



The General Principles of Crisis Management from Typical Cases

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Abstract: In the face of the business crisis, some companies are cautious in their words and deeds, and take every step of the way, some companies are still in shock and bravely respond, and some companies are at a loss. In the face of the sudden crisis, how should the enterprise face it? This article will take the Toyota "recall door" incident as an example to analyze the connotation of crisis management, summarize the principles and ideas of enterprise crisis management, and provide reference guidance for enterprise crisis management.

Keywords: crisis management, management principles, corporate image

1. Introduction

Crises are inevitable for societies and organizations. Today, with the transparency of information, the environment facing enterprises is extremely complex and changeable, and crises may break out at any time, which will have an impact on the normal operation of the enterprise organization and the brand image. Crisis management is becoming a practical problem that enterprises cannot ignore. Then, how to manage the crisis? This paper attempts to reveal the path to improve the ability of enterprise crisis management by analyzing the relevant principles of enterprise crisis management.

2. Case Background

Take Toyota as an example. Many of its models have always been the best-selling models in the global auto market. However, in January 2010, Toyota broke out - a series of large-scale recalls. The crisis has not only caused huge direct economic losses to Toyota: according to analysts at JPMorgan Chase, the direct losses brought by the recall to Toyota will be as high as \$1.8 billion. In addition, the loss caused by the suspension of sales of the 8 problem models due to the repair of the accelerator pedal will also be as high as 700 million US dollars. The recall incident also caused Toyota Motor Corporation and its products to fall into a serious quality crisis and a crisis of trust, which affected the sales of new cars. In January of this year, in the context of the recovery of the US auto market. Toyota's sales in the US fell by 16% year-on-year. Since the outbreak of the "pedal door" incident, Fengchu's stock price has fallen by 22%, and its market value has evaporated by 40 billion US dollars. "More seriously, due to the company's mishandling of the crisis, it also has a very heavy and long-term impact on the company's brand image. International credit rating agencies are considering downgrading Toyota's rating.

3. The connotation of crisis management

In previous research, He Suxiang believed that crisis is a special situation caused by imbalance and chaos. Enterprise crisis is actually caused by the intensification of contradictions in several aspects in the process of enterprise development - an unconventional state and a special manifestation of the contradiction of things. "This paper is more inclined to this point of view, and believes that crisis management is the immediate and long-term response measures and management strategies that enterprises take to deal with various crisis scenarios and reduce or eliminate the threats and losses caused by crises. Crisis management can be divided into two major categories. Part: Early warning, preventive management and post-crisis emergency management before the crisis broke out.

(1) Early warning and preventive management before a crisis breaks out. The first part of crisis management is to monitor the crisis. During the period of smooth development of the enterprise, the enterprise should have a strong sense of crisis and psychological preparation for crisis response, and establish a crisis management mechanism to monitor the crisis. In order to eliminate some avoidable crises in the bud before the crisis comes. The unavoidable crisis can be solved in time through the early warning system. It can be said that the systematic daily rigorous crisis monitoring and early warning is the first link of crisis management. If there is a lack of such an early warning system, the signs of the crisis are likely to be ignored. When the crisis comes, the enterprise seems to be caught off guard.

(2) Emergency and aftercare management after the crisis broke out. When the crisis breaks out, the crisis management and decision-making system of the enterprise should be activated immediately. Once a crisis breaks out, the first job is to

judge and define the crisis. To confirm whether a crisis has occurred, a comprehensive judgment and definition of the nature, cause, scale, harm and risk of the crisis should be made. On the basis of judging the nature of the crisis, a comprehensive assessment and forecast should be made on the scale and risk of the crisis, and only in this way can the corresponding response strategies be formulated. After a comprehensive assessment of the crisis, it is time to make a crisis decision. Decision-making should be based on the ins and outs of the crisis, and after comparing the advantages and disadvantages of several feasible schemes, choose the best scheme. The positioning of the plan should be accurate and the implementation should be rapid. Then timely and effectively apply crisis decision-making to practice to resolve the crisis.

4. Principles of Corporate Crisis Management

4.1 Quick response and proactive principle

The suddenness and strong diffusion of crisis events determine that crisis response must be rapid and decisive, and the destructiveness of crises often increases explosively with the passage of time. Therefore, the earlier the crisis is detected and the rapid response and control The situation is more conducive to the proper resolution of the crisis and the reduction of interests and losses of all parties. The rapid response and proactiveness of crisis management are reflected in two aspects:

On the one hand, it is internal to the organization. It requires all levels within the organization to maintain a high degree of vigilance against the crisis. As soon as there is a sign, it should be notified as soon as possible, so that the senior management can grasp the truth as soon as possible and make a decision. It is absolutely not allowed to pass the buck between various departments, or to be afraid of being blamed by the top management and delaying the best response time.

On the other hand, it is for the external communication of enterprise organizations: in terms of external communication, the principles of quick response and active communication are more important. When the crisis has just happened, the company has already actively released information before its large-scale spread, which can not only reflect the company's attention to the incident and the attitude of actively solving it, but also prevent the public from ignoring the truth of the facts. And all kinds of speculations have led to rumors. Under the circumstance that the company has mastered active communication, it is easier for the company to win the trust of the public. It is conducive to the communication of crisis-related information and the proper solution of the crisis. In the event of the Toyota crisis, the company behaved rather sluggishly and passively. As early as November 2009, about 4.26 million vehicles were recalled from the U.S. market because the footpads slipped and stuck the accelerator pedal. This has constituted Toyota's largest recall in North America. However, Toyota did not make any proactive response to this. It can be seen that once the crisis event is focused by the media and becomes a global event, it is difficult to eliminate its bad influence. Because of the loss of the opportunity to actively release information to control the development of the situation, the Toyota pedal incident has become more and more intense, and the media has uncovered a large number of other facts that are unfavorable to Toyota, which quickly turned into a corporate image crisis and a reputation crisis for Toyota.

4.2 The principle of frank communication for trust

The importance of crisis communication management lies in strengthening the disclosure of information and communication with the public. It is the basic strategy for crisis management to strive for the understanding and support of the public. This principle requires enterprise organizations to maintain a sincere and frank attitude when dealing with crises. On the one hand, the public and various interest organizations should feel that the attitude of the enterprise is sincere, that it is actively facing the problem and trying to solve it; On the one hand, let the public and interest organizations feel the frank and open attitude of the enterprise to information, whether it is beneficial or unfavorable information for the enterprise, instead of trying to hide and limit the dissemination of information that is unfavorable to the enterprise. After the crisis broke out, the more companies covered up, the more confused the public, and the more speculation, which provided a breeding ground for rumors. Moreover, the information is open and transparent, and it is easy to gain the trust of the public. Once the public believes in the company and feels that the company has a sincere and frank attitude, knowing that the company is actively seeking solutions to problems, the company has actually dealt with the crisis. Having mastered the initiative, the crisis solutions formulated on this basis are more likely to be recognized by the public.

4.3 Adhere to the principle of consumer interests first

The principle of the supremacy of the interests of consumers means that when enterprises are dealing with a crisis, they must adhere to the supremacy of the interests of consumers, whether it is formulating a crisis handling plan or in internal and external communication. Only in this way can the crisis management plan be recognized and accepted by the public. It can reflect the sincerity and responsibility of the enterprise. From Toyota's "recall door" incident, the enlightenment we can

get is that it is inevitable for enterprises to encounter various crises. The key is that enterprises should have the ability to actively prevent and deal with crises. When the weather is calm, you must be vigilant, set up a sound early warning system for crises, and have a reasonable assessment of various signs that may lead to crises. When a crisis comes, it is necessary to remain calm and handle it properly. When dealing with crises, follow these principles and ideas: First, respond quickly, be proactive, and take the lead in crisis management; second, be frank and sincere, communicate fully, and take the initiative in crisis management; third, take the initiative to deal with crisis. The interests of consumers are paramount, and the interests of consumers should be given the highest priority when formulating crisis management plans.

4.4 The principle of flexibility and coordination throughout

In the stage of crisis outbreak, due to the severe and chaotic situation, when the time is tight, it is even more necessary for decision makers to deal with the crisis calmly, decisively and flexibly. Because there are many factors that trigger crises, the forms of crises and the harm they cause are also varied. Therefore, the principle of flexibility and coordination must be followed in crisis management, and specific situations must be analyzed. Take targeted measures. This is the embodiment of crisis management artistry and a test of managers' ability to deal with emergencies. The outbreak of crisis will bring huge loss of life and property to the public. Therefore, once a major crisis breaks out, handling and controlling the crisis becomes the top priority of the organization. But the aftermath of the crisis is also a complicated work, and the quality of the work directly affects the status of the enterprise in the public mind. In fact, the adverse effects or harm caused by the crisis are transitive and will still exist after the crisis. Therefore, enterprises must do a good job in the aftermath of the crisis, including analyzing and summarizing the previous crisis management work, proposing improvement measures, and carrying out damage compensation to consumers.

5. Conclusion

In short, in crisis management, attention should be paid to the combination of principle and flexibility, which fully reflects the artistry of crisis management. In fact, there are many principles that should be followed in crisis management, and the above is just to list some of the main principles. In the process of following these principles for crisis management, crisis managers should apply these principles flexibly according to the characteristics of work at different stages.

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