

# Chapter 19

## A Trilogy of Unfortunate Events in China: Reflecting on the Management of Crises

**Zhang Long**

*China University of Geosciences, China*

**William Crandall**

*University of North Carolina at Pembroke, USA*

**John A. Parnell**

*University of North Carolina at Pembroke, USA*

### ABSTRACT

*In this paper, the authors address three recent organizational crises that have occurred in China; the SK-II cosmetic incident, the Sharon Stone comment on the May 2008 earthquake in China, and the melamine milk contamination crisis. Each held significant notoriety due to the crises involving major companies and an assortment of negative outcomes. After presenting an overview of each case, the authors outline their reflections on the management of these crises in relation to their cultural context.*

### INTRODUCTION

The management of organizational crises has been a key concern in recent years in both developed and developing nations (Parnell, Köseoglu, & Spillan, 2010). Three events of interest to crisis management researchers have occurred in the People's Republic of China since September 2006. The discovery of contaminants in Proctor & Gamble's cosmetic line-SK-II in 2006, the

comments by U.S. actress Sharon Stone regarding the May 12, 2008 earthquake in China, and the melamine milk crises that occurred in the summer of 2008 each generated their own degree of negative outcomes for the organizations involved. The fact that these events occurred in the People's Republic of China is of special interest to crisis researchers, given the widespread globalization that has spread to this country.

This article begins with an overview of these three events and the negative outcomes that caused them to be crises for their organizations. We then

DOI: 10.4018/978-1-4666-0276-2.ch019

offer our reflections on the significance of these events within the framework of crisis management and the cultural context of China.

## **A TRILOGY OF UNFORTUNATE EVENTS IN CHINA**

### **The SK-II Crisis**

The SK-II product line of cosmetics is manufactured by Proctor & Gamble (P&G) in Japan and distributed to stores in Australia, China, Hong Kong, Japan, Korea, Malaysia, Singapore, Taiwan, the United Kingdom, and the United States. In the United States, the product line is available through Saks, with a market comprising high-end consumers.

The SK-II crisis began on September 14, 2006, when authorities in South China's Guangdong Province detected chromium and neodymium in a type of SK-II cosmetic. Because these metals can cause skin irritation and disease, they are banned in all cosmetics in China. Sales of SK-II in China represent less than seven percent of the brand's global sales (Crandall, Parnell, Xihui, & Long, 2007).

Initially, P&G denied there was a problem with the cosmetics, instead stating that it was working with the authorities to verify the validity of the findings. After the types of allegedly contaminated SK-II products increased to nine, the company agreed to offer refunds to consumers. To be eligible for those refunds, consumers had to bring the product back to the store of purchase with no less than one-third remaining, complete and sign a form acknowledging that the product was of good quality, and wait several weeks for a refund to be processed (*China Daily*, 2006a; Guan, 2006). On September 21, hundreds of Shanghai women sought refunds at P&G's specified locations, only to become frustrated when told that their refunds would take three weeks to process. On September 22, P&G announced that it would

suspend its refund operations due to security concerns. A few hours later, tempers flared as an angry group of consumers kicked down the front door at P&G's Shanghai office. Media calls to P&G officials in Guangzhou and Shanghai were not returned. The company's China website was reportedly hacked that weekend. Some retailers of the SK-II products began offering immediate cash refunds to customers after P&G suspended its refund program (*China Daily*, 2006b, 2006c).

### **The Sharon Stone Crisis**

A major earthquake measuring 7.8 on the Richter scale jolted Wenchuan County in southwest China's Sichuan Province on May 12, 2008 (Xinhua, 2008a), resulting in almost 70,000 deaths. An outpouring of relief efforts from around the world followed to help the victims of this tragedy. In addition, the three days from May 19 to 21 were declared as national mourning days by the Chinese government for the earthquake victims.

The tragedy took a strange twist during the Cannes Film Festival on May 24, however. During an interview, actress Sharon Stone offered these comments on the earthquake in China:

*"Well you know it was very interesting because at first, I'm you know, I'm not happy about the ways the Chinese were treating the Tibetans because I don't think anyone should be unkind to anyone else. And so I have been very concerned about how to think and what to do about that because I don't like that. And then I've been this, you know, concerned about, oh how should we deal with the Olympics because they are not being nice to the Dalai Lama, who is a good friend of mine. And then all this earthquake and all this stuff happened and I thought: Is that karma, when you are not nice that bad things happen to you ..."* (Gardner, 2008)

The "Karma" comment created uproar in the news media and a wave of criticism on Internet

8 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

[www.igi-global.com/chapter/trilogy-unfortunate-events-china/63750](http://www.igi-global.com/chapter/trilogy-unfortunate-events-china/63750)

## Related Content

---

### A Take on Employee Welfare Facilities and Employees' Efficiency

Chandra Sekhar Patro and Madhu Kishore Raghunath Kamakula (2016). *International Journal of Asian Business and Information Management* (pp. 54-70).

[www.irma-international.org/article/a-take-on-employee-welfare-facilities-and-employees-efficiency/159912](http://www.irma-international.org/article/a-take-on-employee-welfare-facilities-and-employees-efficiency/159912)

### Entrepreneurship and Innovation in ICT Companies: A Picture of ICT Sector Applied to a Small European Economy

Luísa Margarida Cagica Carvalho and Paulo Adelino Moreira Martins (2014). *International Business Strategy and Entrepreneurship: An Information Technology Perspective* (pp. 260-275).

[www.irma-international.org/chapter/entrepreneurship-and-innovation-in-ict-companies/100323](http://www.irma-international.org/chapter/entrepreneurship-and-innovation-in-ict-companies/100323)

### A Bibliometric Perspective on Technology-Driven Innovation in the Gulf Cooperation Council (GCC) Countries in Relation to Its Transformative Impact on International Business

Raheem Sarwar, Saira Hanif Soroya, Amina Muazzam, Fahad Sabah, Sehrish Iqbal and Saeed-Ul Hassan (2019). *Technology-Driven Innovation in Gulf Cooperation Council (GCC) Countries: Emerging Research and Opportunities* (pp. 49-66).

[www.irma-international.org/chapter/a-bibliometric-perspective-on-technology-driven-innovation-in-the-gulf-cooperation-council-gcc-countries-in-relation-to-its-transformative-impact-on-international-business/228029](http://www.irma-international.org/chapter/a-bibliometric-perspective-on-technology-driven-innovation-in-the-gulf-cooperation-council-gcc-countries-in-relation-to-its-transformative-impact-on-international-business/228029)

### International Labor Migration in a Globalizing Economy: Historical Dynamics and Prospects of Development

Eteri Rubinskaya (2020). *Migration and Urbanization: Local Solutions for Global Economic Challenges* (pp. 1-17).

[www.irma-international.org/chapter/international-labor-migration-in-a-globalizing-economy/237465](http://www.irma-international.org/chapter/international-labor-migration-in-a-globalizing-economy/237465)

### Forecasting Inflation in India: An Application of ANN Model

Rudra P. Pradhan (2011). *International Journal of Asian Business and Information Management* (pp. 64-73).

[www.irma-international.org/article/forecasting-inflation-india/55057](http://www.irma-international.org/article/forecasting-inflation-india/55057)