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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.

become more accustomed to flawed local practices when they rely on local talent (managerial and employees).

It is logical that the pre-crisis phase would produce the most research because of its emphasis on risk management. Risk is the primary building block for crisis management. Most managers begin the crisis management process by assessing their risks and using that risk to guide their crisis planning. Organizations are familiar with risk management as its own discipline, hence, research related to risk in the global context is natural because of the existing managerial concern with risk.

2.2. Crisis phase

The crisis phase represents the response to the crisis, including the multinational's response and the response of its stakeholders. Cleeren et al. (2013) examined fast moving consumer good product harm crises, and found that category purchases decrease more in the Netherlands when compared to the UK. In another article examining the reactions of consumers to a crisis, Dutt and Padmanabhan (2011) find that after controlling for changes in per capita GDP, there is a further drop in consumption in developing countries as a result of a currency crisis. This suggests that managers in developing countries will find a more challenging situation during a currency crisis in terms of the magnitude of its impact on consumers, and its duration.

Ang (2001) in his article describes both consumer and corporate responses to a crisis. He examined how consumers in Singapore were impacted by different types of crises, and how their reactions differed from consumers in other areas of the world (USA, Eastern Europe and the Philippines). He found that crises impact consumers around the world differently, and moderating factors such as the nature of the crisis, socio-economic characteristics, trade dependencies, market sophistication and culture play an important role in understanding the different responses of consumers around the world.

Ang's (2001) article is the only article that also examines how businesses changed their marketing strategies in different countries as a result of the crises. Similar to the reaction of consumers, businesses from different countries reacted differently to the crises due to moderating factors. For example, Ang (2001) found that "Relationship building or guanxi through providing additional services rather than price cutting is what businesses in Asia feel more comfortable with as a strategy during an economic crisis. In contrast, among Yugoslavian businesses where galloping stagflation was experienced, pricing was constantly affected".

Though outside of the 16 ISI journals, Schultz et al. (2012) conducted a comparative analysis of BP's public relations efforts and subsequent media coverage surrounding the Deepwater Horizon Oil spill. Through a semantic network analysis, the researchers were able to assess BP's ability to set the media agenda and to frame coverage of the crisis as well as explore differences in the American and British media coverage of the crisis (Schultz et al., 2012). We have included this study because it is a rare example of comparative crisis communication research. The conclusion from this literature is that we know very little about how multinationals manage a crisis that affects multiple countries.

3. Articles in the special issue

The articles in this special issue involve data collected from different regions of the world (Asia, Europe and North America), and different methodologies (qualitative and quantitative). Dhanesh and Sriramesh propose a framework which defines culture broadly to include political, economic, media, societal and activist cultures. They analyze a crisis faced by Nestle in India using the framework. Laufer, Garrett, and Ning examine the effectiveness of using the CEO as a spokesperson during a product harm crisis. Their studies were conducted in China and South Korea. Finally, Bowen, Freidank, Wannow and Cavallone examine the reaction of consumers in Germany and the USA to Volkswagen's response to the company's emissions crisis ("Dieselgate").

Dhanesh and Sriramesh believe that companies do not adequately recognize the role of culture during a crisis, and as a result they pay a heavy price both in terms of reputation and the bottom line. The authors believe that Benoit's Image Restoration Theory and Coombs Situational Crisis Communication Theory, two of the leading theories in Crisis Communication, do not adequately incorporate culture in their frameworks. Dhanesh and Sriramesh propose a framework which defines culture broadly to include political, economic, media, societal and activist cultures. Applying this framework to a crisis faced by Nestle in India, they find that the multinational struggled to align itself to the complexities of the cultures of the host country. For example, Nestle struggled to cope with the rise of media corporatization, activist pressures and the vagaries of regulatory enforcement. The authors believe that crisis communication literature and managerial practice would be greatly enhanced by integrating culture in all its forms. Multinationals need to manage relationships during a crisis in countries where political, economic, media, culture and activist systems are unfamiliar to them. Dhanesh and Sriramesh's framework provides companies with the tools to better assess the complexity of culture during a crisis.

Laufer, Garrett, and Ning examine the important issue of whether a company should use its CEO as a spokesperson during a product harm crisis. The authors found in studies conducted in South Korea and China that consumer responses to the CEO were contingent on the consumers' level of power distance. When consumers had high levels of power distance they had higher future purchase intentions when compared with consumers who had low levels of power distance when the CEO was the spokesperson during the crisis. In a study conducted in South Korea the authors also provide insight into the process by which this occurs. They find that higher levels of power distance generate increased levels of brand trust when the CEO is the spokesperson, which in turn increases future purchase intentions. Based on the findings of their study, the authors suggest that the CEO of a multinational corporation should be a spokesperson during a crisis in a relatively high power distance country such as China, whereas this may be less important in a low power distance country such as the USA.

In the last article of the special issue, Freidank, Wannow and Cavallone examine the reaction of consumers in Germany and the USA to Volkswagen's response to the company's emissions crisis. The article addresses an important issue in global crisis

management, do consumers in different countries perceive a company's response differently during a global crisis? Also, are consumers from the multinational's home country more sympathetic to the corporate response? In order to examine these issues, Freidank, Wannow and Cavallone conducted an online survey among car drivers in the USA and Germany related to Volkswagen's emissions crisis. Based on their findings, the authors suggest that consumers from outside of a multinational's home country will rely more heavily on a company's crisis response in assessing what further actions they will take such as avoiding the company's products or retaliating against the company. The authors suggest that this takes place because consumers from the home country are more familiar with the multinational, so the crisis response plays a less important role in assessing the situation, and determining actions to be taken against the multinational.

4. Directions for future research

There is a great need for more research in the area of global crisis management. Based on our review which used the scope of comparative crisis research and issues related to crisis management at multinationals, very few studies have been conducted in the area despite the importance of the topic to both the academic and business communities. Below are suggestions for future research.

4.1. Pre-crisis phase

The area of risk assessment and diagnosing crisis vulnerabilities is a very important area of crisis management, and there is much to be examined in the global context. A number of interesting issues include the following:

- a) Risk assessment – As noted earlier, risk assessment is the foundation of crisis management. Therefore, differences in how risk assessment is conceptualized and approached can have a spillover effect onto crisis management. Some possible research areas include: Do managers and stakeholders assess risk differently across cultures? Do managers take noticeably different approaches and place different values on risk assessment across cultures? What cultural factors influence these differences? The concept of uncertainty avoidance could be playing an important role in risk assessment.
- b) Crisis management plans – Crisis management plans are the primary tool for crisis managers. In Western countries crisis management plans are typically short documents that serve as rough guides to action rather than step-by-step actions to take during a crisis (Coombs, 2015). Crisis management plans are meant to be flexible except in cases where there are standard operating procedures for handling a specific type of crisis. Some possible research areas include: Do crisis management plans for similar crises differ in different countries? If yes, why? Do crisis management teams deviate from the plans more or less in different countries? If yes, why? Is there a difference in how detailed crisis management plans are for similar crises in different countries? If yes, why? The concept of power distance could be playing an important role in adhering to policies and procedures.

4.2. Crisis phase

Out of all the phases, the crisis phase typically is the area that draws the most attention among researchers. However, in the global context there are still many topics that are under-researched. A number of interesting topics include the following:

- a) The Role of Corporate Reputation during a Global Crisis – Reputation is a common variable in crisis research. Reputation has been examined as both an antecedent and a consequence in crisis research. As an antecedent, prior reputation can affect how stakeholders perceive a crisis and how managers respond to a crisis. As a consequence, crisis research often examines the damage a crisis inflicts on the organizational reputation. Some possible research areas include: What role does corporate reputation play in a global crisis? What is the impact of a strong corporate reputation during a global crisis? Is it more or less effective in certain cross-cultural contexts? How is corporate reputation impacted by a crisis? Is it more or less adversely impacted in certain countries? What cultural factors influence the extent of reputational harm?
- b) Apologies and Compensation in the Global Context – Apologies and compensation are two common options as responses to a crisis. Both crisis response strategies are considered accommodative because the strategies address concerns of the crisis victims (Coombs, 2007). However, the two crisis response strategies have an important difference—the actual acceptance of responsibility. In an apology, managers acknowledge responsibility for the crisis and open the organization up for financial responsibility for the crisis (Tyler, 1997). With compensation, stakeholders believe the organization is taking responsibility but that is never stated, hence, does not generate the same level of financial liability. We should be mindful that any crisis response strategy only has the desired effect when stakeholders accept the strategy as a viable crisis response (Coombs, 2007). Some possible research areas include: Are there cultural differences in the acceptance of apologies by companies during a crisis? Are stakeholders in certain countries more likely to forgive a company for a crisis, than others? Are consumers more or less likely to accept different levels of compensation for a crisis? In other words, would consumers in China be more understanding of higher levels of compensation given by an automobile company for a product recall in the USA? Could this be related to levels of power distance? Differences in economic development in the various countries impacted by the crisis?

4.3. Post-crisis phase

Based on our review of the literature, the post-crisis phase is the area with the greatest need for research. This is not surprising

because the post-crisis phase is also the least researched area in crisis management in general (Coombs, 2014). An area of particular importance is organizational learning in the aftermath of a crisis. Are employees in certain countries more or less receptive to learning from a crisis, and open to organizational change? What cultural factors facilitate organizational changes following a crisis?

A critical component for learning is the application of post-crisis reviews because the process has been found to facilitate organizational learning (Baird et al., 2000). An interesting issue to examine in the global context related to this issue would be to assess whether companies in certain countries are more receptive to post-crisis reviews than others. What cultural factors could influence the acceptance of post-crisis reviews?

Another topic of interest for the post-crisis phase is examining the role of grieving and memorials. When crises produce victims, there is a need for grieving which increases the likelihood of spontaneous memorials to appear. Managers need to decide if and how the organization fits into the grieving and memorialization process. How does grieving and memorialization vary by culture, and what are the implications for crises that produce victims in different countries?

5. Conclusion

Crisis management for a company that operates in a single country is a very challenging situation during the best of times. Managing a crisis in multiple countries introduces new complexities that create enormous challenges for multinationals. What worked for crisis management in the home country may not work well in other countries where the multinational has operations. Managers must face stakeholders with divergent values, operate in environments with unique media systems, and face scrutiny from previously unknown non-governmental organizations (NGOs). For example, in the area of the pre-crisis phase, how can the company communicate with its stakeholders in order to reduce the risk of a crisis? What wording should be on the label of a new prescription drug in order to minimize the risk of misuse? Would certain types of messages in one country be more effective than in others? In the area of the crisis phase, which third party endorsements should a company seek when conveying their message? Levels of trust in institutions in different countries may be playing a role in the decision. Finally, what actions do a multinational need to take in order to facilitate learning after a crisis? Do these actions differ in the various countries that the crisis took place? Or are they similar?

Unfortunately based on the current literature in crisis management, we do not know the answers to these important questions, and many others, that would greatly benefit companies facing global crises. With the increased interest in crisis management over the years, including special issues in mainstream business journals (Laufer, 2015), hopefully more attention will focus on global issues in the future.

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