

ORIGINAL ARTICLE OPEN ACCESS

# Employee Perceptions of Crisis Spillover Risk: The Role of Perceived Crisis Severity and Corporate Response Strategies

Yijing Wang<sup>1</sup>  | Sabine Einwiller<sup>2</sup>  | Daniel Laufer<sup>3</sup>

<sup>1</sup>Department of Media and Communication, Erasmus University Rotterdam, Rotterdam, The Netherlands | <sup>2</sup>Department of Communication, University of Vienna, Vienna, Austria | <sup>3</sup>School of Communication Studies, Auckland University of Technology, Auckland, New Zealand

**Correspondence:** Yijing Wang ([y.wang@eshcc.eur.nl](mailto:y.wang@eshcc.eur.nl))

**Received:** 18 April 2025 | **Revised:** 21 April 2025 | **Accepted:** 23 April 2025

**Funding:** The authors received no specific funding for this work.

**Keywords:** corporate misconduct | crisis response | employee advocacy | employee perceptions | spillover effects

## ABSTRACT

While the spillover effect of crises is an emerging research topic in the field of crisis communication, little attention has been given to how employees perceive the risk of crisis spillover due to a corporate misconduct of another company. Employees are important stakeholders in an organization and closer to it than any other stakeholder group. Understanding employees' judgments of crisis spillover risk and response strategies helps to assess their advocacy behavior, which can protect the organization's reputation. This research addresses how perceived crisis severity and corporate response strategies affect employee perceptions of crisis spillover risk and their subsequent advocacy behavior. A pre-test ( $N = 181$ ) identified three types of corporate misconduct (overcharging customers vs. data leak vs. selling rotten meat) that are characteristic for the supermarket industry. These scenarios were used in an online experiment with retail employees ( $N = 300$ ) to examine the effects of two crisis response strategies (issuing a denial vs. no response) by a competitor supermarket for which they were asked to imagine working. The findings indicate that higher perceived severity of corporate misconduct correlates with an increased perceived crisis spillover risk to the industry. This perceived risk mediates the relationship between perceived crisis severity and the perceived spillover risk to an individual's own company. Furthermore, issuing a denial is perceived as more appropriate than offering no response, and it fosters greater employee advocacy behavior.

## 1 | Introduction

Crisis spillover risks refer to the probability that events in one organization may generate concern, uncertainty, or perceptions of harm for another organization (Veil et al. 2016). In the age of social media, the crisis spillover effect is particularly concerning due to the rapid speed at which a crisis can propagate from one organization to another (Mehta et al. 2020; Wang and Laufer 2024; Wang et al. 2024). When crisis spillover occurs, a company may become associated with a crisis affecting another organization, such as a competitor within the same industry. The negative consequences of

crisis spillover can be severe, as stakeholders often make assumptions of guilt by association (Laufer and Wang 2018). One example is the Volkswagen emissions scandal, during which the competitors of Volkswagen—BMW and Daimler—were associated with the crisis. Although no sign of wrongdoing was detected for any of the two companies, they were nevertheless accused of guilty due to their close link with the company in crisis (Bouzzine and Lueg 2020). This association arose from the perception of shared industry practices and the assumption that similar issues might exist across other companies in Germany within the same sector. As a result, stakeholders generalized the crisis to the broader

This is an open access article under the terms of the [Creative Commons Attribution-NonCommercial](https://creativecommons.org/licenses/by-nc/4.0/) License, which permits use, distribution and reproduction in any medium, provided the original work is properly cited and is not used for commercial purposes.

© 2025 The Author(s). Journal of Contingencies and Crisis Management published by John Wiley & Sons Ltd.

automotive industry, leading to declines in both BMW's and Daimler's share prices (Bouzzine and Lueg 2020). Another example of crisis spillover can be observed in the food and beverage industry. During the 2008 Chinese milk scandal, where domestic milk products were found to be contaminated with melamine, international dairy companies operating in China, such as Nestlé and Danone, faced reputational damage despite not being implicated in the scandal. Consumers and stakeholders, concerned about the safety of all milk products sourced from China, generalized the crisis to the broader industry, resulting in declining sales and heightened scrutiny for companies uninvolved in the original misconduct (Zeng et al. 2018).

Although the spillover effects of crises have emerged as a significant research topic in the field of crisis communication, limited attention has been directed towards understanding how employees perceive and respond to the risk of crisis spillover stemming from the corporate misconduct of another organization (Wang and Laufer 2024). Employees are highly important stakeholders in an organization 'that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers' (Post et al. 2002, 19). The risk of a crisis spillover inherently yields ambiguity and uncertainty for employees, as it can directly or indirectly affect their workplace and possibly their job security. Employees respond to a critical situation primarily on a personal level and their personal perceptions determine their emotional and behavioral reactions (Pincus and Acharya 1988). As Frandsen and Johansen (2011, 353) point out, 'employees as internal stakeholders have a stronger and more complex psychological dimension than most of the other stakeholders as they are "closer" to the organization'. After all, employees' work shapes part of their identity (Dutton et al. 1994), and it is the work on which they construct their lives (Frandsen and Johansen 2011). Thus, in critical situations, like a possible crisis spillover, employees play an important role as receivers but also as senders of crisis communication. Their in-depth knowledge of their company makes them credible sources of information (Thelen 2021), and they are often approached by outsiders when something negative is reported about their employer in the media (Einwiller and Korn 2020). This is particularly true in the age of social media, where organizational reputations are harder to control and manage 'person-to-person', since people tend to talk to other people in critical situations (Rokka et al. 2014, 816). Thus, employees have a strong reputational role as possible advocates of their company (Opitz et al. 2018; Thelen 2021), where employee advocacy has been defined as a 'voluntary promotion or defense of a company, its products, or its brands by an employee externally' (Men 2014, 262). In the face of crisis spillover risk, employee advocacy may present an opportunity for companies in their reputation management efforts.

In this research, we identify the mechanisms underlying employees' judgments of crisis spillover risk and assess the effectiveness of different crisis response strategies on employees. Drawing on a reputation commons and employee communication perspective, the current research addresses *how perceived crisis severity and corporate response strategies affect employees' perceptions of crisis spillover risk and their intended advocacy behavior*. The perceived severity of the crisis and the corporate response strategy—whether issuing a denial or providing no response—are likely to influence employees' perceptions of crisis spillover risks and their intended

advocacy behavior. When a crisis is perceived as severe, employees may experience heightened concerns about potential reputational and financial consequences for their organization, increasing the perceived salience of the spillover risk. In such cases, the organizational response strategy plays a crucial role in shaping employees' perceptions and actions. For instance, a denial strategy, which explicitly rejects accusations and seeks to clarify the organization's position, may provide employees with a coherent narrative to support their organization during interactions with external stakeholders. This empowers employees to act as credible and confident advocates. Conversely, the absence of a corporate response leaves employees with no clear plans for addressing challenges from external parties, potentially leading to uncertainty and reduced willingness to engage in advocacy behaviors. As employees navigate these complex dynamics, their advocacy intentions can be shaped by how effectively their organization communicates and manages the perceived spillover risk. This highlights the critical intersection between crisis severity, response strategies, and employee advocacy that will be studied in the current study. By examining these dynamics, this research contributes to a deeper understanding of how organizations can effectively mitigate crisis spillover risks through strategic employee communication. It also provides practical insights for enhancing employee advocacy behavior during spillover crises, positioning employees as key actors in managing crisis spillover risk.

## 2 | Theoretical Framework and Deriving of Hypotheses

### 2.1 | Reputation Commons and Crisis Spillover Risk

King et al. (2002) asserted that companies in an industry share a 'reputation commons'. When one company's misconduct affects the judgements that stakeholders make of another company or an industry as a whole, a commons arises. The reputation commons intertwines the fates of companies in the same industry. Thus, when one company is involved in corporate misconduct that is reported in the media and damages the industry's shared reputation, others can suffer as well (Barnett and King 2008). A detrimental spillover effect may occur when a crisis within an organization leads to significant consequences that extend beyond the organization itself, affecting other organizations, damaging their reputation, and eroding stakeholder trust (Chang and Rim 2024).

It is not uncommon for crisis spillover risks to affect entire industries. For example, Wang and Laufer (2024) found that over 34% of the articles they reviewed on crisis spillover risks focused on the industry-level spillover effects, including in the automobile industry (Liu and Varki 2021), the tourism industry (Ritchie 2004), and the fast-moving consumer goods industry (Cleeren et al. 2013), among others. This aligns with Laufer and Wang's (2018, 175) assertion that the public is likely to associate a crisis with 'the industry category as a whole due to the perceived similarity of companies in the category'. They further argue that this is more likely to occur when the crisis is linked to an industry standard or similar operational procedure. This not only suggests that businesses should proactively monitor crisis spillover risks but also emphasizes the need for public

relations professionals in innocent organizations to develop appropriate response strategies to mitigate spillover effects (Lee and Rim 2017; Wang et al. 2024). Effective crisis communication is particularly important to mitigate a crisis spillover in the case of preventable or intentional crises (Norheim-Hansen and Meschi 2021), such as corporate misconduct, which are also the types of crises that have been mainly studied in the area of crisis spillover risks (Wang and Laufer 2024). Thus, this research examines how perceived crisis severity and corporate response strategies influence employees' perceptions of crisis spillover risks, specifically within the context of industry-wide crisis spillover and corporate misconduct crises. The perceived severity of the misconduct and different crisis response strategies by the employer company may then lead to distinct levels of perceived likelihood of crisis spillover to their own company.

## 2.2 | Crisis Severity and Employees' Perceived Crisis Spillover Risk

Situational Crisis Communication Theory (SCCT) has established itself as a cornerstone of crisis communication research, with a predominant focus on variables such as crisis type (Coombs and Holladay 2002), crisis responsibility (Brown and Ki 2013), crisis history (Coombs 2004) and prior reputation (Coombs and Holladay 2006). Despite this, the role of crisis severity has received comparatively limited attention within SCCT. This gap is notable, given that several studies (e.g., Coombs 1995; Wang et al. 2024; Zhou and Ki 2018) have identified crisis severity as a critical factor influencing attributions of crisis responsibility. Crisis severity refers to the extent of harm caused by a crisis, encompassing both tangible and intangible effects and highlighting its broad implications for stakeholders and organizations (Coombs and Holladay 2002).

The perceived severity of a crisis adversely impacts the reputation of a company, which hurts the industry through reputation commons. The adverse effect of the severity of a crisis on a company has previously been established in the literature. For example, Laufer and Gillespie (2004) applied the defensive attribution hypothesis to a product harm crisis and found that consumers blame the company more when the perceived severity of a crisis increases. As attributions of blame for a crisis increases, a company's reputation is further damaged. The more damage to a company's reputation, the greater the harm to the industry's reputation based on reputation commons.

Researchers have also found that perceived severity impacts perceived risk in studies that examine threat appraisal. For example, in a study examining socio cognitive factors that may influence adherence to protective measures towards COVID-19, González-Castro et al. (2021) found a direct and significant relationship between perceived severity and the perceived risk of contracting COVID-19. As participants of the study felt that the consequences of contracting COVID-19 were more severe, their perceived risk of contracting the disease was higher. This finding aligns with broader research in risk perception, which suggests that individuals assess potential threats not only based on their probability but also on their anticipated consequences (Ruiter et al. 2001). We argue that a similar cognitive mechanism applies to the context of crisis spillover. Just as heightened severity in health crises amplifies perceived personal vulnerability, heightened severity in corporate

crises amplifies perceived industry-wide vulnerability, leading to greater concerns about spillover effects. This is consistent with reputation commons theory that reputational harm to one company can extend to others within the same industry when stakeholders struggle to differentiate between firms (Barnett and King 2008).

As a result of the perceived increase in risk at the industry level, employees will believe that their company's risk has increased as well. Similar to reputation commons where the reputation of an industry has an impact on the reputation of its members, the perceived risk of negative events in an industry (in this case, the perceived likelihood of misconduct), impacts the perceived risk of companies in the industry. In other words, perceived crisis spillover risk to the industry serves as a bridge linking crisis severity and the perceived crisis spillover risk to an individual company. As crisis severity increases, stakeholders become more likely to perceive industry-wide vulnerabilities, assuming that other companies within the sector may also be at risk of misconduct. Consequently, this heightened industry-level spillover risk informs their perception of how the crisis may extend to their own company, even if it is not directly implicated. Thus, the perceived crisis spillover risk to the industry functions as a mediating mechanism—it explains how stakeholders cognitively process crisis severity and extrapolate risk from the broader industry context to individual organizations. Accordingly, we propose the following hypotheses:

**H1a.** *When a misconduct is perceived as more severe for the industry, the perceived crisis spillover risk to the industry is higher.*

**H1b.** *When a misconduct is perceived as more severe for the industry, the perceived crisis spillover risk to the own company is higher.*

**H2.** *The perceived crisis spillover risk to the industry acts as a mediator in the relationship between perceived crisis severity and the perceived crisis spillover risk to the own company.*

## 2.3 | Effects of Response Strategies: Issuing a Denial Versus Giving No Response

According to Laufer and Wang (2018) when the likelihood of a crisis spillover is high, it is important that other companies in the same industry issue a denial to mitigate the spillover risk. The effectiveness of a denial has been shown to be moderated by people's locus of control (Lefcourt 1966). Specifically, Claeys et al. (2010) showed that a deny strategy during a crisis has most positive effects on a company's reputation when people have an external locus of control, that is when they believe that events are controlled by external, situational forces of the environment. While in Claeys et al.'s experiment locus of control was gauged as a personality trait, employees in a company should similarly see the locus of the negative situation in the other company and not in their own. Employees should therefore prefer their company to deny any wrongdoing on their part rather than not respond.

In addition to this psychological explanation, a denial response would also help them when asked by outsiders, whether the same

issue is also happening in their company. When something negative is reported about an organization in the media, employees are often questioned by outsiders (Einwiller and Korn 2020), which is also likely to happen when another company in the same industry is accused of wrongdoing. In such a case, it is helpful for employees to know their company's position to which they can then refer. A denial should also reduce their perceived crisis spillover risk to their company (Wang et al. 2024), which would protect them from the negative consequences a crisis brings to an employee, such as insecurity, stress and anxiety (Mazzei et al. 2012; Pincus and Acharya 1988), a violation of their identity (Dutton et al. 1994; Einwiller and Korn 2020) or even a threat to their job. Hence:

**H3a.** *When another company in the industry is involved in a crisis which is reported in the media, issuing a denial is perceived more appropriate than giving no response.*

**H3b.** *When another company in the industry is involved in a crisis which is reported in the media, issuing a denial will lead to a lower perceived crisis spillover risk to the own company than giving no response.*

According to protection motivation theory (Rogers 1983), individuals are motivated to engage in protective behavior to reduce possible harm to themselves when they encounter a threatening event. Such protective behavior by employees in case of a threat to their employer and thereby also to themselves can be forwarding or sharing positive information about their company, which has been termed positive megaphoning (J. Kim and Rhee 2011). This type of advocacy behavior (Opitz et al. 2018; Thelen 2021) as a coping response in a threatening situation is particularly important during a possible crisis spillover, because employees are considered credible sources of information (Thelen 2021). When a company communicates well with its employees, they are more likely to engage in positive megaphoning (Einwiller and Korn 2024; Y. Kim 2018; J. Kim and Rhee 2011; Mazzei et al. 2012). Thus, a company's communication in the form of a denial can facilitate such advocacy behavior by providing employees with important information about the situation to help them construct their own supportive messages. Positive megaphoning is also an impression management strategy for employees to control others' perceptions of the situation and of their company (Caillouet and Allen 1996; Einwiller and Korn 2024). By supporting their employer to protect its reputation by denying any wrongdoing, they also protect their own identity, as employees not only associate themselves but are also associated by others with their work organization (Ashforth and Mael 1989). Thus, we hypothesize:

**H3c.** *When another company in the industry is involved in a crisis which is reported in the media, issuing a denial will lead to more positive megaphoning than giving no response.*

### 3 | Methods

To test the hypotheses, a two-step online experiment was employed in this research after ethical approval by the IRB had been obtained. First, a pre-test ( $N = 181$ ) was conducted to determine

that three types of corporate misconduct (overcharging customers, data leak and selling rotten meat) are characteristic for the supermarket sector. These scenarios were then used in the main study, an online experiment with retail employees ( $N = 300$ ), to examine the effects of two crisis response strategies (issuing a denial vs. giving no response) by a competitor supermarket for which the participants were asked to imagine working.

#### 3.1 | Pre-Test

The pre-test was conducted in June 2023. Research participants were recruited from Prolific ([www.prolific.com](http://www.prolific.com)), an online platform that allows researchers to collect data from a diverse pool of people from around the world. First, participants ( $N = 181$ ) were asked to list three corporate misdeeds that they consider characteristic for supermarket chains. Then, they were randomly assigned to one of three pre-determined types of corporate misconduct—overcharging customers, data leak and selling rotten meat. Real crisis cases were adapted to a fictional US organization to avoid any bias due to prior knowledge (see also H. Kim and Cameron 2011; Opitz et al. 2018). Participants were asked to assess to what extent the misconduct is characteristic for the industry on a 5-point rating scale. Only retail employees working in the US were selected for this research, as they possess a deeper understanding of supermarket chains compared to others.

Age of the participants ranged from 18 to 72 years ( $M = 37.76$ ,  $SD = 12.703$ ). A total of 47% were female ( $N = 85$ ), 49.2% were male ( $N = 89$ ), 2.2% reported non-binary ( $N = 4$ ) and 1.7% preferred not to say ( $N = 3$ ). Among characteristic corporate misdeeds for supermarket chains listed by participants, unfair pricing, food safety violation and unsafe working conditions were repeatedly mentioned. These corresponded to the three pre-determined types of corporate misconduct. Overcharging customers is considered the most characteristic type of corporate misconduct for supermarket chains ( $M = 3.21$ ,  $SD = 0.951$ ), followed by data leak ( $M = 2.98$ ,  $SD = 1.042$ ). Selling rotten was found to be a less characteristic type ( $M = 2.49$ ,  $SD = 0.924$ ), compared to the other two. Since all three pre-determined types of corporate misconduct aligned well with the options listed by participants, we decided to include all three in the main study.

#### 3.2 | Experimental Design and Procedure

Through a between-subject design, the experiment tested the effects of two crisis response strategies (issuing a denial vs. giving no response) by a competitor supermarket for which the participants were asked to imagine working. Participants ( $N = 300$ ) were recruited from Prolific and only consisted of retail employees working in the USA. They were randomly assigned to one of the three types of corporate misconduct determined in the pre-test and one of the two crisis response strategies. The procedure started by introducing the study and the consent form. Participants were asked to imagine that they worked in the supermarket industry. They were then presented with a fictitious media report (see Appendix A) stating that another supermarket (not their imagined employer) was

accused of one of three types of corporate misconduct (crisis scenarios were identical to those used in the pre-test). They then responded to questions on their perceived crisis severity and perceived crisis spillover risk to the industry. Next, participants were presented with one of two crisis response strategies by their imagined employer (see Appendix B) and asked to react to questions on perceived appropriateness of the response, perceived crisis spillover risk to their own company and positive megaphoning. The crisis response was presented as a short text describing a conversation between two colleagues at the coffee corner, chatting about corporate misconduct that occurred at another supermarket chain. This context was chosen because employees often learn about crises not through direct company statements, but through informal discussions with colleagues (Mazzei and Ravazzani 2015). The workplace coffee corner represents a common setting where employees exchange thoughts about organizational events, making it a realistic and relatable communication channel in organizational life. The ‘giving no response’ strategy was represented by one colleague stating that he was not aware of any response from their CEO, and the ‘issuing a denial’ strategy entailed the colleague confirming that their CEO denied any similar misconduct occurring in their company. Finally, participants were asked to indicate their industry of employment and demographics. The procedure ended with a debriefing explaining the fictional nature of the scenario and by thanking the participants.

### 3.3 | Measures

Five variables were measured in this study on 7-point rating scales. Previously validated scales were used to measure perceived crisis severity, perceived appropriateness of crisis response, and positive megaphoning. Since crisis spillover risk is a new concept, no scale is available based on our knowledge. Thus, we created our own scales to measure perceived crisis spillover risk to the industry and perceived crisis spillover risk to employees’ own company.

#### 3.3.1 | Crisis Severity

Perceived crisis severity was measured using a 3-item scale that was previously used to measure product harm crises (Laufer and Gillespie 2004). The scale ( $\alpha = 0.919$ ,  $M = 6.159$ ,  $SD = 1.043$ ) was adapted to the context of this research and contained the following items: ‘How serious is overcharging customers for products that are labeled “on sale” in your opinion?’, ‘How severe is overcharging customers for products that are labeled “on sale” in your opinion?’, and ‘How bad is overcharging customers for products that are labeled “on sale” in your opinion?’.

#### 3.3.2 | Perceived Appropriateness of Crisis Response

Employee perception was measured using a scale adapted from Dillard and Ye (2008). Each question was tailored to the response strategy, for example, ‘What do you think of the response by your company, namely, remaining quiet and not commenting on it?’ for the no response condition and ‘What do you think of the response by your company, namely, denying a

similar misconduct is happening in your company?’ for the issuing a denial condition. The scale ( $\alpha = 0.935$ ,  $M = 3.755$ ,  $SD = 1.688$ ) consisted of three items all starting with ‘I think the response is’, and followed by ‘bad/good’, ‘ineffective/effective’ and ‘inappropriate/appropriate’, respectively.

#### 3.3.3 | Positive Megaphoning

This variable was measured using a 6-item scale adapted from J. Kim and Rhee (2011). The scale ( $\alpha = 0.926$ ,  $M = 3.836$ ,  $SD = 1.506$ ) contained items like ‘I would say good things to friends and neighbors about my company and its management’, ‘I would recommend my company and its service/products to people’ and ‘I would attempt to persuade people who have negative opinions about my company’.

#### 3.3.4 | Perceived Crisis Spillover Risk to the Industry

We developed a 3-item scale ( $\alpha = 0.938$ ,  $M = 4.583$ ,  $SD = 1.513$ ) to measure this variable. Participants were asked to state how strongly they agree or disagree with the following three statements: ‘This company’s misconduct will negatively affect other companies in the supermarket industry’, ‘This company’s misconduct will have a negative influence on the image of other supermarkets’ and ‘The company’s misconduct will have adverse impacts on people’s behavior towards other supermarkets’.

#### 3.3.5 | Perceived Crisis Spillover Risk to Their Own Company

Similarly, we developed a 3-item scale ( $\alpha = 0.951$ ,  $M = 4.203$ ,  $SD = 1.420$ ) to measure this variable. Participants were asked to state how strongly they agree or disagree with three statements containing ‘There will be negative effects of the misconduct by the other company on my company’, ‘The image of my company will be negatively influenced by the misconduct of the other company’, and ‘People’s behavior towards my company will be adversely affected by the misconduct of the other company’.

A CFA was conducted to assess the validity of the measurement model for the newly developed constructs: *perceived crisis spillover risk to the industry* and *perceived crisis spillover risk to their own company*. The results indicated a good model fit:  $\chi^2(8) = 12.321$ ,  $p = 0.137$ , CFI = 0.995, TLI = 0.991, RMSEA = 0.043. Factor loadings were statistically significant ( $p < 0.001$ ), supporting convergent validity of both measures. The covariance between the two measures was 0.212 ( $p < 0.001$ ), indicating a moderate association.

For each variable, the items were averaged to form a corresponding index that was used for the data analysis.

### 3.4 | Sample

The final sample consisted of 300 retail employees working in the USA, 16.3% working in the supermarket industry ( $N = 49$ )

and the rest 83.7% not in this industry but in the retail sector. Age of the participants ranged from 19 to 76 years ( $M = 39.64$ ,  $SD = 12.622$ ). In total, 53.3% were female ( $N = 160$ ), 43.7% were male ( $N = 131$ ), 2.3% reported non-binary ( $N = 7$ ) and 0.7% preferred not to say ( $N = 2$ ). The majority of participants had a high school education ( $N = 118$ , 39.3%), followed by those with a bachelor's degree ( $N = 94$ , 31.3%) and then those with a college or equivalent degree ( $N = 69$ , 23%). The education level of five participants (1.7%) was less than high school, and two participants held PhD diplomas (0.7%).

## 4 | Results

Linear regression analysis was used to examine the relationship between perceived crisis severity and the perceived risk of crisis spillover to the industry. Perceived crisis severity was found to affect the perceived crisis spillover risk to the industry positively ( $\beta = 0.340$ ,  $p < 0.001$ );  $F(1, 298) = 17.361$ ,  $p < 0.001$ ,  $R^2 = 0.055$ . This result supports H1a that when a misconduct is more severe for the industry, the perceived crisis spillover risk to the industry is higher. However, another linear regression analysis did not reveal a significant relationship between crisis severity and the perceived crisis spillover risk to the own company ( $\beta = 0.133$ ,  $p = 0.09$ );  $F(1, 298) = 2.89$ ,  $p = 0.09$ ,  $R^2 = 0.01$ . Thus, H1b was rejected.

To test the mediation effect of perceived crisis spillover risk to the industry on the relationship between perceived crisis severity and perceived crisis spillover risk to the own company, the PROCESS v3.5 macro for SPSS developed by Hayes (2018) was employed. The analysis revealed a significant effect of perceived crisis severity on perceived crisis spillover risk to the industry ( $\beta = 0.340$ ,  $p < 0.001$ ) as well as a significant effect of perceived crisis spillover risk to the industry on perceived crisis spillover risk to the own company ( $\beta = 0.603$ ,  $p < 0.001$ ). However, the effect of perceived crisis severity on perceived crisis spillover risk to the own company, controlling for perceived crisis spillover risk to the industry, was not significant ( $\beta = -0.072$ ,  $p = 0.255$ ), indicating that the relationship between perceived crisis severity and the perceived crisis spillover risk to the own company is fully mediated by perceived crisis spillover risk to the industry. The indirect effect was tested using a bootstrapping approach with 5000 bootstrap samples and the result was significant,  $ab = 0.205$ , 95% [0.111, 0.301]. This suggests that perceived crisis spillover risk to the industry significantly mediates the relationship between perceived crisis severity and perceived crisis spillover risk to the own company. Thus, H2 was supported.

A series of independent sample *t*-tests was conducted to investigate the impact of response strategy on perceived appropriateness of the response, perceived crisis spillover risk to the own company, and positive megaphoning of employees, respectively. In support of H3a, the crisis response was perceived as significantly more appropriate when issuing a denial ( $M = 4.521$ ,  $SD = 1.616$ ) than when no response was given ( $M = 3.047$ ,  $SD = 1.429$ );  $t(298) = -8.383$ ,  $p < 0.001$ . Regarding perceived crisis spillover risk to the own company, the results indicated that it was lower when issuing a denial ( $M = 4.076$ ,  $SD = 1.362$ ) than when giving no response ( $M = 4.320$ ,  $SD = 1.616$ ). However, the difference was not significant at the 95% confidence level;  $t(298) = 1.490$ ,  $p = 0.069$ .

Thus, H3b was rejected. The results furthermore revealed a higher intention for positive megaphoning when the company issued a denial ( $M = 4.111$ ,  $SD = 1.499$ ) than when it gave no response ( $M = 3.582$ ,  $SD = 1.472$ );  $t(298) = -3.084$ ,  $p < 0.001$ . Thus, H3c was supported.

## 5 | Discussion

This research provides valuable insights on how employees perceive the likelihood of a crisis spillover within an industry and how it affects their attitudes and intention for advocacy behavior. It thereby helps us gain a better understanding of how companies should respond to possible spillover crises.

The results show that the perceived severity of a misconduct is an important factor for employees' perception that the crisis will spill over to the industry and then to their own company. To mitigate harm from the company, employees see a denial as more appropriate than silence, especially when the severity of the crisis is perceived to be high. As argued by Laufer and Wang (2018), when facing a high crisis spillover risk, it is important that other companies in the same industry issue a denial to mitigate the spillover risk. Our results confirm that employees do prefer their company to deny any wrongdoing rather than keeping silent in the face of a severe crisis, as the denial reduces their perceived crisis spillover risk to their company. Employees are also more likely to serve as advocates when their company denied any wrongdoing. However, employees seem to be skeptical with regards to the effectiveness of a denial by their management. Contrary to our assumptions, employees do not perceive a lower crisis spillover risk to their own company when their management issues a denial. This may be occurring because a denial coming from the management is not considered very effective by employees. As a result, employees may feel that it is their responsibility to act as advocates for their company to prevent any damage to their company's reputation or profitability. Thus, they intend to engage in positive megaphoning about their employer, knowing that they as employees are particularly credible sources of information for outsiders (Thelen 2021), more credible than the management of their company. As J. Kim and Rhee (2011, 244) state, 'employees informally play the role of public relations practitioners as they interact with publics outside the organization'.

The employee actions through positive megaphoning are consistent with protection motivation theory (Rogers 1983) in that they are motivated to engage in protective behavior to reduce possible harm to themselves when faced with a threatening event such as a potential crisis spillover. Employees' threat appraisal is based on their perceived severity of the misconduct and their perceived risk of crisis spillover. In this case, the negative consequences involve harm to the company's reputation which can adversely impact their livelihoods as employees.

In terms of the perceived effectiveness of positive megaphoning by employees in helping to protect the company's reputation, coping appraisal, another central element of protection motivation theory (Rogers 1983), plays an important role. Coping appraisal involves response efficacy, self-efficacy and response

cost. As employees are particularly credible sources of information (Thelen 2021), they would consider their positive megaphoning as effective in terms of response efficacy. Positive megaphoning would also be viewed as something easy to do and of low cost. For example, employees sending a message on social media to support their company does not involve much cost or effort. All of this suggests that from a coping appraisal standpoint, positive megaphoning would be viewed by employees as an activity that would help their company at risk during a spillover crisis in protecting its reputation, and also something they could easily do.

An important theoretical contribution of this research lies in its expansion of our understanding of how employees perceive and respond to crisis spillover risks, particularly within the context of industry-wide crises and corporate misconduct. It advances the crisis communication literature by examining the interplay between corporate response strategies and employee advocacy behavior. While issuing a denial facilitates employees' positive megaphoning efforts, the findings challenge conventional assumptions about its effectiveness in reducing employees' perceived spillover risk to their organization. This nuance deepens our understanding of how employees evaluate organizational responses and their motivations for engaging in protective actions. Furthermore, the study uses protection motivation theory to explain the cognitive processes underlying advocacy behavior during spillover crises. By applying the mechanisms of threat appraisal and coping appraisal, it enriches theoretical discussions on how employees perceive their roles in mitigating organizational harm. These insights shed light on the psychological and behavioral dynamics that unfold during crisis spillovers.

The results have implications for practice. They point to the importance for a company to track corporate misconduct of their competitors in the same industry, in particular on social media, to identify whether people are speculating about possible spillover effects. This includes tracking the perceived severity of the misconduct which plays a key role in the crisis spillover effect to the industry. Another important implication regards the response strategy. Even if employees are skeptical about the effectiveness of their management's denial, issuing a denial is still helpful to facilitate positive megaphoning behavior. By denying that the misconduct that happened at the competitor is happening also at their own company, employees receive a clear signal and a message that they may use as a template for their own communication. Thus, companies are advised to communicate a denial in case of a possible spillover crisis, as this helps to stimulate advocacy behavior in employees, which is particularly useful in critical situations. This raises the question which further actions companies can take to encourage employees to engage in positive megaphoning during a spillover crisis. To facilitate employee advocacy behavior, it may be helpful to not only issue a simple denial, but to combine it with an explanation why such misconduct does not or cannot happen at the company. Such arguments can then be adapted by employees in their communication. Furthermore, drawing on protection motivation theory, providing employees with time and resources could lower their perceived costs of advocating on behalf of the company. This could help companies protect their reputations.

## 6 | Limitations and Conclusion

This research presents several limitations. First, we only compared two response strategies—issuing a denial and giving no response in the current study. However, in real-world settings, organizations may employ other response strategies as suggested by the SCCT, including, for example, the diminish response (Coombs 2006). This strategy involves organizations acknowledging their association with a crisis due to spillover effects and attempting to alter stakeholder attributions to lessen reputational harm. It often entails downplaying the crisis severity to mitigate stakeholder concerns (Coombs 2006). Future studies could explore the effectiveness of the diminish response in comparison to the two response strategies we analyzed in the current study. Second, while excluding prior perceptions facilitates the assessment of crisis spillover risks in an experimental setting, using a fictional crisis and organization might not fully capture stakeholder identification of responsibility in actual scenarios (Zhou and Ki 2018; Ma and Zhan 2016). Therefore, the outcomes from our experimental approach might not fully align with actual employee reactions during a real crisis. Our fictional scenarios were inspired by real incidents in supermarkets, but subsequent research could incorporate actual crisis events to further examine spillover risks. Further studies could also compare the impacts of industry-wide communications (possibly coordinated by an industry association) and individual company communications on mitigating spillover risks, investigating how different strategies shape employee perceptions. Third, this study examined crisis spillover risks only at the industry level. However, spillover effects may also occur when companies share other commonalities beyond being in the same industry, such as strategy type (e.g., engaging in corporate social advocacy), organizational type (e.g., state-owned enterprises) or country of origin, as argued by Laufer and Wang (2018). Future research could explore crisis spillover in relation to these factors and its impact on employee perceptions. Additionally, we did not include any formal attention checks or manipulation checks, leaving room for future research to carefully address this when developing experimental designs.

In conclusion, while employees are important stakeholders in an organization and closer to it than any other stakeholder group, they have been neglected so far in research on crisis spillover risk. The current study examined how perceived crisis severity and corporate response strategies affect employee perceptions of crisis spillover risk and their subsequent advocacy behavior. Understanding employees' judgments of crisis spillover risk and response strategies helps to assess their advocacy behavior, which can protect the organization's reputation. Additionally, the notion of crisis severity, initially introduced in SCCT, has been debated in crisis communication scholarship for over two decades. Our study advances the literature by identifying how perceived crisis severity relates to crisis spillover risks and employee perceptions, reaffirming the significance of this factor and unveiling new insights into employee attitudes and advocacy intentions in the crisis spillover context. We hope that our findings will stimulate more discussion about the SCCT and crisis spillover risks from the employees' perspective, enhancing our understanding of the complexities and dynamics of crises.

## Conflicts of Interest

The authors declare no conflicts of interest.

## Data Availability Statement

Data available on request from the authors.

## References

- Ashforth, B. E., and F. Mael. 1989. "Social Identity Theory and the Organization." *Academy of Management Review* 14, no. 1: 20–39.
- Barnett, M. L., and A. A. King. 2008. "Good Fences Make Good Neighbors: A Longitudinal Analysis of an Industry Self-Regulatory Institution." *Academy of Management Journal* 51, no. 6: 1150–1170.
- Bouzzine, Y. D., and R. Lueg. 2020. "The Contagion Effect of Environmental Violations: The Case of Dieselgate in Germany." *Business Strategy and the Environment* 29, no. 8: 3187–3202.
- Brown, K. A., and E. J. Ki. 2013. "Developing a Valid and Reliable Measure of Organizational Crisis Responsibility." *Journalism & Mass Communication Quarterly* 90, no. 2: 363–384.
- Caillouet, R. H., and M. W. Allen. 1996. "Impression Management Strategies Employees Use When Discussing Their Organization's Public Image." *Journal of Public Relations Research* 8, no. 4: 211–227.
- Chang, B., and H. Rim. 2024. "Managing Spillover: Response Strategies to Another Charity's Crisis." *Public Relations Review* 50: 102413.
- Claeys, A.-S., V. Cauberghe, and P. Vyncke. 2010. "Restoring Reputations in Times of Crisis: An Experimental Study of the Situational Crisis Communication Theory and the Moderating Effects of Locus of Control." *Public Relations Review* 36, no. 3: 256–262.
- Cleeren, K., H. J. Van Heerde, and M. G. Dekimpe. 2013. "Rising From the Ashes: How Brands and Categories Can Overcome Product-Harm Crises." *Journal of Marketing* 77, no. 2: 58–77.
- Coombs, W. T. 1995. "Choosing the Right Words: The Development of Guidelines for the Selection of the 'Appropriate' Crisis-Response Strategies." *Management Communication Quarterly* 8, no. 4: 447–476.
- Coombs, W. T. 2004. "Impact of Past Crises on Current Crisis Communication: Insights From Situational Crisis Communication Theory." *Journal of Business Communication* 41, no. 3: 265–289.
- Coombs, W. T. 2006. "The Protective Powers of Crisis Response Strategies: Managing Reputational Assets During a Crisis." *Journal of Promotion Management* 12, no. 3–4: 241–260.
- Coombs, W. T., and S. J. Holladay. 2002. "Helping Crisis Managers Protect Reputational Assets: Initial Tests of the Situational Crisis Communication Theory." *Management Communication Quarterly* 16, no. 2: 165–186.
- Coombs, W. T., and S. J. Holladay. 2006. "Unpacking the Halo Effect: Reputation and Crisis Management." *Journal of Communication Management* 10, no. 2: 123–137.
- Dillard, J. P., and S. Ye. 2008. "The Perceived Effectiveness of Persuasive Messages: Questions of Structure, Referent, and Bias." *Journal of Health Communication* 13, no. 2: 149–168.
- Dutton, J. E., J. M. Dukerich, and C. V. Harquail. 1994. "Organizational Images and Member Identification." *Administrative Science Quarterly* 39, no. 2: 239–263.
- Einwiller, S., and C. Korn. 2020. "Employee Reactions to Negative Media Coverage." In *Handbook of Crisis Communication*, edited by F. Frandsen and W. Johansen, 299–318. Mouton de Gruyter.
- Einwiller, S., and C. Korn. 2024. "What's Happening at Your Company?! Employees' Reactions to Inquiries of Outsiders in the Event of Negative Media Coverage." In *Communication in Uncertain Times: How Organizations Deal With Issues, Risks and Crises*, edited by S. Einwiller, J. Seiffert-Brockmann, S. Romenti, and C. Valentini, 73–92. Emerald Publishing.
- Frandsen, F., and W. Johansen. 2011. "The Study of Internal Crisis Communication: Towards an Integrative Framework." *Corporate Communications: An International Journal* 16, no. 4: 347–361.
- González-Castro, J. L., S. Ubillos-Landa, A. Puente-Martínez, and M. Gracia-Leiva. 2021. "Perceived Vulnerability and Severity Predict Adherence to COVID-19 Protection Measures: The Mediating Role of Instrumental Coping." *Frontiers in Psychology* 12: 674032.
- Hayes, A. F. 2018. "Partial, Conditional, and Moderated Mediation: Quantification, Inference, and Interpretation." *Communication Monographs* 85, no. 1: 4–40.
- Kim, Y. 2018. "Enhancing Employee Communication Behaviors for Sensemaking and Sensegiving in Crisis Situations. Strategic Management Approach for Effective Internal Crisis Communication." *Journal of Communication Management* 22, no. 4: 451–475.
- Kim, H. J., and G. T. Cameron. 2011. "Emotions Matter in Crisis: The Role of Anger and Sadness in the Publics' Response to Crisis News Framing and Corporate Crisis Response." *Communication Research* 38, no. 6: 826–855.
- Kim, J.-N., and Y. Rhee. 2011. "Strategic Thinking About Employee Communication Behavior (ECB) in Public Relations: Testing the Models of Megaphoning and Scouting Effects in Korea." *Journal of Public Relations Research* 23, no. 3: 243–268.
- King, A. A., M. J. Lenox, and M. L. Barnett. 2002. "Strategic Responses to the Reputation Commons Problem." In *Organizations, Policy and the Natural Environment: Institutional and Strategic Perspectives*, edited by A. Hoffman and M. Ventresca, 393–406. Stanford University Press.
- Laufer, D., and K. Gillespie. 2004. "Differences in Consumer Attributions of Blame Between Men and Women: The Role of Perceived Vulnerability and Empathic Concern." *Psychology & Marketing* 21, no. 2: 209–222.
- Laufer, D., and Y. Wang. 2018. "Guilty by Association: The Risk of Crisis Contagion." *Business Horizons* 61, no. 2: 173–179.
- Lee, S. Y., and H. Rim. 2017. "Company-Nonprofit Partnerships, Negative Spillover, and Response Strategies." *International Journal of Strategic Communication* 11, no. 3: 194–208.
- Lefcourt, H. M. 1966. "Internal Versus External Control of Reinforcement: A Review." *Psychological Bulletin* 65, no. 4: 206–220.
- Liu, D., and S. Varki. 2021. "The Spillover Effect of Product Recalls on Competitors' Market Value: The Role of Corporate Product Reliability." *Journal of Business Research* 137: 452–463.
- Ma, L., and M. Zhan. 2016. "Effects of Attributed Responsibility and Response Strategies on Organizational Reputation: A Meta-Analysis of Situational Crisis Communication Theory Research." *Journal of Public Relations Research* 28, no. 2: 102–119.
- Mazzei, A., J.-N. Kim, and C. Dell'Oro. 2012. "Strategic Value of Employee Relationships and Communicative Actions: Overcoming Corporate Crisis With Quality Internal Communication." *International Journal of Strategic Communication* 6, no. 1: 31–44.
- Mazzei, A., and S. Ravazzani. 2015. "Internal Crisis Communication Strategies to Protect Trust Relationships: A Study of Italian Companies." *International Journal of Business Communication* 52, no. 3: 319–337.
- Mehta, M., H. Sarvaiya, and A. Chandani. 2020. "Community Engagement Through Responsible Leadership in Managing Pandemic: Insight From India Using Netnography." *International Journal of Sociology and Social Policy* 42, no. 3/4: 248–261.
- Men, L. R. 2014. "Why Leadership Matters to Internal Communication: Linking Transformational Leadership, Symmetrical Communication,

and Employee Outcomes.” *Journal of Public Relations Research* 26, no. 3: 256–279.

Norheim-Hansen, A., and P. X. Meschi. 2021. “De-Escalate Commitment? Firm Responses to the Threat of Negative Reputation Spillovers From Alliance Partners’ Environmental Misconduct.” *Journal of Business Ethics* 173: 599–616.

Opitz, M., V. Chaudhri, and Y. Wang. 2018. “Employee Social-Mediated Crisis Communication as Opportunity or Threat?” *Corporate Communications: An International Journal* 23, no. 1: 66–83.

Pincus, J. D., and L. Acharya. 1988. “Employee Communication Strategies for Organizational Crises.” *Employee Responsibilities and Rights Journal* 1, no. 3: 181–199.

Post, J. E., L. E. Preston, and S. Sachs. 2002. *Redefining the Corporation: Stakeholder Management and Organizational Wealth*. Stanford Business Books.

Ritchie, B. W. 2004. “Chaos, Crises and Disasters: A Strategic Approach to Crisis Management in the Tourism Industry.” *Tourism Management* 25, no. 6: 669–683.

Rogers, R. W. 1983. “Cognitive and Physiological Processes in Fear Appeals and Attitude Change: A Revised Theory of Protection Motivation.” In *Social Psychophysiology: A Sourcebook*, edited by J. T. Cacioppo and R. E. Petty, 153–177. Guilford Press.

Rokka, J., K. Karlsson, and J. Tienari. 2014. “Balancing Acts: Managing Employees and Reputation in Social Media.” *Journal of Marketing Management* 30, no. 7–8: 802–827.

Ruiter, R. A. C., C. Abraham, and G. Kok. 2001. “Scary Warnings and Rational Precautions: A Review of the Psychology of Fear Appeals.” *Psychology & Health* 16, no. 6: 613–630.

Thelen, P. 2021. “Employee Advocates: Unlocking Their Power Through Internal Communication.” In *Current Trends and Issues in Internal Communication: Theory and Practice*, edited by L. R. Men and A. Tkalac Vercic, 75–92. Palgrave macmillan.

Veil, S. R., L. L. Dillingham, and A. G. Sloan. 2016. “Fencing Out the Jones’s: The Development of Response Strategies for Spillover Crises.” *Corporate Reputation Review* 19, no. 4: 316–330.

Wang, Y., and D. Laufer. 2024. A Cross-Disciplinary Review of Crisis Spillover Research: Spillover Types, Risk Factors, and Response Strategies. *Public Relations Review*, ahead of print, <https://doi.org/10.1016/j.pubrev.2023.102411>.

Wang, Y., D. Laufer, and J. Ding. 2024. “Assessing Crisis Spillover Risks: The Role of Perceived Severity and Corporate Response Effectiveness in China.” *Journal of Contingencies and Crisis Management* 32, no. 3: e12621.

Zeng, L., L. Zhou, P. L. Pan, and G. Fowler. 2018. “Coping With the Milk Scandal: A Staged Approach to Crisis Communication Strategies During China’s Largest Food Safety Crisis.” *Journal of Communication Management* 22, no. 4: 432–450.

Zhou, Z., and E. J. Ki. 2018. “Exploring the Role of CSR Fit and the Length of CSR Involvement in Routine Business and Corporate Crises Settings.” *Public Relations Review* 44, no. 1: 75–83.

## Appendix A

### Fictitious Media Reports

#### Version 1—Overcharging customers

‘A large American supermarket chain has been issued a fine of \$1 million after it was caught overcharging customers for items labeled “on sale” at the check-out counter. Discrepancies of the price on customers’ receipts and the price on shelves were discovered among several products. Approximately 75% of its customers purchasing the products had been affected, and they were overcharged by over 50%’.

#### Version 2—Selling rotten meat

‘A large American supermarket chain has been accused of selling rotten meat to customers which was bought deliberately by the company after the expiration date to save costs. The meat products ended up in items such as ready meals, quiches and sandwiches. Approximately 75% of its customers had been affected, and a number of them became ill after eating the food’.

#### Version 3—Data leak

‘A large American supermarket chain has been accused of selling information from its customer-support database without customer authorization, including names and phone numbers, to third parties. Approximately 75% of its customers had been affected’.

## Appendix B

### Crisis Response Strategies

#### Response Strategy 1—No response

At the coffee corner, Lisa to Ben: ‘Have you heard about what happened to this supermarket chain?’

Ben: ‘I did. Too bad we work in the same industry’.

Lisa: ‘I know. I’m worried about this. Has our CEO made an official response to their crisis in the media?’

Ben: ‘No, I don’t think he did. I’m not aware of any response from our company’.

#### Response Strategy 2—Issuing a denial

At the coffee corner, Lisa to Ben: ‘Have you heard about what happened to this supermarket chain?’

Ben: ‘I did. Too bad we work in the same industry’.

Lisa: ‘I know. I’m worried about this. Has our CEO made an official response to their crisis in media?’

Ben: ‘Yes, he did. I read in this morning’s newspaper that our CEO denied a similar misconduct happening in our company. He really tried to distant us from their crisis’.