

McCombs Knowledge To Go



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Crisis Management and the Psychology of Blame



Daniel Laufer, PhD, MBA (McCombs)
Associate Professor of Marketing
Victoria University of Wellington, New Zealand

Agenda

- **Why is understanding blame important?**
- **What influences the assessment of blame?**
- **How should a company respond?**
- **Additional Resources**

Wendy's Crisis Video: ABC News

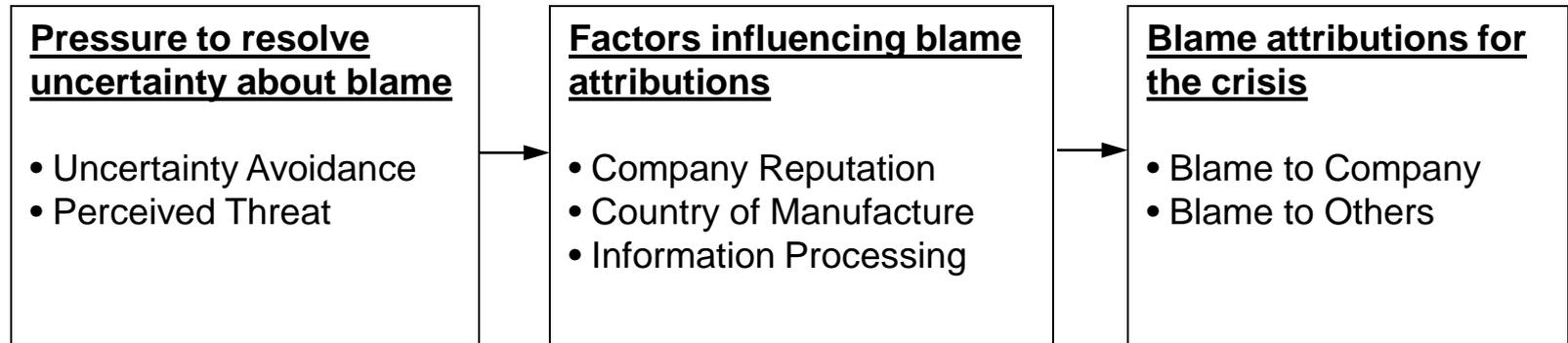
- Woman claims she found a finger in her Chilli at Wendy's
- <http://www.youtube.com/watch?v=L6-kxlrwuc8>

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above YouTube video and will return
to the presentation shortly.*

Why is Understanding Blame Important?

- **Ambiguous Product Harm Crises**
 - Culpability is typically not clear in a product harm crisis
 - Consumers still assess blame during ambiguous situations
- **Consequences of Blaming Company**
 - Adversely impacts future purchase intentions
 - Generates negative word of mouth

Framework for Analyzing the Assessment of Blame for a Product Harm Crisis (Laufer, 2012)



Pressure to Resolve the Uncertainty about Blame

- **Uncertainty avoidance**
 - “The extent to which the members of a culture feel threatened by uncertain or unknown situations” (Hofstede 1997)
 - The higher the uncertainty avoidance, the greater the need to resolve the uncertainty
 - Example: Germany and the recent E-coli crisis

- **Perceived Threat**
 - The higher the perceived threat of the crisis, the greater the need to resolve the uncertainty
 - Defensive Attribution Hypothesis (Burger 1981)
 - Factors influencing perceived threat (personal vulnerability and severity of crisis)
 - Number of people injured as a result of crisis
 - Severity of injuries (Laufer et al., 2005)
 - Extent of Press Coverage
 - Nature of Coverage – Pictures, images, eyewitness reports
 - Similarity to Victims
 - Target market: Gender, age (Laufer & Gillespie, 2004; Laufer, Silvera & Meyer, 2005)

Who Can Be Blamed to Resolve the Uncertainty?

- **Company**
- **Victims**
- **Situation : Weather, road conditions, etc.**

Factors Influencing Who the Public Blames to Resolve the Uncertainty

■ Company Reputation

- What is the reputation of the companies involved in the crisis?
 - A well-known company receives the benefit of the doubt for an ambiguous crisis when compared with an unknown company (Laufer et al, 2009)
 - A poor track record in dealing with crises will hurt a company when it faces a new crisis
 - BP's negative track record hurt the company during its crisis in 2011

Factors Influencing Who the Public Blames to Resolve the Uncertainty

- **Country of Origin**
 - Where a product was made: “COO effect”
 - Examples of COO effect: Cars (Laufer et al, 2009):
 - Positive: Made in Germany
 - Negative: Made in Mexico
 - COO effect can differ across countries
 - COO influences consumer attributions of blame (Laufer et al, 2009)
 - Strong brand reputation can lessen negative COO effect (Laufer et al, 2009)
 - Made in China may be an exception

Factors Influencing Who the Public Blames to Resolve the Uncertainty

- **Information Processing: Analytic vs. Holistic**
 - People from Western cultures (USA, Europe) use analytic thinking, paying attention primarily to the object (Lloyd 1990).
 - When assessing causality, people from Western cultures are more likely to focus on the major players involved in a crisis, and are less likely to consider situational factors (Laufer, 2002).
 - People from Asian cultures use holistic thinking, paying close attention to the context (Choi, Nisbett & Norenzayan 1999)
 - When assessing causality, people from Asian cultures are more likely to focus on situational factors related to the crisis (Laufer, 2002).

Pressure on Consumers to Resolve the Uncertainty

- **High**
 - High Uncertainty Avoidance
 - High Perceived Threat
 - Consumers less willing to wait for results from an investigation before assessing blame for a crisis

- **Low**
 - Low Uncertainty Avoidance
 - Low Perceived Threat
 - Consumers more willing to wait for results from an investigation before assessing blame for a crisis

When is a Company Most Likely to be Blamed?

- **Poor Reputation**
 - BP
- **Negative Country of Origin**
 - Made in China
- **Analytic Processing Used in Target Market**
 - Consumers less likely to consider situational factors as possible causes

How Should a Company Respond?

- **Reduce the Ambiguity**
 - Importance of communicating quickly and frequently
 - If company lacks credibility, it should seek endorsements from reputable 3rd parties
- **Manage Stakeholder Expectations**
 - The more blame assessed to the company, the higher the expectations for a corporate response to the crisis
 - Responses to a Product Harm Crisis (Siomkos & Kurzbard, 1994; Laufer, 2012)
 - Voluntary Compliance
 - Strong Reputation
 - Positive COO
 - Consumers in Asians cultures
 - Super Effort
 - Weak Reputation
 - Negative COO
 - Consumers in Western cultures

Findings from Wendy's Investigation

- <http://www.youtube.com/watch?v=x3tklNlq8Rg>

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Additional Resources

- **PwC Interview with Daniel Laufer in 2010 on Crisis Management:**
 - www.pwc.com/us/en/alumni/keyword/vol5/crisis-management-pg1.jhtml
- **Article about Managing Global Product Crises:**
 - Laufer, 2012 (forthcoming)
 - www.emeraldinsight.com/products/books/series.htm?id=1474-7979
- **Article about Product Recall Communications:**
 - Laufer & Jung, 2010
 - <http://www.sciencedirect.com/science/article/pii/S0363811110000299>

Daniel Laufer, PhD, MBA, CPA (USA)

Daniel Laufer is an Associate Professor of Marketing at Victoria University of Wellington, one of the top universities in New Zealand. He also has experience teaching at leading universities in the USA, Germany, South Korea, Canada, Mexico and Israel. Dr. Laufer has a PhD in Marketing, as well as an MBA from McCombs. He is a licensed CPA in the USA who previously worked as a manager at a "Big 4" accounting firm. Dr. Laufer was also an officer in the military, and the owner and founder of his own international consulting firm for which he was selected by ABC News in Houston, Texas as their "Business Person of the Week"

Dr. Laufer's area of expertise is Crisis Management, and his articles have appeared in both academic and managerial journals. Dr. Laufer's main focus over the past few years has been on topics relating to the psychology of blame and crisis communications, and his published research involves data collected from consumers around the world (North America, Europe, Asia).

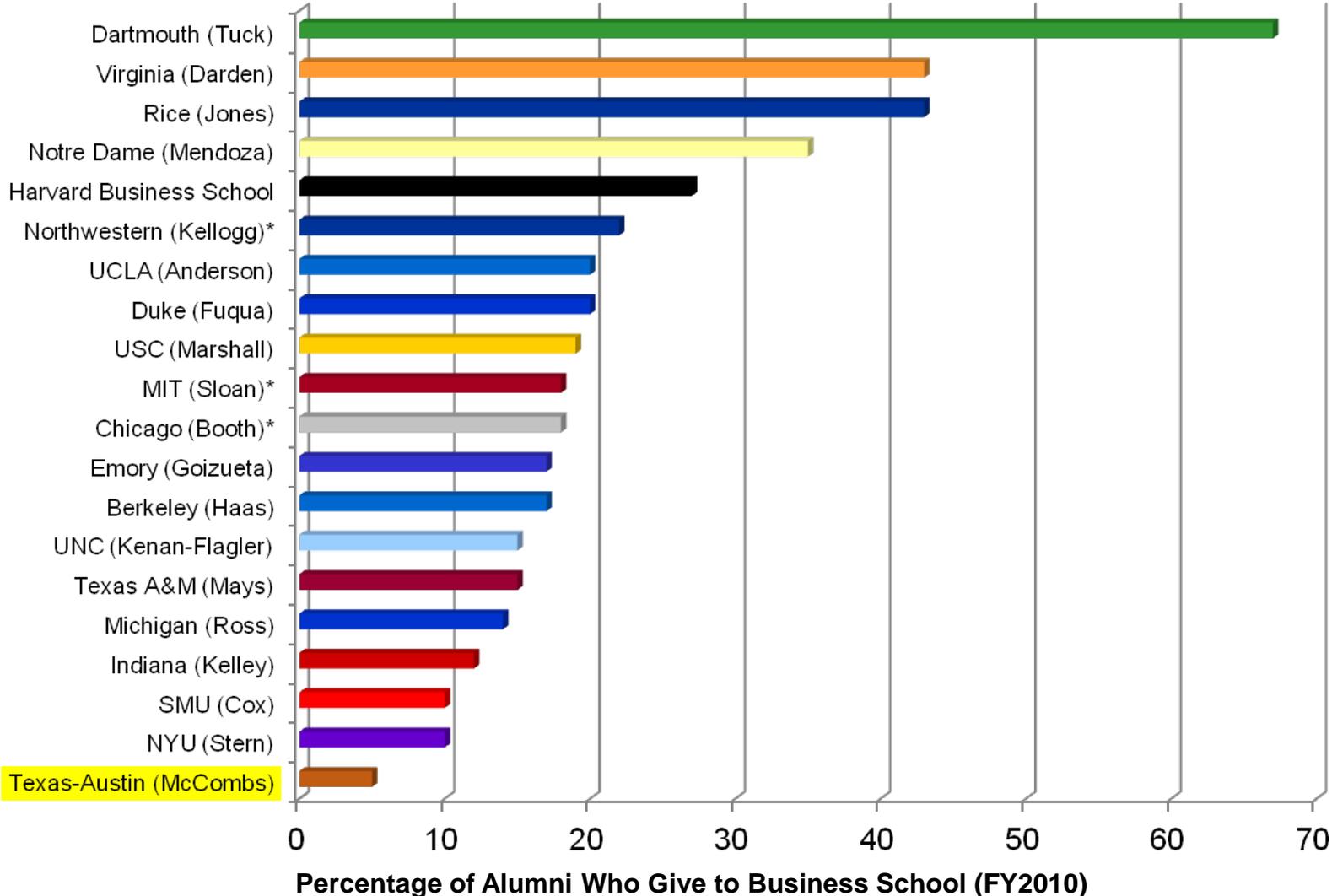
In addition to his publications, Dr. Laufer is frequently quoted in the media as an expert on topics related to Crisis Management in both the USA and overseas (WSJ, AP, CNN, Sina News in China, Nikkei in Japan, the Korea Times, Haaretz in Israel). In addition, PwC in the USA conducted an extensive interview with Dr. Laufer about Crisis Management in their Oct 2010 magazine.

Dr. Laufer teaches executive courses on the topic of Crisis Management at leading universities worldwide, and his article about the importance of Crisis Management courses in business schools ("Charting a Course Through Crisis") was published in the AACSB's magazine BizEd in 2010. The AACSB is the premier accrediting agency of business schools around the world.

Website: <http://nz.linkedin.com/in/danlaufer>

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