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Crisis Management: Authenticity and Brand Essence

Is the Prattfall Effect Applicable to Brands?

By:

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Abstract

Purpose: This paper aims to investigate if the Pratfall Effect, previously used in human psychology, is applicable to brands and to further understand the different outcomes between companies experiencing crises.

Design/methodology/approach: This paper is an explanatory research paper, which has been used to study a number of companies in order to introduce them to our newly developed model. A qualitative and inductive approach was used in order to help us investigate a total of four companies through case studies.

Findings: Through our case studies we have been able to classify four different companies in our BCSR-model. Out of these four, two indicated the occurrence of either positive or negative pratfall effects.

Research limitations/implications: Time was a factor when constructing our research; therefore, only one primary source of information has been used. Since no prior research has been produced in this area, more research is necessary in order to discover if our BCSR-model is applicable and if a Pratfall effect exists on brands.

Practical implications: All companies will most likely face crises in one way or another during their lifetime. By using our BCSR-model companies are able to gain a better understanding of their brand in terms of how vulnerable they are if crises were to occur.

Originality/value: A lot of research within crisis management is currently available, but when it comes to linking brand crisis management to the Pratfall Effect this paper is the first to link these to ideas. The BCSR-model presented in this paper is the first of its kind and no similar models were available prior to this study.

Keywords: the Pratfall effect, Crisis Management, Competence, Authenticity, Brand Essence, the BCSR-model.

Paper type: Research paper

Introduction

The concept of branding has a vast history in the existence of humanity and can be traced to as far back as 2000 B.C. In the early days, branding was a way to separate “mine from yours” (Mollerup, 1999). Brands have gone from being a mere sign of ownership, to being one of the main focuses for most companies. Problematic situations and even crises will most likely occur during the lifetime of a company and a brand, no matter how risk-adverse and prepared the company is.

Take the brand of the late John F. Kennedy as an example. In 1961, during his first year in office, the President signed off on an invasion of Cuba, named “The Bay of Pigs”. The ultimate goal of this invasion was to overthrow the Communist leader Fidel Castro, but it failed miserably and was later dubbed “The Bay of Pigs Fiasco”. One might assume that the brand of John F. Kennedy would be severely hurt after this incident, but an interesting scenario followed. In polls following “The Bay of Pigs Fiasco” the high popularity of the President did not decrease - it increased (Aronson, 2012).

The case of John F. Kennedy paved the way for a new theory within psychology called “the Pratfall Effect”. Elliot Aronson (2012), the creator of the theory, has proven that people like John F. Kennedy, who are considered as competent and almost “super-human,” can benefit from smaller mistakes, since this dehumanizes them and makes them less threatening and more likeable by others. The same goes for people who are considered to be incompetent or mediocre, but the other way around. Richard Nixon, another American president, also made a vast mistake in what has been dubbed as “the Watergate Scandal”. Unlike his predecessor, Nixon did not gain any popularity by his misstep but was forced into resignation (History, 2009). Mistakes are therefore costly for some, but profitable

for others. The pratfall effect is argued to make an individual seem more human, and thus more likeable after public pratfalls (Aronson, 2012). Since a brand is argued to have human personality traits (Kapferer, 2012), the same could apply for brands (Aaker, 1997).

The similarities between brands and people are well known within the field of marketing, and began with Jennifer Aaker’s article “the Dimensions of Brand Personalities” from 1997. Aaker (1997) managed to create a framework in which companies could be classified into five different personality dimensions. The personality trait “Competence” is included as one of five dimensions in this particular framework. The existence and connection of the personality trait of “Competence” between humans and brands is the foundation of this study. In addition to Jennifer Aaker’s paper, competence as a factor is also discussed in a paper by Stephen Greyser (2009). According to Dr. Brad Rawlings (as cited by Greyser, 2009) competence is one of three factors that creates trust, and in the long run authenticity of a company. This is of major relevance since “...trust and authenticity goes hand in hand” according to Greyser (2009). The paper by Greyser concludes that companies with a high degree of authenticity are more likely to handle the most severe of crises that, in his own words, “threatens the very essence of the brand” (Greyser, 2009). The authors of this paper aims towards studying the possible advantages of being a firm with a “competent” personality trait and; therefore, being seen as an authentic company, as well as the dangers of not having this same personality when a crisis to the company’s “brand essence” emerge. Is there such a thing as a “Kennedy-company” or a “Nixon-company”? And if so, what kind of an impact does this have on brands in crisis situations?

Problem Formulation

The existing research within crisis management shows how crises occur, and how they are to be handled. However, it does not explain why the outcomes differ so vastly from company to company. The authors of this paper are under the opinion that a term within personal psychology, known as the Pratfall Effect, could help explain this enigma. This effect is yet to be applied to brands, which leaves a gap in need of being filled within the existing studies of brand management.

Aim

The aim of this paper is to research “the Pratfall Effect,” and relate it to companies’ brand strengths during times of crisis. Taking competence, one of Aaker’s dimensions of brand personalities, and authenticity as described in Greyser (2009) as measuring tools we aim to investigate how a crisis that is closely related to a brand’s essence affects the brand and the outcome of the crisis.

By Analysing different companies and cases of crisis management we place these companies into our model, the Brand Crisis Severity Rating model. Using this model we hope managers are able to analyse the strength of their brand and determine if they are a “Kennedy”-company or a “Nixon”-company so they are able to prepare themselves and build strong guidelines for handling and understanding different crisis’s as they come along.

Methodology

This report will be an explanatory research report since we will try to find explanations for why different companies are more affected by crisis than others. According to Bhattacharjee (2012) explanatory research is well suited when trying to answer why and how types of questions, and when one tries to find

explanations of observed behaviours, problems, or phenomena.

When conducting a research study, it can either be a qualitative or quantitative research, or a combination of them both. Bhattacharjee (2012) refers to qualitative in terms of observation and interviews, while a quantitative research deals with metrics and numerous scores and values one could measure. A mix of the two is argued to be helpful in complex situations when there is not enough information to gather in either type of data alone.

Heaton (1998) argues that a secondary analysis of primary data could further strengthen previous knowledge and findings in a particular area of research, as well as it can apply a new perspective to previous research issues. A secondary analysis may also be a good choice in situations when trying to do research on a population, on specific persons, or difficult to access (Fielding, 2004). For this research it would truly be hard to get in touch with the right persons at multinational corporations in the time available for this paper.

Furthermore, a scientific research may either take an inductive or a deductive form. In the former one should infer theoretical patterns and concepts from observed data, hence the inductive approach is called theory-building research. This since the goal is to try to strengthen previous theories, or extend them to new applicable situations. With the deductive approach the purpose is to test, with the help of stated hypothesis, known patterns and concepts in theory using new empirical data. The goal of this approach is not solely to test a specific theory, but rather to try to improve and extend it (Bhattacharjee, 2012).

In this report the authors opted for a qualitative and inductive approach since being appropriate for the purpose of this

research. To gather and make a secondary analysis of primary data collected, using qualitative methods in the area of this paper, the authors hope to contribute with new insights in the literature of crisis management for corporations, as in line with Heaton's (1998) arguments. An inductive approach is also argued to be more appropriate and valuable when there are few contradicting theories in an area (Bhattacharjee, 2012), as the authors of this paper believe there are, especially when it comes to the pratfall effect. It also allows one to generalise from observations and build on existing theories.

When we began our research we choose to focus on four different companies. We selected companies on the criteria's that they are operating internationally and that they have been in some kind of a corporate crisis during recent years. We wanted to study how big of a crisis they were in and whether it affected their brand essence or not. This would support our analysis about crisis management and which parts are crucial in a crisis management situation. An interview was also held with the CEO of a Swedish crisis management company in order to further strengthen our arguments and support our findings.

We gathered our secondary information with the help of online databases, for example LUBsearch and Google Scholar. Through the information gathered, through our case studies, and with the help of the interview, we were able to develop a model in which one could see how different scales of measurements affect a firm's outcome in a crisis situation. The model consists of two axis', which makes it possible for one to see how the different measurements affect a firm during a crisis.

Theory

Corporate Brand Reputation and brand crisis management

In the article by Greyser (2009), the author discusses the different attributes and key factors that determine the effect of a crisis on a company and its brand. Through studying companies that have experiences some sort of negative crisis, both internal and external, the author discusses the different types of crisis and how they can affect the brand. "Reputational troubles can come in many forms, from a wide variety of causes and from many publics." (Greyser, 2009, p.591). The author outlines that any situation that threatens the "essence of the brand" or those that are most closely associated with the brand's meaning can and will be the most impactful on a company or organization. If a crisis doesn't directly affect the brand, then the crisis can be overcome. Companies and organizations must act quickly to discover and properly analyse the crisis (Greyser, 2009).

Through studying many different case studies, Greyser (2009) has found that active communication and credible responses are the two most important behaviours and actions that can rebuild and re-establish trust. Companies should make communication a priority in helping to build and sustain their organizations. Effective communication is essential in rebuilding and recreating trust. Another key aspect to communication is credible communication. Companies that overstate or over promise in their communication will build distrust with consumers and users. People accept some level of exaggeration in advertising but it is important to remain credible in your communications. As mention by Greyser (2009), Dr. Brad Rawlins breaks down trust into 3 components. They are, integrity, goodwill, and competence. Companies have to portray these 3 important aspects of trust to remain

trustworthy in the eyes of society. “Trust in an organization, in my view, is a product of its performance, behaviour, and supportable communications, and is a foundation to authenticity and reputation” (Greyser, 2009, p.596)

Authenticity is another key aspect for any organization. In the author's opinion, “perceived authenticity and a positive reputation go hand in hand” (Greyser, 2009, p. 596). There are 4 key aspects to authenticity; being authentic, talking authentic, staying authentic, and defending authenticity. Being credible and authentic are at the core of protecting a company from brand reputation issues. The way a company has chosen to communicate, both in past and present, will determine its success, or failure, in a crisis situation. Greyser (2009) then gives his suggestions on how a company should react and prepare itself if a crisis situation comes up.

“In the face of crisis, when it is rooted in a problem that is or will become visible, I believe an organization should admit the truth, even if embarrassing. Also, it should forthrightly try to address the problem, even if it involves changing corporate behaviour. And it should support the initiative with credible communication” (Greyser, 2009, p. 598)

Sensible companies are forthright in their communication and act appropriately depending on the situation. If some sort of communication comes out that is actually false, the company must quickly correct the situation and speak the truth. By doing this, they show people that they are reliable and that no matter what, they will always speak the truth. Consumers and society can then trust this company to be reliable and credible (Greyser, 2009).

Not all crisis situations or reputational problems will affect your brand. It is important to analyse the situation and evaluate if it affects the essence of the

brand. In situations where there is a reputational crisis, “focus on forthrightness in communication, and on truly substantive credible responses in behaviour” (Greyser, 2009, p. 600). Being truthful is always the best route to take. Companies that are seen as manipulative are quick to build distrust. Lastly, “a corporate brand is as wide as the organization, the CEO is the ultimate guardian of the corporation’s reputation” (Greyser, 2009, p.600) If companies can follow these suggestions given by Greyser (2009), they will build tools to handle reputational crisis in a very effective manner.

The Dimensions of Brand Personality

In 1997 the social psychologist Jennifer Aaker identified a void in the existing research of brand personalities and primarily a lack of tools to measure the same. Aaker (1997) was under the notion that the large array of existing research in human personality could be used on brand personalities as well. She based this hypothesis on earlier research within market psychology, which had proven the existence of congruity between human personality and brand personality (Aaker, 1997).

This hypothesis was the starting point of what would later become the widely known research paper called “The Dimensions of Brand Personality”. Aaker (1997) successfully filled a gap in the existing research by creating a framework that, much like the human personality framework commonly known as “the Big Five”, gives practitioners a tool to evaluate and understand their existing brand personality or intentionally create a brand personality of their choice. The framework, which was created through the measurement of consumer experiences, ultimately led to the emergence of the following five separate dimensions of brand personalities:

- Sincerity
- Excitement

- Competence
- Sophistication
- Ruggedness

Brands exhibiting the first dimension named *Sincerity* are, according to Aaker (1997), brands that embody traits such as; honesty, cheerfulness and wholesomeness. In addition to this they are perceived as being down to earth.

The second dimension, *Excitement*, incorporates personality traits such as; daring, spirited and imaginative. In accordance to these traits, excitement brands are often seen as “up-to-date” by the consumers.

Thirdly we find *Competence*, which consists of brands that are regarded as being reliable and intelligent, and these brands are also seen as successful in the eyes of the consumers.

The *Sophistication* dimension consists of companies that are, according to Aaker, charming and are often connected to “upper-class”.

The last dimension among the five is *Ruggedness*. These brands are considered to have an outdoorsy and tough persona.

This paper will focus on the *Competence* dimension of Aaker’s framework since this very personality trait is the basis of Aronson’s (2012) “the Pratfall Effect”.

Primary data

Interview

An interview was held with Lars-Ove Wennblom, CEO of Crisis Management Academy, which is a Swedish crisis management consultant firm. The interview was conducted in order to strengthen the analysis, as well as the validity of the study, and get insight from someone with practical experience in the

area. The interview will be found in *Appendix 1*.

Empirical Results

In the following section the empirical results, generated by analysing a number of companies, will be presented in the form of a case study. In order to obtain these results we have chosen to analyse a total of four different companies, based on two main criteria; they operate internationally and have had issues with some sort of scandal in recent years.

According to our findings, competence and authenticity go hand in hand. In Aaker’s (1997) *Dimensions of Brand Personality*, Competence has to do with being intelligent, successful, and reliable. In Greyser’s (2009) article, authenticity is all about being honest and truthful. Acting and communicating in a way that is genuine and building a reliable track record over time builds strong authenticity, which builds reliability. You are seen as a reliable company if you are able to successfully build a strong reputation over time and organizations do this by being reliable, intelligent, honest, and truthful. Competence and authenticity are two concepts that are directly related and work together to build strong organizations; therefore, we will see them as one dimension of measurements, which the authors will call authenticity. The section starts with a brief presentation of each company, along with an analysis regarding our two main factors; authenticity and brand essence.

BP

BP is one of the world’s leading international oil and gas companies providing customers with fuel, energy, lubricants, and petrochemical products. BP operates in nearly 80 countries and has 84 500 employees worldwide (bp.com, 2015). BP has five core values that they are trying to work towards, they are: safety, respect, excellence, courage, and one team.

Furthermore, the company strives toward sustainable success in order to act in the long-term interests of its stakeholders, and the company wants to be a good employer and a responsible corporate citizen (bp.com, 2015).

BP faced a huge crisis in 2010 when on April 20th a surge of natural gas blasted, which led to an explosion on one of its rigs in the Gulf of Mexico. The explosion killed 11 workers and the rig sank two days later, causing an enormous oil spill, with up to 60 000 barrels of oil per day leaking into the water for a long time (Pallardy, 2015). This was a huge environmental disaster, which led to damage on BP as a company and its corporate reputation. The corporate damage was so big after the crisis, that it threatened the very existence of the company (Kimberly, 2010).

This did not get better in the way the BP management handled the situation in the beginning. The company failed to empathise with the ones most affected by the spill, those whose livelihoods were threatened and the families of those who lost their lives at the rig. This created an outrage towards the company and the way it handled the situation made the crisis much worse (Kimberly, 2010). Further the CEO at the time, Tony Hayward, which previously had held speeches about how BP should focus more on safety, did not act in an authentic and truthful way. In the early days of the oil spill his performance was argued to be “tone-deaf” (Walsh, 2010), which followed by some downright stupid quotes. For example he argued in the beginning that the oil spill was relatively tiny since in relation to the total water volume the amount of oil leaking into the water was tiny, and that the environmental impact will be very modest, which was horrible to say after the worst offshore oil spill in U.S. history (Walsh, 2010). In total 4 million barrels of oil gushed into the sea (Trotman, 2011).

However, 5 months after the incident, former American BP executive Bob Dudley replaced Hayward as CEO. Dudley apologised for the incident several times, and was clear in the way he wanted to change the company in order for it to survive. Safety was now more important than profit and he wanted to change the corporate culture in this way (Trotman, 2011). BP managed to survive due to this, and five years after the incident, BP has spent \$44 billion paying claims, cleaning up the water, and on innovations to make its operations safer (Resnick-Ault, Zhdannikov & Wade, 2015).

According to CEO Dudley, the company has now become a stronger, safer, and better performing company (Offshore Energy Today, 2015). However, the company has still suffered heavily due to the crisis. This can be exemplified by their shareholder value, which at its worst declined by 55%. They have recovered over the years, but have had an average that is 27% lower than before the incident (Marketrealist, 2014).

Walmart

Walmart is an international discount retailer. The firm started with one store in the United States and has grown to service over 260 million customers each week through their 11,500 stores in 28 countries (Walmart, 2015). Walmart has 4 values that are at the core of its business practices. They are: Service to customers, Respect for the individuals meaning customers, associates, and the community, Strive for excellence, and Act with Integrity. Integrity is all about being fair and honest (Walmart, 2015.) The former CEO, Mike Duke, said that integrity is the “bedrock” value and that there is no grey area between right and wrong (Walmart, 2012).

One of the main values for Walmart is about treating employees with respect and giving them ample opportunities for progress within the company (Walmart,

2015). As stated earlier, integrity is at the core of Walmart's values and they strive to be fair to their employees. This idea of treating employees fairly has been at the centre of a lot of negative press surrounding the company. Wal-Mart has faced a staggering amount of lawsuits regarding mistreatment of employees. In 2008, Wal-Mart said "it would pay at least \$352 million, possibly far more, to settle lawsuits across the country claiming that it forced employees to work off the clock" (Greenhouse & Rosenbloom, 2008). In 2011, One and a half million women charged Walmart with unfair treatment, which was later dismissed (Goudreau, 2011). But In 2012, approximately 2000 women filed cases against Walmart claiming unfair treatment when it came to pay and promotions. Charges were filed all over the United States. According to one attorney for the women;

"The fact that charges were filed in every single Walmart region in the nation demonstrates the widespread and pervasive nature of Walmart's pay and promotion discrimination against its women employees" (Hines, 2012).

There is cases after cases where Walmart has had to pay out million after million to employees that have been mistreatment in one way or another. Walmart's philosophy and idea of keeping costs low, in all areas of operations, will not work anymore. People expect a certain treatment from employers. By not addressing issue head on and allowing this to go on for years, Walmart has gained one the worst brand reputations. This lead to a situation where sales were not growing.

" The company is scraping for every dollar of sales it can get. slow sales have resulted in Wal-Mart's stock going sideways for five years, a harsh situation for investors long accustomed to outsized returns" (Gogoi, 2006).

It has suffered stagnant profit growth and is facing even more competition from companies like Amazon and Costco; just two of the many companies that have experienced continual growth in the retail market.

Mike Duke was replaced by Doug McMillon as CEO of Walmart in late 2013 (Gabbatt & Moore, 2013). According to Fortune Magazine, McMillon has made steps to reviving Walmart (O'Keefe, 2015). McMillon promised to raise wages, which seemed like a victory for employees, but it came with a lot of stipulations. There is still so much scepticism surrounding Walmart. According to a Bloomberg article, while some employees did receive raises in 2015 a lot didn't, and a lot had hours cut to keep costs in check (Pettypiece, 2015). The brand image of Walmart is so damaged that they are going to need to start taking more and more positive steps and act quickly in order to get on the road to fixing their reputational issues.

Volkswagen Group

Volkswagen Group is the world's leading automobile manufacturer, delivering over 10 million vehicles per year to customers. Volkswagen Group operates in 119 countries and has nearly 600 000 employees. The Group comprises of twelve different brands, such as Volkswagen Passenger Cars and Porsche and each brand works as an independent entity and has its own character. The Group's focus and core values are to offer safe, attractive, and environmentally sound vehicles. Further, ethics is part of its corporate culture, and the company advocates honest and honourable behaviour (Volkswagen Group, 2015).

Volkswagen Group is right now in a crisis so big that it threatens the corporation's existence. The crisis is due to recent findings over its rigging of diesel engine emissions tests. They had installed software to make the emissions seem less

than they actually were, while on the road the cars could pump out as much as 50 times the allowable level of nitrogen oxides. As many as 11 million cars worldwide are affected, ranging from its brands Volkswagen Passenger Cars to Audi, Skoda, and Seat (CNN Money, 2015). This is, of course, completely against everything the corporation stands for in terms of being environmentally friendly and honest. Further, the company's stock price crashed immediately and a quarter of the company's market value has been wiped out showing how heavy this crisis is for the corporation (CNN Money, 2015).

In the first few days after the scandal was leaked, the corporation and the management did not take direct responsibility for it. For example, Michael Horn, CEO of Volkswagen Group of America, blamed the engineering department and claimed that no one in the senior management made any decisions about it (CNN Money, 2015). The CEO of the entire Volkswagen Group at the time, Martin Winterkorn, resigned a week after the scandal and he publicly accepted responsibility for the scandal, but said that he had no knowledge about the manipulation (Thompson & Liakos, 2015).

A new CEO was appointed, Matthias Müller, previously head of the Group brand Porsche, and he immediately started to work towards a new strategy. He wanted the company to be more transparent. Müller also changed it from a centralised organisation to a decentralised one so that every big decision is not made at headquarters in Wolfsburg, Germany (CNN Money, 2015). On the Volkswagen Group website, they make it clear that they will "leave no stone unturned" within this matter, and that they will do everything they can to make right for themselves (Volkswagen Group, 2015). Volkswagen, with a good past corporate reputation and consistently delivering on promises, has

apparently set aside \$7.3 billion for the scandal. This amount was set aside to cover the costs of recalls of cars, and to be able to withstand the criminal fines, which probably will total several billion dollars. Whether that will be enough to save the company or not only time will tell (Thompson & Liakos, 2015).

IKEA

IKEA is a former Swedish retail company that is currently owned by a Dutch foundation called Stichting INGKA Foundation. The company runs 315 warehouses in 27 different countries with 147 000 employees and they offer a total of 9 500 products to its customers.

The IKEA values are in many ways described through its vision "To create a better everyday life for the many people" and in order to achieve this the company has created a set of seven values. These values are; Humbleness and willpower, leadership by example, daring to be different, togetherness and enthusiasm, cost-consciousness, constant desire for renewal, and accept and delegate responsibility. All of these values are, according to the company website, equally valuable and are kept consistent in all of the countries that IKEA operates in (IKEA, 2015).

In 2012, many of these seven core values were breached in one way or another. In addition to not meeting these values the company took a large leap away from what could be considered the most important "brand essence" of IKEA as a whole - its Swedishness.

In October 2012 the free Swedish newspaper "Metro" launched a story featuring the differences in the layout of the highly appreciated IKEA-catalogue between Sweden and Saudi Arabia. At first glance, both versions of the catalogues were more or less identical. But when taking a closer look, there was one major difference between the Saudi Arabian

version in comparison to its Swedish counterpart. The Saudi Arabian version did not feature any women (Metro, 2012). The fact that there were no women in the Saudi Arabian catalogue did most likely not come as a “big shock” to the Saudi consumers, since the gap in equality between women and men in this particular country are vast (Humans Rights Watch, 2013). In the West, on the other hand, this cosmetic altering of the layout did not sit well with the previous notions about the company. IKEA, with its yellow-blue logo and “democratic design”, has in many ways become synonymous for Sweden outside of its borders. At the same time Sweden is considered to be one of the most gender equal countries in the world (BBC News, 2013). The connection between IKEA, Sweden, and gender equality was materialized by the Swedish equality minister Nyamko Sabuni (2012, which is cited by Quinn, 2012):

"For IKEA to remove an important part of Sweden's image and an important part of its values in a country that more than any other needs to know about Ikea's principles and values, that's completely wrong."

Once the news about the catalogue went viral, IKEA acted rather promptly by sending out a press release apologizing for distancing themselves from their values. “We should have reacted and realised that excluding women from the Saudi Arabian version of the catalogue is in conflict with the IKEA Group values” (the Guardian, 2012). Then, in the 2013 years catalogue, the women were reintroduced (Metro, 2013).

As described above IKEA’s Saudi Arabian catalogue mishap stood in direct contrast with its core values. It therefore had the potential to hurt the “brand essence” of IKEA as a company. However, when looking into the revenues of the company between 2011 and 2015 the company has shown an increase in revenue every single

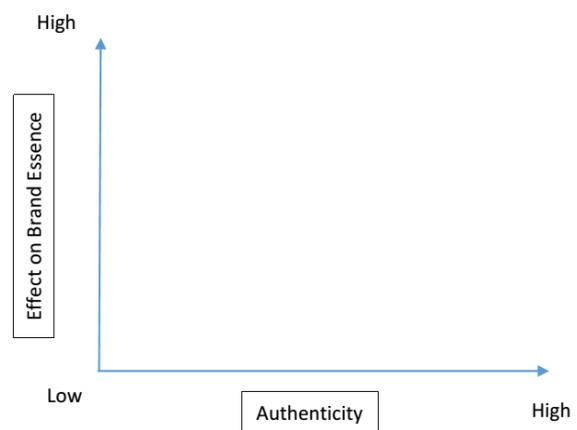
year and it has increased from 25.2 billion euros in 2011 to 29.7 billion in 2015 (IKEA, 2015).

Analysis

In the analysis we will connect theory and our case study findings in order to see how relevant the dimensions of authenticity and brand essence are in a crisis management situation. When discussing brand essence, the authors will study how each crisis situation is related to the company's brand essence and the effect that the crisis had on the brand essence. To measure this in a visual way, the authors of this paper have come up with a model to measure how important it is for companies to be authentic in a crisis situation.

The model will consist of two different axis’, measuring low to high authenticity and effect on brand essence.

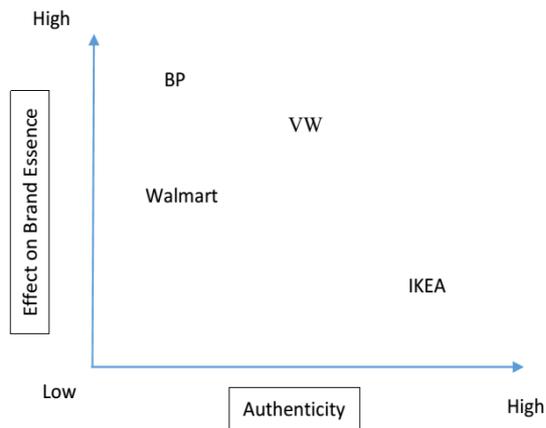
The Brand Crisis Severity Rating Model (The BCSR Model)



Model 1. The outlines for the BCSR-model

Through the analysis of the case studies, it was found that these two dimensions are related in a crisis situation. This will be further exemplified in the following sections, showing how the BCSR-model is being put into use.

The Brand Crisis Severity Rating Model (The BCSR Model)



Model 2. The case studies in relation to the BCSR-model

BP in Relation to the BCSR-Model

The corporation did not take responsibility immediately after the crisis, and since Greyser argues that the corporate brand is as wide as the organisation, the CEO is the ultimate guardian of the a company’s reputation and his actions are crucial in a crisis situation. This is further strengthened by Wennberg’s arguments that it is the people within the company that contributed to how strong a brand is. In the eyes of the stakeholders, Hayward’s actions were most likely seen as unintelligent and unreliable, which in the long run created a company lacking the “Competence” personality trait. Furthermore, BP breached one of its core values in terms of safety, since a total of 11 BP-workers lost their lives due to the incident.

These factors combined severely hurt BP’s authenticity and therefore enabled the crisis, which affected the firm’s brand essence, to hurt the company in a way that endangered its very existence. Not being seen as an authentic company before the crisis, in combination with a severe crisis, lead to a larger impact on the organization’s brand image. This is shown by their large loss in value of their shares.

Based on these facts, BP has been placed in the top left corner, which signifies a high effect on brand essence and a low amount of authenticity.

Walmart in relation to the BCSR-model

Walmart as a company has been resistant to change, which has led to continual issues with brand reputation. By not dealing with the numerous court cases they gained one of the worst brand reputations. Another reason the issues were so devastating is because the issues directly affected the brand essence. The task of rebuilding was in the hands of the CEO, which is in line with the ideas from Greyser. Walmart was not realistic about their core values. On one hand they wanted to keep their value of cheap low cost everything, but on the other hand they had the values of integrity and respect for associates. They were not true to their core values and were misleading to the public. Two of their main core values, respect and integrity, were seen as a complete lie. They did not respect their employees and this led to a mistrust from the employees themselves and the general public.

Over the years of not handling these issues, they have compromised their authenticity. Walmart has in fact brought a severe crisis upon themselves, which could be one of the main factors that have led to their stagnant shareholder value. While other retailers have grown around them, Walmart has suffered non-existent profit growth and has had to deal with constant negative press.

Based on these findings, Walmart has been placed the middle, left quadrant. The reason for this placement lies within the fact that their crisis wasn’t as severe as BP’s but still has a hugely negative effect on their brand essence. If Walmart does not address these issues immediately it could potentially threaten their very existence as a company. In terms of authenticity, they are currently holding a

similar position as BP, due to Walmart's breach of their core values.

Volkswagen in relation to the BCSR-model
Volkswagen Group, previously seen as an authentic company with a good reputation, broke some of their most important core values when misleading customers about car emissions. They directly did not act in an honest or honourable way, and their actions had direct impact on the environment. Furthermore, by not acting authentic and not taking responsibility right from the beginning, led to an even more severe situation. Both Greyser and Wennberg argue that it is crucial to admit the truth and take responsibility for your mistakes.

Volkswagen Group is placed in the middle of the authentic scale because they had such strong authenticity before the crisis, but their actions in the initial stages of the crisis affected them more negatively. In comparison to Walmart, they have now acted and taken full responsibility for their wrongdoing; thus, they are considered to have stronger authenticity. In terms of brand essence, they are placed high because what they did was in direct opposition of their core values. This situation actually threatens the existence of the corporation.

Since the crisis is so recent, how Volkswagen group will act in the future is unknown to some extent. According to Greyser and Wennberg, the Group's future is dependent upon fulfilling their promises and acting in an authentic way. Whether Volkswagen Group lives up to their promises, or not, will impact its position in the BCSR-model.

Since the crisis is so recent, and the effect on its brand essence and corporate reputation is so severe it is hard to predict an outcome. It still doubtful whether the company will survive this crisis; however, due to its previous high reputation Volkswagen Group is placed where they

are on the authenticity scale. In accordance to Wennberg's thoughts about the situation, the authors of this paper believe that the company will survive the crisis if the management and the people within the firm act in a competent way.

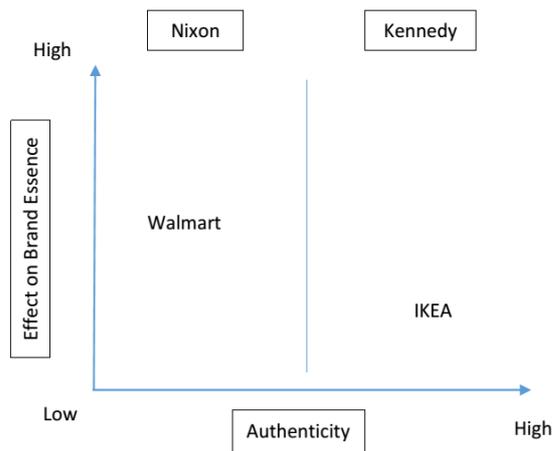
IKEA in relation to the BCSR-model

Similar to the Volkswagen Group, IKEA also has a vast history of being considered authentic. IKEA broke some of its core values with the layout of the IKEA catalogue in Saudi Arabia, which generated a lot of bad press towards the Swedish retailer. Since the core values of the company were affected the incident had the potential to hurt the brand essence of the company in accordance to Greyser, but this is where the IKEA case differs from the others. The crisis did not appear to hurt the company's authenticity in the end. Since IKEA is a privately held company no information about their share value is available, but glancing upon their revenues from 2011 and 2015 indicates that the company has not suffered from the crisis, rather the opposite.

Due to the fact that IKEA handled the situation in an authentic way and handled it in accordance to its reputation, they were able to minimise the damage. Compared to Walmart, IKEA dealt with this issue from the beginning, which is crucial according to Greyser and Wennberg when it comes to successful crisis resolution.

Based on these facts IKEA has been placed in the bottom right corner of the BCSR-model, since it still hold high levels of authenticity. The crisis in itself was connected to IKEA's core values, but by handling it correctly, it never affected their brand essence to a vast extent.

The Brand Crisis Severity Rating Model (The BCSR Model)



Model 3. the Pratfall effect in relation to the BCSR-model

BCSR-model in relation to the Pratfall Effect

Both BP and Volkswagen suffered such major crisis that the authors of this paper have decided not to include them in this segment of the paper. In addition to the nature of their crisis, the Volkswagen case is still too recent to fully predict outcome wise. If a company's effect on brand essence rating in the BCSR model is too high, the effect is too severe to analyse if there is a pratfall effect, since there is no possibility to end up "on top" in the short term.

Based on the above analysis, it is determined that Walmart could be considered a "Nixon"-company and IKEA would be considered a "Kennedy"-company. These two companies had some sort of a pratfall effect. One could argue that Walmart is seen to have low authenticity and thus suffered a negative brand reputation. Because they were seen in a negative light by society, any crisis or issues Walmart has will be seen as even more negative. If Walmart makes a mistake, it just reconfirms people's thoughts about their brand identity and reconfirms the negative image that a person had in their mind.

In the case of IKEA the authors see the opposite effect and find that IKEA shows the characteristics of a "Kennedy"-company. This is due to the fact that the company had a crisis aimed directly towards the very essence of its brand, but in the end the firm did not show any signs of getting hurt by this incident. One could argue that IKEA is seen as "super company" (much like John F. Kennedy was seen as a "super-human") and that crises like the one described in the analysis only strengthens the brand in the end. One of the main reasons for IKEA enjoying this kind of privilege is their consistency in handling situations like the one depicted in the case study. IKEA uses a straightforward approach where they, in accordance to Lars-Ove Wennberg's recommendations, "put everything on the table from the start...". This has most probably enhanced the public confidence towards the Swedish retailer and generated a high-perceived authenticity, which acts like a safeguard towards their brand essence.

Conclusion

Since there is no prior research, to our knowledge, regarding the connection between the Pratfall effect and brands, this study and the BCSR-model generates a new way for managers to analyse their companies and prepare for possible crisis situations. Organizations could use the BCSR-model to chart and analyse their position and gain a better understanding of their vulnerability. In addition to this the study further strengthens prior research within the field of crisis management made by Greyser with the importance for companies to act authentic.

In conclusion our study indicates that "Kennedy"-companies, such as IKEA, are better prepared to handle a crisis situation, in comparison to "Nixon"-companies such as Walmart. The "Kennedy"-companies

should merely focus on retaining their high authenticity. Companies, such as Walmart on the other hand, should put a lot of emphasis on rebuilding their authenticity in the future in order to not cause further damage upon their brand.

It is also important to mention that no company is “untouchable” in terms of crisis situations. The Volkswagen Group used to be seen as a “Kennedy”-company, but because of their actions and the severity of the crisis have drifted toward being a “Nixon”-company. Even if the company is highly authentic, a severe crisis or a crisis that is closely tied to a company's brand essence will affect them negatively. If IKEA had a crisis that was too negatively linked to their core values, it would hurt their brand and their authenticity rating.

Implications and Recommendations for Further Research

Since being the first research within this particular area, further and more extensive research needs to be done. In order to fully realise whether the Pratfall Effect could be applicable to the outcomes of crisis situations, more research has to be conducted in to the connection of Pratfall and brands. Since the theory is psychological and takes individual's into consideration, evaluating individual's thoughts and feelings about a company before and after a crisis would be necessary. Furthermore, it cannot be said for certain that there is a Pratfall Effect in the cases of Walmart and IKEA, even though our research points towards that.

There is no previous research relating these concepts; however, the theories used are applicable to crisis management and the authors hope to provide a springboard for future research within the area.

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Appendices

Appendix 1

Interview with Lars-Ove Wennberg, CEO of Crisis Management Academy, 2015-10-08.

When asked about his background in crisis management Lars-Ove answered:

- “Around 2000-2001 I got a request from Stockholm School of Economics, since they had started with a concept within crisis management, called Crisis Management Academy, CMA. Focus was on leadership, communication and human reactions, which is the foundations of crisis management. However, they wanted to change the view of it, and focus more on the intangible assets like the brand, and the purpose was to educate people so they could see the differences in outcomes depending how you handled a situation. Since then we built on this, and I continued working with this as a consultant, and in 2011 I took over the operation and we acquired CMA.”

If you look at how consumers think about a company, whether it is liked or not, does that affect how you approach your work towards a solution?

- “What we do is that we try to help the management with working according to the company’s values, and how well prepared they are for certain situations. Authenticity is a big part in this, and that what they do, what approach they chose in a crisis situation, comes out as honest and believable. It is important that this is reflected outwards (towards the different stakeholders). A good image is built up inside the company, from the management, and trust is built when you see that a company is authentic and step up and take responsibility for its behaviour and mistakes. To admit a mistake can be tough for companies, but it looks very good outwards and people tend to think that ‘this could happen to anyone’, which could enhance the confidence towards this person or company. This way of handle a situation could also lead to credibility from media, employees and the union.”

So if a company is liked among its stakeholders, it can actually have a positive effect on the outcome of a crisis?

- “Yes, absolutely. If you have liked the company it has an effect on the outcome. Volkswagen now for example, you could tell the negative effect by such a conscious action, however, it was before that a liked company with a strong brand and good reputation, which I think will have an impact on the outcome. Thus, I think they will manage this crisis in the long run and get out of it.”

In your opinion, what strengths can a brand possess that has influence on the company as a whole in crisis situations?

- “Today, the brand is all about the individuals behind it, it is about the people. The brand is no longer just a sign, It is about how you as a company is perceived, and it is the people within the company that are behind all this. They are behind the visible parts of the company, the things people see. The management and the people are the company today, hence the forthrightness and the honesty is crucial, that is the strength today. The management is important, because It is all about how you handle the situations, you should put everything on the table from the start and be authentic. Very few people in the management today know the companies values about sustainability, and that is what we are trying to work with. IKEA for example, they have from the start focused on this and been successful in doing so. If something happens internally or with its products, they step up and resolves the issue directly, which gives a positive image.

When asked about if CMA have had a negative outcome with its work, Lars-Ove said:

- “We have not worked with a company that went under, and the success factors I think are that we have worked with honesty and to step up and say that ‘we did wrong’. This gives the company a good image in the end, and it also reduces the media pressure the company will face, which could create a bad view outwards.”

So in the end, companies with good reputation and image will be able to handle a crisis better than companies that do not?

- “Yes, for example you can look at IKEA again. Its whole structure is built on this, they have an attitude and spirit within the company, a corporate culture where everyone strives for the same outcome. They all wear the same clothes for example, no matter the position, and it is a completely different culture, which is positively reflected outwards.”

We also asked Lars-Ove about our choices of companies to work with and he argued:

- “They are good, yes! For example, we have already discussed IKEA and why they would be a good for your case.”