

EURASIAN JOURNAL OF BUSINESS AND MANAGEMENT

<http://www.eurasianpublications.com>

TRANSPARENCY FOR CRISIS COMMUNICATION IN THE DIGITAL AGE – CASES FROM FOOD SAFETY DISASTERS

Fanny Sau-Lan Cheung

City University of Hong Kong, Hong Kong. Email: mkfach@cityu.edu.hk

Wing-Fai Leung

Corresponding Author: Chu Hai College of Higher Education, Hong Kong.
Email: wleung@chuhai.edu.hk

Abstract

Many practitioners already noticed that fast reaction is more critical in the digital age. However, there is relatively rare discussion on the role of transparency. This paper is based on Murphy *et al.*'s (2007) model of marketing relationship to argue that transparency is very critical for crisis communication in the digital era. An organization has to put transparency as the central element of crisis communication. Five cases are discussed briefly on the role of transparency apart from other elements. An organization nearly cannot enclose any unfavorable information about an event. When unfavorable information is exploded by another source rather than the organization, the reputation is even more damaged. The best method is disclosing all information. In order to make transparency favorable to the organization, the organization must prevent wrong doings and faults in the very first beginning. The virtue ethics, notably integrity, respect, fair and empathy, are important elements for enhancing the possibility of positive effects from transparency.

Keywords: Crisis Communications, Transparency, Food Safety, Marketing Relationship

1. Introduction

Maintaining long-term relationship with customers is one of the goals of marketing in recent years. However, an event with negative impacts on an organization's reputation may hurt the relationship developed for many years. Unluckily such an event may occur anytime. That is why crisis management is one of the important contents for an organization. It is an argument that crisis management should be crisis communication as handling crises is mostly related to an organization's communication internally and externally (Coombs, 2012). In the Internet age, it has been argued that the basic crisis communication techniques can still be applied, in addition to the need of active application of digital tools.

Many practitioners already noticed that fast reaction is more critical in the digital age. However, there is relatively rare discussion on the role of transparency. This paper is based on Murphy *et al.*'s (2007) model of marketing relationship to argue that transparency is very critical for crisis communication in the digital era. An organization has to put transparency as the

central element of crisis communication. Five cases are discussed briefly on the role of transparency apart from other elements.

2. Literature Review

2.1. Concepts of Crisis Communication

In recent years, crisis management has been regarded mainly related to communication. In face of a negative event which may hurt an institute's reputation, the communication with various parties is found to be very critical to reduce the damage. For example, Grunig and Repper (1992) suggest that strategic management of public relations can be separated into three stages: stakeholder stage, public stage and issues stage. The stakeholder stage refers to identifying strategic stakeholders and forming suitable communication with them. The public stage refers to identifying groups or individuals who are concerned with the consequences of corporate decisions and have different opinions; such groups or individuals are got involved in the decision making. The issues stage refers to whenever an issue which may affect the corporate reputation occurs, the management of the issue and the handling of media.

On the other hand, Hart (1992) tried to develop an integrative framework on strategic communication by summarizing five modes of strategic management: command, symbolic, rational, trans-active and generative. Under the command mode, either an individual or a group of a few people exercise total control over the firm. Under the symbolic mode, a compelling vision and a clear corporate mission is the most significant factor on the corporate decision making. Under the rational mode, information processing, including gathering and use of internal and external data, is critical in decision making. Under the trans-active mode, interaction and learning are put on top of the execution of a predetermined plan for decision making. Under the generative mode, the autonomous behavior of organizational members such as the emergence of new product ideas and employee initiative mainly affect the decision making. Hart (1992) argues that the five modes may not be mutually exclusive and a decision making more or less is related to one or more of the five modes.

Moss and Warnaby (1998) is based on Hart (1992) and Grunig and Repper (1992) to develop a framework for linking corporate communication to strategies of both corporate and business units. Stakeholders and strategic issues are identified from the role of corporate communication and then the corporate communication strategies are formed accordingly. The business units provide supports to corporate communications.

2.2. Elements of Crisis Communication

For effective crisis communications, various studies have discussed the main elements. For example, Sturges *et al.* (1991) focus on the communication with the public. Three elements of information are important for meeting the public's needs.

1. Instruction must be clear for the audience to follow,
2. The information must be adjusted to cope with the emotional reactions of the audience,
3. The information must be internalizing by the audience to form long-term judgments of the organization.

Comfort (2007) argues that on top of three critical elements of crisis management: communication, coordination and control, cognition is the key for effective responses to a crisis. Cognition is important to understand the nature and consequences of a crisis in order to form correct responses. Cognition allows the decision makers to be equipped with initial content and to activate the processes of communication, coordination and control.

Riddell (2013) points out three elements which are critical for crisis communication such as people, process and culture. The motivation of people is very important and the strongest motivation is recognizing employees' work, both internally and externally. The practical steps

covered in the process help support people to respond correctly. Culture within an organization helps binding employees from the shared values and behaviors.

Apologies are typical responses of an organization in face of negative event. Koehn (2013) argues that simply apologizing is not enough to eliminate the negative effects. There are various elements for apologies such as (i) naming the wrongdoing for which the apologizer takes responsibility, (ii) taking responsibility for the wrongdoing, (iii) promptly apologizing, (iv) conveying a settled, just, and prudent CEO character, (v) creating a supportive, consistent context, (vi) delivering the apology in person, (vii) exhibiting empathy, and (viii) following through on the apology.

Gonzalez-Herrero and Smith (2008) note that in the digital age, the basic concepts of crisis communications still apply. However, a corporate need to use various digital tools, including Internet, blogs, forums and so on.

2.3. Stages of Crisis Communications

For the practical implementation of crisis communications, there have been various suggestions. Gonzalez-Herrero and Pratt (1996) propose a symmetrical and proactive crisis-management process by separating the crisis management into 4 steps: (i) issues management – the organization should be based on the environment to search proactively for troublesome issues; (ii) planning-prevention – after a troublesome issue is identified, a contingency plan should be developed to handle the issue; (iii) crisis – when a crisis occurs, the organization will have to limit its reactions to the event and to use contingency measures for reducing any damage; and (iv) post-crisis – in this stage, the organization must continue to follow the issue and notice any possible contingencies and the reports of the media.

Bernstein and Bonafede (2011) suggest 10 steps for crisis communications such as (i) identify your crisis communication team, (ii) identify spokespersons, (iii) train the spokespersons, (iv) establish notification systems, (v) identify and know your spokespersons, (vi) anticipate crises, (vii) develop holding statements, (viii) assess the crisis situation, (ix) identify key messages, and (x) ride out the storm.

Turney (2007) raise six steps such as (i) clearly state the communication team's mission in a crisis, (ii) identify your organization's most critical publics and themes to emphasize in communicating with each of them, (iii) determine where crisis communication team members will be needed and the location of any special operations centers, (iv) define task-related communication roles needed in a crisis, (v) prepare a crisis communication team roster showing your "starting line –up" with contact information, and (vi) don't wait until a crisis to disseminate the plan. Valackiene (2010) also suggests six steps and the first five steps are exactly the same as Turney (2007) and the sixth one is disseminate the plan and regularly update it.

Coombs (2012) simplifies the stages of crisis management into three stages like pre-crisis, crisis and post-crisis.

The pre-crisis stage refers to all actions taken before a crisis occurs. During the pre-crisis stage, an organization takes all possible actions to prevent crises. Pre-crisis stage can be further divided into three sub-stages:

- (i) signal detection –an organization needs to identify and collect information for warning signs analyze the information; moreover, a system has to be developed for detecting potential crises and plans to handle the crises;
- (ii) prevention –actions have to be taken immediately after the potential crisis is detected. There are three types of management related to the actions: issues management –taking steps to prevent a problem accelerating to a crisis; risk management –eliminating or lowering risks of a potential crisis; reputation management –seeking to resolve problems in the stakeholder-organization relationship that could escalate and damage the company's reputation;
- (iii) crisis preparation –an organization must prepare for a crisis happening, for which sometimes may not be avoided. The preparation work includes identifying crisis vulnerabilities, creating crisis teams, selecting

spokespersons, drafting crisis management plans, developing crisis portfolios, and structuring the crisis communication system.

During the crisis stage, there is a trigger event that begins the crisis and the stage ends when the crisis is considered to be resolved. Two sub-stages can be included in this stage: 1. crisis recognition –this sub-stage includes understanding of how an event is labeled and accepted as a crisis, and the methods for collecting information related to the crisis and 2. crisis containment –during this sub-stage, the organization has to focus on the crisis communication’s relationship to reputational management, contingency plans, and follow-up concerns.

In post-crisis stage, the organization has still to take actions due to the following reasons: (i) the organization has to be better prepared for the next crisis, (ii) the organization needs to make sure stakeholders maintain a positive impression of the organization’s crisis management efforts, and (iii) the organization has to check whether the crisis is really over or not.

3. Marketing Relationship

Apart from agreeing that a business and consumers have two-way effects on each other, Thrassou and Vrontis (2009) argue that the business-consumer relationship is symbiotic. It means that in face of inevitable environmental change, the business may develop strategies targeting on consumers’ intangible needs. More value-adding strategies can be formed through the establishment of brand personalities and general anthropomorphic brand associations.

Murphy *et al.* (2007) provide a model on the roles of virtue ethics on marketing relationship (Figure 1). One of the definition of business ethics is described as “a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment [...] ethics implicitly regulates areas and details of behavior that lie beyond governmental control” (Wikipedia, 2016). Virtue ethics focus on individual and organization characters. Adopting virtue ethics usually makes balance on lives through learning “good habits”. Murphy *et al.* (2007) add reinforcement as a third stage of developing marketing relationship to the first two: establishment and maintenance.

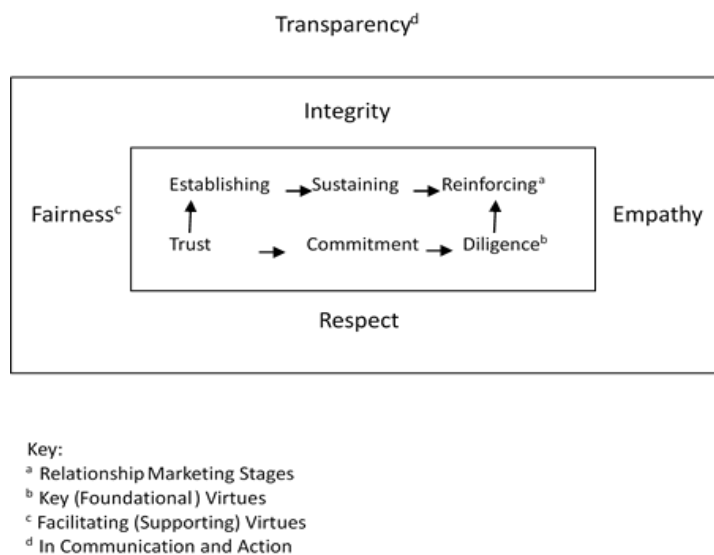


Figure 1. Ethical bases of relationship marketing

Notes: It was reproduced from Figure 1 in the study of Murphy *et al.* (2007, p.44).

Based on various discussions of virtues, it is suggested that an organizations are looking for partners with honest, fair, reliable, benevolent characters. That is, ethics is important requirements for partners. Following Hosmer (1994), three elements are found to be main connection with marketing relationship:

Trust → Commitment → Diligence

A definition of trust is that an individual expects the word of another can be relied upon. Thus trust is cooperative but not enforceable. Commitment refers to a partner is willing to spend efforts to maintain long-term relationship with another parties. The relationship between trust and commitment is clear as commitment cannot be made without trust. Diligence can be referred to the characteristics of steady, earnest and energetic effort. In order to make commitment stable and long lasting, diligence is an important element for maintaining the relationship.

Building trust in the marketing relationship is further supported by four virtues: integrity, fairness, respect and empathy. Integrity is commonly described to be related to coherence, honesty, moral courage and self-awareness. There are two meanings of integrity: adherence to moral codes and completeness. Fairness is defined to be unbiased and equitable. In practice, most people are concerned with whether they are treated unfairly. Notably, the most significant tool of marketing related to fairness is pricing. Consumers must have the sense whether they have a fair deal or not. A person, including the marketer, wishes to be respected by the other people. It is inevitable that different parties, notably the marketers and consumers, have different opinions on some issues. Mutual respect between the marketers and consumers is important to maintain long lasting relationship. Empathy can be described as the ethic of care or the golden rule, i.e. a person should treat others as him or her would like others to treat himself or herself; similarly, a person should not treat others in ways that he or she would not like to be treated empathetic marketers must be sensitive to the needs and wants of consumers.

Transparency is important in the model as openness and clarity are an overriding virtue. Murphy *et al.* (2007) do not suggest giving away business secrets; however, an organization should avoid keeping its stakeholders in the dark.

4. Transparency in the Social Media Age

4.1. Importance of Transparency

Murphy *et al.* (2007) put transparency surrounding all the other elements of marketing relationship. However, there are no detailed explanations on the importance of transparency. We agree that transparency is very important; furthermore, we find that in the new digital era, transparency is critical, if not the most important element, for the crisis communication.

Crisis communication has to adopt all new technologies for achieving the most favorable effects. Internet surely is one of the major tools for an organization to use for crisis communication. One main difference between the traditional media and Internet is timing. In the past, a piece of information takes days to deliver to the audience through printed materials such as newspapers and magazines. TV is faster, but unless the event is extremely large, news may be delivered at least hours after an event occurs. However, during the Internet era, an event will be disclosed almost immediately and the audience can access the information almost everywhere in the world. Thus apart from the traditional media, an organization has to use all digital tools effectively for communication. Surely an organization has to set up its own web-site for delivering information to all its stakeholders. However, in the Web 2.0 era, information is not one-way, the information flows two-ways. The organization needs to make use of Discussion Forums to clarify its viewpoints and provide correct answers to any questions from the stakeholders. Moreover, an organization also can deliver its own information through blogs. Even though the bloggers may not hold the same viewpoints as the organization, an organization needs to try its best to balance the unfavorable rumors in the blogs.

As social media have become more popular, an organization cannot neglect the media such as Facebook and Twitter. Many organizations already established fan pages in Facebook

and inviting followers in Twitter. At first, many companies expected that social media helped them push up selling. The results were disappointed. Recently many companies realized that social media are tools to build up marketing relationship. The most significant characteristics of Social media are that every user is content generator. It also allows interactive communication. On the positive side, an organization can build up reputation through closer communication with the stakeholders. On the negative side, an organization has to prepare to put a lot of resources in social media in order to entertain any queries and to provide prompt answers to questions anytime. The implication to crisis management is that any negative event may be spread through social media almost immediately after the event occurs. Speed becomes more critical in the social media era.

In the past few years, mobile phones and tablets have been very common. Mobile marketing has become very popular nowadays. The speed of spreading information through mobile devices is even higher than through computers. Information flows even access more people more promptly. A person receives a message and resends to others in seconds. A piece of information spreads extremely fast in the mobile era. Crisis communication surely cannot be effective without mobile interaction. Crisis communication becomes more demanding and it is much more difficult to curtail the spread of negative comments on an event.

As information flows from and to everywhere and the spread of information is instant, it is very difficult to hide events from the stakeholders. We agree that transparency is the top priority for crisis communication. An organization is too naive to consider that an event can be enclosed from the public. The information flows from anywhere, sometimes within an organization. If the public think that an organization is hiding something which damages the stakeholders' benefits, the organization will quickly lose its reputation. Non-transparency itself is damaging reputation. Thus in order to build up reputation and maintain marketing relationship, transparency is critical.

Surely transparency alone is not enough. We use the reverse arguments of Murphy *et al.* (2007) to illustrate the importance of transparency. Dishonest under transparency is suicide. Transparency is critical because an organization's unethical behavior and wrong doings will quickly be disposed. It is this reason why the public require transparency. Thus supporting transparency requires the ethical culture of an organization. Murphy *et al.*'s four virtues (2007) are important ethics to make transparency effective: integrity, fairness, respect and empathy. When the stakeholders observe the ethical standards of the organization are strictly enforces, they will develop trust. The marketing relationship between an organization and its stakeholders is then established. When the transparency is enduring, commitment and then diligence are maintained. The relationship is sustaining and reinforcing under the transparent environment. We would like to apply five cases of food safety to illustrate the importance of transparency.

4.2. Food Safety Cases

4.2.1. Top Pot Bakery Artificial Essences Scandal

Top Pot Bakery was established in December 2010 in Taiwan (Apple Daily, 2013a). Top Pot Bakery claimed that its products included only natural ingredients and the prices were much higher than the counterparts. In the advertisement, the statement was "Natural Yeast, No Artificial Flavoring Added". The Bakery has been well-known partly because the wife of an investor is a famous actress, nickname "Little S" in Taiwan. The Bakery further opened stores in Hong Kong and Shanghai. However, a Hong Kong blogger "Keith" wrote an article on his blog on 17 Aug 2013 that he doubted the flavoring is not natural. Top Pot Bakery reacted by claiming that they would charge the blogger and other Internet users who had spread the information.

Taipei City Government investigated the products after the blog's writing and found that nine artificial flavorings added. The bosses of the Bakery admitted to the investigators that artificial essences from the very first beginning. Prosecutors fined the company NT\$180,000 for deceptive advertising. Even though "Little S" and her husband openly apologized to the public, no one could save Hot Pot Bakery. The Bakery was sold to Sun Louis on 3 Mar 2014. The brand name "Hot Pot Bakery" totally faded away in Taiwan (Wikipedia, 2015).

Hot Pot Bakery case tells us the power of Internet today. Dishonest will surely kill the company. It also tells us that an organization cannot think that it can be lucky from telling lies. Under today's information technology, unethical behaviors will be exposed easily.

4.2.2. Tripod King Artificial Powder Scandal

Tripod King was established in 1991 in Taichung. By 2014, it had opened 23 stores in Taiwan and Mainland China. The main selling points of Tripod King were its retro decoration and utensils, staff's ninety-degree bow and its pot soup was produced with more than 32 herbal ingredients and vegetables (Apple Daily, 2014a). However, Tripod King was disclosed by a local magazine, Next Magazine, that the hot pot soups were produced by 10 artificial flavored powders (Taipei Times, 2014). The hot pot chain denied the allegations. And the restaurant chief executive Chen Shih-ming even claimed that the restaurant would give a reward of NT\$5 million (US\$166,000) for information on who had made the "false accusation against the restaurant." Mr. Chen said its spicy Hot Pot soup was made with several Chinese herbs and vegetables.

The Taiwan local government investigated Tripod King and found the claim of 3232 Chinese herbal ingredients was groundless and the Tainan City Government fined the restaurant of NT\$200,000 and requested the restaurant to update its menu and stop misleading customers. The restaurant admitted its advertising was not true and its soup also contained chicken broth cubes made by Knorr Food Company. The immediate effects on the restaurant were obvious. A report showed that the business has dropped 30% in March 2014 (Apple Daily, 2014b).

The Tripod King case showed that the traditional media are still effective in triggering a crisis. An organization still needs to pay price for its dishonest. Tripod King was more lucky as many of its customers considered the restaurant's other services were satisfactory and the restaurant was able to survive after the crisis. Partly thanks to Tripod King's case, the Taiwan Government passed a new regulation, effective in 1 July 2015, that the hot pot soup had to indicate clearly whether the ingredients are natural or artificial. Mr. Chen of Tripod King claimed that the restaurant would surely follow the regulation and he emphasized the importance of transparency in regaining trust from customers (Apple Daily, 2015). No matter whether Tripod King really appreciates transparency, at least the restaurant understood the customers' requests of transparency.

4.2.3. Burger King Horsemeat Scandal

In January 2013, the Food Safety Authority of Ireland announced that it found that horsemeat included in burgers was sold in UK and Ireland. Burger King promptly gave a series of 'absolute assurances' that it did not use horsemeat. In UK and Ireland, Burger King had over 500 stores. However, on 31 January 2013 Burger King admitted that its burgers and Whoppers did contain small portion of horsemeat, after two weeks of denial. Burger King said that the horsemeat came from one of its suppliers from Ireland, Silvercrest. Burger King vice president, Diego Beamonte apologized and said that 'Our supplier has failed us and in turn we have failed you. We are committed to ensuring that this does not happen again.' Many customers were not satisfied with Burger King. The main concern was that Burger King was not honest in the ingredients of burgers (Guardian, 2013).

This case indicated that the fact will be disclosed anyway even though the company tried to deny negative event. When an organization tries to hide the facts with lies, it turns out to worse and the customers will be more frustrated. Thus an organization needs to keep transparency in mind. In order to maintain transparency, it has to keep the virtues of integrity, fair, empathy and respect.

4.2.4. Hoi Tin Tong Turtle Jelly Scandal

Hoi Tin Tong has established in Hong Kong for decades selling traditional food made with herbal ingredients. On 11 September, an online video clip which was uploaded by a former Hoi Tin Tong senior staff showed that Hoi Tin Tong's Turtle Jelly produced in Guangdong included mould. The video clip also a worker used her hand to transfer Turtle Jelly from plastic cups to pottery cups. Another event occurred at the same time. A researcher from City University of Hong Kong had tested elements of Turtle Jelly found samples of Hoi Tin Tong containing very little or even no turtle shell collagen, a critical element of Turtle Jelly. Hoi Tin Tong responded quickly in the next day by holding two different press conferences. In the first conference, Mr. Ng Yiu-Ming, the Hoi Tin Tong founder, denied what were shown in the video clip. But in the conference, the video clip exposé forced Mr. Ng to admit that the company did use plastic cups (Apple Daily, 2013b). In another conference, Mr. Ng argued that Hoi Tin Tong's products were made by fresh turtle shells and that should be the reason why the University test did not find elements of turtle-shells (Apple Daily, 2013c). The two scandals hit Hoi Tin Tong fiercely. The results were that many people requested Hoi Tin Tong to refund their pre-purchased coupons of Turtle Jelly. Hoi Tin Tong promised that all unused coupons would be refunded.

The development should be favorable to Hoi Tin Tong. On 17 September 2013, the Hong Kong Government announced that there was no mould discovered in the samples (South China Morning Post, 2013). Later that month, the Hong Kong customs officials announced that elements of turtle-shell collagen were found in the company's Turtle Jelly. In the eve of 2013, Hoi Tin Tong launched a series of campaigns aiming to improve its reputation. In late December, a TV ad arguing that Hoi Tin Tong was maligned was launched in the main local TV station, TVB. Furthermore, on 10 January 2014, sales promotion for free delivery of 100,000 cups of Turtle Jelly was conducted. The promotion should have been successful as long queues were seen outside all Hoi Tin Tong outlets (House News, 2014).

Unexpectedly, the seemingly positive promotion activities turned out to be a disaster. At first, the free gifts were discovered to be stocks produced in September 2013, which were suspected to be unsold products during the scandal period (Apple Daily, 2014c). Another event was that an additional video clip of the TV ad was uploaded on Youtube.com which included foul language. Most of the over 600,000 views were negative. A third event was that the Hoi Tin Tong Turtle Jelly was reported to change Tufuling, a critical ingredient of the Jelly, to Xianfuling, without public announcement. The traditional ingredient for Turtle Jelly should be Tufuling rather than Xianfuling (Apple Daily, 2014d).

The case showed that even though there is no evidence that an organization has wrong doings in the food safety, poor handling will lead to disasters. When the customers find that an organization hides some information from its activities, they will lose trust. Transparency is also very critical. For transparency, it does not mean that an organization only tells its own story and is willing to disclose part of information. When unfavorable information was disclosed from other channels, the stakeholders will consider that the organization tries to hide something from the stakeholders and it may likely damage the stakeholders' benefits.

4.2.5. Hong Kong McDonald's Food Safety Scandal

On 20 Jul 2014, a Shanghai TV station exploded that Shanghai Husi Food Company, a subsidiary of US-based OSI Group, sold expired beef and chicken to fast food restaurants, including KFC and McDonald's. The authority arrested five executives of Shanghai Husi following an investigation. McDonald's and KFC all over China were requested to destroy all problematic food (Wikipedia, 2014).

After the event, Hong Kong McDonald's replied to press that the company had "no food supplied from the food production plant mentioned in the recent Mainland reports". But it was disclosed in the Internet that Hong Kong McDonald's did use chicken supplied by Hubei Husi. The company then admitted that some of its food was supplied from Husi, from different plant of Husi (Apple Daily, 2014e)

On 24 Jul 2014, the Hong Kong Government confirmed that Hong Kong McDonald's did import meat from Shanghai Husi. Hong Kong McDonald's admitted that the restaurant did import some food from the problematic plant. McDonald's claimed that it initiated to stop using problematic products but regretted that CFS announced individually rather than jointly announced with the restaurant (Mingpao, 2014a). Three days later, the senior management of Hong Kong McDonald's apologized to the Hong Kong people for the confused messages. McDonald's further claimed that the restaurant would stop using any product from Husi China; instead, supplies would come from the U.S. and Taiwan. However, McDonald's made the media not satisfactory as the senior management refused to answer any questions (Mingpao 2014b).

The negative effects of the scandal on McDonald's were clear. From a survey on 24 Jul 2014, 82% of the respondents believed that McDonald's told lies and 57.5% claimed that they would reduce or even stop consuming products of McDonald's (Mingpao, 2014c).

This case also shows that if the different information is disclosed from other channels rather than from an organization itself, the stakeholders will lose trust. The mind of keeping transparency is very important as an organization will need to disclose all information as accurately as possible. The organization will need to develop ethics of integrity, respect, empathy and fairness for correct and positive information flows.

5. Conclusion

Under the digital era, the information flows from everywhere. Social media allow everybody put his or her own contents in the digital world and almost everybody can get a piece of information anywhere anytime. Following the rise of mobile devices, the flow of information is even more convenient. An organization nearly cannot enclose any unfavorable information about an event. When unfavorable information is exploded by another source rather than the organization, the reputation is even more damaged. The best method is disclosing all information. Of course, an organization disclosing its own faults may not help its reputation a lot. In order to make transparency favorable to the organization, the organization must prevent wrong doings and faults in the very first beginning. The virtue ethics, notably integrity, respect, fair and empathy, are important elements for enhancing the possibility of positive effects from transparency.

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