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HUMAN RESOURCE AND REPUTATIONAL CRISES IN CHINESE ORGANISATIONS

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by
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ABBREVITATIONS

CM	–	Crisis management
CCP	–	Chinese Communist Party
ES	–	Ethical Standard
HR	–	Human resources
HRM	–	Human resource management
IQ	–	Interview question
P	–	Proposition
RQ	–	Research question
RT	–	Research task
S	–	Study
SI	–	Study I
SII	–	Study II
SIII	–	Study III
SIV	–	Study IV
SV	–	Study V
S1	–	Start-up stage of enterprise life-cycle
S2	–	Growth stage of enterprise life-cycle
S3	–	Maturity stage of enterprise life-cycle
S4	–	Decline/re-birth stage of enterprise life-cycle
SR	–	Social responsibility
SRP	–	Social responsibility performance

INTRODUCTION

List of Papers

This dissertation includes five papers listed below, which are referred to in the text in accordance with their Roman numerals.

I. Alas, R., **Gao, J.**, and Vanhala, S. 2009. "The crisis management in Chinese and Estonian organizations", in *Chinese Management Studies*, 3 (4), 1 - 10.

II. **Gao, J**. and Alas, R. 2010. "The impact of Crisis on enterprise life-cycle", in *Problems and Perspectives in Management*, 8 (2), 9-21.

III. **Gao, J.** and Alas, R. "Human resource crises in Chinese enterprises", accepted by *Business: Theory and Practice.*

IV. **Gao, J.** "The causes of reputational crises in Chinese organizations", accepted by *EBS Review.*

V. Alas, R., **Gao, J**., and Carneiro, J. 2010. "Connections between ethics and cultural dimensions", in *Engineering Economics*, 1 - 30.

Study I provides a general overview of crisis management situation in the studied Chinese organisations. Study II observes crises from enterprise life-cycle perspective, so as to present a more completed view of crisis management in the studies organisations. Study II is a supplementary and supportive study of Study I. Study III and IV analyse the HR and reputational crises, which were found in Study I as the most frequently happened crises in the studied Chinese organisations. Study V detects the connections between national culture and ethics, thus explains the finding about ethics in Study I from the value and ethics aspect. All these studies are connected based on Alas' (2009) Crisis Management Model and related to each elements and sub-elements of Alas' (2009) model.

The Relevance of the Topic

Since China started to reform its economic system during the last quarter of the 20th century, the Chinese economic and social structures have experienced major and sometimes extraordinary changes, which have continued until today (Clegg, 2003). The societal, economic and structural changes have caused the survival of Chinese companies to become more and more complicated (Huang *et al*., 2006). In such complicated surroundings, enterprises are affected by a variety of crises, such as changes in competitors, marketing alliances, new market products, availability of resources, corporate acquisitions, government regulations (Keeffe and Darling, 2008).

Organisational crises are a pervasive threat to organisational performance and sustainability (Hutchins and Wang, 2008). The impact of organisational crises on the individual and organisational performance is being increasingly recognised (Wang *et al.*, 2009). Along with these rapid economic, societal and structural transformations, Chinese enterprises have also gone through radical changes in the last several decades (Alas *et al.*, 2009b), as well as experiencing various crises. Therefore, all of this makes Chinese enterprises good samples and valuable cases for the study of crisis management (CM) at the organisational level.

At the same time, the failure to manage a crisis effectively leads to even more risk-laden eventualities for the organisation and its stakeholders (Ulmer *et al.*, 2007). Research in countries experiencing transition demonstrates that the transfer of market-economy practices often fails due to institutional and cultural tensions and conflict (Clark and Geppert, 2002). Therefore, there is a need to study crisis management in such environments from organisational and societal perspectives.

Initiated in the early 1990s, Estonia, which gained its independence in 1991 after the collapse of the Soviet Union, adopted a quick start towards the market economy (Alas, 2007). Today, Estonia, an Eastern European country, has transformed itself from a centralized, totalitarian socialist state, to a Western democracy with a free market economy and vastly different attitudes and values. Estonian enterprises experienced a similar period of transformation and crisis to that of the Chinese.

China and Estonia are both developing countries. Chinese and Estonian companies have gone through radical changes during the period of transformation. Similarities and differences exist in the ideological, institutional and economic fields in the enterprises in both countries. Such circumstances make these two countries comparable cases to study crisis management at the organisational level (Study I). The study and comparison of different cases between these two countries may help Estonian enterprises gain experience and prepare for crises during the enterprise's development.

This doctoral dissertation focuses on human resources and reputational crises, and it expatiates upon crisis management in Chinese organisations. The author choose to study HR and reputational crises for two reasons. Firstly, human resources and reputational crises are issues that belong to the category of management science. Secondly, economic crises in China derive from the global recession, which is more of a macro and/ or micro economic topic than a management topic.

Aim and Research Tasks

This doctorate research aims to contribute to management theory from the societal and organisational levels by developing a crisis management model and to improve crisis management practice by providing implications. The research issue of this

dissertation is human resources and reputational crisis management implementation in contemporary China's transformational environment and the comparison of Chinese and Estonian organisations crisis management. A series of research tasks were created to serve the research issue. The research tasks are listed below,

RT 1.   To find crisis types in Chinese organisations (Study I and Study II);
RT 2.   To analyse and compare crisis management situation in Chinese and Estonian organisations (Study I);
RT 3.   To analyse the negative consequences and identify the connections between a crisis and the enterprise life cycle (Study II);
RT 4.   To find the causes of HR crises in Chinese organisations (Study III);
RT 5.   To find the causes of reputational crises in Chinese organisations and identify the connections with Chinese societal transformation (Study IV);
RT 6.   To analyse the approaches and strategies adopted by Chinese organisations to cope with crises (Study I and Study III);
RT 7.   To identify the connections between a crisis and shared value and ethics, and ethics connected with national cultures (Study V).

To accomplish the above research tasks, the following research questions were raised:

RQ 1.   Which types of crises have occurred in Chinese organisations? (Study I and Study II)
RQ 2.   Who were considered partners? (Study I)
RQ 3.   How was the crisis pro-action in Chinese organization? (Study I)
RQ 4.   What was the difference and similarity between Chinese and Estonian organisations' crisis management? (Study I)
RQ 5.   How was the crisis leadership in Chinese organisations? (Study I)
RQ 6.   How did Chinese organisations communicate during a crisis? (Study I)
RQ 7.   In which life cycle stage(s) did the crisis happen? (Study II)
RQ 8.   How did these crises impact Chinese enterprises in each life cycle stage? (Study II)
RQ 9.   What were the causes of HR crises in Chinese organisations? (Study III)
RQ 10. What were the causes of reputational crises in Chinese organisations? (Study IV)
RQ 11. How does the Chinese societal transformation influence the causes of reputational crises in Chinese organisations? (Study IV)
RQ 12. How were the crises managed? (Study I and Study III)
RQ 13. What was the crisis management strategy? (Study I and Study III)
RQ 14. How do ethics relate to national culture? (Study V)

Methods Used in the Research

First of all, abundant secondary research was conducted so as to acquire sufficient academic knowledge to support the next step in the research. The secondary research includes management literature review, crisis theory study, and a sample company's information survey (Study I, Study II, Study III, and Study IV). Based on the literature review and theoretical study, a series of propositions are discussed (Study I, Study II, and Study IV).

Secondly, persisted primary research was carried out. To conduct the crisis management interview in China, more than 780 Chinese organisations of different sizes were contacted earlier or more recently. However, only 156 companies finally accepted this interview. These companies accepted the interview with strict conditions that no record, no interviewee name or position is released, no company is identified or information is released. Furthermore, the author promised that the interview would be used for academic research only (Study I, Study II, Study III, and Study IV). Besides, 190 questionnaires were responded to in China regarding the association between ethics and national culture (Study V).

Thirdly, plenty of data analysis methods were implemented in this research. To analyse the interview data, the ordinal method, the comparative analysis and the detailed analysis of the primary research data were adopted. To analyse the data collected by the questionnaire, the principal components were analysed with VARIMAX rotation and the ANOVA test was used.

Through the analyses, a clear profile of a crisis management situation in Chinese organisations was drawn up. The propositions were re-evaluated according to the analysed results. Then the implications and conclusions were summarised.

The Originality of the Research and Its Practical Merit

Chinese institutional and economic changes are attracting the attention of more and more scholars. Although there are a few studies of organisational change in Chinese organisations (Head, 2005; Alas and Sun, 2007; Sun and Alas, 2007), there is no systemic study of crisis management in Chinese organisations. This dissertation attempts to fill this gap, and analyses crisis management from different perspectives.

Through the research on crisis management in Chinese organisations, a crisis management model has been developed on the base of Alas' (2009) model. The interconnections between different crisis management elements are identified from organisational and societal perspectives. Thus, this dissertation could be considered as a systemic theory of crisis management in Chinese organisations.

As Clark and Geppert (2002) pointed out, the transfer of market-economy practices often fails due to institutional and cultural tensions and conflict. China, a venerable eastern country, with its own characteristics in ideological and cultural fields, differs from most western countries. Therefore, this dissertation has the following practical merit:

First, this dissertation provides a crisis management reference on crisis types, sources, and impacts for enterprise managers in Chinese organisations when detecting, distinguishing and determining a crisis so as to avoid and handle the crisis efficiently, and continue to obtain sustainable development for the enterprise.

Second, the research results and implications should be considered by Chinese and foreign managers when choosing an enterprise's development strategy and business direction in China.

Third, this dissertation, analyses a crisis and its impact on enterprise growth from the enterprise life cycle's viewpoint in order to provide enterprise managers a crisis management reference for the enterprise during its whole life.

Fourth, the dissertation provides a suggestion for the Chinese government when drawing up and issuing policies or regulations.

Fifth, the dissertation summarises Chinese crisis management experience and how national cultural differences impact crisis management. This could be referred to by other countries with similar situations and backgrounds.

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PART 1. THE THEORETICAL PART

The theories presented in this chapter are mostly derived from European, American, and Australian literature. The author has noticed that only a few studies in this literature are related to crisis management in China, such as Fouhy and Dean (2007), Flynn and Lenaghan (2007), and Overby (*et al.*, 2004). That could be understood as being the result of language and cultural barriers. However, only a few Chinese scholars have conducted studies on crisis management in China, such as Gupta and Wang (2004) based on a single case study, Chong and Nyaw (2002) focus on a local area, and Huang (*et al.*, 2006) focus on enterprise management. So far, no systemic theory has appeared about crisis management in China. Therefore, the author aims to contribute to the theoretical gap in this field.

1.1 The Fundamental Structure of Theoretical Framework

A crisis is a kind of organisational phenomenon. Existing in the human society, the organisation is closely connected with the society towards one orientation. In another orientation, the organisation is the one that needs fact and fix crisis through crisis management. Therefore, the study of organisational crisis management should be based on and focus on the organisational and societal levels. By following Alas (2009) *Triangular Model of Crisis Management*, the author drafts up a Dual – Concentric Circles diagram (see the figure below) to illustrate the theoretical framework of this research.

Figure 1. The Dual – Concentric Circles

Source: Drafted by the author.

1.2 Theories of Crisis Management

As illustrated in Figure 1-1, the theory of crisis management is the primary framework of this research and dissertation. In this section, the theories of crisis and crisis management will be presented.

On looking through the crisis management literature, it becomes clear that many scholars and theorists have given definitions for crises from various perspectives. From the characteristics of a crisis, one of the earliest definitions is presented by Hermann (1963), who identified a crisis as an event, including a surprise, a threat and a short response time. Fink's (*et al.*, 1971) concept of a crisis is "threat to the system in its entirety". Nystrom and Starbuck's (1984) notion of crisis is "a threat to the organisation's own survival".

A crisis is an unwanted, unexpected, unprecedented, and almost unmanageable situation (Rosenthal *et al.*, 2001; Stern and Sundelius, 2002). Mitroff (2005) found that a crisis is an extreme event, literally threatening an organisation's very existence. Ulmer (*et al.*, 2007: 7) defines a crisis as a specific, unexpected and non-routine event or series of events that create high levels of uncertainty and threaten the organization's high-priority goals. Organisational crises are a pervasive threat to organisational performance and sustainability (Hutchins and Wang, 2008).

From the impact of the crisis, Tushman (*et al*., 1986) perceived crisis as a "framebreaker". Rosenthal (*et al.*, 1989) defined crisis as a serious threat to the basic structures or the fundamental value and norms of a social system.

Some crises' definitions are connected with public sector crises. For example, crises are episodic breakdowns of familiar symbolic frameworks that legitimate the pre-existing socio-political order (Hart, 1993); crises are extraordinary in kind and/or scope, testing the resilience of a society and exposing the shortcomings of its leaders and public institutions (Drennan and McConnell, 2007).

Clark (1988) identified three elements of a crisis from the aspect of its characteristics and impact. The three elements are as follows: a threat to goals, reduced ability to control the environment and a perceived time pressure. Shrivastava (1987: 194) defined a crisis as a low probability, high consequence event that is capable of threatening organisational legitimacy, profitability and viability. Coombs (2006: 2) defined a crisis as an unpredictable, major threat that can have a negative effect on the organisation, industry, or stakeholders if handled improperly.

Some management literature viewed a crisis as disrupting the technical core of an organisation (Thompson, 1967), or its input – throughput – output process (Katz and Kahn, 1978). Pauchant and Mitroff's (1992) combined both the threat and the disrupting definitions and consider a crisis as a disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, and its existential core.

Keeffe and Darling (2008) describe a crisis as an unstable time or state of affairs in which a decisive change is impending - with a distinct possibility of either a highly undesirable outcome or a highly desirable and extremely positive outcome. In Chinese Mandarin, the symbol for crisis is interpreted as a "dangerous opportunity", i.e. a crisis is both a danger and an opportunity. This interpretation was referred to by many western scholars (Ulmer *et al.*, 2007). Also, Pauchant and Mitroff (1992) deem that the destructive side of a crisis is itself a *sine qua non* condition for the development of an organisation.

In total, the definitions presented above represent four mainstreams of crisis management theory. The first mainstream viewed a crisis as a *threat*. The next mainstream of the crisis theory finds that a crisis is *disrupting*. The third one combined both *threat and disrupting* theories. The fourth mainstream *dialectically* observes that a crisis has both positive and negative sides. Table 1 summarises these mainstreams theories.

Table 1. Summary of Different Crisis Theories

"*Threat*" Stream		
Perspectives	**Scholars**	**Definitions of Crisis**
Characteristics	Hermann (1963)	An event including surprise, threat and a short response time
	Fink (*et al.*, 1971)	A threat to the system in its entirety
	Nystrom and Starbuck (1984)	A threat to the organisation's own survival
	Rosenthal (*et al.*, 2001); Stern and Sundelius (2002)	An unwanted, unexpected, unprecedented, and almost unmanageable situation
	Mitroff (2005)	An extreme event that literally threatens an organisation's very existence
	Ulmer (*et al.*, 2007: 7)	A specific, unexpected and non-routine event or series of events that create high levels of uncertainty and threaten the organisation's high-priority goals
	Hutchins and Wang (2008)	A pervasive threat to organisational performance and sustainability
Impact	Tushman (*et al.*, 1986)	A frame-breaker
	Rosenthal (*et al.*, 1989)	A serious threat to the basic structures or the fundamental values and norms of a social system
Public sector	Hart (1993)	Episodic breakdowns of familiar symbolic frameworks that legitimate the pre-existing socio-politic order
	Drennan and McConnell (2007)	Extraordinary in kind and/or scope, testing the resilience of a society and exposing the shortcomings of its leaders and public institutions

	Clark (1988)	A threat to goals, reduced ability to control the environment and a perceived time pressure
Characteristics and impact	Shrivastava (1987)	A low probability, high consequence event that is capable of threatening organisational legitimacy, profitability and viability
	Coombs (2006)	An unpredictable, major threat that can have a negative effect on the organisation, industry, or stakeholders if handled improperly

"Disrupting" Stream	
Thompson (1967)	Disrupting the technical core of an organisation
Katz and Kahn (1978)	Disrupting an organization's input – throughput – output process

"Threat" and *"Disrupting"* Combination Stream	
Pauchant and Mitroff's (1992)	A disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, its existential core

"Dialectic" Stream	
Keeffe and Darling (2008)	An unstable time or state of affairs in which a decisive change is impending - with a distinct possibility of either a highly
	undesirable outcome or a highly desirable and extremely positive outcome
Ulmer (*et al.*, 2007)	A danger and an opportunity
Pauchant and Mitroff (1992)	The destructive side of a crisis is itself a *sine qua non* condition for the development of an organization.

Source: Drafted by the author.

In this dissertation, the author defined a crisis as a low probability event with serious negative consequences and a short response time.

1.3 The Triangular Model of Crisis Management

Since the 60s of the last century when crisis management theory was established, various crisis management elements have been determined by different scholars (Hermann, 1963; Sethi, 1977; Janis, 1989; Zyglidopoulos and Phillips, 1999; Mitroff, 2005; Boin *et al.*, 2008). In accordance with these elements, the related theories were developed too. In the following part, theories of CM and its elements in Alas' (2009) model will be presented.

Crisis management means being prepared to handle adversity, minimizing the impact of the crisis effectively and facilitating the management process within the environment of chaos (Ulmer *et al.*, 2007). Crisis management encompasses all aspects of business, including operations, marketing, media relations, distribution

and legal matters. It also involves planning, organising, leading and controlling assets and activities before and after the crisis (NyBlom, 2003).

A crisis challenges the public's sense of safety, values and appropriateness (Sapriel, 2003). A crisis can occur with little to no warning (Keeffe and Darling, 2008). It can happen to every firm (Nurmi and Darling, 1997). Organisational crises have become more complex, far-reaching and prevalent in modern times (Hutchins, 2008). Crisis management consists of a set of factors used to combat a crisis and to reduce the actual damage inflicted by a crisis (Coombs, 2006).

Based on the definitions and theories mentioned above, it could be concluded that crisis management includes different aspects of organisational and managerial reality. Most frequently the literature on crisis management discusses such topics as crises types (Hwang and Lichtenthal, 2000; Mitroff and Anagnos, 2001; Perrow, 2007; Boin *et al.*, 2008; Alas *et al.*, 2009a), causes (Shrivastava, 1987; Comfort, 1988; Janis, 1989; Reason, 1990), management processes (Penrose *et al.*, 2001; Mitroff, 2005; Aba-Bulgu and Islam, 2007), partnerships (Curtin *et al.*, 2005; Ulmer *et al.*, 2007), and crisis consequences (Pauchant and Mitroff, 1992; Erikson, 1994; Curtin *et al.*, 2005).

Many scholars have developed various models to evaluate crisis management (Turner, 1976; Shrivastava, 1987; Rike, 2003; Alas, 2009; and so on). Based on the theoretical literature review of crisis and crisis management, Ruth Alas' (2009) *Triangular model of Crisis Management* was selected as the basic model to direct this research.

In this model, crisis management in organisations consists of four main elements and nine sub-elements (Alas, 2009). The main elements consist of three triangles for the types of crises, the process of crises and partnership. Moreover, the society belongs to the main elements. The sub-elements are features forming triangles for types of crisis, process and stakeholders (ibid). The triangles have been inverted, so as to highlight the precariousness of many crisis situations, which are inherently unstable. Alas (2009) had emphasized that all the elements of the triangle are interconnected and influence each other in the whole crisis management process. The triangular model of crisis management is in the figure below, while the relative theories of these elements in the model will be presented in the next section.

Figure 2. The Triangular Model of Crisis Management
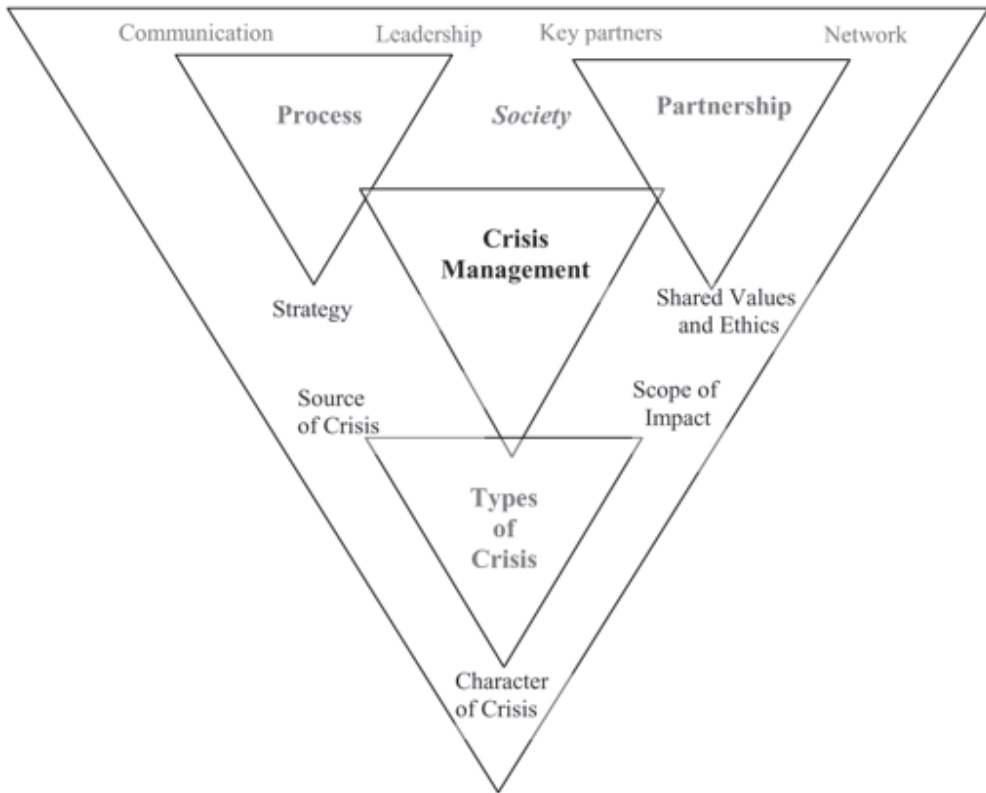
Source: Alas, 2009.

In this model, each item in the centre of a triangle has three dimensions, as each triangle has three points. The author considers three dimensions (or aspects, sides) necessary and sufficient to study CM due to the influence from old Chinese Daoism and Grecian philosopher, Aristotle. The core theory of Chinese Daoism is *the dynamic balance* of three dimensions, *yin* (negative), *yang* (positive), and *the merge of yin and yang*. Aristotle's *Middle Mean* is not simply about the *mean* in mathematics, but is a variable which could be divided into three parts (Chao, 2008). Furthermore, from a geometrical aspect, three dimensions are the bases for description and measurement

1.3.1 Types of crises

Most of the crisis type theories in this section stem from Western literature since there is little relevant literature presented by the Eastern world, especially Chinese scholars. In the academic field, many classification systems of crises types have been developed. These systems help to reduce the uncertainty when a crisis occurs (Ulmer *et al.*, 2007).

Western scholars categorise crises according to character, scope, impact, and the cause of crises. According to the charateristics, crises are divided into two types, abrupt crises and cumulative crises (Hwang and Lichtenthal, 2000). The abrupt crisis strikes suddenly and catches the management off-guard; the latter accumulates stressors and eventually erupts (Alas *et al.*, 2009a). Boin (*et al.*, 2008) distinguish crisis according to the scope affected by it. Some crises affect the whole organization; others are related to only a few departments or some people.

According to sources, crises can be differentiated between intentional and unintentional crisis (Ulmer *et al.*, 2007). Intentional acts designed to harm an organisation include not only terrorism, sabotage and workplace violence, but also poor employee relationships, poor risk management, hostile takeovers and unethical leadership. Unintentional crises include natural disasters, disease outbreaks, unforeseeable technical interactions, product failures and downturns in the economy (ibid). Perrow (2007) in his disaster research makes a difference between natural, industrial and terrorist disasters. Curtin (*et al.*, 2005) suggested that there are three essential types of crises, the unlooked-for accident, the manufactured, and the crisis escalating from an accident. Therefore, the crises could be classified according to the sources of the crises.

Lewis (2006) distinguishes between the crises made by a single person or a group of people, on the one hand, and natural disasters and infrastructure disruption, on the other hand. He also considers organisational transition as a crisis.

Coombs (2006) points out three types of crises. The first type attacks organisations, harming organisations reputationally and financially. These include product tampering, workplace violence, terrorism, computer hacking and rumours. The second type - accidental crisis – consists of product damage, industrial accident, transportation mishaps, challenges and sudden loss of key personnel. The third category - management misconduct – consists of crises created by management and includes known risk, improper job performance and purposeful legal or regulatory violation. The first and third types are similar to intentional crises according to Ulmer (*et al.*, 2007); the second group is similar to unintentional crises.

According to Boin (*et al*., 2005), there are also differences in causes of public crises: first, mismanaged crises, which are characterised by failures within governmental machines; second, agenda setting crises, which expose wider social vulnerabilities and fears; third, the incomprehensible crises, which have frame-breaking qualities (ibid). The author summarises different classification models in the table below.

Table 2. Different Crisis Type Models

By Causing	
Boin (*et al.*, 2005)	mismanaged crises, agenda setting crises, and incomprehensible crises
Lewis (2006)	made by a single person or a group of people; natural disasters and infrastructure disruption
Coombs (2006)	harm organisations reputationally and financially, accidental crises, and management misconduct
Ulmer (*et al.*, 2007)	intentional and unintentional crises
Perrow (2007)	natural, industrial and terrorist disasters
By Impact or Exhibition	
Mitroff and Anagnos (2001)	economic, informational, physical, HR, reputational, psychopathic acts, and natural disasters
Sher (2006)	reputation, production, financial, properties, and human resources crises
By Scope	
Boin (*et al.*, 2008)	the whole organisation or only a few departments or some people
By Character	
Hwang and Lichtenthal (2000)	abrupt and cumulative crises

Source: Drafted by the author.

Chinese scholars classify crises on the basis of exhibition. In the light of crises exhibition, Sher (2006) found that organisations may face five types of crises, *reputation, production, financial, property, and HR crises*. Sher's (2006) catalogue is similar to Mitroff and Anagnos' (2001) sort of crises which distinguished crises into seven types, *economic, information, physical, human resource, reputational, psychopathic acts, and natural disasters*. In his later literature, Mitroff (2005) defined each type of crisis. The following table compares these two classifications.

The above tables indicate that Mitroff's (2005) classification includes more segments. Moreover, Mitroff's (2005) classification is more distinguishable and property in specify different crisis types. Therefore, Mitroff's (2005) crisis category theory was selected as the model to classify crises in Chinese organisations.

Human Resource was found as one of the most important sources of competitive advantage among enterprises in China (Li, 2000). Craig (2009) argues that people are the most important assets of any enterprise. Hilbert (2009) pointed out that human-capital plays a key factor in determining which businesses fail, survive or thrive. Ivancevich and Matteson (1993: 4) pointed out that the power of HR is inevitable, and that failing to cope and deal with HR issues will result in HR crises, such as job dissatisfaction, poor morale, reduced commitment, lower work quality, burnout, poor judgement and a host of unhealthy consequences. Zhou (2004) and Ye (2005) listed three results of HR crises as follows: reducing enterprise performance; interrupting the communication between managers and employees; causing irrational reactions and vindictive psychology.

Table 3. Comparison of Mitroff (2005) and Sher (2006) Crisis Type Classification

Mitroff (2005)	Sher (2006)
Economic: labour strikes, unrest, and shortage; major decline in stock price and fluctuations; market crash; decline in major earnings; and hostile takeovers.	*Financial:* corporation's financial behaviour meets capital market change, interest or exchange rate adjusting, or stock market shaking.
Informational: loss of proprietary and confidential information; false information; tampering with computer records; loss of key computer information with regard to customers, suppliers, etc; and Y2K.	
Physical: loss or breakdown of key equipment, plant; loss of material suppliers and key facilities; major plant disruptions; explosions; faulty of poor product design; product failures; and poor quality control.	*Production:* product package, variety, or quality can not adapt market demand, can not be accepted by consumer *Property:* corporation loses huge property, so that cannot keep on running.
HR: loss of key executives, personnel; rise in absenteeism or in vandalism and accidents; workplace violence; lack of succession plans; corruption; labour strikes, unrest, and shortage.	*HR:* lacking of competent person and key person leaving.
Reputational: slander; gossip, sick jokes, rumours, damage to corporate reputation; tampering with corporate logos; and false rumours.	*Reputational:* corporation inappropriate handling of problems in product quality, package, function, and after-sales service, or when corporation vilely behaves which harms consumer's benefit.
Psychopathic Acts: product tampering, kidnapping, hostage taking; terrorism; workplace violence; criminal/ terrorist/ psychopathic acts.	
Natural Disasters: earthquakes; fires; floods; typhoons; hurricanes; and mudslides.	

Source: Drafted by the author.

Reputation is the most important commercial mechanism for conveying information to customers and other stakeholders (Kay, 1993). Dowling (2002) defined corporate reputation as the attributed values (such as authenticity, honesty, responsibility, and integrity) evoked from the person's corporate image. Jackson (2004) found corporate reputation to be a value-based composite that ranges from commerce to compliance to conscience. Zyglidopoulos and Phillips (1999) pointed out that corporate reputation is a dynamic, stakeholder-based aspect of the corporate environment.

According to Kay (1993), reputation is influenced by: people's experiences of a firm and its products; how the firm presents itself; how employees, others and the media talk about it. Center and Jackson (2003) found that reputations are based on experience with a product, service, or company – or the expression of trusted comrades.

Zyglidopoulos and Phillips (1999) defined reputational crisis as a situation in which important stakeholders negatively re-evaluate their opinions and beliefs about the firm.

Researchers (Dowling, 2002; Moss and Warnaby, 2003; Lees, 2003) argue that reputations are not immutable nor are they created easily, and once established must be carefully preserved. Once lost, a corporate reputation is hard to rebuild (Murray, 2004). In other words, a reputation is difficult to build up, but easy to destroy. So, a reputation is a major risk issue for all organisations (Lees, 2003). A good reputation can always be used to support the company's business (Dowling, 2002). A good reputation can: help the organisation to optimise shareholder value (or an equivalent) by enabling it to attract customers and high quality employees; enhance the organisation in good times and protect it during bad ones. (Lees, 2003)

1.3.2 The sources and impacts of crisis

The process of crisis disruption is rooted in a combination of exogenous and endogenous factors (Comfort, 1988). Different crises follow different critical paths (Reason, 1990). Crises are triggered in a variety of ways: by natural forces and by the deliberate acts of 'others' inside or outside that society (Boin *et al*., 2008). Charles Perrow (1984) from a historical and sociological view, thought crises to be the result of a cumulative process, which emphasises that crises are normal, that they result from the complexity of the technology we now use. Irvin Janis (1989) from socio-psychological and political view considered crises to be the result of faulty decisions, placing the responsibility of individuals and groups at the centre. In his view, the purpose of crisis management is to decrease the usual constraints on decision-making and thereby avoid policy disasters that could be lethal. Paul Shrivastava (1987) integrated the previous two perspectives, and stressed that crises are normal event triggered both by the complexity of the system itself and by faulty decisions, as well by the interrelationships between technological systems and the humans who attempt to manage them.

The reasons causing reputational crises vary. According to Zyglidopoulos and Phillips (1999), any number of negative events can cause a reputational crisis, such as accidents (Perrow, 1984; Buchholz *et al.*, 1985; Shrivastava, 1987), scandals (Sethi, 1977), and financial problems (Kent, 1993). Lees (2003) discovered that the causes of reputational crises stem from three main sides, cultural, managerial, and the external of organization. In fact, the reasons originating from the cultural side could be both internal and external. Dowling (2002) listed four reasons for reputational crises. They are enterprise lack of perceived social responsibility; managers' lapse of ethical standards leading to greed for huge short-term profits; deregulation of the markets; and poor marketing. Marcus and Goodman (1991) identified the three reasons as accidents, scandals, and product safety incidents. The table below summarises the reasons causing reputational crises as stated by different scholars.

Table 4. The Sources of Crises

Scholars	Internal	External
Sethi (1977)	scandals	
Perrow (1984)	technology complexity	
Buchholz (*et al.*, 1985)	accidents	
Shrivastava (1987)	system complexity and faulty decisions	
Janis (1989)	faulty decisions	
Marcus and Goodman (1991)	Accidents, scandals, and product safety incidents	
Kent (1993)	financial problems	
Fombrun (1998)	financial performance, product quality, employee treatment, and organisational issues	
	community involvement, environmental performance	
Dowling (2002)	lack of social responsibility; managers lapse of ethical standards; poor marketing	markets deregulate
Lees (2003)	managerial Cultural	External
Boin (*et al.*, 2008)	by the deliberate acts	natural forces and by the deliberate acts

Source: Drafted by the author.

To sum up, all these accidents, scandals, financial problems, and cultural problems can be seen as reasons originating from the internal side of the enterprises. From managerial perspective, which is enterprise internal, accidents can be explained as poor marketing and product safety incidents which include human and technological factors problems. Human and organisational issues include financial problems, cultural issues inside the enterprise itself, the enterprise lack of social responsibility, and the manager's lapse of ethical standards. All these problems may cause scandals for the internal side of the enterprise. Information mistake or media misleading and markets deregulation could be categorised into external reasons of enterprise reputational crisis.

Curtin (*et al.*, 2005) pointed out that a crisis can have serious consequences on a company's revenue streams; a badly managed crisis can severely damage a company, its reputation and its brand. Pauchant and Mitroff (1992) summarised a crisis as a disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, and its existential core. A crisis is not only the threat of death or damage, but it also pertains to the invisible and intangible perils that are feared to destroy a community (Erikson, 1994).

1.3.3 Crisis partnership

The crisis partnership triangle includes key partners, a network, and shared values and ethics. Alas (2009) defined the primary stakeholders as key partners and the secondary stakeholders as the network. The key partners are the first few stakeholders; all parties involved should be identified and included in the network. Stakeholders are internal or external groups that can have an impact on the organisation (Ulmer *et al.*, 2007: 36). Stakeholders have been segmented as dependent, impacted, unknown, supporting and intractable stakeholders (Curtin *et al.*, 2005: 88).

According to Mitroff (2005), stakeholders differ in the amount of information they possess, the social and political influence they can bring to bear, the power of reputation they have, and their resources. Primary stakeholders are groups defined by an organisation as the most important to its success. Secondary stakeholders do not play an active role in the day-to-day activities of the organisation; they are, however, important to its overall success (Ulmer *et al.*, 2007: 37).

A relationship relies on values and ethics. At the same time developing values and principles is not enough on its own – values and ethics should be shared (Alas, 2009). According to Spence and Van Heekeren (2005), ethics can simply be defined as a set of prescriptive rules, principles, values and virtues of character that inform and guide interpersonal and intrapersonal conduct: that is, the conduct of people towards each other and the conduct of people towards themselves. Ferrell and Fraedrich (1997) pointed out that ethical issues are problems, situations or opportunities that require a person or organisation to choose among several actions that must be evaluated as right or wrong. Gini (2004) considers ethics to involve the assessment and evaluation of values, because all of life is value-laden.

Social scientists use the term culture to mark a set of parameters for collectives that differentiate each social group in a meaningful way (Study I). In the GLOBE study, culture is defined as shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences among members of collectives that are transmitted across generations (House and Javidan, 2004). Studying and discovering the relationship between ethics and national culture may help people to apply appropriate ethical standards and adopt corresponding ethical understanding when dealing with ethical issues and handling ethical crises (Study I).

1.3.4 Crisis management process

The crisis management process can be divided into three stages: the pre-crisis period, the crisis itself, and post-crisis (Alas, 2009). The table below summarizes the CM processes described by different scholars.

Table 5. Summary of Crisis Management Process Theory

Author	Pre-Crisis		Crisis	Post-Crisis
Turner (1976)	1.	Normal operations	4.Onset of	5. Rescue and salvage
	2.	Crisis incubation	crisis	6. Readjustment of belief system
	3.	Precipitating event		
Penrose (*et al.*, 2001)	1.	Hidden crisis	3.Full crisis	4. Post crisis
	2.	Pre-crisis		
Rike (2003)				1. Assess the damage
				2. Stabilise the environment
				3. Activate the in-house recovery team
				4. Restore the area
Mitroff (2005)	1.	Signal detection	3. Damage	4. Business recovery
	2.	Preparation and	containment	5. No-fault learning
				6. Redesign
Aba-Bulgu and Islam (2006)				1. Assessment of incident
				2. Crisis management planning
				3. Temporary resumption of operations
				4. Replacement and reconstruction of tangible assets
				5. Marketing and promotion
				6. Permanent resumption of operations

Source: Drafted by the author.

Strategy – In the above table, the theories in **Pre-Crisis** column could be considered as the proactive or preventive strategies, since they include elements in the period before the actual crisis. The theories in the **Post-Crisis** column are reactive strategies, as the process starts barely after the damage has already occurred. The **Pre-Crisis** models were considered as more advanced strategies (Alas, 2009), because prevention can save lives, money and reputations (Mitroff *et al.*, 1996),

Leadership – The implementation of change in a crisis often fails because of leadership problems. According to Murray and Richardson (2002), senior executives abdicate their responsibility for the tough decisions to nonperforming employees or 'sacred cows' that are paralysing the organisation. Different leadership styles exist during a crisis. A connection has been found between the leadership style and the leader's power needs: leaders with high power need practise personal involvement, and control, and rarely delegate important decision tasks (Preston, 2001). Decision-making during crises is also impacted by the leader's general sensitivity to context and need for information: sensitive leaders gather more information, and they are also more willing to hear bad information (Preston, 2008).

Communication – The leader is also a source of information: effective internal and external communication is needed during a crisis (Reilly, 2008). Without effective

communication techniques in place, employees in a crisis may end up creating their own information through damaging rumours (Duck, 1993). In addition, the affected firm will have to interpret a crisis event to its outside constituencies, such as shareholders and customers (Sturges, 1994). Many crisis communication researchers recommend having a single spokesperson as the external liaison in a crisis (Reilly, 1998). Effective crisis leadership and communication should support the crisis coping strategy.

1.4 Enterprise Life-Cycle Models

For several decades, management scholars have conducted studies of the organisational life process and formed a number of 'life cycle' models. Adizes (1999) suggested that every system has a lifecycle. Enterprises have life cycles that parallel those of human beings (Allen, 1999). Regarding the enterprise life cycle, scholars have used different models to divide the life stages and describe the characteristics of each stage.

From the perspective of enterprise goals, Churchill and Lewis (1983) highlighted a five-stage model – Existence, Survival, Success, Take-off and Resource Maturity. The model shows that as a company grows from young to mature, it becomes larger in size, less focused, more diverse and more complex (Allen, 1999). Some other theorists, such as Lippitt and Schmidt (1967), Flamholtz (1986), Scott and Bruce (1987), Kazanjian (1988), Adizes (1999), Allen (1999), and Smallbone and Wyer (2000) have also, from the same or a similar perspective, presented their own life cycle models with different life stage divisions and characteristics.

Based on Churchill and Lewis' (1983) model, Allen (1999) developed another five-stage model – Pre-Start-up*, Start-up, Growth, Maturity, and Rebirth or Decline,* and listed the needs and goals of each stage. According to Allen (1999), the Pre-Start-up stage is when the enterprise's concept is formulated; the enterprise does not indeed exist until the "start-up" stage.

From the organisational structure (Quinn and Cameron, 1983; Smith *et al.*, 1985; Hanks *et al.*, 1993; Lester *et al.*, 2003) or leadership (Schein, 1985; Hoy, 2006) perspective, other scholars have brought their own models and the characteristics of each stage. Adizes' (1999) model tries to provide a complete view of all sides of the enterprise. Table 1 in Study II lists 14 scholars' lifecycle models and the distinguishable characteristics of each lifecycle stages.

In summary, all these models present life cycles ranging from three to ten stages. It is clear that enterprises are "born" (Lippitt and Schmidt, 1967; Schein, 1985; Hoy, 2006) at some point, and then grow to one size or another (Smith *et al.*, 1985; Scott and Bruce, 1987), and finally they "die" (Flamholtz, 1986; Adizes, 1999) or enter a "rebirth" (Allen, 1999; Lester *et al.*, 2003; Hoy, 2006). Thus, Allen's (1999) model

was chosen as the model for use in this paper to determine the enterprise's life cycle stage.

The relationship between the characteristics of the enterprise's life stage and performance indicators involve age and size as well as other variables (Storey, 1994). In Table 1 in Study II, all the theorists mentioned "age" and "size" as the main distinguishable characteristics. Organisational aging can be averted with appropriate treatment (Adizes, 1999). For some companies the life cycle is brief, while for others their life spans decades (Allen, 1999). As Lester and Parnell (2008) pointed out, the enterprise's size changes dramatically as the organisation moves through the life cycle stages. Therefore, "age" and "size" are selected as the dimensions for determining the enterprise's life stage in this research.

According to Allen (1999), at each stage of the life cycle, the needs and goals of the company differ. To meet these different needs and goals, the enterprise has to face different difficulties and overcome various indicative challenges and hurdles (Smallbone and Wyer, 2000) so as to retain stability and pursue development. According to Adizes (1999), difficulties arise when an organisation moves from one lifecycle stage to the next. All these difficulties, challenges and hurdles may bring crises upon the enterprise.

1.5 The Comparison of two Transition Countries, China and Estonia

In Alas' (2009) Triangular Model, *Society* was emphasised as one of the main crisis management elements. The *Society* element could be observed from ideological, economic, and institutional three angles.

Institutionalists have stressed the importance of the institutional environment in understanding the behaviour of organisations (North, 1990). From the structural point of view, institutions exist as institutionalised forms of 'external social constraints'. From the social perspective, institutions can be understood as operating as behavioural definitions, which may take the form of either 'cultural accounts' or 'cultural rules' (Meyer *et al,* 1994: 24). This means that institutions provide an account of how the social world works, and embody normative principles and social values (Study I).

China and Estonia represent two different types of transition economies with rapid economic success and cultural change in the 1990s and the beginning of the new millennium. Totally, both countries had experienced the socialist centrally planned economy; however, the reasons were different. During the past few decades, both countries have gone through significant change processes in trying to transform their Soviet-type bureaucratic systems into more market-oriented (China) or fully market oriented (Estonia) economic regimes. Today, Estonia is a democratic country, while China still retains its one-party communist regime (Study I).

Along with these rapid societal changes in ideological, institutional and economic fields, Chinese and Estonian enterprises have gone through radical changes, which make these two countries comparable cases to study crisis management at the organisation level (Study I).

A study and comparison of different cases between these two countries may help Estonian enterprises gain experience and prepare for a crisis during the whole enterprise development. As most Estonian enterprises were created after 1991, they have not had time to go through the whole enterprise life-cycle. However, Chinese enterprises have been created since 1949. They are at different stages of the whole life-cycle. Therefore, the crisis management experience of Chinese enterprises at different life-cycle stages could be referred to by Estonian companies.

1.5.1 China's ideological, economic, and institutional transformation

The history of China during the republic from 1912 until 1949 is described as turbulent, full of internal and external wars and campaigns of different groups for power with the social system near to collapse (Laaksonen, 1988; Foy and Maddison, 1999). The Chinese Communist Party (CCP) took power in 1949, and the People's Republic of China was founded. Its priorities were national unity with economic independence. The country adopted CPC-led, multi-party cooperation and political consultation institution. In 1978 China was ready for reform, during which the rural economy was de-collectivized, private and semi-private enterprises swelled, and the state sector steadily shrank (Zhang, 2004). In the year of 1998, the nation, from the constitutional level, announced that the private economy was an "important component" of the whole nation's economic system, which indicates the national institutional rational change. A culture of profit began to take root, and people began to pursue profit for themselves, very often with socially undesirable consequences (Ip, 2009). In the same year, Jiang Zemin, the pre-chairman of CCP, first mentioned institutional reform formally, which indicated that China's institutional reform had already commenced.

Since 1978, China's economy has developed rapidly. The decentralization of economic control followed the reform, with local governments gaining some or all of the decision-making power that had been relinquished by the central government (Jia, 1998). However, the development in political and cultural spheres is not increasing at the same speed (Lu, 1997). In the late 1970s and the early 1980s, China opened the doors for trade with the outside world (Chow, 2000). The second phase of economic reform occurring in the 1980s was aimed at creating market institutions and converting the economy from an administratively driven command economy to a price-driven market economy (ibid). This process culminated in 2001, when China became a member of the WTO, followed by China's emergence as a leading world economy in the first decade of the 21st century (Study I).

When the nation was founded, Mao Zedong took the Soviet style centrally planned economy as a positive example to follow (Jefferson and Rawski, 1994). Its Marxist-Leninist ideology, a command ideology, resulted in over-manned state enterprises with low productivity (Warner *et al.*, 2005). From 1949 until the economic reform in 1978, China implemented Mao's ideology with the Cultural Revolution, Anti-Rightist Campaign and the Great Leap Forward, which resulted in disasters and massive suffering for China (Qin, 2005: 61). After 1978, under the guideline of "focus on economic construction" which was implemented by Deng Xiaoping, the mission of the Chinese enterprise shifted to making profit, rather than serving the serve the nation (Study IV).

In today's China, the ideology, economy, and institution have changed dramatically. The Chinese economic system reform resulted in a series of rapid fundamental transformations. The business concept was planted and fed into normal people's minds. The market economy has successfully replaced the planned economy. Most state-owned enterprises (SOEs) were privatised, restructured, or simply shut down. Meanwhile plenty of joint-venture enterprises and private-owned companies have been built up rapidly. These reforms altered people's fundamental economic interests (Lu, 2009). Over the two decades, China has enjoyed the status of one of the fastest developing countries in the world, with an annual growth rate of 8–10 %, on average (Hampden-Turner and Trompenaars, 2002). Applying the purchasing power converter, China was the world's second largest economy in 2005, with a GDP rising up to about 80 percent of the US (Maddison, 2009). However, according to Lu (1997), the development in political and cultural spheres is not increasing at the same speed. Starting from 1998, China's institution development is slower than its economic and ideological change.

China's "open policy", introduced since the early 1980s, has been pushing Chinese companies into global competition. Especially since China's entry into the WTO in 2001, Chinese companies have been facing increasingly fierce competition in all fields. China, a market with huge potential and challenges, offers every company equal opportunities, as well as equal risks. The organisational crisis is one such risk that every enterprise in China has to deal with.

1.5.2 Estonia's ideological, economic, and institutional transformation

The history of Estonia differs from China. Before 1940 Estonia enjoyed independence with a standard of living comparable to the Scandinavian countries (Zamascikov, 1987). The Western values with individualism and free enterprise were widely adopted in Estonia (Barnowe *et al.*, 1992). The secret 'additional protocol' of the Molotov-Ribbendrop pact in 1939 between Nazi Germany and the Soviet Union assigned Estonia to the Soviet sphere of influence (Misiunas and Taagepera, 1983). The Soviet occupation resulted in major changes throughout the Estonian society when it tried to remove Western influence and have the communist

ideology rooted, instead (Study I). For instance, the Government of the USSR organised a massive migration of workforce into Estonia from other parts of the USSR, and Estonian people, respectively, were moved to other parts of the Soviet Union. Estonia lost 25-30% of its original population between 1940 and 1955 (Laar, 2001).

Estonia, a small Eastern European country, which regained its independence in 1991, after the collapse of the Soviet Union, adopted a quick start towards the market economy (Alas, 2007). Estonia has transformed itself from a centralized, totalitarian socialist state, to a Western democracy with a free market economy and vastly different attitudes and values. Estonia joined the European Union in 2004 (Study I). During the second half of the 1980s, the Estonian companies were gradually given more autonomy in the Soviet Union. However, the breakthrough took with it the collapse of the Soviet Union, and Estonia achieved independence in 1991 (Taaler, 1995). Estonia became a candidate for the European Union in 1997 and received the full membership of the EU in 2004 (Alas and Vadi, 2006).

PART 2. METODOLOGY AND EMPIRICAL STUDY

This part contains a description and discussion of the methods used in this research. These methods were considered the most fitting for the purpose by the author. This part will provide readers with a guideline on how the empirical study was conducted, i.e. the sample determination, the interview execution, the propositions presentation, and the methodology selection.

2.1 Methodology of the Research

The methodology used in this research is necessary to fulfil the research tasks, test the propositions, and lead to the correct conclusion. The research methodology was created according to Saunders (*et al.*, 2007). Generally, six steps are included in their methodology. They include the research purpose, research approach, research strategy, sample selection, data collection, and data analysis. The author has drafted a figure to illustrate the connections between each step.

Figure 3. The Research Methodology
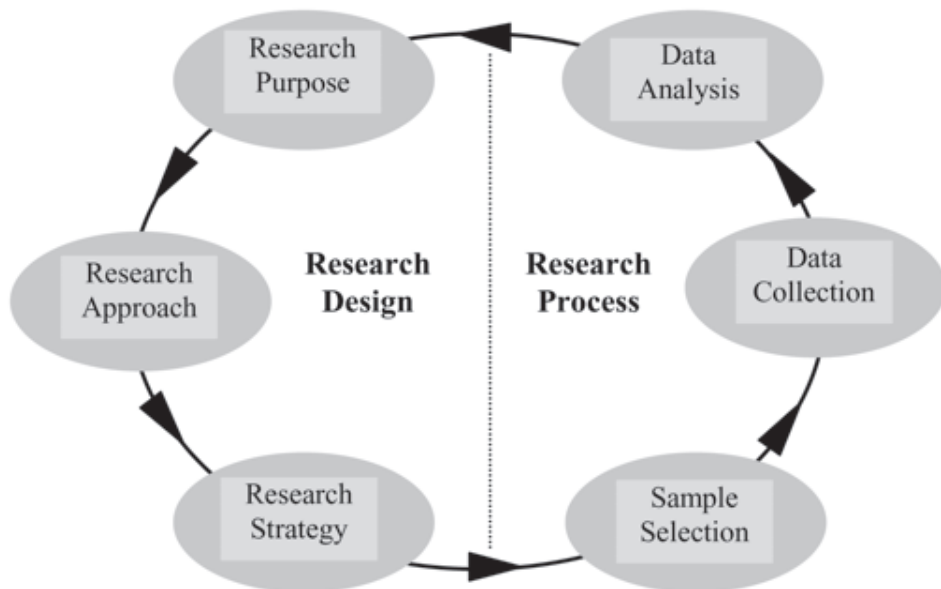
Source: Drafted by the author.

As the above figure illustrates, the methodology cycle starts at the research purpose. Following data analysis, the methodology cycle will start again. Generally, the cycle is divided into two parts, research design and research process. The research purpose, research approach, and research strategy belong to the research design

part, while the sample selection, data collection, and data analysis belong to the research process part. Each step in the figure will be explained one by one in the coming section.

2.1.1 Research purpose

Since there was no systemic literature about Chinese organisation crisis management, one of the research tasks is to discover the current situation of crisis management implementation in Chinese organisations. This doctorate research aims, from the societal, organisational, and individual levels, to contribute to management theory by developing a crisis management model and to improve crisis management practice by providing the implications.

The research issue of this dissertation is crisis management implementation in contemporary China's societal and economic transformational environment and the comparison of Chinese and Estonian organisations crisis management. The author adopted the exploratory study to discover the questions for future research. Therefore, the first research task (RT) of this research was created,

RT 1. To find crisis types in Chinese organisations (Study I and Study II);
RT 2. To analyse and compare crisis management situations in Chinese and Estonian organisations (Study I);
RT 3. To analyse the negative consequences and identify the connections between a crisis and the enterprise life cycle (Study II);
RT 4. To find the causes of HR crises in Chinese organisations (Study III);
RT 5. To find the causes of reputational crises in Chinese organisations and identify the connections with Chinese societal transformation (Study IV);
RT 6. To analyse the approaches and strategies adopted by Chinese organisations to cope with crises (Study I and Study III);
RT 7. To identify the connections between crises and shared value and ethics, and ethics connected with national cultures (Study V).

To accomplish these research tasks, the following research questions (RQs) were presented,

RQ 1. Which types of crises have occurred in Chinese organisations? (Study I and Study II)
RQ 2. Who were considered as partners? (Study I)
RQ 3. How was the crisis pro-action in the Chinese organisation? (Study I)
RQ 4. What was the difference and similarity between Chinese and Estonian organisations' crisis management? (Study I)
RQ 5. How was the crisis leadership in Chinese organisations? (Study I)
RQ 6. How did Chinese organisations communicate during the crisis? (Study I)

RQ 7.   In which life cycle stage(s) did the crisis happen? (Study II)

RQ 8.   How did these crises impact Chinese enterprises in each life cycle stage? (Study II)

RQ 9.   What were the causes of HR crises in Chinese organisations? (Study III)

RQ 10.   What were the causes of reputational crises in Chinese organisations? (Study IV)

RQ 11.   How does the Chinese societal transformation influence the causes of reputational crises in Chinese organisation? (Study IV)

RQ 12.   How were the crises managed? (Study I and Study III)

RQ 13.   What was the crisis management strategy? (Study I and Study III)

RQ 14.   How do ethics relate to national culture? (Study V)

2.1.2 Research approach

Yin (1994) pointed out three available means of research when dealing with a research problem: exploratory, descriptive, or explanatory (casual study). The exploratory study tends towards a loose structure with the objective of discovering future research tasks and generalising a proposition. The descriptive and explanatory studies differ in their objectives. The descriptive study tends to serve the research aims to find out who, what, where or how much. However, the explanatory study focuses more on the research aims to learn why that is, how one variable effects change in another, and so on.

According to Yin (1994) the choice of research approach is influenced by the research questions. Thus, all the three research approaches mentioned above are used to carry out this research. However, due to the various research questions, the research approaches used in each study were different. In Study I, the exploratory approach is the mean approach, the descriptive approach is subsidiary. In Study II and Study IV, all the three research approaches were used. In Study III, the approaches used are descriptive and explanatory.

2.1.3 Research strategy

According to Yin (1994), there are five different research strategies: the case study, the survey, the experiment, the archival analysis, and the history. The selection of research strategy depends on the form of research question, the need for control over behavioural events, and the degree of focus on contemporary versus historical events. Thus, the survey, which offers the possibility to deal with the phenomenon and context, was chosen as the strategy of this research.

In general, there are two research methods that can be used for the survey research, the qualitative method and the quantitative method. The qualitative method

covers several forms of inquiry, which makes it easier to understand and explain the meaning of a social phenomenon with as little disruption from the natural setting as possible. Overall, the purpose of the qualitative model is to understand the situation in which individuals, groups or organisations are situated. The negative aspect of the qualitative method is that the information obtained is both subjective and objective, which reduces the possibility of generalising the findings (Merriam, 1998).

The qualitative method was used for the research since it offers the possibility to deepen the knowledge and understand the detailed information about crisis management implementation in Chinese organisations. Though the quantitative method has its advantages, such as being objective and ensuring the validity of the conclusion, this method requires that the structure of investigation has already been set and the investigation has already completed the theory and problem formulation (Holme and Solvang, 1991).

Both research methods have been adopted in this research. In study I, II, III, and IV, the qualitative method is used. In Study V, the quantitative method is used. The author did not conduct a questionnaire in Study I to IV due to the following two reasons. First, from the objective perspective, the research crisis management topic is related to vital issues within an enterprise, where the relevant information is mostly available to enterprise managers who are definitely not willing to give this kind of information to a stranger through a questionnaire. Furthermore, from the subjective point of view, to get a whole view of crisis management in Chinese organisations, there needs to be   more detailed data resources as references. This is something a questionnaire can not achieve.

2.1.4 Sample selection

From 2008 to 2009, the author conducted interviews concerning crisis management in Chinese organisations. In order to conduct the interview, the author had asked 783 Chinese companies earlier or more recently. Finally, 156 Chinese companies accepted the interview. In the year 2008, 102 companies were interviewed, and in 2009, 54 companies were interviewed.

The sample selection process was a difficult task due to the sensitivity of the topic, the requirement of keeping the enterprise stable, and the characteristics of Chinese culture. So most Chinese enterprises refused the interview. The author conducted the interview with all the Chinese enterprises who accepted, without considering the industry, age or size of these companies. However, it still could be said that the samples were selected randomly, since there is no evidence to prove there is any connection between those companies that refused or accepted the interview. Neither is there any connection among the industries, nor geography locations, nor company ages, nor sizes.

Considering the reality that China is a country with a large territory, the basic geographical separation is the north and south of China which is separated by the Yangtse River, the author invested more effort in seeking sample companies in the south of China, so as to balance the samples geographical distribution. These Chinese companies are located in Beijing, Guangdong, Jiangsu, Jiangxi, Hebei, Henan, Hubei, Hunan, Inner Mongolia, Shandong, Shanghai, Sichuan, Xinjiang, Zhejiang, and so on including 14 provinces and 57 cities.

The author first contacted the companies by telephone, email, or online communication tools to get permission and make appointment to conduct an interview. According to the requirements of the Chinese companies, the interview questions (listed in Appendix I) were sent to them in advance for their consideration and preparation. In Estonia, 67 interviews were conducted in Estonian companies in 2008. The sample was chosen randomly with a selective condition that the company must have experienced a crisis, and still exist after the crisis.

The samples for ethics questionnaire in Study V are selected randomly from China, Estonia, and Brazil. The questionnaire (in Appendix V) was developed by Schlenker and Forsyt (1977) and Forsyth (1980). The first part was designed to assess the respondent's background information, such as gender, age, education level, and work experience. The second part of the questionnaire consisted of the Ethics Position Questionnaire (Study I).

2.1.5 Data collection

The primary data contains the information gathered directly from a certain source for the research aims. The primary data can be divided into internal and external primary data. In this dissertation, the primary data was collected via interviews with managers in those Chinese companies, i.e. internal data.

The crisis types were based on the interviewee's determination. In addition, the author, i.e. the interviewer, adjusted several of the types according to the depiction of crisis situations and Mitroff's (2005) definition of each crisis type.

The interview questions were formulated in English. They were translated into Chinese Mandarin and Estonian because the interviewees were natives of both countries. The interview questions include two parts. The first part contains the sample company's information and the interviewee's position. The second part focuses on the crisis that occurred in the sample company. It includes questions about the crisis type, the time of occurrence, the cause, the coping process, the stakeholders, and the negative consequences.

In the actual interviews, the managers were asked to think about certain crisis situations. For those interviewees who were insecure about the meaning of "crisis",

the interviewer defined crisis as "a low probability event with serious negative consequences and short response time". The interviewees decided which crisis situations they would focus on describing. The interviews lasted between 30 to 90 minutes.

In those Chinese companies, middle to top managers were interviewed. The management positions held by the interviewees were from different levels. Most of them (97 people, 62.2%) were middle managers, 17 (10.9%) were assistants to the top managers and 42 (26.9%) were top managers.

In the Estonian companies, a member of the management board was interviewed in 59% of the cases, and other company top managers, in 35% of the cases or the CEO, in 3% of the cases. Other managers in the Estonian data included: personnel managers, sales, service, IT, production, etc. managers and specialists, and owner-managers.

The author carried out the questionnaire in Qingdao, China, where the 190 respondents were received. The comparative data was obtained from students in Estonian Business School (63 respondents) and Pontifical Catholic University, Brazil (60 respondents). The questionnaire was translated into Chinese and Estonian languages to conduct the research in these countries. Retranslation was made back into English to ensure accuracy of content. In Brazil an English questionnaire was handed out. Each respondent answered the questionnaire independently and anonymously (Study V).

2.1.6 Data analysis

Following the interviews, a content analysis of the interview results was carried out to discover the general profile of crisis management in Chinese organisations and create further research tasks. The analysis is based on a complete study of all interview results, i.e. all the samples of Chinese organisations. One method use to analyse the data involved the ordinal method. The primary data which was gathered via the interviews was categorised and ordered. A further method used was the comparative analysis.

In Study I, the ordinal method was used to categorize and rank the primary data which was gathered via interviews. A comparative analysis was used to compare the crisis management situation in China and Estonia.

The initial results of the analysis show that crises related to economic, human resources and reputation are the three most common crises among Chinese organisations. Crisis types are ranked according to their occurrence lists in Appendix II. Thus, a deeper analysis was conducted based on a full study of all the cases related to human resource crises or reputational crises.

Though the economic crisis is the first crisis type in Chinese organisations, the reasons triggering it are extremely accordant – due to the global economic recession. As the current research aims at management, a branch of social science, the author decided to focus on the second and the third main types of crises, i.e. human resources crises and reputational crises.

In Study II, to observe and analyse the crisis types an enterprise encountered at each stage the life-cycle, the sample companies were sorted into four different life-cycle stage groups based on Allen's (1999) model: the Start-up (S1), Growth (S2), Maturity (S3) and Rebirth or Decline (S4) stage. Since all the sample companies had already existed, the "pre-start-up" stage was omitted.

 "Age" and "size" were chosen as the two main indicators to determine which life stage the enterprise was at when the crisis occurred, but not when the interview took place, since all the companies were still operational after the crisis. When "age" and "size" are insufficient for indicating the life stage, then other variables, such as business scope, turnover, growth rate, management structure and so on were adopted as additional indicators.

It should be clarified that each percentage in Table 4, Study I are calculated based on 156 companies. In many cases, one crisis has dual or triple impacts on an enterprise. Therefore, one crisis may be presented in more than one crisis type. The significance of this calculation is to show the frequency of each type of crisis among all the samples.

In Study III, the ordinal method was used to rank the causes of HR crises in Chinese organisations. A comparative analysis was used to compare the situations and negative consequences of different cases with similar or the same causes.

In Study IV, the ordinal method was used to rank the causes of reputational crises in Chinese organisations.

In study V, the principal components' analysis with VARIMAX rotation led to the identification of two dimensions, which were called Ethical Relativism and No-Harm Principle. The data analysis begins with a comparison of the three countries followed by comparisons according to gender and age. In order to find statistically significant differences an ANOVA test is used.

2.2 The Propositions for Empirical Analysis

To obtain the general profile of crisis management implementation in Chinese organisations and to compare the crisis management situation between China and Estonia, the author presents the following propositions (P), which are based on the literature review and theoretical study:

P1.   Employees are more emphasised in Estonian than in Chinese companies (Study I)
.

P2.   There are fewer crises connected with HR in China than in Estonia (Study I).

P3.   There are more crises connected with natural disasters in China than in Estonia (Study I).

P4.   Ethics are less emphasised in China than in Estonia (Study I and Study V).

P5.   Pro-active strategies are less used in China than in Estonia (Study I).

P6.   The authoritarian leadership style is more often used in China than in Estonia (Study I).

P7.   Crisis communication is less used in China than in Estonia (Study I).

To seek the connection between crisis and enterprise growth, the following propositions were presented. According to Allen (1999), during each stage of the life cycle, the needs and goals of the company differ. To meet these different needs and goals, the enterprise has to face different difficulties and overcome various indicative challenges and hurdles (Smallbone and Wyer, 2000) so as to retain stability and pursue development. According to Adizes (1999), difficulties arise when an organisation moves from one lifecycle stage to the next. All these difficulties, challenges and hurdles may bring crises upon the enterprise. Therefore, proposition 8 may be proposed.

P8.   During different stages of the life-cycle, Chinese enterprises may encounter different types of crises (Study II).

During the "start-up" stage, enterprises are product focused or product oriented. The enterprise's needs and goals are to identify the market, attract customers and sell products so as to acquire financial resources (Adizes, 1999; Allen, 1999; Smallbone and Wyer, 2000). Thus, the enterprise must face a series of difficulties, such as a lack of customers, unmarketable products or insufficient capital. All these difficulties may result in some kind of crisis. Therefore, proposition 9 may be proposed.

P9.   During the start-up stage, Chinese enterprises most frequently economic crises (Study II).

During the "growth" stage, enterprises become market focused (Allen, 1999). During this stage, enterprises need to increase sales through exploring potential customers and building up customer relationships as well as building up predictable financing systems. In addition, in comparison with the previous stage, enterprises need to attract better quality staff (Smallbone and Wyer, 2000) to provide the conditions for setting up a professional management structure at the "maturity" stage. According to Allen (1999), along with enterprise maturity, the focus changes to management. If the enterprise is able to manage product innovation, customer retention as well as human resources, reputation and other resources, the enterprise may remain competitive, and go through a rebirth stage to start another growth cycle. Thus, the focus of the enterprise will change to reinvention. If, on the other hand, the company fails to do this, it will ultimately fall into decline and will have to focus on dissolution. Therefore, the following proposition was presented.

P10.   During the growth stage, Chinese enterprises most frequently encounter economic and human resource crises (Study II).

The following two propositions about the causes of reputational crises in Chinese organisations are proposed based on China's societal circumstance transformation and the literature of reputational crisis.

P11.   The causes of reputational crisis in Chinese organisations are mostly related to product safety incident from enterprise internal (Study IV).

P12.   The external causes of reputational crises in Chinese enterprises are mostly related to market deregulation (Study IV).

The table below illustrates the connections between research tasks, studies, propositions, research questions and interview questions.

Table 6. The Connections between Research Tasks, Studies, Propositions, Research Questions, and interview Questions

Research Tasks	Propositions	Research Questions	Interview Questions
RT 1. To find crisis types in Chinese organisations (Study I & II);		RQ 1. Which types of crises have occurred in Chinese organisations?	5. Which type of crisis was it? 7. Was it an abrupt or cumulative crisis?
RT 2. To analyse and compare a crisis management situation in Chinese and Estonian organisations (Study I);	P1. Employees are more emphasised in Estonian than in Chinese companies. P2. There are fewer crises connected with HR in China than in Estonia. P3. There are more crises connected with natural disasters in China than in Estonia. P4. Ethics are less emphasised in China than in Estonia. P5. Proactive strategies are less used in China than in Estonia. P6. The authoritarian leadership style is more often used in China than in Estonia. P7. Crisis communication is less used in China than in Estonia.	RQ 2. Who were considered as partners? RQ 3. How was the crisis pro-action in Chinese organisations? RQ 4. What was the difference and similarity between Chinese and Estonian organisations' crisis management? RQ 5. How was the crisis leadership in Chinese organisations? RQ 6. How did Chinese organisations communicate during the crisis?	10. Who were the stakeholders? 11. Indicate the most, the second, and the third important stakeholders. 16. Who led the process? How were decisions made? How were tasks determined? 17. The management style in crisis situations. 18. Who leaded crisis communication? Which messages were sent out? Which channels were used?
RT 3. To analyse the negative consequences and identify the connections between crisis and enterprise life cycle (Study II);	P8. At different stages of the life-cycle, Chinese enterprises may encounter different types of crises. P9. At start-up stage, Chinese enterprises most frequently encounter economic crises. P10.In the growth stage, Chinese enterprises most	RQ 7. In which life cycle stage(s) did the crisis happen? RQ 8. How did these crises impact Chinese enterprises in each life cycle stage?	8. What was the influence scope of the crisis? 9. Who was impacted by the crises?

	frequently encounter economic and human resource crises.		
RT 4. To find the causes of HR crises in Chinese organisations (Study III);		**RQ 9.** What were the causes of HR crises in Chinese organisations?	**6.** How did this crisis start?
RT 5. To find the causes of reputational crises in Chinese organisations and identify the connections with Chinese societal transformation (Study IV);	**P11.** The causes of reputational crisis in Chinese organisation are mostly related to product safety incident from enterprise internal (Study IV). **P12.** The external causes of reputational crisis in Chinese organisations are mostly related to market deregulation (Study IV).	**RQ 10.** What were the causes of reputational crises in Chinese organisations? **RQ 11.** How does the Chinese societal transformation influence the causes of reputational crises in Chinese organisations?	**6.** How did this crisis start?
RT 6. To analyse the approaches and strategies adopted by Chinese organisations to cope with crises (Study I & III);		**RQ 12.** How were the crises managed? **RQ 13.** What was the crisis management strategy?	**12.** How did the company prepared for the crisis? **13.** Had the company formed any documents for solving crises before the crisis? **14.** Were areas determined before the crisis hit? Was the potential of the crisis analysed? Did they form a crisis centre before crisis? Did they have a crisis plan? Had they been trained how to behave during crises? **15.** How did the company react when the crisis happened?
RT 7. To identify the connections between crises and shared values and ethics, and ethics connected with national cultures (Study V).		**RQ 14.** How do ethics relate to national culture?	**Questionnaire**

Source: Drafted by the author.

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The following figure illustrates the connections between Alas' (2009) Crisis Management Model and the research tasks, studies, propositions, research questions, and the interview questions.

Figure 4. The Connections between Alas' Model and the RTs, Ps, Ss, RQs, and IQs.
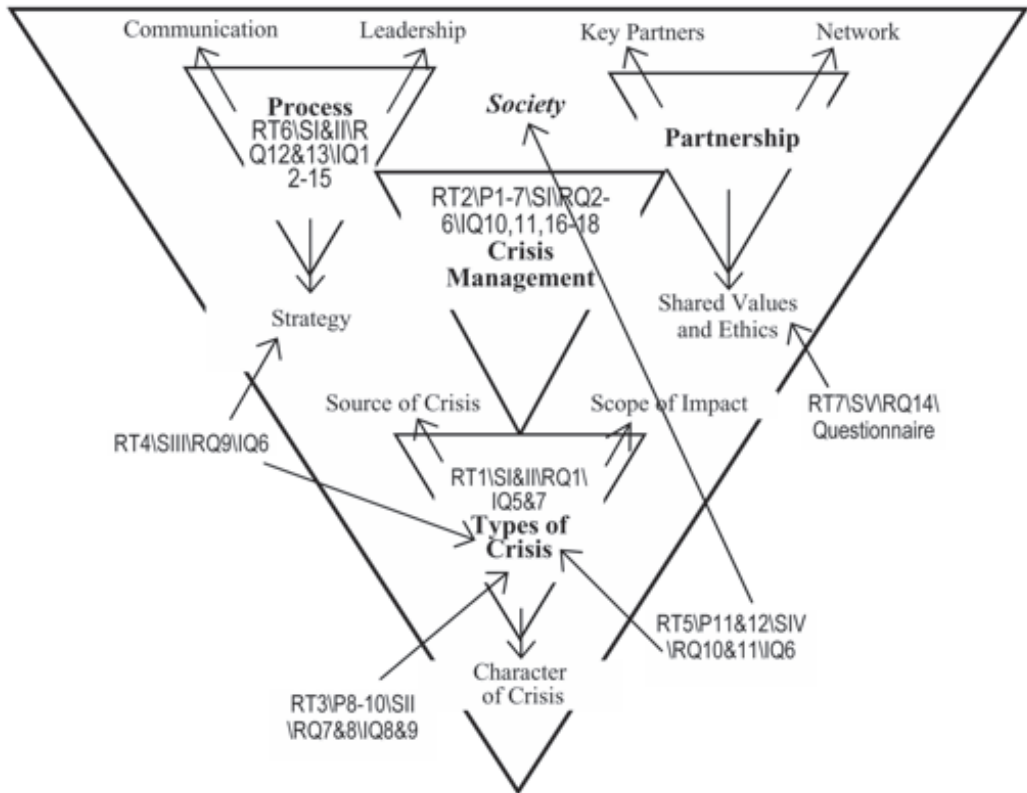
Source: Drafted by the author.

Part 3. PUBLICATIONS

1. THE CRISIS MANAGEMENT IN CHINESE AND ESTONIAN ORGANIZATIONS[1]

Ruth Alas, Junhong Gao, & Sinikka Vanhala

Alas, R., **Gao, J.**, and Vanhala, S. 2009. "The crisis management in Chinese and Estonian organizations", *Chinese Management Studies*, 3(4), 1 - 10.

Abstract

Purpose – This paper aims to discover and compare the implementation of crisis management in Chinese and Estonian companies and the strategies the managers have used to prevent or manage crises.

Design/methodology/approach – An empirical study was conducted in two economies in transition: China and Estonia, in 2008. Interview data were collected from 102 Chinese companies and 67 Estonian companies. The data were analyzed applying content analysis.

Findings – The results indicate that the managers of Chinese and Estonian organizations have identified different crises reflecting the politico-socio-economic situation of the countries. The most common type of crises in Chinese organizations was those related to economy, while in Estonian organizations, they were related to human resources. Estonian companies were better prepared for handling crises beforehand than Chinese companies. However, the majority of companies in both countries started reacting after a crisis had already come true. A triangular model of crisis management is presented.

Originality/value – The transfer of market-economy practices often fails due to institutional and cultural tensions and conflict. The study of crisis management in Chinese and Estonian companies tries to increase understanding of the different routes of transition economies and its impact on management and, specifically, on crisis management. The crisis management model based on the study illustrates the interconnection between different elements of crisis management.

Limitations – The empirical study is tentative focusing on major differences and similarities in crisis management between two countries in transition. The differences are interpreted from societal-level development. More in-depth research in needed based on the results of this study.

Keywords – Crisis type, partnership, process, triangular model, China, Estonia

Paper type – Research paper

INTRODUCTION

In prior literature, "a crisis is perceived above all as an event" (Roux-Dufort, 2007: 106). Crisis is a low probability, high consequence event that is capable of threatening organizational legitimacy, profitability and viability (Shrivastava, 1987: 194). Crisis challenges the public's sense of safety, values and appropriateness (Sapriel, 2003). At the same time, a crisis could be taken as the first step in the organizational change management process: 'establishing the need for change', as Galpin (1996) states. However, crisis-driven changes tend not to last (Murray and Richardson, 2002). This article focuses on identifying the implementation of crisis management in Chinese and Estonian companies, and the strategies the managers have used to prevent or manage crises. China and Estonia represent two different types of transition economies with rapid economic success and cultural change in the 1990s and the beginning of the new millennium.

China's move from command to market economy has been very successful when compared with other economies in similar transition (Maddison, 2009). Especially after China's entry into the World Trade Organisation (WTO) in 2001, the Chinese companies have undergone rapid and fundamental changes. Over the two decades, China has enjoyed the status of one of the fastest developing countries in the world, with an annual growth rate of 8–10 %, on average (Hampden-Turner & Trompenaars, 2002). Applying purchasing power converter (PPP), China was the world's second largest economy in 2005, with a GDP rising up to about 80 percent of the US (Maddison, 2009). In a similar way, Estonia, a small Eastern European country, who regained its independence in 1991, after the collapse of the Soviet Union, adopted a quick start towards market economy (Alas, 2007). Estonia has transformed from a centralized, totalitarian socialist state, to a Western democracy with a free market economy and vastly different attitudes and values. Estonia joined the European Union in 2004.

Along with these rapid economic and societal level changes, also the Chinese and Estonian enterprises have gone through radical changes, which make these two countries interesting cases to study crisis management at the organization level. Although there are a few studies of organizational change in Chinese organizations (Head, 2005; Alas and Sun 2007; Sun and Alas 2007) and in Estonian enterprises (Alas & Vadi, 2006; Alas, 2007; Elenurm, 2007), there are no studies comparing crisis management in Chinese and Estonian companies. At the same time, the failure to manage crisis effectively leads to even more risk-laden eventualities for the organization and its stakeholders (Ulmer *et al.*, 2007). Research in countries in transition demonstrates that the transfer of market-economy practices often fails due to institutional and cultural tensions and conflict (Clark and Geppert, 2002). Therefore, there is a need to study crisis management in such environments. This paper is an attempt to fill this gap by trying to identify how crisis management is implemented in Chinese and Estonian companies and to develop a crisis management model.

The paper starts with an overview of crisis management literature. It is followed by an analysis of empirical data from 102 Chinese and 67 Estonian organizations. As a result, a triangular model of crisis management is proposed.

THEORETICAL BACKGROUND

Definitions

There are several definitions of *crisis* in the literature. One of the earliest definitions is presented by Hermann (1963), who identified a crisis as an event including surprise, threat and a short response time. Later, Clark (1988) also identified three elements of crisis: a threat to goals, reduced ability to control the environment and a perceived time pressure. The terms crisis and disaster are often mixed up (Boin, 2005). There are definitions connected with public sector crises: crises as episodic breakdowns of familiar symbolic frameworks that legitimate the pre-existing socio-politic order ('t Hart, 1993); crises as extraordinary in kind and/or scope, testing the resilience of a society and exposing the shortcomings of its leaders and public institutions (Drennan and McConnell, 2007). Coombs (2006: 2) defines a crisis as an unpredictable, major threat that can have a negative effect on the organization, industry, or stakeholders if handled improperly. Ulmer *et al.* (2007: 7) define a crisis as a specific, unexpected and non-routine event or series of events that create high levels of uncertainty and threaten the organization's high-priority goals. The authors of this paper define crisis as a low probability event with serious consequences and a short response time.

Crisis management consists of a set of factors used to combat crises to reduce the actual damage inflicted by a crisis (Coombs, 2006). Further, crisis management is a change (Coombs, 2006). Among the four building blocks of change identified by Kanter (1989), there is a crisis or 'galvanizing event' that initiates the process. Crisis could be taken as the first step in the organizational change management process: creating a sense of the need for change. Tichy and Devanna (1986) call this step 'recognizing the need for change'. Kotter (1998) writes about establishing a sense of urgency: 'visible crisis can be enormously helpful in catching people's attention and pushing up the urgency level'. Katzenbach (1997) mentions the crisis mentality as a motivating factor in change that clears the mind and helps establishing a serious sense of urgency. He connects this with feelings of fear and anxiety. These negative feelings turn the focus to the negative side of the crisis: crisis may also cause the failure of the entire change effort in an organization. An overwhelming preoccupation with operations and short-term crisis may take most of the managerial time (Murray and Richardson, 2002). Therefore, managers cannot devote enough time to implementing changes. Kotter (1998) also believes that the reliance on crisis-driven change may not bring lasting results. The question is what should be done in order to obtain the desired results through crisis?

Crisis management is about being prepared to handle adversity, minimizing the impact of the crisis effectively and facilitating the management process within the environment of chaos (Ulmer *et al.*, 2007). Crisis management encompasses all aspects of business, including operations, marketing, media relations, distribution and legal matters (NyBlom, 2003). It involves planning, organizing, leading and controlling assets and activities before and after the crisis (ibid). Based on the above definitions, it could be concluded that crisis management includes different aspects of organizational and managerial reality. Most often the literature on crisis management discusses such topics as types of crisis, the process of crisis management and partnership.

Types of Crises

Crisis management scholars have paid increasing attention to developing classification systems of crisis types. When crises occur, these systems help to reduce uncertainty (Ulmer *et al.*, 2007). First, crises differ according to the *scope of impact*. Some crises affect community as a whole, while others directly threaten only a few people (Boin *et al.*, 2008).

Secondly, the crises have different *characters:* Hwang and Lichtenthal (2000) distinguish between abrupt and cumulative crises. An abrupt crisis strikes suddenly and catches the management off-guard; the latter accumulates stressors and eventually erupts. Crises are triggered in a variety of ways: by natural forces and by the deliberate acts of 'others' inside or outside that society (Boin *et al.*, 2008). Perrow (2007) in his disaster research makes difference between natural, industrial and terrorist disasters.

Lewis (2006) distinguishes between the crises made by a single person or a group of people, on one hand, and natural disasters and infrastructure disruption, on the other. He considers also organizational transition as a crisis. Ulmer and colleagues (2007) differentiate between intentional and unintentional crises. Intentional acts designed to harm an organization are terrorism, sabotage and workplace violence, but also poor employee relationships, poor risk management, hostile takeovers and unethical leadership. Unintentional crises are natural disasters, disease outbreaks, unforeseeable technical interactions, product failures and downturns in the economics. Therefore, the crises could be classified according to the *sources of crises*. Coombs (2006) first points out attacks on organizations, which harm organizations reputationally and financially. These are product tampering, workplace violence, terrorism, computer hacking and rumors. The second type - accidental crisis – consists of product harm, industrial accident, transportation mishaps, challenges and sudden loss of key personnel. The third category - management misconduct – consists of crises created by management and includes known risk, improper job performance and purposeful legal or regulatory violation. The first and third types are similar to intentional crisis according to Ulmer *et al*.

(2007); the second group is similar to unintentional crises. There are also differences in causes of public crises: mismanaged crises are characterized by failures within governmental machines, and agenda setting crises expose wider social vulnerabilities and fears (Boin *et al.*, 2005). Their third type consists of incomprehensible crises, which have frame-breaking qualities (ibid). To summarize, the type of crises could be analyzed by using the scope, impact and character of crises.

Partnership

Stakeholders are internal or external groups that can have an impact on the organization (Ulmer *et al.*, 2007: 36). Stakeholders have been segmented as dependent, impacted, unknown, supporting and intractable stakeholders (Curtin *et al.*, 2005: 88). According to Mitroff (2005), stakeholders differ in the amount of information they possess, the social and political influence they can bring to bear, the power of reputation they have, and their resources. Primary stakeholders are groups defined by an organization as the most important to its success. Secondary stakeholders do not play an active role in the day-to-day activities of the organization; they are, however, important to its overall success (Ulmer *et al.*, 2007: 37).

The authors of current article call the primary stakeholders as key partners and the secondary stakeholders as network. It is important to analyze who may be helpful during different types of crises and in different phases of the crisis management process. As resources are always limited, first a few key partners should be determined and analyzed. However, all parties involved should be identified and included in the network. Relationships rely on values and ethics. At the same time developing values and principles is not enough on its own – values and ethics should be shared. Therefore, these three elements – key partners, network, and shared values and ethics should be taken into account in the analysis process.

The Crisis Management Process

The crisis management process can be divided into three stages: the pre-crisis period, the crisis itself, and post-crisis. Table 1 summarizes the processes of crisis management described by different authors. To summarize the table, the first three theories could be considered proactive or preventive, because they include elements in the period before the actual crisis. The last three theories are reactive since the crisis management process only starts after the damage has already occurred. As prevention can save lives, money and reputations (Mitroff *et al.*, 1996), the first three models can be considered as the more advanced ones.

Table 1. Theories about the stages of crisis management

Author	Pre-crisis	Crisis	Post-crisis
Mitroff (2005)	1. Signal detection 2. Preparation and	3. Damage containment	4. Business recovery 5. No-fault learning 6. Redesign
Penrose (*et al.*, 2001)	1. Hidden crisis 2. Pre-crisis	3.Full crisis	4. Post crisis
Turner (1976)	1. Normal operations 2. Crisis incubation 3. Precipitating event	4.Onset of crisis	5. Rescue and salvage 6. Readjustment of belief system
Aba-Bulgu and Islam (2006)			1. Assessment of incident 2. Crisis management planning 3. Temporary resumption of operations 4. Replacement and reconstruction of tangible assets 5. Marketing and promotion 6. Permanent resumption of operations
Rike (2003)			1. Assess the damage 2. Stabilize the environment 3. Activate the in-house recovery team 4. Restore the area

To summarize the theories about crisis management, the authors propose a matrix of four *strategies* (Figure 1). This matrix is a combination of two variables: the scope of the crisis management (profound or superficial) and the timing (reactive or proactive). The first three theories in Table 1 are proactive strategies and the other three reactive.

Figure 1. The matrix of strategies of crisis management
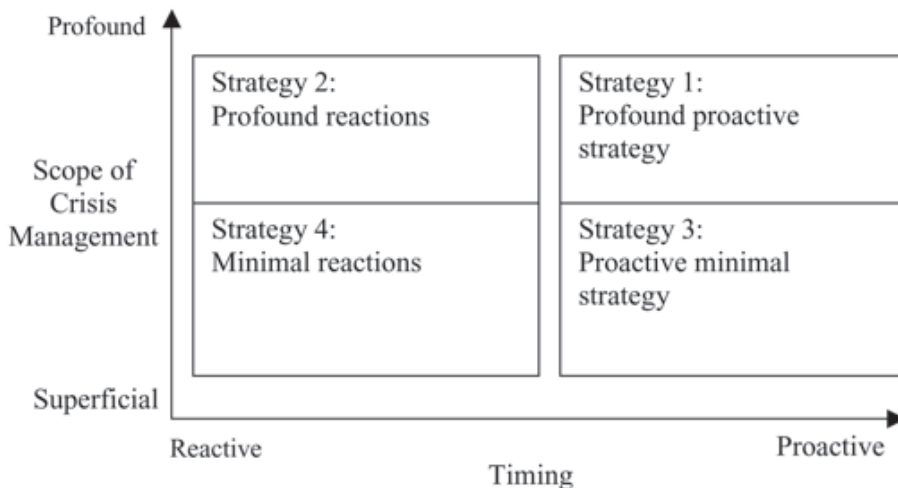
The implementation of change in a crisis often fails because of *leadership* problems. According to Murray and Richardson (2002), senior executives abdicate their responsibility for the tough decisions to nonperforming employees or 'sacred cows' that are paralyzing the organization. There are different leadership styles during a crisis. Connection has been found between leadership style and leader's power needs: leaders with high power need practice personal involvement and control and rarely delegate important decision tasks (Preston, 2001). Decision-making during crises is also impacted by leader's general sensitivity to context and need for information: sensitive leaders gather more information, and they are also more willing to hear bad information (Preston, 2008).

The leader is also the source of information: effective internal and external *communication* is needed during a crisis (Reilly, 2008). Without effective communication techniques in place, employees in a crisis may end up creating their own information through damaging rumors (Duck, 1993). In addition, the affected firm will have to interpret a crisis event to its outside constituencies, such as shareholders and customers (Sturges, 1994). Many crisis communication researchers recommend having a single spokesperson as the external liaison in a crisis (Reilly, 1998).

Crisis can thus be taken as the trigger of organizational change or as the cause of failed organizational change. The chosen strategy is the key factor defining, whether the outcome results in the former or the latter. Effective leadership and communication should support the strategy.

Institutional Comparison of China and Estonia

The institutionalists have stressed the importance of the institutional environment in understanding the behavior of organizations (North, 1990). Institutions can be seen from both a structural and social perspective. In the structural view, institutions exist as institutionalized forms of 'external social constraints'. From the social perspective, institutions can be understood as operating as behavioral definitions, which may take the form of either 'cultural accounts' or 'cultural rules' (Meyer *et al,* 1994: 24). This means that institutions provide an account of how the social world works and embody normative principles and social values.

The history of *China* during the republic from 1912 until 1949 is described turbulent, full of internal and external wars and campaigns of different groups of power with the social system near collapse (Laaksonen, 1988; Foy and Maddison, 1999). The Chinese Communist Party took the power in 1949, and the People's Republic of China was founded. Its priorities were national unity with economic independence. Mao Zedong took the Soviet style centrally planned economy as a positive example to follow (Jefferson & Rawski, 1994). Its Marxist-Leninist ideology, a command ideology, lead to over-manned state enterprises with low productivity (Warner et al, 2005). Since 1949 until the economic reform in 1978, the implementation of Mao's

ideology in China with the Cultural Revolution, Anti-Rightist Campaign and the Great Leap Forward resulted in disasters and massive sufferings; however, China experienced thirty years of peaceful reconstruction (Qin, 2005: 61). In 1978 China was ready for reform, during which the rural economy was de-collectivized, private and semi-private enterprises swelled, and the state sector steadily shrank (Zhang, 2004). The decentralization of economic control followed the reform with local governments gaining some or all of the decision-making power relinquished by the central government (Jia, 1998). In the late 1970s and the early 1980s, China opened the doors for trade with the outside world (Chow, 2000). The second phase of economic reform occurring in the 1980s was aimed at creating market institutions and converting the economy from an administratively driven command economy to a price-driven market economy (Chow, 2000). This process culminated in 2001, when China became a member of the WTO followed by China's emergence as a leading world economy in the first decade of the 21st century.

The history of *Estonia* has been quite different as compared with China's history. Before 1940 Estonia enjoyed independence with the standard of living comparable to the Scandinavian countries (Zamascikov, 1987). The Western values with individualism and free enterprise were widely adopted in Estonia (Barnowe et al, 1992). The secret 'additional protocol' of the Molotov-Ribbendrop pact in 1939 between Nazi Germany and the Soviet Union assigned Estonia to the Soviet sphere of influence (Misiunas and Taagepera, 1983). The Soviet occupation meant major changes through the Estonian society when the Western influence was tried to remove and the communist ideology rooted, instead. For instance, the Government of the USSR organized a massive migration of workforce into Estonia from other parts of the USSR, and Estonian people, respectively, were move to other parts of the Soviet Union. Estonia lost 25-30% of its original population between 1940 and 1955 (Laar, 2001). During the second half of the 1980s, the Estonian companies were gradually given more autonomy in the Soviet Union. However, the breakthrough took with the collapse of the Soviet Union, and Estonia achieved her independence in 1991 (Taaler, 1995). Estonia became a candidate for the European Union in 1997 and received the full membership of the EU in 2004 (Alas and Vadi, 2006). This process gave Estonia enough time to adjust to the requirements of the European Union; so the change was gradual and manageable rather than radical.

To summarize, both countries, China and Estonia, were experiencing socialist centrally planned economy; however, the reasons were different. During the past few decades, both countries have gone through significant change processes in trying to transform their Soviet-type bureaucratic systems into more market-oriented (China) or fully market oriented (Estonia) economic regimes. Today, Estonia is a democratic country, while China still retains its one-party communist regime. Taking this into account authors propose following hypothesis:

Hypothesis 1a: Employees are more emphasized in Estonia than in China.
Hypothesis 1b: There are less crises connected with HR in China than in Estonia.

Hypothesis 2:   There are more crises connected with natural disasters in China than in Estonia.

Hypothesis 3:   Ethics is less emphasized in China than in Estonia.

Hypothesis 4a: Proactive strategies are less used in China than in Estonia.

Hypothesis 4b: The authoritarian leadership style is more often used in China than in Estonia.

Hypothesis 4c: Crisis communication is less used in China than in Estonia.

EMPIRICAL STUDY

The aim of the empirical study was to identify how crisis management has been implemented in Chinese and Estonian companies and which strategies the managers have used to prevent or manage crises. The following questions were raised in interviews: (1) Which types of crises have occurred in organizations? (2) Who were considered as partners? (3) How were the crises managed? The interview form was formulated in English and then translated into Mandarine Chinese and Estonian language. The interviewers were natives in both countries. The company managers were first contacted by telephone and asked for the permission to interview them. The managers were asked about crisis situations that have encountered the company. The precondition for inclusion in the study was the company's survival from the crisis. In the proper interview the managers were asked to think about a certain crisis situations, which the interviewers defined as "a low probability event with serious consequences and short response time" for those interviewees, who were insecure about the meaning of 'crisis'. The interviewees decided, which crisis situations they focused on describing. The interviews lasted between 30 minutes and 1½ hours.

Altogether 102 interviews were conducted in Chinese companies located in Beijing, Guangdong, Hebei, Hubei, Inner Mongolia, Shandong, Shanghai, Sichuan, and Zhejiang Province in 2008. The sample was chosen randomly with a selective condition that the company must have experienced a crisis, and still exist after the crisis. Similarly, 67 interviews were conducted in Estonian companies in 2008.

 The organizations represent different sizes and years of establishment and various industries. Among Chinese organizations, 36% were small companies with employees between 1-100, 26% had employees between 101-500, 18% of organizations employed between 501 and 5000, 20% of organizations employed over 5000 people. 39% of Chinese organizations were established before 1990, 26% between 1991 and 1997, 20% between 1998 and 2003, and 15% of companies were established after 2003. In Estonia, even 53% of the companies were small firms employing 1-100 people, 21% had 101-500 employees, and 25% had more than 500 employees on the payroll. 12% of companies were established before 1990, 37% between 1991 and 1997, 25% between 1998 and 2003 and 15% were established after 2003. According to industry, 36% of Chinese companies represent production and16% trading industry; the shares

of companies from agriculture, public sector, and service industry were 10% each; 7% of companies are from real estate industry, and the rest from entertainment, repair and transport, information technology (IT), and curative industry, and telecommunication. Seven of all these companies wereconglomerates. In Estonian data, 25% of companies represent production, 25% trade, 12% consultation, and 9% banking; other industries involved in the study are: telecommunication, entertainment, the public sector, repair and transport and services companies. The interviewees represent different levels of management. In Chinese organization, department heads consist 36%, the share of top managers and assistants of top managers are both 16% and CEOs 8%, and that of sales managers 13%; other managers included in the study were production managers, personnel and IT managers, and owner-managers. In Estonian data, a member of the management board was interviewed in most cases: 59%, and other company top manager in 35% or CEO in 3%. Other managers in Estonian data were: personnel managers, sales, service, IT, production, etc. managers and specialists, and; owner-managers.

The interview data were analyzed by content analysis in order to identify the types, process, strategy and partnership of each crisis in more details.

Types of Crises in Chinese and Estonian Companies

Crisis types are analyzed according to Mitroff and Anagnos (2001). In Chinese organizations, there were crises related to economy almost in 40% of companies studied. The next highest groups of crises were those related to physics, reputation and natural disasters, and informational issues. In Estonian organizations, the crises related to human resources were the biggest group (over 40%), and reputation and economics were the next common groups with the share of 25% each. The difference between Chinese and Estonian organizations was biggest in the share of human resources crises. Another interesting vast difference between the two countries is in the shares of natural disasters: 20% in Chinese and only 3% in Estonian organizations. According to Hwang and Lichtenthal's (2000) classification, 22 crises, which is 31% of all, in China occurred suddenly - abrupt crises - and 48 crises, 69% of all, were cumulative. In Estonia, more than half of all crises (54%) arose unexpectedly - abrupt crises – and 46% were cumulative crises. The scope of crises varies as well. According to Boin *et al*. (2008), 94% of crises in Chinese organizations affected the whole company, and only 6% affected a part of company. In Estonian companies, ¾ (75%) of crises had an impact on the whole company and ¼ of crises only part of the company or some people.

Partnership

Among Chinese organizations, 29% had beforehand defined the principles to be followed during solving the crisis. Instead, even 64% of Estonian companies had formed up the values and principles to be taken into consideration during crises. The

interviewees were asked to define the most important stakeholders. The results indicate that the most important stakeholders during crises were employees, in 70% of Chinese, and in 73% of Estonian companies; the second important stakeholder was clients, in 44% of Chinese companies and in 72% of Estonian companies.

Crisis Management Process

Among Chinese organizations, there were only a few companies prepared for handling crises before they happened. The most important measures were the determination of crisis areas, preparing of crises plans, and preparing documents for solving the crisis. In addition, a few companies had formed crisis centers, and organized crises behavior training. There was more preparatory work done in Estonian companies during the pre-crises period: Approximately 40% had created documents for crisis management and the same percentage had determined the potential crisis areas. Crisis plans, crisis teams, and communication strategies for crisis situations, and creation of crises centers were relatively common procedures, as well. In both countries, the most frequently used activities in crisis situations were communication and seeking alternative solutions.

Leadership is a critical part of crisis management, including the decision upon the leader of the crisis committee. The authors found that in Chinese organizations, the most frequently used leadership style was autocratic style, in 86% of organizations; democratic leadership style was used only in 14%. Also in Estonian companies, the most common leadership style was autocratic (45%); democratic team leadership was used in a fifth of (21%) of organizations.

Crisis communication: In both countries, top managers most often led the crises communication. Table 2 indicates that in Chinese companies most of messages were addressed to public, in Estonia to employees. Clients were the next important recipients of messages in both countries.

Table 2. Recipients of messages

Recipients of messages	Chinese companies %	Estonian companies %
Employees	27.1	44.8
Clients	35.7	26.9
Partners	12.9	16.4
Suppliers	7.1	4.5
Public	42,9	11,9
Officials	14.3	3.0
Banks	0.0	1.5
Crisis committees	1.4	1.5

The Table 3 shows that Chinese managers had benefitted from crisis situations more than Estonian managers. Especially communication, analyzing all possible threats before crises happen, controlling the crisis, and the importance of good management were the most common lessons learned by Chinese managers. Also quick reactions are useful for dealing with crises, and collaboration and business ethnic or corporation social responsibility (CSR). Motivating employees got the lowest value on the Chinese list. For Estonian managers the crises had taught how important good management is; secondly, analyzing all possible threats beforehand is also useful; in addition, collaboration and controlling, quick reactions, and motivation of employees were important lessons. In Chinese organizations, communication to others for dealing with crises, knowledge popularization, quick reaction and finding alternative solutions were the topics most often mentioned by managers as suggestions to others. (Table 4) Also business ethnics, government policy and law, collaboration, some strong management, and pro-activity were mentioned by more than one manager out of ten.

Table 3. What did Chinese and Estonian managers learn from crises

Learning from crises	Chinese managers %	Estonian managers %
Good management	25.7	20.9
Motivating employees	14.3	9.0
Collaboration	18.6	17.9
Control	27.1	17.9
Communication	30.0	13.4
Quick reaction	20.0	11.9
Business Ethics & CSR	18.6	-

Table 4 indicates, what managers would suggest to others. Two important observations are CSR and business ethics, and knowledge popularization mentioned by almost a quarter of Chinese managers. Instead, Estonian managers presented much less suggestions to others.

Table 4. What did Chinese and Estonian managers suggest to others

Suggestions to others	Chinese manager %	Estonian managers %
Analysis	18.6	13.4
Quick reaction	22.9	13.4
Find alternative solutions	22.9	11.9
Policy and law	18.6	-
Communication	30.0	10.4
Knowledge popularization	24.3	-
Planning	5.7	9.0
Control	10.0	9.0
Creating HR policy	7.1	6.0
Collaboration	15.7	4.5
No panic	8.6	3.0
CSR & business ethics	21.4	-

CONCLUSIONS

Based on the interviews, there were both similarities and differences in the crises management in Chinese and Estonian companies. The hypotheses discussed at the beginning of the paper will now be re-evaluated.

Hypothesis 1a: Employees are more important in Estonian than in Chinese companies. This hypothesis was mainly supported. In both countries, the most important stakeholder group was employees, approximately in 70% of companies. There were more motivating of employees in Estonian companies, and employees as recipients of communication were mentioned less by Chinese managers than the Estonian ones. It is due to, as the authors described previously, the institutional and cultural difference between these two countries.

Hypothesis 1b: There are less crises connected with HR in China than in Estonia. This hypothesis was supported. The difference between Chinese and Estonian companies in crisis related to HR is due to institutional and cultural differences between these two countries. From institutional point of view, China is one party country which emphasis in collectivism (Alas and Sun 2007). Under the institution, people make decisions primarily considering organizational requirements. When one's personal benefit is in conflict with organizational benefit, people will behave according to organization's demand. Whereas in Estonia the emphasis is in individualism (Alas 2006); people make thus decisions primarily considering personal interests. When personal benefit is not in line with organization's requirements, people will prefer the first one.

Hypothesis 2: There are more crises connected with natural disasters in China than in Estonia. This hypothesis was supported. Essentially, China locates the South-East edge of Eurasian plate, connected with Pacific plate and Kailash-India plate. Magmatic activity frequently happen (Chen, 1956). China is a country with 9.6 million km2. The broad territory contains various geological configurations, varied topography, and complex climate, which brings China plenty of natural resources and disasters. Compared with China, Estonia locates to the East of the Baltic Sea. The total territory is 45.2 thousand km2. The simple geological configuration and topography, and simple oceanic climate, bring Estonia warm wind in the winter and a stable nature (Zhou, 2006).

Hypothesis 3: Ethics is less emphasized in China than in Estonia. This hypothesis was not supported. On the contrary, Estonian managers hardly talked about ethics; at the same time more than a fifth of Chinese managers found it important.

Hypothesis 4a: Proactive strategies are less used in China than in Estonia. This hypothesis was supported. However, the development of crisis management is not sufficient in the majority of company preparations for crises. Only a few companies have adopted a profound proactive crisis management strategy. As both economies have grown fast – the GDP growth has been more than 10% in the last couple of years (Statistical Office of Estonia, 2008; National Bureau of

Statistic of China, 2008) in both countries – prior research could be used to explain this finding. In high-growth environments, executives are pre-occupied with solving short-term crises and think that they do not have time for planning and strategy (Murray and Richardson, 2002). The majority of companies started acting after a crisis had already happened, and they do the bare minimum required under public pressure.

Hypothesis 4b: The authoritarian leadership style is more often used in Chinese than Estonian companies. This hypothesis was supported. China is still a socialist country, and the socialist societies are characterized by high formalization, centralization and totalitarianism (Alas and Edwards, 2007). The leadership style is thus authoritarian.

Hypothesis 4c: The crisis communication is less used in China than in Estonia. This hypothesis was supported. However, it is important to remember that Chinese employees are used to the totalitarian management style. They rarely ask questions or talk about different ideas to their managers. In addition, the Chinese managers are used to more totalitarian management style. They seldom communicate with employees. Instead, in Estonia, the management culture has changed rapidly, and Estonian employees are used to a democratic management style. Managers are used to discuss with employees, as well as employees are used to express their ideas and opinions to their managers also when dealing with crises.

Based on literature review and empirical investigation in Chinese and Estonian companies, the authors provided definition for crisis The authors suggest to define crisis as low propability event with serious consequences and a short response time. Authors also developed a triangular model., This model could help managers in both countries to ascertain whether they have done everything to avoid a crisis. Or, if the crisis still happens, are they sufficiently prepared to deal with the consequences. As a crisis may damage an organization entirely, crisis management should be carried out very carefully and thoroughly.

Therefore, the triangular model for crisis management in organizations consists of four main elements and nine sub-elements. The main elements are three triangles for types of crisis, process of crisis and partnership. Also the society belongs to main elements. The sub-elements are features forming triangles for types of crisis, process and stakeholders.

In order to highlight the precariousness of many crisis situations, the triangles have been inverted, so the shape of the model is inherently unstable. The triangular model of crisis management in Figure 2 emphasizes that all elements of the triangle are interconnected and influence each other in the whole crisis management process.

By combining the findings of this study with the results of previous studies, the author has also developed some additional *implications for managers* of Chinese and Estonian companies about how to make crisis-driven changes last.

First, proactive strategies should be implemented in both countries. Conducting a regular profound risk analysis may help avoid a sudden crisis. It also helps managers to focus and recognize even minor anomalies in critical areas and react immediately in order to avoid a cumulative crisis. The longer an issue continues, the less choices are available and the more it costs (Regester and Larkin, 1998: 173). Therefore the following pre-crises activities could be useful: (1) to catalogue the areas of risk and assess parameters of risk; (2) devising policies and formulating strategies and tactics for dealing with each potential crisis; (3) identifying who will be affected by them and devising effective communication channels to those who are affected.

Figure 2. Triangular model of crisis management
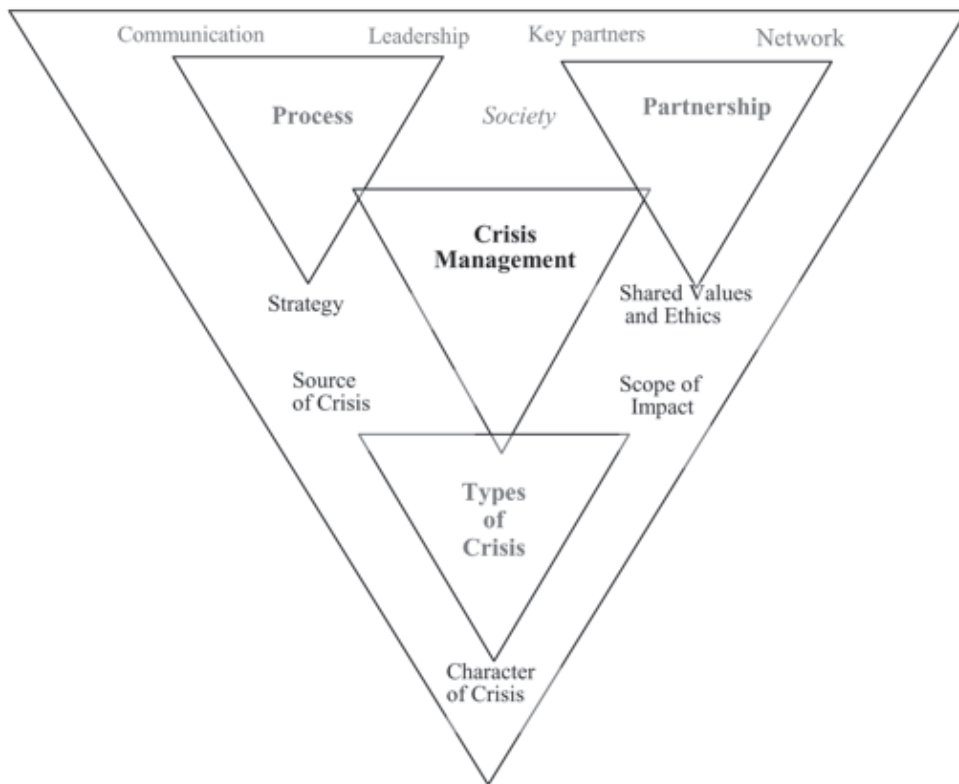
The second important field is to lead the crisis. Three teams could be appointed beforehand: the core committee, the crisis control team and the communications team (Regester and Larkin, 1998: 174). During each crisis, there is little time to develop extensive plans and argue alternative courses of action in depth; therefore, the crisis management team leader must have the following key personality traits: decisiveness, the ability to communicate and diplomacy.

Third, communication is a crucial element in crisis management. A crisis is often accompanied by feelings of panic that may result in poor decision-making and con-

fusion. Therefore, without proper communication, chaos may emerge even from a small event: if people do not have information they start to create rumors and behave accordingly, which creates panic. Before the crisis occurs, decisions should be made about who will communicate with which groups.

Fourth, it is important to involve all parties that may have interest in the company. It is useful to segment stakeholders as dependent, impacted, unknown, supporting and intractable stakeholders.

Fifth, creating a crisis management handbook could be useful. Such a handbook should be a simple pool of information that can be relied upon to provide accurate guidance (Curtin *et al.*, 2005); for example, about whom one should turn to in case of different incidents. A checklist could be included to assist in planning an issue management program.

Sixth, having values and desired behaviors written in the handbook is not enough. The challenge is to retain the changed behavior once the crisis is over.

Seventh, as previous research has indicated that managers in former socialist countries underestimate support processes (Alas, 2007), the authors suggest that the steps and activities in the crisis management process should be divided into core processes and support processes. Core processes form the sequential steps. Support processes take place throughout the entire crisis management process and provide inputs that allow the core activities to take place. As the aim is to add value to organizations via successful crisis management, the concept of a value chain (Porter, 1985) is the basis for the proposed process model (Figure 3). The feedback loop indicates that the strategic evaluation of the crisis is the critical part of dealing with each crisis.

Figure 3. The process model for crisis management
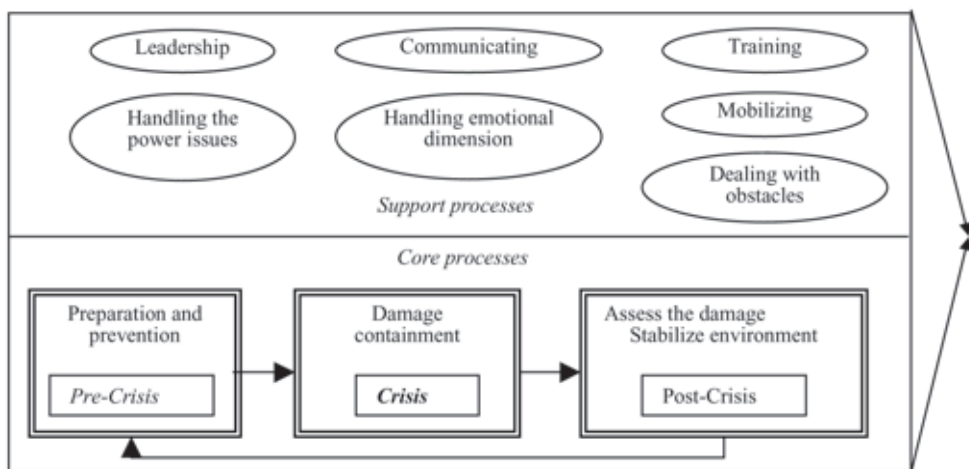
Limitations of the study

The empirical study is tentative focusing on major differences and similarities in crisis management between two countries in transition. The differences are interpreted from societal-level development. On the one hand, more in-depth research is needed based on the results of this study, on the other hand, a wider survey data would serve as a forum for generalizations. The typical problems related to cross-cultural comparisons exist also in this study, e.g., the concepts of crisis and crisis management. In addition, the size difference between China and Estonia is huge, and the representativeness of 102 Chinese companies remains low.

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2.THE IMPACT OF CRISIS ON ENTERPRISE LIFE-CYCLE[2]

Junhong Gao & Ruth Alas

Abstract

Crisis management research tends to focus on the crisis and its management, ignores the particular life stage that the enterprise is at. However, crisis management should adjust its focus according to the enterprise's life stage. This paper, from the perspective of the enterprise's life-cycle, analyses crises and their impact on enterprises.

The aim of this research is to discover how different types of crises impact Chinese enterprises at the different life-cycle stages. The research questions are 1-which types of crises have occurred in Chinese enterprises? 2-in which life-cycle stage(s) did the crisis happen? 3-how did these crises impact Chinese enterprises in each life-cycle stage?

In this paper, exploratory, descriptive, and explanatory (casual study) approaches were used to full fill this survey. The qualitative method (interview) was used to this research due to its possibility to deepen the knowledge and understand the detailed information. The interviews included open and close ended questions about the impact of crisis on the enterprise. The method use to analysis the primary data was ordinal.

The analysis results indicate that enterprises at different life stages may encounter different types of crises; in the same life stage, enterprise encounter similar types of crises; crisis may cause enterprise life stage shift.The findings of this paper based on Chinese companies may offer a reference for crisis managers wanting to detect, distinguish and determine crisis.

Keywords: crisis type, impact, character, enterprise life-cycle, stage

JEL Classification: M10

INTRODUCTION

Crisis is a low probability, high consequence event that is capable of threatening organizational legitimacy, profitability and viability (Shrivastava, 1987a: 194). Enterprises as one type of organization are affected by a variety of crises, such as changes in competitors, marketing alliances, new market products, availability of resources, corporate acquisitions, government regulations (Keeffe and Darling, 2008), and so on. Having experienced a series of radical changes in the last several decades (Alas *et al.*, 2009), Chinese enterprises therefore, are good samples for study crisis management at the organizational level.

Previous research in crisis management tends to focus on the crisis and its management, ignoring the enterprise's life stage. However, at each life stage, the enterprise manifests certain struggles (Adizes, 1999). These struggles, which consist of the enterprise's reaction to crisis, possess their own characteristics, procedures and requirements according to that concrete stage. At the same time, the failure to manage the crisis effectively leads to even more risk-laden eventualities for the organization and its stakeholders (Ulmer *et al.*, 2007). Thus, crisis management should adjust its focus according to the enterprise's life stage so as to detect, distinguish, and determine the crisis in time and manage it effectively.

From the perspective of the enterprise life-cycle, this paper analyses crisis and its impact on the enterprise. The paper starts with a theoretical overview of crisis management and enterprise life-cycle, then, the hypotheses were brought up. Followed are the empirical study of 156 Chinese organizations and subsequent analysis.

The aim of this empirical study is to discover how different types of crises impact Chinese enterprises at the different life-cycle stages. The following research questions were formulated: (1) Which types of crises have occurred in Chinese enterprises? (2) In which life-cycle stage(s) did the crisis happen? (3) How did these crises impact Chinese enterprises in each life-cycle stage?

The results of the analysis indicate that at different life stages, enterprises may encounter different types of crises; in the same life stage, enterprise encounter similar types of crises; crisis may cause enterprise life stage shift.

THEORETICAL BACKGROUND

Crisis

Curtin *et al.* (2005) pointed out that a crisis can have serious consequences on a company's revenue streams; a badly managed crisis can severely damage a company, its reputation and its brand. Crisis challenges the public's sense of safety,

values and appropriateness (Sapriel, 2003). Crisis can occur with little to no warning (Keeffe and Darling, 2008). It can happen to every firm (Nurmi and Darling, 1997).

Naturally, there are variations on the theme of crisis dynamics: a slow-burning, serious crisis may be hidden behind a clear-cut event that seems to be a simple, ordinary incident (Lagadec, 1993). Bolzinger (1982: 476) pointed out that "not every serious or dangerous condition deserves to be called a crisis". However, in the real life of human society, "there is no realm that is not haunted by the threat of a crisis" (Morin, 1976: 149).

Definitions of crisis

Scholars and theorists have defined crisis in various perspectives. Hermann (1963) has given a classical definition, crisis is an event surprising individuals, restricting their time for developing a response, and threatening their high – priority goals.

Nystrom and Starbuck's (1984) notion of crisis is "threat to the organization's own survival", Fink's (*et al.*, 1971) concept of crisis is "threat to the system in its entirety". Tushman (*et al.*, 1986) perceived crisis as a "frame-breaker".

One mainstream of management literature viewed a crisis as disrupting the technical core of an organization (Thompson, 1967), or its input – throughput – output process (Katz and Kahn, 1978).

All of these definitions could be involved in Pauchant and Mitroff's (1992) definition that a crisis is a disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, (and) its existential core.

Pauchant and Mitroff (1992) mentioned three existential effects of a crisis: first, a crisis can threaten the legitimacy of an entire industry; second, a major crisis can reverse the strategic mission of an organization; third effect occurs as the individual level, that disturb people's subjective world, the sense of self-worth, power, and identity; their inner cohesion.

Charles Perrow (1984) from a historical and sociological view, thought crises the result of a cumulative process, which emphasizes that crises are normal, that they result from the complexity of the technology we now use.

Irvin Janis (1989) from socio-psychological and political view considered crises the result of faulty decisions, placing the responsibility of individuals and groups at centre. In his view, the purpose of crisis management is to decrease the usual constraints on decision-making and thereby avoid policy disasters that could be lethal.

Paul Shrivastava (1987) integrated the previous two perspectives, stress that crises are normal event triggered both by the complexity of the system itself and by faulty

decisions, as well by the interrelationships between technological systems and the humans who attempt to manage them.

Keeffe and Darling (2008) describe crisis is an unstable time or state of affairs in which a decisive change is impending - with a distinct possibility of either a highly undesirable outcome or a highly desirable and extremely positive outcome. It is not only saying that a crisis is both a danger and an opportunity; also saying that the destructive side of a crisis is itself a *sine qua non* condition for the development of an organization (Pauchant and Mitroff, 1992).

Types of crises

In academic field, scholars have developed many classification systems of crisis types. These systems help to reduce uncertainty when crises occurs (Ulmer *et al.*, 2007). The criterions of crisis classification systems are various. In this paper, the authors could only introduce some of them which are considered the most frequently used in academia.

Some scholars categorize crisis according to its character or forming up process; some classify crisis according to the triggered reason or source; others sort crisis according to its impact or result.

According to the character, Perrow (2007) in his disaster research defined three crisis types, natural disaster, industrial disaster, and terrorist disaster. Curtin (*et al.*, 2005) suggested there are three essential types of crisis, unlooked-for accident, manufactured, and crisis escalate form an accident.

According to the forming up process, crises can be divided into two types, abrupt crisis and cumulative crisis (Hwang and Lichtenthal, 2000). An abrupt crisis strikes suddenly and catches the management off-guard; the latter accumulates stressors and eventually erupts (ibid).

By triggered reasons, Lewis (2006) distinguished crises made by single person or group of people from natural disasters and infrastructure disruption.

By source, crises differentiate between intentional and unintentional crisis (Ulmer *et al.*, 2007). Intentional acts designed to harm an organization are terrorism, sabotage and workplace violence, but also poor employee relationships, poor risk management, hostile takeovers and unethical leadership. Unintentional crises are natural disasters, disease outbreaks, unforeseeable technical interactions, product failures and downturns in the economics (ibid).

Boin (*et al.*, 2008) classified crisis according to the impact scope. Some crises affect the whole organization while others are related to only a few departments or some people.

Mitroff and Anagnos (2001) classified crises into sever types according to the impact. They are economic, informational, physical, human resources, reputational, psychopathic acts, and natural disasters. Mitroff in his later literature (2005) defined each type of crisis. According to Mitroff (2005), economic crisis was triggered by labor strikes, unrest, and shortage; major decline in stock price and fluctuations; market crash; decline in major earnings; and hostile takeovers. Informational crisis happens because loss of proprietary and confidential information; false information; tampering with computer records; loss of key computer information with regard to customers, suppliers, etc; and Y2K. Physical crisis was caused by loss or breakdown of key equipment, plant; loss of material suppliers and key facilities; major plant disruptions; explosions; faulty of poor product design; product failures; and poor quality control. Human resource crisis results from loss of key executives, personnel; rise in absenteeism or in vandalism and accidents; workplace violence; lack of succession plans; corruption; labor strikes, unrest, and shortage. Reputational crisis happens due to slander; gossip, sick jokes, rumors, damage to corporate reputation; tampering with corporate logos; and false rumors. Psychopathic acts are the results of product tampering, kidnapping, hostage taking; terrorism; workplace violence; criminal/ terrorist/ psychopathic acts. Natural disasters are the consequences of earthquakes; fires; floods; typhoons; hurricanes; and mudslides.

In the light of crises results, organizations may face five types of crises. According to Sher (2006), *reputational crisis* happens when corporation inappropriate handles problems in product quality, package, function, and after-sales service, or when corporation vilely behaves which harms consumer's benefit, finally badly harms corporation's public image. It includes corporate credit crisis and concatenated crisis. *Production crisis* happens when product package, variety, or quality can not adapt market demand, can not be accepted by consumer. Because product loses competitive ability, loses market share, corporation falls into crisis. *Financial crisis* happens when corporation's financial behaviour meets capital market change, interest or exchange rate adjusting, or stock market shaking. Corporation financial cost increase over income, run out of working capital, has to breakdown as result. *Property crisis* is due to natural disaster or human accident, corporation loses huge property, so that cannot keep on running. *Human resource* crisis includes lacking of competent person and key person leaving. Sher's (2006) classification is close to Mitroff and Anagnos' (2001) sort of crises. However, it does not cover crisis related to information nor natural disasters which are necessary to sort crisis in China.

Similar to Mitroff and Anagnos' (2001) classification, Coombs (2006) summarised different crises impact into three categories. The first category includes crises harm organizations reputationally and financially, such as product tampering, workplace violence, terrorism, computer hacking and rumours. The second category is called accidental crises, such as product harm, industrial accident, transportation mishaps, challenges and sudden loss of key personal. The third category is management miscounduct which are the crises created by management, such as improper job performance and purposeful legal or regulatory violation. Coombs (2006) sort crisis

from both crisis impact (the first category) and triggered reason (the second and third categories). The second and third categories' crises can be resort by the impact in accordance with Mitroff and Anagnos' (2001) classification.

To summarise, Mitroff and Anagnos' (2001) model represents or covers other scholars' category models. It is from both crisis impact and the triggered reason perspective, wholly includes all the possible crisis types. Table 1 present the connections between Mitroff and Anagnos' (2001) model and others models. Whereas this study aims to study the impact of different crises to enterprise life-cycle from a typological perspective, compare with others classifications, Mitroff and Anagnos' (2001) classification is more distinguishable and suitable, Mitroff and Anagnos' (2001) classification were selected as the category model to sort crises by types.

Table 1. The Connections between Mitroff and Anagnos' (2001) model and others models.

Mitroff & Anagnos (2001)	Economic	Informational	Physical	HR	Reputational	Psychopathic acts	Natural disasters
Hwang & Lichtenthal (2000)	Abrupt crisis – Cumulative crisis						
Sher (2006)	Financial, Production		Production, Property	HR	Reputational, Production		
Coombs (2006)	Financially harm		Acciden-tal crises	Accidental, management miscountduct	Reputationally harm, accidental	Management miscountduct	
Lewis (2006)	Crisis made by single person or group of people – Infrastructure disruption						Natural disasters
Perrow (2007)	Industrial disaster					Terrorist disaster	Natural disaster
Ulmer (et al., 2007)	Intentional/ unintentional	Unintentional	Intenti-onal	Intentional/ unintentional	Intentional	Intentional	Unintentional
Boin (et al., 2008)	Affect the whole organization – Related to only a few departments or some people						

Source: drafted by the authors.

Enterprise Life-Cycle Model

For several decades, management scholars have conducted studies of the organizational life process and formed a number of 'life-cycle' models. Adizes (1999) suggested that every system has a life-cycle. Enterprises have life-cycles that parallel those of human beings (Allen, 1999). Regarding the enterprise life-cycle, scholars have used different models to divide the life stages and describe the characteristics of each stage.

From the perspective of enterprise goals, Churchill and Lewis (1983) brought up a five-stage model – Existence, Survival, Success, Take-off and Resource Maturity. The model (ibid) shows that as a company grows from young to mature, it becomes larger in size, less focused, more diverse and more complex (Allen, 1999). Some other theorists, such as Lippitt and Schmidt (1967), Flamholtz (1986), Scott and Bruce (1987), Kazanjian (1988), Adizes (1999), Allen (1999), and Smallbone and Wyer (2000) have also, from the same or a similar perspective, presented their own life-cycle models with different life stage divisions and characteristics.

Based on Churchill and Lewis' (1983) model, Allen (1999) developed another five-stage model – Pre-Start-up*, Start-up, Growth, Maturity, and Rebirth or Decline,* and listed the needs and goals of each stage. According to Allen (1999), the Pre-Start-up stage is when the enterprise's concept formulated, the enterprise does not indeed exist until the "start-up" stage.

From the organizational structure (Quinn and Cameron, 1983; Smith *et al.*, 1985; Hanks *et al.*, 1993; Lester *et al.*, 2003) or leadership (Schein, 1985; Hoy, 2006) perspective, other scholars have brought their own models and the characteristics of each stage. Adizes' (1999) model tries to provide a complete view of all sides of the enterprise. Table 2 lists 14 scholars' life-cycle models and the distinguishable characteristics of each life-cycle stage.

In summary, all these models present life-cycles ranging from three to ten stages. It is clear that enterprises are "born" (Lippitt and Schmidt, 1967; Schein, 1985; Hoy, 2006) at some point, and then grow to one size or another (Smith *et al.*, 1985; Scott and Bruce, 1987), and finally they "die" (Flamholtz, 1986; Adizes, 1999) or enter a "rebirth" (Allen, 1999; Lester *et al.*, 2003; Hoy, 2006). Thus, Allen's (1999) model was selected for this paper to determine the enterprise's life-cycle stage.

Enterprise Life-Cycle Stage Identify and Hypotheses

The relationship between the characteristics of the enterprise's life stage and performance indicators involve age and size as well as other variables (Storey, 1994). In Table 3, all the theorists mentioned "age" and "size" as the main distinguishable characteristics. Organizational aging can be averted with appropriate treatment

Table 2. Life-cycle Models and the Distinguishable Characteristics

Scholars	Characteristics	Life-cycle Model
Lippitt and Schmidt (1967)*	*Age*, management focus, different interest groups' priorities, crises and presence of confrontation, Structure, Management formalization	Birth, Adolescence, Maturity
Churchill and Lewis (1983)	*Age, size*, dispersion, complexity	Existence, Survival, Success, Take-off and Resource Maturity
Quinn and Cameron (1983)*	*Age, size*, efficiency, structure, formalization, centralization, leadership, culture	Entrepreneurial, Collectivity, Formalization, Elaboration of Structure
Schein (1985)*	Culture function, management generation, complexity, *size*, Management style, top management composition	Birth or early growth, Middle life, Organisational maturity
Smith (*et al.*, 1985)*	*Age*, size (sales), *size (staff)*, growth rate, top managers' priorities, Structural form, remuneration system, centralization, top managers' interaction	Inception, High Growth, Maturity
Flamholtz* (1986)	*Age, size*, growth rate, critical development objectives, Organization, formalization of planning, control, budgeting, operational and management systems, leadership, decision-making	New Venture, Expansion, Professionalization, Consolidation, Diversification, Integration, Decline
Scott and Bruce (1987)*	*Age, size*, growth rate, industry development stage, key challenges, Structural form, control system formalization, top management style	Inception, Survival, Growth, Expansion, Maturity
Kazanjian (1988)*	*Age, size*, growth rate, dominating management challenges. Structural form, formalization, centralization	Conception and Development, Commercialization, Growth Stability
Hanks (*et al.*, 1993)*	*Age, size*, growth rate, structure, formalization and centralization degree, specialization	Creation, commercialization, growth, maturity
Adizes (1999)*	*Age, size*, normal and transition challenges, Structural form, formalization of policies and procedures, leadership qualities needed, diversity, complexity	Courtship, Infancy, Go-go, Adolescence, Prime, Stability, Aristocracy, Salem City, Bureaucracy, Death
Allen (1999)	*Age, size*, focus, diversity, and complexity	Pre-start-up, start-up, growth, maturity, rebirth or decline
Smallbone and Wyer (2000)	*Age, size*, growth rate, organization structure, information processes, control, plan, strategy	Start-up, Survival/ development, Growth, Maturity, Decline
Lester (*et al.*, 2003)*	*Age, size*, power, information processing, type of organisational structure	Existence, Survival, Success, Revival, Decline
Hoy (2006)*	*Age, size*, founding leader's personality	Birth, Growth, Maturity, Decline/renewal, Death

*Source: the rows with * are sourced from Shirokova, 2009. Others are drafted by the authors.*

(Adizes, 1999). For some companies the life-cycle is brief, for others their life spans decades (Allen, 1999). As Lester and Parnell (2008) pointed out, the enterprise's size changes dramatically as the organization moves through the life-cycle stages. Therefore, "age" and "size" are selected here as the dimensions for determining the enterprise's life stage in this paper.

According to Allen (1999), at each stage of the life-cycle, the needs and goals of the company differ. To meet these different needs and goals, the enterprise has to face different difficulties and overcome various indicative challenges and hurdles (Smallbone and Wyer, 2000) so as to retain stability and pursue development. According to Adizes (1999), difficulties arise when an organization moves from one life-cycle stage to the next. All these difficulties, challenges and hurdles require enterprise to make decisions appropriately, since the faulty decisions result to crises (Janis, 1989, Shrivastava, 1987) upon the enterprise. Further more, as Shrivastava (1987) comments, the complexity of the (societal and enterprise internal) system may either triggers crisis. Therefore, the first hypothesis may be proposed:

Hypothesis 1: *At different stages of the life-cycle, Chinese enterprise may encounter different types of crises.*

At "start-up" stage, enterprise's needs and goals are to identify the market, attract customers and sell products so as to acquire financial resources (Adizes, 1999; Allen, 1999; Smallbone and Wyer, 2000). Fail to achieve these goals result in enterprise revenue insufficient, even financial net lose, enterprise input—throughput—output process disrupting (Katz and Kahn, 1978). Thus enterprise financial flow is broken or frozen. The enterprise has to face a series of difficulties which relate to finance, economy, in another word. Therefore, the second hypothesis may be proposed:

Hypothesis 2: *At start-up stage, Chinese enterprises most frequently encounter economic crises.*

In the "growth" stage, enterprises need to increase sales through exploring potential customers and building up customer relationships as well as building up predictable financing systems (Allen, 1999). In addition, in comparison with the previous stage, enterprises need to attract better quality staff (Smallbone and Wyer, 2000) to provide the conditions for setting up a professional management structure at the "maturity" stage. Therefore, hypothesis 3 was presented.

Hypothesis 3: *At growth stage, Chinese enterprises most frequently encounter economic and human resource crises.*

EMPIRICAL STUDY

In this part, the methods used in this empirical study will be described and discussed. First of all, the authors conduct this research aims to discover how different types of crises impact Chinese enterprises at the different life-cycle stages. Based on the literature review and the presented hypotheses, the following research questions were formulated: (1) Which types of crises have occurred in Chinese enterprises? (2) In which life-cycle stage(s) did the crisis happen? (3) How did these crises impact Chinese enterprises in each life-cycle stage?

Research Methods

The methodology used in this research is necessary to fulfil the research tasks, test the hypotheses, and lead the correct conclusion. In this paper, exploratory, descriptive, and explanatory (casual study) were used to full fill this survey.

The exploratory study was used to generalize hypothesis. The descriptive study was used to serve the research questions, while the explanatory study was used to achieve the research aim.

The qualitative method (interview) was used to this research due to its possibility to deepen the knowledge and understand the detailed information about crisis management implementation in Chinese organizations.

The interview questions were formulated in English. It was translated into Chinese Mandarin to conduct the interview in China because the interviewees were Chinese natives. The interview questions include two parts. The first part is the sample company's information and the interviewee's position. The second part is focus on crisis happened in the sample company. It includes crisis type, happened time, triggered reasons, handling process, stakeholders, and the impact to enterprise. The interview questions are listed in the Appendix. The interviews time is between 30 to 90 minutes.

In the interview, the manager was asked to think about a certain crisis situations. For those interviewees who were insecure about the meaning of "crisis", the interviewers defined it as "a low probability event with serious consequences and short response time". The interviewees decided which crisis situations they focused on describing.

Following the interviews, a content analysis of interviews result was conducted so as to discover the answer of the research questions, i.e. the internal connections between crisis and enterprise life-cycle. The method use to analysis the data was ordinal. The primary data which gathered via interviews were categorised and ordered. The hypotheses presented before were tested by the analysis results.

The Samples

From 2008 to 2009, 156[3] Chinese enterprises that had experienced crisis were interviewed. The selection was random except that the enterprise must have experienced a crisis. The sample companies were from Beijing, Guangdong, Jiangsu, Jiangxi, Hebei, Henan, Hubei, Hunan, Inner Mongolia, Shandong, Shanghai, Sichuan, Xinjiang and Zhejiang provinces. Altogether companies from 14 provinces, 57 cities, representing agriculture, manufacturing, service and entertainment, finance and real estate, education, transportation, medication, technology and telecommunication industries. Middle to top-level managers from the sample companies were chosen as interviewees.

The size of the enterprises varied as follows: 35.9% (56 companies) had less than 100 employees; 25.6% (40 companies) had between 101 and 500 employees; 18.6% (29 companies) had between 501 and 1000 employees; 10.3% (16 companies) had between 1001 and 5000 employees and 9.6% (15 companies) had over 5000 employees.

The age of the sample companies was as follows: 60 enterprises (38.5%) were established before 1990, 40 enterprises (25.6%) were established between 1991 and 1997; 31 enterprises (19.9%) were established between 1998 and 2004 and 25 enterprises (16.0%) were established after 2004.

The management positions held by the interviewees were from different levels. Most of them (97 people, 62.2%) were middle level managers, 17 (10.9%) were assistants to the top managers and 42 (26.9%) were top level managers.

Analysis

Enterprise life-cycle stages

To observe and analyse the type of crisis the enterprise encountered at each stage of its life-cycle, the sample companies were sorted into four different life stage groups based on Allen's (1999) model: the Start-up (S1), Growth (S2), Maturity (S3) and Rebirth or Decline (S4) stage. Since all the sample companies already existed, the "pre-start-up" stage was omitted.

 "Age" and "size" were the two main indicators to determine at which life stage the enterprise was when the crisis occurred, but not when the interview was taken place, since all the companies were still operational after the crisis. When "age" and "size" are insufficient for indicating the life stage, then other variables, such as business scope, turnover, growth rate, management structure and so on were adopted as additional indicators. The sort result is presented in Table 3: 21.8% of the companies were at the S1 stage; less than one third (30.8%) were at S2; the largest percentage (41.0%) belongs to S3; and 6.4% were at S4.

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[3] In 2008, 102 interviews were done; in 2009, 54 interviews were done.

Table 3. Sample Companies' (i.e. Crises) Enterprise Life-Cycle Stage

Life stage	S1	S2	S3	S4	Total
Crises	34	48	64	10	156
%	21.8%	30.8%	41.0%	6.4%	100%

Source: drafted by the authors.

Types of crises

Crises were analyzed according to Mitroff and Anagnos (2001) – over half of all crises were related to economy (51.3%), the second group relates to reputational (18.6%), the third largest group related to human resources (16.0%), then came physical crises (14.7%), information (13.5%), natural disasters (10.9%) and psychopathic acts (5.1%).

It should be clarified that each percentage in Table 4 are calculated based on 156 companies. In many cases, one crisis has dual or triple impacts to enterprise, therefore, one crisis may belong to more than one crisis types. The significant of this calculation is to show the frequency of each type of crisis among all the samples. Table 4 presents these results.

Consequences of crises

When look more carefully at each life stage, a clear profile of crises emerges. Obviously, nearly half of all crises at S1 were related to economy (43.9%), although other types of crises also attacked newborn enterprises. Equal percentages (14.6%) of crises were related to information and human resources. Reputational crises occurred in 12.2% of cases, physical crises in 7.3%, 4.9% are related to natural disasters, and psychopathic act occurred in 2.4% of cases. All of them impacted the entire enterprise (see Table 4).

Economic crises halted the company's business, reduced income, caused a lack of running capital and a net loss and reduced employee incomes. Development was held back or slowed down in some companies, and some even had to make employees redundant. Apart from one company that failed to handle the crisis and jumped to S4 and fell into decline, all other companies finally resolved their crises.

Informational crisis resulted in a decrease in the enterprise's profits, an absence of active money, employees leaving or the loss of employee activity and lower service quality. Incorrect medical information led to one enterprise almost going bankrupt. The enterprise jumped from S1 directly to S4, then fell into decline without even passing through S2 and S3 stages.

Table 4. Types of Crises in Total and at Each Stage

Crisis type	Econ-omic	Informat-ional	Physical	HR	Reputa-tional	Psychopa-thic acts	Natural disasters
Total	80	21	23	25	29	8	17
	51.3%	13.5%	14.7%	16.0%	18.6%	5.1%	10.9%
Rank	1	5	4	3	2	7	6
Stage 1	18	6	3	6	5	1	2
	43.9% *	14.6%	7.3%	14.6%	12.2%	2.4%	4.9%
Rank	1	2	5	2	4	7	6
Stage 2	26	3	8	11	10	2	2
	41.9%	4.8%	12.9%	17.7%	16.1%	3.2%	3.2%
Rank	1	5	4	2	3	6	6
Stage 3	28	10	12	8	14	5	12
	31.5%	11.2%	13.5%	9.0%	15.7%	5.6%	13.5%
Rank	1	5	3	6	2	7	3
Stage 4	8	2	--	--	--	--	1
	72.7%	18.2%	--	--	--	--	9.1%
Rank	1	2					3

Note: * This percentage and those after in the table were calculated on the basis of stage.
Source: drafted by the authors.

HR crises caused a lack of labour force, a reduction in productivity, working discipline could not even be carried out and clients were even lost due to key employees leaving. Another enterprise that experienced a human resource crisis, had to pay huge amounts of money as compensation to an injured employee, since then the company ran out of working capital and fell into debt.

Physical crises led one company to suffer a break in its supply chain. Natural disasters damaged enterprise property, and even caused the daily operations in one company to stop altogether. Psychopathic acts disrupted a company's daily business for half a day and left an impression that the company was "a dangerous place".

At S2, economic crises (41.9%) were still the main type of crisis. Crises related to human resources (17.7%) shifted to second rank. Reputational crises (16.1%) were

in the third group, and then came physical crises (12.9%), informational crises (4.8%) with psychopathic acts and natural disasters equal at 3.2% (see Table 4).

Six companies had several departments that were impacted during the crises. The other companies reported that the whole company had been impacted. There were seven companies that shifted from S2 to S4 and fell into decline without any experience of S3. Four of them had a crisis related to economy, one mentioned a crisis related to HR and three said it was due to a reputational crisis.

Economic crises forced companies to speed up their market development, product and technological innovation, new product development and product range adjustment. Some companies had to improve cost control, reduce prices and improve product or service quality. These crises caused changes to their customer relations as well. Three companies encountered quite similar crises that after providing a product or service, their clients could not pay them the necessary large amount money. The impact on each of the three companies differed. One company solved the crisis successfully and built up a long-term cooperative relationship with its clients. Another company shifted to S4 and fell into decline. Yet another tried all sorts of approaches to get the money back, and after getting the money, the company got rid of those clients immediately and started to seek new customers. In these three companies, no one had built up a predictable financial system (Allen, 1999) before the crisis occurred.

HR crises caused a drop in product or service quality, production was paused and clients were lost. It also affected the company's daily operations. One company could not even continue running its daily business. Most companies solved these kinds of crises successfully. These companies finally obtained stable and excellent personnel with the required skills, built up or completed the HR system and the business developed smoothly.

Reputational crises caused a reduction in sales revenue, an abrupt slump in performance in the following two years and were dropped by clients or customers. Several companies reported that daily operations were affected. Due to the crises, two companies became bogged down in public relation crises. The mainstream media began to pursue their every action and to dig up their past, and any shortcoming or weakness the company had was disclosed. The melamine scandal caused related sales chains to break down totally, and even the dealer or retailer involved felt the impact. Those companies' credibility plummeted to rock bottom in just a few days. One company's stock on the Hong Kong market fell by 60%. Three companies shifted to the S4 stage, fell into decline or were taken over by a competitor.

Physical crises caused tense customer relations, employee income cuts, a loss of the company's property and a halt in production. One company lost reputation; another totally broke down.

As a result of informational crises, company sales slumped, sales channels reduced and the company became overstocked. Psychopathic acts caused problems with customer relations. Natural disasters reduced company income.

At S3, the most frequently encountered crises were still economic crises (31.5%), though the percentage was lower. Reputational crises rose to second place (15.7%). Physical and natural disasters both ranked third on 13.5%. Informational crises occurred in 11.2% of cases, HR crises in 9.0%, and psychopathic acts in 5.6%. Crises impacted 11 companies partly, while in the remaining cases the crises impacted the entire company. Crises caused companies to shift from S3 to S4 within one to eight months. Two companies fell into decline, and three more were reborn as new companies (see Table 4).

Due to economic crises, the flow of capital slowed or even stopped in some companies. Some could not pay off their debts, could not purchase raw materials for production and their accounts appeared as a net loss. Their supply chain broke and production dropped or stopped altogether, their turnover fell; they experienced an overstock of products, could not pay salaries and finally went bankrupt.

Reputational crises caused disapproval and criticism from suppliers, dissonant public relations or customer relations, an oversupply of products or completely stagnant sales or even product recalls and a loss of loyalty among the employees. Some companies were banned from producing their products. The crises not only destroyed the brand involved in the crises, but also affected other brands or products belonging to those companies.

Physical crises seriously affected the enterprise's main business, polluted the environment and threatened human life and security. Natural disasters reduced or totally destroyed farm productivity, damaged property and caused the loss of human lives. All the owners of orange farms in the Bactrocera (tetradacus) minax (Enderiein) disaster area in Sichuan province had to remove all the ripened oranges from the trees and bury them deeply in order to avoid the disaster spreading. Their whole year's work had gone with the wind.

Information crises blocked the enterprise's sales channels and caused rumours about the companies. Inaccurate information led the customers to doubt the quality of the products or the investors to misunderstand. HR crises lowered the enterprise's service quality, sales fell into decline and they lost their competitive advantage. Some companies lost labour force or lost an excellent person with skills. Psychopathic acts harmed the enterprise's security, customer relations and reputation.

At S4, economic crises occurred in 72.7% of cases, informational crises in 18.2% and natural disasters in 9.1%. Information related to other types of crises was not found. These crises impacted the entire enterprise (see Table 4).

Economic crises halted production. The companies experienced a lack of capital, and could not pay off their huge debts. The crises forced companies to struggle for a living. One company successfully entered the S1 stage; two companies transformed their decline into a rebirth, while others went to S4 and remained there.

Information crises blocked sales channels and reduced the company's market share. Natural disasters damaged company property. Enterprises at the S4 stage may not have wanted to release any information, so it was very difficult to get information about companies at the S4 stage.

As Figure 1 showing, at S1, the main crises occurred in 73.1% of cases, at S2 in 75.7%, at S3 in 74.2%, and at S4 in 72.7% of cases. Overall, the main crises in each stage occur in 72% of cases on average, therefore, it can say that the crises types at each life stage distribute concentratively.

Figure 1. The Distribution of Main Crisis Types at Each Life-Cycle Stage
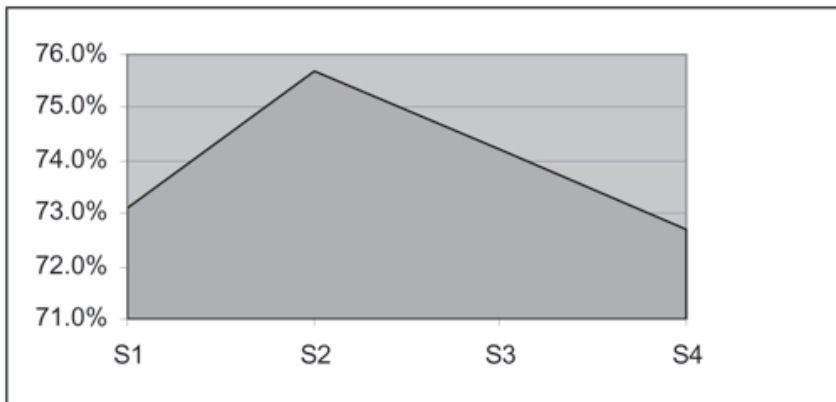
Source: drafted by the authors.

It was found that at S2 and S3, the enterprise is stronger than S2 and S4 to defence crisis attack. Enterprises at S2 and S3 have smaller scopes attacked by crises than at S1 and S4. Figure 2 shows these changes. At S1, every company felt the impact of crisis in the entire company scope. At S2, 12.5% of the companies felt partial impact. At S3, 17.2% of the companies felt partial impact. And at S4, the companies once again all felt the impact of crises on the entire company scope. From S1 to S2, the impact scope trend falls, from S2 to S3, it rises slightly and then it rises to a high point at S4.

During different life-cycle stages, economic crises happen with different frequencies. Figure 3 shows that from S1 to S3 the frequency goes down. After S3, it rises up and reaches a peak at S4. This trend indicates that as enterprise growing up to maturity (from S1 to S3), the ability of manage economic problem is improving. After enterprise maturity, this ability decreases.

Figure 2. Crises Impact Scope
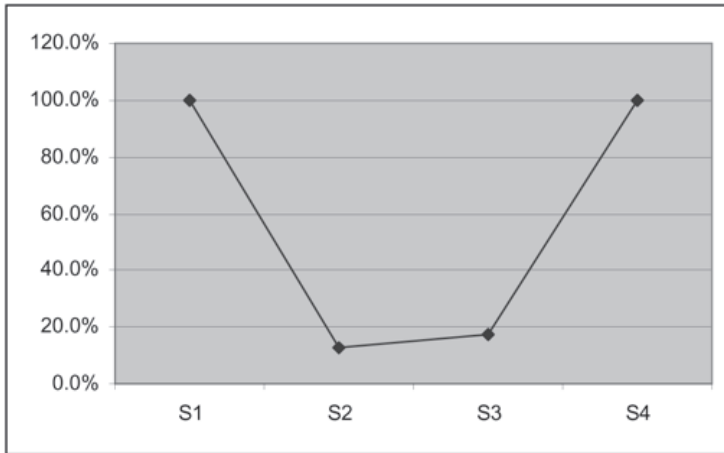
Figure 3. Frequency of Economic Crises
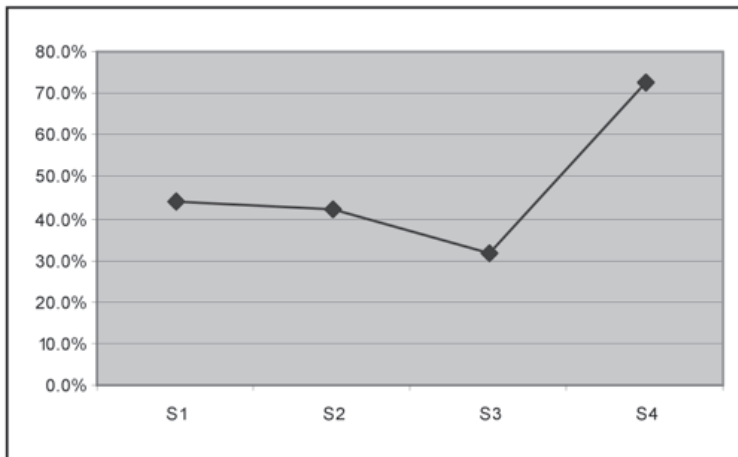
CONCLUSION

The interviews and analysis present a clearer view of the connection between the types of crises and the enterprise's life-cycle stage. The hypotheses previously proposed should be re-evaluated.

Hypothesis 1: *At different stages of the life-cycle, Chinese enterprises may encounter different types of crises.*

This hypothesis was supported. At S1, the most frequently happened crises are related to economy, the second and he third are informatioal and human resource crises; at S2, economic, HR and Reputational crises were the first three frequently happened crises; at S3, economic, reputational, and physical and natural disasters impact the enterprise the most; at S4, economic crises are still the main type, information crises and natural disasters were both detected. Therefore, it can be claimed that at different stages of the life-cycle, Chinese enterprises encounter different types of crises.

Hypothesis 2: *At start-up stage, Chinese enterprises most frequently encounter economic crises.*

This hypothesis was supported. Economic crises attacked enterprises most often when they were just born i.e. at the start-up stage. Moreover, not only in the start-up stage, but also in each of the following stages, economic crises occurred, always, more frequent than any other type of crisis. It can be seen that economic crisis is the primary type of crisis that attacks Chinese enterprises most frequently.

Hypothesis 3: *At growth stage, Chinese enterprises most frequently encounter economic and human resource crises.*

This hypothesis was supported. The analysis results indicate that economic crises rank in first place among all the crises at S2. Human resource crises occur in 17.7% of S2 cases, which is the second frequently crises at S2. Therefore, at growth stage, Chinese enterprises most frequently encounter economic and human resource crises.

At each stage, the first three frequently happened crises were defined by the authors as the main crises types of each stage. The main crises types at each stage were summarised at followed,

At S1, the main types of crises attack enterprises are economic, informational, and HR crises. Information was mentioned as a vital support element for enterprises. At S2, enterprises mainly encountered economic, HR, and reputational crises. The lack of a reliable financial system made it impossible for the enterprise to detect and avoid the crisis in time. At S3, the main crises are economic, reputational and physical crises and natural disasters. The Bactrocera (tetradacus) minax (Enderiein)

disaster indicates that the government needs to promote and disseminate agricultural knowledge and prepare a comprehensive disaster action plan. At S4, the main crises are economic crises. Figure 2 shows the main crises at each stage.

Figure 4. The Main Types of Crises at Each Life-Cycle Stage
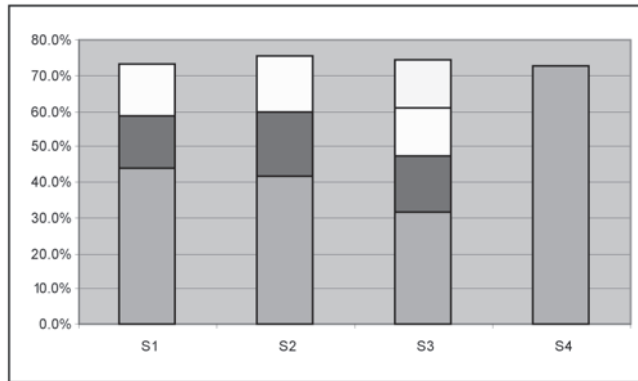
The crises types concentrative distribution at each life stage indicates that enterprises encounter similar types of crises in the same life-cycle stage.

At each stage of the life-cycle, the enterprise, impacted by crisis, may enter another stage by shifting over one or more stages. At each stage, a crisis may accelerate this shifting process and may even cause the enterprise to jump over one or more stages and enter another stage. As Allen (1999) pointed out, unlike human beings, a company can reach a stage and then be "reborn" and go through a new life-cycle.

The crises impact scope changes during the enterprise's life-cycle. In S2 and S3, the enterprise is stronger than S2 and S4 to defence crisis attack. The impact of each type of crises can be summarized as following,

Economic crises may cause enterprise lack of capital, decrease income, slowness development, looseness customer relation, and even bankruptcy. The flexibility of enterprise controlling economic issue and/ or preventing economic crisis goes stronger in the earlier stages of enterprise life-cycle (S1, S2, and S3). After enterprise maturity, this flexibility starts to decrease.

Reputational crises may cause sales revenue fall to zero, clients leave, supply chain breaks, employee loyalty comedown, public and/or customer relation tension, company stock crash, or finally bankrupt. HR crises result in lack of labour force, drop in product or service quality, loss of clients, and interrupt daily operation.

Physical crises pollute environment, damage both property and the company's reputation, reduce income, endanger human life and security, even breakdown the whole

enterprise. Information crises block company's sales channels, reduce profits, lower employee activity, decrease quality, and decline company. Natural disasters damage property and human life, and reduce or completely cut off the enterprise's income. Psychopathic acts may cause a reduction or loss of the feeling of security and a break in customer relations.

It could be concluded that Chinese enterprises may encounter all kinds of crises during the enterprise life-cycle. Altogether, three types of crises – economic, reputational, and HR crises – occur most frequently among all the types of crises in Chinese enterprises. During each stage of the life-cycle, the main crises that occur to enterprise differ.

LIMITATIONS AND FURTHER STUDIES

Due to limited sources and information, the data about S4 may not represent the complete views of Chinese enterprises. Continuing this research and developing contacts with more interviewees may provide stronger data and further the results of this field of study.

In the future, the impacts of other crisis dimensions on the enterprise are directions that also need research. Empirical studies in other countries could broaden the scope for making conclusions and generalizations.

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3. HUMAN RESOURCE CRISES IN CHINESE ENTERPRISES[4]

Junhong Gao & Ruth Alas

Abstract

Purpose – The aims of this paper are to discover and describe HR crises and management situations in Chinese organisations. The research questions are as follows: 1) – How did the crisis happen? 2) – How did the company handle the crisis? 3) – What result came from the crisis?

Methodology – In this paper, exploratory and descriptive approaches were used to complete the survey. The qualitative method (interview) was used in this study since it enables one to gain a deeper knowledge and understanding of the detailed information. The interviews included both open and closed-ended questions. The method used to analyse the primary data was ordinal.

Findings – The results indicate that HR crises are caused by various factors – both internal and external.

Research limitations – Due to the limited number of samples, it is necessary to expand the study and conduct more empirical research so as to draw more comprehensive conclusions.

Practical implications – The conclusions and implications should be considered by managers in Chinese enterprises, especially HR managers and crisis managers, when detecting, distinguishing and determining a crisis.

Originality/value – This paper provides a HR crisis management reference for Chinese organisations.

Keywords: human resource management, crisis, Chinese enterprise
Paper type: research paper

INTRODUCTION

As a result of the reforms in the Chinese economic system, the Chinese economy has changed from a formerly centrally controlled, highly planned system to an open, market driven system. China's "open policy", introduced in the early 1980s, has been pushing Chinese companies into global competition. Especially since China's entry into the WTO in 2001, Chinese companies have been facing increasingly fierce competition in all fields. China, a market with huge potential and challenges,

offers every company equal opportunities, as well as equal risks. An organisational crisis is one such risk that every enterprise in China has to deal with.

Organisational crises are a pervasive threat to organisational performance and sustainability (Hutchins and Wang, 2008). The impact of organisational crises on the individual and organisational performance is being increasingly recognised (Wang *et al.*, 2009). Therefore, Chinese companies provide good samples for studying crisis management at the organisational level.

From 2008 to 2009, empirical research on crisis management was conducted in 156 Chinese companies located in 14 provinces, 57 cities and various industries through interviews with middle and top-level managers. The primary results of the analysis indicated that human resource crises are the third most common crises among Chinese organisations, which follow economic and reputational crises.

Crisis theorists and literature treating crises seem to focus on the management itself, but ignore the core element of the crisis – the human resource. Even when discussing a HR crisis, the human resource itself is ignored. Thus, the aim of this paper is to explore HR crises in Chinese organisations. The research questions are as follows 1) – How did the crisis happen? 2) – How did the company handle the crisis? 3) – What result came from the crisis?

To achieve this aim, a further analysis of the interview results was conducted. The analysis is based on a complete study of all cases related to human resource crises; both the qualitative analysis and document review techniques are employed in this paper. The layout of the paper is as follows: First, a theoretical review will be presented, which will be followed by an introduction to the methodology. Subsequently, an analysis of the cases related to HR will be given, and finally, conclusions and suggestions will be offered.

THEORETICAL BACKGROUND

Since the theoretical background is the foundation for research, the theory related to HR research crisis will be presented first in this paper.

Crisis and human resource crisis

Organisational crises have become more complex, far-reaching and prevalent in modern times (Hutchins, 2008). Organisational crises are a pervasive threat to organisational performance and sustainability (Hutchins and Wang, 2008). The impact of organisational crises on the individual as well as organisational performance is being increasingly recognised (Wang *et al.*, 2009). According to Mitroff (2005), a human resources crisis is one of the seven types of crises.

A human resources crisis happens when an organisation experiences the loss of key executives, and other personnel; a rise in absenteeism or in vandalism and accidents; workplace violence; lack of succession plans; corruption; and labour strikes, unrest, and a shortage of staff (Mitroff, 2005). Sher's (2006) comments that human resources crisis includes the lack of a competent person and a key person leaving.

The cause and impact of crisis

The triggers for crises vary. Boin (*et al.*, 2008) found that crises are triggered by natural forces or by the deliberate acts of 'others' inside or outside the society. Coombs (2006) sorted crises into three categories according to their triggers. The first type includes attacks on organisations that can harm the reputation and financial stability, and include product tampering, workplace violence, terrorism, computer hacking and rumours. The second type includes accidental crises, such as product harm, industrial accident, transportation mishaps, challenges and the sudden loss of key personnel. The third involves management misconduct. Such crises are created by management and include known risks, improper job performance and purposeful legal or regulatory violation.

Hermann (1963) identifies a crisis as being an event that includes a surprise, a threat and a short response time. From the perspective of the results, Clark (1988) identified three elements: a threat to goals, a reduced ability to control the environment and perceived time pressure. Coombs (2006: 2) defines a crisis as an unpredictable, major threat that can have a negative effect on the organisation, industry or stakeholders if handled improperly. Milburn (1972: 262) found that a crisis may generate conflicts with others within the group or organisation. Rosenthal (*et al.*, 1989) suggested that a threat for some may be an opportunity for others.

Human resources (HR) and human resource management (HRM)

Graham and Bennett (1989: 3) had given a simple definition of HR – the employees of a company. However, in those private companies where the owners work in the companies, and even more, play vital roles in the companies, the owners are HR of those companies too, though they are not employees of the companies. Therefore, the authors would like to agree with Gómez-Mejķa (*et al.*, 2001: 2) who defined HR as the people who work in an organisation. In this definition, both employees and owners of an organisation were considered.

Craig (2009) argues that people are the most important assets of any enterprise. The HR of an organisation represents one of its largest investments (Byars and Rue, 1991: 6). Dessler (1999) states that HR can impact the performance of both the employees and the organisation. Li (2000) viewed human resources as one of the most important sources of competitive advantage among enterprises in China.

Hilbert (2009) pointed out that human-capital plays a key factor in determining which businesses fail, survive or thrive, though the power of HR is inevitable (Ivancevich and Matteson, 1993: 4). Beer (*et al.*, 1984: 39) pointed out that HR is an important stakeholder in business enterprises. Mitroff (2005) considered HR to be the most important crisis stakeholder of an organisation. The stakes of HR are economic, psychological, and political (Beer *et al.*, 1984). The individual human factor cannot be underestimated in a crisis situation (Lagadec, 1993).

According to Byars and Rue (1991: 6) HRM involves activities designed to provide for and coordinate the human resources of an organisation. Failing to cope and deal with HR issues will result in HR crises, such as job dissatisfaction, poor morale, reduced commitment, lower work quality, burnout, poor judgement and a host of unhealthy consequences (Ivancevich and Matteson, 1993: 4). According to Zhou (2004) and Ye (2005), four results emerge from a HR crisis. First, it reduces enterprise performance; second, it stops communications between managers and employees; third, it causes irrational reactions; and fourth, it results in vindictive psychology.

Crisis management

Mitroff (2005) states crisis management is systemic. Crisis management is a set of factors used to combat crises to reduce the actual damage inflicted by crises (Coombs, 2006). Crisis management is about being prepared to handle adversity, minimising the impact of the crisis effectively and facilitating the management process within an environment of chaos (Aba-Bulgu and Islam, 2007).

Pearson and Clair (1998) defined organisational crisis management as a systematic attempt by organisational members with external stakeholders to avert crises or to effectively manage those that do occur.

Shrivastava (1993) proposed a "4Cs" frame for studying the crisis management process so that crisis studies can focus on four key aspects of crises: "causes," "consequences," "caution," and "coping". From the social-political view, Pearson and Clair (1998) explain the cause of a crisis as a collective breakdown in sense making and role structuring. The consequence is a meltdown of social order, followership, and commonly held values and beliefs, where extreme individualism, incivility, and violence may increase. Weick (1993) asserts that caution can be taken to prevent an organisational collapse, in the forms of improvisation, virtual role systems, the attitude of wisdom, and norms of respectful interaction.

According to Mitroff (2005), crisis management involves the process of thinking about potential crises and their causes, anticipating the system failures causing crises and planning for the actions that affect major crises as well for situations affected by crises.

METHODOLOGY

In this part, the research method used in the study will be discussed. The section includes research aims and questions, method, data collection and samples.

The aim and research questions

Shrivastava's (1993) "4Cs" frame suggested that crisis studies can focus on four key aspects of crises: causes, consequences, caution, and coping. According to Shrivastava (1993), causes are the reasons triggering the crisis; consequences are the impacts of the crisis. Caution includes the measures for preventing or reducing the impact of a potential crisis (Pearson and Clair, 1998), i.e. the criterion of forecasting a crisis. Coping means the process of handing a crisis.

In previous research regarding crisis management in Chinese organisations, the authors had discovered seven types of crises according to the impacts and the reasons triggering the crises. They include economic, informational, physical, human resource (HR), reputational, psychopathic acts, and natural disasters. The initial study result indicates that crises related to HR occurred in 25 organisations (16% of the sample), which is the third most frequently occurring crisis among Chinese organisations, following the economic and reputational crisis. The crisis types ranking according to frequency is in Appendix 1).

Many scholars (Zhang *et al.*, 2009; Zheng and Lamond, 2009; Warner, 2009) have paid attention to HR management in Chinese organisations. However, there is no study about HR crisis in Chinese organisations. The two studies differ in their focus. The earlier study focuses on the HR management issues during normal operations in an organisation.. The later study focuses on the crises triggered by HR issues, i.e. when the normal HR management failed to manage the issue, and it triggered a serious threat to the organisation. Thus, the aim of this paper is to focus on the causes and consequences of crises, the ability to cope with crises, and to explore HR crisis management in Chinese organisations. Therefore, the research questions are as follows 1 – How did the crisis happen? 2 – How did the company handle the crisis? 3 – What result came from the crisis?

Research methods

To complete the task, the authors utilised the following research methods which were considered necessary. First, the exploratory approach was used to review various literature and secondary data, and furthermore, to provide a deeper insight into HR crisis management situations in China. The descriptive study tends to serve the research aims, which are to discover the answers to the research questions.

The qualitative method used in this survey involves a formal approach – an in-depth interview. The interview is semi-structured, including both open and closed-ended questions. The interview questions were formulated in English and were subsequently translated into Chinese Mandarin to conduct the interviews in China as the interviewees were Chinese natives. The interview questions include two parts. The first part deals with information on the sample company and the position of the interviewee. The second part focuses on the crisis that occurred in the sample company. It includes the type of crisis, the time of occurrence, the reasons triggering the crisis, the handling process, the impact on the enterprise, and so on. The interview questions are listed in the Appendix II. The interviews lasted 30 to 90 minutes.

Data collection

All the interviewees were requested to describe a crisis that had occurred in their organisation. The authors defined the term "crisis" as "a low probability event with serious consequences and a short response time". The interviewees chose a crisis that they desired to speak about.

After the interviews, an analysis of the information was conducted so as to seek answers to the research questions. The method use to analyse the data was ordinal. The primary data gathered via the interviews was categorised and ordered. A comprehensive study of the analysis of all the cases related to human resource crises in Chinese organisations was carried out.

The sample

From 2008 to 2009, interviews were conducted in 156 Chinese companies that had experienced crises. These companies were located in Beijing, Guangdong, Jiangsu, Jiangxi, Hebei, Henan, Hubei, Hunan, Inner Mongolia, Shandong, Shanghai, Sichuan, Xinjiang, Zhejiang, and so on – a total of 14 provinces and 57 cities, spread throughout China. The companies selected represent the following areas in the economy: agriculture, manufacturing and processing, construction, trading, service and entertainment, finance and real estate, education and art, transportation, medication, technology and telecommunication industries. The ages and the sizes of the sample companies vary. The general statistical data of the age, size and industrial information of the organisations is listed in appendix III.

As this paper focus on HR crises, the detail information of those companies encountering HR crises will be presented without releasing the names of the companies. Out of 156 Chinese organisations, 25 reported a HR crisis. The geographical locations of the organisations differ and their business activities, age, and size are dissimilar also (Table 1).

Table 1. Industries, Ages, and Sizes of Companies Encountered HR Crises

Industries	Manufacture & Processing	8	32%
	Education & Art	4	16%
	Trading	1	4%
	Construction	1	4%
	Entertainment & Service	5	20%
	Finance & Real estate	3	12%
	Transport	1	4%
	Technology & Telecommunication	2	8%
Ages	Before 1990	6	24%
	1991-1997	4	16%
	1998-2004	13	52%
	after 2004	2	8%
Sizes	<100	13	52%
	101-500	9	36%
	501-1000	2	8%
	>5001	1	4%

Source: drafted by the authors.

ANALYSIS – THE CAUSES AND COPING APPROACHES

The interviewees were asked what had caused the crises (interview question 3). The answers are summarized in Table 2. The causes of HR crises include both internal and external factors. The internal factors focus on changes in the enterprise system, handling of HR issues, and development of the enterprise. The external reasons are related to competition, government policy, and accidents.

Table 2. The Causes of HR Crises and the Coping Approaches

	Causes of HR Crises	Case No.	Coping Approaches
Internal	Managerial system change (Against system change)	13, 21, 81, 123	Manipulation, coercion, education, and communication
	Dissatisfied with old system (Require system change)	7, 27, 45, 86	Negotiation and change system, key employees involved
	Inappropriate handling of HR issues	4, 20, 120, 139	Negotiation and manipulation
	Enterprise development	59, 101, 155	Communication and motivation
Exter	Competition	34, 96, 97, 140	Communication and change system
	Government policy change	102, 104, 107	Appeal to government
	Accidents	8, 68, 151	Support and find new staff

Source: drafted by the authors.

Four companies reported crises related to changes in the enterprise's systems. Cases 13, 21 and 81 have quite similar reasons for experiencing a crisis. The company ownership changed from state or public ownership to operating under a private contract. The change led to a series of internal system changes, such as connecting everyone's salary and welfare to the enterprise's profits, implementing work disciplinary procedures, and establishing a reward and punishment policy. These changes required every employee to work efficiently so as to achieve maximum profit for the enterprise. However, "under the old state or public ownership system, employees had been used to getting the same salary regardless of profit and work discipline. In the enterprise operating under a private contract, this was not accepted by the private managers", explained the manager in case 21. "To ensure the company can keep on running, the salary system must be changed", explained the manager in case 13. Faced with the new company system, the employees, especially old employees, were afraid that they could not achieve the new goals or reach the new standard, so many of the employees left the company.

Case 123 occurred in a company that had already built up a modern enterprise system. The company implemented a new post salary system resulting in a number of the staff being dissatisfied because the new salary system did not allow them to increase their salary. They used strikes and resignations to react against the new system. To handle crises like these, such companies used manipulation, coercion, education and communication.

The second factor related to the enterprise's system involved employees being dissatisfied with the old salary and welfare system causing them to demand a system change. Four sample companies reported similar situations. Employees left the company because they could see neither an opportunity for promotion nor a possibility for salary increase through the old policy. For example, "some people worked very hard and created more profit for the company than the others, but they got the same salary as the other people who exerted less effort. Of course, they felt this was unfair, so they left the company", explained one HR manager (case 7). Some employees had asked the company to increase their salary or even asked the company to change the salary system, but the company reacted too slowly. "I had promised them (meaning the employees who had left) that I would think about that (increasing their salary or changing the salary and promotion policy), but I did not do it quickly. Before the company started to implement the new (salary) policy, some competent staff had already left the company", explained one general manager (case 27).

In case 45, the company asked why the employees had left. The answers were "our company does not encourage us to work hard because there is no difference between working more or less", "we do not have any motivation at work". Case 86 reported that employees "could not see their future in the company because we did not have a motivation and promotion system at that time, but some companies already had one." Those companies could solve the situation through negotiating with key employees or employee representatives and changing the system.

The third reason involved the inappropriate handling of HR issues. An employee in one company received a serious injury (case 139). The company did not offer any compensation to the injured person. As a result of this event, 27 employees left the company in three days, and the remaining staff refused to do any work related to the accident. On the one hand, the employees were afraid they would also get injured. On the other hand, they observed the result of this injury and how the company had handled the whole event. However, the company's reaction, which was motivated by a desire to stay within the law while considering profits for the company's owners, ignored the injured person's rights and the feelings of the other employees, and it seriously damaged all employees psychologically.

Work discipline procedures are important in enterprises. Implemented correctly, they may help maintain discipline and increase efficiency and organisational performance. Case 20 and 120 are examples where inadequately implemented disciplinary procedures caused HR crises. In both companies, employees broke disciplinary guidelines, and for instance, left their post during the work time, were late for work or left work early. These two companies and the way they handled these problems are like inverse examples. In case 20, the company simply fired those employees who broke the guidelines. From the employee's point of view, the action was too extreme and unreasonable. "Most employees felt that the company was unkind and the punishment was very harsh. Actually, these people did not cause any damage, but the general manager ordered them to be fired; we could just do that", explained the HR manager. As a result, employees started leaving the company one by one.

At the other extreme, a company (case 120) did not exact any discipline at all, although guidelines existed. In the beginning, only some employees broke the rules occasionally, and the company did nothing about it. Finally, an entire shift of employees disappeared during the work time. The company felt "it was very hard to control the situation because we missed the initial chance to apply a disciplinary response", one manager explained. If the company had punished those employees who had not followed the rules in the beginning, it would have been a warning for other employees as well. Because the company did not handle the initial problems, other employees might have considered that this was allowed. When more people followed the bad behaviour, the company could not control the situation by applying punishment because that would not have been fair. Negotiation and manipulation were the approaches these companies used to handle these crises.

The fourth example was due to the enterprise developing too quickly, and a lack of the relevant competence arose in the areas of technology (case 109, 155), management (case 4), or production (case 59). With a population of 1.3 billion (NBSC, 2008), China is a country rich in human resources. Two main reasons exist for enterprises experiencing lack staff as they develop. Firstly, the enterprise cannot forecast its development trend and speed, and therefore, cannot estimate its HR demand accordingly. Secondly, the enterprise does not have the relevant HR support, which may provide HR flexibility for the enterprise. Communicating and moti-

vating the desired competences by explaining the future of the company and letting staff know how the company can benefit them so as to attract good staff were the coping approaches used in these enterprises.

The fifth cause of crises was industrial competition. Four companies reported that HR crises occurred because they suffered setbacks in competition with other players in their industry. Dramatic industrial competition not only relates to technology and quality, but also to managerial factors. HR, as one of the most important managerial factors, became the focus of competition among Chinese enterprises. All the sample companies experienced competitors headhunting key staff by offering them better conditions. Those key members of staff had been dealing with core functions such as technology, sales or management. When they suddenly left the company, they took with them techniques, clients, and the management team which the enterprise had built up. Thus, HR crises also occurred in companies that lost key personnel.

These cases reflect several issues in HR management. First, the enterprises' internal management did not have a competitive HR motivation system or an efficient HR maintenance system. Second, the enterprises lacked an awareness of the competitive value of HR. They did not pay attention to their competitor's HR policy or actions, so they could not adjust their own HR system in time. Furthermore, these companies did not have a HR early warning system. When competitors offered their people better conditions, they were unaware of the fact until it was all over. Some companies "had thought it just happened occasionally, when the crisis was just beginning (case 97)." They recognised that when "members of the management team starting leaving the company one by one; however, it was already too late (Case 140)." Third, it reflects the faults in the enterprise's ethical framework. On the one hand, every enterprise needs a HR support system as it develops. Attracting competitive staff via a beneficial and supportive policy is also sensible, although it seems like stealing when enterprises compete by headhunting key staff from competitors. On the other hand, strengthening the company's ethical framework and using the corporate culture are good ways to encourage and maintain employee loyalty. Increasing communication with employees, especially key employees, and setting up a motivational system are good approaches for these companies.

The sixth cause of crises involved changes to government policy. In recent years, some cities have shifted up the minimum wage rankings. These changes have caused companies in nearby cities to experience a shortage of labour force. To lower the cost of their products and raise profit margins, companies, and especially labour intensive enterprises, usually start paying their workers the minimum wage according to the local government regulation. If some cities increase the minimum wage, workers in neighbouring cities are likely to leave their original work place and swarm to the cities with a higher minimum wage. This loss of workers caused a HR crisis in many companies since the lack of a short-term labour force compelled them to stop production. These cities usually handle this kind of crisis by also increasing their minimum wage.

The final cause of crises involved accidents that resulted in the loss of a key employee. For example, in case 151, the company's sales manager, who had been dealing with all the main clients died in a car accident. The sudden loss of this person resulted in the company being less competitive, which in turn impacted the company's daily operations. These companies tried to motivate other staff to work harder to cover the shortfall, or they sought new staff.

CONCLUSIONS AND IMPLICATIONS

Through the information analysis in the previous part, it became possible to draw conclusions and describe HR crisis management situations in Chinese organisations. It can be concluded that HR crises in Chinese organizations occurred due to both internal and external factors. The authors summarise these causes as follows.

Conclusions

First, changes to the enterprise's internal managerial systems triggered crises. The crises could be seen as the employees' resistance to the change. These kinds of crises were usually handled via manipulation, coercion, education and communication. The crises did not influence the company for a long time. All the reported companies finally handled such crises successfully.

Second, employees were dissatisfied with the old system or policy, and required that it be changed. These crises show that Chinese enterprise reform is necessary. Not only are changes needed in state institutions, but changes are also needed in human, psychological and ideological aspects. Enterprises handled these crises via negotiating with their employees and finally formulating new policies. The impact of the crises resulted in enterprise reform, especially enterprise internal systems reform, which went deeply and rapidly. From this perspective, these crises were opportunities for the enterprises rather than threat.

The two causes of crises stemming from the enterprise's internal system indicated that changes in internal systems and policy setting are closely related to HR. However, the two factors that triggered HR crises were exactly opposite to each other. One factor triggering a crisis was the desire of the employees to retain the old systems – they were against change. Another factor triggering a crisis was the desire of the employees to introduce a new system, and they actually appealed for this change.

Third, the enterprise managers handled HR issues inappropriately. Therefore, the originally normal HR issues evolved into serious HR crises, which threatened the organisations as a whole. HR issues are very sensitive issues for employees. Thus, they require HR professionals to handle them appropriately so as to obtain every

employee's trust, carry out enterprise policy smoothly and strengthen organisational performance. To successfully handle these crises, the enterprises adopted negotiation and manipulation techniques. Although the crisis was dealt with, its negative impact on the management of the enterprise remained for a certain time.

Fourth, crises occurred when the speed of the development of the enterprise exceeded the development of its HR. Enterprise development requires sufficient human resource support. When the business develops too fast or HR develops too slowly, this leads to an HR crisis. Such crises cause development to slow, service or product quality to decline and organisational performance to fall. To overcome this kind of crisis, enterprises increased communication with staff and improved motivation.

Fifth, external competition, especially industrial competition, also leads to HR crises. Today, competition between enterprises not only relate to products and services, but also relate to HR. Enterprises use all kinds of approaches to obtain the competence they desire, even crossing basic ethical and legal parameters, such as headhunting staff directly from competitors. Companies that encountered these crises suffered not only from the loss of employees, but also a decline in sales, the loss of customers and so on. They had to increase communication with employees and change the system for attracting new people and retaining staff.

Sixth, changes in local government policy led to some companies experiencing a lack of labour force. Some local government policies, such as setting a minimum wage, can be enforced locally. However, this may mean that workers from neighbouring cities swarm to that city if its minimum wage is higher. As a result, companies in the neighbouring cities may lose valuable staff. After the neighbouring cities adjusted their minimum wage, the crisis was resolved.

Seventh, a key person in the enterprise died in accident. Each enterprise has one or several key staff members. If these people are suddenly lost, it will cause a crisis for the enterprise causing a hiatus in operations, a break in the sales chain, the loss of major clients and so on. The enterprises that encountered this kind of crisis did not have any practical reaction to the ensuing crisis. They only tried to support the existing team and seek a replacement staff member. This kind of crisis happens suddenly, but the impact can be long-lasting.

Implications

Based on the study results, the authors found the following implications for Chinese enterprises managers, especially HR professionals and crisis managers.

First of all, changes in the enterprise's internal system should involve the employees. Before and during changes in the enterprise's internal system, enterprise managers should communicate with their employees and listen to their suggestions and

comments, and even their requirements. Managers should also inform staff about the company's difficulties so that they understand why the change is necessary. As Cafolla (2009) has pointed out, awareness of the company's difficulties can bring out the best in staff, making them rise to the occasion and embrace training and development with more gusto, as they reassess both the company's needs and their own future.

Second, the enterprise's internal policies should be adjusted in time so as to synchronize institutional changes and local government policy changes. The HR policy should motivate employees to work hard as well as maintain employee loyalty in accordance with contemporary social and economic circumstances.

Third, enterprise managers, especially HR professionals, need to keep a very watchful eye on the behaviour of their staff in the event that an employee is considering leaving company. In practice, caring, communicating and supporting staff may prevent staff from leaving the company or may help to convince staff to change their minds and stay.

Fourth, organisations should have well prepared crisis response plans, succession planning and crisis communication plans. These plans may help reduce the impact of a crisis on the enterprise when accidents happen suddenly.

Fifth, the organisation manager "needs to become a constant gatherer of information: from the internal environment and the external environment" (Schuler, 1996). Information is one of the key elements of enterprise competition. Accurate and timely information will provide enterprises expensive time to prepare for the oncoming challenge, handle the crisis at the very beginning, prevent it from happening, or reduce the impact to a minimum level.

Sixth, HR professionals should suggest that enterprise managers pay attention to corporate ethics and culture. Corporate ethics and culture should help the enterprise maintain employee loyalty and motivation, and increase organisational performance. A successful corporate culture and ethics framework should enable the employees to distinguish enterprise behaviour and make the right decision, thus avoiding the unprincipled headhunting of staff.

Limitation and further research

This paper is based on the study of cases related to HR crises in Chinese companies. However, due to the limited samples, it is necessary to expand the study and conduct more empirical research so as to draw more comprehensive conclusions.

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APPENDEX

Appendix 1. Crisis Types in Chinese Enterprise

Economic	Informat- ional	Physical	HR	Reputat- ional	Psychop- athic acts	Natural disasters
80	21	23	25	29	8	17
51.3%	13.5%	14.7%	16.0%	18.6%	5.1%	10.9%

Source: Drafted by the authors.
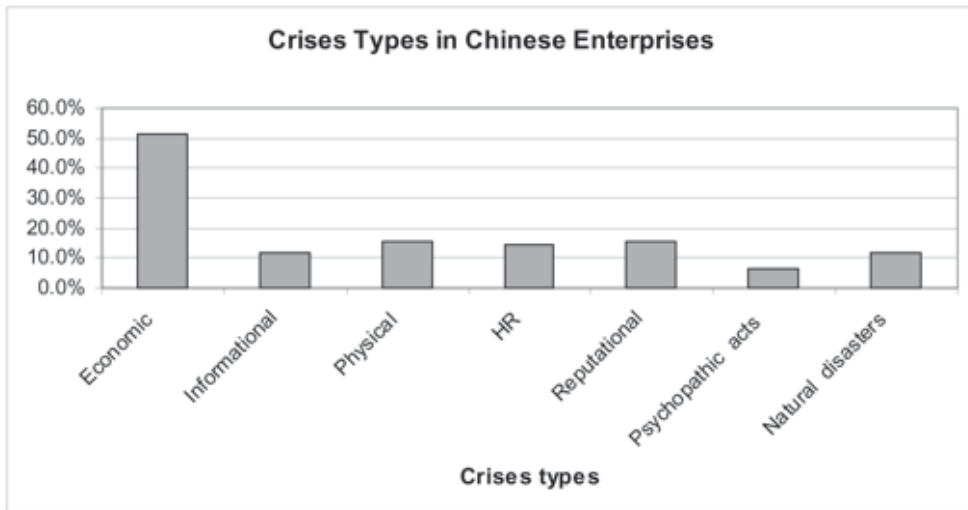
Crises Types in Chinese Enterprises

Appendix 2. Industries, Ages, and Sizes of Sample Organizations

	Telecommunication	2*	1.5%**
	Construction	2	1.5%
	Education and Culture	3	2.2%
	Transport	4	2.9%
	Curative	5	3.7%
	Retail	5	3.7%
	Entertainment	6	4.4%
Industries	IT	6	4.4%
	Real Estate	7	5.1%
	Agriculture	8	5.9%
	Public Department	10	7.4%
	Service	14	10.3%
	Trade	19	14.0%
	Production	59	43.4%
	Before 1990	60	38.5%
Ages	1991-1997	40	25.6%
	1998-2003	31	19.9%
	After 2004	25	16.0%
	1-100	56	35.9%
	101-500	40	25.6%
Sizes	501-1000	29	18.6%
	1001-5000	16	10.3%
	Over 5001	15	9.6%

Note: * column indicates companies number; ** column indicates the percentages.

4.THE CAUSES OF REPUTATIONAL CRISIS IN CHINESE ORGANIZATION

Junhong Gao

Abstract

The aims of this research paper are, first of all, to discover the causes of reputational crises in Chinese organisations, and then to define the connections between these causes and Chinese societal transformation. To complete this survey, exploratory, descriptive, and explanatory approaches have been implemented. The qualitative method (interview) has been selected to conduct data collection for this research since it enables one to gain greater knowledge and a deeper understanding of the detailed information. Starting in the year 2008, the author conducted crisis management research in China. In the following two years, 156 Chinese companies were interviewed. These companies are spread over fifty-seven Chinese cities and are active in various industries.

Based on the analysis of the interview results, reputational crises were found to be the second most frequently occurring crises among Chinese organisations. To seek the reasons causing reputational crises and discover their connections with Chinese societal transformation, a detailed analysis was carried out based on a study of all the reputational crises cases.

The results indicate that reputational crises are caused by various reasons which involve both the internal and external sides of an organisation. The author has discovered the connections between the reasons causing reputational crisis and contemporary China's transforming environment. This discovery will contribute to the crisis management theory. A series of implications constitute a practical reference for enterprise managers, especially Chinese enterprise managers when making a decision on an enterprise's development strategy and business direction. Expanding the study to a wider perspective and conducting more empirical research can help one to draw a more comprehensive conclusion.

Keywords: reputational crisis, ethical standards, value, Chinese societal transformation, social responsibility

INTRODUCTION

In recent years scholars (Dowling, 2002; Miller, 2003; Murray, 2004; Evans, 2007) have found that companies increasingly encounter reputational attacks. However, protecting their corporate reputation against these attacks has proved extremely difficult. Despite the challenges, organisations of all sizes and sectors need to be aware of the importance of reputation (Lees, 2003).

During the last quarter of the 20th century China started to reform its economic system and until today, China's economic and social structures have experienced major and sometimes extraordinary changes (Clegg, 2003). The rapid growth of the Chinese economy attracts more and more researchers to show interest in Chinese management. Some researchers have studied Chinese organisational change (Alas and Sun, 2007; Head, 2005), some have studied a single case of corporate crisis in a Chinese organisation (Gupta and Wang, 2004). However, no study has dealt with the connections between reputational crises and Chinese societal transformation.

Therefore, this paper focuses on reputational crises in Chinese organisations. It aims to discover the causes of reputational crises in Chinese organisations, and then to define the connections between these causes and Chinese societal transformation. The research questions are as follows: (1) – What are the reasons causing reputational crises in Chinese organisations? (2) – Do these reasons stem from internal or external sides of the organisation? (3) – How did the Chinese contemporary social environment influence these causes? The author conducted this survey via interviews.

The study of crisis management in Chinese enterprises may help enterprise managers in China to avoid and handle crises efficiently. Furthermore, Chinese crisis management experience is used as a reference for other countries with a similar history and situation, for example, Estonia.

This paper is divided into three parts. Starting with the literature review, the theory of crisis and reputation management is introduced, after which the transformation in Chinese societal environment is presented. Subsequently, the propositions are proposed. Following is the empirical study, which includes the methodology, the sample, the results of interviews, the analyses, and the findings. Finally, the propositions are re-evaluated, and the conclusions and suggestions are presented.

LITERATURE REVIEW

Crisis

In the last several decades, many scholars have defined organizational crisis from various perspectives. Some researchers (Gephart, 1984; Perrow, 1984) assert that a crisis can be recurrent and non-preventable. Some scholars (Rosenthal *et al.*, 2001; Stern and Sundelius, 2002) consider crisis as an unwanted, unexpected, unprecedented, and almost unmanageable situation. Nevertheless, some other theorists (Meyers and Holusha, 1986; Roberts, 1989; Pearson and Mitroff, 1993) suggest finding ways to manage or avert organizational crises.

From an organizational perspective, Mitroff (2005) found that a crisis is an extreme event that literally threatens an organization's very existence. A crisis is a major occurrence with a potentially negative outcome affecting an organization, company,

industry, as well as its publics, products, services, or good name (Fearn-Banks, 1996: 1). Here, the "good name" means organizational reputation.

Heath and Millar (2004: 2) defined crisis as an untimely but predictable event that has actual or potential consequences for stakeholders' interests as well as the reputation of the organization suffering from the crisis. A crisis may hurt or damage an organisation by "an event that brings, or had the potential for bringing, an organisation into disrepute and imperils its future profitability" (Lerbinger, 1997: 4).

From a social-political perspective, O'Connor (1987) suggested that a crisis is the realm of cultural symbols and lived ideologies. A crisis can be the threat of death or damage, but it also pertains to the invisible and intangible perils that are feared to destroy a community (Erikson, 1994).

Zyglidopoulos and Phillips (1999) defined reputational crisis as a situation in which important stakeholders negatively re-evaluate their opinions and beliefs about the firm. In this paper, the author considers reputational crisis in Chinese organisations as a situation that damages or may potentially damage an organisation's reputation seriously with insufficient time to know the causes or cope with it.

Reputation

Kay (1993) found reputation to be one of the three "distinctive capabilities[1]" of enterprises. Some other scholars, such as Deephouse (2000) and Fombrun (1998) argue that reputation is the most important competitive advantage that companies can have.

Dowling (2002) defined corporate reputation as the attributed values (such as authenticity, honesty, responsibility, and integrity) evoked from the person's corporate image. Jackson (2004) found corporate reputation to be a value-based composite that ranges from commerce to compliance to conscience. Reputation is the most important commercial mechanism for conveying information to customers and other stakeholders (Kay, 1993). Zyglidopoulos and Phillips (1999) pointed out that corporate reputation is a dynamic, stakeholder-based aspect of the corporate environment.

Researchers (Dowling, 2002; Moss and Warnaby, 2003; Lees, 2003) argue that reputations are not immutable nor are they created easily, and once established must be carefully preserved. Once lost, a corporate reputation is hard to rebuild (Murray, 2004). In other words, reputation is difficult to build up, but easy to destroy. So, reputation is a major risk issue for all organisations (Lees, 2003).

A good reputation can always be used to support the company's business (Dowling, 2002). A good reputation can: help the organization to optimize shareholder value (or an equivalent) by enabling it to attract customers and high quality employees; enhance the organisation in good times and protect it during the bad ones (Lees, 2003).

According to Dowling (2004), a company with a good reputation has values that suit the individual's (evaluator's) own values.

However, there is no one right criterion for reputation (Siltaoja, 2006). Reputation is quite a dependent and critical term for organisations. According to Kay (1993), reputation is influenced by: people's experiences of a firm and its products; how the firm presents itself; and how employees, others and the media talk about it. Center and Jackson (2003) found that reputations are based on experience with a product, service, or company – or the expression of trusted comrades.

Many scholars (Carroll, 1979; Wood, 1991; Mahon, 2002; Brammer and Pavelin, 2004) have recognized corporate social responsibility as a matter that influences reputation. Furthermore, reputation can be examined from the SR aspect (Zyglidopoulos, 2001). Managers must first perceive ethics and social responsibility to be vital to organisational effectiveness before their behaviours become more ethical and reflect greater social responsibility (Singhapakdi *et al.*, 2001: 134). Besides, corporate reputation reflects an organisation's values (Dowling, 2004). According to Schwartz and Bardi's (2001) definition of values – they are desirable, trans-situational goals with varying importance, and they serve as guiding principles in people's lives. Thus, ethics and values are influential factors in the case of an enterprise's reputation.

The causes of reputational crises

The process of crisis disruption is rooted in a combination of exogenous and endogenous factors (Comfort, 1988). Different crises follow different critical paths (Reason, 1990). A reputational crisis, therefore, has its own paths to follow. The reasons causing reputational crises vary. According to Zyglidopoulos and Phillips (1999), any number of negative events can cause a reputational crisis, such as accidents (Perrow, 1984; Buchholz *et al.*, 1985; Shrivastava, 1987), scandals (Sethi, 1977), and financial problems (Kent, 1993).

From the point of view of the criteria, Fombrun (1998) gives six reasons that may cause a reputational crisis in an enterprise: financial performance, product quality, employee treatment, community involvement, environmental performance and organisational issues. The community involvement and environmental performance are both exogenous and endogenous reasons. The other reasons are relate to the internal side of the enterprise.

Lees (2003) found that the causes of reputational crises originate from cultural, managerial and three main external sides. The cultural reasons could have both internal and external aspects, while the managerial reason stems from the internal side of the organization. Turner (1976: 381) stated that a disaster or a cultural collapse takes place because of some inaccuracy or inadequacy in the accepted norms and beliefs.

Sher (2006) comments on the reasons for a reputational crisis. It can occur when the corporation handles problems inappropriately in the areas of product and service, or when the corporation's behaviour harms the benefit of the consumer, which finally results in serious damage to the corporation's public image. Mitroff (2005) listed the reasons causing reputational crisis as follows: slander, gossip, sick jokes, rumours, damage to corporate reputation, tampering with corporate logos and false rumours.

Dowling (2002) listed four reasons for reputational crisis. They include the following: the enterprise's lack of perceived social responsibility; the manager's lapse of ethical standards while becoming greedy for huge short-term profits; deregulation of the markets and poor marketing. Marcus and Goodman (1991) identified three reasons as accidents, scandals, and product safety incidents. Table 1 summarizes the reasons causing reputational crises presented by different scholars.

Table 5. Reasons Causing Reputational Crises

Scholars	Internal	External
Perrow (1984); Buchholz et al. (1985); Shrivastava (1987); Marcus and Goodman (1991)	accidents	
Sethi (1977); Marcus and Goodman (1991)	scandals	
Marcus and Goodman (1991)	product safety incidents	
Kent (1993)	financial problems	
Fombrun (1998)	financial performance, product quality, employee treatment, and organisational issues	
	community involvement, environmental performance	
Zyglidopoulos and Phillips (1999)	negative events	
Dowling (2002)	lack of social responsibility; managers lapse of ethical standards; poor marketing	market deregulation
Lees (2003)	managerial	external
	cultural	
Mitroff (2005)	tampering with corporate logos;	slander; gossip, sick jokes, rumours; false rumours
Sher (2006)	Inappropriate handling of problems in the product and service areas; corporation's behaviour harms the benefit of the consumer.	

Source: Drafted by the author.

While the above list shows various reasons from different perspectives and some reasons mentioned by several scholars, some opinions have not found agreement with others. Generally, the causes of reputational crisis could be summarised into internal and external categories. The internal causes include: product safety incident, human or organisational issues, enterprises' lack of social responsibility (SR) or managers' lapse of ethical standards (ES), financial issues, cultural issues, poor marketing, and poor media relations. The external reasons include false information, misleading information in the media and market deregulation.

Chinese society transformation and the propositions

The People's Republic of China was founded in 1949. Mao Zedong took the Soviet style of a centrally planned economy as a positive example to follow (Jefferson and Rawski, 1994). The Marxist-Leninist ideology, a command ideology, led to over-manned state enterprises with low productivity (Warner *et al.*, 2005). In 1978 China was ready for reform, during which the rural economy was de-collectivised, private and semi-private enterprises swelled, and the state sector steadily shrank (Zhang, 2004).

The decentralization of economic control followed the reform with local governments gaining some or all of the decision-making power relinquished by the central government (Jia, 1998). Under the guideline of "focus on economic construction" which was brought up by Deng Xiaoping, the mission of the Chinese enterprise is to shift to making profit, but not to serving the nation any more. The nation, from the constitutional level, announced in 1998 that the private economy is an "important component" of the whole nation's economic system. These reforms altered people's fundamental economic interests (Lu, 2009). In that year, 1998, Chinese institutional reform formally started.

In the late 1970s and the early 1980s, China opened the doors to trade with the outside world (Chow, 2000). The second phase of economic reform occurring in the 1980s was aimed at creating market institutions and converting the economy from an administratively driven command economy to a price-driven market economy (Chow, 2000). This process culminated in 2001 when China became a member of the WTO, which was followed by China's emergence as a leading world economy in the first decade of the 21st century.

Today, a socialist market-economy system has been built up in China, and a profit conscious concept has been rooted in the Chinese mind. Still, China is a country with a one-party political system. Most state-owned enterprises were privatised, restructured, or simply shut down. Meanwhile plenty of joint-venture enterprises and privately-owned companies have been built up rapidly. Over the two decades, China has enjoyed the status of one of the fastest developing countries in the world, with an annual growth rate of 8–10 %, on average (Hampden-Turner & Trompenaars, 2002).

China's "open policy" has been pushing Chinese companies into global competition. Especially since China's entry into the WTO in 2001, Chinese companies have been facing increasingly fierce competition in all fields. Lu (1997) pointed out that development in political and cultural spheres is not increasing at the same speed. Starting in 1998, Chinese institutional reform developed slower than economic reform. A culture of profit began to take root and people began pursuing profit for themselves, very often with socially undesirable consequences (Ip, 2009). Beijing Review (2005) reported that many Chinese companies were found lacking in fulfilling their social responsibilities. Wartzman (2007) stresses the need to instill in China's business owners and managers that the only way to sustain a business is to make sure they develop a sense of social responsibility.

The contemporary Chinese organisations experienced China's societal circumstance transformation. Meanwhile, existing in this transforming circumstance, Chinese organizations are affected by China's economic, institutional, and ideological transformation. Based on the above literature on causes of reputational crisis and the Chinese societal transformation environment, the author proposes two propositions about the causes of reputational crises in Chinese organisations.

Proposition 1: The causes of reputational crises in Chinese organisations are mostly related to product safety incident from the internal side of the enterprise.

Propositions 2: The external causes of reputational crises in Chinese organisations are mostly related to market deregulation.

EMPIRICAL STUDY

In the following part, the research methods used in this empirical study will be described and discussed. Organisational crises are believed to be highly ambiguous situations where causes and effects are unknown (Dutton, 1986; Quarantelli, 1988). Thus, the author conducting this research aims to discover the causes of reputational crises in Chinese organisations and then to define the connections between these causes and Chinese societal transformation. The research questions are (1) – What are the reasons causing reputational crises in Chinese organisations? (2) – Are these reasons from the internal or external side of the organisation? (3) – How did the Chinese contemporary social environment influence these causes?

Methodology

The following methods, exploratory, descriptive, and explanatory (casual study) approaches were chosen to conduct the research. These methods are believed by the author to be necessary to fulfil the research tasks, test the propositions, and lead the correct conclusion. The exploratory approach was used to generalize the proposi-

tions. The descriptive approach was used to serve the research questions, and the explanatory approach was used to achieve the research aims.

The qualitative method (interview) was used in this research since it enables one to gain a greater knowledge and a deeper understanding of the detailed information about the reasons causing reputational crises in Chinese organisations. The interview questions were formulated in English. They were subsequently translated into Chinese Mandarin to conduct the interview since the interviewees were Chinese natives. The interview questions are divided into two parts. The first part deals with the sample company's information and the interviewee's position. The second part focuses on the content of the crisis that happened in the sample company. It includes the type of crisis, the time of occurrence, the reasons causing it, the handling process, stakeholders, and the impact on the enterprise. The interview questions are listed in the Appendix I.

Following the interviews, a content analysis of the results of the interviews was conducted so as to discover the answer to the research questions, i.e. the internal connections between the reasons causing reputational crisis and the Chinese enterprises. The method used to analyse the data was ordinal. The primary data which was gathered via interviews was categorised and ordered. The propositions presented before were tested by the result of the analysis.

The sample

Since the year 2008, 156 interviews have been conducted with middle to top level managers in Chinese companies. The author conducted the interview via telephone or the Internet. The interview lasted from 30 to 90 minutes. For the interviewees who did not understand the meaning of the term "crisis", the author defined it as an event with low probability, serious consequence, and a short response time. The interviewees decided which crisis situations they would describe.

The geographical locations of these companies include Beijing, Guangdong, Jiangsu, Jiangxi, Hebei, Henan, Hubei, Hunan, Inner Mongolia, Shandong, Shanghai, Sichuan, Xinjiang, Zhejiang, and so on, all together 14 provinces and 57 cities. The business areas of the sample companies include agriculture, manufacture, service and entertainment, finance and real estate, education, transportation, medication, technology and telecommunication industries.

All of these companies had experienced a crisis. Through the primary data analysis, it was found that, following an economic crisis, a reputational crisis is the second most frequently occurring crisis among Chinese organisations. The result of the primary analysis of the crisis type is to be found in Appendix II. As the author conducted the interview in the years of 2008 and 2009, during which the global recession started to affect China, the economic crises in Chinese organisations are all related to that. Due to the background of the economic crisis, which is an economic subject rather than a

management topic, the author has decided to choose reputational crisis as a study sample, rather than the economic crisis. A total of 29 companies (18.6%) reported that they had encountered a reputational crisis. The author conducted a deeper analysis based on a full study of all 29 cases of reputational crises.

Interview result – The caused reasons of reputational crises

The reasons causing reputational crises involve both internal and external aspects of an enterprise. Among the internal factors, eleven out of twenty-nine companies (37.9%) reported product safety incidents as having caused a reputational crisis, which is the highest frequency among all the caused reasons. Nine companies (31.0%) encountered crises caused by human and organisational issues, which is the second main reason. Eight companies' (27.6%) reputational crises occurred due to a lack of SR or managers' lapse of ES in the enterprises, which is the reason with the third highest frequency. Six companies (20.7%) had financial issues which led to a reputational crisis. Three companies (10.3%) experienced crises caused by cultural issues or poor marketing. Two companies (6.9%) suffered crises because of their poor relation with the media.

Among the external factors, five cases were due to market deregulation, three cases were caused by false information or misleading information in the media. Table 2 lists the reasons causing the crises, the percentage of the total number of reputational crises, and the frequency ranking for each reason. Crises in seventeen companies were caused by dual or multiple reasons, while crises in twelve companies were caused by single reasons.

Table 6. The Causes of Reputational Crises in Chinese Organizations

		Sample	%	Rank
	Product safety incident	11	37.9	1
	Human or organizational issue	9	31.0	2
	Lack of SR or lapse of ES	8	27.6	3
Internal reasons	Financial issues	6	20.7	4
	Cultural issues	3	10.3	5
	Poor marketing	3	10.3	5
	Poor media relation	2	6.9	7
External reasons	False information or misleading information in the media	3	10.3	2
	Market deregulation	5	17.2	1
Single reason		12	41.4	
Dual and multiple reasons		17	58.6	

Analysis and findings

Based on the results of the interviews, the causes of reputational crises in Chinese organizations were found. Most organisations' reputational crises were caused by dual and multiple internal reasons.

The first internal reason – product safety incident was most often accompanied by the third reason – the enterprise's lack of social responsibility or the manager's lapse in ethical standards (5 companies).

This phenomenon manifests that both the enterprise manager and local government were to blame. Indeed, the radical reasons for such product safety incidents are the lapse of managers' ethical standards and the lack of local government inspection. The enterprises' lack of social responsibility reflects the managers' lapse in ethical standards. Due to the lapse in ethical standards, managers ignore the moral principles, ignore the enterprise social responsibility, and ignore the importance of product safety, and instead, only focus on "making huge short-term profits" (Dowling, 2002).

Most of the product safety incidents spread throughout the country. This also demonstrates that the performance of local governments in fulfilling their duty was insufficient. With regards to local government, one important duty is to direct enterprise development legally via regulation, inspection, examination, and so on. If the local governments perform their responsibilities appropriately, all the product safety incidents could be detected in time. Thus, the serious incidents, such as 48 infants death (case 30), the top managers felony sentence (case 31), and the enterprise bankruptcy (case 30 and 31), could have been avoided, or at least, the impact could have been reduced to the minimum.

This phenomenon has deep causes. The radical changes in the Chinese economy and society result in the old traditional ethical and value system clasp. However, the new ethical and value rules still need time to be built up. Driven by the mission of making profit, some enterprises became confused and even abandoned moral judgment, only focusing on financial profit. Therefore, due to the lapse in ethical standards by the manager, the enterprise incurred a reputational crisis. These product safe incidents indicate that the demand for new ethical and value systems be reinforced.

The second internal reason – human or organisational issues combined with financial problems (5 companies), and cultural issues (3 companies).

During the reform of the Chinese economic system, plenty of enterprises changed ownership and salary systems (Wang, 2006; Alas and Sun, 2007; Sun and Alas, 2007; Sun, 2009). These changes enabled enterprises to face market competition directly, and employees' efficiency at work was directly related to their salary. How-

ever, employees who were used to the old salary system and managerial concept could not accept and adapt to the changes immediately. On the one hand, employees' concept of work is still to serve the nation – in most people's minds this was a kind of honour before and during the first several years of the Chinese economic reform. Thus, their salary should be decided by the nation not the enterprise managers. Once they realised they were not serving the nation any more, and even their salary would be decided by the managers of the enterprise they worked for, they felt they had lost their personal value. Naturally, they refused the new salary policy. On the other hand, connecting salary with efficiency at work required employees to perform work skilfully and behave according to a strict working discipline. For those people, who were used to getting a salary with or without little work performance, it was quite difficult to adapt to the new salary policy initially.

From an ideological view, these are due to the acute conflicts between the old and new styles of ethical and value thinking. During this transformational time, enterprise managers and employees' ethical standards are all experiencing a transformation as well as in social ethical standards. The old ethical thinking, of serving the nation and earning a standard salary, conflicted with the new thinking of making profit and earning a competitive salary.

From a cultural aspect, most state owned enterprises changed ownership to multi-ownership, and especially to private ownership, which has caused another type of conflict. Before the ownership changed, a state owned enterprise was a symbol of the nation. State ownership is an honour in Chinese culture, and sharing profit is derived from the former. However, the private business and private ownership were despised in Chinese business culture. Hence, the change from older ownership to multi-ownership and private ownership resulted in a conflict from a cultural aspect – the old ethical and value concepts clash with the newly created ones, which are the reasons causing cultural issues. The drastic clashes have resulted in reputational crises in enterprises.

CONCLUSION AND IMPLICATION

Conclusion

Through the analysis in the previous part, the reasons causing a reputational crisis in Chinese organisations are outlined. The propositions proposed in the previous part are re-evaluated now.

Proposition 1 states that the causes of a reputational crisis in a Chinese organisation are mostly related to product safety incidents from the internal side of the enterprise. This propostion was supported. The product safety incidents were the reasons with the highest percentage of all the causes of reputational crises in Chinese organisations.

Proposition 2 state the external causes of reputational crisis in Chinese enterprises are mostly related to market deregulation. This proposition was supported. Market deregulation was found as the main external reason for reputational crises in Chinese organisations.

To sum up the above two propositions, the highest product safety incident rate and market deregulation, as well as the other causes of reputational crises in Chinese organisations, have special deep-seated connections with contemporary Chinese societal transformation. The internal causes of reputational crises in Chinese organisations are following two paths.

Firstly, the transformation of Chinese society finally changed or is changing people's values and ethical standards. During the transforming process, the drastic clashes between old and new values and ethical standards created one path of Chinese organisation reputational crisis, which is considered, too, as a connection between the internal reasons for reputational crises in Chinese organisations and the transformational environment in China.

Secondly, although reform of the Chinese economic system was completed, the value and ethical standard transformation was not achieved. The old value and ethical systems have broken down; however, the new value and ethical standards have not been consolidated. During the time of ethical transformational, the demand for and the absence of values and ethical standards conflict fiercely, which is another main cause of reputational crises in Chinese organisations. The author considers it as another connection between the internal reasons for reputational crises in Chinese organisations and the transformational environment in China. Figure 1 shows these connections.

Figure 5. The Internal Causes of Reputational Crisis in Connection with China's Societal Transformation
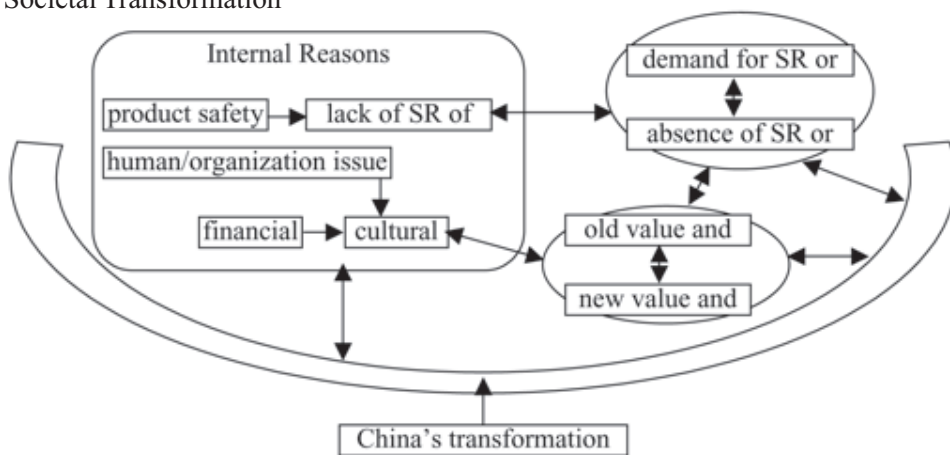
SR – social responsibility; ES – ethics standards
Source: Drafted by the author.

Besides, the internal reasons causing reputational crises in Chinese enterprises show diversity and complexity. This is because during the economic and political reform, Chinese society is a diversified and complex environment.

The external cause, market deregulation, also has its connections with Chinese societal transformation, especially, the institutional transformation. The Chinese economic reform, the policy of opening to the outside, and membership of WTO brought Chinese enterprises to a wholly new competitive market. The new market needs new policies and regulations to direct and control its development orientation. However, the Chinese institutional reform, which started in 1998, develops more slowly than the market's demand for policies and regulation. On the one hand, the old policies and regulations are out of date and can not adopt nor apply to the new market situation. On the other hand, new policies and regulations have not been created or completed. Thus, there is a big gap between the policy and regulation demand of the rapidly developing market and the existing policies and regulations based on the slowly processed institutional reform. This gap made the market deregulation become the main external cause of reputational crises in Chinese organisations.

Implications

The following implications should be considered by enterprise managers, especially managers in Chinese enterprises, when making decisions about the enterprise's development strategy and business direction.

Firstly, with regards to the enterprise manager, especially a top manager, it is important to have a clear ethical and value standard when making decisions on company strategies, development directions and goals.

Reputational crises were frequently caused by product safety incidents, accompanied by a lack of social responsibility in the enterprise or a lapse in lapse of ethical standards by the manager. This fact is an alarming indication of the absence of an ethical standard in managers. Enterprise managers should improve their ethical conscience and strengthen their value thinking so as to have a clear ethical and value standard.

Secondly, with regards to the enterprise, it is important to perform its social responsibility as well as achieve its economic goal.

The economic goal of an enterprise is to obtain profit, which is a demand of stakeholders from the internal side of the enterprise. However, the social responsibility performance is demanded by stakeholders from the external side of the enterprise. The social responsibility performance will directly affect external stakeholders' evaluation of an enterprise, and thus affect its reputation. So, enterprise social responsibility performance is important to enterprise reputation.

Thirdly, with regards to the government, especially local government, it is necessary to provide sufficient and timely direction and supervision for enterprises.

Each level of government should have a defined goal and responsibility towards the enterprises in the corresponding area of administration. From the point of view of policy and regulation, the government should create and clarify the new product quality standard and safety norms, so as to provide the enterprise with a clearly defined guideline to follow in the daily running of its operations. From the point of view of practice and administration, governments should inspect and examine an enterprise's product quality at regular and irregular intervals to ensure that it is firmly and strictly in accordance with regulations. Thus , a method to help and amend enterprises can develop in a healthy way.

To sum up, the management of reputation is generally recognised as the core responsibility of public relations (Kay 1993). However, the reputational crises in Chinese enterprises implied that public relations alone are not enough to fulfil the requirements necessary to maintain the reputation of an enterprise To do so, it needs enterprise managers with a strategic view to improve ethical and value standards, to strengthen enterprise social responsibility performance, and to build public relations. All of this will provide an enterprise with a harmonious external environment to defend it from a reputational crisis attack. From the external side of the enterprise, the government at each level needs to strengthen the direction and supervision of enterprises so at to lead them in a way that harmonises with the economic development.

Limitation and further study

This research paper focuses on the causes of reputational crises in Chinese organisations, and discovers the connections between these causes and Chinese society from a sociological perspective. There are many other domains which connect to the causes of reputational crises in Chinese organisations which should be studied in the future. So, to expand the study to a wider perspective, such as cultural and historical views, will provide more angles of observation and more complete conclusions. Furthermore, due to limited data resource, the samples of reputational crises number in total 29. In the future, conducting more empirical research is a way to examine and prove the conclusion.

Endnotes:
1. According to Kay (1993), the other two are "corporate architecture" and "innovation".

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APPENDEX

Appendix 1. Crisis Types in Chinese Enterprise

Economic	Informational	Physical	HR	Reputational	Psychopathic Acts	Natural Disasters
80	21	23	25	29	8	17
51.3%	13.5%	14.7%	16.0%	18.6%	5.1%	10.9%

Source: Drafted by the author.

Source: Drafted by the author.

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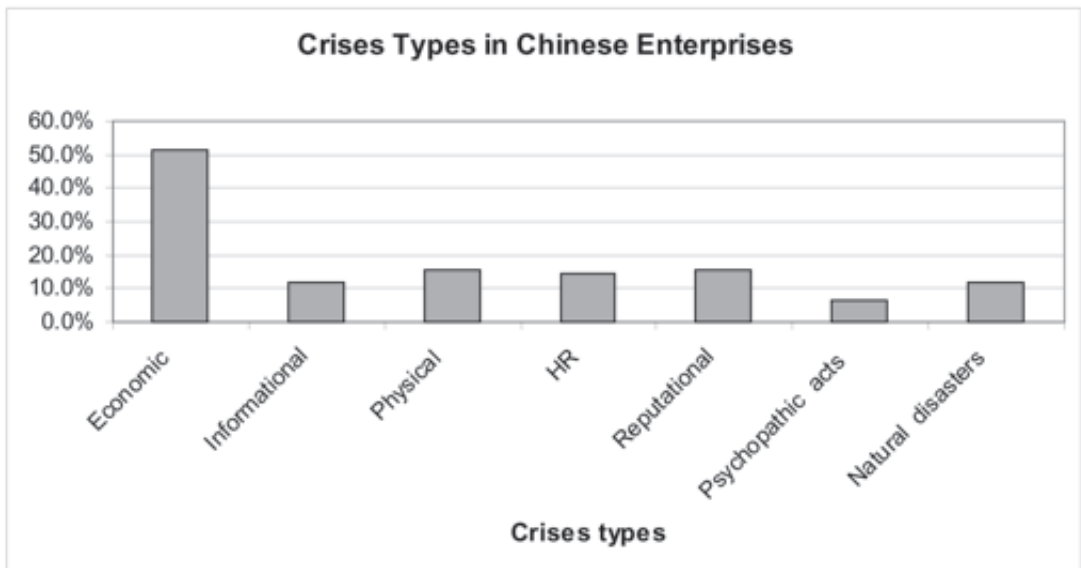
5. ASSOCIATIONS BETWEEN ETHICS AND CULTURAL DIMENSIONS[5]

Ruth Alas, Junhong Gao, & Jorge Carneiro

Alas, R., **Gao, J**., and Carneiro, J. 2010. "Connections between ethics and cultural dimensions", in *Engineering Economics*, 1 - 30.

Abstract

Ethical issues typically arise because of conflicts between individuals' personal moral philosophies and values and the values and attitudes of the organizations in which they work and the society in which they live. The research question is: Are there connections between national culture and ethics? This paper adopts a deontological approach by testing the absoluteness of "right" and "wrong" and the importance of the No-harm principle (*cf*. Pojman, 2002). Three countries were selected to conduct the investigation – Brazil, China, and Estonia. These three countries are from three different cultural clusters. A scale was developed to measure Ethical Relativism and No-harm principle. The association of national cultural was greater with Ethical Relativism, where six cultural practices and two cultural values seem to be related to how people think about what is right and wrong. Concerning the No-Harm Principle one should not psychologically or physically harm another person, nor perform an action which might threaten the dignity and welfare of another individual, only In-Group Collectivism as a value seemed to be (negatively) associated with the No-Harm principle. As a managerial suggestion, organizations ought to pay attention to the following cultural dimensions when doing business in different cultures could be useful: In-Group Collectivism, Institutional Collectivism, Humane Orientation, Performance Orientation, Future Orientation and Gender Egalitarianism.

Introduction

As global economies intertwine and more organizations interact with their global partners and competitors through joint ventures, partnership and competition for customers, it becomes increasingly important to understand different cultural values, traditions and beliefs that are guiding the behaviours of individuals. Ethical issues typically arise because of conflicts between individuals' personal moral philosophies and values and the values of the organizations in which they work and the society in which they live (Ferrell and Fraedrich, 1997). In order to handle these conflicts successfully, people, and especially top managers, have to build up appropriate organizational ethical concepts and standards and apply them appropriately, as well as to be able to predict the outcomes.

The research question in this paper is how ethics is related with national culture. This explores our understanding of ethics, and help us successfully handle ethical conflicts, and avoid or at least resolve crises. In this paper, the term "ethics" has a relatively broad meaning – it does not only refer to business ethics, but also to social ethics.

The paper starts with an overview of the theory, including definitions of ethics, illustrations of the three main theoretical ethical systems, the scope and domains of ethical conflicts, and an analysis of the factors influencing ethics. This is followed by an analysis of an empirical study conducted in Brazil, China and Estonia.

Theoretical Background

Ethics scholars hold various positions and have defined and classified ethics under various categories.

Definition of Ethics

According to Spence and Van Heekeren (2005), ethics can simply be defined as a set of prescriptive rules, principles, values and virtues of character that inform and guide interpersonal and intrapersonal conduct: that is, the conduct of people toward each other and the conduct of people toward themselves.

Ferrell and Fraedrich (1997) pointed out that ethical issues are problems, situations or opportunities that require a person or organization to choose among several actions that must be evaluated as right or wrong.

Gini (2004) considers that ethics is about the assessment and evaluation of values, because all of life is value-laden.

Three Dominant Theories in the Ethics Literature

Looking back through the history of the development of ethical theories, there are many different systems with various viewpoints. In this paper, the authors highlight three dominant theories that have been discussed most by ethics scholars.

Traditionally, there are two major types of theoretical ethical systems: Deontological ethics and Teleological (Utilitarianism) ethics. Table 1 compares these theories, their focus and representatives.

Table 1. Three ethical theories

Theory	Deontology	Teleology (Utilitarianism)
Focus	Duties, obligations, and principles; Doing what is "right"; No-harm Principle	Primarily focuses on consequences in determining moral rightness and wrongness; Doing what will maximize societal welfare; Beneficence Principle
Representative(s)	Kant I. (1724-1804)	Bentham, J. (1748-1832) & Mill J. S. (1806-1873)

Source: Bentham, J., 1982;   Petrick, J.A. and Quinn, J.F., 1997; Dworkin, R., 1977; Michalos, A.C., 1995; Pojman, L. P., 2002.

Theories that emphasize the nature of the act are called deontological (from the Greek word for "duty"). These theories hold that something is inherently right or good about such acts as truth telling and promise keeping and inherently wrong or bad about such acts as lying and promise breaking (Pojman, 2002).

Focusing on duties, obligations and principles, deontologists base their decisions about what is right on broad abstract universal principles such as honesty, promise keeping, fairness, rights (to safety, privacy, etc.), justice and respect for people and property (Trevino and Katherine, 1999). This system is expressed as the No-Harm Principle (Michalos, 1995): one ought to act so that one's actions tend not to harm anyone else. The basic moral objective of this approach is to carry out one's duty irrespective of the consequence, or end, of any action (McEwan, 2001).

Teleological ethics focus primarily on consequences in determining moral rightness and wrongness (Pojman, 2002). Utilitarianism is considered as the dominant version of teleological ethics (Trevino & Katherine, 1999; Pojman, 2002). Michalos (1995) states that this system follows the Beneficence Principle: one ought to act so that one's actions tend to impartially improve the quality of life. Utilitarianism leads one to do what is most likely to have the best consequences – to do that which will produce the greatest happiness for the greatest number of people (Pojman, 2002).

As Trevino and Katherine (1999) point out, a deontologist focuses on doing what is "right" (based on moral principles such as honesty), whereas a utilitarian focuses on the consequences and what would expectedly maximise societal welfare.

Pojman (2002) considers virtue-based ethical systems, sometimes called aretaic ethics, as the third theoretical ethical system. According to virtue-based ethics it is important not only to do the right thing, but also to have the requisite dispositions, motivations and emotions in being good and doing right. Obviously, the virtue ethics approach focuses more on the integrity of the moral actor than on the moral act itself (Trevino & Katherine, 1999). Fisher and Lovell (2003) argue that virtue ethics is not a system of rules, but rather a set of personal characteristics that, if practiced, will ensure that the individual is likely to make the 'right' choice in any ethically complex situation.

Ethical relativism could be used to make distinction between these two ethical theories. Highly relativistic individuals prefer to believe that moral actions depend on the nature of the situation and universal moral principles could be rejected (Forsyth, 1992).

Ethics Domains and Scope

Ferrell and Fraedrich (1997) argue that most ethical issues can be classified into four categories: conflicts of interest, fairness and honesty, communications and organizational relationships. A conflict of interest exists when an individual must choose

whether to advance his or her own interests, those of the organization or those of some other group. Honesty refers to truthfulness, integrity and trustworthiness; fairness is the quality of being just, equitable and impartial. Communication, which refers to the transmission of information and the sharing of meaning, can be ethically impaired by lying because it destroys trust. Organizational relationships refer to ethical aspects of the behaviour of organizational members toward customers, suppliers, subordinates, superiors, peers and others (Ferrell and Fraedrich, 1997).

According to Pojman (2002), most ethical analysis falls into one or a number of the following domains: action, consequences, character and motive. These domains can be better understood from the possible sates they can assume. Action could be described in the following evaluative terms: right, wrong, obligatory and optional. Consequences are either good or bad or indifferent. Character could be virtuous, vicious or neutral. The terms used to describe motives are good will, evil will and neutral.

Factors Influencing Ethical Conduct

Prevoius studies indicate, that the institutional context has impact on organisational culture (Übius and Alas 2009), on corporate social responsibility (Tafel-Viia and Alas, 2009; Übius and Alas, 2009) and on employee attitudes toward changes (Alas et al 2009). All these concepts are connected with values and ethics. Institutions are 'social structures' which contain cultural elements and provide 'meaning to social life' (Scott 1995). McHoskey (1996) highlights need to consider cultural differences as context for ethical considerations. Ethical conduct is influenced by both situational pushes and pulls and the characteristics of the individual that we will call individual differences (Trevino and Katherine, 1999).

When people behave ethically, they must, among other things, decide what course of action is morally right, and they must choose the morally right path over others (Rest, 1986).

Another individual characteristic that has been found to influence ethical conduct is locus of control (Rotter, 1966). Locus of control refers to an individual's perception of how much control he or she exerts over events in life. It is not something a person is born with. It is developed over time through interaction with other people and the social environment (Trevino & Katherine, 1999).

Why Ethics is Necessary

In terms of the purpose of ethics, Pojman (2002) lists five statements to illustrate why ethics are necessary: (1) keep society from falling apart, (2) ameliorate human suffering, (3) promote human flourishing, (4) resolve conflicts of interest in just and orderly ways, and, (5) assign praise and blame, reward and punishment, and guilt.

National Culture

Social scientists use the term culture to mark a set of parameters for collectives that differentiate each social group in a meaningful way. In the GLOBE study, culture is defined as shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences among members of collectives that are transmitted across generations (House & Javidan, 2004).

As one of the most comprehensive studies of national cultures, the GLOBE study provides worldwide, multiphase, multi-method cross-cultural research data. It involves 170 social scientists and management scholars from 62 cultures that represent all major regions of the world.

According to House and Javidan (2004), there are two distinct kinds of cultural manifestations – values and practices – and nine core cultural dimensions in the GLOBE project:

- *Uncertainty Avoidance* is the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals and bureaucratic practices. People in high uncertainty avoidance cultures actively seek to decrease the probability of unpredictable future events that could adversely affect the operation of an organization or society and remedy the success of such adverse effects.

- *Power Distance* is the degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.

- *Institutional Collectivism* is the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

- *In-Group Collectivism* is the degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.

- *Gender Egalitarianism* is the degree to which an organization or society minimizes gender role differences while promoting gender equality.

- *Assertiveness* is the degree to which individuals in organizations or societies are assertive, confrontational and aggressive in social relationships.

- *Future Orientation* is the degree to which individuals in organizations or societies engage in future-oriented behaviours such as planning, investing in the future and delaying individual or collective gratification.

- *Performance Orientation* is the degree to which an organization or society encourages and rewards group members for performance improvement and excellence.

- *Humane Orientation* is the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, generous, caring and kind to others (ibid).

Studying and discovering the relationship between ethics and national culture may help people to apply appropriate ethical standards and adopt corresponding ethical understanding when dealing with ethical issues and handling ethical crises.

This brings the authors to the following research question: Is there some association between national culture and ethics. As culture is connected with norms people collectively follow, the deontological theories of ethics are most suitable for studying this research question. Therefore paper adopt a deontological approach by testing the absoluteness of "right" and "wrong" and the importance of the No-harm principle.

Empirical Study

The aim of this empirical study was to identify how ethics is connected with differences in national culture. The research question is: Does there seem to be some association between national culture and ethics? Three countries were selected to conduct the investigation – Brazil, China and Estonia. These three countries are from 3 different continents: America, Asia, and Europe.

The Sample

In 2008–2009, 356 questionnaires were answered in Brazil, China and Estonia. Among the entire sample 59 of the respondents were Brazilian, 236 were Chinese and 61 were Estonian. According to gender, 39.89% were male and 59.27% were female.

The respondents had a variety of work experience from a range of sectors. Of 356 respondents, 136 had 5 years work experience or more, 58 respondents had had between 1 and 5 years (inclusively), 17 respondents had less than 1 year, and 95 respondents had not worked yet. According to sectors, 55 respondents were from the public sector, 104 from the private sector, 47 had worked in both sectors, and the 95 that had not worked yet could not indicate any sector.

It is worth noting that there are some missing percentages or numbers in some of the information sections. That is due to some respondents not providing certain information.

The Method

The method used to measure ethics was questionnaire developed by Schlenker and Forsyth (1977) and Forsyth (1980). The first part was designed to assess the respondent's background information, such as gender, age, education level, and work

experience. The second part of the questionnaire consisted of the Ethics Position Questionnaire. The questionnaire was translated into Chinese and Estonian languages to conduct the research in these countries. Retranslation was done back into English to make sure that the translation was accurate. In Brazil an English questionnaire was passed out.

Each respondent answered the questionnaire independently and anonymously. The questionnaire contained 20 ethical statements. Each statement was followed by a 5-point-scale Likert-scale: 1 - strongly disagree, 2 - disagree, 3 - neutral, 4 - agree and 5 - strongly agree.

The EPQ consists of 20 items. Originally first 10 measure idealism and the last 10 measure relativism. In current study principal components analysis with VARIMAX rotation led to the identification of two dimensions, which were called Ethical Relativism (ER; Cronbach's alpha = .749) and No-Harm Principle (NH; Cronbach's alpha = .705). The first scale was formed from 5 questions, which in original questionnaire belonged also to ethical relativism scale and the second scale from 4 questions belonging to scale called ethical idealism. On current study the second scale is called No-Harm Principle, because authors find that this label illustrates the content of remained 4 items better.

Table 2. Rotated Component Matrix

	Factor 1	Factor 2
Does ethical vary from one situation and society to another	.756	
What one person considers to be moral may be judged to be immoral by another person	.738	
Different types of morality cannot be treated in terms of "right" or "wrong" because what is moral depends on the situation	.707	
Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual	.616	
Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action	.568	
One should never psychologically or physically harm another person		.804
One should not perform an action that might threaten the dignity and welfare of another individual		.763
People should make certain that their actions never intentionally harm another person		.669
If an action could harm an innocent other, then it should not be performed		.659

Note: 1. Extraction Method: Principal Component Analysis. 2. Rotation Method: Varimax with Kaiser Normalization. 3. A Rotation converged in 3 iterations.

The first scale, *Ethical Relativism,* suggests that ethical variety exists in different situations and societies. What one person considers to be moral may be judged to be immoral by another person, and different types of morality cannot be treated in terms of "right" or "wrong" because what is moral depends on situation.

The second scale, *No-Harm Principle*, suggests that one should never psychologically or physically harm another person, and one should not perform an action that might threaten the dignity and welfare of another individual.

Results

The analysis begins with the comparison of the three countries followed by comparisons according to gender and age. In order to find statistically significant differences an ANOVA test was used. The results are listed in Table 3.

Table 3. The results of both scales based on country difference

Country		Ethical Relativism	No-Harm Principle
Brazil N=59	Mean	4.112	3.522
	Std. Deviation	.796	.817
China N=236	Mean	4.113	3.613
	Std. Deviation	.615	.555
Estonia N=61	Mean	4.371	3.800
	Std. Deviation	.592	.800
Total	Mean	4.157	3.630
	Std. Deviation	.649	.655
	Sig.	.019	.052

Note: 1. Bold fonts indicate statistically significant differences (p< .050). 2. Analysis was conducted via an ANOVA test.

For Ethical Relativism, a statistically significant difference between at least two *countries* was found ($F_{(2; 349)} = 3.997$, p = .019). Ethics was most relative for Estonian respondents (n = 61, mean = 4.371, then for Chinese respondents (n = 236, m = 4.113), and the least for Brazilian respondents (n = 59, mean = 4.112).

Statistically significant differences were not found in the No-Harm Principle scale ($F_{(2; 353)} = 2.974$, p = .052). Estonian respondents (m = 3.800) were least likely to harm others, next came the Chinese respondents (m = 3.613), while the respondents from Brazil (m = 3.522) support the No-Harm Principle the least.

Both scales show the highest scores in Estonia, then in China and the lowest scores were in Brazil.

Connections between Ethics Scales according to Cultural Dimensions

In order to measure and analyse the respondents' answers, cultural practices and values data were used. The data about the country-level cultural dimensions in Appendix 1 are taken from the GLOBE study (House et al., 2004; Alas, 2006).

The Pearson Correlation analysis results in Appendix II indicate that a statistically significant correlation existed for scale 1, Ethical Relativism, ($p < .05$, 2-tailed) in 6 core cultural dimensions of the Practices manifestation. Ethical Relativism was negatively related to In-Group Collectivism, Institutional Collectivism, Humane Orientation, and Performance Orientation. Ethical Relativism was positively correlated with Future Orientation and Gender Egalitarianism ($r = .116$). In the Values manifestation, statistically significant negative connections existed in 2 dimensions: In-Group Collectivism and Uncertainty Avoidance. Regarding the No-Harm Principle, there was one dimension with a statistically significant correlation in the cultural values – In-Group Collectivism was negatively correlated. Figure 1 illustrates the cultural practices and Figure 2 cultural values in three countries.

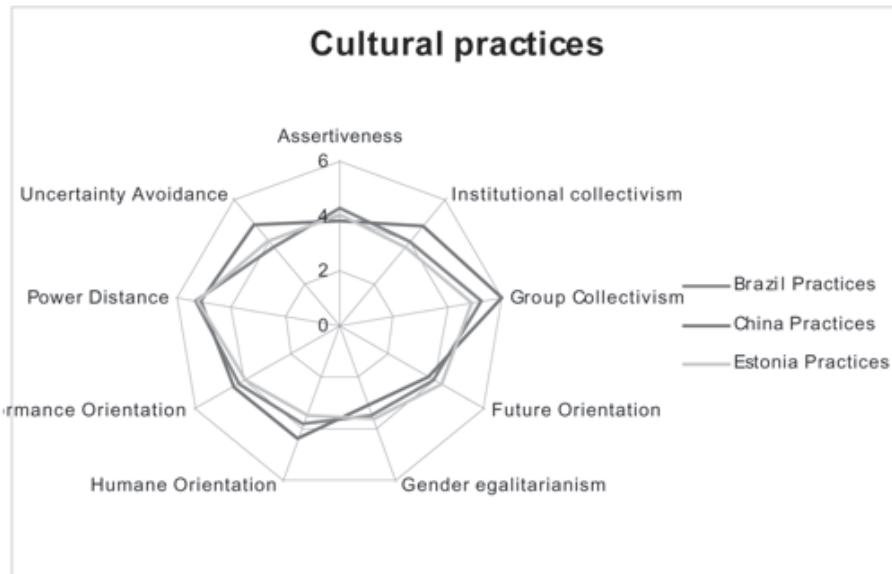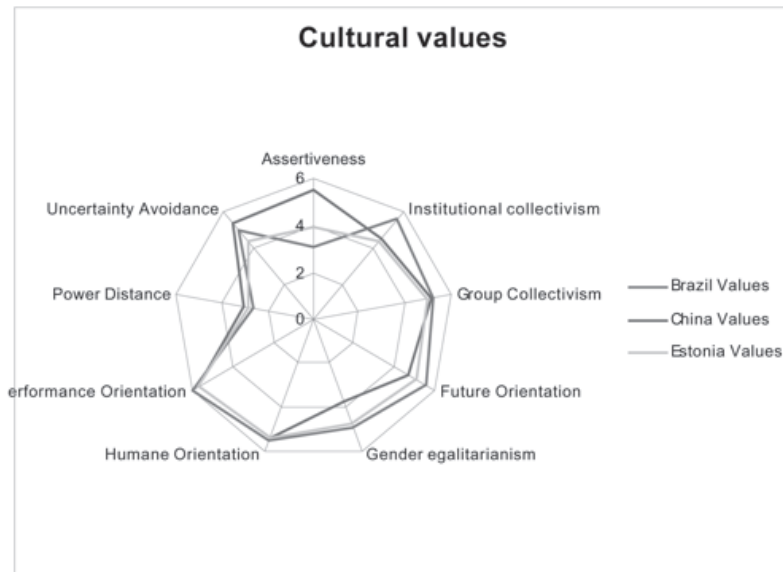**Figure 1**. Cultural practices in three countries

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Figure 2. Cultural values in three countries

When comparing the four dimensions of practices, Institutional Collectivism, In-Group Collectivism, Humane Orientation and Performance Orientation, which were negatively related to Ethical Relativism, China (4.67, 5.86, 4.29, 4.37) has the highest score in each dimension, Brazil (3.94, 5.16, 3.76, 4.11) the next highest and Estonia (3.71, 4.79, 3.39, 3.87) the lowest score. However, for the two dimensions, Future Orientation and Gender Egalitarianism, which were positively related to Ethical Relativism, Estonia (4.20, 3.60) has the highest score in each dimension, Brazil (3.90, 3.44) the next highest and China (3.68, 3.03) the lowest score.

In one of the two values dimensions, In-Group Collectivism, which was negatively related to Ethical Relativism, and was also the only dimension related to the No-Harm Principle (negatively related), Brazil (5.17) has the highest score in comparison with the other two countries – China (5.12) has the next highest and Estonia (4.95) the lowest. In one other values dimension, Uncertainty Avoidance, China (5.34) has the highest score, Brazil (5.00) the next highest and Estonia (4.31) the lowest.

Conclusions

The globalization of the economies of the world requires increased interaction between individuals from various cultures. The results of the current study indicate differences in ethics between countries. The comparison of countries indicates that Chinese and Brazilian respondents tend to consider ethics to be less relative compared to Estonians. Estonians also find the No-Harm Principle more important than the people from other two countries.

According to current study the impact of national cultural was greater on Ethical Relativism, where six cultural practices and two cultural values seem to influence how people think about what is right and wrong. Concerning the No-Harm Principle, one should not psychologically or physically harm another person, nor perform an action which might threaten the dignity and welfare of another individual, only In-Group Collectivism as a value had any impact: societies where In-Group Collectivism was higher followed this principle less. On Figure 3 the connections between Ethical Relativism and cultural dimensions are shown.

Figure 3. Connection between Ethical Relativism and Cultural Dimensions
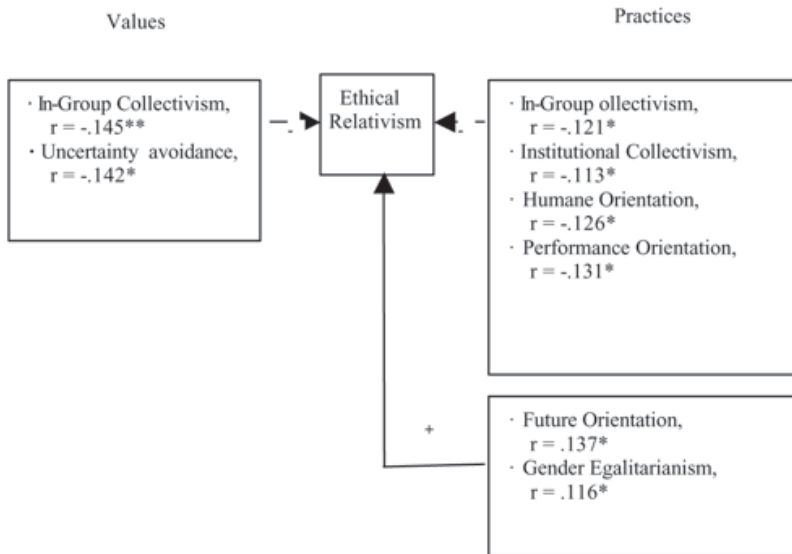
Note: 1. * Correlation is significant at the 0.05 level (2-tailed). 2. ** Correlation is significant at the 0.01 level (2-tailed). 3. The analysis was conducted via the Pearson Correlation test, N=352.

The model illustrates that on the societal level, actual cultural practices have more impact on ethics than cultural values. Ethical Relativism was related to national cultures, and especially to cultural practices. In societies with higher In-Group Collectivism, Institutional Collectivism, Humane Orientation and Performance Orientation in cultural practices, ethics is less relative. At the same time, members of societies with higher Future Orientation and Gender Egalitarianism in cultural practices put more emphasis on situational factors when deciding what is right and what is wrong.

When looking at cultural values, only In-Group Collectivism and Uncertainty Avoidance had any impact on ethics. In societies with higher In-Group Collectivism and Uncertainty Avoidance, Ethical Relativism was found to be less related to cultural values.

The opposite of Ethical Relativism or ethics that depend on circumstances, is absolute ethics. This means that what is right and wrong is clearly stated, and "wrong" behaviour is punished despite situational factors that might make the punishment lighter.

Some connections could be drawn to previous studies. High In-Group Collectivism and Institutional Collectivism, which showed less Ethical Relativism in current study, indicated higher importance of ethics in study conducted in 12 countries (Alas, 2006). Therefore it could be assumed, that people who score lower in Ethical Relativism find ethics more important than those who score higher in Ethical Relativism. But there are also some contrasting results: Humane Orientation and Performance Orientation showed also less Ethical Relativism, but indicated lower importance of ethics in 12 countries study (Alas, 2006). At the same time deeper analysis in 12 countries study showed that the group with higher desire for ethics showed positive connection between this desire for ethics and two cultural dimensions: Humane Orientation and Performance Orientation (Alas, 2006).

Although current study does not clarify the contradictory results from previous studies, our findings could be the bases for developing propositions of future studies in different institutional environments. To conduct this research in other countries might help to test additionally the connections between Ethics and Cultural dimensions. Moreover, testing the model with larger populations in the same countries could help to obtain more information about the relationship between ethics and cultural dimensions in groups with different demographic characteristics. Bigger samples from more countries could enable to consider more contextual factors.

To conclude, some connections between national culture and ethics were found. Paying attention to the following cultural dimensions when doing business in different cultures could be useful: In-Group Collectivism, Institutional Collectivism, Humane Orientation, Performance Orientation, Future Orientation and Gender Egalitarianism.

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Summary

As global economies intertwine and more organizations interact with their global partners and competitors, it becomes increasingly important to understand different cultural values, traditions and beliefs that are guiding the behaviours of individuals. Ethical issues typically arise because of conflicts between individuals' personal moral philosophies and values and the values of the organizations in which they work and the society in which they live (Ferrell & Fraedrich, 1997). In order to handle these conflicts successfully, people, and especially top managers, have to build up appropriate organizational ethical concepts and standards and apply them appropriately, as well as to be able to predict the outcomes.

The aims of this paper are, first to increase people's understanding of ethics, second, to help people successfully handle ethical conflicts and to avoid or at least resolve ethic related crises. The research question is: Does there seem to be some association between national culture and ethics? This paper adopts a deontological approach by testing the absoluteness of "right" and "wrong" and the importance of the No-harm principle (*cf.* Pojman, 2002). From 2008-2009, three countries were selected to conduct the investigation – Brazil, China and Estonia, and 356 question-

naires were answered. These three countries are from three different cultural clusters. A scale was developed to measure Ethical Relativism and No-harm principle. In this paper, the term "ethics" refer to not only business ethics, but also social ethics. The paper starts with an overview of the theory, including definitions of ethics, illustrations of the three main theoretical ethical systems, the scope and domains of ethical conflicts, and an analysis of the factors influencing ethics. This is followed by an analysis of an empirical study conducted in Brazil, China and Estonia. Comparison analysis, ANOVA test, and Pearson Correlation analysis were used in the data processing.

The questionnaire was translated into Chinese and Estonian languages to conduct the research in these countries. Retranslation was done back into English to make sure that the translation was accurate. In Brazil an English questionnaire was passed out. Each respondent answered the questionnaire independently and anonymously. The questionnaire contained 20 ethical statements. Each statement was followed by a 5-point-scale.

Principal components analysis with VARIMAX rotation led to the identification of two dimensions, which were called Ethical Relativism and No-Harm Principle. The first scale was formed from 5 questions, which in original questionnaire belonged also to ethical relativism scale and the second scale from 4 questions belonging to scale called ethical idealism. On current study the second scale is called No-Harm Principle.

The first scale, *Ethical Relativism,* suggests that ethical variety exists in different situations and societies. What one person considers to be moral may be judged to be immoral by another person, and different types of morality cannot be treated in terms of "right" or "wrong" because what is moral depends on the situation.

The second scale, No-Harm Principle, suggests that one should never psychologically or physically harm another person, and one should not perform an action that might threaten the dignity and welfare of another individual.

The analysis results show that ethics was most relative for Estonian respondents, then for Chinese respondents, and the least for Brazilian respondents. Statistically significant differences were not found in the No-Harm Principle scale. Estonian respondents were least likely to harm others, next came the Chinese respondents, while the respondents from Brazil support the No-Harm Principle the least. Both scales show the highest scores in Estonia, then in China and the lowest scores were in Brazil.

In order to measure and analyse the respondents' answers, cultural practices and values data were used. The data about the country-level cultural dimensions are taken from the GLOBE study (House et al., 2004; Alas, 2006).

The Pearson Correlation analysis results indicate that a statistically significant correlation existed in Ethical Relativism, in 6 core cultural dimensions of the Practices

manifestation. Ethical Relativism was negatively related to In-Group Collectivism, Institutional Collectivism, Humane Orientation, and Performance Orientation. Ethical Relativism was positively correlated with Future Orientation and Gender Egalitarianism. In the Values manifestation, statistically significant negative connections existed in 2 dimensions: In-Group Collectivism and Uncertainty Avoidance. Regarding the No-Harm Principle, there was one dimension with a statistically significant correlation in the cultural values – In-Group Collectivism was negatively correlated. When comparing the four dimensions of practices, Institutional Collectivism, In-Group Collectivism, Humane Orientation and Performance Orientation, which were negatively related to Ethical Relativism, China (4.67, 5.86, 4.29, 4.37) has the highest score in each dimension, Brazil (3.94, 5.16, 3.76, 4.11) the next highest and Estonia (3.71, 4.79, 3.39, 3.87) the lowest score. However, for the two dimensions, Future Orientation and Gender Egalitarianism, which were positively related to Ethical Relativism, Estonia (4.20, 3.60) has the highest score in each dimension, Brazil (3.90, 3.44) the next highest and China (3.68, 3.03) the lowest score.

In one of the two values dimensions, In-Group Collectivism, which was negatively related to Ethical Relativism,and was also the only dimension related to the No-Harm Principle (negatively related), Brazil (5.17) has the highest score in comparison with the other two countries – China (5.12) has the next highest and Estonia (4.95) the lowest. In one other values dimension, Uncertainty Avoidance, China (5.34) has the highest score, Brazil (5.00) the next highest and Estonia (4.31) the lowest.

The globalization of the economies of the world requires increased interaction between individuals from various cultures. The results of the current study indicate differences in ethics between countries. The comparison of countries indicates that Chinese and Brazilian respondents tend to consider ethics to be less relative compared to Estonians. Estonians also find the No-Harm Principle more important than the people from other two countries.

The impact of national cultural was greater on Ethical Relativism, where six cultural practices and two cultural values seem to influence how people think about what is right and wrong. Concerning the No-Harm Principle, one should not psychologically or physically harm another person, nor perform an action which might threaten the dignity and welfare of another individual, only In-Group Collectivism as a value that had any impact: societies where In-Group Collectivism was higher followed this principle less.

On the societal level, the connection between Ethical Relativism and cultural dimensions is that actual cultural practices have more impact on ethics than cultural values. Ethical Relativism was related to national cultures, and especially to cultural practices. In societies with higher In-Group Collectivism, Institutional Collectivism, Humane Orientation and Performance Orientation in cultural practices, ethics is less relative. At the same time, members of societies with higher Future Orientation and Gender Egalitarianism in cultural practices put more emphasis on situational factors when deciding what is right and what is wrong.

When looking at cultural values, only In-Group Collectivism and Uncertainty Avoidance had any impact on ethics. In societies with higher In-Group Collectivism and Uncertainty Avoidance, Ethical Relativism was found to be less related to cultural values.

The opposite of Ethical Relativism or ethics that depend on circumstances, is absolute ethics. This means that what is right and wrong is clearly stated, and "wrong" behaviour is punished despite situational factors that might make the punishment lighter.

Although current study does not clarify the contradictory results from previous studies, our findings could be the bases for developing propositions of future studies in different institutional environments. To conduct this research in other countries might help to test additionally the connections between Ethics and Cultural dimensions. Moreover, testing the model with larger populations in the same countries could help to obtain more information about the relationship between ethics and cultural dimensions in groups with different demographic characteristics. Bigger samples from more countries could enable to consider more contextual factors.

To conclude, some connections between national culture and ethics were found. Paying attention to the following cultural dimensions when doing business in different cultures could be useful: In-Group Collectivism, Institutional Collectivism, Humane Orientation, Performance Orientation, Future Orientation and Gender Egalitarianism.

Appendix 1. Cultural dimensions in the Globe study

		1	2	3	4	5	6	7	8	9
Brazil	Practices	4,25	3,94	5,16	3,90	3,44	3,76	4,11	5,24	3,74
	Values	3,06	5,57	5,17	5,60	4,91	5,52	5,98	2,59	5,00
China	Practices	3,77	4,67	5,86	3,68	3,03	4,29	4,37	5,02	4,81
	Values	5,52	4,52	5,12	4,70	3,73	5,34	5,72	3,01	5,34
Estonia	Practices	4,04	3,71	4,79	4,20	3,60	3,39	3,87	5,16	4,01
	Values	3,90	4,33	4,95	5,04	4,73	5,36	5,68	2,87	4,31

1 – Assertiveness   2 – Institutional Collectivism
3 – In-Group Collectivism   4 - Future Orientation
5 - Gender Egalitarianism   6 - Humane Orientation
7 - Performance Orientation   8 - Power Distance
9 - Uncertainty Avoidance

Source: House, et al., 2004. Alas, R. 2006.

Appendix 2-A. Correlations between cultural practices and ethics dimensions

Cultural Practices	Ethical Relativism	No-Harm Principle
Assertiveness	.053	-.006
Institutional Collectivism	**-.113**[*]	-.056
In-Group Collectivism	**-.121**[*]	-.066
Future Orientation	**.137**[*]	.088
Gender Egalitarianism	**.116**[*]	.060
Humane Orientation	**-.126**[*]	-.072
Performance Orientation	**-.131**[*]	-.079
Power Distance	.062	.003
Uncertainty Avoidance	-.075	-.014

Note: N=356
   * Correlation is significant at the 0.05 level (2-tailed).
   ** Correlation is significant at the 0.01 level (2-tailed).

Appendix 2-B. Correlations between cultural values and ethics dimensions

Cultural Values	Ethical Relativism	No-Harm Principle
Assertiveness	-.065	-.005
Institutional Collectivism	-.055	-.090
In-Group Collectivism	**-.145**[**]	**-.127**[*]
Future Orientation	.028	-.028
Gender Egalitarianism	.084	.024
Humane Orientation	-.014	-.061
Performance Orientation	-.052	-.088
Power Distance	-.021	.034
Uncertainty Avoidance	**-.142**[*]	-.096

Note: N=356
   * Correlation is significant at the 0.05 level (2-tailed).
   ** Correlation is significant at the 0.01 level (2-tailed).

PART 4. CONCLUSIONS

Based on the empirical study, the research results emerged, and the findings will be summarised. To contribute to practice, a series of implications are provided to business managers from different perspectives. To contribute to the crisis management theory, the author develops Alas' (2009) *Triangular Model of Crisis Management*. At the beginning of the main conclusions section, the developed model will be presented. The main conclusions will be drawn from theoretical, organisational, and societal perspectives. First of all, the propositions presented for this research should be discussed.

4.1 Discussion of the Research Propositions

In this part, the propositions presented at the beginning of this dissertation will be tested and discussed.

P1. Employees are more emphasised in Estonian than in Chinese companies (Study I).

This proposition was supported. In both countries, the most important stakeholder group was employees; in 70% of the sample Chinese companies and in 73.1% of the Estonian companies. They were more motivating towards employees in Estonian companies, and employees as recipients of communication were mentioned less frequently by Chinese managers than by their Estonian counterparts.

P2. There are fewer crises connected with HR in China than in Estonia (Study I).

This proposition was supported. HR crisis occurred in 16% of the sample Chinese companies, while in Estonian companies, the percentage is 41.8%. Therefore, it can be stated that there are fewer crises connected with HR in China than in Estonia. The difference between Chinese and Estonian companies in crises related to HR is due to the institutional and cultural differences between these two countries (See Main Conclusion part).

P3. There are more crises connected with natural disasters in China than in Estonia (Study I).

This proposition was supported. Essentially, China is located in the South-East edge of Eurasian plate, connected with Pacific plate and Kailash-India plate. Magmatic activity occurs frequently (Chen, 1956). China is a country with a territory 9.6 million km^2. The broad territory contains various geological configurations, varied topography, and a complex climate, which brings China plenty of natural resources and disasters. Compared with China, Estonia is located to the East of the Baltic

Sea. The total territory is 45.2 thousand km². The simple geological configuration and topography, and simple oceanic climate, bring Estonia warm wind in the winter and a stable nature (Zhou, 2006).

P4.   Ethics are less emphasised in China than in Estonia (Study I).

This proposition was not supported. On the contrary, Estonian managers hardly talked about ethics; at the same time more than a fifth of Chinese managers considered it important.

P5.   Proactive strategies are less used in China than in Estonia (Study I).

This proposition was supported. More preparatory work had been done in Estonian companies during the pre-crises period: Approximately 40% had created documents for crisis management and the same percentage had determined the potential crisis areas.

P6.   The authoritarian leadership style is more often used in Chinese
            than in Estonian companies (Study I).

This proposition was supported. China is still a socialist country, and the socialist societies are characterized by high formalisation, centralisation and totalitarianism (Alas and Edwards, 2007). The leadership style is, thus, authoritarian.

P7.   The crisis communication is less used in China than in Estonia (Study I).

This proposition was supported. However, it is important to remember that Chinese employees are accustomed to a totalitarian management style. They rarely ask questions or talk about different ideas to their managers. In addition, the Chinese managers are used to a more totalitarian management style. They seldom communicate with employees. On the contrary, in Estonia, the management culture has changed rapidly, and Estonian employees are accustomed to a democratic management style. Managers have the habit of discussing with employees, and employees are accustomed to expressing their ideas and opinions to their managers when dealing with crises.

P8.   During different stages of the life-cycle, Chinese enterprises may
            encounter different types of crises (Study II).

This proposition was supported. During the start-up stage, the most frequently occurring crises are related to economy, followed in second and third place by crises related to information and human resource crises; during the growth stage, economic, HR and Reputational crises were the first three most frequently occurring crises; during the maturity stage, economic, reputational, and physical and natural disasters impact the enterprise the most frequently; during the decline or rebirth stage, economic crises are still the main type, while information crises and natural disasters were both detected. Therefore, it can be claimed that during different stages of the life-cycle, Chinese enterprises encounter different types of crises.

P9. During the start-up stage, Chinese enterprises most frequently encounter economic crises (Study II).

This proposition was supported. Economic crises attacked enterprises most often when they were just born i.e. during the start-up stage. Moreover, not only during the start-up stage, but also in each of the following stages, economic crises occurred always more frequently than any other type of crisis. It can thus be seen that the economic crisis is the primary type of crisis that attacks Chinese enterprises most frequently.

P10. During the growth stage, Chinese enterprises most frequently encounter economic and human resource crises (Study II).

This proposition was supported. The analyses of the results indicate that economic crises rank in first place among all the crises during the growth stage. Human resource crises occur in 17.7%, which is the second most frequently occurring crisis during the growth stage.

P11. The causes of reputational crisis in Chinese organisations are mostly related to product safety incident from enterprise internal (Study IV).

This proposition was supported. The high product safety incident rate, as well as the other causes of reputational crisis from the Chinese organisation internal side, has their special deep-seated connections with contemporary Chinese societal transformation (Study IV). The author will explain the connections in the main conclusion part later.

P12. The external causes of reputational crises in Chinese companies are mostly related to market deregulation (Study IV).

This proposition was supported. Market deregulation is in connection with Chinese societal, especially, the institutional transformation. Chinese society's rapid development brings Chinese enterprises into a new competitive market, which needs new regulations to direct and control. However, Chinese institutional reform started in 1998, and has developed more slowly than the demand for regulation. There is a large gap between the existing regulations and the demand for the new regulations, which led to market deregulation.

4.2 Summary of the Findings

Firstly, the crisis types, impacts and connections to Chinese enterprises during different stages of their life-cycle were found. Mitroff and Anagnos' (2001) stated that seven crisis types were detected in the sample Chinese organisations during the life-cycle (Study I and Study II). The statistical data of crises types is listed in

Appendix II. The crisis types and crisis impacts on the Chinese organisations that were studied are summarised in the table below. The crisis type ranking is based on the frequency of occurrence in descending order. The author defined the first three most frequently occurring crisis types – economic, reputational, and HR crises – as the main crisis types (Study II).

Table 7. Crisis Types and Impacts on Chinese Organizations

Crisis types	Impacts
Economic	Enterprise lack of capital, decreased income, slow development, loose customer relations, and bankruptcy.
Informational	Blocked company's sales channels, reduced profits, lower employee activity, decreased quality, and declining company.
Physical	Polluted environment, damaged property and reputation, reduced income, endangered human life and security, even breakdown of the whole enterprise.
HR	Lack of labour force, drop in product or service quality, loss of clients, and pause in daily operation.
Reputational	Sales revenue falls to zero, clients leave, supply chain breaks, employee loyalty comedown, public and/or customer relation tension, company stock crash, or bankruptcy.
Physical acts	A reduction or loss of the feeling of security and a break in customer relations.
Natural Disasters	Damaged property and human life, reduce or completely cut off the enterprise's income.

Source: Drafted by the author.

According to Allen's (1999) enterprise life-cycle model, the main crisis types during each stage are summarised in the table below.

Table 8. Main Crises at Each Life-Cycle Stage

Life-Cycle Stages	Main Crisis Types		
	1st	2nd	3rd
S1	Economic	Informational	HR
S2	Economic	HR	Reputational
S3	Economic	Reputational	Physical & Natural Disasters
S4	Economic		

S1 – start up stage, S2 – growth stage, S3 – maturity stage, S4 – decline or re-birth stage.
Source: Drafted by the author.

The main types of crises occurring during each life-cycle stage differ, but during the same life-cycle stage, the types of crises occurring are similar. During S2 and S3, the enterprise is stronger than S1 and S4 to defend against a crisis attack. The flexibility of an enterprise controlling the economic issue and/ or preventing economic crisis becomes stronger in the earlier stages of the enterprise life-cycle, i.e. from S1 to S3. After S3, this flexibility starts to decrease (Study II).

Secondly, the sources of HR and reputational crises and connections to Chinese societal transformation were found. HR crises originate from both internal and external sides of the enterprise. The internal reasons include the following: employees are either against change or require the enterprise system to change; inappropriately handled HR issues; and enterprise development. The external reasons relate to competition, government policy change, and accidents. (Study III) Reputational crises originate from managerial failures, market deregulation, and information mistake or media misleading. Most reputational crises are caused by dual or multiple internal reasons (Study IV). The connections will be illustrated in the section on conclusions from a societal perspective.

Thirdly, an association between ethics and cultural dimensions was found. The impact of national cultural dimensions is greater on *Ethical Relativism*. Estonians consider both *Ethical Relativism* and *No-Harm Principle* to be more important than the Chinese do. Ethical Relativism is related to national cultures, and especially the actual cultural practices have more impact on ethics than cultural values do (Study V).

To sum up, all 14 research tasks have been completed through empirical study. RT 1 and RT 14 especially lead the complementation of CM theory. Through RT 2, 3, 4, 7, and 8, the author discovered certain issues related to CM practice. The other RTs are beneficial to both CM theory and practice.

4.3 Implications for Managers

By combining the findings with the results of this research, the following implications have been developed for managers in Chinese and Estonian companies (Study I).

First, pro-active strategies should be implemented in both countries. Conducting a regular profound risk analysis may help to avoid a sudden crisis. It also helps managers to focus and recognize even minor anomalies in critical areas and react immediately in order to avoid a cumulative crisis. The longer an issue continues, the fewer the choices available and the more it costs (Regester and Larkin, 1998: 173). Therefore, the following pre-crises activities could be useful: (1) catalogue the areas of risk and assess parameters of risk; (2) devise policies and formulate strategies and tactics for dealing with each potential crisis; (3) identify who will be affected by them and devise effective communication channels for those who will be affected (Study I).

The second important field is to lead the crisis. Three teams could be appointed beforehand: the core committee, the crisis control team, and the communications team (Regester and Larkin, 1998: 174). During each crisis, there is little time to develop extensive plans and argue about alternative courses of action in depth; therefore, the crisis management team leader must have the following key personality traits: decisiveness, the ability to communicate and diplomacy (Study I).

Third, communication is a crucial element in crisis management. A crisis is often accompanied by feelings of panic, which may result in poor decision-making and confusion. Therefore, without proper communication, chaos may emerge even from a small event: if people do not have information they start to create rumours and behave accordingly, which creates panic. Before the crisis occurs, decisions should be made about who will communicate with which groups (Study I).

Fourth, it is important to involve all parties that may have interest in the company. It is useful to segment stakeholders as dependent, impacted, unknown, supporting and intractable stakeholders (Study I).

Fifth, creating a crisis management handbook could be useful. Such a handbook should be a simple pool of information that can be relied upon to provide accurate guidance (Curtin et al., 2005); for example, about whom one should turn to in case of different incidents. A checklist could be included to assist in planning an issue on the management programme (Study I).

The study results offer the following six implications to Chinese enterprises top managers, HR professionals, and crisis managers for the daily running (Study III). First of all, changes in the enterprise's internal system should involve the employees. Before and during changes in the enterprise's internal system, enterprise managers should communicate with their employees and listen to their suggestions and comments, and even their requirements. Managers should also inform staff about the company's difficulties so that they understand why the change is necessary. As Cafolla (2009) has pointed out, awareness of the company's difficulties can bring out the best in staff, making them rise to the occasion and embrace training and development with more gusto, as they reassess both the company's needs and their own future (Study III).

Second, the enterprise's internal policies should be adjusted in time so as to synchronize institutional changes and local government policy changes. The HR policy should motivate employees to work hard as well as maintain employee loyalty in accordance with contemporary social and economic circumstances (Study III).

Third, enterprise managers, especially HR professionals, need to keep a very watchful eye on the behaviour of their staff in the event that an employee is considering leaving company. In practice, caring, communicating and supporting staff may prevent staff from leaving the company or may help to convince staff to change their minds and stay (Study III).

Fourth, organisations should have well prepared crisis response plan, succession plan, and crisis communication plan. These plans may help reduce the impact of a crisis on the enterprise when it happens suddenly (Study III).

Fifth, the organisation manager "needs to become a constant gatherer of information: from the internal environment and the external environment" (Schuler, 1996). Information is one of the key elements of enterprise competition. Accurate and timely information will provide enterprises expensive time to prepare for the oncoming challenge, handle the crisis at the very beginning, prevent it from happening, or reduce the impact to a minimum level (Study III).

Sixth, HR professionals should suggest that enterprise managers pay attention to corporate ethics and culture. Corporate ethics and culture should help the enterprise maintain employee loyalty and motivation, and increase organisational performance. A successful corporate culture and ethics framework should enable the employees to distinguish enterprise behaviour and make the right decision, thus avoiding the unprincipled headhunting of staff (Study III).

The following two implications should be considered by top and middle level managers in Chinese enterprises, when making a decision about the enterprise's development strategy and business direction (Study IV).

Firstly, with regards to the enterprise manager, especially a top manager, it is important to have a clear ethical and value standard when making decisions on company strategies, development directions and goals. Enterprise managers should improve their ethical conscience and strengthen their value thinking so as to have a clear ethical and value standard (Study IV).

Secondly, with regards to the enterprise, it is important to perform its social responsibility (SR) as well as achieve its economic goal. The economic goal of an enterprise is to obtain profit, which is a demand of stakeholders from the internal side of the enterprise. However, the social responsibility performance (SRP) is demanded by stakeholders from the external side of the enterprise. The SRP will directly affect external stakeholders' evaluation of an enterprise, and thus affect its reputation. So, enterprise SRP is important to enterprise reputation (Study IV).

In addition, one implication is provided here for the Chinese government, especially the local government. With regards to the government, especially local government, it is necessary to provide sufficient and timely direction and supervision for enterprises. Each level of government should have a defined goal and responsibility towards the enterprises in the corresponding area of administration. Governments should regularly inspect and examine an enterprise's product quality at regular and irregular intervals to ensure that it is firmly and strictly in accordance with regulations. Thus, a method to help and amend enterprises can develop in a healthy way (Study IV).

4.4 Limitations and Proposals for Further Research

The Chinese crisis management research is based on the author's personal, independent connection and contact with these sample companies. During the research, the design process and the potential limitations were considered and noticed. Some of them were overcome during the research conduct process, such as the sample geographical distribution, the crisis type determination. Still, a number of limitations existed, requiring a need for further research to complete the study.

First of all, the limitation exists in the theoretical part. The study of Chinese organisational crises and crisis management is a relative new subject in academia. There is no systemic theory about this subject. Most theories used to direct and support this research are invoked from western theories. The author had tried to seek out a Chinese crisis theory, but she only discovered Sher's (2006) theory about crisis types. Thus, the author attempted to develop a certain Chinese crisis management (CM) theory to fill this gap. Due to the limitation of the author's personal experience and ability, the theory developed by the author is limited also.

Second, limitations exist in the empirical study. Although the descriptive and explanatory approaches were used too, the main research approach used in this research is exploratory. From a subjective view, the author's research experience places some limitation on the empirical study. From an objective view, an individual contribution will not be enough to represent the full view of a Chinese crisis and its management, as this subject is so sensitive, vital, serious, and critical. To overcome this limitation it needs more people to devote time and effort to this subject, to share the data and discuss the outcomes.

The sample selection and data collection depended on the author's personal connections and contacts with Chinese companies. The samples were all from profit organisations; non-profit organisations were not covered in this research. Indeed, when the research was designed, non-profit organisations and each level of Chinese government were considered. However, the author's personal connections could not achieve that so far. Therefore, this research is limited to profit making Chinese organisations only.

Furthermore, the representative sample of 156 Chinese companies remains low. China is a big country with a large number of organisations. The 156 samples can not represent all Chinese organisations, though it does represent a part of them. Hence, to conduct more empirical research on a wider scale so as to get stronger data is the way to test and support the current conclusion, and to enable one to draw more comprehensive conclusions.

The data analysis method was limited to the ordinal method to detect crisis types and the impacts of crises. In the future, the impacts of other crisis dimensions on the enterprise are directions that also needed in research. The tentative research fo-

cused on the major differences and similarities between the two countries crisis management. The differences are interpreted from societal-level development. On the one hand, more in-depth research is needed based on the results of this study. On the other hand, the typical problems related to cross-cultural comparisons also require more study to be conducted. The analysis of the causes of the crises and the negative consequences could be expanded to other types of crises, so at to generalize the conclusion.

Third, further research should be carried out even though all the research tasks have been completed. To continue, the crisis partners (RT 2) study will improve the understanding of crisis and CM in the sample organisations. It may provide a deeper knowledge of CM in Chinese organisations if one continues with research on how crises were managed (RT 5). The more crisis management strategy (RT 6) is studied the more it will help to create a new CM strategy model so as to direct the organisation CM and contribute more to the CM theory.

In general, it won't be sufficient for any individual to present the whole view of a crisis phenomenon, and a crisis management circumstance in Chinese organisations. A larger survey area and data would benefit the conclusion generalization. Empirical studies in other countries could broaden the scope of the conclusion and generalization too. Therefore, to continue and deepen this research to create a systemic, theoretical base for the Chinese organisation crisis and crisis management is the long-term research goal.

## 4.5 The Main Conclusions at Different Perspectives

In this section, the crisis management model that has been developed will be presented first. After that, conclusions from the organisational and societal perspectives will be drawn.

4.5.1 Theoretical development

First of all, the author develops Alas' (2009) triangular model by adding three sub-elements into the main element *Society*. The three sub-elements are "Institution", "Economy" and "Ideology". *Institution* consists of the fundamental policies and their representations of a society, such as national constitution and polity. *Economy* is a representative character of a society's prosperity and development, which includes economic policies, development process and achievements. *Ideology* is the superstructure above *Institution* and *Economy*, which includes people's conscious (as is) and concept (should be) about the society in which they exist. These three sub-elements interact with each other and create a triangle around the element *Society.* One direction is as follows: institutional change aims to develop the economy, economic development changes the ideology, and the change in ideology triggers

the next round of institutional change. Another direction is as follows: institutional change will initiate and increase the speed of ideological change, the change in ideology will increase economic development. Economic development raises the requirements of the next step in institutional change. As society is the base for the existence of an organisation, change in society must bring a drastic shake up and impact on the organisations built on it. Therefore, the various changes in a society may trigger different crises in the organisation, which is one of society's components. As society is a relatively stable element, the triangular model is not inverted. The figure below shows this triangular model.

Figure 6. The *Society* Triangular
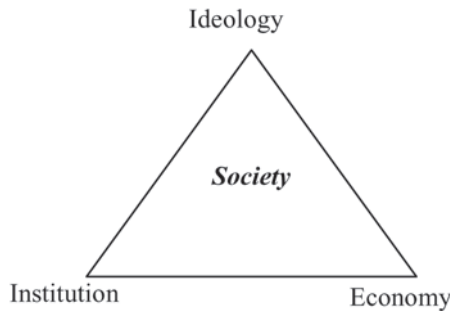
Source: Drafted by the author.

Furthermore, the author developed the sub-elements Shared Values and Ethics of Alas' (2009) model by adding three factors and creating an inverted triangle around it. The three factors are "Ethic Principle", "History" and "Culture". The ethic principle is the benchmark of the shared values and ethics in the CM partnership; history is the root and source of the shared values and ethics exist and are built on it; culture is the representative and symbol of this element. These three factors offer different angles to observe the shared values and ethics. The following figure shows this triangle.

Figure 7. The *Shared Values and Ethics* Triangular
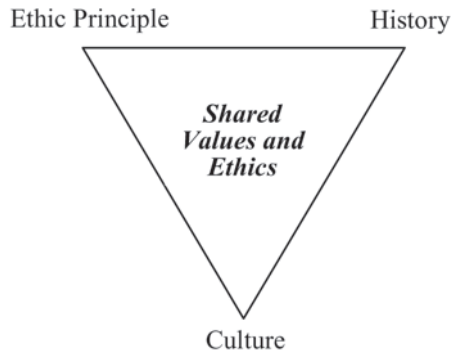
Source: Drafted by the author.

Moreover, according to the research findings, the author added the "Main Types of Crises" triangular model into the *Types of Crisis* triangular model of Alas (2009) model as a core triangular model. As the main types of crises can be the representative of the CM situation of an organisation and a society. The triangular model is illustrated as follows,

Figure 8. Main Crisis Types Triangular
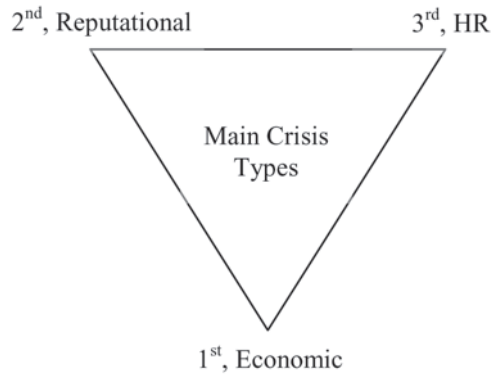
Source: Drafted by the author.

Finally, the author found a series of connections between these elements in the developed CM model. The following figure illustrates the connections and the developed triangular model. (*See page 170*)

As the figure illustrates, the ideological factor impacts communication and leadership style during the CM process. The economic factor defines the strategy application of the CM process. All the three society elements influence the main crisis types of a certain society, and touch the shared values and ethics of CM partnership. The main types of crises represent a certain society's CM situation, and, also, are defined by the society's developmental level. For example, in contemporary China, the reputational crises are triggered by the societal transformation, as well as the shared values and ethics change. The shared values and ethics element in the CM partnership reflects the institution, the economy and the ideology of a society. The cultural factor, which belongs to the shared values and ethics element, is related to the HR crisis of organisations in the society.

Figure 9. The Connections between Crisis Management Elements
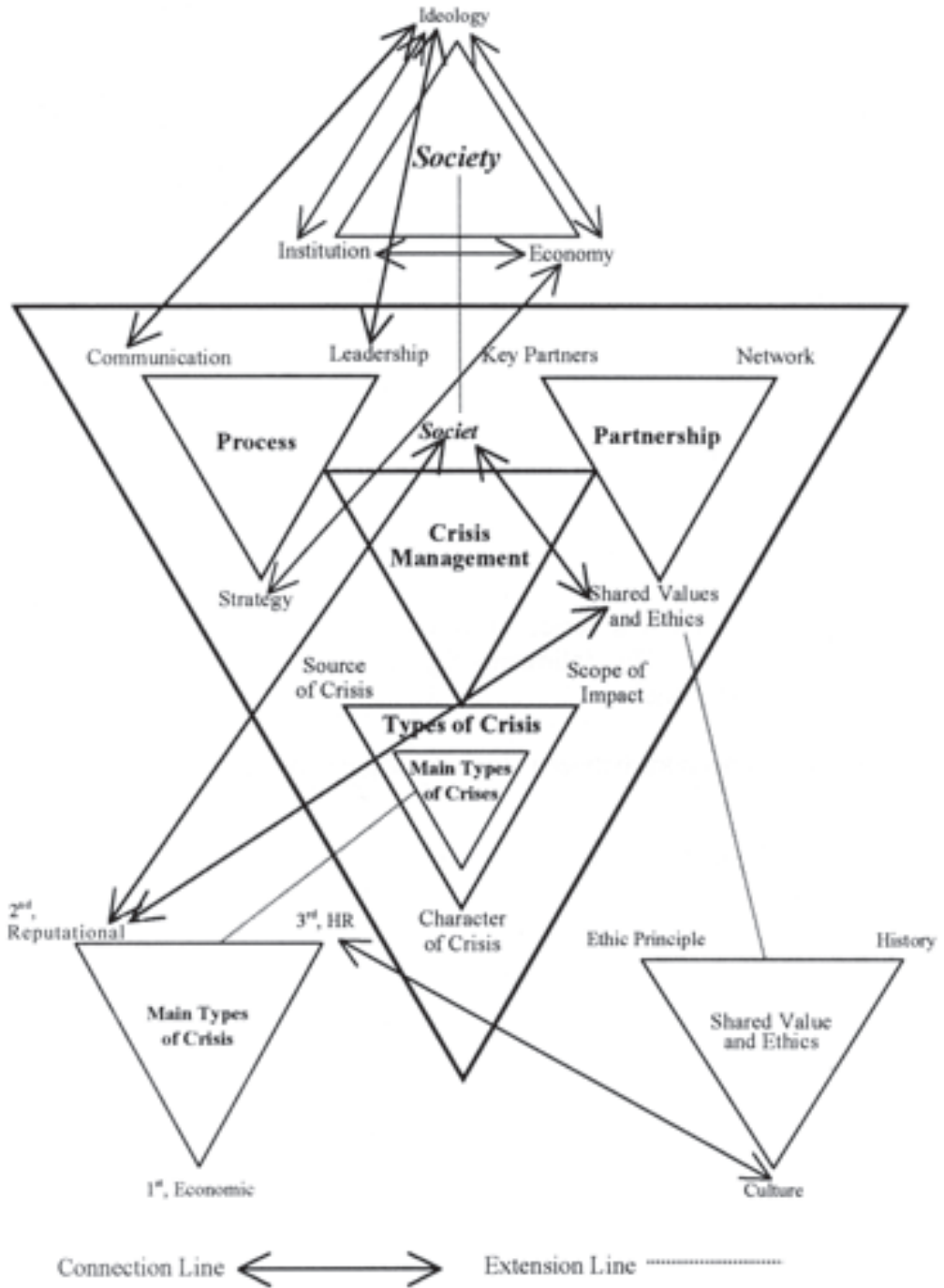
Source: Drafted by the author.

4.5.2 Conclusions from organisational perspective

First, the development of crisis management is not sufficient in the sample Chinese companies (Study I). Only a limited amount of preparatory work had been done before the crisis occurred. The majority of companies start to act after a crisis has already happened. The bare minimum of work had been done due to public pressure. A profound pro-active crisis management strategy had been adopted by few organisations. (Study I)

Second, in the sample Chinese companies, the authoritarian leadership style is still used more often than in Estonian companies (Study I and III). That is because of the influence of the socialist society which is characterised by high formalisation, centralisation and totalitarianism (Study I). In a crisis situation, a Chinese company mostly delivers a message to the public, while an Estonian company does so mostly to its employees. The most frequently used approaches in both countries are communication and seeking alternative solutions (Study I). To handle a HR crisis in Chinese organisations, manipulation and coercion are used very much (Study III). Third, in both countries, employees are emphasised as the most important stakeholders – key partners in a crisis situation. Clients are defined as the secondary important stakeholders – net work (Study I). In a crisis situation, an Estonian manager considers ethics more relative than a Chinese manager does.

Fourth, crises related to HR occurred more frequently in Estonian companies than in the sample Chinese companies (Study I), which could be explained by House's (*et al.*, 2004) and Alas' (2006) cultural dimensions studies. Alas (2006) found that the Collectivism II and Uncertain Avoidance practice scores of China are both higher than those of Estonia (The data are list in Appendix IV). Due to the higher score of Collectivism II in China than in Estonia, Chinese individuals make decisions while considering organisational requirements primarily. When one's personal benefit conflicts with the organisational benefit, the Chinese will behave according to the demands of the organisation, whereas Estonian individuals make decisions while primarily considering personal interests. When one's personal benefit is not in line with the requirements of the organisation, people will prefer the former. Due to stronger Uncertain Avoidance in China than in Estonia, Chinese employees prefer to stay in the company they serve currently than to find a new one. Therefore, compared with Estonian employees, Chinese employees are more loyal and cohesive in the companies they are working (Study I).

Fifth, the sample Chinese enterprises that are impacted by crisis during each stage of the life cycle may enter another stage by shifting over one or more stages. During each stage, a crisis may accelerate this shifting process and may even cause the enterprise to jump over one or more stages and enter another stage (Study II).

4.5.3 Conclusions from societal perspective

First, from an institutional perspective, the establishment of the socialist market economic system released the limitations and restrictions on Chinese enterprises' development. Meanwhile, it also released the administration and inspection strength of each level of the Chinese government (Study IV). The Chinese societal transformation and economic development changed people's ideology. However, the institutional construction develops slower than ideological change. Therefore, the institutional demand has been raised.

The transformational societal environment in contemporary China is connected with the internal reasons for reputational crises in Chinese organisations. These connections created two main courses (Study IV).

On the one hand, the transformation of the Chinese economy and society has finally changed or is changing people's values and ethical standards. During the transformational process, the drastic clashes between the old and new values and ethical standards created one main course of reputational crises in Chinese organisations, This course is considered to be the connection between the internal reasons for reputational crises in Chinese organisations and the transformational environment in China (Study IV).

On the other hand, although the economic system reform has been completed, the value and ethical standard transformations have not been achieved. The old value and ethical systems have broken down; however, the new value and ethical standards have not been consolidated. During the ethical transformational period, the demand for and the absence of value and ethical standards conflict fiercely, which is another main course of reputational crises in Chinese organisations. The author considers it to be another connection between the internal reasons for reputational crises in Chinese organisations and the transformational environment in China. The following figure shows these connections (Study IV).

Additionally, during the economic and political reform, Chinese society is a diversified, complex environment. Therefore, the internal reasons triggering a reputational crisis in a Chinese enterprise show both diversity and complexity (Study IV).

Second, from an economic perspective, China has had a fast-growing economy – the GDP growth has been more than 10% in the last couple of years (NBSC, 2008). In high-growth environments, executives are pre-occupied with solving short-term crises and think that they do not have time for planning and strategy (Murray and Richardson, 2002). Therefore, neither the crisis pro-action, nor the crisis preparation, nor the crisis management in Chinese organisations is sufficiently developed (Study IV).

Figure 10. Reputational Crises Internal Reasons in Connection with the Transformational Environment in China
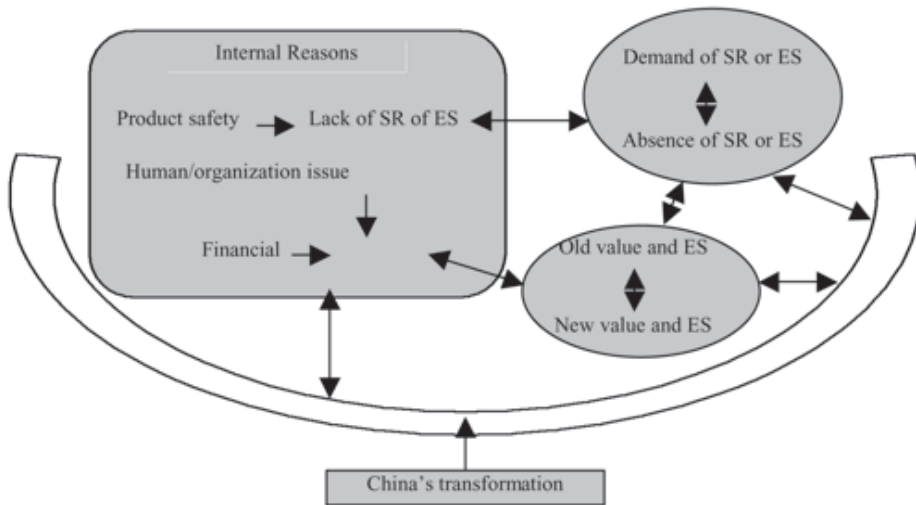
SR – social responsibility; ES – ethics standards
Source: Study IV

Third, from an ideological perspective, China is still a socialist country, and socialist societies are characterised by high formalisation, centralisation and totalitarianism (Alas and Edwards, 2007) which continuously bear an authoritarian influence on an organisation's leadership in Chinese enterprises. The existing institutional difference between China and Estonia lead to individual behavioural differences between the two countries' organisations (Study I and II).

Based on all of the above, it can be concluded that the CM in Chinese organisations is in its initial stage. Setting up a pro-active CM strategy is the direction for Chinese CM development. The cultural tradition and the societal transformation in China bear influence on the CM in Chinese organisations.

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APPENDEX

Appendix 1. Interview Questions

Company name:

1. Number of employees:
2. Industry:
3. Year of establishment:
4. Your position:
Please describe one concrete crisis in your company, how it happened and how did you solve this crises. Describe the crisis. What happened, what were the results of this crisis?
5. Which type of crises was it? Is it (mark with "+"):

Economic	Informa-tional	Physical	HR	Reputa-tional	Psychopa-thic Acts	Natural Disasters

6. How did this crisis start?
7. Did it happen suddenly (abrupt crises) or was it the result of accumulated stressors that eventually erupted (cumulative crisis).
8. What was the scope of crisis, did it influence the whole company or only some department?
9. Who was impacted by the crises? Who could feel the consequences of crisis?
10. Who were the stakeholders, whose interests did the organization have to consider? Had the organization determined stakeholders already before the crisis or only after?
11. Please indicate which stakeholders were considered the most important, second important and third important.
12. How did the company prepared for the crisis: Did the company determine principles that should be followed during solving the crisis before the crisis started?
13. Had the company formed any documents for solving crises before the crisis? Describe these documents. When were these documents written?
14. Were areas determined where crises could happen before the crisis hit? Was the potential of the crisis analysed? Did they form a crisis centre before the crises? Did they have a crisis plan? Have they been trained how to behave during crises?
15. How did the company react when the crisis happened? Please describe in detail.
16. How was the process managed: Who led the process? How were decisions made? How were tasks determined?
17. How would you describe the management style in crisis situations in your company? Which characteristics did the leader need?
18. Describe crisis communication: who was leading the communication? Which messages were sent out? Which channels were used? How were decisions made?
19. What was done to maintain the reputation of the company?

20. What did you learn from implementing these changes? What would you do differently in the future?
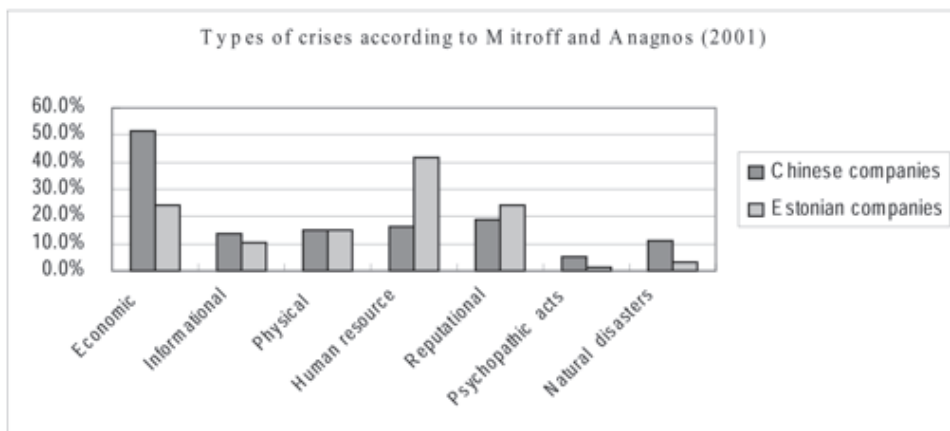21. What would you suggest to others?
22. What were the most important success factors?

Appendix 2. Crises Types in Chinese and Estonian Organizations

Type of Crises	Chinese companies	Rank	Estonian companies	Rank
Economic	**51.3%**	*1*	**23.9%**	*2*
Informational	13.5%	5	10.4%	5
Physical	14.7%	4	14.9%	4
Human resource	**16.0%**	*3*	**41.8%**	*1*
Reputational	18.6%	2	23.9%	2
Psychopathic acts	5.1%	7	1.5%	7
Natural disasters	**10.9%**	6	**3.0%**	6
Abrupt	31.0%		54.0%	
Cumulative	69.0%		46.0%	
Wholly affect	94.0%		75.0%	
Partly affect	6.0%		25.0%	

Note: * Data in this table and figures below are till 2009, 156 Chinese companies and 67 Estonian companies. ** The bold percentages indicate the main differences between two countries; *** The bold and italic numbers in rank columns indicate the main crisis types.

Types of crises according to Hwang and Lichtenthal's (2000)

Crisis types according to Boin (*et al.*, 2008)
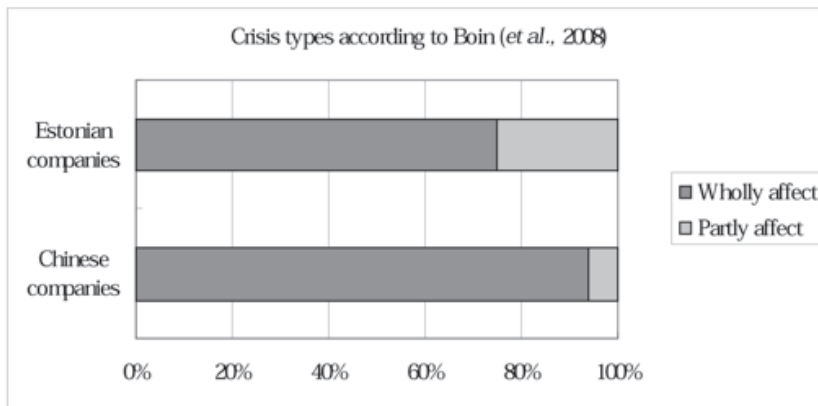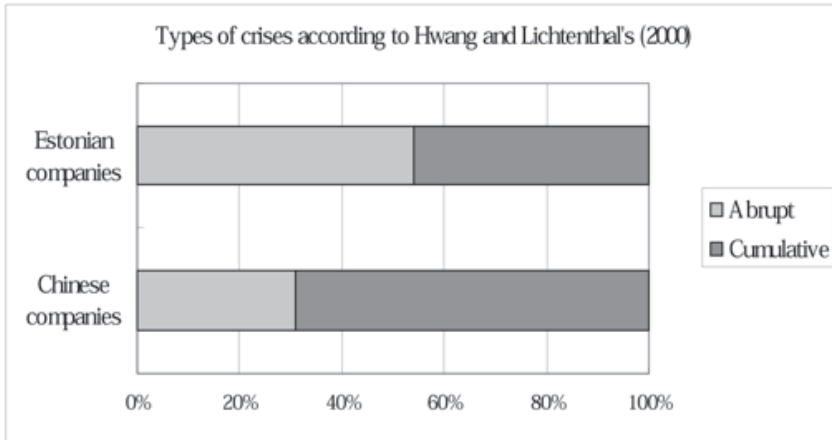
Crisis Types in Chinese and Estonian Companies (2008)

Type of Crises	Chinese companies	Estonian companies
Economic	37.1%	23.9%
Informational	18.6%	10.4%
Physical	20.0%	14.9%
Human resource	15.7%	41.8%
Reputation	20.0%	23.9%
Psychopathic acts	10.0%	1.5%
Natural disasters	20.0%	3%

Note: Data in this table are till 2008, 102 Chinese companies and 67 Estonian companies.

Appendix 3. The Stakeholders during Crises

Stakeholders	Chinese	Estonian
Employees	**70.0**	**73.1**
Clients	**44.3**	**71.6**
Owners	28.6	46.2
Partners	25.8	37.3
Local community	12.9	17.9
Authorities	2.9	11.9
Banks	8.6	8.9
Competitors	17.1	7.4
Employee's family	5.7	4.4
Movement of citizens	5.7	1.4
Sponsored	--	1.4

Note: *The data statistic in this table is up to the year of 2008, i.e. the total Chinese samples are 102; **The numbers presented in this table are percentage; ***The bold numbers indicate the first two stakeholder groups.

Stakeholders	Chinese	Estonian
Employees	**67.9**	**73.1**
Clients	**46.2**	**71.6**
Owners	30.1	46.2
Partners	30.1	37.3
Local community	9.0	17.9
Authorities	5.1	11.9
Banks	10.9	8.9
Competitors	19.9	7.4
Employee's family	3.8	4.4
Movement of citizens	3.8	1.4
Sponsored	--	1.4

Note: *The data statistic in this table is up to the year of 2009, i.e. the total Chinese samples are 156; **Estonian samples stay at 67 which as same as the year of 2008; ***The numbers presented in this table are percentages; ****The bold numbers indicate the first two stakeholder groups.

Appendix 4. Cultural Dimensions and Scores of China and Estonia

		1	2	3	4	5	6	7	8	9
China	*Practices*	3,77	4,67	**5,86**	3,68	3,03	4,29	4,37	5,02	**4,81**
	Values	5,52	4,52	5,12	4,70	3,73	5,34	5,72	3,01	5,34
Estonia	*Practices*	4,04	3,71	**4,79**	4,20	3,60	3,39	3,87	5,16	**4,01**
	Values	3,90	4,33	4,95	5,04	4,73	5,36	5,68	2,87	4,31
Means	*Practices*	4.14	4.25	5.13	3.85	3.37	4.09	4.10	5.17	4.16
	Values	3.83	4.73	5.66	5.49	4.51	5.42	5.49	2.75	4.62

1 – Assertiveness
2 – Institutional Collectivism
3 – In-Group Collectivism
4 - Future Orientation
5 - Gender Egalitarianism
6 - Humane Orientation
7 - Performance Orientation
8 - Power Distance
9 - Uncertainty Avoidance

Source: House et al., 2004; Alas, 2006.

Appendix 5. Ethics Questionnaire

Dear Sir/Madam!
Please take a couple of minutes to fill in this confidential questionnaire. The results will be used by academia to track trends in evolving management practice. Thank you very much for your assistance.
Please, provide your personal information, which is used in anonymous format.
Date:_____
Place:_____
Gender:_____
Age:_____
Nationality:_____
How many years of work experience do you have:_____
Has the work experience been gained in (*circle the right variant*):
a) public sector, b) private sector, c) both
Please indicate if you agree or disagree with the following items. Each represents a commonly held opinion and there are no right or wrong answers. We are interested in your reaction to such matters.
Please, rate your reaction to each statement by choosing one out five variants. Please, tick one of the sells numbered from 1 to 5 for every statement having in mind that
1 – disagree strongly; 2 – disagree; 3 – neutral; 4 – agree; 5 – agree strongly.

Statement	1	2	3	4	5
1. People should make certain that their actions never intentionally harm another person					
2. Risks to another should not be tolerated, irrespective of how small the risks might be					
3. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained					
4. One should never psychologically or physically harm another person					
5. One should not perform an action which might threaten the dignity and welfare of another individual					
6. If an action could harm an innocent other, then it should not be done					
7. Deciding whether to perform an act by balancing the positive consequences against the negative consequences of the act is immoral					
8. The dignity and welfare of the people should be the most important concern in any society					
9. The welfare of others should not be sacrificed irrespective of the circumstances of the action					
10. Moral behavior closely corresponds to the idea of the most "perfect" action					
11. There are no ethical principles that are so important that they should be included in every code of ethics					
12. Does ethical variey from one situation and society to another					
13. What one person considers to be moral may be judged to be immoral by another person					
14. Different types of morality cannot be treated in terms of "right" or "wrong" because what is moral depends on the situation					
15. Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual					
16. Moral standards are simply personal rules that indicate how a person should behave					
17. Ethical considerations are so complex that individuals should be allowed to formulate their own individual codes					
18. A rigid ethical position that prevents certain actions could stand in the way of better human relations and adjustment					
19. No satisfactory rule concerning lying can be formulated					
20. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.					

Thank you very much for your time!

Source: Schlenker and Forsyth, 1977 and Forsyth, 1980.

SUMMARY IN ESTONIAN –
INIMRESSURSSIDE JA MAINEGA SEOTUD KRIISID
HIINA ORGANISATSIOONIDES[6]

Organisatsiooni tulemuslikkust ja jätkusuutlikkust ohustavad organisatsioonilised kriisid. Kriiside mõjule organisatsioonilisel ja individuaalsel tasandil pööratakse aina enam tähelepanu. Kriisijuhtimise vähene tõhusus tekitab organisatsioonile ja selle huvirühmadele lisariske. Uurimused üleminekuriikides näitavad, et ümberlülitumine turumajandusele sageli ebaõnnestub institutsionaalsete ja kultuuriliste konfliktide tõttu. See näitab, et kriisijuhtimist nendes keskkkondades tuleb uurida organisatsioonilisest ja sotsiaalsest vaatenurgast lähtudes.

Käesolev doktoriväitekiri keskendub inimressursside ja mainega seotud kriisidele, annab ülevaate kriisijuhtimisest Hiina organisatsioonides ning püüab süstemaatiliselt analüüsida kriisijuhtimist Hiina organisatsioonides. Praktilisest vaatenurgast annab väitekiri Hiina organisatsioonide ettevõtete juhtidele kriisijuhtimise mudeli kriiside tüüpide, allikate ja mõjude põhjal kriiside tuvastamiseks, eristamiseks ja piiritlemiseks eesmärgiga vältida kriise ja tegeleda nendega tõhusalt ettevõtte jätkusuutliku arengu huvides. Väitekiri võtab kokku Hiina kriisijuhtimise kogemuse ja rahvuslike kultuurierinevuste mõjud kriisijuhtimisele, viidates teistele sarnases seisus ja taustaga riikidele.

Kolm aastakümmet tagasi toimusid Hiina majanduslikes ja sotsiaalsetes struktuurides drastilised muudatused, mis muutsid Hiina organisatsioonide ellujäämise raskemaks. Sellises keerulises keskkonnas mõjutavad organisatsioone mitmesugused kriisid. Sarnaselt Hiina organisatsioonidele läbisid ka Eesti ettevõtted muudatuste ja kriiside perioodi. Mõlemad riigid on seetõttu heaks näiteks ja väärtuslikuks kaasuseks organisatsiooni tasandil kriisijuhtimise uurimisel. Nende kahe riigi erinevate kaasuste uurimine ja võrdlemine aitab loodetavasti Eesti ettevõtetel omandada kogemusi ning valmistuda kriisiks kogu ettevõtte arengu kestel.

Käesoleva uurimuse eesmärgiks on anda panus juhtimisteooriasse, arendades kriisijuhtimise mudelit ühiskondlikult ja organisatsiooniliselt tasandilt ning täiustades praktilist kriisijuhtimist juhiste andmisega. Käesoleva väitekirja uurimisküsimus on kriisijuhtimise rakendamine kaasaegse Hiina ühiskondlikult ja majanduslikult muutuvas keskkonnas ning Hiina ja Eesti organisatsioonide kriisijuhtimise võrdlemine.

Viidi läbi täiendav uurimistegevus, mille eeesmärgiks oli omandada piisavad akadeemilised teadmised uurimustöö järgmise etapi ettevalmistamiseks. Täiendav uurimistegevus sisaldas ülevaadet juhtimisalasest kirjandusest, tutvumist kriisiteooriatega ja ettevõtete kohta ülevaate koostamist. Esimese uuringu teostamiseks intervjueeriti 156 erineva suurusega Hiina organisatsiooni. Lisaks sellele

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[6] Drafted by the author in English, translated into Estonian by Anneli Tomberg and Kristel Kuusik.

vastati Hiinas 190 ankeetküsitlusele eetika ja rahvusliku kultuuri seoste kohta. Antud uurimustöös on kasutatud mitmeid andmeanalüüsi meetodeid: intervjuu tulemusi analüüsiti ordinaalanalüüsi, võrdleva analüüsi ja detailse analüüsi meetodite abil. Ankeetküsitlusest saadud andmete töötlemiseks kasutati peakomponentanalüüsi pööratud telgede meetodit *Varimax* ja dispersioonanalüüsi *Anova*.

Andmeanalüüsi põhjal leiti, et peamised kriisid Hiina organisatsioonides on seotud maine ja inimressurssidega. Arendati edasi kriisijuhtimise mudelit ning tuvastati seosed erinevate kriisijuhtimise elementide vahel organisatsioonilisest ja institutsionaalsest vaatenurgast lähtuvalt.

Organisatsioonilisest vaatenurgast pole kriisijuhtimise areng Hiina ettevõtetes piisav. Tänapäeva Hiina ettevõtetes kasutatakse endiselt sageli autoritaarset juhtimisstiili. Nii Hiina kui Eesti organisatsioonides peetakse peamisteks sidusgruppideks töötajaid. Kriisisituatsioonis arvestab Eesti juht eetilisi põhimõtteid vähem kui Hiina juht. Kultuuriliste erinevuste tõttu leidsid inimressurssidega seotud kriisid sagedamini aset Eesti kui Hiina ettevõtetes. Kriiside mõjul võib Hiina ettevõte uut elutsüklit alustada üht või enamat etappi vahele jättes. Igas etapis võib kriis kiirendada protsessi ja olla isegi põhjuseks, et ettevõte jätab vahele ühe või mitu etappi ja alustab täiesti uut tsüklit.

Institutsionaalsest vaatenurgast toimuvad institutsionaalsed muudatused ideoloogilistest aeglasemalt, seega kasvavad institutsionaalse arengu vajadused. Kaasaegse Hiina üleminekuühiskonna keskkond ja Hiina organisatsioonides toimuvate mainekriiside sisemised põhjused on omavahel seotud. Varasemate ja uute väärtuste ning eetiliste standardite drastilised kokkupõrked moodustasid peamise suuna Hiina organisatsioonide mainekriiside hulgas. Vajaduste kokkupõrge väärtuste ning eetiliste standardite puudumisega on teine oluline mainekriis Hiina organisatsioonides.

CURRICULUM VITAE

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Education

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2004 - 2006	Estonian Business School
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Professional Employment

Oct 2009 - Feb 2010	Trigon Capital
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Scientific Work

2008 - Now	Research in Crisis management in China, Culture difference and influence, Ethics and Values, Enterprise Life-cycle, Corporate social responsibility.

Articles in international publications

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