

A TRILOGY OF UNFORTUNATE EVENTS IN CHINA: LESSONS LEARNED IN THE MANAGEMENT OF CRISES

Zhang Long, China University of Geosciences (Beijing), zhanglongdragon@hotmail.com
William “Rick” Crandall, University of North Carolina at Pembroke, rick.crandall@uncp.edu
John A. Parnell, University of North Carolina at Pembroke, john.parnell@unjcp.edu

ABSTRACT

An organizational crisis is a low-probability, high impact event that threatens an it survival. This paper addresses three recent organizational crises that have occurred in China—the SK-II cosmetic incident, the Sharon Stone comment on the May 2008 earthquake in China, and the melamine milk contamination crisis—within the crisis management framework developed by Crandall and associates (2009). Lessons learned are presented in light of a landscape survey, strategic planning, management of the crisis, and organizational learning. Directions for future research are discussed.

INTRODUCTION

Crisis management addresses unfortunate events in the life of an organization (Barton, 2008; Coombs, 2006; Mitroff & Anagnos, 2001). Crisis events are typically seen as low-probability, high impact occurrences that can seriously disrupt the normal day-to-day operations of an organization (Coombs, 2007; Pearson & Clair, 1998). Five characteristics of crises are common in the literature: (1) Crisis events have a low probability of occurring and are usually unexpected (Barton, 2008; Pearson & Clair, 1998; Sellnow & Seeger, 2001); (2) crises can have a highly damaging impact on the environment, the organization, and society (Carroll & Buchholtz, 2003; Crandall & Mensah, 2008; Shrivastava, 1995); (3) crises require decisive action (Barton, 2008; Fink, 2000); (4) crises need to be addressed within an expedient time frame (Greening & Johnson, 1996; Coombs, 2007; Marra, 1998); and (5) crises offer learning opportunities for organization to develop (Liu, 2004).

A crisis can occur anywhere, and at any time. During the past two-and-a-half years, a number of organizational crises have occurred in the People’s Republic of China, three of which are discussed herein: The September 2006 discovery of contaminants in Proctor & Gamble’s cosmetic line-SK-II, the comments by U.S. actress Sharon Stone regarding the May 12, 2008 earthquake in China, and the melamine milk crises that occurred in the summer of 2008. This paper examines these three events using the crisis management framework developed by Crandall, Parnell, & Spillan (2009). This framework takes a comprehensive view of the entire crisis management process by looking at the four stages of landscape survey, strategic planning, crisis management, and organizational learning.

We begin by reviewing the definitions of crisis and crisis management, as offered in the relevant management literature. Next, we overview a recent trilogy of crisis events in China. We then present the crisis management framework that will be used to analyze these three events. Finally, we offer lessons learned by examining the phases of landscape survey, strategic planning, crisis management, and organizational learning.

DEFINING CRISIS AND CRISIS MANAGEMENT

In the management literature, the Pearson & Clair definition of a crisis is cited frequently:

“An organizational crisis is a low-probability, high impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly.” (Pearson & Clair, 1998: 60).

This definition highlights the following important points:

- **A crisis is a low-probability event.** Crisis events are usually not perceived to be frequent, and consequently, are not always planned for.
- **A crisis can have a high damage impact.** A crisis can devastate an organization, or at least, leave it in a highly compromised state.
- **A crisis is laden with ambiguity.** The reference to ambiguity means that the causes and effects of the crisis might be unknown, at least initially. Crises can have multiple interrelated factors that can lead to a “trigger event”, which initiates the crisis. Ambiguity also implies that the manner of resolving the crisis is often debatable. In other words, several viable options may be available to the crisis management team in its quest to palliate the impact of the crisis.
- **A crisis requires swift decision making.** Effective actions to contain the crisis from becoming widespread should be taken immediately. The failure to act decisively during the acute stage of the crisis can often intensify the ordeal.

Crisis management is a term that encompasses the process by which organizations address crises. Specifically, Pearson and Clair (1998: 61) defined organizational crisis management as “a systematic attempt by organizational members with external stakeholders to avert crises or to effectively manage those that occur.” Crisis management seeks to soften the impact of those negative events that occur to the organization and its stakeholders. An emphasis on maintaining positive relationships with external stakeholders is an important byproduct of crisis management. Further into the paper, we will overview a crisis management framework, but first, the trilogy of crisis events that occurred in China will be presented next.

THE TRILOGY OF CRISIS EVENTS IN CHINA

The SK-II Crisis

The SK-II product line of cosmetics is manufactured by Proctor & Gamble (P&G) in Japan and distributed to stores in Australia, China, Hong Kong, Japan, Korea, Malaysia, Singapore, Taiwan, the United Kingdom, and the United States. In the United States, the product line is available through Saks, with a market comprising high-end consumers.

The SK-II crisis began on September 14, 2006, when authorities in South China’s Guangdong Province detected chromium and neodymium in a type of SK-II cosmetic. Because these metals can cause skin irritation and disease, they are banned in all cosmetics in China. Sales of SK-II in China represent less than seven percent of the brand’s global sales (Crandall, Parnell, Xihui, & Long, 2007).

Initially, P&G denied there was a problem with the cosmetics, instead stating that it was working with the authorities to verify the validity of the findings. After the types of allegedly contaminated SK-II products increased to nine, the company reluctantly agreed to offer refunds to consumers. To be eligible for those refunds, consumers had to bring the product back to the store of purchase with no less than one-third remaining, complete and sign a form acknowledging that the product was of good quality, and wait several weeks for a refund to be processed (*China Daily*, 2006a; Guan, 2006a). On September 21, hundreds of Shanghai women sought refunds at P&G's specified locations, only to become frustrated when told that their refunds would take three weeks to process. On September 22, P&G announced that it would suspend its refund operations due to security concerns. A few hours later, tempers flared as an angry group of consumers kicked down the front door at P&G's Shanghai office. Media calls to P&G officials in Guangzhou and Shanghai were not returned. The company's China website was reportedly hacked that weekend. Some retailers of the SK-II products began offering immediate cash refunds to customers after P&G suspended its refund program (*China Daily*, 2006b, 2006c).

The Sharon Stone Crisis

A major earthquake measuring 7.8 on the Richter scale jolted Wenchuan County in southwest China's Sichuan Province on May 12, 2008 (Xinhua, 2008a), resulting in almost 70,000 deaths. An outpouring of relief efforts from around the world followed to help the victims of this tragedy. In addition, the three days from May 19 to 21 were declared as national mourning days by the Chinese government for the earthquake victims.

The tragedy took a strange twist during the Cannes Film Festival on May 24, however. During an interview, actress Sharon Stone offered these comments on the earthquake in China:

“Well you know it was very interesting because at first, I'm you know, I'm not happy about the ways the Chinese were treating the Tibetans because I don't think anyone should be unkind to anyone else. And so I have been very concerned about how to think and what to do about that because I don't like that. And then I've been this, you know, concerned about, oh how should we deal with the Olympics because they are not being nice to the Dalai Lama, who is a good friend of mine. And then all this earthquake and all this stuff happened and I thought: Is that karma, when you are not nice that bad things happen to you ...” (Gardner, 2008)

The “Karma” comment created an uproar in the news media and a wave of criticism on Internet blogs in China since the actress was suggesting that the country's earthquake was retribution for its policies on Tibet (Passariello & Meichtry, 2008). Chinese citizens left Internet messages, saying she was ignorant of the Tibet issue and had no sympathy for those who were suffering. One online comment, from a woman calling herself Mariah, summed up the reaction of many Chinese citizens: “These kind of remarks deeply hurt Chinese people's feeling and are totally unacceptable” (Roberts, 2008: 12).

The media reported that protestors were tearing down billboards featuring the actress in advertisements (McLaughlin & Kaiser, 2008). In addition, many music stores on the Chinese mainland and in Hong Kong cinemas pledged not to show her films again. Ng See-Yuen, the founder of the UME Cineplex chain, said films featuring Stone would be banned from any UME cinema in Hong Kong and the Chinese mainland. Moreover, the Shanghai International Film Festival had also decided to permanently ban Stone and her films (Du, 2008).

The Sharon Stone comment also created a crisis for Dior, the French company that has used Stone in their ads. Dior offers upscale clothing, cosmetics, and apparel, and has a branch in China, appropriately called Dior China. On May 27, 2008, three days after the Stone comment, Dior China issued the following

statement through SINA, a popular news-oriented website in China: "We absolutely disagree with Stone's remarks and are deeply sorry for them" (SINA, 2008a).

On May 28, Dior China, issued another statement noting that Stone was "deeply sorry" for the offense and anger caused by her comment, and had offered to take part in relief work in the Sichuan disaster area. However, in an interview in the *New York Times*, she insisted her comments in Cannes had been taken out of context, that she resisted Dior's efforts to control the crisis, and that the apology issued in her name distorted her words (Horyn, 2008). On May 31, Stone seemed to make amends for her misstep, issuing a formal statement of apology through CNN. However, a survey of 250,000 Chinese citizens found that 69 percent did not accept her apology and vowed to never forgive her (Xinhua, 2008b). Many Chinese citizens wrote letters to Dior China to express their opinion indicating they would never buy any Dior products as long as the company was affiliated with Sharon Stone (Passariello & Meichtry, 2008).

Under pressure from its Chinese consumers, Dior China began removing all of its advertisements with Stone's image nationwide (McLaughlin & Kaiser, 2008). On June 2, the company issued an official statement indicating it would stop using Sharon Stone as a spokesman in China (Roberts, 2008).

The Melamine Milk Crisis

Composed of nitrogen, carbon and hydrogen, the compound melamine was invented in the 1830s by a German scientist and came into fashion as a material used to make plastics and laminates in the late 1930s. In some tests used to determine the nutritional value of a foodstuff, melamine shows up as a protein so manufacturers can use the compound to make their products appear more nutritious. Unfortunately, melamine is toxic and inside the body it can cause kidney stones and renal failure (Pickert, 2008).

On June 28, 2008, the People's Liberation Army No. 1 Hospital in Gansu's provincial capital of Lanzhou received the first infant patient with kidney stones. His parents told doctors that they had been feeding the baby milk produced by the Sanlu Group in Shijiazhuang, Hebei province since the baby was born. Within two months, fourteen infants with similar problems had been admitted to the hospital (Cheng, 2008). By September 11, 2008, cases had been reported in other provinces including the Ningxia Hui Autonomous region, Shandong, Jiangxi, Hubei, Shanxi, Jiangsu, Shandong, Anhui and Hunan. All of the affected infants were fed the formula produced by the Sanlu Group. The contamination of Chinese milk products with the toxic industrial chemical melamine had rapidly become a major scandal, complete with widespread and global media coverage.

By September 20, 2008, the World Health Organization (WHO) reported more than 54,000 children in China had sought medical treatment, 12,000 were hospitalized and at least four infants died from melamine-contaminated dairy products (Schlein, 2008). The number of infants affected was likely much higher than the WHO reported, however, as concerned parents were still queuing up at hospitals throughout China to have their children examined.

By September, the controversy had spread outside the Chinese mainland. Five children in Hong Kong had been diagnosed with kidney stones as a result of drinking tainted Chinese milk formula (Liu, 2008). The melamine was even found in a third Chinese-made dairy product, White Rabbit Candy, a popular milk-flavored toffee, causing its producer to halt domestic and foreign sales of the candy (Tan, 2008). Public health officials in Taiwan also announced their findings of melamine-tainted instant coffee, milk tea and chicken-and-corn soup. The import of all such products into Taiwan was banned, including instant coffee made by the popular Taiwan brand Mr. Brown, which is made in China.

In other locations, Japan's Marudai Food Co. issued a voluntary recall of five China-made products, saying they may contain the toxin melamine. Brunei ordered a blanket ban on all China-made milk

products and dairy items. Malaysia imposed a “level six import ban” on all Chinese dairy products. Bangladesh also started its own crackdown and ban on three brands of Chinese-made milk powder. Tanzania and Gabon were the first African nations to impose bans on Chinese dairy products, followed shortly thereafter by Burundi (Tan, 2008). Finally, on September 25, the 27-nation European Union banned imports of baby food containing Chinese milk (Liu, 2008). By this time, the milk crisis had become a worldwide scandal and crisis not only for milk companies like the Sanlu Group, but also for the Chinese government.

The Sanlu Group began to receive complaints about its baby formula milk powder in March, and the firm initially claimed that its products had repeatedly passed quality tests, met national quality standards, and that sick babies must have been fed counterfeit milk powder that used the Sanlu brand name. Later, they confirmed the problems by importing melamine-testing equipment before early August, which was proved by Fonterra (Fonterra, 2008), which owns 43 percent of Sanlu. For a time afterwards, however, Sanlu neither reported the problem to the Chinese government nor revealed the information to the public until September 11, at which time the Ministry of Health suspected melamine contamination.

On the morning of September 11, a company spokesperson interviewed by a reporter from the People Daily Online, still insisted that its products were in strict accordance with national standards and met quality tests, and that it believed that the quality inspection department would give a clear explanation later (Sina, 2008b). Ironically, the Sanlu Group issued an announcement later that day recalling all of its 700 tons milk because of the melamine contamination.

Faced with increasingly angry criticism from Chinese parents and the public, Zhang Zhenling, Sanlu's vice president, delivered an apology letter on behalf of the company at a news briefing on September 15, four days after the public became aware of the contamination. The apology expressed regret and included a declaration to recall all the infant milk powder produced prior to August 6, as well as an optional recall for milk produced after that date if consumers have concerns about sick infants. But the late apology and the dismissal of Sanlu president Tian Wenhua--who thought the company was totally innocent and had been disgraced by the fraudulent milk suppliers--did not seem to appease the public sufficiently, as many citizens lost confidence in the Sanlu brand.

A CRISIS MANAGEMENT FRAMEWORK

Understanding a basic framework of crisis management is essential in evaluating an organizational crisis. The framework developed by Crandall, Parnell, & Spillan (2009) follows a holistic view of crisis management that includes the landscape survey, strategic planning, crisis management, and organizational learning. Figure 1 depicts this framework.

Figure 1 – A Crisis Management Framework

	Landscape Survey	Strategic Planning	Crisis Management	Organizational Learning
The Internal Landscape	What crisis threats exist inside of the organization?	How can the organization plan for crisis events?	How can the organization manage its internal stakeholders when a crisis occurs?	What did the organization learn from this crisis?
The External Landscape	What crisis threats exist OUTSIDE of the organization?	What planning has been done OUTSIDE of the organization that can help prepare for these crisis events?	How can the organization manage its EXTERNAL stakeholders when a crisis occurs?	What was learned OUTSIDE of the organization from this crisis?

Landscape Survey

Before an organization can effectively plan for crisis events, it must first conduct an assessment of its internal and external environments. This process is called the landscape survey (Crandall, et al., 2009). Figure 1 depicts the landscape survey at the far left. The top half of the landscape survey represents the crisis threats that exist inside of the organization. Typically, these are weaknesses within the organization that need to be addressed, lest they lead to a crisis. An example would be a poorly implemented safety policy, which if not addressed, could lead to the occurrence of a workplace accident.

The lower half of the landscape survey focuses on threats occurring outside of the organization, the external landscape. At the forefront of these threats is the nature of the industry that the organization resides in. For example, companies in the chemical industry are concerned about hazardous chemical spills. In the food manufacturing industry, threats related to food-borne illnesses such as e-coli are of concern. Companies operating across international borders face threats related to the political stability and cultural differences of the host country.

Strategic Planning

Strategic planning refers to conducting activities that seek to prevent those crises that may occur, and mitigating the ones that do occur. Forming a crisis management team is necessary in order to carry out this function. Crisis management teams are charged with compiling a crisis management plan that spells

out general guidelines for managing a crisis (Coombs, 2006). Such guidelines include who should talk to the media and procedures for managing specific crises unique to the organization.

Within the external landscape, there are organizational stakeholders that also work at preventing and managing crisis events. For example, government agencies typically enact legislation that helps to prevent future crisis events in certain industries. Examples abound, including the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA), which work to ensure safety in the air travel industries. Some nongovernmental entities impose additional standards through various trade and manufacturing associations that exist for a particular industry.

Crisis Management

The crisis management stage addresses the immediate occurrence of a crisis event. The primary focus is to get the organization up and running and returning operations back to a normal stage. Within the internal landscape, the organization makes efforts to manage its internal stakeholders, the owners and the employees. The emphasis at this point is on clear communication with the internal stakeholders, making sure that they are not left out of the loop in terms of important information related to the crisis.

Within the external landscape, management must work with its stakeholders that exist outside of the boundaries of the organization. Again, clear communication is often the main task during this stage. Government authorities, customers, suppliers, the media and the local community must be kept abreast of how the organization is progressing in the management of the crisis. When specific stakeholders are affected by the crisis, more direct communication will need to be aimed toward these groups. For example, in the event of a product recall, customers will need to be informed as to how to return their merchandise and receive a fair reimbursement.

Organizational Learning

After the crisis is over, the affected organization must take time to learn from the event. At a minimum, management must evaluate how the crisis was handled and what changes need to be made in the crisis management plan. This is the main activity that takes place within the internal landscape. The optimal time period to learn from a crisis is soon after it has transpired. If too much time elapses before an evaluation of the crisis takes place, management may reach a stage termed “forgetfulness” (Kovoor-Misra & Nathan, 2000). In this stage, the organization has returned to normal operations and the motivation to evaluate and learn from the crisis has waned.

Within the external landscape, industries often reevaluate and renew their procedures after a crisis. The airline industry has changed dramatically in terms of security measures after America’s worst terrorist incident on September 11, 2001. External stakeholders to the organization may also change their outlooks after a crisis. In terms of crisis awareness, such stakeholders will be more cognizant and compassionate towards an organization that has experienced a crisis. For example, the Virginia Tech massacre of 2007 occurred when student, Seung Hui Cho went on a shooting rampage, killing 32 people. The result was a wave of sympathy and solidarity among many citizens throughout the country, and worldwide. A crisis will also bring a wave of public concern, with attention being focused on how to ensure a similar crisis does not occur again. After the Virginia Tech massacre, a number of colleges and universities began revamping their on-campus security plans.

APPLYING THE FRAMEWORK: LESSONS LEARNED IN THE MANAGEMENT OF CRISES

Using the crisis management framework described above, we will now examine the trilogy of events that occurred in China.

Landscape Survey

In choosing a spokesperson, an organization operating in China needs to understand the unintended symbolic power of that spokesperson.

Actress Sharon Stone's unexpected comments immediately damaged Dior China's reputation. Although Dior did nothing to bring about the crisis, one could argue that Stone might not have been the best spokesperson for the company in the first place. Sometimes spokespersons can carry negative perceptions with consumers, not because of what they say, but because of something they represent. Proctor & Gamble (P&G) found this out when they employed Taiwanese model Lin Zhiling, as a brand spokesperson. Zhiling's father once campaigned for Chen Shuibian in his bid to become Taiwan's president. Because Shuibian is an ardent supporter of independence for the province, many Mainland Chinese consumers have linked P&G to Taiwanese independence through its affiliation with Zhiling (Crandall, Parnell, Xihui, & Long, 2007). P&G officials, however, have stated that the firm holds no political position on the matter. Nonetheless, in August 2005, a group of "netizens" (i.e., citizens utilizing the Internet) sought to secure 400,000 signatures on a petition opposing Lin Zhiling and P&G products. This group has committed to a boycott of all P&G products as well as those produced by plants her father owns in Mainland China (*Taipei Times*, 2005).

A spokesperson can also generate negative perceptions if they have engaged in controversial film projects. Pond Cosmetic Company hired as its brand spokesperson Tang Wei, a female star in the popular film *Lust, Caution*. The actress drew the criticism of the Chinese government, however, for several pornographic scenes and for the historical retort in the film (Fitzsimmons, 2008). A number of scenes were deleted from the version shown in China, but many consumers were able to access the complete film on the Internet. As with the previous example, Pond advertisements featuring Tang were banned from Chinese television.

As these examples illustrate, P&G and Pond suffered both financial and reputational losses as a result of their decisions to hire these spokespersons. So did Dior China. The key lesson is that firms need to consider the long term fit between its products and markets, and the individuals it employs to represent them.

An organization must be cognizant of the political realities of operating in China.

China is a country that is very different from its western counterparts. Political issues are treated sensitively and seriously in China, and the media plays an important guidance role under the control of the government. Compared with its western counterparts, China exerts more centralization with political issues, especially on the subject of China's unification. Moreover, the Chinese people have a deep patriotic feeling for China's unification. Therefore, any topics associated with China's unification are very sensitive in the eyes of both the Chinese government and its citizens. China once banned one of Taiwan's top pop stars, A-Mei, after she sang the island's national anthem at the inauguration of President Chen Shuibian in 2000 (BBC, 2000).

A company spokesperson with strong political positions can easily be misunderstood as the firm's position as well. If the spokesperson is controversial in the eyes of the host government, image problems are inevitable. A spokesperson represents the style, image and characteristics of a brand and many people may purchase products because of advertisements featuring that individual. But the spokesperson also represents the political bias of the company, whether the company is aware of that or not. Hence, firms like P&G and Dior should reconsider the use of its spokespersons when considerable consumer dissatisfaction may exist.

The rising middle class is becoming a more vocal stakeholder in China.

Multinational corporations have known for a number of years that the rising middle class in China represents a large potential market. What should also be remembered is that, like the United States and other developed countries, the middle class in China is becoming more vocal in its demand for truthful advertising and products that deliver what the ads say they will provide. As Mao Shoulong, professor of Sociology at Renmin University of China put it, "For all foreign brands, the most important thing is to win the heart of Chinese consumers and to maintain their credibility," (Lan, 2007 quoted from China Economic Net). The SK-II incident illustrated how Proctor & Gamble did not anticipate this new level of consumer advocacy in China.

Strategic Planning

It is essential for management to develop a crisis anticipation outlook.

The field of crisis management was officially recognized in America after Johnson & Johnson (J&J) experienced product sabotage when its Tylenol Extra Strength pain reliever was laced with deadly cyanide (Mitroff & Anagnos, 2001; Pines, 2000). Crisis management became more prominent in China after many organizations were forced to address problems associated with SARS (Zhang, Crandall & Parnell, 2007). The onset of crises in organizations is a common occurrence today, but unfortunately, many organizational leaders still carry an "it can't happen to us" mentality (Barton, 2001; Pearson & Mitroff, 1993). Managers are presented with warning signs, but they fail to heed them, which ultimately leads to a crisis.

At the beginning of the SK-II crisis, P&G's initial response was one of denial even after the official sale ban in China. In the melamine milk crisis, the Sanlu Group received complaints about its baby formula milk powder in March, and initially claimed that their products had repeatedly passed quality tests, met national quality standards, and that the sick babies must have been fed counterfeit milk powder that used their brand name. There were clear warning signs of the crisis for both P&G and the Sanlu Group, but neither of their management teams were able to manage the initial stages of the crisis effectively. On the contrary, Sanlu's former president insisted that the company was totally innocent and had been disgraced by alleged fraudulent milk suppliers. This risk denial stance only served to escalate the crisis further.

It is essential for an organization to have a crisis management team and a crisis plan in place.

The crisis management team and the crisis management plan represent the core of an organization's crisis planning efforts. The crisis management team is charged with developing a list of threats facing the organization; also known as the crisis vulnerability assessment. The crisis management plan revolves around addressing these threats, as well as providing other guidelines on how the organization is to respond to crises. Of the three companies involved, P&G was probably the most familiar with the management of crises. The internal landscape of Proctor & Gamble reveals a company well versed in

handling crisis events. What is particularly interesting about this case is that several fundamental crisis management principles were violated. P&G immediately went into a denial mode and when finally confronted by angry customers, implemented a rule laden refund policy. Even what is more surprising is the fact that P&G is an experienced multinational organization. Such companies are usually well versed in the procedures of crisis management. Indeed, P&G is no stranger to public outcries that create crises. In the early 1980s, the company was hit by rumors that its corporate logo was a satanic symbol and its CEO was a devil worshipper (Cato, 1982). P&G did a good job responding to this crisis, and in the process, learned some basic facts about crisis management. However, its response to the SK-II crisis was faulty.

Concerning the melamine crisis, it is apparent that Sanlu had neither an active and prepared crisis management team, nor a comprehensive crisis management plan in place. Hence, the crisis that followed should not have come as a surprise. Compared with P&G and Sanlu, Dior China responded more effectively. Unfortunately, however, Sharon Stone's initial denial created more problems for the firm.

Spokespersons should be cautious when addressing political issues.

Tibet is a recognized part of China. The Dalai Lama has been campaigning for Tibet's independence for many years since late 1950s. From its perspective, the Chinese government has instituted democratic reforms, abolished the feudal serf system, and has allocated a significant amount of resources to improve the life of Tibetans. Although actress, Sharon Stone is entitled to her own opinion of the Tibet situation, her attempt to link it to an unrelated tragedy is reckless. From an American perspective, this would be akin to linking human suffering from Hurricane Katrina to one's disagreement with some aspect of United States foreign policy. One simply does not cause the other, and to suggest a connection is ill-advised at best and callous at worst.

In fact, Sharon Stone was not the first celebrity who was repulsed by the Chinese public following questionable and arguably insensitive political comments. Jacky Chen, one of the most popular kung-fu stars in China, referred to a gun-shooting incident that occurred during Taiwan's 2004 presidential election as a joke (Ent, 2008). The comment quickly received strong opposition from some politicians in Taiwan. Others displayed signs at the airport reading "Go back home, Jacky Chen" when he traveled there for a film award ceremony for the first time since his "joke" comment four years later. Hence, one sentence kept Chen away from Taiwan for four years, and he was still not completely welcome when he arrived.

An organization should keep a good social relationship with the news media.

Many managers assume the media are the enemy and out to discredit the organization when a crisis occurs (Sherman, 1989). On the contrary, the media are not the enemy; but are actually beneficial in both crisis communication and general propaganda, because they are able to reach important audiences (Weiner, 2006). The news media are more likely to misrepresent a situation when they lack the facts. The essential rule is to cooperate with the media and understand that journalists by training are always suspicious. (Barton, 2001; Sherman 1989; Wailes, 2003).

Of the three cases in the trilogy, Dior China utilized one of China's most popular websites, SINA, to address crisis concerns and clarify the company's stance. The Sanlu Group tried to conceal the truth and postponed presentation to the media, creating even more suspicion. When journalists lack reliable information, they often pursue and report rumors. In the Sanlu case, some journalists even traced negative reports about the tainted milk of the company back to incidents in 2004 that were not directly related to the current case.

Crisis Management

Prompt action on the part of the organization is needed to decrease hostile emotions from the public.

Dior China took prompt action to address the Sharon Stone crisis, distancing itself from the context of her remarks. The firm's effort to issue a statement on her behalf illustrates its concern, but the extent to which Stone was involved in preparing and refining the statement is unclear. In the end, Dior China found itself in an unenviable position. Battered by Stone's hesitation to address the comments in a responsible manner, the company took what was probably the most appropriate course of action by removing advertisements with Stone's image and cutting ties with Stone in the Chinese market. The firm's reputation was at stake, and prompt, decisive action was justified.

Dior's reaction was in stark contrast to the crisis P&G faced with its SK-II products. As mentioned previously, P&G went into a denial mode and required customers to go through a lengthy refund process. Likewise, the Sanlu Group moved slowly in its response to the crisis it faced.

An organization needs to understand the power of the Internet when a crisis occurs.

The Internet can substantially influence the outcome of a crisis. One of the first companies impacted by an Internet crisis was ironically, a computer hardware company. Intel introduced its Pentium chip in 1994, but soon encountered a major problem when Lynchburg College math professor, Thomas Nicely, discovered a computer error while he was working with a math problem (Weiss, 1998). Soon, his spreadsheet showing how the Intel chip could incorrectly calculate certain math problems was available on the Internet (after he had sent an email to a colleague describing the problem). What infuriated consumers was not that the chip had a problem, but that Intel was reluctant to issue a replacement chip without asking a lot of questions on how the consumer used their computer (Clark, 1994).

The first case of tainted milk resulting in infant kidney stones was disclosed on the Internet on the popular Tianya Forum in June 2008. Only one week after September 11—the day the melamine contamination of the milk was made public—there were more than 20 million new reports of various kinds discussing the melamine tainted milk only in Google, as well as innumerable other Chinese forums like Tianya. Hence, knowledge of the crisis became widespread in a short period of time. To address such crises, firms must be poised to act quickly and decisively. Sanlu seemed to have overlooked the speed at which such information can travel.

In the case of SK-II, a group of “netizens” sought to secure 400,000 signatures on a petition opposing Lin Zhiling and P&G products. This group had committed to a boycott of all P&G products as well as those produced by businesses her father owned in Mainland China (*Taipei Times*, 2005). In the case of the Sharon Stone crisis, the “karma” comment created an uproar in the news media and a wave of criticism on Internet blogs in China.

Customers and other stakeholders tend to forgive honest mistakes.

After receiving the first complaints, the Sanlu Group claimed that its products were safe and met national standards for quality. Even before the former president and general manager of the company was detained, she still insisted that the company should be totally innocent. In fact, the company knew about the contamination in early August and attempted to resolve it in a subversive manner with bribes. When

everything was made public, it was not surprising to see a serious crisis development. The Sanlu Group was on the verge of bankruptcy due to the milk scandal. Had they taken a more open and assertive approach to managing the crisis, the outcome would probably not have been nearly as severe.

A Chinese moon cake producer of more than eighty years, Nanjing Guanshengyuan, suffered a similar problem. China Central Television (CCTV) disclosed on September 2001 that the company used ingredients leftover from 2000 to produce new moon cakes for sale the following year. The general manager of the company said during an interview that such a practice was very common. Moreover, the company even issued a letter to the public saying that the related report from CCTV was fabricated, claiming its products totally met the national quality standard. The reporter from CCTV refuted the argument with evidence, and customer outrage triggered a downward spiral for the firm. The crisis lasted until February 2002 when it resulted in bankruptcy (Ping, 2005). In both of these cases, a statement of apology would have been more appropriate, as customers due tend to forgive mistakes when they are honest.

Organizational Learning

A repentant attitude carries significant meaning in the Chinese culture.

All companies will make mistakes from time to time, but they should be corrected with diligence and sincerity. It is clear that Sharon Stone, an actress and celebrity, made an ill-advised comment pertaining to the earthquake. Although Dior China later apologized on her behalf, she followed up with contradictory comments of her own. This kind of refusal and arrogance (as perceived by the Chinese market) is counterproductive and especially at a time when the country was overcoming the aftershocks of a major and deadly earthquake. The consumer boycotts rejections by Chinese movie theaters were no surprise. By the time Stone apologized for the comment, the damage had already been done.

In the Dior China crisis, if Sharon Stone had demonstrated her compassion and concern for the earthquake victims and had moved quickly to make amends, it is likely that the negative repercussions could have been contained, at least to an extent. The Sanlu Group had the same problem in that they could have offered apologies early into the crisis, but instead, chose to shift the blame for the problem to other parties.

Companies must acknowledge that the customer is king, even in other cultures.

Companies should always put the well being of their customers first. Long term profits hinge on a company's ability to take care of customer needs. History confirms this point. Consider the case with Johnson & Johnson's (J&J) Tylenol Extra Strength pain reliever. In 1982, cyanide was added to Extra Strength Tylenol capsules after the product had left the manufacturing facility. The product sabotage crisis resulted in the deaths of seven Tylenol consumers who all lived in the Chicago area. Johnson & Johnson quickly responded to the crisis by recalling all batches of Extra Strength Tylenol from the market, a move that cost the company in excess of \$100 million (Hartley, 1993).

Sanlu and P&G could have learned from Johnson & Johnson. Halting reimbursements for refunds of opened products did not help alleviate the crisis; in many respects, these actions exacerbated it. Such measures only irritate the public, creating more difficulties for the firm. The Sanlu Group sought to minimize short term costs, which in the end resulted in substantial long term expenditures.

The organization should always take responsibility for its mistakes.

The Sanlu Group blamed illegal dairy dealers for adding melamine to milk, as if the company itself had nothing to do with the scandal. The public was not convinced. More than 70 percent of those responding to an online survey thought the company should take the major responsibility rather than its milk suppliers (Ye, 2008). Even the apology letter became an object to be criticized by the public since it appeared less than forthright in its management of the crisis. The Sanlu Group seemed to avoid addressing the problem head on, taking limited action instead and hoping for the best.

Confronted with a similar situation, KFC China Baisheng Co. Ltd. chose a different way to resolve its crisis. In 2005, reports emerged that KFC was using a poisonous seasoning, Sudan Red I. The company ordered all its fast-food restaurants to stop selling all the products suspected of including the ingredient at once. Although the company later found that the suspected ingredient came from the seasonings purchased from other suppliers, the firm still took responsibility for the problem and offered refunds to customers. The considerate attitude of the Group won the “applause” of many consumers, resulting in the dissolution of the crisis in only three weeks (Sun, 2006). Figure 2 offers a series of lessons that can be learned from these events, several associated with each stage in the framework.

CONCLUSION AND FUTURE DIRECTIONS

This paper addressed the SK-II, Sharon Stone, and melamine milk crises in China within the crisis management framework developed by Crandall and associates (2009). Although there are significant situational differences among the crises, collectively they suggest a number of lessons learned with respect to the stages in the framework: Landscape survey, strategic planning, management of the crisis, and organizational learning.

Several opportunities exist for future research. First, the present study examined three prominent crises in China, but did not consider others. A closer examination of all major crises in a given year, for example, could provide greater insight into key crisis management patterns common to Chinese firms.

Second, the generalizability of crisis management practices across cultures and nations remains unclear. While it appears plausible that frameworks such as the one presented herein may be applicable in various economic and political contexts, the differences and similarities of such contexts require additional investigation. For example, in what ways does crisis management practice in emerging economies differ from that in developed nations? To what extent is crisis management practice contingent on specific cultural attributes? An examination of crises in other nations, particularly emerging ones, could shed light on these questions.

Third, more research that compares and contrasts different approaches to crisis management is worthwhile. Learning from successful firms not only contributes to practical contributions to the field, but also helps scholars rethink and revise their framework and models.

Fourth, the application of early warning systems is an area that has received relatively little research to date. Because crisis avoidance is the most desirable outcome for firms, introducing systems that enable managers to identify prospective crises before they occur is useful.

Finally, the need to link crisis management theory and practice remains a priority in the field. The present study supports this effort by applying a contemporary crisis management framework to recent crises. More work is needed in this area, however.

Figure 2 – Lessons Learned in the Management of Crises

	Landscape Survey	Strategic Planning	Crisis Management	Organizational Learning
The Internal Landscape	<ul style="list-style-type: none"> □ In choosing a spokesperson, an organization operating in China needs to understand the unintended symbolic power of that spokesperson 	<ul style="list-style-type: none"> □ It is essential for management to develop a crisis anticipation outlook □ It is essential for an organization to have a crisis management team and a crisis plan in place 	<ul style="list-style-type: none"> □ Prompt action on the part of the organization is needed to decrease hostile emotions from the public 	<ul style="list-style-type: none"> □ A repentant attitude carries significant meaning in the Chinese culture
The External Landscape	<ul style="list-style-type: none"> □ An organization must be cognizant of the political realities of operating in China □ The rising middle class is becoming a more vocal stakeholder in China 	<ul style="list-style-type: none"> □ Spokespersons should be cautious when addressing political issues □ An organization should keep a good social relationship with the news media 	<ul style="list-style-type: none"> □ An organization needs to understand the power of the Internet when a crisis occurs □ Customers and other stakeholders tend to forgive honest mistakes 	<ul style="list-style-type: none"> □ Companies must acknowledge that the customer is king, even in other cultures □ The organization should always take responsibility for its mistakes

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