was preferred since questionnaire can be easily and quickly collected and respondents are more cooperative (Malhotra and Peterson, 2006; Vassilikopoulou et al., 2009). Questionnaires were distributed randomly in two countries in classroom sessions. Following Siomkos and Kurzbard’s (1994) recommendation, equal numbers of respondents (50) were assigned to each crisis situation as ANOVA was used as one of the main methods of analysis. It is noteworthy that although the sample seems to be convenience, the interviews were conducted randomly at different classrooms and on different days and times, in both countries in order to reduce response-bias resulting from date, time and location parameters (Vassilikopoulou et al., 2011). Yogurt was chosen as the product category because pretest revealed the interest and familiarity of yogurt in the subject population. Respondents were informed of the confidentiality of their views and opinions and debriefed after the survey. Participants completed the task individually and took less than 10 minutes to complete. Figure 1 schematically presents the conceptual framework of the current study.

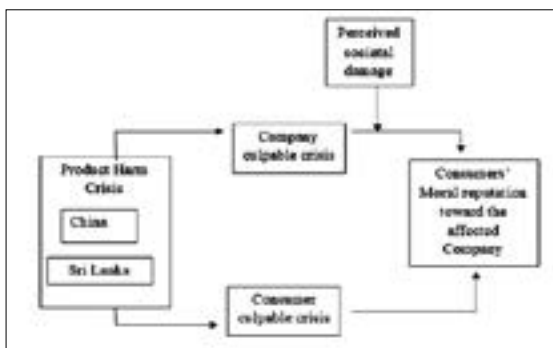


Figure 1: The conceptual Framework

Measures

The survey instrument included measures of causal attributions, perceived societal damage, and moral reputation of the company. Each of these constructs with measurement items, detailed in Tables 1 and 2. The items used for attributions (locus, stability, controllability), perceived societal damage, and moral reputation (Zhou and Whitla, 2012), were measured with 7- point Likert scales ranging from 1= “strongly disagree” to 7= “strongly agree”. For example, in case of internal locus of attribution, “the cause is something that reflects an aspect of the company” was measured by using 1= “strongly disagree” and 7= “strongly agree” (Zhou and Whitla, 2012). Respondents rated fictitious experimental situations as, 1= “not realistic at all” and 7= “very realistic” at the end of each scenario to ensure the plausibility. The seven point Likert scale has been shown to reach the upper limit of the scale’s reliability (Nunnally, 1978).

Analyses

Collected data were analyzed by using SPSS (version 20.0). Independent samples t tests, and ANOVAs were run to analyze the proposed hypotheses. Answers for the variable, consumers’ moral reputation toward the company, which stated negative questions were reversed in order to comply with the scales of the rest of the variables in the questionnaire. Moreover, answers for the variable, perceived societal damage, measured by seven point likert scale was rearranged in ANOVA as, high (the responses 6 and 7), medium (the responses 3 to 5) and low (the responses 1 and 2). Factor analysis identified the validity and reliability of the different items used in each construct measured the same underlying construct (Pallant, 2008). The reliability of the scales was accessed by reliability coefficient, Cronbach’s alpha (Cronbach, 1951). Preferably, the reliability coefficient should be above 0.7 (DeVellis, 2003). In case of validity analysis, Kaiser, Meyer and Olkinn (KMO) sampling criterion (KMO>0.5) and the statistically significant Bartlett’s sphericity criterion (P<0.001) were used to verify the adequacy of the sample (Field, 2005).

IV. RESULTS AND DISCUSSION

Manipulation Check

Analysis revealed that majority of the respondents in two countries recognized correctly the locus, stability and controllability of the product harm crisis as internal locus (96% Chinese and 96% Sri Lankan), stable (98% Chinese and 90% Sri Lankan) and controllable (96% Chinese and 90% Sri Lankan), which the experimental scenario needed to accentuate. In addition, majority of respondents in China (78 %) and Sri Lanka (92 %) stated that the experimental scenario was realistic. The similar results were obtained related to the consumer culpable crisis. Consumers recognized the crisis as external locus (80% Chinese and 96 % Sri Lankan), unstable (86% Chinese and 82 % Sri Lankan) and uncontrollable by the company (86% Chinese and 94% Sri Lankan). Majority of respondents in China (65 %) and Sri Lanka (92 %) stated that the experimental scenario was realistic, which reflects the successful manipulation. In addition, this provided the guarantee of the absence of fundamental attribution error (Ross, 1977; Berry et al., 2002). All the constructed items guaranteed the reliability and validity under these two crises grounds

Independent samples t test showed that national culture has a significant effect on consumers' moral perceptions toward the troubled company during a company culpable crisis ($t_{98} = 5.58, p < .001$). Non significant Levene's test ($P > .05$) recognized the equality of variances. Chinese exhibited comparatively higher values ($M = 3.35, SD = 1.00$) than Sri Lankans did ($M = 2.25, SD = .96$). However, low mean values indicated the low scores in valuing moral reputation of the firm. Consumer culpable crisis yielded similar results. Independent samples t test showed that national culture has a significant effect on consumers' moral perceptions toward the troubled company during a consumer culpable crisis ($t_{99} = 5.59, p < .001$). Non significant Levene's test ($P > .05$) recognized the equality of variances. Chinese exhibited comparatively higher values ($M = 3.52, SD = .89$) than Sri Lankans did ($M = 2.48, SD = .97$). Low mean values indicate the low scores in valuing consumers' moral reputation toward the affected company. Therefore, H1a and H1b are supported.

A 2 (national cultures: China; Sri Lanka) x 3 (levels of perceived societal damage: low; medium; high) between subject experimental design was used to test hypotheses H2 and H4 under the company and consumer culpable

crises grounds. As expected, study found the moderating effect of perceived societal damage on moral reputation toward the firm under company culpable crisis ground ($F_{2, 94} = 6.29, P < .001$) with highly significant main effects ($p < .001$), substantiating H2.

Most interestingly, consumer culpable crisis ground also yielded the expected results. The interaction effect (perceived societal damage) x (national culture) was not significant ($p > .05$), supporting H3 (figures 2 and 3). Seeing the locus of the product harm crisis is something related to the company, and the stability and the firm's responsibility for the controllability of that crisis, perceived high societal damage due to product harm crisis further downgrades consumers' moral reputation toward the affected firm in the eyes of consumers. In contrast, in the situation of an external locus (consumer), unstable and uncontrollable by the firm, perceived societal damage of the product harm crisis does not accelerate the negative impact of causative dimensions on moral reputation of the affected company. In other words, when the internal locus of the product harm crisis (company responsible for the occurring the event), perceived societal damage accelerates the impact of causal dimensions on moral reputation of the affected firm while the product harm crisis is external (company is not responsible for the occurring the event and consumer themselves responsible), perceived societal damage does not accelerate the impact of causative dimensions on moral reputation of the affected firm. This finding is aligned with Zhou and Whittle (2012) who discussed the internal and external locus of attributions related to the celebrity endorser. Authors revealed that when consumer saw the negative celebrity publicity as the internal (related to the celebrity's misconduct), the perceived societal damage accelerated the impact of negative celebrity publicity on moral reputation of the celebrity, whereas, perceived societal damage did not moderate this link when the celebrity was not responsible for the action. Moreover, current finding supports the view of Robbenolt (2000). Based on Psychology's defensive attribution hypothesis author suggested that when an incident results in a more severe outcome, more blame will be attributed to a potentially responsible party by an observer to the incident.

V. CONCLUSION

National culture shapes consumer moral perceptions significantly. Being a low uncertainty avoidance country,

Chinese exhibited relatively higher moral reputation toward the affected company than their Sri Lankan counterparts revealing their respective national ideology. Moreover, perceived societal damage shapes the link between culpability of the crisis and consumers' moral

reputation toward the wounded company. It accelerates the negative link, when company is culpable. However, it does not accelerate the negative link when consumer is culpable. These findings provide important theoretical and managerial implications.