Abstract: Crises are commonplace and it can be happened at any point of the organization process. Thus, it is worthwhile for the organization to identify the early plan of issue or potential risk occurring within organizations, as a small scale antagonist can pose a serious threat to the protagonist. Hence, it is not easy to win the reputation warfare. Thus, this paper aims to examine the crisis clusters in the Issue and Crisis Management Relational Model by applying on one of the cases which is Apple and Samsung patent lawsuit. The model suggested several stages which include pre-crisis management and post-crisis management. The discussion of the case will be surrounded on the two (2) clusters on the crisis management part, which include crisis event management and post-crisis management. The review of the case showed that Apple had won the lawsuit warfare and Samsung need to pay for the financial loss as a result of copying the design of the Apple’s product. In addition, the review also showed that the model need to be seen as an integrative approach, rather than as a sequence of process. This has called upon the management, especially the public relations or corporate communication department to look into the clusters that has been suggested to form a strategic solution to safeguard the organization’s reputation when the crisis strike.

Keywords: Risk, Issues and Crisis Management, Crisis Communication, Crisis Responses, Public Relations, Strategic Communication Management

Introduction

In our daily life, no community, organization, public or private is immune from crisis as we live in a society that is continually affected by natural disasters, such as flood, tsunamis, forest...
fires, and by organizational crisis, such as food borne illness, corporate malfeasance and other form of crises (Ulmer, Sellnow, & Seeger, 2015). However, in the era of globalization, with the advancement of technology and the makeup of the media, any crisis is expected to be resolve in a matter of hours by national and international media, and webcast over the Internet. This further hastened by the growing population of the online bloggers who document and critique companies for their actions (Argenti, 2015). This risks and issues may form the bedrock for crises to happen. Therefore, it had created the need for a more sophisticated response to crises due to a more sophisticated media environment, as well as the new focus on technology in business.

The aim of crisis management and communication is to exert control over events and organizational activities to reassure stakeholders are taken care of. Such control requires organizations to develop contingency plans to prepare for possible crises as well as communication plans to effectively respond to crisis scenarios. This is in line with Coombs (2015) and Frandsen & Johansen (2011), that crisis management includes efforts to mitigate crisis risks in order to prevent the occurrence of crises by developing three (3) stages: pre-crisis, crisis, and post-crisis. The other half is about the strategies in communicating effectively and responsibly (Berge, 1990). It is about taking actions to contain the crisis and limit the negative consequences for stakeholders and safeguard the organizations and its reputation (Barton, 2001; Cornelissen, 2017).

Hence, this paper aims to examine the crisis management clusters in the Issue and Crisis Management Relational Model (Jaques, 2007) by applying one of the cases which is the Apple (protagonist) and Samsung (antagonist) patent lawsuit issue. This discussion of the paper will focus on the crisis management part (crisis event management and post-crisis management). Lastly, this paper discusses and recommends some principles or approaches for effective crisis communication for the organization.

**Literature Review**

*Definitions and concepts of related terms*

**Issues**

Wartick and Mohan (1994 as cited in Jaques, 2009) identified three (3) distinctive themes on the construct of issues, namely dispute theme, expectation gaps theme, and impact theme. Based on the impact theme, Regester and Larkin (2002) defined issue as a condition or event, either internal or external to the organization which, if it continues, will have a significant impact on the functioning performance of the organization and its future interest. In addition, Jacques (2009) listed few attributes for issues, namely; 1) involve external parties; 2) there is no black and white answer; 3) involves public policy or regulation; 4) happen in public or in the news media; and 5) it has the potential to become a crisis and threatens the whole organization. Therefore, in order to reduce the issue, Chase and Jones (1997) introduced a model which comprised of five (5) basic steps, namely; issues identification, issue analysis, issue change strategy options, issue action program, and evaluation of results, whereby Coombs and Holladay (2007) described the model as the most influential issue management model.
Crisis

A crisis is a major catastrophe that may occur either naturally or as a result of human error, intervention, or even malicious intent. It can include tangible devastation, such as the destruction of lives or assets, or intangible devastation, such as the loss of an organization’s credibility or other reputational damage. A crisis usually has significant actual or potential financial impact on a company, and it usually affects multiple constituencies in more than one market (Argenti, 2015). This is in line with Fearn-Banks (2016), that crisis is a major occurrence with a potentially negative outcome affecting the organization, company, or industry, as well as its publics, products, services, or good will. Fearn-Banks (2016) further explained that crisis interrupts normal business transactions and can sometimes threaten the existence of the organization.

According to Coombs (2015), the crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders which related to health, safety, environmental, and economic issues. It can seriously impact an organization’s performance and generate negative outcomes. In addition, Barton (2001) further added that crisis is an event that can or does inhibit a corporation’s ability to operate and can harm the corporation’s reputation.

Crisis management

According to Fearn-Banks (2016), crisis management is a process of strategic planning for a crisis or negative turning point by removing some of the risks and uncertainties from the negative occurrences to allow greater control over an organization’s own destiny. In addition, crisis management should not just be seen as a tactical reactive response, but it should be seen as a proactive discipline that embraces the connecting processes ranging from crisis prevention, crisis preparedness through crisis response, and to crisis recovery (Jaques, 2010a). This is in line with Coombs (2015), whereby crisis management involves a process of preventing, preparing, performing, and learning from the crises in order to lessen the actual damage inflicted by a crisis or prevent it from becoming more critical (Coombs, 2015; Mitroff & Anagnos, 2001).

Crisis communication

Crisis communication is a dialogue between the organization and its publics before, during, and after the negative occurrence (Fearn-Banks, 2016) and it is always associated with the risk communication, issues management, and reputation management (Coombs, 2010). It is a tool that helps organizations to solve or minimize the damage to the image of the organization. The applications of crisis communication can divide into two (2) categories; (1) managing information and (2) managing meaning.

Managing information refers to the collection and analysis of the information and the dissemination of knowledge. Managing information also drives by the decision making of crisis teams and informing stakeholders. This will give the stakeholders a warning sign about the safety and protect themselves from the crisis as well as the following-up after the crisis. On the other hand, managing meaning is an effort to shape how people perceived the situation of crisis. This includes providing adjusting information by helping stakeholders cope psychologically emotions with the crisis on the behavioral intention (Coombs and Holladay, 2005; Jin & Pang, 2010) and managing reputation (Helm & Tolsdorf, 2013).

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In summary, crisis communication benefit the organizations as well as the public as whole by gathering the guidelines, procedures, policies, steps, techniques, and tactics of communication. It is then being managed strategically and delivered accordingly to the needs of the targeted publics. Crisis communications is a guide for the management to manage the crisis systematically and provides the ability to communicate to the public’s truthfully and show concerns.

The following paragraph will discuss some of the past literature that related to crisis management strategies. For instance, Pangarkar (2016) tried to propose framework for effective crisis response by using the case of Toyota product recall and Singapore Airlines flight crash of SQ006 in Taiwan. The findings suggested that organizations are committed and responsive towards stakeholders and this practice deems vital during a crisis. However, organizations lacking of the stakeholder commitment and readiness will suffer from the financial loss and market share as the post-crisis losses. Based on the discussion, the proposed framework intended to fill the void in understanding why certain companies have effective crisis responses and others do not have.

In addition, Mejri and de Wolf (2013) analysed the crisis management of British Petroleum (BP) deepwater horizon oil spill that happened on 24 April 2010. The study utilized content analysis and apply three (3) stages of crisis management model that proposed by Coombs (2007) which are pre-crisis, response, and post-crisis of the BP crisis management. The findings highlighted four lessons that pertaining to the case; namely corporate social responsibility and crisis management, the significance of initial response when crisis strike, the need of managing stakeholder relationship prior, during and after the crisis, and lessons learned from a crisis.

In a nutshell, past literature that applied various crises model and theories such as Situational Crisis Communication Theory (SCCT) (Kriyanto, Rian, & Safitri, 2017), Attribution Theory (Tennert, 2014) to name a few have already been found. However, integrated approach of crisis management as a cyclical construct that consists of numerous phases such as pre-crisis management (crisis preparedness and prevention), and crisis management (crisis event management and post-crisis management) need further exploration (t-Hart, Heyse, & Boin, 2001). Based on the notion, the literature has urged that the management should aim to manage the long-term impacts and learning as a recovery to be better prepared for future crisis (Jaques, 2010b).

Therefore, the current study sought to fill those research gaps by examining the case of Apple versus Samsung patent infringement lawsuit drawn from Jaques’s (2007) Issues and Crisis Management Relational Model as a guide for the crisis management analysis.
The Issue and Crisis Management Relational Model were proposed by Jaques (2007), whereby it is a predicted holistic view of crisis management, that crisis prevention and crisis preparedness are just as many parts of the overall process. This is a non-linear model as each element in the model as a cluster of integrated disciplines. In this model, some elements which may happen overlap or happen simultaneously. The hemisphere of the model between crisis management and pre-crisis management will have a temporal relationship to each other. This model suggests an integrated approach whereby the pre-crisis management and crisis management are not always seen as a circular loop or as a one-way process.

**Case: Apple versus Samsung patent lawsuit**

Apple and Samsung are the two well-known smart phone corporations in the global market. Both of them started their legal battle about product patents, trademarks, and industrial designs. At the beginning, according to an Australian affidavit from Apple’s global legal counsel Richard Lutton, chief executive Steve Jobs warned Samsung about potential litigation in Jun 2010, shortly after the release of the first Galaxy phones. The war started when Apple accused Samsung for infringement in April 2011 in United States (U. S.) court, claiming on the South Korean manufacturer “slavishly copied” Apple product design for the Galaxy series of touch screen phones (Haselton, 2011).

The lawsuit scope as per describe as the new products of Apple, iPhone, iPod touch, and iPad are protected through utility patents and design patents which gives Apple the sole right to use these innovations. The utility patents cover functionality aspects such as multi-touch user interface, individual features such as arrangement of text messages on the screen, to the way images and document appear to “bounce back”, movement of the buttons and other features that can be found on the Apple products (Bolos, 2012).
Hence, Apple claimed that Samsung’s Galaxy phones embodies a combination of several elements of the Apple Product Configuration Trade Dress namely, a product configuration with
(a) rectangular product shape with all four corners uniformly rounded; (b) the front surface of the product dominated by a screen surface with black borders; (c) substantial black borders above and below the screen having roughly equal width and narrower black borders on either side of the screen having roughly equal width; (d) a metallic surround framing the perimeter of the top surface; (e) a display of a grid of colourful square icons with uniformly rounded corners; and (f) a bottom row of icons set off from the other icons and that do not change as the other pages of the user interface are viewed. (Apple Inc, 2011; O’Rourke, 2011). In this case, Apple would like to protect its unique design through legitimacy actions.

Application of issue and crisis management relational model

Crisis event management – Crisis recognition

Crisis recognition is an early stage of the crisis management. In this stage, it includes transition from emergency, objective evaluation, and early recognition (Jaques, 2007). The crisis starts from the emergency. It is hard to recognize in real life for early stage or during the transition from emergency to a serious crisis as Burnett (1998) stated that crisis pose unique and often unfamiliar challenges. The goal in this phase is to understand the incident or emergency and environmental analysis (Burnett, 1998). Therefore, it is important to notice for any early warning and scanning in order to prevent arise of crisis. However, it will be turn into a serious incident and crisis if the management do not take note, reject, and cover the warning.
Hence, the first things to be carried out by the crisis management team (CMT) is to collect accurate crisis data quickly (Darling, 1994). Then, the crisis team will need to analyse the information gathered to create the crisis-related knowledge that used to make decision and create the message to various internal and external stakeholders (Coombs, 2015).

For instance, Apple and Samsung is a long-time partner for smart phone. Apple had invested billions on Samsung flash memory, screens, processors, and other components. However, the early stage of crisis started when Apple had given warning to Samsung phone which infringe on Apple patents on August 2010. However, the Samsung crisis team does not treat the warning sign (prodromes) seriously and this had caused the Apple fall lawsuit against Samsung.

**Crisis event management – systems activation/response**

The crisis response includes the first public statements that the spokesperson makes about the crisis. The first statement typically is delivered through the mass media or the Internet. (Barton, 2001; dna13, 2010). When the incident happens, recognition and activation systems need to carry out simultaneously with the information from the crisis team.

System activation able to execute faster to prevent the crisis developing into a greater disaster. It is obvious to show that Samsung wants a revenge as Samsung followed up 12 days later with a lawsuit accusing Apple of infringing ten Samsung patents (Williams & Safiullah, 2012). System activation and response was slow and fail to response fast during an emergency which then leads to crisis incident. There are few factors that contribute late response including insufficient practice and planning. As mentioned by Burnett (1998) practice can be integrated into functional, customer or product and execute in periodic identification of early warning (Burnett, 1998). Such practice enable managers to be more familiar with critical thinking skills and sensitive to the environment before crisis arise.

For instance, Apple had a meeting with Samsung for discussion on licensing deal in October 2010, whereby Samsung would pay Apple up to $30 per phone and $40 per tablet (Fried, 2012). However Samsung does not agree to the deal. The failed meeting raised the war between Apple and Samsung. According to Jaques (2007), there are several reasons for slow or inadequate response as it might due to lack of concrete planning and too often is due to the management of the organization are more concerned with messaging and protection of their organization's reputation, rather than taking real actions to mitigate the crisis.

**Crisis event management – Crisis management**

When incidents happen, it is important to include strategy selection and implementation, damage mitigation, managing stakeholders, and media response (Jaques, 2007). In analysing the alternatives, Coombs (2002) suggests three distinct research streams regarding alternate approaches to the selection of crisis response strategies – (1) corporate apologia; (2) image restoration strategies; and (3) situational crisis communicating theory.

For instance, on November to December 2011, Australia allows the Galaxy tablet to go on sale many months after its planned debut, but Samsung changes the design to get around the sales ban in Germany. Samsung manages to get iPhones and iPads banned in Germany for a few hours, and Apple loses a bid to block sales of specific Samsung 4G phones in the U. S. More cases get filed. The fight spans about 30 cases spanning North America, Asia, Europe,
and Australia. Apple and Samsung are now engaged in more than 50 lawsuits worldwide. The Galaxy S5 which was unable to match the iPhone 5S and 6 as a premium device was a disaster for Samsung. This was further exacerbated by an Apple lawsuit, which could effectively wipe out the profits of Samsung’s smartphone division and this had putting further pressure on the Samsung (Duncan, 2014).

Hence, it showed that Apple applies the crisis response strategies effectively during the crisis management by applying one of the strategies under image restoration strategies which was attacking the accuser (Benoit, 1995, 1997). In this case, Apple confronts the Samsung by claiming that a crisis exits by the response against Samsung using legal force (lawsuit).

**Post-crisis management – Recovery and business resumption**

This phase includes efforts such as operational recovery, financial costs, market retention, business momentum, and share price protection (Jaques, 2007), to return the company business as usual. In addition, recovery also means restoring the confidence of the key publics, by communicating return to normal business (Fearn-Banks, 2016). In the aftermath of any crisis, there is a logical desire to move on as quickly as possible, to resume business as usual. This is because the risks to an organization post-crisis can be even greater than during the crisis itself. Stocker (1997) says the potential for legal costs tends to determine how companies respond to a crisis. However, in almost every case, this ends up being a minor segment of ultimate costs. In addition, Stocker (1997) further added that the largest single segment is market costs, whereby sales lost, the stock price falls, damaged products, damaged reputation, and the ability of company’s grow.

For example, Samsung seems to have taken a step back in its analysis of the situation. Samsung appears to believe emulating success is easier than experimenting given its smartphone division’s current financial position. Samsung ordered to pay Apple more than $1 billion after jury says they “stole” patented iPhone designs and now having to pull all their cell phones and tablets from the U. S. (Mail Online, 2012). Apple’s reputation as a technology innovator remains unscathed.

**Post-crisis management – Post-crisis issue impacts**

This phase includes coronial inquests, judicial inquiries, prosecution, litigation, reputational damage, and media scrutiny (Jaques, 2007). As described previously, post-crisis issues can persist for years or even decades and may impact whole industries and its reputation. Decisions during a crisis are often made under pressure and in the heat of the moment, but it has the capacity to impact the organization for years to come. Judges and legal investigation can be brutal, and the capacity of management to withstand such pressure is often directly related to how well the organization tried to prevent the crisis and how well it’s plans and processes operated in response (Jacques, 2007).

For instance, Apple made a public consent by informed public about their patent rights and winning through mainstream and social media. It is merely to regain public interest towards the product and to warn other competitors.
Post-crisis management – Evaluation and modification

The evaluation phase includes root cause analysis, management assessment, process review, implementation of change (Jaques, 2007), whereby this phase is a process of examining the crisis and determining what lost, what gained, and how the organization performed in the crisis. It is an evaluation procedure designed to make the crisis a prodrome for the future (Fearn-Banks, 2016).

The end of every crisis should be the beginning of the preparation step for the next one. Penrose (2000) argued that companies which do survive disasters are more prepared for future challenges. Debriefing the crisis team and evaluating the crisis plan immediately after the crisis can be the most significant part of crisis management (Penrose, 2000). Elliott, Smith, and McGuinness (2000) noted that immediately following a crisis will often be a search for scapegoats as survivors and managers seek to project blame elsewhere. However, they proposed that the post-crisis phase represents an opportunity to change those aspects of the organization which helped create the potential for a crisis in the first place. Recovery is not just getting back to work. It is about the lesson which have learned to prevent the crisis happening again, and how can the crisis strategies have done differently.

For example, Apple has been largely successful against Samsung, with the bulk of rulings and court decisions going in Apple’s favours. Apple has also struck a blow against companies (like Motorola) using predatory licensing on standards-essential patents to seek bans on rival products. This can perhaps claim a moral victory between Apple and Samsung, as Samsung admitting some of its products copied Apple technology. However, Apple has not managed to get Samsung’s key products banned in major markets. Furthermore, Apple had not collected a penny of damages from the high-profile first U. S. trial (Duncan, 2014).

Discussion and Conclusion

In this case, Samsung should have foreseen the effect of the advancement of technology devices towards its rivals on the signal lodged towards them. Samsung should be more careful with the patent issue that might disrupt their products and loose the reputation from the stakeholders due to bridge of copyrights act with Apple technology. Constantly checking on the products of the rivals should be done from time to time to predict on critical area in order to make adequate changes in the technology that are distinctive from the competitor like Apple. Hence, this will reduce the reputation and financial loss for Samsung.

On the other hands, Apple needs to train and prepare for the uncertainty, threat, and communication demands before an issue or crisis erupts. For instance, Apple can do a tabletop exercise and mock simulation by choosing a potential crisis situation to prepare for the uncertainty and destruction of the crises happening in the future. Once this has taken place, Apple’s crisis team members are given training and simulation on the crisis situation and being exposed to the critical situation once or twice in a year.

In conclusion, crisis communication is an increasingly significant specialist discipline in corporate communication and public relations. Managing crisis typically starts with developing crisis contingency plans for the most critical crisis scenarios that an organization may encounter. However, in some circumstances whereby the crisis happens, most of the organizations do not have much time to prepare for the crisis. Therefore, it is crucial that
organizations need to have a complete Crisis Management Plan (CMP) and Business Continuity Plan (BC) in order to better shield themselves during the crisis period (Coombs, 2015). A good CMP will contribute towards saving more time for the organization to act wisely and at the same time not tarnish their image and reputation. Furthermore, BC plan will reassure the company business back to normalcy. Hence, this research urges for the top management of the organization to learn from the past case studies to get them prepared for the crises in the future (Jaques, 2010b).

For the reputation part, the crisis faced by Samsung has slightly slowed down and it affects the reputation of Samsung and caused financial loss, as Samsung need to pay Apple $ 1.05 billion in the latest skirmish of a global battle between the two prominent technology companies (Elias, 2012). Therefore, Samsung should treat this as a lesson of learning and avoid the same incidents happening to tarnish their reputation twice.

In addition, one important principle for crisis communication is the degree to which stakeholders and publics hold the organization responsible for a particular crisis. Thus, a complex media analysis is needed as the media is one of the secondary stakeholders in the organization. This is because strategic relationship between organizations and its constituencies are imperative elements that require great attention.

Crises are not always negative forces in society as it may be a radical change for good as well as bad (Friedman, 2002). In fact, crises can actually lead to positive outcomes and an opportunity for learning, rectification, and improvement (Pauchant & Mitroff, 1992). Crises are dangerous moments or turning points in an organization, however, crises provide opportunities and leave an organization stronger in some ways as compared to before.

References


