



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

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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

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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

reading the scenario, participants were asked to complete a manipulation check for the spokesperson condition. Afterwards, an individual-level measure of power distance was administered (Jung and Kellaris, 2006). This seven-item scale showed good internal reliability ($\alpha = 0.84$), and was averaged to form an index measuring power distance. The participants were then separated into high and low power distance groups based on a median split.¹ To measure purchase intentions we used a four item scale that was previously used in the literature (Dawar and Pillutla, 2000). The four items for purchase intentions showed good internal reliability ($\alpha = 0.93$), and were averaged to form an index measuring future purchase intentions. Finally, for brand trust, we used a scale previously used in consumer research to measure trust in a product brand (three-item scale, Dawar and Pillutla, 2000). These three items for brand trust showed good internal reliability ($\alpha = 0.89$), and were averaged to form an index measuring brand trust. Upon completion of the materials, participants were informed that the product recall scenario was fictitious.

3.2. Manipulation check

In a question about the spokesperson, 86 participants in the study correctly identified the type of spokesperson (CEO vs. company). The type of spokesperson was incorrectly identified by 13 participants, who were excluded from the study.

3.3. Results

Purchase intentions was submitted to a 2 (Spokesperson: CEO or company) by 2 (Power distance: high or low) ANOVA. This analysis also revealed a significant interaction between spokesperson and power distance ($F(1, 85) = 5.31, p < 0.05$). Simple effects tests showed that there was a significant difference in future purchase intentions between the high and low power distance groups for the CEO spokesperson condition (High $M = 3.54$, $SD = 1.13$; Low $M = 2.68$, $SD = 0.95$; $t(41) = 2.71, p < 0.05$). There were no differences on the future purchase intention levels shown for the regular company spokesperson condition between the high and low power distance groups (High $M = 3.07$, $SD = 1.05$; Low $M = 3.29$, $SD = 1.21$; $t(41) = 0.53, p > 0.05$). These results support H1A and H1B.

3.3.1. Mediation analysis

In order to examine whether mediation is occurring in this experiment, the following three conditions must be met (Baron and Kenny, 1986): (a) the independent variable must correlate with the dependent variable (b) the proposed mediator must correlate with the dependent variable, and (c) the independent variable must correlate with the proposed mediator. If these conditions are met, the independent variable is entered on the first step of a regression equation and the proposed mediator on the second step to predict the dependent variable. Mediation is demonstrated when the partial regression coefficient (beta weight) of the independent variable is significantly reduced once the proposed mediator enters the equation. To test for significance, the Sobel method can be used (Sobel, 1982). The three conditions were examined using power distance orientation as the independent variable, brand trust as the potential mediator, and purchase intentions as the dependent variable. Power distance orientation was significantly related to purchase intentions ($\beta = 0.45$; $t = 3.25, p < 0.002$), brand trust was significantly related to purchase intentions ($\beta = 0.73$; $t = 6.77, p < 0.001$), and Power distance orientation was significantly related to brand trust ($\beta = 0.34$; $t = 2.30, p < 0.03$). Therefore all three conditions described above were met.

Mediation was tested using two Structural Equations Models. Model A simply contained a direct path in which power distance orientation predicted purchase intentions. Model B contained this direct path in addition to an indirect path in which power distance orientation predicted brand trust, which in turn predicted purchase intentions. The standardized path weight using power distance orientation to predict purchase intentions dropped from $\beta = 0.45$ in Model A to $\beta = 0.23$ in Model B. Although both of these path weights were statistically significant (p 's < 0.05), a Sobel test indicated that the reduction in the path weight was significant ($Z = 2.17, p < 0.05$).

In order to account for potential sample size issues when using structural equation models, we conducted further ANOVA tests. This analysis revealed a significant interaction between brand trust and power distance ($F(1, 85) = 4.29, p < 0.05$). Simple effects tests showed that there was a significant difference in brand trust between the high and low power distance groups for the CEO spokesperson condition (High $M = 4.87$, $SD = 1.25$; Low $M = 3.95$, $SD = 1.14$; $t(41) = 2.10, p < 0.05$).

Therefore, H2 is supported (see Fig. 1).

4. Study 2 – product harm crisis in China (laptops)

The purpose of this study was to examine whether power distance plays a role in the reactions of consumers to the CEO as a spokesperson in a similar product harm crisis to study 1 (laptops) in a different country (China) with regards to future purchase intentions. This study also examines whether the results are generalizable to CEOs of both domestic and foreign companies.

¹ To ensure the use of the median split would not lead to Type I error in subsequent analysis, we followed the guidance of Iacobucci et al., 2015 to ensure the independent measures in subsequent analysis were uncorrelated; they were uncorrelated.

Results of Mediation Analyses of Power Distance Orientation, Brand Trust and Purchase Intentions when CEO is spokesperson

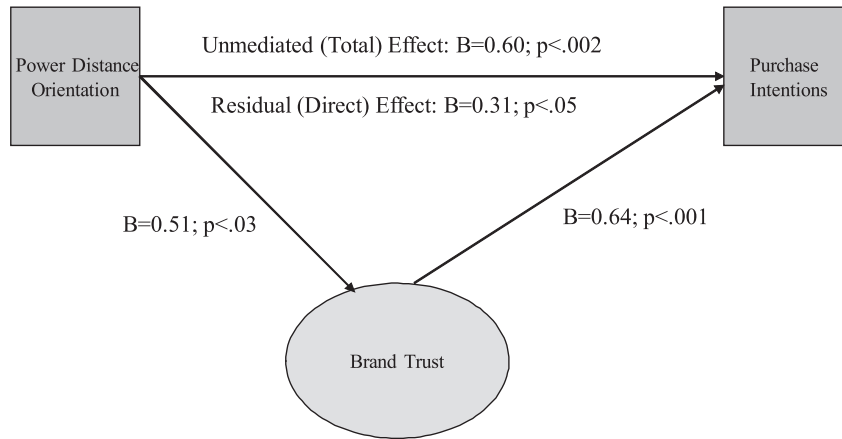


Fig. 1. Results of mediational analyses of power distance orientation, brand trust and purchase intentions when CEO is spokesperson.

4.1. Subjects, experiment design and procedure

Participants were 134 undergraduate students from a university in China. Their average age was 22 with 63% male. The product recall scenario used in the study was identical to study 1 (laptops). Participants were randomly assigned to either a Chinese company condition (Company's headquarters is in Shanghai) or an American company's condition (Company's headquarters is in New York). All stimulus material was in Chinese 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 reading the scenario, participants were asked to complete a manipulation check for the company condition. Afterwards, an identical individual-level measure of power distance was administered as in study 1 ([Jung and Kellaris, 2006](#)). This seven-item scale showed good internal reliability ($\alpha = 0.84$), and was averaged to form an index measuring power distance. The participants were then separated into high and low power distance groups based on a median split.² To measure the dependent variable of interest, purchase intentions, we used the same scale as in study 1. The four items for purchase intentions showed good internal reliability ($\alpha = 0.91$), and were averaged to form an index measuring future purchase intentions. Upon completion of the materials, participants were informed that the product recall scenario was fictitious.

4.2. Manipulation check

In a question about the company, 130 participants in the study correctly identified the origin of the company (Chinese vs. American). The origin of the company was misidentified by 4 participants, who were excluded from the study.

4.3. Results

Purchase intentions was submitted to a 2 (Company: American or Chinese) by 2 (Power distance: high or low) ANOVA. This analysis revealed a moderately significant main effect of power distance on purchase intentions ($F(1, 129) = 3.44, p < 0.07$), but no significant interaction effect. Simple effects tests showed that there was a significant difference in future purchase intentions between the high and low power distance groups (High $M = 3.77$, $SD = 1.35$; Low $M = 3.31$, $SD = 1.29$; $t(128) = 1.98, p < 0.05$). These results support [H1A](#).

4.4. Discussion

Study 2 replicates the findings of study 1 in a different country (China). The reaction of consumers to a CEO spokesperson during a crisis is more positive for a target audience that is high on power distance in terms of future purchase intentions when compared with

² As with study 1, the median split was considered to be robust based on the [Iacobucci et al. \(2015\)](#) recommendation.

a lower power distance group. This study also finds that the results are generalizable to CEOs of both domestic and foreign companies. Study 3 examines whether these findings replicate in a different type of product harm crisis.

5. Study 3 – product harm crisis in South Korea (chocolate)

The purpose of this study was to examine whether power distance plays a role in the reactions of consumers to the CEO as a spokesperson in a different product harm crisis involving people becoming ill after eating chocolate in South Korea.

5.1. Subjects, experiment design and procedure

Participants were 58 undergraduate students from a large private university in Seoul, South Korea. The average age was 22.48 and the participants were 59% male. A scenario depicted consumers becoming ill after eating chocolate candy (see [Appendix 1](#)), and was in the form of a newspaper article. This method of using hypothetical scenarios to investigate consumer reactions to product-harm crises has previously been used in the literature ([Van Heerde et al., 2007](#)). 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 procedure involves a series of back and forth translations of the scales from the original to the target language. The scales used in the study were first translated by a Korean-English bilingual to Korean and then independently examined by a Korean assistant fluent in Korean. Afterwards another Korean-English bilingual back-translated the scales into English. Finally, a third individual compared the back-translated scales with the original scales and found that the two versions did not differ significantly.

The research was conducted in a classroom setting. Participants were given an experimental packet including the scenario. After reading the scenario, participants were asked to complete a manipulation check for the spokesperson condition. Afterwards, a validated individual-level measure of power distance was administered ([Jung and Kellaris, 2006](#)). This seven-item scale showed good internal reliability ($\alpha = 0.82$), and was averaged to form an index measuring power distance. The participants were then separated into high and low power distance groups based on a median split. To measure the dependent variable of interest, a four item scale that was previously used in the literature for measuring future purchase intentions was included in the study ([Dawar and Pillutla, 2000](#)). These four items showed good internal reliability ($\alpha = 0.89$), and were averaged to form an index measuring future purchase intentions. Upon completion of the materials, participants were informed that the product-harm crisis scenario was fictitious.

5.2. Manipulation check

In an open-ended question, all of the participants in the study correctly identified the type of spokesperson (CEO).

5.3. Results

H1 predicts that when the CEO is the spokesperson during a crisis, future purchase intentions will be higher with a high power distance group when compared with a low power distance group. In order to test this hypothesis, both correlation and a *t*-test were conducted. We found that the correlation between power distance and purchase intentions was significant ($r = 0.348$, $p < 0.01$), reinforced by the *t*-test, which found purchase intentions for the high power distance group was higher ($M = 3.44$, $SD = 1.20$) than for the low power distance group, ($M = 2.71$, $SD = 1.18$), $t(56) = 2.33$, $p < 0.05$. **H1A** is therefore supported.

6. General discussion

The results from three studies in two Asian countries (China and South Korea) suggest that using a CEO as a spokesperson during a product harm crisis can impact consumers who have high levels of power distance. This result was replicated when different types of products were involved in the crisis (Chocolate and Laptops) and for CEOs in both domestic and foreign countries (study 2). In addition, we identified the process by which power distance orientation influences purchase intentions when the CEO is a spokesperson. When consumers have higher levels of power distance, they have more trust in the brand when the CEO is a spokesperson (study 1). The higher levels of trust in the brand generate higher purchase intentions for consumers with higher levels of power distance.

This paper adds to the literature on the impact of leadership strategies and follower value orientation ([Ehrhart and Klein, 2001](#); [Howell and Shamir, 2005](#)). Researchers have called for more attention to the effects of individual-level cultural value orientation on reactions to leaders ([Kirkman et al., 2006](#)), and this paper addresses that gap.

Previously, a linkage was established between the effectiveness of transformational leadership and power distance at the individual level. This paper examines the impact of power distance orientation in a new context (crisis management), and its impact on a different stakeholder (consumers), in two different countries (China and South Korea).

In addition, this paper adds to the literature on key individual differences that impact consumer reactions to a crisis. Previously the literature had identified factors such as gender, age and individualism/collectivism as variables that influence the reactions of consumers to a crisis (e.g., [Laufer and Gillespie, 2004](#); [Silvera et al., 2012](#); [Yoo and Donthu, 2005](#)). This study adds another one to that list, and suggests that power distance also influences the reaction of consumers to a corporate response to a crisis (use of a spokesperson).

From a managerial perspective, consumer groups within a country can differ in terms of power distance orientation. For example, Hispanic consumers in the United States rank higher on power distance orientation than the general population (Santisteban et al., 2013). Based on our findings, a company facing a crisis involving a target market of primarily Hispanic consumers should consider using its CEO as a spokesperson. In addition to the USA, other countries have populations with different ethnic groups that may differ in their power distance orientations as well.

An interesting area for future research is a cross-cultural study comparing consumer reactions to the CEO as a spokesperson in high and low power distance countries. This could have important implications for companies that operate in different countries and could suggest different levels of involvement of the CEO on a global basis. For example, China ranks relatively high on Power Distance and the United States ranks relatively low on this cultural dimension (Hofstede and Hofstede, 2001). If a cross-cultural study replicates our findings, it could suggest that the CEO of a multinational corporation should be a spokesperson during a crisis in China, whereas this may be less important in a low power distance country such as the USA.

Also, despite finding in our study that the results are generalizable to CEOs of both domestic and foreign companies, research on the topic of consumer animosity suggests that this may be dependent on the origin of the foreign company. Klein et al. (1998) found that consumers' feelings of animosity toward a country can adversely influence purchase intentions. The sample in Klein et al.'s study were Chinese consumers living in Nanjing, China, and the products examined were from Japan. It is worth noting that Nanjing was the location of a massacre by Japanese troops in 1937–1938, and this historical event influenced consumers decades after the event occurred. In our study, the foreign company in the experiment was from the United States. It would be interesting to examine whether our results would replicate for a Japanese company in China. Perhaps consumers with high levels of power distance may react differently to a CEO from a country with high levels of animosity. Future research should examine this important issue.

Another area of research that would be interesting to examine involves the reaction of other types of stakeholders to the CEO as a spokesperson during a crisis. For example, do employees react differently during a crisis when the CEO is the communicator? In addition to consumers, employees of a company can have varying levels of power distance orientation which could influence their reactions to the CEO's performance as a spokesperson during a crisis. For example, Zhang and Begley (2011) found that Chinese employees of Chinese companies have higher levels of power distance orientation than Chinese employees of American companies operating in China. Zhang and Begley (2011) suggests that this occurs because employees are attracted to companies that share their values. As previously mentioned, the USA ranks low on power distance, so low power distance workers are drawn to American companies. Based on the findings from our studies, we would expect that the CEO of a Chinese company would be a better choice as a spokesperson during a crisis in China than a CEO of an American company operating in China because workers in Chinese companies have higher levels of power distance.

Finally, we found support for partial mediation between power distance orientation and brand trust. What other mechanism could be influencing the relationship between power distance orientation and purchase intentions? Future research could try to identify this.

This study has a number of limitations. First, including a manipulation check involving the type of spokesperson right after the manipulation may have created a demand artifact. Second, studies 2 and 3 did not manipulate the type of spokesperson, and only examined the CEO condition. Therefore, consumers high in power distance orientation could be more sensitive to crises, or more likely to purchase these particular products, than consumers low in power distance orientation, independently of any effects of the CEO as a spokesperson. However, it is worth noting that study 1 manipulated the type of spokesperson, and the findings were consistent with studies 2 and 3, and supported the hypotheses regarding the impact of the CEO spokesperson on consumers with high levels of power distance.

The findings from this study suggest that a company should not exclusively focus on the message in its response strategy. The choice of the right communicator can also have important implications which can help a company minimize the damage resulting from a crisis.

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Appendix 1

Voluntary recall of chocolate candy announced by CEO of Lotte

The CEO of Lotte announced a voluntary recall of the company's Korean-manufactured chocolate candy after a number of consumers complained of severe upset stomachs after eating the company's brand purchased in that country. It is unclear whether the cause of the illness is the company's brand. The CEO mentioned that the cause of the severe upset stomachs could be related to factors other than the company's products, such as food allergies. The CEO also mentioned that the product recall is precautionary, and there is no evidence yet establishing a direct link between the company's product and the consumers' stomach aches.

In addition to the company's actions, the Consumer Protection Agency announced that it will open an investigation by interviewing company employees as well as consumers in the coming weeks.

Recall announcement from (the CEO of) REX Corporation

We have identified a potential problem associated with batteries in REX laptops. In certain instances the batteries can overheat. As a result we are voluntarily recalling the batteries in all REX laptop models in order to fix the problem.

In order to receive a replacement battery please remove the battery from your laptop and bring it to the nearest REX certified retail store.

We apologize for the inconvenience caused by this issue. If you have any questions please feel free to contact us through our website at www.REX.com.

(Sincerely, John Smith (the CEO), REX Corporation.)

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