Proactive Crisis Management (PCM)
Perceptions of crisis-awareness and crisis-readiness in organizations in relation with their actual strategic initiatives against industrial crises caused by human errors

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Abstract

Purpose: In a competitive and constitutively changing global business environment, it is almost impossible for organizations to avoid crises of various types and magnitude. The objective of this study is to display relationships between perception of crisis awareness, crisis readiness and the organizations’ actual crisis management initiatives against major industrial crises. This thesis also aims to clarify if the perception of crisis-awareness and crisis-readiness could be affected by other factors that should be in considerations, which in turn could affect the outcomes of crisis-management initiatives and actions in industrial organizations.

Methodology: By way of introduction, the problem, which is related to the industrial crises and proactive crisis-management and which also refers to the core topic of the study was formulated and discussed. Research questions about “How the employee’s perception of crisis-awareness and crisis-readiness affects the outcomes of an organization's crisis-management initiatives?” and “How top managements could affect the employee’s perception of crisis-awareness and crisis-readiness positively toward PCM in their organization?” were identified. The covering and important data was collected through scientific literatures and articles and was presented in the theory part. Collected data and empirical findings from the world’s two largest automaker namely, Volkswagen and Toyota, whom has been involved in scandals and crises related to core research of this paper. Empirical findings has been analyzed and finally the answer to the research questions were proposed.

Findings: The result of the research indicates that the perception of crisis awareness and crisis readiness in organization have a direct impact on the organizations crisis management initiatives and activities and also there are elements like Corporate Culture, Personnel Education in Crisis Management and Corporate Communication and also other factors, which would affect the perceptions in organizations.

Implication: The study suggest that by effective use of elements presented here, organizations could influence employees crisis awareness and crisis readiness positively, thus strengthening the organizations crisis management capacities.

Keywords:
Perception, proactive crisis-management, crisis-awareness, responsibility culture, social responsibility, whistleblowers, crisis-preparedness, job satisfaction, communication
# Table of Contents

List of Figures ........................................................................................................................................... 5  
List of Abbreviations................................................................................................................................... 5  
1. Introduction.............................................................................................................................................. 6  
   1.1. Background.................................................................................................................................. 6  
   1.2. Problem Discussion ................................................................................................................... 6  
   1.3. Problem Formulation and Purpose .......................................................................................... 8  
   1.4. The Limitations of the Study .................................................................................................. 9  
   1.5. Thesis Structure ...................................................................................................................... 9  
2. Theory ..................................................................................................................................................... 10  
   2.1. Crisis and Crisis Management ................................................................................................. 10  
   2.2. PCM and Crisis-Awareness ...................................................................................................... 11  
   2.2.1. The Mechanisms of PCM ................................................................................................. 11  
   2.2.2. Crisis-Awareness and Crisis-Readiness ............................................................................ 11  
   2.3. Significant Factors ................................................................................................................... 13  
   2.3.1. Employees Job Satisfaction ............................................................................................... 14  
   2.3.2. Whistleblowers .................................................................................................................. 16  
   2.3.3. Personnel Education in Crisis Management ...................................................................... 17  
   2.3.4. Corporate Culture, Responsibility Culture and Social Responsibility ....................... 18  
   2.3.5. Corporate Communication ............................................................................................... 20  
   2.3.6. Summary ........................................................................................................................... 20  
3. Method .................................................................................................................................................... 22  
   3.1. The Research Process ............................................................................................................... 23  
   3.2. Data Collection and Credibility ............................................................................................... 23  
   3.3. Literature Review ..................................................................................................................... 25  
   3.4. Analysis of the Empirical Findings ......................................................................................... 25  
4. Case Descriptions .................................................................................................................................. 26  
   4.1. The Toyota Recall Case ............................................................................................................ 26  
   4.1.1. Introduction .......................................................................................................................... 26  
   4.1.2. Corporate Culture and Internal Communication .............................................................. 27  
   4.1.3. Whistleblowers and Crisis Communication to the Public ............................................ 27  
   4.1.4. Perception of Crisis and Crisis-Awareness ...................................................................... 28  
   4.2. The Volkswagen Diesel Scandal Case .................................................................................... 29  
   4.2.1. Introduction .......................................................................................................................... 29
4.2.2. Corporate Culture and Social Responsibility in the VW Scandal ...................... 30
4.2.3. Whistleblowers in VW ....................................................................................... 30
4.2.4. Personnel Education and Learning from the Past .............................................. 30
4.2.5. Perception of Crisis-Awareness ......................................................................... 30
4.2.6. The Crisis Plan of VW ....................................................................................... 31
5. Analysis ............................................................................................................................. 31
  5.1. Corporate Culture and social responsibility .............................................................. 31
  5.2. Internal Communication ............................................................................................ 31
  5.3. Whistleblowers .......................................................................................................... 32
  5.4. Crisis Perception and Readiness ................................................................................ 32
6. Implications ....................................................................................................................... 34
  6.1. Common Denominators from the Two Cases ........................................................... 34
  6.2. Differences between Toyota and VW ....................................................................... 34
7. Conclusion ........................................................................................................................ 35
  7.1. Proposed Further Research ........................................................................................ 36
8. References ......................................................................................................................... 37
List of Figures

Figure 1. The chronological order of crisis.................................................................8
Figure 2. The five stages of crisis management as described by Mitroff (1994)........10
Figure 3. The relationship between significant factors and crisis management.........14
Figure 4. Examples of purpose as described by Peshkin (1993)..............................22
Figure 5. The research process used in this thesis....................................................23
Figure 6. The literature review process used in this thesis.......................................25
Figure 7. Events from the Aug 2009 - Jan 2010 Toyota recall crisis......................26
Figure 8. Events from the VW-scandal in 2015-2016.............................................29

List of Abbreviations

CC     Cultural Control
CME    Crisis Management Education
EPA    Environmental Protection Agency
GM     General Motors
NHTSA  National Highway Traffic Safety Administration
PCM    Proactive Crisis Management
VW     Volkswagen
WBP    Whistleblowing Policy
1. Introduction

1.1. Background

“It is generally believed that the pace of change in society and in organizational life is increasing. This belief coincides with the perception that crises are also increasing.” (Light, 2007) Major crises may have different shapes and forms, everything from natural disaster or industrial error to criminal or political acts to global economic crises etc. A crisis of big or small proportion is likely to happen for every company or organization during its life time and it is bound to have negative consequences. Ian Mitroff a highly respected scholar specialized in crisis-management claims that the scope and magnitude of the crisis are increasing. (Mitroff, 2004) It is therefore essential for industrial enterprises, especially for the large corporations, to know how to handle these crises in a turbulent and dynamic global business environment in order to prevent financial and reputational loss.

Both theoretical and empirical findings indicate that a proactive crisis management is to prefer rather than a reactive one, which can provide guidelines for a pre-crisis preparation plan for the relevant and specific needs of the organization. Experiences also shows how advance preparation makes difference in handling crises. (Shrivastava & Mitroff, 2013)

An important part of working toward a proactive crisis management (PCM) is also to know and understand how employees perceive their crisis-awareness and their crisis-preparedness in their organizations and how this is related to the industrial organizations actual strategic activities. When investigating cases where industrial crisis has hit against enterprises, we find several cases where an incorrect perception of crisis awareness alone has been the factor that created the crisis. By accurately dealing with crises-preparedness and by knowing how to affect employee’s perception positively and how to increase their crisis-awareness top managements will increase their capabilities and readiness to deal with crises in time, which should be an important part of the strategic action-plan in every large organization.

1.2. Problem Discussion

Since the birth of industrialization in the 1800’s, human-caused accidents, leading to injures and death and economical damage have been a reoccurring event in the industry. With more and better safety equipment and with an increased focus on safety, accidents have radically decreased during the past decades. (US Dept of Homeland Security, 2011)

In this modern and industrial society, we have been witnessing the birth of a new phenomenon, “the crisis”. A crisis in an organization could be defined as “low-probability, high-impact that threatens the viability of organization and is characterized by unclear cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly”. (Pearson, 1998)

Industrial crises might force an enterprise to radically change their behavior. (Pearson, 2007) For example, the Toyota recall crisis in 2009-2010 (Evans, 2010) and the Volkswagens diesel gate in 2015 (Rabe, 2015) are some examples of recent industrial crises, which must have come as surprises to these companies and which could most likely have been possible to prevent.
These crises have made great economic and reputational damage to the aforementioned companies. It is therefore of importance for organizations to be aware that a crisis could happen at any time and efforts should be made to address this fact.

PCM could have a significant role in any company’s future existence and development. Even though avoiding all kind of industrial crises seems to be impossible for now, there is a meaningful reason to work towards PCM at least for increasing the preparations and ability to deal with industrial crises in time. (Mitroff, 2001)

In one survey, companies were asked about crisis-awareness and a majority (76%) believed to be prepare but only 49% said to have a crisis plan and even fewer (32%) revealed that they had any continuous crisis training. (DTTL, 2016) Seemingly, there is a gap between perception and reality when it comes to crisis-awareness and crisis-preparedness today.

It could be devastating for an enterprise if their perception is that they have good plan, but then realize that the plan was inferior when crises strike. This would give a false sense of security and might even cause organizations to panic in time of crises and commit actions which would not be in the best interest for the company or would lack substantial scientific grounds. (Sapriel, 2003)

The worst standpoint a company could make is to ignore the fact that crises might happen. If a crisis would happen in a company with this state of mind, the consequences would be devastating and the damage to the employees and customers would be far higher than in a company that is open for the notion of a crisis happening. In that sense, a great deal of working towards PCM depends on perceptions of crisis-awareness and crisis-readiness in organizations in relation with their actual strategic actions.

“Levels of crisis readiness among organizations remain low and poorly understood” (Paton, 2003) There is a large amount of researches and scientific literatures and articles about both proactive and reactive crisis-management written by for example Mitroff, but there is no comprehensive research solely focusing on the perceptions of crisis-awareness and crisis-readiness particularly in Industrial organizations and in relation with their actual strategic initiatives. There are also neither yet clear studies about how top managements in organizations could use some synthesis factors that are crucial in affecting the employee’s perception of their crisis-awareness positively in organizations, which might create differences in company’s strategic activities and the outcomes of their action-plans nor about the eventual interrelationships between these factors. Thus, there is a need of more understanding and clearness of the role that the perceptions of crisis-awareness plays in relation to organizations actual strategic initiatives. According to Penrose “The perception of crises may ultimately affect crisis outcomes and it has the potential to influence the extent to which an organization is willing to engage in crisis management activities”. (Penrose, 2000)

It is our belief that by making an extensive research in this area we could gain more understanding about this area and we could have better preparation for designing effective proactive industrial crisis-management. However the previous studies should and will be used as additional knowledge and linked to this research to ensure the results of it.
1.3. Problem Formulation and Purpose

Industrial crises occur due to failure of a number of coherent overall systems and mostly are caused by human errors. (Mitroff, 2001) The purpose of this thesis is to focus on the perceptions of crisis awareness in relation to actual strategic actions in industrial and human-caused crises, which occur due to human errors and which can damage well-being of an enterprise, its reputation and thus its market share. In order to develop a system to proactively prevent industrial crisis videlicet major production failure or manufacturing errors, by finding how employee’s perception affects crisis management and the relationship between components, which could have significant impacts on development of the crises and by making guidelines for necessary preparation, hopefully before crises occur and reach the organizations vulnerable areas but also to be able to ease-down their harmful effects in case of inevitable crises.

Even though every crisis is novel in nature, crisis-prevention data, which is based upon experience, results and outcomes of previous management of crisis situations, need to be collected. We divide the crisis chronologically in three phases, in order to get a better overview of the crises and for knowing how to best prevent the next crisis: The pre-crisis, the ongoing crisis and the post-crisis phases. The process of “pre-crisis planning” should be an important part of management in every organization. In the pre-crisis phase business is as usual until a critical moment leading up to an event and where an event happens that trigger the start of the crisis. The actions of this phase will have a significant impact on what will happen in the two other, the ongoing-crisis and the post-crises phases. (Figure 1)

![Phase I: Pre-crisis](image1)
![Phase II: Crisis](image2)
![Phase III: Post-crisis](image3)

Figure 1. The chronological order of crisis.

There are many cases of large industrial crises caused by human errors and are linked to organizations perception of crisis and crisis management such as the crisis that hit General Motors in 2014 and forced the company to recall 1.6 million cars linked to multiple fatal car crashes and resulted to death of many people. (Arthur, 2015) According to Arthur “The recall uncovered a large, long running internal cultural problem at GM, where employees were not encouraged to speak up”. However because of the limited timeframe of this work, we will only go through the two major cases that shook the world’s largest car manufacturers, namely Volkswagen and Toyota, which we consider having direct relations with the core subject of this thesis and support its hypothesis.

It is only after the lifecycle of a crisis that an evaluation and a lesson could be made for further development of an organizations PCM. But as we mentioned earlier, in order to have an effective PCM we need to have a correct perception of crisis-awareness and also improving our crisis-readiness in organizations. Thus, the main focus of this paper will be revolving around
the perceptions of crisis-awareness in organizations in relation with their actual strategic activities against major industrial crisis caused by human errors.

At the central part of this thesis we aim to answer the core research question:

- How does the employee’s perception of crisis-awareness and crisis-readiness affects the outcomes of an organization's crisis-management initiatives and activities?

In this study, we will also try to find out how top managements could affect those perceptions positively and if there would be any factors, which could have a direct impact on employee’s perception of crisis-awareness and crisis-readiness in organizations and also if there are any interrelationships between those factors. This means that we need to find out if there are any factors and identify the significant factors among them, which could be used as effective tools by top managements to work toward PCM, thus this leads in turn to another question related to the core research question.

- How could top managements affect the employee’s perception of crisis-awareness and crisis-readiness positively toward PCM in their organization?

1.4. The Limitations of the Study

In studying corporate organizations, we neither have access to all related information nor do we have enough time to make a complete research in this area. We are restricted to the research literature and the journals and newspapers available to us. We do not aim to have a complete framework for PCM since this will be nearly impossible to make, but rather the intervention program namely perception of crisis-awareness and crisis-readiness in organizations will be examined.

1.5. Thesis Structure

The first part of this thesis a theoretical framework will be presented. In this part the focus will be on crisis management and underlying factors in order to have an appropriate amount of background for conducting the study.

In the next step the method of this study is presented. For this study we have chosen the qualitative research approach since this thesis seek to find answers to the research questions in documents and interviews rather than numbers and statistics.

Next, the two cases of this thesis and the empirical findings are presented. The main source of information in this part will come from studying the literature revolving companies that have been in crisis of some sort.

In the final part of this thesis we will analyze the results and compare to the theoretical findings of the literature and conclusions. We will focus on finding correlations between the factors and the theoretical framework to answer the research questions.
2. Theory

In this chapter, the theoretical framework for this thesis will be presented. The aim of this part is to give the reader a more comprehensive summary of topics related to the topic of the thesis.

2.1. Crisis and Crisis Management

There are many ways of describing a crisis and in the literature, there are many ways of defining crises (Millar & Heath, 2004). Depending on the field of study and the research questions, crisis could occur because of for example major industrial accidents, a mishap on the production line, a sabotage or any incident in the organization that would need special attention from managers. It could also be defined as something escalating out of control or a stressful situation. What all these situations has in common is that there is something stressful happening, which was not anticipated and which will lead to negative impact for the organization or other stakeholders. Since crises are associated with these negative concepts, organizations the field of crisis management has emerged.

Crisis management is a widely used concept used by managers in need of guidance in a crisis. Mitroff argues that despite the increasing crisis-events and decreasing the interval between the events, there is a meaningful hope for researchers, scholars and managements to know the best way to confront crises, by predicting how, when and where they occur in advance. (Mitroff, 1987) This argument opens a new view and perspective for dealing with the crisis, which refers to preventive or proactive crisis management or PCM. We know by thinking reasonably that, it’s almost always better to be proactive and work towards prevention of unwanted events instead of waiting and responding to them.

Different processes have been described in the literature, such as (Mitroff, 1994) in which crisis management could be divided into five stages (Figure 2).

![Figure 2](image.png)

**Figure 2.** The five stages of crisis management as described by Mitroff (1994).

The first (i) aims to identify warning signs in order to mount counter measures. The second (ii) stage risk factors should be found and eliminated. In the third (iii) stage actions to prevent a spread should be engaged. The forth (iv) stage includes recovery from the crisis and the fifth (v) concerns learning from the crisis.

A proactive approach to crisis management strengthens the organizations preparedness both for emerging and unforeseen crisis, but also facilitates crisis management during an ongoing crisis.
2.2. PCM and Crisis-Awareness

“Crisis preparation is the activities undertaken and processes developed by an organization to enable it to prevent, contain, and recover from crises”. (Kovoor-Misra, et al., 2000) This statement clearly refers to working toward building capacities needed for crisis management preferably in advance and as PCM.

Awareness of the crisis-management procedures and phases and the difference between the phases is important and helps the organizations to manage crisis effectively. (Mitroff, 1987) It is obvious that a good crisis-preparation, crisis-readiness and personal teaching, (Lalonde, 2013) a rigorous crisis-action-plan (Mitroff, 2001), a good cross-functional internal communication and good preparation for external communication in case of crises are crucial in time of crises. (Coombs, 2010) Preparation for crises should be undertaken necessary procedures and processes to not only enable prevention of the crises, but managing and recovering from them. (Kovoor-Misra, et al., 2000)

The organizational Crisis Awareness plays an essential role in the organization’s crisis management, especially for prevention purpose, and top managers need to pay more attention to it. All the aforementioned elements are parts of proactive crisis management (PCM) and should be in consideration when designing PCM.

2.2.1. The Mechanisms of PCM

PCMs capabilities in an organization are essential for a successful implementation of PCM. There are some important mechanisms, which plays essential roles in PCM’s effectiveness and in strengthening its capabilities. The most vital PCM-mechanism is the detection/sensing the pre-crisis warning signals. Improvement of crisis-preparation and developing continuous improvement of PCM-procedures are another important PCM-mechanisms. (Mitroff, 2001)

There are other mechanisms that should be in our considerations: Knowledge-management should be consider as an important mechanism. By identifying critical and relevant knowledge in advance, we could strengthen our preparation in CM. (Wang, 2009)

Strategic planning, which deals with forecasting events that might lead to crises, is another mechanism. By learning from previous-made mistakes, we can plan for contingency, analyzing possible scenarios and developing our surprise-management. (Rosenzweig, 2013)

Risk-assessment, risk-evaluation, risk-management and crisis-preparation assessment are also other mechanism in CM. (Sapriel, 2003)

Furthermore we will examine if there is a meaningful relationship and need for cultural understanding and transformation towards PCM.

2.2.2. Crisis-Awareness and Crisis-Readiness

Readiness stands for an organizations ability to respond on unwanted events and a wide range of disciplines and practices are meet in the field of crisis-preparedness. These, disciplines
and practices have their own areas of specialization and key elements. (Light, 2007) For example a significant part of PCM in organizations need to be designed in order to implement right attitude towards crisis-awareness among employees to increase the level of crisis-readiness, which also increase the organizations capacity and capability to wrestle down the industrial crises or primarily and preferably prevent those to occur.

However since the industrial crises can have many different causes/faces and industrial crisis management is an enormously widespread area to research, we will solely focus ourselves on the relationship between employees perceptions of crisis-awareness and crisis-readiness and the organizations actual strategic activities against major industrial crises, which can lead to manufacturing defects or production failures and the like, such as Toyota recall crisis in 2009-2010 (Evans, 2010) and Volkwagens diesel gate in 2015 (Rabe, 2015). It is the author’s expectations that we can get a clearer understanding of the prevention of this kind of industrial crises.

Perception could be defined as how we recognize and interpret a situation through sensory stimuli. The response that a person makes will be based on previous experience. Since the perception is based mostly on previous knowledge and supposition, we could argue that the perceiver is not totally objective in his/her perception. Our subconscious have taught us to put resembling things together to see patterns. In other words, knowledge structures are created to provide convenient summaries and believes. These notions could work in our disfavor by creating biases and false perceptions. This means that people may ignore important information and draw hasty conclusions based on incorrect judgments.

Situations where people have different perceptions of what is correct or wrong, can develop into various dangerous conditions. Especially when it comes to management of organizations we need to establish a substantial assessment of our ability to handle different crises and for avoiding to have a wrongfully perception of our strategic action-plan, which could be ruinous to our organization. For example, there may be some people who work directly with some processes in which they may see flaws and deviations and which can be denied by others, who are leading these processes and of various reasons. These reasons may be lack of resources, lack of knowledge, denial of facts, arrogance or personal gain, etc.

Penrose argues that the primary crisis management activities in an organization will be affected by its crisis-awareness and its perception of its ability to handle the crises. (Penrose, 2000) Thus employee’s perception of crises and their perception of organizations ability to deal with the crises will definitely affect the outcomes of the organizations actions in time of crises. It means that if we have a blind faith in our ability to cope with a crisis, it will surprise us with bad news. Thus, it is highly important that employees have a righteous perception of their crisis-awareness and also of the organizations abilities and preparedness against crises and when top managements in organizations design PCM, they should take this into account.

The fundamental of designing a successful PCM or any type of crisis management is the planning part of it, which should be designed pre-crisis. PCM planning and its constituent activities are also highly affected by our perception of our crisis-awareness. (Penrose, 2000)
If our crisis-awareness could cover most of the areas that could be affected by various forms of crises, then we are well-prepared and thus we will be able to manage the crises better and hopefully before they occur. In some cases, it would be crucial to a company’s continued existence. Therefore, the industrial enterprises should design a strategy that helps them to work toward figuration and planning of their PCM based on righteous and correct perception of crisis-awareness and their capabilities (crisis-readiness) to fight them. But to do so, they need to map all the key factors that have a strong connection with their crisis-consciousness. Every and each of these factors could be too huge to be investigated deeply and it is not affordable in this paper, but a light research on every factor and its relationship to organizations crisis-awareness and readiness will help us to gain a comprehensive understanding of how we can control and lead the work towards creating and designing strategies in accordance to company’s and its employees crisis-awareness and crisis-preparedness in order to dealing with crises in time.

2.3. Significant Factors

There are many factors that could more or less affect the crises before they occur and during the crisis events. Their impact could be either positive (prevention of crisis) or negative (creation of the crisis). These factors may also create impacts on the outcomes of crisis-management initiatives and activities in organizations. It is not possible in the scope of this research to go through all these elements and their impact on crisis management, why we chose the factors that we consider cover many areas of crisis management. Factors such as willingness to change, organizations economical capacity, crisis-management capacity building, managerial control, resilience in organizations and developing a crisis-management team are a few among many elements. But some factors seems to be more dominants and play more significant and crucial roles to affect perception of crisis-awareness and crisis-readiness in organizations, thus they will have greater impact especially on the results of crisis management initiatives in organizations.

There are five factors that have repeatedly been mentioned in various research on crisis-management and crisis-readiness made by various scholars. These important factors could be identified as follow: The level of job satisfaction, the level of responsibility culture and social responsibility (organizational culture), correct handling of whistleblowers, personnel education in crisis-management and functional internal-communication. The outcomes of crisis-management in any organization is heavily depended on how these factors are treated.

These factors are crucial for other factors to work. For example willingness to change, organizational capacity building and organizational resilience would not be facilitated or work properly if there is lacks of job satisfaction within the organizations. Furthermore, we will explain more clearly in this section and under each sub-heading why these factors are so important and what their relations are to other factors and how they affect employee’s perception and thereby the outcome of crisis management in organizations.

The relationship between crisis-awareness, crisis-readiness and various crucial factors such as i) Employee’s Job Satisfaction ii) The Responsibility Culture iii) Handling of Whistleblowers, iv) Education in Crisis Management and v) Communication (Figure 3).
This typology doesn’t assumes that this factors are the only elements, which has impact on employees perceptions but rather as significant factors that should be in consideration as parts of work towards designing PCM and it also suggest that crisis could be positively affected and preferably prevented by managing these factors properly.

2.3.1. Employees Job Satisfaction

“The employee attitude is most often related to organizational outcomes.” (Saari & Judge, 2004) “Organizations need to maintain loyal and supportive employees especially during conditions of crises and managers should be aware of how individuals respond to organizational virtuousness.” (Nikandrou & Tsachouridi, 2015) These statements display that one of the most significant factors in an organizations well-being is job satisfaction. According to a study about job satisfaction in 2004, it is important to know how to positively influence employee’s attitudes, but to do so managers need to understand the interplay between the employees and the different factors that affect employee’s attitudes. (Saari & Judge, 2004) We need also to understand what creates job satisfaction and what is the relationship between job satisfaction and crisis-readiness?

Job Satisfaction and Responsibility Culture. The level of job satisfaction affects directly the level of responsibility culture, because employees with a high level of job satisfaction are very fond of their jobs and would love to keep it and do whatever necessary to do so. This increase their level of crisis-awareness and makes them more prepared for crisis management (crisis-readiness). Some crisis events could be directly related to poor level of job satisfaction. Unsatisfactory and discontentment among employees may end up in disasters and major crises for an organization by itself, because it affects the employees moral compass and the level of responsibility in a negative way and as we have seen many times in some cases a poor job satisfaction could lead even to Sabotage, which in turn could lead to crises.
Job Satisfaction and Capacity Building. Increasing the level of job satisfaction is somehow the same as increasing the level of organizations capacity to struggle with crises, because job satisfaction also increase the level of willingness to change among the employees to do their utmost to fight against crisis proactively and reactively. Thus employees with great job satisfaction are great assets for a company. “The key to maintain a loyal and supportive workforce during the crises is the organizational virtuousness, which can help organizations handle the crises and recover from them”. (Nikandrou & Tsachouridi, 2015) Organizations are strongly dependent on the employees do their utmost to deal with crises. Without their contributions and goodwill, organizations will face great difficulty coping with crises.

Job Satisfaction and Willingness to Change. A study by Chia-Ching Wu (Wu, et al., 2012) in Taiwan indicates that job satisfaction has a great impact on employee’s willingness to accept crucial tasks during a crisis. The higher the level of job satisfaction among the employees is, the higher the employees desire is to stay at the same job. Thus, the employees will be willing to be committed to follow out even the most difficult tasks, which could be in need of extra efforts and which the employees would otherwise refuse to do for example in time of crises. It is important that top managers are aware of how employees perceive and respond to organizational virtuousness. (Nikandrou & Tsachouridi, 2015) Organizational virtuousness contributes to more job satisfaction among employees, improves their attitude towards cooperation and strengthen their willingness to support the organization when needed, for example, during a crisis, but even in crisis-prevention work.

Job Satisfaction and Internal Communication. Job satisfaction is conveyed through internal communication within the organizations. It is important to have a functional internal communication system to identify warning signals that, for example, indicate employee’s dissatisfaction, which could, for example, lead to a sabotage at worst.

Managing Employees Job Satisfaction. Job satisfaction depends on many factors and it is a very deep area per se. But there are some obvious factors that primarily affect job satisfaction. Work-environment, work-assignments, salary, prevailing internal culture and being considered/accepted as participant in “the team”, organizational climate, corporate ethics, rewards, personal-development opportunities, promotion opportunities and personal integrity are some of the factors that influences the level of job satisfaction among employees and are parts of a HR manager’s responsibility. An essential element for any company that deals with crises is to also have a functional teamwork. (Dubrin, 2010) According to Durbin, leaders play a major role in team-based organizations through building up trust among employees, coaching the team-members, supporting the team’s decisions, expanding the team-capabilities, creating a team identity, foster job-responsibility and so on, which also creates a higher level of job satisfaction.

Job Satisfaction and Organizational Resilience. By using the common sense one could easily understand that job satisfaction increase the organizational resilience. There is a very little chance for organizations to build up a strong organizational resilience against crises if their employees are dissatisfied. Thus an essential component of organizational resilience is employee’s job satisfaction, which would increase the level of organizational resilience and thereby contribute to strengthening the organizations capacity.
Job Satisfaction and Crisis Readiness. The level of employee’s job satisfaction depends on the degree to which the working environment meets their needs. (Nikandrou & Tsachouridi, 2015) When it comes to working environment, we need to remember that a good working environment also means a safe workplace and a place where bullying, offensive treatment or special treatment by others does not occur, which would increase the level of the loyalty among employees and their desire of staying at the same workplace, thus increase the level of their job satisfaction and their willingness to support the organizational commitment, which would strengthen organizations crisis management capacity and increase its crisis-readiness.

All the aforementioned correlations would primary affect the crisis-preparedness positively in organizations but when it comes to increasing the level of crisis awareness there is a doubt about how much job satisfaction would affect it directly. However job satisfaction would contribute to a better receiving, embracing and following up organizations initiatives.

2.3.2. Whistleblowers

To understand the phenomenon of whistleblowing we need to understand the root of its emergence too. Whistleblowing is an act to prevent harmful behaviors against an organization by displaying concern for ethics and moral values. A whistleblower could be considered as a person who expose “wrong-doings” in an organization and has been defined as ‘the disclosure by organization members of illegal, immoral or illegitimate practices under the control of their employers, to people or organizations that may be able to effect action”. (Near, et al., 1993). The results of the whistleblowing could be either awarded or penalized but in both cases the company or organization could be exposed to damaged. By exposing the acts of the organization to the public eye the whistleblower may prevent unnecessary hurt to a third party, which could be the customer or the government. Of course, a whistleblower could also expose the government to the public. By nature, the whistleblower is often an employee or other person who has insight into the organization and has access to data that may be disclosed.

Whistleblowing and Corporate Culture and Social Responsibility. “Employees ethical acts will be limited in environments where the perception of organizational ethics are week”. (Elci, et al., 2016) “The individuals´ understanding, interpretation and attachment to moral and ethical principles create the perceived sense of duty for action.” (Sangweni, 2001) There is a clear and meaningful relationship between the whistleblowing, the organizational climate, social responsibility and corporate ethics. In an organization with high ethical and moral culture and high social responsibility culture, it would be rare that criminal, unethical and harmful activities would be overlooked.

Whistleblowing, Personnel Education and Internal Communication. Sometimes a false whistleblowing or a poor handling of a situation that was reviled by a whistleblower could end up in disaster and create a major crisis by itself. Thus, a correct handling of whistleblowers in an organization should be consider as a part of company’s strategy. Managers could develop and implement some sort of whistleblowing-policy (WBP) in an organization (communication and education tubes), which could provide guidelines for an effective handling of such cases. The policy would encourage whistleblowers to reveal if something wrong is going on, which would allow the company to take necessary action. To encourage employees to act as
whistleblowers may have a preventive purpose, but it must also be clear to the employees through an implemented WBP for how they should proceed, to avoid negative effect of their action. (Sangweni, 2001) But this requires that employees feel safe to alarm about any impropriety or corruption activities in the organization and they raise concerns directly to lead manager an in accordance to the company’s WBP. The employees need to be informed through the company’s WBP not to expose the enterprise to a substantial claim for damage.

The company’s WBP should allow whistleblowers to reveal the information either anonymously or named and may do it internally. It is in the highest interest of the organization that employees raise their concerns and blow the whistle when wrongdoings are ongoing, but rather internally and within the organization and through the internal communication system than externally and to the outsiders. (Sangweni, 2001) This emphasizes the importance of the correlation between these factors. If effective internal handling processes are employed in the company, the whistleblower will be less reluctant to go outside the organization to disclose sensitive information. It is therefore to be considered that handling of whistleblowers in a correct and efficient manner should be an integral part of any organizational strategy and towards PCM. By encouraging employees to act as whistleblower if necessary and by creating channels for discreet communications for it and also by coordinating programs/courses (education) on how to go about it, organizations could raise both their crisis-awareness and crisis-preparedness, which leads to a safer workplace that in turn creates additional comfort and job satisfaction in the workplace.

2.3.3. Personnel Education in Crisis Management

Kovoor emphasize that one of the pillar in crisis management and a mechanism in prevention of crisis is that organizations develop the ability to learn. (Kovoor-Misra, et al., 2000) Crises are rare events. They have many shapes and areas such as financial crises or disaster etc. But since the core topic of this study is about industrial crises and perception of crisis-awareness and crisis-readiness in organizations, we aim to clarify the role of education in crisis management regarding industrial crises.

Personnel Education and Crisis Awareness. Many scholars agree strongly that education in the crisis management would increase and improve the employee’s awareness of crisis and crisis management. The crisis management is now an area of scholarship and teaching worldwide. “Understanding crises and developing crisis management skills have never been more important”. (Shrivastava & Mitroff, 2013) Crises and crisis management has many different definitions and understanding of them are important for the development of crisis management capabilities.

Organizations and their employees should learn to think of crises in rational and analytic methods. They need to resolve crises in a moral and aesthetic way by developing and creating emotional and intuitive feelings of crises and crisis management measures. (Shrivastava, et al., 1998) Perceptions about crisis awareness seems to be influenced very positively by education. Through education in crisis management, organizations can lead their employees towards right attitude and preventive crisis management.
**Personnel Education and Corporate Culture.** By aiming at development programs with strategic directions on competence and skills in crisis prevention and ethics, companies could rise the crisis-awareness among the employees and increase their preparation level. (Simola, 2014) Teaching staff in ethical and moral crisis-management should be a part of courses in decision making in organizations.

**Personnel Education and Crisis Readiness.** “We need to realize the importance of personnel education in order to improve personnel perpetration before occurrence of crises”. (Lalonde, 2013) A crisis management education (CME) could strengthen crisis-readiness and rise crisis-awareness in an organization by exploring crisis-definitions, coming to conclusions on crisis-management learning-lessons and by transferring studies/researches and empirical findings on crises to knowledge, abilities and skills.

Training drills and simulations should also be included in CME since the best way to learn how to handle crises is through experiential and embodied learning. (Shrivastava & Mitroff, 2013) Since the crises are emotionally charged events, CME could even help the employees to handle their physically and emotionally frustration during a crisis. It should be design in a way to also encourage creatively about crisis-awareness, explain the risk potential, emphasizing the consequences, increase the awareness about moral, social and ethical responsibilities, expose the upcoming challenges, improve managerial skills and also identifying all stakeholders.

One fundamental process for the improvement of crisis management in organizations is to evaluate the organizational crisis management and to develop relevant training exercises, which could be considered as a part of personnel education in crisis management. Personnel education in crisis management creates a sense of a safe working place, which in turn contributes to greater job satisfaction. Personnel education in crisis management would increase both their crisis awareness and crisis readiness.

### 2.3.4. Corporate Culture, Responsibility Culture and Social Responsibility

“Establishing the right organizational culture and values has also been viewed as essential to becoming a crisis-ready organization”. (Light, 2007) We need therefore to understand the relationship between organization’s culture (responsibility culture, ethics & norms) and the outcomes of organizations response and activities against crises. (Shrivastava & Mitroff, 2013) According to a survey done in the aftermath of the financial crisis of 2008, the corporate culture could also have very important and perhaps the biggest role in organizational crises. Corporate social responsibility is a business model that involves actions taken by a company to benefit the society. These actions could be of different character such as environmental, legal or ethical for example. If the organization is engaged in social responsibilities the employees could react in a positive manner, thus resulting in an increased dedication and loyalty.

The perception of working in an organization that “does good deeds” could also have positive affect on the corporate culture by creating enthusiasm and pride. (Aguilera, et al., 2007) This statement is in accordance to the human psychology and the fact that we knows inside what is wrong and what is social irresponsible and by our instinct could distinguish between right and wrong. A company that shows social responsibility and acts ethically and morally enhances job
satisfaction and contributes to a better crisis management capacity building. Organizational resilience also depends strongly on held values in organizations, which is an element of ethical corporate culture.

**Corporate Culture and Whistleblowing.** “A culture that accepts or even embrace unethical or illegal activities by its employees could be a potential ticking bomb.” (Aguilera, et al., 2007) Corporate cultures that allows or encourages unethical behavior and social irresponsibility has been the major cause of large industrial crises worldwide. Toshibas accounting scandals (Suzuki, 2015), Turing Pharmaceuticals scandal (Pollack, 2015) and EXXON Mobile’s scandal (Tully, 2015) are a few examples of this kind of crisis only in 2015. Unethical and social-irresponsible corporate culture prevents the act of whistleblowing, because it encourages employees to overlook immoral and unethical ongoing actions that at worst can bring organizations in major crises such as the aforementioned cases.

**Ethic, Moral, Responsibility Culture and Personnel Education.** Personnel education could be used to foster an ethical corporate culture, by teaching employees’ about the consequences that an unethical behavior would bring to the organizations and by demonstrating cases where social irresponsibility and unethical behavior ended up in huge crises, which would also increase the crisis-awareness and readiness within their organizations.

**Corporate Culture and Cultural Control.** Responsibility culture could be considered as a part of culture control. Cultural control (CC) could be used as a tool and a long-term process, which could involve group- pressure to encourage mutual monitoring and feedback on group members acts, performances, norms and values. Component such as codes of conducts, group rewards, inter-organizational transfer, physical and social arrangements are involved in cultural control. (Merchant & Van Der Stede, 2011) CC could be used for monitoring employees and encourage them oversee and affect the performances of each other. When an individual deviate in performance or acts improperly, the group-pressure will be palpable. By using codes of conducts, ethics, manners and organizational credos organization could strengthen culture control. (Kober, 2007) CC are advantageous, because they are cheap to implement, provides self-monitoring and have less harmful side effects, which in turn could be consider as an effective crisis-preventing method.

In the financial services sector, an anonymous survey outcome report that almost half (47%) of the respondents would find it likely that their competitors have engaged in unethical or illegal activities (Tenbrunsel & Thomas, 2013). In the same survey 34% report that they have seen wrongful doing in the workplace and 33% does not feel that the industry has changed for the better since the financial crisis in 2008.

In order to avoid events that are related to unethical and immoral behavior, which also could considered as a crisis-creation-cause, organizations need to foster a strong corporate culture, which encourages moral and ethical behavior and social responsibility, which would have influences on both crisis-awareness and crisis-readiness.
2.3.5. Corporate Communication

“Communication is an increasingly important component of overall business contingency planning”. (Sapriel, 2003) Communication is crucial in organizations for connecting managements and subordinators and for enabling organizations to achieve organizational objectives. All the aforementioned factors have the same denominator, namely, communication. It is the internal communication that is the link between all factors and enables the transfer of necessary information throughout the organization. While the external crisis communication has been used to respond to external stakeholders (such as media, authorities or customers), the internal communication has other purpose to serve. There is a central and essential role for communication between company leaders/managers and employees towards increasing the crisis-awareness, increasing crisis-preparedness and designing effective PCM.

“Crisis communication has established itself as a new academic discipline cherishing ambitions to become an autonomous research area of its own”. (Finn & Winni, 2011) A miscommunication could create a crisis by itself. Encouraging effective communication within organizations should be a part of strategic management because effective internal communication is the backbone of effective implementation of any activities throughout an organization including both proactive and reactive crisis management. Internal communication could be used to update necessary information, receiving continuous feedbacks and having dialogue with employees etc. It could be done for example by communication channels or face-to-face and between supervisors and subordinates and could affect organizational learning, crisis perception and corporate culture, thus increase the crisis readiness. Communication could also be possible for example via company’s WBP, through staff training (education), through direct enlightenment and via cross-functional corporate communication etc.

Cross-functional corporate communication in an organization means that personnel do not need to follow hierarchy in an organization to reach senior managers when necessary and they are able to communicate and have contact directly with the level of management that they intend to communicate with. Cross-functional communication is specially needed when one considers that he/she has not receiving any support from their supervisor about their concern over certain activities that might end up in manufacturing errors, production failures or in worse case development of a crisis.

The findings of a study about communication and job satisfaction revealed strong correlation between communication and job satisfaction. The study suggests that "communication is crucial in promoting and conveying organizational effectiveness". (Zulkipili, et al., 2017)

In time of crisis it is essential to have a functional internal communication to mobilize the organization against the crises, but its use is equally important even in proactive and strategic purposes. Internal corporate communication (organizational communication) could have great impact on both crisis-awareness and crisis-readiness within the organizations.

2.3.6. Summary

By a theoretical evaluation of five aforementioned factors and their impact on crisis awareness and crisis readiness in organization we could conclude that although some of the
factors such as education in crisis management, corporate culture and communication have great impact on both crisis-awareness and crisis readiness in organizations, none of these factors alone could secure the welfare of an organization and ensure their crisis management. It is rather a correlation between all these factors that determines how successful organizations crisis management activities could be.

Table 1 displays the level of impact of each factor on crisis awareness and crisis readiness.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Impact on Crisis-Awareness</th>
<th>Impact on Crisis-Readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Whistleblowing</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Corporate Culture</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Education in CM</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Communication</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 1. The table displays impact levels of five factors.
3. Method

One of the most used research method of enquiry in the social and other sciences is the qualitative research method. The qualitative research method seeks to find answers in qualitative data such as documents, interviews or by observation and the purpose some of the typical purposes are outlined in Figure 4. They purpose could be, for example, a description, an interpolation, a verification or an evaluation (Peshkin, 1993).

Figure 4. Examples of purpose as described by Peshkin (1993).

The quantitative on the other hand seeks to find answers with a more systematic empirical approach using numbers, statistics and other hard facts. Since this thesis will revolve around the questions such as “why” and “how” in the field of crisis management, the method part of this work will primarily be built around a qualitative research approach rather than quantitative. According to Yin (Yin, 2014) this type of methodology is useful when a described topic or research problem in the social sciences needs to be studied further since there is a gap in the literature. It has several characteristics such as:

- The qualitative research method seeks to explore a phenomena and answer questions related to it to produce findings which cannot be anticipated from the start, such as behaviors, opinions and values.
- The produced results should preferably be applicable to topics beyond the research boundaries.
- The method is advantageous comparing to the quantitative method since it does not rely upon measurable data or numbers, but rather interpretations and discussion. Further, this form of applied research method is also more flexible when it comes to the problem approach.

The qualitative research method could also be used as an approach for understanding a social or human problem and typically involves identifying emerging questions during the course of execution. (Denzin & Lincoln, 1994) This is somewhat different than a quantitative research method which could be used to test theories by exploring the relationship between different variables. Usually the variables consist of numbers that could be measured and subjected to statistical analysis. The quantitative research method therefore is more resistant towards biased results which might be a concern when using the qualitative research method.
3.1. The Research Process

In order to undertake the qualitative research approach in this thesis a research process was established. The purpose of this process was to force the authors to work in a systematic and scientific way. Figure 5 depicts the procedure that was used in this thesis in order to end up with a conclusion and answer to the research questions. It starts from the background and theory part of this thesis which involves the rationale for this survey. From this, research questions were formed where the authors found a gap in the literature. The questions were chosen both out of interest and plausibility to find a reasonable answer with respect to the time frame. Previous work in the field was reviewed during the process of finding relevant data that applied to the current study (data collection is described the next section).

![Figure 5. The research process used in this thesis.](image)

3.2. Data Collection and Credibility

By examination of scientific studies/literatures, theoretical problems and imperial findings about industrial crisis and crisis management and by finding answers to the aforementioned questions in problem-formulation part, we hope we contribute a more understanding for companies for building and designing their strategy towards dealing with crisis in time. We will also examine the relationship between perceptions of crisis-awareness in organizations and the role of the whistleblowers, the social responsibility and other significant factors in prevention or creation of crisis.

Initially a literature review will be made to collect the theoretical background needed for this work. In order for us to support our research we will rely on written documents, however the majority of the literature to be used in this work should be peer-reviewed and consist of primary empirical data or secondary data that has been peer-reviewed. The literature is to be gathered through Summon@BTH.se, Google scholar and other search engines for scientific literature.

In this thesis, different types of data will be used. Gathering information about crisis management in the companies of interest is not a trivial task since the authors does not have access to any internal information. The sources of data could be divided into two different
categories, primary and secondary. The primary data consists of raw data collected from a source and analyzed and utilized for a particular assignment. The data collected that is novel and is directly related to the problem which is being studied.

Secondary data is data that has been collected by somebody else and is used by a third party and is available for others to use. The purpose of using secondary data is to extract relevant data from previously executed studies and other sources. Further, the purpose is also to find facts to support an ongoing research study and, for example, find descriptive information to support the ongoing research. In this way, a model could be built in order to find relationships between different variables.

To both of these two types of data there are advantages and disadvantages (Creswell, 2014). Examples of things to consider when using primary and secondary data is outlined in table 2.

<table>
<thead>
<tr>
<th>Primary data</th>
<th>Secondary data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
</tr>
<tr>
<td>Original, high degree of accuracy</td>
<td>Design problems</td>
</tr>
<tr>
<td>Can be collected from a variety of ways</td>
<td>Problems with respondents</td>
</tr>
<tr>
<td>Data is current</td>
<td>Data collection is time consuming</td>
</tr>
<tr>
<td>High degree of credibility</td>
<td>Saves time and effort</td>
</tr>
<tr>
<td></td>
<td>Can distort the result</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 2.** Differences between primary and secondary data and advantages/disadvantages.

In this thesis, we will mainly use secondary data. One motivation of using secondary data in this work is that is faster than using primary data, and to us this a concern since this thesis is to be written in a relatively short timeframe.

Secondary data of qualitative nature consists of, for example, business journals, internet, information from government, company information. The benefit of using secondary data is that it is more available and less expensive than primary data. By using secondary data, the requirement for evaluating credibility is higher than for primary data. This is especially true for non-peer reviewed articles which may be biased. A framework for establishing the credibility was established. For articles that has been peer-reviewed the credibility of the author and the journal should be established. For example, the contact information and the academic position of the author should be stated. The journal should present the impact factor and belong to a credible publisher.

For the secondary data, the credibility process is extended and the evaluation process of secondary data must then be more thorough then for other types of sources. The process of evaluating secondary data which was used in this thesis is outlined as follows:

- Is the data applicable to the research in question?
- Is the unit if measurement applicable to the current study?
- Is the data produced in the timeframe of interest?
3.3. Literature Review

A literature study aims to identify, analyze relevant available research in an established but fragmented area in a research field. By identifying gaps in the current research on crisis management, an established area of research, this thesis aimed to understand a less researched area by reviewing secondary data. The steps in doing this literature review with respect to the research process described earlier is outlined in figure 6.

![Figure 6. The literature review process used in this thesis.](image)

In the planning part of the study the interests of the authors was considered to find topics of interest. Then a small review of the literature was made to survey the field of interest and to synthesize and validate research questions to fill a gap in the literature. Then the search of relevant studies connected to the research questions was conducted. In this part of the study a large body of data was found from which selected relevant data was brought to the analytical stage. The empirical findings were then analyzed with respect to the research questions (described in the next section). The conclusions were then compiled into a manuscript to answer the research questions.

3.4. Analysis of the Empirical Findings

The unit of analysis in this thesis is industrial organizations. More specifically it is two major car manufacturers, Toyota and VW. The analysis of the secondary data, denoted secondary analysis is made by using existing data in order to find answers to research questions from data that previously answers different questions. The secondary analysis is useful since the data has already been made in a similar area as is currently being studied. (Goodwin, 1998) The new sets of research questions may be applied to a range of primary studies in order to study a new angle which has never been analyzed previously. However, the outcome of the previous studies might apply to the new research questions and by combining parts from several previous studies a complete set of empirical data could be gathered and analyzed to answer the new set of research questions. This type of methodology will be used for the current thesis and analysis of the research questions related to crisis awareness discussed in this thesis. Basically, the secondary data analysis aims to find and generate results from multiple existing studies.
4. Case Descriptions

In this section, the two different cases studied in this thesis is introduced. The purpose of the descriptions is to describe the setting in which the events happened that in turn caused the crisis to start. In each of these cases there are different reason of occurrence, but as we look deep enough to every case, we soon realize that most of the industrial crises caused by human error happens because the employees have wrongful perception of crisis-awareness.

The reason of wrongful perception in an organization may differ from case to case and the factors that affect and create those perceptions also differ from case to case. It is not possible for the time frame of this paper to find a crisis-case that is involving all the factors at ones. We have therefore chosen to study scandal-cases, which have created very huge crises in two of the world’s largest automotive manufacturers, namely Toyota and Volkswagen in 21th century.

4.1. The Toyota Recall Case

4.1.1. Introduction

In august of 2009, a Lexus of model 2009 in California, USA, suddenly speeds out of control of the driver, an off-duty police officer and hits another car where after it crashes and starts to burn killing all four passengers. The initial report from authorities and the manufacture Toyota revealed that the wrong kind of floor protecting carpet had been installed which interfered with the gas pedal. (Bowen & Zheng, 2015) The timeline from the initial crash to what happened over the next couple of months are outlined in Figure 7. (CNN, 2011)

![Timeline of Toyota Recall Case](Figure 7. Events from the Aug 2009 - Jan 2010 Toyota recall crisis.)

When the source of the problem was identified, Toyota recalled around 4 million cars that used the gas-pedal system and floor mat that was causing involuntarily acceleration and issues an official apology. However, the story did not start in 2009, already from 2002 the involuntary accelerations have been recorded by the National Highway Traffic Safety Administration (NHTSA). Moreover, Toyota-produced cars accounted for a majority of accidents in which uncontrolled accelerations was the cause. (US Department of Transportation, 2011)

At this time, more information about this particular matter was unraveled. Toyota had gotten more than 1200 complaints of involuntary accelerations both with and without the faulty floor mat present. To make matter worse, Toyota initially prevented the data from the on-board digital recorder to be available to the authorities and together with denying there were no fault on the cars, NHTSA issued a response saying that Toyota this information was inaccurate and wrong. (US Department of Transportation, 2011)

On December 26th of the same year another fatal crash occurred which could be blamed on involuntary acceleration and in the days after Toyota blamed the gas-pedal fault on a supplier
and recalled another 2.3 million cars which by the end of January would be around 5 million worldwide. (CNN, 2011)

It was at this time another apology, by the Akio Toyoda, president of Toyota was made during a press conference. By this time, the company stock had lost 16% of its value, sales were lower than in several years and recommendations of buying Toyota by consumer organizations was removed. (CNN, 2011)

When the official report was released in 2011 by the NHTSA with help of the NASA, they concluded that there were no faulty electronics but the problem was technical, a faulty floor mat that got the accelerator pedal stuck to the floor. Most of the accidents, according to the report actually was caused by the driver and not a faulty car. (US Department of Transportation, 2011)

Toyota suffered tremendous loss due to this crisis and by 2011 general motors surpassed Toyota as the number one carmaker in the world. It has been said by Toyota that this was not a problem of technical matter but that the “problem was rather with communication”. The majority of the company’s bad-will in this process had developed not from actions but rather from the lack of actions. (The New York Times, 2012)

The event that occurred Toyota in 2009-2010 is still having its aftermath. Scholars in organizational crisis and related areas has since studied the events that occurred in order to further the area of science. In the next chapters, we will present collected information gathered from the literature covering the topics of this thesis.

4.1.2. Corporate Culture and Internal Communication

In the wake of the crisis the corporate culture of Toyota was intensively discussed. The management style of Japanese is more focused on the team and team spirit and less focused on the boss leading with a brutal style. (Steers & Shim, 2013) Moreover, the Japanese management style also calls for bosses to act more honorable, for example reduce salary or skipped bonuses if the company performs financially poorly. Further, it is also more common courtesy to resign if the company perform utterly ill. (Bowen & Zheng, 2015)

There were also disputes between the US branch and the headquarters located in Japan. The two Toyota affiliations were different both in culture and temperament. (Taylor III, 2010) While the Japanese affiliation were insisting on rigorous documentation to make their decisions on how to proceed, the US affiliation were more intuitive which caused clashes to occur which did not decrease the crisis. (Shim & Steers, 2012)

4.1.3. Whistleblowers and Crisis Communication to the Public

In 2010 a freelancer professional translator living in Israel got hired by Toyota to translate about 1500 documents from Japanese to English. It was during this time the translator noticed something wrong with the documents, such as emails sent back and forth by engineers. (Bisnar Chase, 2013) In the task of translating, the translator noticed discrepancies between the data sent internally and what was published in the media. At this time she turned to a law firm which
advised her to speak out in order to prevent further personal injury of car owners. Through a whistleblower program instituted by a senator of Iowa hundreds of documents were leaked and presented to NHTSA and NASA. Further, documents were also leaked to Huffington post and CNN. (Berman, 2014) Some of the documents showed electronic issues as well as misrepresented facts that executives had been presented in the congressional hearings.

The communication from Toyota to the public during the crisis has been well documented both in scientific journals, media and in Toyota press releases. The strategic messaging by the company has been compared with another recall crisis that happened in 2005 where General Motors (GM) totally had to recall 27 million cars. The crisis response and crisis communication differed quite substantially. (Maiorescu, 2016) The difference in what was done by GM in 2005 and Toyota in 2009/2010 in terms of public communication is outlined in Table 3.

<table>
<thead>
<tr>
<th>Key messages from the two companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Motors</strong></td>
</tr>
<tr>
<td>-The crisis is addressed</td>
</tr>
<tr>
<td>-Our reputation is on the line</td>
</tr>
<tr>
<td>-We apologize to the victims and families</td>
</tr>
</tbody>
</table>

**Table 3.** Difference in communication strategies of the GM recall and the Toyota recall.

While GM held a more forgiving approach to the public when the recall was announced to the public Toyota kept a more defensive line. The CEO of GM made public that the company would work fully with the authorities in the matter and also that this matter had priority since they wanted to confront this crisis head on. The defensive strategy of Toyota revolved around blaming others, further they had no explanation as to why it took so long to take action. The CEO did not apologize properly as customary but instead just stated the fact that the crashes had occurred and said “That’s done and I am sorry. But now I am here”. This was not to favor for the company which resulted in that Toyota was “held responsible for its actions to a greater extent than it received coverage on the corrective actions or renewal” than GM which did not receive as much coverage. In one way GM was not portrayed as responsible but more as the victim. (Maiorescu, 2016)

There was also one significant difference in the two recalls. As GMs recall was because of sudden engine stops which caused the car to lose power and ultimately come to a halt, the recalls of Toyota concerned the opposite. The car accelerated without the control of the driver causing it to only come to a halt if crashed.

4.1.4. **Perception of Crisis and Crisis-Awareness**

The official statements presented from the company during the crisis could to some degree reflect how well Toyota was prepared for the crisis and how the company perceived the risk of a crisis. Even though the recall was not bigger than for GM a few years earlier, the attention of the Toyota recall was bigger, and also the response from the public was different. The uninterrupted expansion of sales in the US for Toyota that would come to an abrupt halt in
the end of 2009 when Toyota was hit were it was most vulnerable, in the safety department. Safety had been Toyotas trademark and its cars usually ranked top in car safety tests. The reputation, and perhaps also the perception of a crisis in the safety area was not fully anticipated. The events that followed after the fatal accidents may cause an outsider to believe that the crisis-awareness of a crisis this particular was not high.

The brand of Toyota has been associated with high standards and top quality. It is easy to find literature on the Toyota Production System, Kaizen, just-in-time and others management and production techniques. It has been proposed that the rapid growth of Toyota at the turn of the century has distorted the “organizational configuration” of the company. The increased number of business opportunities to gain market shares, especially in the US led to a rapid expansion in production plants and the number of employee increased from 183000 to 321000 within a decade. The “Toyota way” was perhaps not applicable to the fast expansion, which was also somewhat confirmed by Akio Toyoda in a statement in 2010 in which he admitted that “the order of Toyota’s traditional priorities” had not been followed. (Camuffo & Wilhelm, 2016)

4.2. The Volkswagen Diesel Scandal Case

4.2.1. Introduction

When the US Environmental Protection Agency (EPA) in September 2015 detected that Volkswagen (VW) clean-diesel vehicles were in violation of international clean air agreements, the automotive-world was in shocked. (cars.com, 2015; US Environment Protection Agency, 2015) VW the world largest automaker company admitted that they deliberately during emissions testing equipped turbocharged diesel injection (TDI) with a device to manipulate their vehicle’s emission control system to show a better result. (US Environment Protection Agency, 2017) 500,000 diesel cars were affected at first but further research revealed that the actual numbers of cars being affected by the device was incredible enough 11 million. (Robins School of Business, Univ of Richmond, 2016) VW claimed that this was the act of “a few employees” who had acted on their own, but further investigation revealed that it was worse than that and it was even line managers in higher positions who also was involved in this tangle. The result of this unethical action by VWs organization vas loss of billions of dollars in car-recalling actions and billions of dollars in decrease for the VWs market shares. Thus, the result was especially a damaged reputation for the world's largest automakers. (Blackwelder, et al., 2016) In figure 8 key events are depicted from the crisis start to the unraveling in which the CEO of VW confess that they had manipulated cars in order to get lower emission data. (cars.com, 2017)

Figure 8. Events from the VW-scandal in 2015-2016.
4.2.2. Corporate Culture and Social Responsibility in the VW Scandal

The governing corporate culture in VW shows clearly that it lacks of social responsibility and encourage corporate-silence. The scandals that repeatedly happened also shows that unethical behavior is rooted in VWs corporate culture. The scandal in 2015 was a confirmation of what we mentioned earlier in this thesis: “A culture that accepts or even embrace unethical or illegal activities by its employees could be a potential ticking bomb!”. (Aguilera, et al., 2007)

4.2.3. Whistleblowers in VW

VW was accused by the lawsuit filed in Michigan of violating the whistle-blower protection act. According to The New York Times Daniel Donovan information manager at VW says “he was fired because his superiors believed he planned to report the company to U.S. authorities for obstruction of justice”, which was dismissed by the Volkswagen of America who called this statement “without merit”.

According to another article by Robert Merkel in “the conversation”, the business part of PHYS.ORGs news in September 30, 2015. The lack of whistleblowers is obvious in the VW-case because it is very likely that it has been a larger number of engineers and even some line managers, who knew about this unethical and illegal act but did not blow the warning-whistle but instead chose to remain silent. (Merkel, 2015)

One doesn’t need to have disproportionately amount of common sense to understand that the Scandal and the huge Crisis for VW could be entirely prevented if the governing organizational culture would allow flattened hierarchies to facilitate safely and easily information-flow and if it would encourage internal openness and transparency, would allow employees to take responsibility to act when wrong-doing is going on and would help the employees to feel secure enough to take their responsibility to speak up and also prevent organizational silence to exacerbate. (Merkel, 2015)

4.2.4. Personnel Education and Learning from the Past

The emission scandal in 2015 was not the first-time scandals hit VW. During 1970s VW were accused of manipulation of their car engines to disguise the high emission levels. It was revealed that many of VWs vehicles engines were rigged with a so called defeat system to show a low level of emission. (CNBC, 2015) This scandal should have been used in corporate/personnel educational purpose for avoiding further crises at least in a same filed an as this magnitude, which hit VW in 2015. (Coombs, 1995)

4.2.5. Perception of Crisis-Awareness

We can only speculate who really was behind this commitment and also we cannot rule out that the top management in the VWs organization was not involved in this scandal. (The New York Times, 2017; US District Court, 2016) But the fact remains the same: If they had a correct perception of what an incredibly large crisis their actions would bring to their organization, they would never even imagine the thought. (Claeys, 2017) It is their incorrect perception of crisis-awareness that caused the biggest crisis in VWs history, damaged the company financially for many billions of dollars, damaged their brand, injured their reputation.
and destroyed a big deal of the customer trust, which VWs worked hard on to build in for many years. (Automotive News Europe, 2017)

4.2.6. **The Crisis Plan of VW**

The reputation of VW is damaged and it will take a long time to rebuild the reputation of the company to the level it was before the crisis, because of the unethical behavior within the VWs organization. (Nunes & Lee Park, 2016) VW depends on the high level of job satisfaction in its organization to rebuild its reputation. (Tucker & Melewar, 2005; Ndedi & Feussi, 2015)

5. **Analysis**

The found data will be analyzed using qualitative method approach with aim to further understand this social phenomenon which is crisis management. Moreover, the interaction between organizational factors and human factors is studied. This will lead to a conclusion in which patterns and concepts are formed in order to explain the found results.

VW and Toyota have not become the world’s largest automakers just by being unprepared to crises or by having an undisciplined organizations. They are the world’s largest automakers because they are good to manage their organizations. But how could crises in this magnitudes happen to these enterprises?

5.1. **Corporate Culture and social responsibility**

The corporate culture has been described as an important factor of crisis management. As the empirical data shows we argue that the different cultures of Japan and US would have a central role in how the crisis unfolded in the case of Toyota. There are several distinct characteristics of management that differs from these two different geographical locations.

The corporate culture of Toyota, or rather the lack of it has been associated as one of the reasons to why there were a crisis. By deviating from the organizations cultural values, such as Kaizen which embrace improvements and encourage innovation the company deviated from its initial culture, which could be considered a change in perception. The desire for Toyota to surpass GM caused them deviate from its customer oriented values.

In case of VW, many scholars believe that the blame is mostly on VWs corporate culture and lack of social responsibility, which “encouraged unethical behavior”. The fact is this statement is not too wrong, because in presence of an ethical governing organizational-culture this scandal was never allowed to happen. Thus lack of social responsibility and unethical corporate culture bear the most of the blame.

5.2. **Internal Communication**

Crisis communication is an essential part of crisis preparedness and creates accurate perception of crises. The strategy of how to communicate before the crisis and also during a
crisis is something organizations can prepare for to a high degree. But since we have no data on how Toyota and VW handled their internal communication, we could only assume that it was not functional to some degree.

5.3. Whistleblowers

One important factor in the Toyota case regarding whistleblowing is that the person that released the documents went public. The name of the whistleblower was important since anonymous whistleblowers are not as credible (Berman, 2014). Unfortunately, the release of the documents caused her to be fired from her translation firm.

In case of the VW scandal, a single whistleblower could prevent the unbelievably large crisis to happen, but again corporate silence was dominant and prevented any potential whistleblowers actions.

5.4. Crisis Perception and Readiness

As a central part of this thesis we explore the perception of crisis at Toyota. In our primary research question we would like to find out the role of perception in the crisis. As mentioned in the previous chapters, companies think that they have a good crisis plan and good strategy for crisis. However, the nature of crises makes it generally unpredictable and uneasy to combat. Toyota at the time was the largest automotive manufacture in the world, and despite having the reputation of safe and reliable cars this crisis happened. The brand of Toyota was very strong and had been so for a long time. The brand awareness is very high for Toyota and have been very important for management, just look what Lean and “the Toyota way” have done for companies around the world in terms of management. This creates an even stronger link to the public which thought highly of Toyota before the crisis. The impressions that the company sends out through its brand is important for the customer in its choice of car. A company that sends out values of being stable and reliable and then proves not to be in a crisis is not consistent and will have negative consequences. (Urde, 2003) It is therefore even more important to uphold this notion also in the event of a crisis.

Looking at what happened it could be argued that the perception of crisis at Toyota was not precise with regards to what happened later. Perhaps the perception at Toyota was too narrow and if this would not have been the case the crisis might have been averted in an earlier stage. In the first major recall of 2009, not much information was given to the public which is a major wrongdoing when it comes to crisis communication. When doing too little too late gave the public an expression of lack of understanding the situation and what the repercussions would be. By acting fast and facing the stakeholders early would make the company look better in the public eye. However, by the second recall Toyota followed the crisis communication procedure properly and made all information available to the public before anything leaked to the press. In doing so the reputation of Toyota was slightly recovered and this was not as intensively covered in the media as the 2009 recall.

Since the beginning of this century internet has grown exponentially and the amount of information available to the public is increasingly larger. News travel fast and bad news travel
even faster. Even though many recalls are made every year by different automakers, this particular recall history found itself on many headlines during 2009-2010. The media could pose as a serious threat to corporations and its reputation. (Tucker & Melewar, 2005) The slow response from Toyota when the first fatal crash occurred may have led to the speculations and widespread attention towards the crisis. Unfortunately, the claims in the headlines often goes unchallenged and a majority of the published work is not made out to be positive. Toyota had even more to lose since it praise itself on safety and is a highly respected car manufacturer. These factors, the media, was outside of Toyotas control and may have not been anticipated for. The crisis-awareness when it comes to the media was low at Toyota by the time of 2009. Once again the slow response and by not going public with the information as soon as possible made the crisis worse. On the other hand, it could be argued that the rapid expansion of Toyota in the years leading up to the crisis may have affected the perception of crisis at the company. Toyota has always put safety first as their core value but the global expansion may have changed the focus slightly.

In case of VW, since the diesel emission crisis happened recently there is very little to find about how VW has been prepared. But it is clear that they had not been aware of the crisis.
6. **Implications**

In this part we will discuss the implications of the empirical data and the analysis. Further we will also discuss what recommendations could be made for further crisis management based on our analysis.

6.1. **Common Denominators from the Two Cases**

- Wrong perception of crisis-awareness, which is the root of crises occurrence in both cases.
- Lack of use of “lesson learned” from similar situations that created crises earlier, which could have increased the level of crisis-awareness and crisis-readiness in those organizations. Thus lack of functional personnel education in crisis management.
- Lack of whistleblowers.
- Corporate Silence.
- Enormous financial lost (billions of dollars).
- Reputational spillover.

6.2. **Differences between Toyota and VW**

- When examining the different crisis different strategies emerge for the two companies. One of the most prominent differences between the investigated factors in this thesis is the crisis communication. It has been argued that the lack of communication from Toyota fueled the crisis.
- VWs crisis was mostly based on unethical behavior and lack of social responsibility.
7. Conclusion

Despite the fact that crises are rare events, they occur time to time and have physically, psychologically and economic painful effects on organizations and theirs stakeholders. The thesis prescriptions suggest that developing methods to affect the employees’ perception and attitudes positively would increase the level of crisis preparation in organizations. Man-made industrial crises could mostly be prevented and obstructed to occur if the companies would plan proactively and efficiently use the significant factors that play essential roles in influencing the outcomes of the organizations actual crisis-management activities. It is not always the interaction between all of the factors combined leading to a crisis in an organization. Job satisfaction for instance had not much to do with the Toyota and VWs crises. In case of VW, it was a combination of unethical behavior, lack of accurate responsibility cultural and lack of the company’s WBP. However in both Toyotas and VWs cases job satisfaction would help the organizations recover faster and better from the crises, because it would for example strengthen the willingness to change and thus strengthen the organizational resilience and capacities.

The results indicate that the organizations crisis preparations and employees perception of crisis-awareness and crisis-preparedness in organizations has a great effect and impact on the outcomes of the organizations actual crisis-management activities. A wrong perception among employees would bring damages to an organization and in some cases create crises by itself, which might create incredibly large and devastating consequences to an enterprise like in the VWs and Toyotas cases. At the other hand accurate perception would help the organizations to be better prepared and in most cases be able to prevent crises to occur. Working towards improvement of crisis-awareness and crisis-readiness in organizations and as a part of organizations proactive crisis-management should be considered as an essential part of strategic planning by top managers for avoiding critical crises.

The bottom line of this research is that although crises are rare events they should be considered as a permanent “byproducts” of modern society but unfortunately many organizations are not designed to handle crises properly. Thus, top management in organizations need to strongly support proactive crisis-management by increasing crisis-awareness and crisis-preparedness through their organizations. In terms of proactive crisis management approach and for improvement of organizations crisis readiness, managers should take heed of the factors identified in this study. Enterprises need to focus more on these elements that are essential and by contributing to greater job satisfaction in their organizations, improve employees crisis-readiness through personnel crisis-management educations/courses, implementing well-functioning and effective internal cross-functional communication system, implementing a strong ethical and social responsibility culture in their organization and designing a well-functioning WBP, which should have allowed and encouraged whistleblowers to step forward and safely without risking their welfare and reveal the information to the top management of organization about unethical activities and wrong-doings in organizations.

One could say that internal relationships between these five elements have a kind of a “domino effect”. If one of them falls, it is highly likely that the others will fall and thus the entire organization's preparedness for crises or other major challenges will follow. In short, a better
understanding of these facilitating factors would help organizations eliminate or at least reduce weaknesses in their crisis preparations. This study does not suggest a "one size fits all” concept of crisis management approach. Every organization needs to tailor its own strategy according to their environments, capabilities, capacities and other factors to be prepared for crisis. But in order to do so they need to clarify how perception of the crisis awareness and crisis readiness is in their organization and how they could affect it positively.

7.1. Proposed Further Research

When studying a topic to the extent that has been done during the writing process of this thesis you will soon find additional questions that one might not thought of beforehand.

In this thesis two different companies which faced two different kinds of crisis were studied. This scope might of course be limited in one aspect. The topic of crisis perception and how it is linked to how a company is behaving in times of crisis could be studied in more companies in different sectors to see if there is any patterns.

In our thesis we have discussed different factors that, based on the theoretical background, was deemed to be important to perception of crisis and crisis readiness. Of course it could be argued that other factors may be important to and this could be something to be further discussed.

Management control systems (MCSs) are known to facilitate information flows through an organization. Something to further investigate is how these control systems would help in the perception of crisis and crisis-awareness of an organization. One important factor in MCSs is to stimulate a dialog in the organization and inspire learning. This is something that we have concluded in this thesis to be an important part of crisis-awareness.
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