The Analysis about Stakeholder Management and Enterprise Crisis Management

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Abstract: Stakeholder management is an essential part of crisis management. There are instrumental and non-instrumental approaches about stakeholder management. The styles of crisis management are reactive, proactive and compliance. Instrumental approach stakeholder management is consistent with reactive crisis management, non-instrumental approach stakeholder management is consistent with proactive crisis management. In order to improve management performance, the enterprises that take instrument approach stakeholder management will take proactive management. But the motivation is different from the non-instrumental approach stakeholder management, the enterprises can take trust and cooperation only to the key stakeholder.

Keywords: stakeholder management; crisis management style

1. Introduction

As we all know that a good relationship established by enterprises and stakeholders will bring opportunities to the enterprises. If the companies are not appropriate in dealing with the stakeholders relationship, it will be challenges to the enterprises, and the challenges are different in varying degrees of expectations and demands to the company. In most cases, this challenge is due to that their requirements have not been an appropriate response, and further evolve into crisis. Crisis is an unexpected incident of a serious loss of business or facing the threat of severe damage. Such unexpected events will be a wide spread to the community level in a very short time, which has a negative impact on enterprises, and because of its uncertain prospect, this crisis will bring serious challenges to enterprise management. British economist Charles•Handy had pointed out that enterprises seem as the "prism of a six-circle operation" to compare the various types of stakeholders' pressure to the enterprises. Sometimes, stakeholders think that the enterprise crisis is entirely the responsibility of enterprises or some factors of enterprises that caused the crisis. How to manage stakeholders is an important part of crisis management. If managers want to manage the crisis effectively, enterprises must effectively manage those stakeholders that can affect the enterprises' performance, and fully understand the probable threat in the business operator. For example, in June 1999, Coca-Cola faced a major crisis --- a number of European consumers got ill as a result of drinking its beverage, then the huge amounts of faulty production recall ruined the European market's reputation of company.

2. Types of stakeholders and analysis of stakeholder management

Due to the different position and environment of different stakeholders to enterprises, it is different about the stakeholders' claim of interests to the enterprise. This will bring a certain degree of difficulty to the enterprise stakeholder management. Savise divided the stakeholders into four categories, the support-based stakeholders including the board of directors, managers, employees, customers and suppliers; and non-support-based stakeholders including competitors, trade unions, government departments and the media and so on. Mitchell think that stakeholders have the characteristics of legitimacy, influence and emergency, so it is possible to divide them into different types, and adopt different management strategy. On this basis, we can analyze the mutual impact between stakeholders and enterprises, as well as the possible mutual conversion of major stakeholders and secondary stakeholders in different situations and different characteristics. Stakeholders of any individual may obtain or lose some attributes at different stages in the enterprise development; they will change from one stakeholder type into another type of stakeholders.

Researchers have different methods on how to manage the enterprise stakeholders, such as Donaldson and Preston stakeholders models that have descriptive models, tools and normative nature; as well as tools and non-instrumental (Quinn and Jones, 1995), strategic and intrinsic(Berman, Wicks, Kotha & Jones, 1999) and so on. Whether or not concerning the interests of stakeholders is a measure of an important aspect in the corporate ethical standards, also whether or not undertaking

the social responsibility is the judge of the corporate playing the role of moral standards in society.

From the normative point of view, the corporate behavior have an impact on stakeholders behavior, and how to identify various stakeholders is based on their interests in the organization, rather than the organization interests obtaining from them. Therefore, the interests of all stakeholders have its own intrinsic value. Regardless of what the affect Stakeholders produce to enterprises, stakeholders are seen as valuable, it has a normative tendency.

Strategic or instrumental stakeholder management through cost-benefit analysis to determine who are the stakeholders, enterprises are most concerned about economic performance, the enterprises' only responsibility is the maximizing of interests, the shareholders is the most important stakeholders, the enterprises concerned about the stakeholders as a key resource for enterprises to change, the environmental changes in management decision-making stakeholders.

Non-instrumental or intrinsic of stakeholder management considers morality first, and they take ethics and norms as their commitment. In this type of management, the responsible for interests of stakeholders is the obligation of the enterprise, so corporate responsibility is not only maximize the benefits, but also the ethical responsibility to regulate corporate behavior. Therefore, when they attach importance to all stakeholders' interests, the value of organization for the interests of stakeholders will not change with the incident, business for the management of stakeholders in environmental decision-making independence. All stakeholders have intrinsic value of nature.

3. The analysis of enterprise risk management types

When the crisis happen to the enterprises, the enterprises will often make some response under the pressure of the stakeholders, this certain degree of response can be roughly divided into three types of methods:

3.1 Reactive type (negative) of the crisis management

A number of organizations belong to reactive type of crisis management. In some cases, business has a crisis not because there is no timely solution to the crisis, nor is it a crisis they do not know, but because of the profit or other reasons, companies ignore these risk factors. For example, in order to reduce costs and increase market share, some enterprises take measures on a competitive basis to take improper blindly reduce costs, but in the end to cause the enterprise deadly crisis, years of corporate reputation in the eyes of consumers is missing in one day. To the reactive type of crisis management,

whether enterprises can realize the risk they face or not is the primary problem. If they can realize it, the second question is whether the risk clears. That occurred in China, the crisis management mode about "Sudan Hong" incident is the reactive type of crisis management, first of all is to plead ignorance of their own, consumers can unconditionally return statement, but there is no establishment of a business and the return of specific claims measures. Reactive type of crisis management believes that after the occurrence of these crises will not occur again. Reactive type of crisis management-oriented enterprises only emphasizes the crisis that has occurred or has taken place in the same industry. In such cases, these enterprises shall not waste time and resources, and have not yet assumed the feasibility of the occurrence risk of a crisis, such as sabotage, bribery and crises such as terrorist attacks.

Some reactive types of crisis management in response to crisis consider the costs and benefits firstly, but do not put the interests of stakeholders in the first place, no defend would anticipate. They predict the crisis by calculating their consequences and the possibility of the occurrence. The expected cost of a crisis is the predictable consequences of the incident and the possibility of the occurrence. The main risk to consider is the expected cost and not the nature of the crisis changing. Therefore, considering the importance of the crisis is likely to exceed the cost of inputs to a minimum. The minimum is likely to exceed the loss of profits caused by the absence of response to the crisis. In Figure 1, the abscissa indicated the possibility of crisis, the cost of longitudinal coordinates, M curve is expressed as the cumulative cost of responding to crises, I curve, said the expected cost of post-crisis(after the crisis, the expected cost as a result of crisis= Possibility × Consequences); Figure 1 shows that the M curve, the possibility of the crisis, the lower the cost to resolve the crisis in the higher; I curves show that the possibility of the crisis, the lower the crisis cost the lower the expectations. From the cost-benefit analysis, the optimal level of enterprise risk management is the F point which is the intersection point of M curve and I curve, that is to say, if the enterprise deals with a crisis, when the cumulative cost is equal to the expected cost as a result of crisis, the enterprises crisis management's efficiency is the best.

3.2 Compliance-based crisis management

To face the crisis, enterprises will adopt the passive defense strategy firstly, not consider the interests of stakeholders, but with the growing pressure of the stakeholders on enterprises, its attitude to deal with the crisis will change accordingly, enterprises gradually reach a consensus cooperation, in cooperation crisis management decision-making the interests of stakeholders becoming

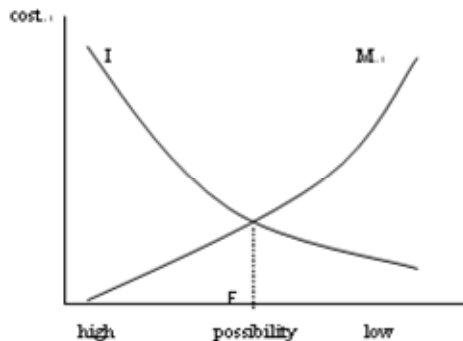more and more important, and finally develop to a proactive response, shown in Figure 2.

Figure 1：The optimal level analysis about enterprise risk management
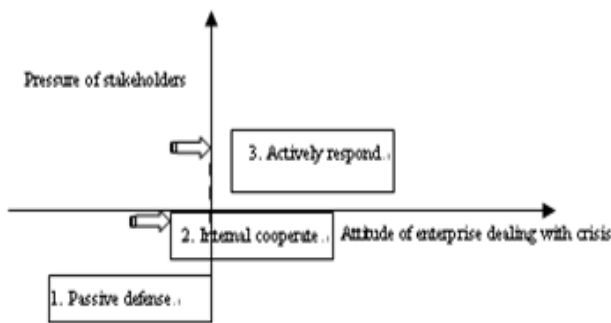

Figure 2：Compliance-based crisis management

Just when the crisis broke out, some enterprises face the response of stakeholders to take the way of drag, or silent, or denied, take all means possible to evade social responsibility to be borne by external passive defense. When a crisis has developed to a certain extent, enterprises face pressure from stakeholders to make the initial response. At this point, the enterprise may take two strategies: First, an instinctive type of excuse defense; the other is to deal with the negative, such as corporate public statement of concern on this issue, but few concrete actions. At this stage, companies often stand in confrontation with stakeholders to consider the issue of perspective.

However, as the crisis in the social impact of the gradual spread of the impact of corporate image, companies are beginning to realize the internal problem. Faced with pressure from stakeholders, senior managers of enterprises attempting to solve the problem as soon as possible to avoid possible the normal operation of the enterprise arising from damage. At this point the usual business practice is to seek expert outside help, the help of experts and enterprises are starting to reflect on their behavior, companies stand to the point of view of stakeholders, to consider the request of stakeholders, the real

search for effective measures to solve the problem, finally reached internal consensus and cooperation. Enterprises have reached a consensus to begin stakeholder groups and sincere dialogue, and make commitments to stakeholders to seek their understanding and support. The enterprises' response to the crisis and the commitment to stakeholders is the part of corporate decision-making.

At this stage, enterprises with a positive attitude to deal with the crisis, beginning to recognize that the stakeholder groups' right and their own resources has an important impact on the development of enterprises, concern stakeholders' expectations and demands, take the initiative to adjust their own behavior to adapt to the needs of the society. In the Related issues' settlement process, the experience is accumulated continually, and there may even predict the seriousness of some society-related issues that have not been aware, and take the initiative to take measures to solve them, enterprises act as constraints to improve corporate social performance.

3.3 Proactive crisis management

The enterprises that take the proactive crisis management think that human life is priceless, everyone is equal to the responsibility, they put the stakeholders in the first place, the employees take this view as a moral code of conduct. To achieve this, proactive crisis management of enterprises has a strong sense of crisis, the possibility for high-and high-risk ready to take the consequences of a positive response to the crisis (Figure 3), and search for optimal balance between the high possibility of the crisis and the consequences of the crisis. They emphasized the rationality and rationally use resources and time to manage the crisis, and set up the details to deal with a wide range of crisis, whether it is "normal" or "abnormal" and a lot of resources to deal with crisis are needed, therefore, enterprises need an adequate time and resources. They are aware of any crisis that may arise, and a crisis may lead to another crisis, such as non-normal will cause normal crisis, and vice versa. Therefore, the pre-reaction type of business not only to prepare for a crisis, but consider its complexity and interactivity.
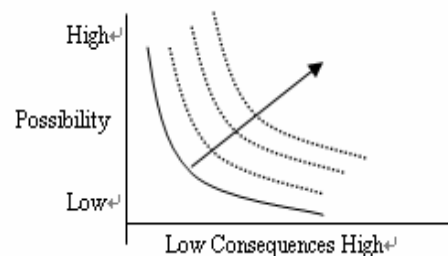

Figure 3：proactive crisis management

In the process of crisis management, they take the interests of stakeholders and the various crises of the early phenomena into account. They expect the loss, control its dissemination before the crisis occurs, and provide for different analysis of how to deal with the crisis. Proactive-based enterprises have good channels of communication with stakeholders and timely dissemination of information to identify the truth, they establish a survey mechanism for crisis information, catch and identify the most weak precursory crisis. Enterprises have the capacity of finding information and response it rapidly, with more awareness, fast and accurate communication, the experience of coping with crises, as well as the ability to act according to circumstances.

Enterprises which have no sense of crisis ignore some of the environmental risks, a number of early-warning signals will be ignored. For example, Kovoor's study found that those managers are too much self-confidence of reality, they even think that they will not be a crisis down. The good preparations for the coming crisis think that the crisis will come soon, they review the corporate culture which is not benefit to the crisis management, because it is not only deeply hidden in the enterprise, but also will deepen the crisis and even lead to a new crisis. For example, the "Sanlu Group" pursue high market share and scale of the expansion badly, so this "rapid expansion culture" is the cultural reasons of the Sanlu Group's crisis and final closure.

The above-mentioned three patterns are the usual ways of crisis management which general business takes when they face crisis. In short, the enterprise management crisis mainly in the following situations: proactive crisis management, concerned about the crisis in advance; reactive type based on cost-benefit analysis; compliance type is between reactive crisis management and proactive crisis management, the companies take a passive type of crisis management before and in the crisis, with the growing pressure of stakeholders and the enterprises' view on the crisis changing, the enterprises deal with the crisis from passive response to initiative response.

We know that even if there is a very strong ability to predict the crisis, corporate crisis can not be completely avoided. However, whether before a crisis or after that, the enterprise should be appropriate to deal with the crisis. From the above three types of crisis management performance, the proactive crisis management is responsible for stakeholder, so it is the most effective way to resolve the crisis management.

4. The impact of Stakeholder management on corporate performance of crisis management

4.1 Strategic, instrumental stakeholder management and reactive type of crisis management

Strategic and instrumental stakeholder management concerns the costs and benefits, putting the enterprises' interests on the first place. The efficiency-oriented mentality inevitably can reflect in the corporate crisis management. Enterprises in dealing with crisis situations use the cost-benefit analysis, based on interests of the corporate culture of the law of the jungle. Prospect theory and resource dependence theory believe that, when the existence of the business is threatened, enterprise's first strategy shall be to reduce the risk of loss. Strategy of these risks include: focus on the issues which the stakeholders who have relationship with enterprises' direct loss, at the same time to neglect or refusal to bear the other stakeholders of any responsibility, of course, this strategy also assumed the risk of ignoring these problems. The most relevant stakeholders have series of characteristics such as those with influence, legitimacy and urgency of the stakeholders. In short, the strategy has its inherent risk of the tool. The interests of stakeholders, especially those alienated relations between the stakeholders will not affect the decision-making, unless the company found that they have a significant negative impact on the enterprises' performance. If crises occur, the risk management strategy requires us to make some decisions which get minimize costs, maximize revenue for most stakeholders and themselves. Therefore, the risk-based strategy for management of stakeholders is the same to reactive type of crisis management.

When in 2008, the "Sanlu Group", Faced with the Melamine crisis, they took the reactive type crisis management. The quality and safety of milk powder issue caused by the "Sanlu milk powder" had been spread to 22 dairy enterprises' milk powder, liquid milk and other dairy products, killing at least four babies and nearly 13,000 babies hospitalized, resulting in the whole of China milk goods industry facing an unprecedented crisis. This shows that infant formula appear in this toxic chemical melamine is not a matter of one or two days. Evidence show that the implementation of "Sanlu Group" level as early as before the incident in question knows that milk collection, the lack of effective supervision, and to the protein powder or adding melamine in animal feed has become the industry "unspoken rules" that some companies were "submersible the rules of "corrosion, means to make money. Sanlu did right thing for them at time by stopping the recall of costly product. At The beginning of the incident, Sanlu Group did not pay much attention, and took the incident just as an ordinary incident of the market, they did not recall the problematic milk powder, the measures taken are with a group of clients to cover up the truth of the communication. When a further escalation of the incident, the meas-

ures taken were intended to use the media to shield the negative message of "public relations" as a "get" government departments, "settle" the media, and thus to deceive the consumer. Such an irresponsible attitude eventually led to the collapse of enterprises.

4.2 Non-instrumental, intrinsic nature of stakeholder management methods and proactive crisis management

Non-instrumental, intrinsic nature of stakeholder management methods and proactive type are the same type of crisis management. The interests of stakeholders have inherent value, decision-makers put the interests of stakeholders into the corporate decision-making and establish a moral foundation for business decisions. Attention to the safety of the individual enterprise is better than all, and the enterprises put the security in the first place is the "perfect duty" which they must obey, they will put the responsibility in first place, so they tend to maximize security. Therefore, in order to achieve this goal, they will put a lot of resources and efforts, which is the mutual trust and cooperation, based on reliable information on corporate culture. If the crisis is coming, they would respond fast honestly and will not take into account the costs and benefits, even if the expense of bankrupt occurs. In 1982, Johnson & Johnson dealing with the crisis of Tylenol capsule poisoning is a good example of the proactive crisis management. At that time, Johnson & Johnson did not have a very good responsible mode to the crisis management. However, Johnson & Johnson took crisis decision-making as "respect for life, responsible for life" corporate social responsibility culture and values, in the spirit of the medical staff, patients, mothers and all other products and services company responsible for the concept of users, so that they made the right decision.

4.3 From the instrumental-based reactive crisis management to non-instrumental proactive crisis management

Whether it is the practice of proactive or reactive crisis management, if the proactive crisis management performance is better than the reactive crisis management performance, the instrumental-based stakeholder enterprises will be more inclined to take the proactive crisis management. Organizational learning theory suggests that the successful organization learns from the successful practice and conduct in imitation or learning, a number of tools for stakeholder management of the organization model may be imitate the organizational behavior of those non-instrumental stakeholder management, that is the way to take proactive crisis management.

However, how to proof that non-instrumental stakeholder management of the enterprises have a better performance than the instrumental stakeholder management of the enterprises is very complex, because they are directly related to moral orientation and performance linked. In other words, although there are differences between the instrumental stakeholder management tools for enterprises and non-stakeholder management of the business, but we can not limit the way that company takes to change the crisis management. If the proactive crisis management performance is considered better and in the less limitations of emotional and cognitive, with mutual trust and cooperation in culture, with "learning" tool for stakeholder management of the enterprises will imitate or learn Proactive corporate crisis management.

The enterprises taking proactive crisis management are used to trying to create a culture of concerning about the failure. As Weick and Sutcliffe said: "The sense of crisis-oriented force can change the direction of attention, from the expectations to irrelevant, from determining to be uncertainty, from glad to unhappy, from uncertainty to certain, by the external to internal, from the actual into the possibility, and becoming a debate by the common recognition." This change requires an open, pluralistic, rich corporate culture, paying attention to errors and approximation errors in the report, and the courage to assume responsibility. If, however, this culture does not share trust, loyalty, justice and security, it will lose its role. In fact, this culture is conflict with the moral values similar to the results that supposing people are opportunist, seeking only self-interest. In this culture, people are assumed that as the self-interests and collective interests with "misleading and distorted, inconsistent, confused, or confused." On the other hand, non-instrumental stakeholder management of organizations would like to show an acceptance of mutual trust and cooperation trend.

Berman (1999) analyzed six stakeholders by customer / product safety, employees, the diversification of the natural environment and community, and found that these stakeholders, the first two stakeholders directly and indirectly affect organizational performance, then followed by three stakeholders who only indirectly affect organizational performance. Instrumental-based stakeholder management of the enterprises will treat different stakeholders differently, and consider only the first two stakeholders is important, because these two stakeholders have a direct impact on the economic performance of enterprises. Frooman (1999) and Mitchell (1997) think that the neglect of some stakeholders could be counterproductive, as dissatisfied and "not important" stakeholders may affect directly or indirectly to the resources organizations rely on. Thus, there is a performance gap between instrumental-based reactive type and non- instrumental-based proactive type.

Instrumental stakeholder management companies take proactive crisis management, emphasize trust and cooperation as the means, this is different with the non-instrumental stakeholder management of the business whose response is stressed in advance, trust and cooperation as a means of reason, and also in other words, A and B take the same approach to the performance of organizations, but the motive of every business is different. Although the instrumental stakeholder management for crisis management try to take proactive type, but their motivation is not a non-instrumental, and they will not be able to adhere to the end, finally have an impact of corporate profits, ruin the corporate reputation. Jones (1995) thought that the camouflage of moral values and insist on honesty and reputation is very difficult to do. For example, when the long-term interests are more difficult than short-term benefits to determine, a number of instrumental-based stakeholder management of the enterprises may be more inclined to pursue short-term benefits, the enterprises have a trend to differ stakeholders, because not all stakeholders have an equal role, instrumental stakeholder management of the business only attach importance to those who grasp the key stakeholders of resources and show them pre-response-oriented, trust and cooperation. In other words, the results of these enterprises are expected to carry out cost-benefit analysis to determine which stakeholders more useful, and thus even more important.

In crisis management practice, some enterprises are not completely instrumental-based reactive type crisis management, not entirely non-instrumental proactive crisis management, but the transition phase from instrumental-based against type of crisis management to non-instrumental proactive crisis management, that is, to adapt to the performance-based crisis management.

5. Concluding remarks

Stakeholder management is an important part of crisis management, those enterprises which pursue sustainable development, in order to avoid the crisis effectively; they should change gradually from the instrumental-based reactive type crisis management to non-instrumental proactive crisis management.

Acknowledgement

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