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Lan YE

*University of Alabama - Tuscaloosa*

Augustine PANG

*Singapore Management University, augustine@smu.edu.sg*

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# **Examining the Chinese Approach to Crisis Management: Cover-Ups, Saving Face, and Taking the “Upper Level Line”**

Lan Ye, College of Communication and Information Sciences, University of Alabama, Tuscaloosa, Alabama, USA

Augustine Pang, Wee Kim Wee School of Communication and Information, Nanyang Technological University, Singapore, Republic of Singapore

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## **ABSTRACT**

In 2008, the Sanlu Group, a former giant in the Chinese dairy industry and a quintessential Chinese organization, was confronted with the melamine-contaminated milk crisis. Its products were blamed for causing at least six babies' deaths and damaging the kidneys of about 294,000 babies. Sanlu was criticized for its crisis handling, which resulted in its collapse several months later. Using the contingency theory of strategic conflict management and Coombs' typology of crisis communication strategies, this study explored Sanlu's crisis management as a mirror to understanding the Chinese approach to crisis management. Findings showed that influenced by political, social, and cultural factors, Sanlu adopted an accommodative stance toward its local government while maintaining an advocacy stance toward the media and consumers. Government relationships, cover-up, and denial were used. Findings also suggested that the Chinese approach to crisis management remains mired in values that differ from best practices of effective crisis management.

**KEYWORDS:** China, corporate social responsibility, crisis management, melamine-contaminated milk crisis, Sanlu Group

## **INTRODUCTION**

The melamine-contaminated milk scandal in 2008 was one of China's worst food safety scandals in recent memory. Though apparently causing deaths only within China, the news of the contaminated milk spread like wildfire across the Asia Pacific as reports indicated it had resulted in the death of six babies and caused kidney disease in about 294,000 infants (Cheng, Li, & Dong, 2008). Sanlu Group, the former leader in the dairy market, was declared bankrupt less than 3 months after the crisis was first reported.

Overall, the scandal resulted in reduced trust in China's food safety regimen domestically and internationally, damaging China's international reputation as a major food exporter. The Chinese citizenry were outraged that

infants were being made ill by something as seemingly pure as milk for babies. This outrage was exacerbated by China's one-child policy that essentially leaves each family with all of its hopes for the future embodied in one infant.

Indeed, in recent years, Sanlu was one of the most prominent organizations that thrived as a result of the economic reforms in China. Since the implementation of economic reforms in 1979, domestic organizations are increasingly exposed to crises generated by the volatile market environment (Gu & Chen, 2007, 2009). Many had little time to prepare for crisis because of rapid economic growth. Liu, Chang, and Zhao (2009) argued that many organizations became crisis-prone because of unfair competition, rising opportunism of Chinese consumers, and lack of proactive regulations by the government. As a result, organizations such as Sanlu, which achieved rapid success and profitability through extensive market expansion, collapsed in equal measure when its existence was threatened by the melamine-tainted milk scandal and it lacked the crisis management capability to respond.

With the increasingly important status of China in the international community, scholars are beginning to pay considerable attention to how crises are managed in China. For example, studies have examined how China managed its dispute with the United States (U.S.) over the collision of a U.S. Navy reconnaissance plane with a Chinese fighter jet in 2001 (Zhang, Qiu, & Cameron, 2003); how the Chinese government managed the severe acute respiratory syndrome (SARS) crisis in 2003 (Jin, Pang, & Cameron, 2007); how the Chinese government managed the Chinese products recall in 2007 (Cai, Lee, & Pang, 2009); and how the Chinese government responded to the Sichuan earthquake in 2009 (Chen, 2009). Very few studies have investigated Chinese domestic organizations' handling of crises. Yet, it is critical to study these organizations because they symbolize the intricacies of managing crises at the local levels, away from the glare of the international media. It also sheds light into the layers of bureaucracy and complexity of relations that are an intrinsic part of Chinese crisis management.

This study analyzes how Sanlu managed the milk crisis with the contingency theory of strategic conflict management (Pang, Jin, & Cameron, 2010) as the theoretical framework. The contingency theory is used as the theoretical lens as it offers a structure to understand how variables were manifested into a stance and how the stance evolved along a continuum over a period of time (Pang et al., 2010). One can argue that Sanlu's management of the milk crisis is a reflection of the Chinese approach to dealing with crises, which involves emphasizing government relations and media relations, concealing information, and seeking the local government's protection if cover-up fails (Fan, 2008). As Fan (2008) noted, organizations that followed this approach had little fear of crises because they felt they could manage the crisis internally before it became public knowledge. Ironically, as a result of their rationalizations and inertia, they were also the most crisis-prone. Pauchant and Mitroff (1992) argued that the more organizations rationalize their crisis management efforts, leveraging on its size and its connections and indulging in a false sense of invincibility, for instance, the more they were least prepared for crisis.

Through an analysis of the Sanlu case, the present study seeks to shed light on the existing problems in the Chinese approach to crisis management and thus hopes to help other domestic organizations form a more integrated approach to crisis management to better meet the challenges of a vibrant economic environment in China. The current study also aims to extend the inter-cultural understanding of contingency theory by testing the key factors affecting organizations' crisis management in China's political and cultural environment.

## **THE SANLU CRISIS IN 2008**

In the milk crisis in 2008, melamine, a toxic industrial chemical sometimes used to make plastics and fertilizer and able to cause kidney stones if consumed, was found to be added into diluted raw milk to make it appear richer

in protein in quality tests. As a result of melamine being found in products of many dairy organizations (Lee, 2008), Chinese dairy products were banned by more than a dozen countries (Barboza & Martin, 2008); Wong & Liaw, 2008; Zhang, 2008). In China, six babies died, and another 294,000 infants suffered kidney diseases (Cheng et al., 2008).

Products of Sanlu Group were the first to be discovered to contain melamine, and they were also found to contain the highest concentration of the toxin (Zhu, 2009). Sanlu's milk crisis ended in trial and bankruptcy. Tian Wenhua, the chairwoman of Sanlu Group, and three former deputy general managers were arrested on September 26, 2008 and went on trial at Shijiazhuang Intermediate People's Court about 3 months later on December 31 (Cheng et al., 2008). On January 22, 2009, Tian was convicted of manufacturing and selling fake or substandard products and sentenced to life in prison and fined 24.7 million yuan (about US\$3.61 million; Barboza, Chen, & Xie, 2009; Cheng & Zhu, 2009). Three other former executives were sentenced to between 5 and 15 years in prison (Barboza et al., 2009). Sanlu filed for bankruptcy on December 24, 2008 (Wong, 2008).

The milk crisis in 2008 was not the first time that Sanlu was involved in a crisis. In the Fuyang fake milk incident in 2004,<sup>1</sup> Sanlu was listed as one of 45 unqualified brands issued by Fuyang local authorities (Gao, 2005). Later the problematic products were discovered to be counterfeits (Gao, 2005). Under the Shijiazhuang municipal government's request to clear Sanlu's name, the Hebei provincial government permitted the sale of Sanlu products in Hebei Province and requested the administrators of food, commerce, quality supervision, and public health all over China to support the sale of Sanlu products (L. Zhang, 2004). After receiving reports from the Hebei provincial government, the Ministry of Health (MOH), the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ), and another two central government departments soon asked law-enforcing departments in all provinces and cities to guarantee the sale of Sanlu products (Shi, 2004). With support from the local government, Sanlu not only removed its name from the blacklist but also ranked top in AQSIQ's list of 30 reliable dairy organizations within 2 weeks (Du, 2004). Perhaps Sanlu expected continuing full government support should a future crisis occur.

## **LITERATURE REVIEW**

### **Crisis Communication**

Crisis communication is "the communication between the organization and its public prior to, during, and after the negative occurrence," which is designed to "minimize the damage to the image of the organization" (Fearn-Banks, 1996, p. 2). Given that image is "an impression" (Benoit & Pang, 2007, p. 244), a damaged image requires a much longer time to repair than compensation of financial losses. The best way to protect organizational image is to modify the public's perception of who is responsible for the crisis and to maintain a positive image or restore a damaged image among stakeholders (Coombs, 1995; Ray, 1999).

Scholars and professionals, admittedly mostly from the developed Western countries, have suggested several indicators of what constitutes good crisis communication. These include taking responsibility, being honest, providing a constant flow of information, communicating with key publics, and never avoiding the media (Wilcox & Cameron, 2009). On the list of best practices in crisis communication compiled by experts in the U.S. are further elaborations of the aforementioned established principles. These include listening to the publics' concerns and understanding the audience's needs; always maintaining honesty, candor, and openness; meeting the needs of

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<sup>1</sup> In 2004, in Fuyang city, located in Anhui province, a total of 171 infants suffered from malnutrition, and 13 infants died after consuming fake milk powder deficient in protein and other nutrients, with a majority of them living in rural areas (Zhou, 2004).

the media and always remaining accessible; and communicating to the public with compassion, concern, and empathy (Seeger, 2006).

### **Crisis Communication Strategies**

If communicating with the public is critical during crisis, how then can one do so? Coombs (1995) developed five categories of basic organizational crisis communication strategies and further refined those into four clusters of crisis response strategies: (a) “deny cluster,” including attack the accuser (confronting person claiming a crisis occurred), denial (asserting no crisis), and scapegoat (shifting the blame to others outside the organization), with an attempt to eliminate the crisis by denying its existence or the organization’s responsibility for the crisis; (b) “diminish cluster,” which takes the forms of excuse (denying intent to do harm or claiming inability to control) and justification (minimizing severity of damage) with the purpose of weakening the link between the crisis and the organization by claiming the crisis is not the organization’s fault; (c) “rebuild cluster” of compensation (providing money or other gifts to the victims) and apology (taking full responsibility), which strives to restore legitimacy by seeking public approval and forgiveness; and (d) “bolstering cluster,” which includes reminder (telling stakeholders about its past good works), ingratiation (praising stakeholders and/or reminding them of past good works) and victimage (reminding stakeholders that the organization is a victim of the crisis, too). Among these four clusters, the first three—deny, diminish, and rebuild—are primary crisis response strategies, and the bolstering cluster involves supplemental strategies that must be used with one of the other three (Coombs, 2006).

Coombs (2006) suggested that organizations should choose appropriate crisis communication strategies to match different crisis situations based on crisis types, severity of damage, crisis history of the organization, and stakeholder-organization history. Based on his argument, there are five major crisis situations (i.e., rumors, natural disasters, malevolence, accidents, and misdeeds), with rumors having the weakest crisis responsibility and misdeeds having the strongest crisis responsibility (Coombs, 1999).

According to Coombs (1998), as the reputational damage of a crisis intensifies, the publics’ perceptions of crisis responsibility increase, hence, the need for more accommodative strategies. An organization with a history of poor performance should respond with more-accommodative strategies to win forgiveness and rebuild public confidence. When an organization’s crisis responsibility is low, defensive strategies such as “denial” or “attack the accuser” may be effective, whereas if the crisis responsibility is high, accommodative strategies such as “compensation” or “apology” are desirable. In the latter, the more defensive the organizational crisis response is, the more likely the public holds a more negative evaluation of the organization, and the mistrust might leave little space for the organization to recover its tarnished image over time. Appendix A outlines possible crisis response strategies by postures.

Based on Coombs’s typology of crisis management strategies, the following research question is posited:

RQ1: What strategies did the Sanlu Group use to manage the contaminated milk crisis given Sanlu’s strategic position of poor performance and high responsibility?

### **The Contingency Theory of Strategic Conflict Management**

The contingency theory of strategic conflict management began as an extension and refinement of the excellence theory (Pang, 2008). Cameron and his colleagues developed the contingency theory to explain when and how different kinds of public relations are practiced toward diverse publics with a matrix of contingent factors emerging in real-life crises (Qiu & Cameron, 2005).

The basic concept of the contingency theory is a continuum of organization-public relationship ranging from pure advocacy on one end to pure accommodation on the other (see Figure 1). This represents the stance movement of an organization toward a given public at a given time and in a given situation (Cameron, Pang, & Jin, 2008).

FIGURE 1 The continuum of stances of contingency theory.



The concepts of advocacy or accommodation from the contingency theory are closely associated with the Chinese notion of “concern for self” or “concern for others.” Advocacy is an assertive stance with the purpose of defending self-interests and persuading other parties to look favorably upon the organization, whereas accommodation means cooperation with the aim of satisfying the other’s concerns (which might involve sacrificing one’s own interests). Between the two extremes of pure advocacy and pure accommodation, there is a wide range of operational stances that “entails different degrees of advocacy and accommodation” (Cancel, Cameron, Sallot, & Mitrook, 1997, p. 37), which in turn determines the choice of strategies used at any given time. For instance, attack or denial is based on an adversarial stance, and full apology is a strategy applied when the organization takes an accommodative stance.

The organization-public relationship along the continuum is a dynamic process rather than a static condition, which means that at a certain point of the continuum, the organization-public relationship can be either symmetrical or asymmetrical with mixed motives, in which “each side retains a strong sense of its own interests, yet each is motivated to cooperate in a limited fashion in order to attain at least some resolution of the conflict” (Murphy, 1991, p. 125). The organization can be adversarial toward a certain public while accommodative toward another public in the same situation. Also, practitioners can adopt an advocacy stance toward a public in a situation while assuming an accommodative stance to the same public in another situation.

Cameron and his colleagues identified 87 factors, clustered thematically, that influence the location of an organization on the continuum at a given time (see Appendix B). These factors are arrayed into internal variables and external variables, with internal variables relating to the characteristics of the organization, dominant coalition, internal threats and so forth and external variables regarding the environment and the characteristics of the public (Cameron et al., 2008).

Based on the functions of variables, contingent factors are further categorized into predisposing variables, situational variables, and proscriptive variables. The predisposing variables influence the organization’s stance prior to interaction with a specific public (Pang et al., 2010). Some of the well-supported predisposing variables are dominant coalition characteristics, public relations’ access to top management, organizational size and culture, and individual characteristics of involved persons (Pang et al., 2010).

Situational variables influence “how a corporation relates to an external public by effecting shifts from a predisposed accommodative or adversarial stance along the continuum during an interaction with the external publics” (Yarbrough, Cameron, Sallot, & McWilliams, 1998, p. 41). Some of the well-supported situational variables include urgency of situation, characteristics of external public’s claims or requests, characteristics of external public, potential or obvious threats, and potential cost or benefit for an organization from choosing various stances (Cameron, Cropp, & Reber, 2001). Many of the situational factors involve the relative power of two parties: the organization and the external public. Both predisposing factors and situational factors can affect the stance that an organization takes, but whether an organization moves from its predisposed stance depends on

whether the situational factors are powerful enough to influence the position or whether the potential benefits of the situational factors can offset their opportunity costs (Cameron et al., 2001).

Cameron et al. (2001) also argued that there are some factors that limit, prevent, preclude, or prohibit any accommodation by an organization toward a given public. These factors are labeled as proscriptive variables. Six proscriptive factors have been identified: (a) moral conviction, when an accommodative or dialogic stance may be inherently unethical due to moral conviction; (b) multiple publics, when two publics are opposed, and accommodation toward one public means advocacy against another public; (c) regulatory constraints, when collaboration or accommodation is not allowed by relevant organizational regulations; (d) management pressure, when top management considers an accommodative stance as a sign of weakness and prohibits that; (e) jurisdictional issues, when there is a clear division of responsibility within an organization and resolution of an issue requires complex negotiations among various departments; and (f) legal constraints, when accommodation is legally prohibited (Cameron et al., 2001). Even though legal and regulatory constraints may be interrelated, there are instances when they are distinct. An example of regulatory restraint could be a ban imposed by the U.S. Food and Drug Administration on the use of a particular health supplement in the market; legal constraints usually pertain to the imposition of specific laws.

Based on the contingency theory, the following research questions are posited:

RQ2: What factors and stance undergird Sanlu Group's management of the crisis?

RQ3: How did Sanlu Group's management of the crisis reflect the larger Chinese approach to managing a crisis?

## **METHOD**

The current study is conducted using the case-study approach. Case study was employed as it is "an extremely useful technique for researching relationships, behaviors, attitudes, motivations, and stressors in organizational settings" (Berg, 2009, p. 331). Also, case study is effective in illustrating public relations management in real situations (Hendrix, 2004); thus a well-researched crisis management case could offer learning opportunities for other organizations in relevant industries or similar situations. As documents are considered to be unobtrusive and exact and have broader coverage than other data sources (Yin, 2003), documentary analysis was utilized in this study, and these are defined as news stories, journal articles, and blogs.

### **Data Collection**

To reduce the potential bias brought by a single newspaper, three elite and prestige English newspapers of three countries were selected: *China Daily* of China, representing the Chinese point of view; the *New York Times* of the U.S., representing the Western perspective; and *The Straits Times* of Singapore, which posits itself as an ardent China watcher and representing the neutral view (Lim, 2002; Ng, 2001). These newspapers were chosen because of their large circulation, prominence, and influence on public opinion.

*China Daily* is the sole national and official English-language newspaper in China, with an average circulation of 300,000 daily. It provides reliable and representative access to the overall approach that the Chinese press takes to cover news events (Stevenson, 1994). *The Straits Times* is the newspaper of record in Singapore, with an average circulation of 387,800 daily (Nee, 2006; Singapore Press Holdings, 2007). The *New York Times* is the "paper of record" (Gitlin, 1980, p. 299) and is generally considered to be "the weatherman of American journalism" due to its influence on the content of other mass media (Manoff, 1985). News stories have been viable sources to analyze

stance movements (see Jin, Pang, & Cameron, 2006, 2007; Meng & Berger, 2008; Pang, Jin, & Cameron, 2004; Reber, Cropp, & Cameron, 2003). Prestige newspapers are used here primarily because, as Krippendorff (2004) argued, they set political agendas and lead public debates. Riffe, Lacy, and Fico (1998) argued that prestige newspapers are valid instruments for analysis because they play a “key role in history” (p. 86).

The Sanlu crisis broke out on September 11, 2008 when it admitted its baby formula products were contaminated by melamine and announced an immediate recall. For the purpose of this study, it is considered to have ended on January 22, 2009, when the Shijiazhuang Intermediate People’s Court sentenced its four top executives. Considering news stories are normally published 1 day later than the actual occurrence they report, the timeline for data collection in this study is from September 11, 2008 to January 23, 2009.

With the key words *China* and *Sanlu* or *milk*, a search in the *Factiva.com* newspaper database yielded 161 stories from the *China Daily*, 162 stories from *The Straits Times*, and 104 stories from the *New York Times*. Eventually, 83 stories from the *China Daily*, 41 stories from *The Straits Times*, and 51 stories from the *New York Times* were selected based on the following criteria: (a) it answers the research questions of this study; (b) no stories about other tainted products such as animal feeds; (c) no stories about other countries handling imported Chinese contaminated milk products, such as product testing, and warning of domestic consumers; and (d) no letters to the editor, commentaries, and news summaries. Given that these three newspapers have duplicate coverage of certain issues, 12 stories from the *China Daily*, 13 stories from the *New York Times*, and 10 stories from *The Straits Times* were eventually used for analysis in this study.

Additional documents were collected due to the following reasons: (a) Because Sanlu tried to cover up the milk incident, it was difficult for foreign journalists to probe into the issue; (b) as the local government helped Sanlu to conceal the truth, the Sanlu case was a sensitive topic for the *China Daily*, which is operated by the central government that was concerned about China’s image, hence its efforts to report Sanlu’s crisis management were limited; and (c) as the milk crisis quickly escalated from Sanlu’s crisis to a national crisis and finally an international crisis, attention of the three English-language newspapers shifted to the Chinese government; therefore their stories about Sanlu’s crisis management in latter stages were limited. To portray this case more thoroughly, materials were collected from the *Xinhua News Agency*, blogs, journals, and Chinese newspapers such as *Southern Weekend* and *China Youth Daily*.

*Southern Weekend*, which is described by the *New York Times* as “China’s most influential liberal newspaper,” is one of the best-selling newspapers in China and is well-known for its investigative exposes and insightful comments on issues that are regarded as sensitive by the government officials (Rosenthal, 2002). *China Youth Daily* is a popular official newspaper, with an average daily circulation of nearly 1 million that is known to push the boundaries of what is allowed by the authorities (Danwei, 2008). News stories from these Chinese newspapers were selected from the *Factiva.com* database with key words “三鹿” (Sanlu) and “奶粉” (milk powder). *Xinhua News Agency* is China’s largest official news agency and the “agenda-setter” for most state-controlled newspapers. Considering that the *Xinhua News Agency* publishes both English and Chinese news, English stories were selected from the *Factiva.com* database with key words *China* and *Sanlu* or *milk*, and Chinese stories were collected from the official website of the *Xinhua News Agency*.

Information was also collected from the blogs of journalists Jian Fangzhou and Fu Jianfeng. Fu Jianfeng was the editor at *Southern Weekend*. Jian Fangzhou was a journalist of the Shanghai-based *Dongfang Zaobao*, which first exposed Sanlu’s tainted-milk incident. They described their experiences with Sanlu in their blogs. Other journal articles were added to the data set. These journal articles were collected from the China National Knowledge Infrastructure (CNKI) database by typing “三鹿” (Sanlu) and “奶粉” (milk powder) as key words. These additional documents yielded a total of 22 stories from the *Xinhua News Agency*, 14 stories from national and local newspapers in Chinese, 2 stories from journalists’ personal blogs, and 7 articles from professional journals and magazines.



## **Data Analysis**

The qualitative approach was adopted. Five steps were conducted to develop inductive categories (Berg, 2009). First, all the stories selected were read and related to the research questions. Descriptive notes on the content of all the news were made. After gaining a complete comprehension of Sanlu's crisis management in the tainted-milk incident, we created a timeline of key events leading to the crisis, the crisis management process, and post-crisis. The chronological order of the Sanlu case was as follows: (a) early warnings (December 2007–March 30, 2008); (b) cover-up (March 31, 2008–September 8, 2008); (c) exposure (September 9, 2008–September 15, 2008); and (d) collapse (September 16, 2008–January 23, 2009).

Second, all stories were read again with detailed descriptive notes to frame appropriate categories. Based on the research questions, the following 10 categories were developed: (a) consumers' complaints, (b) news reports, (c) investigate problematic products, (d) Sanlu and local government, (e) Chairwoman Tian Wenhua, (f) cover up, (g) exposure, (h) response to the media, (i) response to the public, and (j) aftermath. Criteria for selection were developed after establishing the categories. For example, the "investigate problematic products" category refers to stories about organizing technological teams to investigate products, sending samples to testing centers, and confirming milk contamination with melamine.

Third, the data were sorted according to the selection criteria. The data were read again, and each time a segment of data fitted a criterion, it was cut and pasted to a word file that was named by categories. For instance, the segment in the story "Company at core of China's milk scandal is declared bankrupt" (Wong, 2008), "The Chinese dairy company at the center of a tainted milk scandal that shook consumer confidence in China this fall was declared bankrupt by a court on Wednesday ... " was categorized as "aftermath."

Fourth, in-depth analysis of relevant categories was done through a fourth reading of the data, which was the critical analysis to attain latent information in the news stories and to detect the implication, relation, strategies, and values of latent information. Finally, a narrative description and analysis of the findings of each research question were conducted.

## **FINDINGS**

To aid readers in following the discussion and to demonstrate how theoretical concepts are integrated into the findings, the factors and strategies are italicized.

### **Sanlu's Crisis Management Strategies**

The first research question examined the strategies that Sanlu Group used to manage the contaminated milk crisis. There were two stages in its crisis handling.

#### **STAGE ONE: BEFORE IT WAS EXPOSED**

*Cover-up* was the strategy that Sanlu used most frequently before the scandal was exposed. For instance, as complaints emerged and test results indicated high levels of melamine contamination in products, instead of official recalls, Sanlu replaced more than 90% of tainted products in the market with “qualified” products based on a “safe” standard for melamine content in food (Shen, 2009; Ye, 2008; Zhu & Cui, 2009). Further, it remained quiet on the contamination issue and appeased consumers by paying them off, offering refunds, or providing treatment (Ye & Ma, 2009). Sanlu also reported to local authorities that melamine might have been intentionally added in raw milk by farmers to increase the protein content and asked the local authorities to conduct an investigation and prevent the media from playing up the story as it would have a negative impact on the dairy industry (Guan, 2008; Shen, 2009; Wang, 2008).

Even as it concealed information, Sanlu dealt with the media with both suppression efforts and by using the purchase of advertising as a bribe for silence. As a result, newspapers in Hebei province where Sanlu was located and many newspapers in other provinces where complaints were filed remained silent on the milk incident (Ma, 2008). Also, Sanlu signed advertising contracts worth millions of yuan with main news portals and search engines such as *Baidu.com* and *Sina.com* in exchange for the removal of unfavorable stories (Lu, 2008).

## STAGE TWO: AFTER IT WAS EXPOSED

Before the Sanlu case captured the attention of the national authorities and the public in mid-September, strategies of *denial* together with *bolstering* characterized Sanlu’s crisis management approach. For example, when newspapers such as the *Lanzhou Morning Post* and the *Chinese Business View* described possible connections between Sanlu products and baby kidney illness cases (Jian, 2008; Shen, 2008; Zhao, Jian, Que, & Wang, 2008), Sanlu claimed that the problematic products could be mislabeled or were counterfeit products, referring to what happened in 2004 with the Fuyang fake milk incident (Anonymous, 2008a; Du, 2008a).

At the same time, Sanlu reminded the public via popular Internet portals, including *Sina.com* and *Sohu.com*, of the reputation of Sanlu, that it was a leading brand with a strong track record (Da, 2008). After *Dongfang Zaobao* revealed the role that Sanlu played in this crisis, Sanlu required Jian Fangzhou, the *Dongfang Zaobao* journalist who disclosed the Sanlu case, to withdraw his report (Jian, 2008) and told the media that the milk contamination was probably rumors spread by competitors (Jiang, 2008). It also responded via *people.com* that the Group was socially responsible and produced only products of extremely high quality (Da, 2008; Zhuan, 2008). Sanlu also applied the strategy of *endorsement of outside experts*, which is usually an effective strategy (Coombs, 2007), by telling the media that all products passed authoritative quality supervision and inspection (Zhuan, 2008).

*Diminishing* strategies and *shifting the blame* were utilized during the MOH’s investigation. After the MOH’s investigation suggested possible melamine contamination (Jiang, 2008), Sanlu concurred and announced a recall (Yan, 2008; Zhu, 2008a). During the latter part of the crisis, when tests by the MOH evidenced contaminated Sanlu products as the cause of infant kidney stones (Anonymous, 2008b; Du, 2008b), Sanlu shifted the blame to grocers who refused to return tainted milk products (Quek, 2008a) and blamed the contamination on “criminal farmers” who added melamine to make the protein content appeared higher (Zhu, 2008a). Though Sanlu’s explanation was supported by the Shijiazhuang government (Du, 2008b), farmers in Shijiazhuang told journalists that they had never heard of melamine before the outbreak of the scandal (Quek, 2008b).

When evidence unfavorable to Sanlu emerged, it was forced to engage in *corrective actions*. On September 15, Sanlu vice president Zhang Zhenling made a formal *apology* during a press conference (Yardley & Huang, 2008). After that, even as it *compensated* victims, it *remained silent* (Li, 2008; Yardley & Huang, 2008). Sanlu’s crisis ended in bankruptcy (Wong, 2008). The Chinese criminal courts imposed a life sentence on Sanlu’s head, Tian Wenhua, and three other top Sanlu executives (Barboza et al., 2009; Cheng & Zhu, 2009).

## Factors in Sanlu's Crisis Management Strategies Selection

The second research question examined what factors and stance undergirded Sanlu Group's crisis handling.

### SANLU AND THE GOVERNMENT

Sanlu assumed an accommodative stance toward the Shijiazhuang municipal government. The *characteristic of the organization* is an important factor undergirding Sanlu's stance. Though Sanlu had a joint venture with Fonterra Group, it was still a state-owned enterprise (SOE). Therefore, like other SOEs, Sanlu enjoyed resources allocated by the government and followed state orders in all activities (Yu, 2007).

The *characteristic of the dominant coalition*, particularly Tian Wenhua (Sanlu's chairwoman), was also an important internal factor explaining Sanlu's close affiliation with its local government. As a Chinese Communist Party member, Tian regarded the Party as the one to be completely honest with and to seek assistance from when confronted with problems. Besides, Tian herself was a local government official, a Chinese People's Political Consultative Conference National Committee member and a deputy to the Hebei provincial People's Congress (Anonymous, 2008c; Kong, 2009).

The other influential factor is the *organization-public relationship*: in this case, the Sanlu-local government relationship. As an SOE, selection and dismissal of Sanlu's leaders were controlled by the local government, which was evidenced by Tian's appointment, promotion, and dismissal (Kong, 2009). The local government and Sanlu Group also mutually benefitted each other. Being the largest dairy corporation in Shijiazhuang, Sanlu was a cash cow for the local government's revenue (L. Zhang, 2004). For example, its annual profit and tax submitted to local government was 650 million yuan (about US\$95.1 million) in 2005 (Jia, Zhang, & Jia, 2004). Given its importance, supporting Sanlu was paramount in the local government's economic plan (Han, 2008; L. Zhang, 2004).

*Past experience* also played a vital role in Sanlu's government stance. In the Fuyang fake-milk incident in 2004, support from its local government helped Sanlu remove its name from the unqualified brands list (Y. Zhang, 2004). In the 2008 crisis, Sanlu had hoped that the government's help could prevail again.

### SANLU AND THE MEDIA

Sanlu's stance toward the media oscillated between advocacy and accommodation, undergirded by *political environment*, *culture*, and *threat* factors. The milk contamination itself (*issue under question*) influenced Sanlu's advocacy stance toward the media before the scandal was exposed, as it occurred around the time of the Beijing Olympic Games, when the government was most sensitive about food safety. Since 2007, the Chinese government has been dedicated to changing China's negative image in the Western media by stressing the promotion of good news stories (Cheong, 2008; Yardley & Huang, 2008). In particular, to restore a national image that was tainted by exported pet food ingredients that sickened cats and dogs in the U.S., the Chinese government launched a national campaign on food safety and required the domestic news media to obtain permission before releasing any stories about food safety (Barboza, 2008; Quek, 2008c; Yardley & Huang, 2008). Sanlu, however, found products contaminated just days before the Games. Given that more than 20,000 foreign correspondents had arrived in Beijing for the Games, which was considered to be a time to showcase China (Cheong, 2008), an announcement of domestic melamine contamination of milk for babies could be seen as an unprecedented public relations disaster for all of China.

The advocacy stance undertaken by Sanlu was also affected by at least two Chinese *cultural factors*: “saving face” and “uncertainty avoidance.” As a Chinese maxim illustrates, “the ugly things in our family should never go public,” which indicates that culturally the Chinese people would attempt to save face for their organizations whenever possible. Therefore, Sanlu would lose face, something akin to the loss of public respect in a Western context, if it admitted to product quality problems. Keeping dishonorable things covered up was the common strategy used to save face. The other cultural factor was high uncertainty avoidance. Chinese tend to “keep their mouths shut” (Yu & Wen, 2003, p. 54) as they believe that “trouble is born out of the words you speak” and if “to speak would be an unwise commitment of one’s judgment, a risk ought not be taken” (Oliver, 1971, p. 264). Thus, in sensitive situations such as crises, Chinese organizations tend to decline to communicate or to divert attention away from themselves (Yu & Wen, 2003).

After the crisis was exposed, Sanlu’s stance toward the media shifted from advocacy (suppression) to accommodation (praising its past achievements) and back to advocacy (silence). Threat was the factor undergirding Sanlu’s inconsistent stances. With the fear of potential consequences, Sanlu published articles to ease the public’s suspicion. However, when the national authority confirmed contamination, it backtracked to take a “no comment” attitude.

## SANLU AND CONSUMERS

Sanlu adopted an advocacy stance toward general consumers (cover-up) and an accommodative stance toward the victims (offering refunds, apologies, and/or compensation). The *social environment* and *industry environment* contributed much to Sanlu’s stance. Sanlu was widely blamed for placing economic interests over consumers’ interests. A shift from a seller’s market to a buyer’s market in the economic reform stimulated consumption significantly. With economic indicators becoming the most crucial factors for the central government to evaluate performance of local officials, the burdens shifted to local organizations, especially those in which local governments held controlling shares. Faced with the temptation from the market and pressure from the government, organizations such as Sanlu put their efforts into maximizing profits and market expansion. Due to the lack of a supervision system within the current economic system of China, which is a mixture of planned economy and market economy (Hung, 2000), corporate social responsibility often is sacrificed to maximizing profits.

Fierce competition is another core factor contributing to Sanlu’s advocacy stance. Since the fight for supplies of raw milk started in 2007, Sanlu’s officials, concerned that it may not obtain enough supplies, collected literally any available supply, including diluted raw milk or milk adulterated with other substances (Yang & Zhu, 2008; Ye, 2008).

The *characteristic of consumers* was also another factor that could not be ignored. Most victims of the milk contamination were in the rural areas (Yu & Miao, 2008). Rural consumers are relatively powerless compared to urban dwellers as they have less legal consciousness and there are fewer channels through which they can complain. Additionally, they are easier to appease with a small amount of monetary compensation due to their relatively low incomes and living standards.

*Threat* and the *potential cost of choosing various stances* also contributed to Sanlu’s cover-up strategy. Given that the influence of tainted products covered many regions, the number of victims was unprecedented, and the victims in this incident were babies. And, given the one-child policy in China, the value of children, especially boys, is very high, indicating that Sanlu would encounter claims for huge amounts of compensation and increased damage to its reputation and a higher overall cost of the recall.

The *third party* is a crucial factor affecting Sanlu’s attitudes toward consumers. Sanlu denied the media’s accusation by using reports of the favorable testing results from authoritative quality supervision. However, only

1 hour after the MOH announced possible contamination in Sanlu products, Sanlu's attitude toward consumers shifted from pure advocacy to pure accommodation by admitting that contamination had been found and announcing an official recall.

## **The Chinese Approach to Crisis Management**

The third research question examined how Sanlu Group's crisis management reflected the Chinese approach to managing a crisis.

### **COVER-UP AND DENIAL**

Though an organization in crisis should "tell the truth and tell it fast" (Augustine, 1995; Barton, 1993; Dougherty, 1992), in China the cultural values of face saving and uncertainty avoidance were "more deeply held than the value of telling the absolute truth in every situation" (Yu & Wen, 2003, p. 62). When encountering a crisis where an organization could be culpable, Chinese organizations usually choose "not to publicly communicate the full extent of crises and are deceptive in their reporting of various incidents" (Yu & Wen, 2003, p. 51). Recent examples of this approach included the Chinese government's underreporting the number of people infected by SARS; denial of journalistic access to infected areas; and hiding patients from World Health Organization inspectors during the SARS crisis (Qiu & Cameron, 2005). Similarly, we note the Chinese government's initial strategies of denial, bolstering, and attacking accusers in the pet food recalls and a subsequent series of product recalls in 2007 (Cai et al., 2009). Sanlu's approach mirrored these cases. It replaced contaminated products (Shen, 2008), distanced itself from accountability, stated it had started a recall after discovering contamination, and shifted the blame to farmers to avoid making an apology (Da, 2008; Jiang, 2008; Zhuan, 2008).

### **TAKING THE "UPPER LEVEL LINE"**

Taking the "upper level line" means, for the individual, having things done through personal connections with persons who are high-ranking in terms of political, social, or economic status. For the organization, it means to have problems, or crises, solved with the help of the government. Chinese organizations in crisis usually "spend much more time taking the 'upper level line' than dealing with the media" (Liang, 2005, p. 15) as they believed the government could protect organizations from the media siege by controlling the media or keeping silent (Liang, 2005). For instance, when Mengniu Group was overwhelmed by negative reports of poisoned milk in 2004, government intervention stopped the media from follow-up reports (Lin, 2007) and saved Mengniu's reputation. During Sanlu's crisis, many newspapers in Hubei Province remained silent as Sanlu used its connections with the authorities (Fu, 2008).

### **THE THIRD PARTY**

In times of crisis, consumers choose to trust comments from experts or external parties. Therefore, organizations often use the prestige of experts to boost their credibility, or ask experts to speak on behalf of the organization.

For example, when Nestlé China was blamed for high iodine content in milk powder in 2005, some experts defended Nestlé by stating that the milk powder was harmless (Liang, 2005). Sanlu frequently used the “expert” strategy and claimed its products had passed national inspections (Da, 2008). Having the local government’s support endorsed it further (Du, 2008c; Zhu, 2008b).

## SILENCE

Keeping silent is one of the golden rules in Chinese crisis management. Heath (2006) cautioned organizations to “commit itself to be the first and best source of information to keep bad information from pouring into any reporting vacuum” (pp. 247–248). However, a silent and reserved gesture is often considered to be a wise option in Chinese culture (Bond, 1991). During a crisis, Chinese organizations believe that if the organization is not sure what comments should be made or if there is no better way to put the organization in a position of agreement with public opinions, keeping silent is better than “making blatant comments” (Xu, 2006, p. 21). Moreover, because what is unveiled in a crisis may be only a small portion of actual internal problems, organizations tend to pursue a “the less trouble the better” approach due to the fear of disclosure of unintended revelations. Sanlu applied the silence strategy after making an apology: the apology probably aimed to supersede the disclosure of more negative news.

## DISCUSSION

Through the lens of the contingency theory of strategic conflict management, this study sheds light on the Chinese approach to crisis management, using the Sanlu milk crisis as a case study. The Chinese cultural aspects of face saving and uncertainty avoidance, the government’s dominant power in economic activities, a social environment stressing the pursuit of profits, and organization-government relationships emerge as significant factors undergirding Sanlu’s accommodative stance to government while maintaining an advocacy stance toward the media and consumers.

Findings show that the dominant strategies adopted by Sanlu were accountability-distancing strategies including denial, shifting blame, bolstering, and diminishing, with denial and shifting blame used most frequently. As Coombs (1999) argued, if an organization’s crisis responsibility is high, defensive strategies may arouse the publics’ antipathy and impede the recovery of the organization: Sanlu’s socially irresponsible attitude and behavior antagonized its publics. Under tremendous external pressure, Sanlu was compelled to shift its strategy from pure advocacy to pure accommodation accompanied with apology and compensation, which did little to repair its tainted image.

Findings also indicate that Sanlu excelled in using its government relationship and relying on the local government to influence the media and consumers. Interestingly, in contrast with Shin, Cheng, Jin, and Cameron’s (2005) position that an organization and its publics in conflict often begin with an advocacy stance, Sanlu’s stance toward local government was purely accommodative. Being an SOE, Sanlu had a natural connection with local government, which was further strengthened by factors such as the characteristics of Sanlu’s chairwoman Tian Wenhua, the Sanlu-local government’s mutually beneficial relationship, and their successful cooperation experience in Sanlu’s past crisis. In this light, the cooperative relation between Sanlu and local government was internally motivated, which made it more indestructible than an externally motivated relationship (for example, collaboration under outside pressure).

Contrary to Sanlu's consistent stance toward local government, its stance toward the media and consumers was changeable. That supported the Jin et al. (2007) argument that a crisis is dynamic; thus, "the stances and strategies must be equally dynamic" (p. 64). The stance of Sanlu toward the media moved from advocacy (silence the media) to accommodation (release stories) and back to advocacy (no comment), with culture and threat as the most important factors.

Supporting the Jin et al. (2007) findings that culture "should be incorporated as a predisposing variable" (p. 64), this study found that face saving in the Chinese culture precluded Sanlu's accommodative stance toward the media at the very beginning. Made anxious by knowledge of the Chinese aphorism that "admitting guilt is losing face," Sanlu might have viewed the media as an enemy that probes into its dishonor to boost viewership or readership; therefore, Sanlu tried to cover up the truth.

This study found that culture could also be regarded as a significant situational factor, reflected in Sanlu's silence after making an apology. Sanlu kept silent because it thought it had been thoroughly discredited by apologizing; hence, there was no effective means to save its "face." After that, given the Chinese cultural influence of uncertainty avoidance, Sanlu probably felt that more communication merely "added insult to injury."

Consistent with findings in previous studies that fear has emerged as a dominant factor in contingency theory (Choi & Cameron, 2005; Jin et al., 2007), fear and threat were found to be critical factors undergirding the shifts in Sanlu's stance toward the media. As it is difficult for Sanlu to silence the media in other provinces because it received the backing only of its local government, fear of severe consequences brought about by negative publicity on a national scale compelled Sanlu to change its strategies from suppression of news to actively publishing positive stories to relieve public suspicion. Similarly, threat emerged when the central government proved melamine contamination of Sanlu products, which forced Sanlu to make an apology.

When dealing with consumers, the stance of Sanlu moved from "accommodation embedded in advocacy" (i.e., cover-up, refunding; Pang, Jin, & Cameron, 2007) to pure accommodation (i.e., apology). Before the scandal was exposed, Sanlu adopted different stances toward different layers of consumers, which supported the Pang et al. (2007) finding that there were some situations in which "both advocacy and accommodation could be utilized and embedded one in the other at the same time" (p. 17). Sanlu took a strict advocacy stance toward general consumers by withholding information but meanwhile used a purely accommodative stance to families of victims by paying them off, offering refunds, and providing medical treatment.

Factors such as powerlessness of consumers, fierce competition, and a social environment that valued economic interest over consumers' interest explained why Sanlu was unwilling to tell the truth. Factors such as the potential cost or benefit of choosing various stances contributed much to Sanlu's inconsistent stance toward victim families. Sanlu especially feared consumers who could have complained to the media. As they were only a relatively small pool of victims, the cost of persuading them to keep quiet was much lower than the cost of handling a nationwide scandal, which would involve offering compensation to thousands of victims and further damage to their already tarnished image.

Findings suggested that a new factor—"outside experts" or "the third party"—was a significant factor contributing to Sanlu's final accommodation stance toward consumers. Coombs (1999) pointed out that an organization could use an outside expert to enhance its credibility and influence stakeholders' perception. Experts could not only side with the organization but hold opposite views, and the power and position of outside experts determined whether the statement of the experts could be powerful enough to shift the organization's predisposed stance. In Sanlu's case, it finally apologized to consumers when the MOH confirmed melamine contamination in its products. However, if this had not been the country's MOH but rather a state department with a lower position in the hierarchy, Sanlu would probably *not* have changed its stance but instead have questioned the credibility and authority of the lower-level department's results.

After taking an overall view of Sanlu's entire crisis management process, relative power of publics and relationship characteristics emerged as dominant factors undergirding Sanlu's diverse stances toward multiple stakeholders. Among Sanlu's three key stakeholders (i.e., government, media, and consumers), the government was the most powerful whereas consumers were the most powerless, and the government held an enormous restraining force over both the consumer and media stakeholders. Therefore, the government became the stakeholder that Sanlu employed complete accommodation to, attached most importance to, relied upon, and eagerly cooperated with. In contrast, Sanlu showed little concern for consumers' interests and adopted an advocacy stance most of the time. The power of the media was between the government and consumers; thus, Sanlu's stance was an "oscillation on the continuum" (Jin et al., 2007, p. 64) from pure advocacy to pure accommodation.

This finding suggested that an organization's crisis management might begin with an assessment of the power of its various stakeholders and an analysis of who could not be offended without severe consequences and who was more helpful. For the relationship characteristics factor, with a mutually beneficial relationship built through many years of cooperation, Sanlu might have regarded the local government as being "on our side," as their interests were closely connected with each other, and treated the media and consumers as being "on the other side," as they were, in Sanlu's view, the troublemakers.

To a large extent, Sanlu's crisis management is a reflection of a typical Chinese approach to crisis management. This can be summed up as utilizing a planned economy approach in a market economy. This means Chinese organizations feel responsible only to the government, virtually ignoring the media and consumers.

Overly relying on the government, be it at the local or national level, might not be always effective, as the government has its own interests. Should the government find its interests at odds with the organization, the government may be willing, figuratively, to feed the organization to the wolves. For example, the Shijiazhuang municipal government eventually reported milk contamination to the Hebei provincial government after covering up for Sanlu for almost 1 month and defending Sanlu in front of the media. Moreover, as the Chinese people usually perceive government intervention as connected to corruption (i.e., bribery), government endorsement might raise people's suspicion about the actual innocence of the organization and the credibility of the public statements of both the government and the organization the government is trying to protect.

Additionally, a complete cover-up is hard to achieve, as the local government has limited influence over the media in areas outside of its jurisdiction. In Sanlu's case, it was exposed by a newspaper in Gansu province rather than the province where Sanlu is located. As Heath (2006) pointed out, "the harder the organization tries to hide, the more explosive they are once they surface" (p. 246). Cover-up and denial, relying on government, and keeping silent failed to save Sanlu from economic losses and damage to its image. The weaknesses of the Chinese approach to crisis management suggest that Chinese organizations are still a distance away from becoming effective crisis managers.

## **CONCLUSION AND IMPLICATIONS**

This study suggests both academic and practical implications for researchers and Chinese organizations. From the academic perspective, by exploring contingency theory, findings indicated that cultural, political, and social environments that received little support in a Western society (Cancel, Mitrook, & Cameron, 1999) appeared to be dominant factors influencing Chinese organizations' crisis management approach. In particular, culture acts not only as a predisposing factor but as a situational factor in influencing an organization's stance.



Findings also indicate that factors reflecting the balance of stakeholders' power and organization-public relationship, which were rarely mentioned in previous studies, are significant factors affecting a Chinese corporation's stance and strategies. These factors include characteristics of the organization, characteristics of stakeholders and their social status, characteristics of the dominant coalition and its connection with external publics, and organization-publics' past cooperation experience. Additionally, findings suggest that outside experts or the third party should be incorporated as an important situational factor. In brief, this study suggests a set of dominant factors influencing Chinese organizations' crisis management.

Though some of these factors faced by Chinese organizations may overlap with organizations in the Western countries, based on the contingency theory, arguably, what appears to be of greater concern among U.S. organizations, in particular, would be more organizational and social factors than cultural and political factors. In the U.S., communicators are more concerned with factors that may hinder communication, such as dominant coalition characteristics, public relations' access to top management, organizational size and culture, and individual characteristics of involved persons (Pang et al., 2010) or the urgency of the situation, characteristics of the external public's claims or requests, characteristics of the external public, potential or obvious threats, and potential cost or benefit for an organization from choosing various stances (Cameron et al., 2001). Thus, their best practices have focused on what organizations can do, such as providing a constant flow of information; communicating with key publics (Wilcox & Cameron, 2009); listening to the publics' concerns and understanding the audiences' needs; always maintaining honesty, candor, and openness; meeting the needs of the media and always remaining accessible; and communicating to the publics with compassion, concern, and empathy (Seeger, 2006).

However, for Chinese organizations, cultural and political factors appear to exert greater influence on these organizational and social factors. They can be considered to be the antecedents, or the invisible hands, that determine the extent to which the organization relates to its stakeholders and the media and the messages it conveys.

Hopefully, this study might motivate further examination of factors at work in both Western and Asian crisis management contexts. On the practical front, Sanlu's failure shows that when an organization is at fault, strategies to diminish responsibility (such as cover-up and denial) "will increase the harm by reducing credibility and creating the impression that something is being hidden" (Seeger, Sellnow, & Ulmer, 2003, p. 51). Because the Chinese culture is emotion-based and values "attitude," what is most critical for an organization in China is to show a responsible attitude toward, and compassion for, the victims, an approach that Western managers would likely identify as socially responsible. A defensive stance would be perceived only as the intention to avoid responsibility.

One limitation of this study lies in its data sources. Data used were collected from press releases, blogs, and journal articles, which might not be able to fully reflect the public's perception of Sanlu's crisis management. Multiple research methods, for example, a survey of consumers, and in-depth interviews of relevant officials, could provide a more thorough understanding of the Sanlu case. Future studies could further explore characteristics of the Chinese approach to crisis management by analyzing more cases or interviewing practitioners and dominant coalitions in Chinese organizations and should be expanded to inter-cultural contexts.

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## APPENDIX A

### Crisis Response Strategies by Postures (Coombs, 2008)

Deny posture (low concern for victim and responsibility acceptance)

- Attack the accuser
- Denial
- Scapegoat

Diminish posture

- Excuse
- Justification

• Deal posture (high concern for victim and responsibility acceptance)

- Ingratiation
- Concern
- Compensation
- Regret
- Apology

## APPENDIX B

### Matrix of Contingent Factors That Affect an Organization's Response (Pang et al., 2010)

#### External Variables

##### 1. Threats

- Litigation
- Government regulation
- Potential damaging publicity
- Scarring of organization's reputation in community
- Legitimizing activists claims

##### 2. Industry environment

- Changing (dynamic) or static
- Number of competitors/level of competition
- Richness or leanness of resources in the environment

##### 3. General political/social environment/external culture

- Degree of political support of business
- Degree of social support of business

##### 4. The external public (group, individual, etc.)

- Size/number of members
- Degree of source credibility/Powerful members or connections
- Past successes or failures of public to evoke change
- Amount of advocacy practiced by organization
- Level of commitment/involvement of public's members



- Whether the public has public relations counselors
  - Community's perception of public: reasonable or radical
  - Level of media coverage the public has received in past
  - Whether representatives of the public know or like representatives from the organization
  - Whether representatives of the organization know or like representatives from the public
  - Public's willingness to dilute its cause/request/claim
  - Moves and countermoves
  - Relative power of organization
  - Relative power of public
5. Issue under question
- Size
  - Stakes
  - Complexity

### Internal Variables

1. Organization's characteristics
  - Open or closed culture
  - Dispersed widely geographically or centralized
  - Level of technology the organization uses to produce its product or service
  - Homogeneity or heterogeneity of employees
  - Age of the organization/value placed on tradition
  - Speed of growth in the knowledge level the organization uses
  - Economic stability of the organization
  - Existence or non-existence of issues management personnel or program
  - Organization's past experiences with the public
  - Distribution of decision-making power
  - Formalization: number of roles or codes defining and limiting the job
  - Stratification/hierarchy of positions
  - Existence or influence of legal department
  - Business exposure
  - Corporate culture
2. Public relations characteristics
  - Number of practitioners total and number with college degrees
  - Type of past training
  - Location of PR department in hierarchy: independent or under marketing
  - Representation in the dominant coalition
  - Experience level of PR practitioners in dealing with conflict
  - General communication competency of department
  - Autonomy of department
  - Physical placement of department in building
  - Staff trained in research methods
  - Amount of funding available for dealing with external publics
  - Amount of time allowed to use dealing with external publics
  - Gender: percentage of female upper-level staff/managers
  - Potential of department to practice various models of public relations
3. Characteristics of dominant coalition (top management)
  - Political values: conservative or liberal/open or closed to change

- Management style: domineering or laid-back
  - General altruism level
  - Support and understanding of PR
  - Frequency of external contact with publics
  - Department perception of the organization's external environment
  - Calculation of potential rewards or losses using different strategies with external publics
  - Degree of line manager involvement in external affairs
4. Internal threat (how much is at stake in the situation)
- Economic loss or gain from implementing various stances
  - Marring of employees' or stockholder's perception of the company
  - Marring of the personal reputations of the company decision makers
5. Individual characteristics (public relations practitioners, domestic coalition, and line managers)
- Training in PR, marketing, journalism, engineering, etc.
  - Personal ethics
  - Tolerance or ability to deal with uncertainty
  - Comfort level with conflict or dissonance
  - Comfort level with change
  - Ability to recognize potential and existing problems
  - Extent of openness to innovation
  - Extent to which individual can grasp other's worldview
  - Personality: Dogmatic, authoritarian
  - Communication competency
  - Cognitive complexity: Ability to handle complex problems
  - Predisposition toward negotiations
  - Predisposition toward altruism
  - How individuals receive, process and use information and influence
  - Familiarity with external public or its representative
  - Like external public or its representative
  - Gender: Female versus male
6. Relationship characteristics
- Level of trust between organization and external public
  - Dependency of parties involved
  - Ideological barriers between organization and public