Crisis Management in Chinese Organizations
Crisis Management in Chinese Organizations
Benefiting from the Changes

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Organizations experience different phases. There are periods when the number of orders is growing, turnover is increasing, and organizations are looking for additional employees. There are also times, however, when firms should downsize and the survival of the firm is at stake. Why do companies experience crises? What are the reasons? Is it possible to avoid crises? How can high performance and high profits be sustained over a longer period?

There are several answers to these questions. Forces in the macro-environment should be taken into consideration, but not only that. Why do some companies in the same environmental conditions survive while others do not? Why do the names of companies in the list of the top 100 change quite frequently? Why are successful companies able to fail? Why do other less well-known companies rise to become top performers?

Individuals learn. Since companies consist of individuals, they learn as well. If companies fail to adjust to the changing business environment by making timely changes, they may face a crisis. Although the crisis may threaten the company’s existence, it also offers the possibility to learn how to improve, and to understand which changes are needed. It provides an opportunity to start again, and create the necessary conditions to avoid further crises in the future.

This book provides the theoretical framework on how to manage crises in organizations. Different crisis situations in various organizations are analyzed. The Chinese economy has continued to grow despite the economic downturn in most countries in Europe and North America. This fact makes it especially interesting for the study of crisis management in Chinese organizations.

The authors believe that this book may contribute to better crisis management not only in Chinese organizations, but also in organizations from other countries. Learning from mistakes made and from the positive solutions to these crisis situations could be the key to future success. Improvement in the management of critical situations in organizations could lead to improvements in the economy as a whole.
The authors connect crisis management theories with practical examples from Chinese companies, which help to deepen the understanding of Chinese work culture and practices.

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Introduction

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

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

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

China is a developing country which has gone through radical changes during the period of transformation. Although differences exist in the ideological, institutional, and economic fields between Chinese and Western enterprises, many experiences and implications could be referred to by Western enterprises. This particularly applies to the successful management of crises in Chinese organizations.

This book studies and summarizes the current situation of crisis management in Chinese organizations. Cases of crises that happened in different for-profit Chinese organizations are deeply analyzed from various perspectives so as to represent a complete profile of crisis management.
implementation in contemporary China’s transformational environment. From a theoretical point of view, this book is a contribution from the societal and organizational levels to management theory by developing a crisis management model. From a practical point of view, this book serves as a guide for enterprise managers on how to improve their crisis management skills by providing a series of implications.