

# Discussion on Enterprise Crisis Management and Coping Strategies

## Take Huawei's Crisis Management as an Example

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**Abstract:** In recent years, the sudden cases of enterprise crisis events have increased obviously, and tend to increase year by year. When many enterprises are dealing with crisis events, the problem of their inadequate ability to deal with crisis events has become increasingly prominent. As the breakthrough point, this paper takes the example of the company Hua Wei dealt with the crisis event recently happened on the simple discussion, through the analysis of the necessity of enterprise crisis management, as well as to the enterprise the internal factors and external factors caused by the crisis have been analyzed, and puts forward the corresponding strategies and suggestions within the enterprise to establish a long-term effective mechanism of crisis management, and crisis management should be brought into the enterprise management an important part of the process of enterprise management in the future in response to the global complex economic environment and political environment when facing the crisis.

**Keywords:** Enterprise; Crisis management; Necessity; Causes; Countermeasures

### 1. Introduction

In recent years, the number of sudden cases of enterprise crisis events has increased significantly, and tends to increase year by year. When many enterprises are dealing with crisis events, the problem of their insufficient ability to deal with the crisis has become increasingly prominent. Due to the continuous development of world economic globalization and economic integration, the economic environment of enterprises is not single anymore. On one hand, economic globalization has created very good opportunities for the business development of enterprises, supplemented the shortage of capital for the development of enterprises, and equipped with advanced technology and equipment. On the other hand, it also brings a lot of risk to the development of enterprises, especially those ones with transnational background. Different economic systems and legal backgrounds often make enterprises to face many potential management crises in the process of operation and management.

### 2. Event Review

Huawei event started from the event of Meng Wanzhou [1], and the U.S. government used their national efforts to completely block the network equipment, hardware supply, mobile software, and even the market entering, led to a sharp decline in Huawei's profits during this period. After the event, Huawei responded immediately, saying that at present, Huawei's material storage can be used for at least one year, and explained to the world that

Huawei had already developed their own hardware spare tire and Hongmeng system spare tire since several years ago, so it would not affect the normal operation of Huawei [2]. In response to the network security issues raised by the US government, Huawei arranged Andy Purdy, Huawei's Chief Network Security Officer in the us who used to work for the US Department of Defense, to interview the media and answer the relevant questions about the network security of Huawei's equipment [3]. Through a series of measures, Huawei kept themselves in the forefront of the crisis, but greatly boosted the morale of Huawei employees, and the enterprise's market position remained stable. According to the latest data, Huawei's profit in the first half of 2019 increased 23.2% year on year [4].

### 3. The Need to Strengthen Crisis Management

From the understanding of the Huawei's event, we can see that proper crisis management is very important for the survival and development of an enterprise, which will threaten whether the enterprise can survive in the market. For enterprises, the negative impact of the crisis is much higher than its positive publicity, which will directly or indirectly bring incalculable losses to corporate goodwill and corporate profits. However, effective crisis management will become a turning point for the development of enterprises, and bring more opportunities for the devel-

opment of enterprises. Therefore, effective crisis management is crucial to the development of enterprises.

In today's world, economic globalization and informatization is the trend of the development of the new era, is also a rare development opportunity for enterprises, but because of the world's economic development is not a single economic environment, also including the complex political environment, the ubiquitous in today's world economy crisis, the crisis could unleash at any time, and so on and so forth, making it the current world economic crisis under the condition of a remarkable feature. According to the survey of American crisis management experts, 80% of corporate managers believe that corporate crisis is as inevitable as close and taxation [5]. 14% of enterprises admit that they have faced major crisis events [6]. For enterprises, the existence of crisis is not an accidental misfortune, but an economic phenomenon that enterprises must experience in the development process. Konosuke Matsushita mentioned in summing up the successful experience of the enterprise: a long-term and unremitting sense of crisis is the base of an invincible enterprise [7]. Faced with the market in the complex economic environment, the existence of enterprise crisis events is universal and inevitable. How to improve the awareness of crisis and how to deal with crisis events becomes an important issue for enterprises in the process of operation and management.

#### **4. The Causes of Crisis in the Process of Enterprise Development**

With the continuous development of the world economy, the market economic environment is unpredictable and the competition is increasingly fierce. In the process of development, enterprises should constantly improve their crisis management ability, actively discover and predict the adverse factors and crisis events that may affect the development of enterprises in the future. It can be seen from the crisis events in recent years that the crisis events encountered by enterprises in the management process are mainly attributed to two major factors. Part of them are the crisis events caused by the external environment of the market. Internal crisis events are often attributed to internal management problems and enterprise integrity, ethics and other factors; The external environmental factors of the market often come from competitors of similar products in the market, market demand, "illegal" behaviors caused by different economic systems and legal backgrounds and other factors. The specific reasons are as follows:

Firstly, cause analysis of crisis events caused by internal factors

Management crisis caused by low management level and lack of management experience.

Low management level and lack of management experience is one of the important factors leading to enterprise

crisis events. For enterprises, good management is the guarantee of healthy operation of enterprises, and also an important guarantee to determine the future development direction of enterprises. On the contrary, it may also become an important factor of enterprise crisis. In the early stage of enterprise establishment, many enterprises often have problems such as imperfect rules and regulations and lack of rationality of organizational structure, which foreshadowed the emergence of enterprise crisis events in the future.

Internal crisis caused by poor communication between enterprise departments.

The enterprise is a team, good, barrier-free communication is to ensure the normal operation of the enterprise internal security. In the enterprise, the most common communication is the communication between the departments, companies like a machine, each department is equal with the important part of the machine, the operation of the enterprise as the important part of the machine work together with each other, such as a communication between departments, internal components like machine can't work very well together, over time will inevitably lead to the damage of the machine. The same is true for enterprises. In the process of business operation, if the communication between departments is not smooth, it will inevitably lay hidden dangers for the future development of enterprises. If not found and solved in time, it will surely become one of the root causes of enterprise crisis events.

Market crisis caused by enterprise products and market demand.

Enterprises should pay attention to the quality of their products to meet the market demand as the goal. In the market environment, enterprises need to create profits; the market is demand and high quality products. But often a lot of companies, as companies grow, the increasing of the varieties of products, in order to obtain greater profits, often in order to reduce the quality of products in order to realize the profit maximization, although enterprise obtained a certain profit, but as the market competition is intense, the emergence of similar products, the market tend to select the most appropriate, the optimal product quality, the enterprise will face the prestige and brand crisis.

Lack of awareness of corporate responsibility and integrity.

At present, many enterprises have "profit" at the top, never consider the responsibility and integrity of the enterprise, leading to the lack of corporate responsibility awareness and integrity awareness, directly or indirectly damage the interests of the state and the interests of customers. In recent years, many listed companies have been severely punished by the state due to their lack of sense of responsibility and integrity.

The moral decline of top managers leads to the goodwill crisis.

The senior management of an enterprise is the planner of its strategic development as well as the embodiment of its will. Therefore, senior managers of enterprises play a crucial role in the management process of enterprises, as well as the external image and goodwill of enterprises. At present, there have been a number of corporate crisis events caused by the moral decline of senior executives of listed enterprises in China, which directly reflects the loss of economic benefits and goodwill of enterprises.

Secondly, Analysis of external market environment factors

Competitors in the market.

As the world economy globalization, as a result of market economy, has been expanding its market more and more competition between similar products manufacturers, the challenges facing the complex economic environment, enterprises have to face the competition from different areas, different countries, in the face of such complex competition environment, can enterprises can no longer be monopolist, also want to participate in the competition in the market, such as enterprise can't timely conversion business model, it is easy to lead to lack of market competitiveness, eventually led to the enterprise in new market environment.

Market demand.

The ultimate goal of an enterprise is to obtain profits, and the ultimate goal of the market is to obtain needed products. Therefore, the products of an enterprise should meet the market demand. If the products of an enterprise cannot meet the market demand, the enterprise will be eliminated by the market.

"Illegal" behaviors of enterprises under different economic systems and legal backgrounds.

Because of the difference of economic system and legal background, related regulations in different countries or regions will be more or less difference, many enterprises have used inertia thinking management enterprise, it is very easy to cause the management style or handling method and its region economy or legal conflict, to produce management problems or in violation of local law.

## 5. Crisis Management Strategies

First, the enterprise should do early prevention of crisis events.

In the process of enterprise development and growth, although the emergence of crisis cannot be completely avoided, an enterprise must take precautions in advance for the possible crisis and based on its products, services, strategies and other aspects. At the present stage, many enterprises in the face of corporate crisis, most focus on post-processing, few enterprises to prevent beforehand. As can be seen from the event cited in this paper, Huawei responded immediately when it was blocked by hardware,

software and the market, and released the spare tire product developed by the company in the early stage, which quickly became active in a passive state.

Second, enterprises should establish long-term crisis management mechanism.

Long-term crisis management system is an important guarantee for enterprises to avoid crisis. For enterprises, the occurrence of crisis events is not accidental, but the "quality" crisis caused by the accumulation of "quantity" in the process of enterprise development. All enterprises will have more or less problems in the development process, but few enterprises will realize that these small problems will eventually become the trigger of enterprise crisis events. It can be seen from the cited Huawei event that Huawei's spare tire opportunity is actually a part of the enterprise crisis management mechanism, which makes the enterprise react immediately after the occurrence of crisis events, so that the enterprise does not fall into a passive situation of being beaten. It can be seen that the establishment of a long-term crisis management mechanism is essential for enterprises, which must make crisis management one of the core contents of the enterprise management process.

Third, enterprises should establish a good public relations and communication platform with the external environment. In the process of development and operation, enterprises must establish friendly social and public relations with the external environment of the market, establish long-term communication platform, strengthen communication with media, customers and internal employees, so as to improve the management ability of enterprises. When enterprises encounter crisis problems, they should adopt a variety of channels and ways to deal with and respond to crisis events. Therefore, enterprises should actively maintain the relationship with the media, customers and employees in the development process, so as to avoid the occurrence of "one-sided" situation.

Fourth, enterprise encounter crisis, time is "life".

When an enterprise encounters a crisis event, time is often "life". In the era of traditional media, there are relatively few channels for information transmission and the transmission speed is slow, so the public has a limited understanding of corporate news. However, at present, we are in the era of high-speed development of Internet +, and the speed of information transmission is far faster than our imagination, and the group objects involved in the communication involve various industries. For example, in the case of Huawei, the news that the United States suppressed Huawei immediately made Huawei the focus of the world at almost the same time. Therefore, when the enterprise crisis, enterprises must immediately reacted quickly after negative problems, immediately respond to the event of negative news, comprehensive consideration, minimize the negative effect on the enter-

prise or product, avoid unnecessary rumors and speculation, further prevent crisis events, causing a vicious cycle. Fifth, the enterprise must establish the responsibility consciousness and the good faith consciousness.

Enterprises should have the courage to take responsibility and avoid buck-passing, and must establish a strong sense of responsibility and integrity. The sense of responsibility and the sense of integrity are the basis for enterprises to base themselves in the market. Enterprises should develop themselves with the attitude of being responsible for the country and the market, and actively maintain and enhance their goodwill.

Sixth, correct public relations, the crisis into a positive publicity.

Public relations as an important means of enterprise crisis event, is very important for enterprise, the correct way of public relations, not only can make the enterprise in the crisis event turned the corner and you can even borrow the crisis as the breakthrough point, bring new development opportunities for the development of enterprises, and set up enterprises better brand value. In the event of Huawei, Huawei to arrange the chief security officer Andy Purdy media interview, and network strategy work he once served as the United States, and for the U.S. department of homeland security and leading network security team, Huawei through such a former U.S. government important position of Americans to support his media product security, as far as possible to reduce the public concerns for the product in China.

Seventh, enterprises should learn to survive in the economic system and legal background of different countries. Now is in an era of economic globalization, because of fierce market competition, enterprises must develop the market to survive. So into different countries, to participate in different under the background of economic system and legal market competition has become the norm, but because of the economic environment and political environment, the risks of enterprise is different, the enterprise to survive in the complex international competition environment, must be familiar with local economic system and related laws and regulations, to prevent the enterprises still stay in their home country economic environment under the condition of inertial thinking to consider and deal with the problem, it is important to improve in different under the background of economic system and legal management consciousness, the greatest

degree avoid violating local relevant laws and regulations under different economies, to prevent or avoid the happening of the crisis event.

## 6. Conclusion

To sum up, in the process of enterprise development, enterprises should establish a long-term effective crisis management mechanism based on the actual situation of their own management process. With complex enterprise facing the world economic environment changes, the generation of crisis event may not be able to completely avoid, enterprise to survive in the complex market economic environment, we must establish long-term corporate crisis management consciousness, the flexible use of crisis event management strategies, constantly reflect on enterprises in the development process and the problems existing in the management process, to learn to cope with the crisis in different in different environments. As can be seen from Huawei's handling of crisis events mentioned in this paper, Huawei has long recognized the importance of crisis management, and the "spare tire plan" provides a good reference for some technology companies that are highly dependent on technology imports. At the same time, the management concept of the company's crisis management consciousness is also worth emulating and drawing lessons from.

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