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Global Crisis Management – Current Research and Future Directions

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ABSTRACT

Examples of crises involving multinationals can be found in the media around the world on a regular basis. Despite the importance of this topic, the state of the literature in the area of global crisis management has yet to be explored. Incorporating a commonly used three-stage approach describing crisis management as involving three phases - the pre-crisis phase (prevention and preparation), the crisis phase (response), and the post-crisis phase (learning and revision) - we briefly review the literature in global crisis management. We then introduce three special issue articles. Finally, we suggest future areas for research on the topic of global crisis management.

1. Introduction

As we mentioned in our call for papers for this special issue on global crisis management, examples of crises involving multinationals can be found in the media around the world on a regular basis. Examples of high profile crises involving multinationals include Kobe Steel falsifying metal quality reports, the disappearance of Malaysia Airlines Flight 370, the oil spill in the Gulf by BP, sudden acceleration in Toyota cars, and people becoming seriously ill after using Vioxx, a prescription drug manufactured by the American multinational Merck. International crises will only increase as organizations create long supply chains and seek to expand into new markets beyond their borders. Consider the thousands of suppliers in the Nike supply chain or how Starbucks has expanded into Asia. There are many important issues for both academicians and practitioners relating to global crisis management. For example, do stakeholders in different countries react differently to a crisis and to crisis response strategies? If yes, how should a multinational respond to a crisis in its different markets? Volkswagen with its emissions crisis is facing that very issue.

Crisis management is defined as “a set of factors designed to combat crises and to lessen the actual damage inflicted by a crisis” (Coombs, 2015). Drawing from the literature in emergency preparedness, crisis management involves four interrelated factors: Prevention, preparation, response and revision (Coombs, 2015). These factors are incorporated in a commonly used three-stage approach describing crisis management as involving three phases. The pre-crisis phase (prevention and preparation), the crisis phase (response), and the post-crisis phase (learning and revision).

Recently a review of the literature on product harm crises was conducted by Cleeren et al. (2017), and the authors highlighted a need for a better understanding of product harm crises in an international context. They found that the overwhelming majority of studies on product harm crises were conducted in developed countries, and the authors felt that it is important to gain a better understanding of the implications of product-harm crises in emerging economies. Cleeren et al. (2017) believe that country characteristics, such as rule of law, competitiveness or cultural characteristics could influence the reaction of stakeholders to product

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harm crises, and the effectiveness of corporate responses. It is worth noting that a product harm crisis is only one type of crisis, and we also believe that in the broader area of crisis management, there is very little research in the international context. We find a similar conclusion drawn from reviews of the international crisis communication research (Schwarz et al., 2016, Coombs, 2008). In fact, to our knowledge there has never been a special issue on global crisis management in any major journal.

In this article, we first review papers from 16 ISI listed journals since 1997 to identify articles related to global crisis management, and describe the themes from the literature.² Next, we describe the articles in this special issue. Finally, we suggest directions for future research.

2. Global crisis management in international business research

Consistent with the findings of the literature review on Product Harm Crises by Cleeren et al. (2017), we found very few articles related to global crisis management.³ It is important to note the scope of this review reflects the focus of the call for this special issue. The scope is defined by studies that examine crises across different countries, what we can call comparative crisis research, as well as issues related to crisis management at multinationals. This differs from contextual crisis research that examines crisis management and communication practices in one country. Contextual crises seek to illumine practices that are country-specific and constitute a much larger body of research (e.g., George and Pratt, 2012). We are looking for research on how companies cope with crises that emerge in more than one country, and how multinationals are impacted by crisis management. For instance, an international crisis might involve the home country and one or more host countries or appear in number of host countries (Coombs, 2008). Based on our review of articles published in the 16 ISI listed journals we identified only eight articles. These articles fall under the pre-crisis and crisis phases which we describe below:

2.1. Pre-crisis phase

The pre-crisis phase involves the prevention of crises, and preparation for crises in order to minimize damage to the organization. Organizational capabilities are addressed in two articles that examine how multinationals can deal more effectively with crises. Fainshmidt et al. (2017) find that the pre-crisis development of asset management capabilities influenced the performance of multinationals during the global financial crisis of 2008. They found that asset management capabilities that involve routine-altering activities enhanced the ability of multinationals to deal with more revolutionary events, such as global economic crises.

Griffith and Ryans (2001) focused on the global corporate communications function at a multinational in their article. They recommend the creation of a brand equity team which is especially important at a multinational due to the increased complexity of operating overseas. The brand equity team would monitor “activities internal to the organization, including its subsidiaries, as well as those of its suppliers, advertising agencies, public relations consultants, and others that reflect the firm in its publics” to minimize the threat to brand equity resulting from the actions and communications posed by these entities.

The choice of a location for expansion by a multinational (new target market or manufacturing site) can also increase or decrease the risk for a crisis. Dai et al. (2013) examine the survival rate of foreign subsidiaries in host countries afflicted by political conflict focusing on Japanese multinationals operating in 25 countries. Not surprisingly the authors find that operating in a conflict zone reduces a foreign subsidiary's chance for survival. However, a dispersed multinational network facilitates subsidiary survival. The authors believe that this may be occurring because sister subsidiaries may provide a temporary refuge for shifting operations and redeploying employees, buying the focal subsidiary valuable time.

Leong et al. (2008) in their article explore the role of consumer animosity in international crises, or the possibility that “a country's political actions in the international arena may create animosity towards brands affiliated with that nation”. In a study of consumers in five Asian countries they examined the impact of stable and situational animosity on the willingness to buy products from the US and Japan. The authors found that consumer animosity lowers product judgment and evaluation, as well as reduces the willingness to buy brands from the aggressor nation. Avoiding a market where there are high levels of consumer animosity would reduce the risk to a company of a crisis such as a consumer boycott, but other options are available to a company as well. These may be more viable, especially if the target market is lucrative. Klein et al. (1998) suggest companies can reduce the risk of consumer animosity adversely impacting a company by downplaying “Made in” labels and brand names associated with the aggressor country, engaging in strategic alliances and offering hybrid products that deemphasize the connection with the aggressor country, and localize production to the extent possible. Cause-related marketing may also assist in offsetting the risk of consumer animosity.

Finally, Zhao et al. (2014) focus on the role CSR can play in crisis prevention. In an empirical study involving multinationals in China, they find that social adaptation, or meeting local stakeholders' social expectations regarding the social and environmental impact of multinationals, mitigates the risk of crises. In other words, the authors suggest that a multinational pursue a CSR localization strategy whereby it focuses on social problems with local priorities. Economic adaptation, on the other hand, which involves early entry to China, reliance on local leadership, and the speedy expansion of the hiring of local employees, increases the risk for crises. The authors suggest that an important reason economic adaptation leads to an increased risk of crises is because multinationals

² Journal of Marketing, Journal of Marketing Research, Marketing Science, Academy of Management Review, Academy of Management Journal, Journal of Management, Journal of Management Studies, Journal of International Business Studies, Journal of World Business, International Marketing Review, International Business Review, Management International Review, Strategic Management Journal, Organizational Science Long Range Planning, and the Journal of International Management.

³ Please note that we excluded single-country studies from our analysis.

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