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Product Harm Crisis, Attribution of Blame and Decision Making: An Insight from the Past

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ABSTRACT

Review of product harm crises show that it affects consumers' attitudes, beliefs and future intentions about the product. Researchers stress to know how consumers respond and attribute blame for product harm crisis, role of media, its spillover effect and how the managers analyze and respond to product harm crises. Based on the review, it is concluded that the role of demographic factors in various aspects of product harm crises is a neglected area. A comprehensive research is needed to understand how the demographic characteristics of consumers, managers and firm owners affect the reaction towards product harm crisis.
KEY WORDS: Review; product harm crisis; blame attribution; spillover effects; corporate social responsibility; decision making

INTRODUCTION

What is Product Harm Crisis?

Product harm crises are events when the products are known to be substandard, malfunctioning or risky [1, 2 and 3] or when life-cycle of a product shatters [3]. The mounting complexity of products, strict product-safety legislation and more demanding consumers are responsible for the frequent occurrence of product harm crisis [1, 4 and 5]. While, media highlights the issue to makes it noticeable [6 and 7].

The when and where about product harm crisis occurs is unknown [8, 9 and 10] because it is irrepressible and not easy to avoid [11, 12 and 13]; Perrow [14] and Siomkos [15] declare inside and outside environment of an organization mainly responsible for its occurrences. While, Coombs [16] classifies crises varying from minute issues of a firm to catastrophe set off by other factors (earthquakes and fires). In this regard researchers highlight risk analysis, efficient training of crisis management units and so on as pre-crisis management practices [17].

Despite its minimal chances of occurrence [18], if a company fails to cope with the situation, then it turns detrimental and the company incurs huge cost [14-15, 19-24]. Product harm crisis brings distress in total [16, 25], jeopardizes the very existence of a company [26, 15]) and its goals [27]. It also results in decline in sales and market share [28-32] and tag a bad name to the organization [3, 15, 33-36] affecting consumers' attitudes, beliefs and future business [3, 15, 33, 37-44]. Srivastava et al. [44] declares the loss in market-based assets (brand equity and consumers' future intentions), a huge blow to the company. It also affects the economic and social progress of a society, in addition [41].

Mowen and Ellis [45] place the gravity of product harm crisis in the seriousness of injuries or number of deaths and damage to the nature; a company causing high wound has a prolonged effect on its stakeholders [27, 45-48]. Firms are not very well prepared to handle the ruinous effects of crises and respond hesitantly [49, 50]. Therefore, Pruitt and Peterson [3] and Siomkos and Kurzbard [30] stress that firms should pay due attention to deal with the negative effect of product harm crises. Voluntary product recall and super efforts (compensating the victims and accountable for liability) minimize losses and bring firm's image back on track [3, 12, 51-53]. While product harm crises and subsequent product recalls pose threats to company's reputation [38, 54, 55]. As Davies et al. [38] place reputation on high mark for attracting consumers and investors, employing highly talented workers and boosting job satisfaction, compelling the media for optimistic coverage and the most important getting a place among the financial analysts. Therefore, Vassilikopoulou et al. [53]rightly describe that high reputation and socially responsible profile shelter company's image in period of crises.

Whom to Blame?

According to Weiner [56], an eminent researcher in the field of attribution theory, people always make someone responsible for a mishap, especially for a sudden and negative event. It is deemed important for firms to

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know how consumers respond and attribute blame for product harm crisis. Do they (consumers) make the firm responsible for the crisis? The reply builds the intentions of consumers to buy the firms product. Therefore, managers must analyze and respond to product harm crises and select the appropriate responses.

Shaw and McMartin [57] suggest harm avoidance and blame avoidance, the two possible attribution drivers for attribution of blame. According to Chaiken and Darley [58] one who is closed to the wrong doers blame the victim (blame avoidance) and one who is closed to the victim blame the wrong doer (harm avoidance). Consumers develop attributions of blame on the basis of gravity and severity [45-47, 59-64] and personal vulnerability to product harm crisis [61]. Logically, more blame is placed to a potentially guilty party [64]. Different consumers gauge blame in different ways [65]. Company's reputation and consumer traits (gender, nationality, etc.) are the factors that affect how consumers observe an ambiguous product harm crisis. Laufer and Gillespie [66] supporting the Harris and Miller [67] biological and socialization factors consider female more susceptible to crisis than male. For example most of the female count the company responsible for a product harm crisis [66] when it is unclear whether the company, consumers or situational factors are responsible for the crisis. Blame attributions also vary across regions and influence by their background and social pressure [68]. Laufer [69] finds that consumers in individualistic societies blame firm where in collectivistic societies consumers consider situational factors external to the company responsible for crisis.

The three causal dimensions model proposed by Weiner [70] is commonly used to perceive the attribution and decide the responsibility or blame. His model contains: (1) the locus of the behavior (cause of the event may be internal or external to the firm); (2) the stability of the behavior (consistent or unpredictable); and (3) the controllability of the behavior, (within or outside the control of the firm). Using Weiner [70] model of attribution Folkes [59] finds that given the internal locus and consistent and controllable behavior, consumers attribute blame to firms. While given the external locus and unpredictable and uncontrollable behavior, consumers attribute blame to external factors other than firms.

Klein and Dawar [43] also opine that aged consumers show less response to the negative consequences associated with blaming the company. Laufer et al. [71] conclude that age influences the interpretation of product harm crises but its role in blame attributions depends mainly on the surrounding environment. They assume that aged consumers rely more on their prior beliefs (rather than the prevailing information) while making blame attributions and this may be lack of awareness or responsiveness to the prevailing condition. However, based on their vast life experience, the likelihood of blaming the company is less among the aged consumers than the younger consumers [72]. While, Klein and Dawar [43] view prior beliefs of the consumers result in a biased judgments regarding product harm crises. Image of the firm (Corporate Social Responsibility (CSR)) is responsible for attribution of blame and firms having negative (poor) image are mostly held responsible for the crises and vice versa [40, 43, 65, 73].

Base rate information or the commonality of event or behavior among the interest group is one of the factors that affect the attribution [74, 75] especially in consumer settings [76]. Folkes and Kotsos [60] and Pilkonis [75] place less attribution of blame to internal factors than external factors in the presence of high base rate information. However, Johar et al. [74]; Kardes [77]; Kassin [77] suggest very little or no effect of base rate information on attributions.

Decision Making and Product Harm Crisis:

Lin et al. [78] consider it vital for successful firms to be capable of and doing good. Several researchers have studied the post effect of product harm crisis effect, while to name the circumstance accountable for committing corporate crimes and list interaction among antecedent settings have been a challenge for researchers [79].

Chief Executive Officer (CEO) is a system designer and implementer [80] and accountable for all the decisions of a firm [81]. The injudicious decisions of management upset the firm performances, its credibility and have a negative impact on various stakeholders [82-88]. Therefore, Hosmer [89] advises that CEO should sense ahead of financial benefits to harness enduring performances. In this connection, righteous decision making takes place in several stages when concerns having moral implications occur in a firm [90-95]. While all the decisions are subjective to number of factors [96, 97].

Review of literature shows that high-profile firms seldom engaged in illegal activities [34, 35, 41, 98]. Most of the times, firms are taking unethical decisions principally due to financial crisis [99], lagging behind in production [100, 101], low standard of employees, and poor quality management system. While, Kish-Gephart et al. [83] believe the corporate misconduct is the joint effect of the behavior of management and external policy; the mangers sometimes work out metaphorical policies without implementation [102, 103]. While law enforcement agencies, consumers and producers compel the organizations to use an ethic code and practically implement it [104].

Reputation and Product Harm Crisis:
According to Laufer and Coombs [65]:

> *"Corporate reputation can be defined as an overall evaluation that reflects the extent to which people see the firm as good or bad".*

Davies et al. [38] suggest that good reputed firms attract customers, talented employees and investors, motivate workers and enhance job satisfaction, create soft corner for positive media coverage and comments from experts. While with the onset of product harm crisis, repuatation of a firm is on stake [105]. Good reputation shields firm in product-harm crisis [3, 12, 15, 52, 106-108]. In this connection, Siomkos [15] put forward that firms having bad reputation are mostly held responsible for the crisis. In other words, a highly reputed firm is dealt positively in cases of product recalls

The Corporate Social Responsibility (CSR) has an encouraging impression on customers' belief and attitude [45, 109-112], attributions of blame [43] and risk [113, 114] helping firms in coping crises. Pauchant and Mitroff [115] and Sethi and Steidlmeier [116] have studied the social and ethical tasks of firms, while Shrivastava [112] has linked the CSR to crisis monitoring and avoidance.

Reputation of a firm also affect consumer response to product harm crises [3, 40, 43, 73]. Customers believe products of a reputed firm less dangerous [65] and attribute less blame to highly reputed firms in case of product harm crisis [65, 117]. While the time gap between the occurrence of crisis and response an important factor influencing the attitude of customers [53, 105].

Role of Media and Product Harm Crisis:

> "*The good news about brands is that people know who you are. The bad news is that if something goes wrong, everyone knows*" (Knowledge @ Wharton 2005).

Various sources of information develop the perceptions of customers [117]. During the event of product harm crisis, media occupies a leading role in developing opinion of the consumers [118]. Bad news about a brand gets more attention in media [119] and plays a lasting and instructive role [118, 120, 121]. While, good news about a brand receives more attention from familiar customers rather than the unfamiliar customers who weigh more to negative information [40, 122]. This familiarity increases customers' confidence [123] and in turn they perceive the popular brands less responsible for product harm crisis [55]. However, when access to negative information about a brand (or brand family) is high than positive information then negative spillover effect occur and is likely to spread and with detrimental effect to entire brand family and even the industry [6, 124-127].

Product harm crisis occurs more frequently [40, 100, 101] and wide coverage by media makes it noticeable [6]. Therefor, Dawar and Pillutla [40] term brand equity is fragile, as it is based on consumers' belief which is vulnerable to information. In other words, consumers believe in media that affect the collective brand equity of industry. In presence of active media, managers also adopt conservative strategy and avoid harmful production decisions. In other words, media pressurize the corporate management to find a right way to solve the problem without using harmful means to seek illegal interests. According to Siomkos [15] media keep an eye on corporate misconduct and make the firm to be in touch with its stakeholders. In this way media significantly influence the crises. Media diminishes the negative impact of crisis to a greater extent for companies responding to crisis in a socially responsible way [128]. Siomkos and Kurzbard [3] conclude that when the external effects of the press are positive during a product-harm crisis, consumers are less likely to perceive the degree of danger, and future purchases are less likely to be influenced by the crisis.

Consumer Traits (demographics) and Product Harm Crisis:

To harness the profit at its potential level, firms concentrate on developing products that fit the needs of a group (segment) having identical needs [65], mostly on the basis of gender, ethnicity, and age [129]. While, feelings of threat to culture is on high and in such a situation customers' response strongly to product harm crises [130, 131]. For example differences in response to Coca-Cola crisis when Belgium, France, and Spain sanctioned Coke products while other countries like Denmark, Norway, and Sweden showed no reaction [65].

Spillover effects of Product Harm Crisis:

According to Klein and Dawar [43] though the spillover effects of product harm crisis receive more attention of the researchers but it is still in its infancy. Currently, most of the enterprises prefer multiple brands (sub-brands, endorsed brands, and co-brands) to cover the market [132, 133]. In this situation, information (either positive or negative) about a brand not only spillover to other related brands in portfolio [118, 134-137] but also similar brands in the industry suffer [12, 118, 135-139] affecting brand equity [140-142]. In such circumstances, customers adopt conservative strategy and postponed purchase intentions that affect the collective brand equity of industry [143]. The spillover effect depends on sources and gravity of crisis [144], intensity of brand association [6, 124, 141, 144] consumer commitment to a brand [145] and image of the product in the product category [118].

Crisis Response Strategy:

Product harm crisis is a sudden and unavoidable event [8-11, 53] fluctuating from insignificant harm to catastrophe [27, 146] and if the firm falls short to take action results in gigantic sufferings [14, 15, 19, 20, 22-25]. In this regard, firms should emphasize to check and combat the crisis which is a complicated and tricky task and timely critical decisions should be taken [25]. Therefore, Chong [147] stresses that corporate managers should be well prepared to face the crisis. Though, the firms are ill-prepared to cope with crises, most of the firms respond at best [49, 50].

Consumers' attitudes [52] and attribution of blame help in guiding the management to react and devise a best response strategy [65]. Because, representation of product needs consumers' endorsement and trust in product as well as in firm [15]. Researchers place significant importance to a prompt response by firm to overcome crisis [53, 105]. The larger the gap between the occurrence of the event and the time elapse to counter, the more demanding is for the firm to regain its customers' trust Standop [105].

As mentioned earlier, that product harm crisis turns into disaster if not handles properly. Therefore, corporate managers should not misjudge the importance of appropriate response strategy to handle the crises [3, 30]. Though, crisis and product recalls threaten company's reputation [38, 54, 55] but DeMatos and Rossi [22] suggest product recalls one of strategies by firm to respond crisis. There are four major responses including: i) denial (product is not faulty and does not accept the blame), ii) involuntary recall (law enforcement agency enforces firms for action [3, 12, 52, 148, 149]. Accordingly Siomkos [15] defines involuntary recall as *"simple compliance with the minimum legal requirements"*), iii) voluntary recall (revealing the real situation and product recall prior to government intervention) and iv) the super effort (immediate product recall with complete information about harmful products and compensation).

On the basis of the above classifcation, Laufer and Coombs [65] suggest response strategy to product harm crisis. They propose denial to make understand the customers that firm is not guilty of crisis and the produst is not harmful. Forced compliance or involuntary recall strategy is when law enforcement agency makes the firm to protect customers' safety. This action further tarnish the reputation of the firm and the customers consider that the firm doesn't care about them. Contrary to forced compliance is voluntary recall strategy where the firm makes a widespread response to crises by eliminating threats and show concern for customers. While super effort is a more active response where the firm shoots up voluntary recalls, compensates the victims and makes the event public. According to Shrivastava and Siomkos [149] customers weigh more the voluntary recall and super effort strategies than denial and forced recall.

Choosing an appropriate response strategy is an important issue confronting the firms because adopting inadequate strategy may damage the firm [65]. According to Siomkos and Kurzbard [3] voluntary recall and a super effort are effective response strategies compared to both denial and forced compliance strategies. While super effort involves huge finances and sometimes over reaction harms the reputation of a firm [65]. Firms should adopt super effort strategy in instances when blame is highly attributed to firms and customers believe that firm is responsible for the crisis. While voluntary recall strategy to be adopted when customers attribute less blame to the firm [65].

Conclusion:

Product harm crises are when products found to be substandard, malfunctioning or risky, varying from minute issues to catastrophe. The when and where about these crises are unknown. Product harm crisis brings distress in total, jeopardizes the very existence of a company and its goals, decline in sales and market share and tag a bad name to the organization. Mainly affect consumers' attitudes, beliefs and future intentions. Therefore, firms should pay due attention to deal with the negative effect of product harm crises. High reputation and socially responsible profile shelter company's image in period of crises.

It is important to know how consumers respond and attribute blame for product harm crisis. Therefore, managers must analyze and respond to product harm crises and select the appropriate responses. Logically, more blame is placed to a potentially guilty party. However, company's reputation and consumer traits are the factors that affect how consumers observe an ambiguous product harm crisis. The injudicious decisions of management upset the firm performances, its credibility and have a negative impact on various stakeholders. Most of the times, firms are taking unethical decisions principally due to financial crisis, lagging behind in production, low standard of employees, and poor quality management system. During the event of product harm crisis, media occupies a leading role in developing opinion of the consumers. Bad news about a brand gets more attention in media and plays a lasting and instructive role. Most of the enterprises prefer multiple brands to cover the market and information about a brand not only spillover to other related brands in portfolio but also similar brands in the industry suffer. In such circumstances, customers adopt conservative strategy and postponed purchase intentions that affect the collective brand equity of industry.

As product harm crisis is a sudden and unavoidable event fluctuating from insignificant harm to catastrophe and if the firm falls short to take action results in gigantic sufferings. In this regard, firms should emphasize to check and combat the crisis which is a complicated and tricky task and timely critical decisions should be taken. Therefore, corporate managers should be well prepared to face the crisis and should not misjudge the importance of appropriate response strategy to handle the crises. Researchers identify four major responses including: i) denial ii) involuntary recall, iii) voluntary recall and iv) the super effort as response strategy by firms.

Based on the review, it is concluded that the role of demographic factors in various aspects of product harm crises is a neglected area. A comprehensive research is needed to understand how the demographic characteristics of consumers, managers and firm owners affect the reaction towards product harm crisis.

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