

Daniel Laufer

## 25 Should CEOs of multinationals be spokespersons during an overseas product harm crisis?

**Abstract:** Deciding whether to use the CEO as a spokesperson during an overseas product harm crisis is a very complex issue. However, multinationals can benefit from systematically analyzing factors related to the characteristics of the CEO, the nature of the crisis, and characteristics of consumers in overseas markets before arriving at a decision. This book chapter presents a framework incorporating these factors based on literature from social psychology about social identity theory (Tajfel and Turner 1986), literature from international business on the concept of cultural distance (Gudykunst and Hammer 1984), and the country of origin effect (Chattalas and Takada 2013), and literature from the field of marketing related to consumer ethnocentrism (Guo and Lin 2017) and consumer animosity (Klein, Ettenson and Morris 1998). The framework will assist both companies in assessing whether to use the CEO during an overseas product harm crisis, as well as researchers in identifying areas for future research.

**Keywords:** CEO, consumers, multinationals, product harm crisis, spokesperson

### 1 Introduction

Product harm crises are defined as “discrete, well publicized occurrences wherein products are found to be defective or dangerous” (Dawar and Pillutla 2000: 215), and they can cause serious damage to a company in terms of brand trust, future purchase intentions and negative word of mouth. A product harm crisis can adversely impact a company in its overseas markets, in addition to its home country. Toyota is an example of a multinational in the automotive industry that faced a high profile global product harm crisis that involved sudden acceleration in its cars a few years ago. Product harm crises have occurred in other industries as well, and the New Zealand milk conglomerate Fonterra faced a global crisis in 2013 involving a botulism scare in its whey products.

During the Fonterra crisis, Theo Spierings, the New Zealand company’s CEO travelled to China to be a spokesperson during the crisis. This raises the interesting question of whether a multinational should send its CEO overseas to be a spokesperson during a product harm crisis. Is this an effective strategy in limiting the damage to a company when compared with using a local company spokesperson from that overseas market? Are stakeholders more positively influenced by communications from the CEO even if they are from a foreign country? According to Coombs (2015) a more

credible spokesperson increases the effectiveness of crisis communication, and the CEO may be perceived as a more credible representative of the company as the leader of the organization.

On the other hand, could a foreign CEO adversely impact a company as a spokesperson? Perhaps there is a liability of foreignness that could hurt a company during a crisis. With the company facing a challenging situation dealing with the crisis, it would want to avoid choosing a spokesperson that could complicate the situation even more.

Very few studies have examined whether to use a CEO as a spokesperson during an overseas crisis (for an exception see Laufer, Garret and Ning 2018; Einwiller, Laufer and Ruppel 2017), and researchers know very little about this important topic. Despite extensive research on how to manage a product harm crisis (see Cleeren, Dekimpe and Van Heerde 2017 for a review) there has been limited research on the topic of the effectiveness of the CEO as a spokesperson during a global product harm crisis.

Assessing the effectiveness of the CEO as a spokesperson during an overseas product harm crisis is a complex issue which involves a number of factors (Laufer 2018). This paper expands on the topic, and examines factors related to the characteristics of the CEO spokesperson, the nature of the crisis, and the characteristics of consumers in the overseas markets (see Table 1) that could impact the effectiveness of the CEO as a spokesperson during an overseas product harm crisis. This framework draws on literature from social psychology about social identity theory (Tajfel and Turner 1986), literature from international business on the concept of cultural distance (Gudykunst and Hammer 1984), and the country of origin effect (Chattalas and Takada 2013), and literature from the field of Marketing related to consumer ethnocentrism (Guo and Lin 2017) and consumer animosity (Klein, Ettenson and Morris 1998).

**Tab. 1:** Factors influencing whether to use a CEO during an overseas product harm crisis.

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**Characteristics of the CEO**

- a) Celebrity vs. non-celebrity
  - b) Physical, Language and Cultural differences
  - c) Common group affiliation with overseas consumers
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**Nature of the Crisis**

- a) Blame to the company
  - b) Severity
  - c) Importance of Overseas Market
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**Characteristics of Consumers in Overseas Market**

- a) Levels of ethnocentrism
  - b) Perceptions of Country of Origin (“COO”)
  - c) Power Distance Orientation
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## 2 Overseas product harm crises

Overseas product harm crises are product harm crises that take place outside of the company's home country and fall into two categories. The first type of overseas product harm crisis involves a product harm crisis that occurs in one or a few of the company's overseas markets, but not all of them. A good example of this is KFC, an American company that experienced a crisis in China. The crisis involved KFC's local Chinese supplier that used growth hormones to feed chicken (Zhou, Anagondahalli and Zhang 2017). KFC's product harm crisis was limited to China, and it did not adversely impact KFC's operations in other countries.

The second type of overseas product harm crisis is a global product harm crisis. During this type of crisis all of a company's foreign markets are adversely impacted. This is likely to occur if a multinational's global supplier for a key component of the product is involved. For example, a couple of years ago Dell recalled its laptops sold around the world due to issues around lithium batteries which caused the laptops to overheat. Sony was Dell's global supplier, so this product harm crisis adversely impacted all of Dell's global operations because Sony lithium batteries were in all of the company's laptops.

The type of overseas crisis (limited number of markets versus global) can influence the decision about whether to use the CEO as a spokesperson. During an overseas product harm crisis that is limited to one market, the CEO may have less time constraints when compared with a global product harm crisis where there are multiple markets experiencing the product harm crisis. During a global product harm crisis, the company will need to prioritise overseas markets if they wish to use the CEO as a spokesperson due to time constraints of the CEO.

## 3 Characteristics of the CEO spokesperson

The characteristics of the CEO spokesperson could influence how consumers in overseas markets react during a product harm crisis. These factors include whether the CEO is a celebrity or a non-celebrity, physical, language and cultural differences, and whether the CEO has a common group affiliation with consumers in the overseas market.

### 3.1 Celebrity vs. non-celebrity CEO

The phenomenon of celebrity is well known in the area of performing arts. However, celebrity CEOs are an additional type of celebrity that can influence stakeholders, including consumers (Scheidt et al. 2018). Examples of celebrity CEOs include Richard Branson, Warren Buffett, Elon Musk and Bill Gates.

Whether the CEO is a celebrity, and the brand associations linked to the celebrity CEO are important to consider in determining whether the CEO should be used as a spokesperson during an overseas product harm crisis. An important question that a company needs to ask during a crisis is whether a celebrity CEO can help the company communicate its message. In order to assess the potential value of the celebrity CEO as a communicator, the company needs to understand the brand associations linked to the celebrity CEO. In other words, how is the celebrity CEO perceived by stakeholders, and in particular, how is the celebrity CEO perceived in the overseas market adversely impacted by the product harm crisis? Is the celebrity CEO perceived as innovative and competent? Steve Jobs from Apple Computers was a celebrity CEO that would appear to share these brand associations. On the other hand, is the celebrity CEO perceived to be compassionate and empathetic? Bill Gates from Microsoft through his well-publicized philanthropic activities may be viewed by the public as possessing those characteristics.

If the celebrity CEO is viewed as competent or compassionate by consumers in the overseas market adversely impacted by the product harm crisis, this could help the company communicate more effectively that the problems that caused the product harm crisis will be fixed, or that the company genuinely feels sympathy towards the victims, and will address their concerns. This positive spill over effect between a CEO's personal brand and a corporate brand occurs through the process of meaning transfer (McCracken 1989). Scheidt et al. (2018) found empirical support for meaning transfer effects from celebrity CEOs to companies at the brand attribute level in their study. Although not specifically addressing the potential for meaning transfer during crisis communication, Scheidt et al's (2018) study does provide evidence of a spillover effect whereby CEO brand associations are transferred to the CEO's company. This would seem to be relevant in a crisis communication context as well, however more research needs to be conducted to examine this issue.

### **3.2 Physical, language and cultural differences**

Social identity theory (Tajfel and Turner 1986) discusses the negative impact of belonging to an outgroup, especially when compared to an in-group. This is of particular concern in collectivistic societies which value their in-group identity more than individualistic societies (Markus and Kitayama 1991). Nationality can be a basis for determining outgroup status, and this should be considered in determining whether to use the CEO as a spokesperson during an overseas crisis.

The degree to which CEOs from overseas companies are viewed as members of an outgroup can be influenced by physical and language differences (Toh and Denisi 2007). Physical appearance, accent, issues with language fluency, the need for a translator, and differences in body language such as hand gestures and eye contact are all easily observable characteristics that can form the basis for social categorisation, and

classification as a member of an outgroup. Therefore, the extent to which the CEO differs from the overseas market on these factors could influence his or her effectiveness during an overseas product harm crisis. For example, a CEO from Canada could be viewed very differently than a CEO from China in the USA. Canadians in the USA are less likely to be perceived as an outgroup by Americans because of less differences in physical appearance and language capabilities. The Chinese, on the other hand, would be more likely to be perceived as an outgroup because of greater perceived differences in physical appearance and language capabilities.

Cultural differences may also play a role in a CEO's assessment of whether he or she will be effective as a spokesperson during an overseas product harm crisis. Cultural distance is the degree to which the culture of the home country differs from the overseas country (Gudykunst and Hammer 1984). Researchers frequently use differences on Hofstede's (2001) four cultural dimensions of uncertainty avoidance, power distance, masculinity/femininity and individualism/collectivism to assess cultural distance.

Redmond (2000) found that the greater cultural distance, the higher levels of stress people experience, and this reduces their perceived intercultural communication competence levels. These findings suggest that the potential for outgroup bias is not the only factor a company needs to consider in assessing the effectiveness of the CEO as a spokesperson during an overseas crisis. It is also important to take into consideration the perceived abilities of the CEO to communicate during a crisis. Based on Redmond (2000), this is influenced by cultural distance. The greater the cultural distance, the less confidence the CEO will have in his or her ability to communicate effectively during an overseas product harm crisis.

### **3.3 Common group affiliation with overseas consumers**

CEOs with a different nationality can be perceived as a member of an outgroup, however it is worth noting that CEOs may share other group affiliations with stakeholders in an overseas market that can enhance the effectiveness of communications during a crisis. Einwiller, Laufer and Ruppel (2017) examined this issue in a study involving a fictitious product harm crisis in Germany with the CEO of an American company. The product harm crisis involved injuries resulting from defects in a bicycle. The authors found that when the CEO mentioned a group affiliation with a small distinctive group, such as membership in a brand community (avid cyclists in the study), consumers in the overseas market reacted more positively to the company's message during the product harm crisis. However, when the common group involved a large and heterogeneous group (parents in the study), consumers in the overseas market did not react more positively to the company's message during the product harm crisis when compared with a control group (no group affiliation mentioned).

Based on Einwiller, Laufer and Ruppel (2017), in order for common group affiliation to be effective during crisis communications, two conditions must be met. First,

the common group affiliation must be logically connected to the crisis. In the case of being a parent, children were injured during the product harm crisis, so there is a logical connection with the crisis. There was also a logical connection with being an avid cyclist, since cyclists were injured during the product harm crisis. However, there is also another condition that needs to be met. The common group affiliation needs to involve a small distinctive group which in the case of Einwiller et al's (2017) study was only met whether the CEO identified himself as an avid cyclist.

## 4 Nature of the crisis

The nature of the overseas product harm crisis also needs to be considered in order to determine whether to use the CEO as a spokesperson. Whether the company is to blame for the crisis, the severity of the product harm crisis, and the importance of the overseas market to the company are all factors related to the nature of the crisis.

### 4.1 Attributions of blame to the company

The extent to which a company is blamed by consumers for an overseas product harm crisis has an impact on the type of response strategy a company chooses. Laufer and Coombs (2006) suggest that if the level of blame is high, a company should use a super effort strategy. This type of strategy extends beyond legal requirements, and involves offering compensation and advertising recalls. Laufer and Coombs (2006) believe a super effort response is necessary because if a company is to blame, consumers expect a more significant response by the company to address the product harm crisis.

Using the CEO as a spokesperson is a corporate response that signals to consumers in an overseas market that the company is taking the crisis seriously and making a significant effort to address the situation. This type of response is not legally required (the company can always use another spokesperson), and would be consistent with a super effort response strategy. Using a CEO as a spokesperson can help meet heightened expectations of overseas consumers due to the company's culpability.

If, on the other hand, culpability for the overseas product harm crisis is low, the company should not use the CEO. Laufer and Coombs (2006) point to the risk of unnecessarily alarming the public if a super effort response strategy is not justified. Therefore, using a CEO as a spokesperson will attract attention, and if the company is not to blame this may be counterproductive and damaging to the company.

## 4.2 Severity

The severity of a product harm crisis represents the extent to which the product has caused harm to consumers. This is related to the number of people that have been hurt by using the product, as well as the seriousness of their injuries (Laufer et al. 2005). Researchers suggest that when the severity of a crisis is high, the CEO should be used as a spokesperson. For example, Lucero et al. (2009) believe that using the CEO as a spokesperson during crises with high levels of severity is particularly important because it signals to the public that the organization is in control of the situation. Vercic, Vercic and Coombs (2018) also suggest that the CEO's involvement "demonstrates the organizational commitment to the crisis situation"

Similar to the issue of company culpability, if severity for the overseas product harm crisis is low, the company should not use the CEO. Using a CEO as a spokesperson will attract attention, and may be damaging for the company. The CEO's involvement will possibly cause consumers to believe that the crisis is more severe than they previously believed.

## 4.3 Importance of the overseas market for company

The importance of foreign markets to companies can differ. Factors that could impact the importance of a foreign market include sales, levels of profitability, and growth rates. If a foreign market is important to a company, it may be useful to use the CEO as a spokesperson. As previously mentioned, the CEO's involvement "demonstrates the organizational commitment to the crisis situation" (Vercic, Vercic and Coombs 2018), so this can help in managing the crisis. During overseas product harm crises occurring in multiple countries, the CEO may need to prioritize the overseas markets, and select one or a few key countries. For example, Fonterra, a large New Zealand dairy producer, sent its CEO to China, its largest foreign market, during the company's botulism scare in 2013.

## 4.4 Characteristics of consumers in overseas markets

The last category of factors that needs to be considered in determining whether to use a CEO in an overseas product harm crisis are the characteristics of consumers in the overseas market. Are there cultural factors that could influence how consumers react to a foreign CEO? Levels of consumer ethnocentrism, consumer perceptions of country of origin ("COO"), and power distance orientation, are all factors that could impact perceptions of the foreign CEO as a spokesperson during an overseas crisis.

## 5 Levels of Consumer Ethnocentrism

According to Guo and Lin (2017) consumer ethnocentrism represents an overall favourable attitude towards domestic products when compared with foreign products. This preference for domestic products occurs regardless of quality and price (Klein, Ettenson and Morris 1998), and can be viewed as a type of social norm that questions the appropriateness of purchasing foreign-made products (Supphellen and Rittenburg 2001). Guo and Lin (2017) found that consumers in developing countries are more ethnocentric than in developed countries.

Similar to preferring domestic as opposed to foreign products, it is likely that consumers who rank high on consumer ethnocentrism will prefer a local spokesperson over a foreign CEO spokesperson during a product harm crisis. Levels of consumer ethnocentrism could be used by the overseas company as a proxy for the extent of out-group bias, which may be useful in assessing whether to use the CEO as a spokesperson during an overseas product harm crisis. Based on the findings of Guo and Lin (2017), companies need to be particularly careful when an overseas product harm crisis occurs in a developing country. Their findings suggest that consumers may react more negatively to a foreign CEO as a spokesperson during a crisis in a developing country.

### 5.1 Consumer perceptions of country of origin

Whereas consumer ethnocentrism relates to how consumers perceive foreign products in general, COO relates to perceptions of consumers directed at specific countries. For example, animosity can cause consumers to view products negatively from a particular country. Consumer animosity can arise because of conflict between countries either in the past or in the present. A good example of this is China and Japan which have a history of hostility and rivalry. Klein, Ettenson and Morris (1998) found support for the concept of consumer animosity, and in their study they found that consumer animosity reduced Chinese consumers' willingness to buy Japanese products years after the war ended between these countries.

In the context of using the CEO as a spokesperson during an overseas crisis, animosity between a multinational's home country and the country where the product harm crisis has occurred should be taken into consideration. For example, it might be better for a Japanese company experiencing a product harm crisis in China to use a local spokesperson in China instead of the Japanese CEO.

Despite potential problems in the case of consumer animosity, it is also worth noting that the COO effect can be beneficial if the country is associated with certain characteristics in the minds of consumers in overseas markets. Perceptions of warmth and competence linked to the country could be particularly beneficial during a crisis. Perceptions of warmth are especially important with product harm crises that involve



victims in conveying compassion. Competence, on the other hand, helps convey the message that the situation is under control. Researchers have found that countries differ in their perceived levels of competence and warmth. For example, Chattalas and Takada (2013) found that German companies are perceived to be competent, whereas Italian companies are perceived as warm.

The implications of the research linking COO to perceptions of warmth and competence is that during an overseas product harm crisis, a CEO from a country that is viewed as warm could be effective in conveying sympathy for victims. On the other hand, a CEO from a country that is viewed as competent could be effective in conveying to consumers that the issues causing the product harm crisis have a high likelihood of being fixed. This could improve the effectiveness of a company's communications during a crisis, and minimize the damage to the company as a result of the crisis.

## 5.2 Levels of power distance orientation

Differences in consumer levels of power distance could influence how a message from a CEO is perceived during an overseas product harm crisis. 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 2001: 98). Laufer, Garret and Ning (2018) found in two Asian countries (China and South Korea) that when consumers have higher levels of power distance, they have more trust in the brand when the CEO is a spokesperson. The higher levels of trust in the brand generate higher purchase intentions for consumers with higher levels of power distance. This result was replicated when different types of products were involved in the crisis (chocolate and laptops).

Based on Laufer, Garrett and Ning (2018) companies should consider using their CEOs as spokespersons in countries that rank high on power distance. In countries that rank low, on the other hand, there is limited benefit to using the CEO as a spokesperson during a crisis. Therefore, Fonterra's decision to send its CEO to China (a high power distance country) during its crisis involving a botulism scare in its whey product, and have a lower-level company official serve as company spokesperson in New Zealand (a low power distance country) is consistent with the findings of Laufer, Garrett and Ning's (2018) study.

## 6 Discussion

Deciding whether to use the CEO as a spokesperson during an overseas product harm crisis is a very complex issue. However, multinationals can benefit from systematically analysing factors related to the characteristics of the CEO, the nature of the crisis,

and characteristics of consumers in overseas markets before arriving at a decision. In certain situations, the CEO can help the company as a spokesperson, for example if he or she is from a country that is perceived as competent or warm. However, if the CEO comes from a country that does not have good relations with the country that is experiencing the product harm crisis, it might be better to use a local spokesperson instead of the CEO. The COO effect is an example of one factor that needs to be considered in determining whether to use the CEO as a spokesperson during an overseas product harm crisis. Understanding the COO perceptions in the overseas market is key in assessing whether the foreign CEO is an asset or liability as a communicator during a crisis.

Researchers will also benefit from the framework in conducting future research. An important area for future research is assessing which factor has a greater influence on consumer reactions to a CEO spokesperson during an overseas product harm crisis. For example, using a celebrity CEO can potentially benefit a company if the celebrity CEO's brand association reinforce a key message during a crisis, such as expressing sympathy with victims hurt during the crisis. What happens if the celebrity CEO is from a country that has poor relations with the overseas market? Will the reaction to the CEO still be positive based on the positive brand associations and the potential for a positive spillover effect to the company? Or will consumer animosity play a more dominant role in consumer reactions to the foreign CEO as a spokesperson during the crisis? This has very important implications in deciding whether to use the foreign CEO or a local spokesperson during a crisis.

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