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Towards Integrated Business Resilience Model
Against Business Crisis in China, Japan, and
South Korea- Comparative Case Study on Sanlu,
Toyota, and Samsung

Weng Xuanbin

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TOHOKU MANAGEMENT & ACCOUNTING RESEARCH GROUP

Discussion Paper

GRADUATE SCHOOL OF ECONOMICS AND
MANAGEMENT TOHOKU UNIVERSITY
27-1 KAWAUCHI, AOBA-KU, SENDAI,
980-8576 JAPAN

Towards Integrated Business Resilience Model Against Business Crisis in China, Japan, and South Korea- Comparative Case Study on Sanlu, Toyota, and Samsung

Keyword: Business Resilience, Business Crises, Business Failure, CSR, Strategy

1. Introduction

No matter how big companies emphasize their business transparency and business ethics, scandals never stopped showing up in the business world, including in East Asia. Business is the footstone of the economy; hence, it is critical for firms to avoid corporate scandal to escape from breakdown by look deep into the technical details of the mechanism of formation of business scandals in the dominant economy entities in the region, which are China, Japan, and South Korea.

This paper examines the reasons for the risen of massive corporate public scandals of the key business players in each countries' in respective industries via deploying the Stage Model proposed by Turner and Kayes (2015). With offering the timeline of business scandals of Sanlu, Toyota, and Samsung, a detailed comparative analysis focused on the similarities and differences originated from the views of business strategy, business resilience, and corporate social responsibility (CSR). This paper introduces the relative academic implication and empirical implications in the later section as well for highlighting the advantages and disadvantages of the existing theory and the lessons learned from the three cases.

2. Previous Literature Review

2-1. Representative Theories

2-1-1. Turner and Kayes Stage Model, As the Analytical Framework of This Paper

Turner (1976) outlines six stages that distinct the procedures of crises from the perspective of cultural norms and Kayes (2015) adds an additional stage, then forms Turner and Kayes stage model as a whole. Details of the stage model are as follows:

Stage 1. Normal Operating Procedures. Cultural norms of companies and organizations are functional at this juncture. These norms could contribute to avoiding business failure via providing foundation about setting business goals, such as policies, business procedures, and business values.

Stage 2. The Incubation Period. The most obvious signal shows companies and organizations have stepped into this stage is cultural norms could not function as good as in stage 1. Meanwhile, series of events occur due to the previous cultural norms, and their adverse affection starts to enlarge without notice from the leadership of companies and organizations. The old cultural norms are mixed with dynamic business routines while both parties are not compatible. As a result, cultural norms become difficult to alter and reject to accept information or evidence which oppose to the legitimacy of them.

Stage 3. Precipitating Events. Initial event or events begin to expose. Companies and organizations have an opportunity to change the old cultural norms into new ones if the leaders paid attention to those event(s). Otherwise, companies and organizations are extremely vulnerable because of staffs are likely to pick out problems with existing routines, rather than change cultural norms by finding other illustrations explaining things are not going smoothly.

Stage 4. Onset of Failure. In this stage, companies and organizations can apparently experience the

‘consequences of the collapse of cultural precautions’ (Turner 1976, p. 381).

Stage 5. Rescue and Salvage. It is another critical stage that could lead companies and organizations to start the journey towards business resilience. In this stage, companies and organizations are supposed to response business failures immediately. Three components consist of the method of right-away response: ‘contain the failure, limit its impact, or begin its recovery’ (Kayes 2015, p. 47). Moreover, if companies and organizations failed to trace the methods above, immediate breakdown or further crisis could strike them. Many companies and organizations could only reach this stage.

Stage 6. Cultural Adjustment. In this stage, cultural norms are reviewed, re-evaluated and changed. ‘New models of how the organization works (or fails) emerge, and new norms are developed and infused in the culture throughout the organization (Kayes 2015, p. 47). Furthermore, nature of the problems are beginning to be redefined, and protective steps are taken to get away from future failures.

Stage 7. Industrywide assessment and adjustment. In this stage, companies, and organizations which distributed in the same industry begin to learn and share the experience with each other to achieve business resilience in future. Kayes (2015, p.47) emphasizes this stage as ‘lessons learned are disseminated across industry, and industrywide norms associated with the prevention of future failure are established’. Figure 1 briefly illustrates the structure of the stage model.

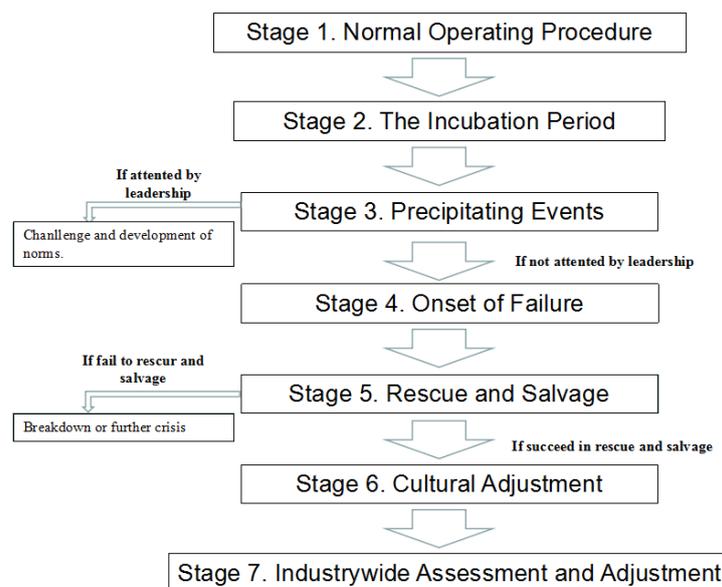


Figure 1. Structure of Turner and Kayes Stage Model

2-1-2. High-reliability Organizations

As the reason of the stage model helps to analyze the business crisis from the view of organizational cultures, considerations other than that are not mentioned in the stage model. Hence, new theories are necessary to perfect the analysis about the business crisis. The theory of high-reliability organizations (HROs), which is based on a different perspective compared with the stage model, is a theory that focusing on clarifying the function of experience. Moreover, it is more directly targets to how to tackle failure before it is out of control. High-reliability organizations come from the background of assumptions related to interpersonal interaction.

Weick and Sutcliffe (2015) asserts that five principles, which will be one of the supplementary theory of this paper

other than the stage model, consist of high-reliability organizations into regular practice. Kayes (2015, p. 49) states ‘The HRO perspective moves us closer to understanding the role that direct experience plays in failure because it reveals that learning is a process of interpretation, not a process based on probability’. However, the HROs theory depends on various assumptions about the essence of learning while illustration on complicated emotions and experiences are not sufficient.

2-1-3. Välikangas’s Theory on Resilient Organization

Välikangas offers an additional theory to achieve business organizational resilience. Välikangas (2010, p. 7) illustrates ‘In this new world, resilience will again come to mean the capacity to survive the long term not only its hardships but, more importantly perhaps, also the temptations to act for short-term benefit. Many as opportunity still looms. The question is how to pursue these opportunities, this time with resilience.’. The purpose of Välikangas’s theory on resilience is not only limit to achieving overall benefits of companies and organizations but also grab the chances while they become apparent. Accordingly, Välikangas (2010) comes up with the three-step theory to achieve resilience, which will be another supplementary theory of this paper.

2-1-4. Relationship of the Representative Theories

Figure 2 reflects the relationship among the theory of stage model, high-reliability organizations and the theory on resilient organizations. Turner and Kayes stage model is the root among the representative theories. At first, time points that highlight when companies and organizations failed in organizational cultures related issue can be uncovered by the stage model, then detailed reactions toward business resilience will be provided by the theory of high-reliability organizations and the steps theory.

Remedies that the theory of high-reliability organizations offers are focusing on addressing problems while the steps theory delivers the detailed procedures about forming business resilience.

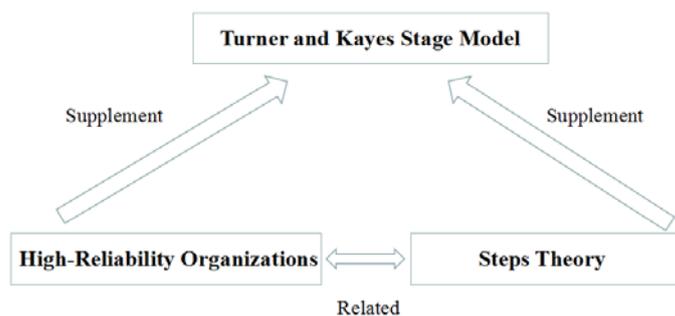


Figure 2. Relationships of the Representative Theories

2-2. Reasons of Choosing the Three Cases

Sanlu was the representative business in the dairy industry in China before its bankruptcy. Toyota and Samsung are the firms with profound influence not only on their domestic market under the category of their industries but also

beyond the border of the countries of their origin. For the purpose of proposing and testing an integrated model in business resilience while facing business crises, it is critical, as well, to understand the differences among the three cases beside the commonalities.

2-2-1. Various Industries

Although Toyota, Sanlu, and Samsung experienced similar public crises, industries that they distributed in are different. Toyota belongs to automobile manufacture industry, Sanlu was classified to the dairy industry, and Samsung Electronics attributes to the technology industry. Due to the various characteristics of different industries, detailed reactions from companies and organizations in various industries that respond to crises are distinctive.

For enterprises and organizations like Sanlu that belongs to the dairy industry and food industry, they should notify their consumers about the potential risks or confirmed risks that their products could bring. For instance, in the case of Sanlu, the most critical issue for the company is announcing the possible contamination immediately after receiving the vast scale of complaints and medical reports of infants who consumed Sanlu's products. Then follow up with official recalling collecting the defective products. Finally, start to revise the contents of the suspected products.

From the perspective of the automobile industry, take Toyota's case as an example, the essence is let the consumers know about the possible consequences that the defective cars or components in defective cars could result in. Then launch recalling with publish necessary information that consumers and public stakeholders concern at the utmost. In the end, check the vehicle models inside of the company to spot the problems and consistently deliver the most updated information that Toyota obtains and grab further requirement(s) from its consumers and the public stakeholders.

As for companies and organizations distributed in technology industry like Samsung Electronics, similar approaches as the above two industries should be deployed. It is urgent for companies and organizations to tell their consumers and the public stakeholders about the strong features that defective products possess and the worst scenario it might occur. Then release recalling based on users' comprehension of the risks originated from defective products and ultimately find out the root of the problems in product models.

2-2-2. Different Cultural and Sociological Background

Some differences about business cultural issues and sociological context exist among Toyota, Sanlu, and Samsung Electronics. Toyota obtains cultures which seek perfectionism. The company will not respond to its consumers until every detail of the events that it is required to face are figured out. It is accepted in Japanese society while it is not tolerable in the nations of the rest two companies. Sanlu, as a state-owned business, is originated from a community that government is involved in daily business operations. Tiny business errors could be covered by the local administration, however, events that bring severe negative results to consumers and central government's reputation, companies and organizations will breakdown in a short period. Samsung Electronics possesses the business culture that the most prominent leader controls absolute authorities. Moreover, business is more like a kingdom belongs to the founder's family; the power vacuum will quickly appear while the most influential leader in the company is not distinguished.

2-2-3. Different Business Management Structure

Distinctions of Management structure existed among Toyota, Sanlu, and Samsung. Toyota is not the

state-owned business, and it is the parent company of its subsidiaries. Samsung Electronics, as well, is not the state-owned company. However, Samsung Electronics is one of the subsidiaries of Samsung Group. Moreover, Samsung Electronics obtains its affiliates. Sanlu was state owned, which is different compared to Toyota and Samsung Electronics.

3. Timeline of the Three Cases

3-1. Case of Sanlu

On the surface, Sanlu was remained until 2009, but the rudiments of breakdown had started its infancy. As early as 2004, a list of brands of milk powder that caused infants kidney disease, the “big head disease,” was exposed to the public by a local media from Fuyang City, Anhui Province, and Sanlu was involved (Lu & Tao 2009). As a result, the brand of Sanlu was removed from the list mentioned above under the explanation of “accidentally put Sanlu into the list by related workers’ mistake” from authorities of Fuyang City.

Later, Sanlu tested for the milk it collected from a various channel, such as purchasing from brokers, for the reason of quality control. Protein content was one of the key factors to judge whether the milk is good or not. Under this circumstance, to increase the profit, dairy suppliers of Sanlu started to cheat. In October 2007, melamine, a chemical used in industrial work was added into the milk provide Sanlu. By adding melamine into the milk, the compounded milk could maintain its protein content even diluted by water (Veil & Yang 2012). Melamine is toxic to human body, especially fatal for babies. By using contaminated milk powder, kids who drink it are in grave danger.

As the consequences, large number of feedback of infants’ kidney diseases after using Sanlu’s products were initiated to uncover since late 2007. In 2008, the company launched a few products qualification tests in qualified inspection department with the results of ‘qualified’. Some death reports were collected in the same year. In September, 2008, the CEO of Sanlu, Tian, was arrested after the central Chinese government intervention. In early 2009, the company went bankruptcy.

3-2. Case of Toyota

Toyota experienced a six-year continuous recall event from 2005 to 2010. At the early stage of 2005, Toyota recalled 790,000 vehicles in U.S. market alone because of the engine issues and 880,000 cars on the global scale. Toyota's car model, Prius, was reported as some problems were spotted later in 2005. Hence there was no accident reported, Toyota did not recall any Prius units with potential risks. While only a few weeks after that, in October, far more recalls followed up. 1.23 million Toyota vehicles were recalled domestically in Japan and another 246,592 more cars around the globe. In 2006, the total break out of recall happened due to the non-reaction of Toyota to its market. 380,000 Lexus model and Toyota Highlander models were recalled for the reason of engine problems. In all, 1.2 million Toyota vehicles were recalled in that year.

More complaints and recalls were coming in 2007. 500,000 cars were recalled to repair after some accidents were cited. At the end of the year, another 470,000 vehicles were recalled due to the engine problems as well. The problems related to seatbelts were spotted, and 90,000 sport utility vehicles were recalled in the U.S. Market. During the following two years, about 9.59 million vehicles were recalled.

The president of Toyota, Mr. Akio Toyota, made a formal apology in February to the public that due to lack of the communication with Toyota’s customers and promised to set a committee which would specifically supervise

the safety and quality of Toyota's cars. In March, Mr. Akio Toyota visited China to make another formal apology to Toyota's Chinese consumers.

3-3. Case of Samsung

In August 2016, Samsung released its new smartphone, Samsung Galaxy Note 7. The original schedule of the releasing of Galaxy Note 7 should be later than what had happened. However, to compete with new product iPhone 7 from its main competitor in smartphone section, Apple Inc, Samsung rushed the schedule.

The source of the explosion of Galaxy Note 7 was firstly published by a local Korean mobile BBS on August 24, 2016. Pictures from this BBS show that smartphone which was suspicious as Samsung Galaxy Note 7 was explored. In the following days, more confirmed cases of the explosion of note seven were reported. Up until early September in 2016, 35 burst reports were revealed.

Samsung reacted quickly but quickly does not necessarily represents doing well. Kim and Mckinnon (2016) illustrate that Samsung launched recall to recollect more than 2 million Galaxy Note 7 devices internationally on September 2. Meanwhile, Samsung announced that new software for affected devices was released on 13 September. This software allows affected devices could only charge up to 60% electric power. Reilly (2016) further states that recalling activity and replacing operation were launched simultaneously. But Hern (2016) reports the replacement devices began to explode as well from October. Consequently, Samsung launched recalling for the second time on October 10 to urge its customers to keep their Note 7 power-off and carry the devices to destined place for the refund or other compensations (Lawler 2016).

Due to the worries and safety concerns from Samsung's Chinese customers, Samsung made an official statement on its homepage. Samsung implies there is no need for Chinese customers to worry about the quality of Galaxy Note 7 sold in China due to the reason of the batteries of Galaxy Note 7 that sold in China come from different suppliers compared with note seven sold beyond China. The statement was not enough persuasive and General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) in China stepped into this event. As a result, Samsung recalled 1858 devices under the requirement of AQSIQ before the official sales in China (Kim & Mckinnon 2016). Nevertheless, the fact against the first explanation from Samsung Electronics China.

Since September 1, 2016, Samsung Galaxy Note 7 was released officially in the Chinese market. Sina (2016) reports that series of explosions of Note 7 were reported in China. Samsung China later illustrated the reason for the explosion to Chinese customers. On September 29, 2016, Samsung apologized to Chinese customers and expressed the regret that the company did not adequately consider the feeling of Chinese customers.

Ifeng (2016) states that on October 11, 2016, Samsung presented the event to AQSIQ and launched recall to collect all 190,984 Galaxy Note 7 devices that had been sold in Chinese market.

4. Comparative Case Analysis

Table 1 (see Appendix) list the comparative analysis based on Turner and Kayes stage model sequentially.

4-1. Common Points of the Three Cases

4-1-1. Cover-Up

Cover-up was the practice that all three analyzed companies performed in their crises. This action is regarded as the most influential factor which contributes transfer incidents to scandal and crisis. In Toyota's case analysis, the

company hid the data of event data recorder from the public and blocked the procedure of investigations from U.S. authorities. While there was no adequate explanation from Toyota to present the information that could respond to the needs and concerns of its customers. As a result, Toyota was criticized for lack of transparency and suffered a significant financial loss in its recall scandal.

Sanlu made the same mistake during its crisis. Sanlu did not revise its formula milk powder after Sanlu was put into a blacklist of the dairy brand back in 2004. Rather, Sanlu only negotiated with local authorities and removed Sanlu out of the blacklist. Meanwhile, customers of Sanlu and the public know nothing concrete about the risk of contaminated milk powder. The first cover-up occurred.

The second cover-up took place in 2008. At the end of 2007, Sanlu was directly suspicious about milk powder contamination with accurate reports of illness of infants who consumed Sanlu's milk powder. Even though the reports about contaminated milk were updated to the senior management group in Sanlu, the company decided to keep the truth inside to maintain the brand image on the ground of the Beijing Olympic Games approached.

Sanlu bankrupted after the scandal was unveiled and the cover-up actions the company had played were the key reasons answered the business failure.

Samsung failed to be transparent while recalling Galaxy Note 7. The most obvious cover-up happened in its Chinese market. While Note 7s beyond China had reported the battery of Note 7 was hazardous, Samsung was stuck to believe that batteries of Note 7 in Chinese market were considered safe due to collecting battery components from different suppliers. However, Samsung made this statement on its homepage without any inspection on Note 7s that were later sold in China. At last, Galaxy Note 7s sold in China were reported battery explosion and self-ignite after two weeks that Samsung officially released Note 7 in China.

The design of batteries in Note 7s which were distributed in different markets was unified. Samsung should have the knowledge of once there spot failures in its products at one place, and the same failure could occur in the same product which is distributed other than that location. However, given consideration to compete with its opponent and capture the market share, Samsung released Note 7s in China in a rush under the circumstance of notifying potential risks in its products.

4-1-2. Lack of Efficient Communication with Public Stakeholders

Due to all three analyzed companies cover the truth during their public crises, communication between the companies and their customers became automatically absent. Toyota, Sanlu, and Samsung believed that were critical for the company to spot the problems on their products by itself first, and then defend their brand images by clarifying the failures. Consequently, according to the analysis of all three cases, Toyota Sanlu and Samsung had chosen other methods rather than respond on what concerned their customers and the public. Toyota was trying to figure out the problems of its vehicles by itself while its clients and authorities of its market were asking for the response from the company. Sanlu kept away from establishing the formal communication channel to communicate with its customers instead of contacted customers under covered. Samsung operated in a cheat like a manner while its clients criticized the safety issue of its products in China while customers from U.S. cannot be compensated by the company once had promised.

4-1-3. Rigidity on Original Policies and Strategies

The reason for the three analyzed companies failed to respond the crises were similar, which means Toyota, Sanlu and Samsung were rigid on the routines they accustomed. In other words, the three companies failed to be resilient on crises because of the reason above. Toyota was very successful on its business and had not experienced

public crisis due to large-scale recall events before the analyzed recall scandal. Hence, the company recognized that the first routine to tackle public crisis was workable still, which was check the defective products by the company and then apologize to its customers. The fact was opposite compared with Toyota's conception on dealing with the crisis. Customers and the public required consistent and dynamic information flow from the company, not the time-consuming explanation in one shot. As a result, Toyota made its recall events into scandal and suffered greatly on its finance.

In the case of Sanlu, due to the company was a state-owned business, Sanlu preferred to contact with authorities who directly shoulder the responsibilities of supervising of the company. But Sanlu did not realize that on the ground of widespread of online information platforms, it had become more difficult for companies to retain the issues happened inside of it. Adjustments on responding crisis were needed while Sanlu failed to do so.

Samsung practiced a similar scenario of Toyota. Samsung attempted to uncover the problems on Note 7 inside of the company while defective devices reports had been notified rather than reveal the process of dealing problems to its customers and the public.

5. Implications

5-1. Practical Implications

Requiring In Time Communication Channel: According to remedy strategies for Toyota, Sanlu and Samsung in each case analysis, forming resilient strategies responding to public crises are the key implication for big companies and organizations. Because of successful business histories, big companies are accustomed to their original ways of operating their businesses and becoming less sensitive about their customers' need after-sale while companies and organizations mark themselves as customer first ones. It is not necessarily because of companies and organizations no longer pay attention to their clients, but due to their time consuming internal vertical management structures. Once there is a crisis, detailed information about it will be collected by front-line employees and delivered to senior management board layer by layer.

Similarly, instruction about responding to crisis flows from top management board to front-line staffs in the same method. However, the procedures are time-consuming while responding in time is the essence when the crisis occurred. Hence, establishing teams that are specifically dealing with public crises which directly respond to top management board are recommended to big companies and organizations. Further, these teams should obtain the authority to answer to customers and the public in urgent situations. By doing so, companies and organizations could respond to the concerns and need from the market directly. Customers and the public could observe transparency of businesses and organizations. Eventually, in time information transfer platform between companies (organizations) and their public stakeholder's forms and misunderstandings between companies and public stakeholders would diminish during crises and help big corporations and organizations to be more resilient.

Do Not Hide From Failure: It can be seen that Toyota, Sanlu, and Samsung were reluctant to apologize to their customers and confess the faults on their products at the beginning. While the three companies received reports about defections and contamination on their goods, they were more likely to hide from the problems rather than communicate with their public stakeholders to uncover the nature of the problems on their products. It is risky for big companies and organizations to cover the problems on their productions with intention. Once the problem(s) are spotted by customers and the public while there is evidence to prove companies and organizations know about this, problems on products will promote to crises and scandals. Customers and the public will prefer to consider that companies and organizations which cover the truth are not trustworthy. Automatically, enhance corporate

governance to help companies and organization to be transparent is critical at this point.

Trust from Public Stakeholders Is Fragile: It cost long time for companies and organizations to earn customers' trust. However, this confidence could evaporate due to one scandal or fail-contained crisis. One of the reasons for large enterprises feel they could obtain the result of scandal exposure is they believe customers would still consume commodity from them due to the prevalence of their brand images. Nevertheless, customers and the public are intolerable with dishonesty, especially while their safety is under threat due to failed performance of products. In the case of Sanlu, the company shortly bankrupted after the milk powder contamination scandal was revealed by New Zealand government. Toyota suffered from massive financial loss while Samsung is recognized as the risky brand from business analysts.

Hence, how to monitor the relationship with customers and the public to achieve business resilience and what to do while the first failure occurred are vital issues that big companies and organizations need to come up with during crises.

5-2. Theoretical Implications

Advantages of Turner and Kayes Stage Model

As shown in Table 1, Crises consist of series of events based on the timeline; hence Turner and Kayes stage model can appropriately analyze the events that form crises step by step. Details that reveal big companies failed in crises can be unveiled, and the point where failure begin to occur can be enlarged in a qualitative method. Moreover, Turner and Kayes stage model can not only guide companies to cover the failures but also offer implications on how to recover from failures for big companies and organizations to achieve business resilient.

Also, Turner and Kayes stage model points out that the first failure that companies failed to response could deteriorate the scenario into crises and companies will suffer from the result. Last but not least, stage model asserts that failures happen due to the wrong conception of the nature of how to deal with crises, which lead to the absence of response while communicating with customers and the public is necessary. Further, the stage model categories failures and crises take place on the ground of overlook safety regulations. As shown in the analysis of Toyota, Sanlu, and Samsung, this statement is proved correct.

Limitation of Stage Model

Since Turner and Kayes stage model is based on the analysis of timeline oriented events, which implicates that the model is highly qualitative from the perspective of business culture. Turner and Kayes stage model focus on forming resilient business strategy circles for big companies and organizations according to experienced failure and further 'worst case' scenario assumptions. For business managers and leaders, quantitative approaches are necessary to analyze detailed information to deal with crises while Turner and Kayes stage model could not offer this method. The additional quantitative approach needs to complement on it.

Moreover, not all resilient strategy forming procedures could follow with stage orders in Turner and Kayes stage model during crises. Firstly, as the case analysis on Toyota, Sanlu, and Samsung, the three companies only followed with several stages instead of all stages. For closed cases, Toyota traced the first five steps in stage model and finished with the formal apology from the CEO of Toyota. Sanlu's milk powder contamination scandal, another finished case, failed in stage 4 and went to bankruptcy, which becomes impossible to follow up the rest stages. As for the ongoing case, Samsung Electronics is still suffering from the damage of brand image due to Note 7 crises and tried to diminish the financial lost by sales promotion based on cutting down the price of other products from

the company. Further observation and analysis based on future business practices from Samsung Electronics is required.

According to the differences of the three businesses as previously discussed combined with the comparative analysis based on the limitation of the theory, this paper propose a fixed stage model with additional two stages as shown in Figure 3.

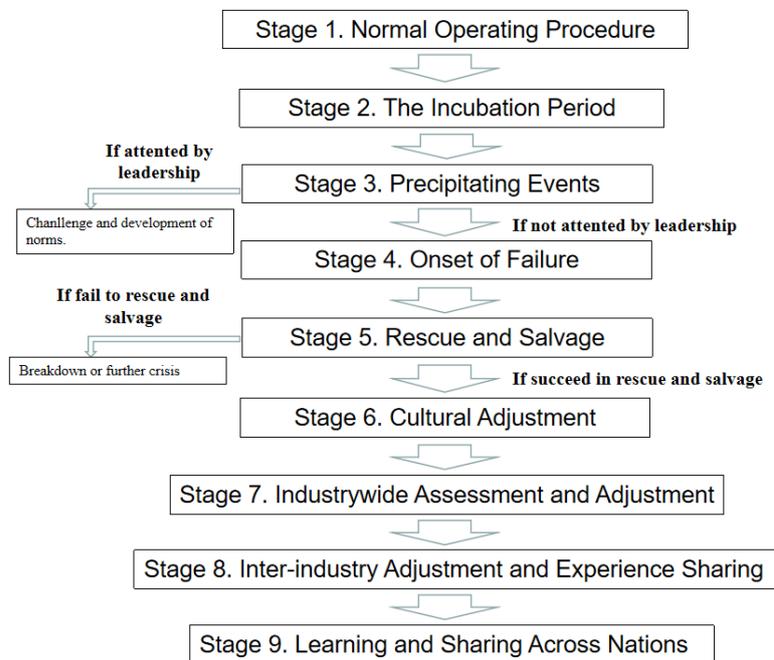


Figure 3. Revised Structure of Turner and Kayes Stage Model

In stage 8, commonalities of business crises can penetrate the boundaries of various industries. Firms under different industry categories are supposed to analyze the events of business crises occurred beyond their industries to testify the validity of their business resilience in the business emergency.

In Stage 9, business crises that happened in China, Japan, and South Korea can be integrated regardless of the background of nationalities. In other words, giant businesses in the three countries are currently following a consistent routine while facing business crises due to their internal failures. Hence, it becomes possible for the big businesses in the three countries to learn the experiences of business crises with each other, and forming an integrated mechanism to enhance business resilience.

6. Conclusion

This paper comparatively analyzes the cases of Toyota, Sanlu and Samsung Electronics solely based on Turner and Kayes stage model to highlight the reasons for their wrongdoings. Meanwhile, relative core conceptions for business resilience are validated through detailed discussion rather than proposing common sense. Further, this paper come up with the revised version of the stage model according to the comparative analysis. However, other academic theories and frameworks are appropriate to utilize as well, such as high-reliability organizations theory and steps theory from Liisa Välikangas. Future work is required to supplement the case analysis with these additional theories. Last but not least, this paper is mainly conducted on qualitative methods, not quantitative methods. Other quantitative methods like the arithmetic formula that could identify whether a company and organization are still looking forward to being done.

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Appendix

Turner and Kayes Stage Model	Toyota	Sanlu	Samsung Electronics
Stage 1. Normal Operating Procedure	<p>Started its business in by inventing Toyota Model G. in 1924. Established 'The Toyota Way' as the corporate culture to have sustainable development.</p>	<p>Founded in 1956 as a state-owned business. In 1983, Sanlu became the first Chinese company that sells formula milk powder for infants and awarded as 'Chinese famous brand' later.</p>	<p>Initiated its business in 1969 and established production lines in a global scale. Later, the company transferred its business to customer products domina industry and played a key role in South Korea's economy. In 2013, the company replaced Apple Inc. as the biggest mobile industry in the world.</p>
Stage 2. Incubation Period	<p>Focused on efficient on manufacturing and designing new vehicle models. The pressure of intense production schedule overlooked the quality of the products.</p>	<p>Sanlu did not supervise the process of milk collecting. In 2004, Sanlu secretly communicated with the local authority to remove its name from a blacklist about dairy product brands instead of revising its products.</p>	<p>Chief of mobile division of the company decided to compete with its primary opponent in the industry by design and manufacture a new smartphone in a short time. Component suppliers of the company overworked on Samsung's orders and led to the high possibility of occurrence of defective components.</p>
Stage 3. Precipitating Events	<p>Puris model vehicles were reported contained problems while Toyota recalled the defective cars without clear illustration with affected customers.</p>	<p>Sanlu began to receive reports that diagnose babies consumed Sanlu's products had kidney disease. But Sanlu requires its customers to silent and compensate them informally. Management board decided to keep the information of contamination inside of the company.</p>	<p>The company maintained the potential risks on Note 7s sold in different markets while heard reports about explosion and self-ignite. Meanwhile, Samsung was reluctant to launch recall events to protect its brand image but consequently recalled Note 7s due to heavy pressure from its customers and the public.</p>
Stage 4. Onset Of Failure	<p>Experienced continuous recall events from 2005 to 2010. Toyota recalled around 11.2 million vehicles worldwide and suffered significant financial loss.</p>	<p>New Zealand government revealed the scandal to the central Chinese government. Central Chinese government stepped into the investigation. Sanlu bankrupted in early 2009, and top management members were sentenced guilty.</p>	<p>Customers still suffered from the replaced and reissued Note 7s. Illustrations and explanations from the company were ambiguous. Double standards practiced to the company's consumers. Promised compensations to customers were absent. The brand is commented risky with 1.4 billion dollars financial lost.</p>
Stage 5. Rescue and Salvage	<p>Absent of rescue or salvage actions to respond its customers and the public during the crisis.</p>	<p>Absent.</p>	<p>Set collect Note 7 as priority without pay attention to customers' complaints and safety concerns from the public.</p>
Stage 6. Culture Adjustment	<p>Absent.</p>	<p>Absent.</p>	<p>Absent up to now.</p>
Stage 7. Industry-Wide Assessment and Adjustment	<p>Absent.</p>	<p>Absent.</p>	<p>Absent up to now.</p>

Table 1. Practices from Toyota, Sanlu, and Samsung