

Dangerous Voices – Losing the Battle for Dominance in a Cross-Cultural Rhetorical Arena

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Abstract

An organization finding itself embroiled in an international crisis has to consider the many voices that can appear in the rhetorical arena in which it seeks to communicate. Their differing psychological and socio-cultural contexts can affect the appropriateness and effectiveness of crisis communication efforts in numerous ways. Frandsen and Johansen's (2016) Rhetorical Arena Theory is utilized to frame an analysis of Japan's Olympus Corporation's crisis communication efforts during its 2011 financial statement fraud crisis. Qualitative content analysis reveals that Olympus lost the battle for definitional hegemony in a steadily expanding rhetorical arena where multiple voices managed to overwhelm Olympus's crisis communication efforts. Poor cultural alignment of Olympus's crisis communication efforts and overall crisis handling compounded the reputational damage to not only the company itself but corporate Japan as a whole.

Keywords: corporate crisis communication, cross-cultural communication, Rhetorical Arena Theory, Japan

Dangerous Voices – Losing the Battle for Dominance in a Cross-cultural Rhetorical Arena

In an ever more internationalized world, corporate crises do not stay confined to a single national context anymore. International employees, customers, shareholders, regulators and media create a demand for cross-cultural crisis communication efforts. An organization finding itself embroiled in an international crisis has to consider the many voices that can appear in the rhetorical arena in which it seeks to communicate (Frandsen & Johansen, 2016). Differing socio-cultural contexts can affect the appropriateness and effectiveness of crisis communication efforts in numerous ways and when an organization is ill prepared to communicate effectively in a diverse multi-vocal rhetorical arena, unfriendly voices can emerge as the dominant force and win the battle over definitional hegemony (Dionisopoulos & Crable, 1988).

This paper utilizes Frandsen and Johansen's (2016) Rhetorical Arena Theory (RAT) to frame an analysis of the crisis communication efforts of Japan's Olympus Corporation during its 2011 financial fraud crisis. While the Olympus case is in no way an example of Japanese crisis communication best practices, it offers a number of insights into how differing psychological and socio-cultural contexts can affect not only content but also media, genre, and text choices made by the various voices in a rhetorical arena (Frandsen & Johansen, 2010b). The purpose of this case study is twofold, to identify key voices and their impact on the arena and to situate the various communication processes in a cultural context. This paper attempts to give a real-life example of how cross-cultural crisis communication can be affected by contextual differences and hopes to encourage further inquiry into this niche of crisis communication.

Literature Review

This paper adopts a social constructionist view of crises which emphasizes that crisis meaning is socially constructed in a given cultural context (Falkheimer & Heide, 2006) and can therefore be influenced by strong voices guiding the audiences' sense making efforts (Millar & Heath, 2004). When a crisis occurs, stakeholders immediately begin to demand information. If the organization itself does not meet this demand, attention will quickly turn to anyone that is willing to speak about the crisis (Coombs, 2014; Lerbinger, 1997).

Dominant crisis communication research recognizes a number of crisis response strategies (CRS) that an organization can utilize to react to a challenge to its reputation. Research on account giving and apology inspired strategies ranging from accommodative rebuild strategies (compensation and apology), over diminishing strategies (excuse and justification), to deny strategies (attack the accuser, denial, and scapegoating) (Coombs, 2007). While early theories, such as Image Restoration Theory (Benoit, 1995), took a primarily sender focused approach to crisis communication, later works, such as Situational Crisis Communication Theory (SCCT) (Coombs, 2007), began to recognize the importance of the message receiver, drawing on attribution theory to match CRS to audience perceptions. Yet, these theories largely fail to acknowledge that the organization in crisis is by no means the only sender of messages that shape reputational outcomes. Various voices can influence dominant crisis perceptions, and an ideal crisis response by an organization is of little consequence when no one is paying it any attention. In addition, while an organization's crisis messages might be perfectly crafted for one type of message receiver, they might be ill-suited or even offensive to others. Frandsen and Johansen's (2016) RAT addresses the existence of multiple and disparate senders and receivers in crisis communication situations.

Rhetorical Arena Theory

RAT takes a multi-vocal approach to crisis communication, which "includes the multiple voices – the many senders and receivers – that start communicating when a crisis occurs" (Frandsen & Johansen, 2016, p.140). Such voices may include the news media, consumers, experts, politicians, trade associations, employees, and an organization's management. When a crisis emerges, a rhetorical arena is created, in which the various voices communicate. RAT addresses this communicative complexity and aims "to identify, describe, and explain patterns within the multiple communication processes taking place inside the arena" (Frandsen & Johansen, 2016, p.142). RAT views crisis situations as public battles over definitional hegemony, where competing voices struggle over not only the interpretation of the crisis itself but also the appropriateness of the crisis response. The various voices can enter and exit the arena as the crisis progresses and each communicative process can be seen as an "intervention in or a contribution to the crisis," which becomes part of the rhetorical arena (Frandsen & Johansen, 2016, p.148). Actors communicate *to*, *with*, *against*, *past* or *about* each other. The model differentiates between two levels of analysis, the macro- and the micro level. The macro-level constitutes an analytical overview of the arena, taking inventory of the various complex and divergent voices speaking up before, during and after a crisis (Frandsen & Johansen, 2010a). The micro-level addresses the "individual communicative processes between a sender and a receiver in the rhetorical arena, showing how this process is mediated by four parameters: *context*, *media*, *genre*, and *text*" (Frandsen & Johansen, 2010a, p.563). These parameters constitute a form for the creation as well as interpretation of crisis messages. The *context* dimension is the most complex of the four and encompasses the psychological, socio-cultural, organizational, and situational contexts of each communicative process. Frandsen and Johansen (2010b) emphasize the importance of identifying the facets of these contexts that will have

the strongest influence on crisis communication situations. When voices from different cultural backgrounds communicate during crises, not only *context* but also conventions for the selection of *media* (oral or written communication, electronic, print or new media channels), *genre* (press release, press conference, tweet, blog, video, etc.), and *text* (i.e. visual and verbal rhetorical strategies) can differ significantly. RAT was chosen as the theoretical framework for the current case study because it captures the complexity of both the cross-cultural and multi-vocal aspects of the case.

Japan's Psychological, Socio-Cultural and Organizational Context

Culture plays a key role in shaping the decisions of an organization and its members (Pepper, 1995) and strongly influences their communication styles (George, 2011; Kim & Kim, 2010). Culture also frames the communication strategies each organization chooses during a crisis (Ray, 1999). Culture can also have a strong impact on whether an organization readily takes responsibility or prefers to offer excuses and shift blame to others (Ray, 1999; Stephens, Malone, & Bailey, 2005). When examining communication efforts during the Olympus fraud crisis, it is therefore vital to consider the psychological, socio-cultural, and organizational context surrounding Japan and Japanese firms. This study will combine cultural dimensions and concepts provided by various scholars to create a customized list of cultural phenomena and idiosyncrasies significant for this particular analysis.

Collectivism and high context communication. While traditional cultural dimension theories are slowly falling out of favor, they continue to provide us with several useful insights. Hofstede (1980), for example, describes Japan as defined by strong collectivism, which implies a preference for tightly knit groups that will take care of individuals in exchange for unquestioning loyalty. In Japanese society, the individual has traditionally derived identity from group affiliations including family, school, and company (Wokutch & Shepard, 1999). These tight group affiliations have led to a strong division of in- and out groups. Stephen Harner (2012), a journalist with Forbes magazine, describes the effect of this in-group loyalty in respect to crisis management: "Strict legality is one thing, responsibility to one's 'family'—still how most Japanese view the companies that employ them—is quite another. There is no doubt to which an honorable man owes his loyalty." Wokutch and Shepard (1999) compare modern loyalty to the company to the loyalty to one's lord in feudal times, and state that this loyalty "can take precedence over other duties even to one's family and (in extreme cases) the law" (p.63). To maintain group harmony and social order, Japanese rely on internal restraint. Differences are handled in ways that are indirect, private, and do not involve public debate, confrontation, or loss of face (De Mente, 1993; Gundling, 1999). Fear of loss of face can be seen as the driving force behind the seeming reluctance by Japanese companies to admit mistakes or discuss problems publicly, and their preference for attempts to resolve a crisis privately, and in a discreet and subtle manner (George, 2012). Some believe, that this desire to avoid matters or deal with them in-house leads to a preference by Japanese organizations for cover-ups or simple inaction instead of public disclosure of bad news (Chen, 2008; Inoue, 2010). This reluctance to share information with outsiders can be seen in the lack of transparency that has defined such crises as the Fukushima nuclear disaster (Suzuki & Kaneko, 2013) or the Toyota recalls (Heller & Darling, 2012).

Closely related to the collectivist dimension defined by Hofstede (1980) is the concept of high- versus low-context cultures first introduced by Edward T. Hall in his 1977 book *Beyond Culture*. In high-context cultures, like Japan, communication in general relies heavily on implicitly conveyed meaning, which results in a proportionately lower amount of tangible information being exchanged. Shared background information is integral in understanding Japanese communication. Western communication styles in contrast, rely heavily on words. Communicators are expected to be clear, precise, and verbally skilled. In contrast, Japanese communication is less reliant on verbal

manipulation and persuasion and relies more on non-verbal elements of communication (Okabe, 1987). Consequently, from a Japanese perspective, Western stakeholders need more elaborate and detailed explanations far beyond what is typical for a Japanese audience.

Cultural differences in account giving. All crisis communications strategies are essentially accounts given in response to a challenge to an organization's reputation. Various scholars have identified significant differences in account preferences between Japan and Western cultures (Hamilton & Hagiwara, 1992; Itoi, Ohbuchi, & Fukuno, 1996). Apologies in particular, are subject to vast cultural variations (Ju & Power, 1998). "Americans see an apology as an admission of wrongdoing, whereas Japanese see it as an expression of eagerness to repair a damaged relationship, with no culpability necessarily implied" (Maddux, Kim, Okumura, & Brett, 2012). In the US, a strongly worded defense of one's actions is often vital when companies hope to avoid legal liability in cases of wrongdoing. A straightforward apology on the other hand is equal to an admission of guilt and is often avoided by organizations in crisis due to liability implications (Tyler, 1997). In Japan, on the other hand, an apology does not necessarily imply the acceptance of guilt or an admission of personal wrongdoing. It rather reflects a sense of obligation (Wagatsuma & Rosett, 1986). It is common to see Japanese executives bow deeply at crowded press conferences, apologizing to the Japanese public at large (Coombs & Chikudate, 2010; Inoue, 2010; West, 2006). What might seem like an admission of guilt to Western eyes is often in fact merely a required expression of regret for creating a disturbance without necessarily implying culpability (Inoue, 2010). In Japan, these apologetic acts simply fit into the collective behavioral expectations for the representatives of corporations accused of wrong-doing.

A further complicating factor is the frequent absence of an explanation or self-defense in Japanese apologies (Sugimoto, 1999). In Western apologies, a justification for or explanation of one's actions is an integral part of whether an apology will be accepted or not (Barnlund & Yoshioka, 1990). While a typical Western apology might follow a pattern of "I am sorry for my actions. I acted in this fashion because..." in Japan, any substantial justification accompanying an apology is seen as an excuse and therefore undesirable. "Japanese audiences do not take kindly to excuses, even when they may be warranted," states Inoue (2010). While the inclusion of an explanation or self-defense might seem distasteful to a Japanese observer it is required to avoid sounding evasive and being perceived as holding back information in the Western context.

The Japanese media environment. How Japanese corporations choose to communicate in crisis is also affected by Japan's media context. Japan's media environment is vastly different from that of many Western nations. While Japan has a number of respected publications, both daily and weekly, the investigative journalism dominant in the Western media is largely absent (Farley, 1996; Winfield, Mizuno, & Beaudoin, 2000). The Japanese media covers an information transmission and dissemination rather than information discovery function (Krauss, 2000). The main form of information dissemination is the press conference and so-called *kisha* clubs smoothly facilitate the relationship between the media and organizations. *Kisha* clubs are members-only associations of journalists that function as communication channels for government officials, law enforcement, large organizations and other news sources (Winfield et al., 2000). Club membership is often restricted to members of large news organizations, which can limit independent journalists' and foreign news outlets' access to information. *Kisha* clubs are frequently criticized for the formation of close relationships with news sources and uniformity in news coverage (Farley, 1996; Suzuki as cited in Winfield et al., 2000). Close relationships with news sources may discourage reporters from investigative reporting or casting doubt on companies or the government (Freitag & Stokes, 2008). Articles in major publications often adhere closely to the information provided by companies or organizations. This means Japanese media does not cover the "watchdog" function over businesses and

government that is prevalent in many Western countries (Farley, 1996). Krauss (2000) finds that the Japanese media more closely resembles a “guard dog”, which does nothing to uncover a scandal but will pursue the culprits after they have been revealed. Investigative journalism remains in its infancy in Japan (Freitag & Stokes, 2008). Greenslade (2015) writes: “mainstream Japanese journalism is not corrupt, but it is respectful, like the culture around it. Anglo-Saxon journalistic traditions are not, at their best, respectful of anything.” These differing media environments have to be taken into consideration as an important contextual factor when assessing communication processes in a cross-cultural crisis arena.

Method

In 2011, a case of financial statement fraud spanning nearly two decades began to unravel at Japan’s Olympus Corporation. After the company’s former CEO and president, Michael Woodford, blew the whistle on questionable advisory fees for several major acquisitions, a third-party investigation committee revealed major accounting irregularities. Nearly one month after accusations first surfaced, Olympus admitted to having settled deferred losses stemming from the 1990s through fraudulent mergers and acquisitions (M&A) activities (Olympus Corporation, 2011a). Two days later, Olympus’ market value bottomed out at only JPY460 per share, a mere 18.5 percent of what its price had been only one month earlier.

To gain insight into the rhetorical arena of the Olympus case, this study follows a qualitative mixed methods design. A mosaic approach combines findings from the analysis of a number of primary and secondary sources into a cohesive final narrative (Bazeley & Kemp, 2012). Newspaper articles, press releases, videos and transcripts of press conferences, and a first-person account of the case were consulted to gain a nuanced understanding of several key communication processes in the arena. To limit the scope of this investigation, this study focuses primarily on the cross-cultural communication aspects and the Western perception and interpretation of the Olympus case.

For the Olympus case, the Western press mediated a majority of the crisis communication processes with its international stakeholders. Therefore, this paper focuses on articles in a number of national and international English language newspapers to provide a detailed look at the rhetorical arena and its key themes. This paper does not view the media as mere transmitters of information, rather it recognizes the interpretive function of the media as story makers that contribute to the construction of social reality (Frandsen & Johansen, 2017; Lerbinger, 1997). The author believes that the media’s interpretation or framing of the crisis situation is a good reflection of which communicative strategies resonate within a certain cultural context. An inductive qualitative content analysis was performed on 273 articles published during the first seven months of the crisis by one US daily newspaper, *The New York Times*, one British daily newspaper, *The Times*, and two international financial publications, *The Financial Times* and *Bloomberg News*. The timeframe of seven months was chosen to cover the entirety of the crisis from its earliest public eruption to when media interest eventually faded. See table Table 1 for an overview of the articles analyzed. The publications were selected due to their excellent reputations and high circulation both in their respective countries and worldwide.

Only articles with more than 50% Olympus case related content were included in the corpus. The resulting corpus was analyzed through an inductive qualitative content analysis method (Neuendorf, 2002). Content coding was performed with the QDA Miner software by Provalis. In the first phase of content analysis, the texts were reviewed, and initial codes were assigned. The next step consisted of grouping the codes and creating categories and themes. In the third step a finalized codebook was created, and all texts were recoded with the finalized codes.

See Appendix A for the full codebook. Key themes included voices, specific narratives, positive and negative frames, overarching context, key concerns and mentions of Olympus's CRS. A second coder coded ten percent of the articles, with an inter-coder reliability of 0.91 (Krippendorff's Alpha).

The second piece of the mosaic was a corpus of 62 press releases published within the seven months of the crisis. These texts gave insight into the company's crisis communication efforts. The press releases were downloaded from the official company website and constituted the only English language crisis communication issued by the company¹. In fact, all press releases were translations of identical press releases issued in Japanese. Qualitative content analysis was utilized to analyze the corpus. This process was primarily deductive and was theoretically grounded in Coombs' (2007c) ten crisis response theories. The coding process followed the same steps as above. Key themes consisted of CRS and reactions to stakeholder demands and criticisms. See Appendix B for the full codebook.

The third piece of the mosaic consisted of a review of the transcripts and videos of five key press conferences given by Olympus and one press conference given by Michael Woodford to the Japan National Press Club. The materials were reviewed repeatedly, paying particular attention to CRS and overall rhetoric. The transcripts and videos were not formally coded but annotated by hand.

Lastly, the author drew on the 2012 book *Exposure: Inside the Olympus Scandal* by Michael Woodford. The book gives valuable insights into the internal crisis communication aspects of this case as well as the early rhetorical arena and adds an additional piece to the mosaic picture of this crisis case. While the book might be considered a questionable source, this study treats the contents of the book as a first-person account by an involved party. While the contents are inherently subjective, they do contribute to our overall understanding of the Western view of the Olympus crisis. It should also be noted that the contents of the book were never officially disputed by Olympus or other involved parties. A thematic analysis was conducted on the book. Passages addressing communication between the actors in the arena were identified and coded for voices, content of interactions, and cultural misalignments. Coding for cultural misalignment moved beyond the semantic to the latent level of analysis (Boyatzis, 1998) and attempted to address underlying and implicit concepts. Due to the lengthy nature of the Olympus case, the findings and discussion will be presented concurrently to preserve the flow of crisis development and allow for a thick description that provides relevant interpretations in close proximity to actual findings.

Table 1 Corpus of Western Press Coverage of the Olympus Crisis for Content Analysis

Source	Number of Articles	Method of Retrieval	Date Range
The New York Times	41	LexisNexis	
The Times	47	LexisNexis	October 2011 – April 2012
The Financial Times	90	ProQuest	
Bloomberg News	95	Bloomberg News Website	

Findings and Discussion

The Pre-Crisis Phase – A Small Arena

An article by the small Japanese investigative magazine *FACTA* in August, 2011 opened the rhetorical arena

¹ Press conferences regarding the crisis were conducted exclusively in Japanese. No official translations were provided by Olympus and only short summaries were issued in the form of press releases.

for what was to become one of the largest financial fraud cases in Japanese history (Yamaguchi, 2011). Even though the *FACTA* article had provided excellent documentation of its accusations and could have been easily fact checked by larger publications, the story was not picked up by any major Japanese news outlet. At this point Olympus was facing a single but persistent voice in the crisis arena, Michael Woodford, its, at the time, brand new CEO. A friend had provided Woodford with an English translation of the *FACTA* article, which questioned exorbitant advisory fees paid for M&A activities. However, Woodford's inquiries with the board of directors were rebuffed with vehement denials (Woodford, 2012).

Examining Olympus' crisis communication efforts during the early crisis phase through a cultural lens makes some of the communication tactics employed easier to comprehend for Western observers. The top management, taking advantage of the cultural tendency towards in-group loyalty, was choosing a denial/no comment strategy to save face not only for the company but also for respected former executives. It is however, essential to mention here that the Olympus corporate culture had amplified certain collectivist values to an unhealthy degree and far beyond general cultural norms—a known risk of the Japanese tendency towards in-group loyalty in the family-style corporation (Ishikawa, 2016).

Also, had the situation been virtually confined to Japan, we might have expected a very different outcome to the situation considering the press environment. Woodford (2012) cites high-ranking journalists as having called the topic too hot to handle. The initial refusal of the larger Japanese media outlets to cover the topic illustrates a reluctance to move against major companies. In most Western countries the publication of the first article in *FACTA* would have been enough to cause the crisis to fully erupt. Yet the different media environment in Japan let Olympus ignore these first accusations and employ a denial/no comment strategy successfully.

Olympus had an excellent opportunity to get ahead of the story and break the news to the international press themselves before Woodford blew the whistle. The top management had ample warning that the risk of discovery was increasing exponentially, first through the articles in *FACTA*, then with the repeated inquiries by Woodford (Woodford, 2012). When an organization is threatened with the imminent discovery of negative news, Arpan and Pompper (2003) recommend a stealing thunder strategy. Research has shown that a crisis incurs less reputational damage if the organization discloses the crisis voluntarily before being found out by an outside party (Arpan & Pompper, 2003; Claeys & Cauberghe, 2012). With Woodford as a charismatic spokesperson for the company, a voluntary disclosure of the details could have potentially resulted in a more favorable overall outcome, at least for the company's image if not for all stakeholders.

The Active Crisis Phase – The International Arena

On October 14, 2011, the Olympus board of directors dismissed Woodford from his position as CEO citing cultural differences for the decision. This in turn prompted Woodford to blow the whistle and disclose all he knew to a journalist with *The Financial Times*. The ensuing article entitled “More Than A Clash of Cultures at Olympus” written by Jonathan Soble (2011a) was the spark that ignited this crisis and expanded the rhetorical arena to the international level. During the first two days, press inquiries were left unanswered and Olympus remained silent. Content analysis revealed that the first days of the crisis were dominated by Woodford establishing his side of the story—he had been fired due to raising questions about unusually high M&A fees. His charges of “calamitous errors and exceptionally poor judgment” were quoted across all four analyzed sources. Over the next weeks, the Western press overwhelmingly featured Woodford's accusations, only giving cursory attention to Olympus' version of events. In fact, during the first week of the active crisis phase, the articles analyzed dedicated more than twice as many words to Woodford's version of events than to that of Olympus' management. On

October 17, 2011, Olympus addressed the accusations by the Western press in a Japanese only press brief reiterating that Woodford's firing had been due to management differences, that all M&A activities were beyond reproach (continued denial), and that legal steps against Woodford were being considered (attack the accuser). During the following weeks Japanese press releases were translated into English and posted on the company's international website. No statements were made by a company spokesperson in English.

During this period, Olympus' crisis response strategy is described in the Western press as "Deny, Deny, Deny" and on November 4, 2011, Stuart Biggs and Mariko Yasu quote David Herro, a Chicago-based chief investment officer for international equities, as saying, "They just keep denying that anything illegal or excessive has happened, [...] Clearly they've done something excessive" (Yasu & Biggs, 2011). This feeling of suspicion, together with a critical tone is reflected in a majority of the articles analyzed around this time frame. For October 2011, over 18% percent of all analyzed passages were coded as displaying an overtly negative frame. On October 21, 2011, under pressure from a steadily declining stock price, Olympus announced the formation of an independent third-party committee to investigate the accusations, a practice common to Japanese companies accused of wrongdoing. Days later, Tsuyoshi Kikukawa stepped down as president and CEO in what was perceived in the West as a decision "intended to appease investors," who had caused the stock price to fall by over 50% since the crisis had erupted (Soble, 2011b). The stepping down of the head of an organization during a crisis is a long-standing Japanese tradition, which dates back to the ritual suicides by samurai who had become disgraced. Yet, this did little to appease Western stakeholders and one article quotes Woodford as saying: "They've just got somebody else standing up saying the same thing, not answering the question about this huge amount of money. It's just extraordinary" (Soble, 2011b). Throughout October, Olympus continued its denial strategy even under mounting pressure from various voices in the arena (Figure 1).



Figure 1 Code Category: Olympus CRS - CRS by Month [Olympus Press Releases]

Olympus incurred additional ire when an internal memo penned by Kikukawa was leaked to *The Financial Times*. In what the Western media calls a "diatribe" and "vitriolic" Kikukawa leveled various accusations at Woodford, ranging from "being something of a control freak" to "poor temper control, lack of respect for reporting lines, and overly indulgent use of private jets" (Clark, 2011; Mure, 2011). In the most personal attack of the

document, Kikukawa accuses Woodford of disliking Japan (Soble, 2011c). *The Financial Times* in turn, quotes Woodford as calling Kikukawa's words “a desperate ploy to buy time” (Soble, 2011c). While the company had been employing an attack the accuser strategy alongside its efforts to deny any wrongdoing (Figure 1), the personal nature of the attack led to Kikukawa being perceived as desperate and petty (Mure, 2011).

Olympus’ narrative and attempts to shape the conversation were hindered by considerable cultural differences between Olympus as the sender and Western message receivers. Woodford emerged as the dominant voice of the crisis (Figure 2). His narrative, media, genre and text choices resonated with Western audiences. While Olympus primarily communicated *to* its stakeholders, Woodford communicated *with* them. He gave frequent interviews, appeared on television, and gave a compelling narrative presented though colorful and descriptive language. He became a vocal representative for Western stakeholders and provided the news media with entertaining and highly quotable sound bites. In contrast, Olympus offered clinical sounding press releases that found little representation in the media and conducted traditional Japanese press conferences that did little to satisfy the Western demand for explanations and justifications. In fact, Olympus’ CRS as well as media, genre, and text choices were largely adjusted to its own socio-cultural and organizational context.

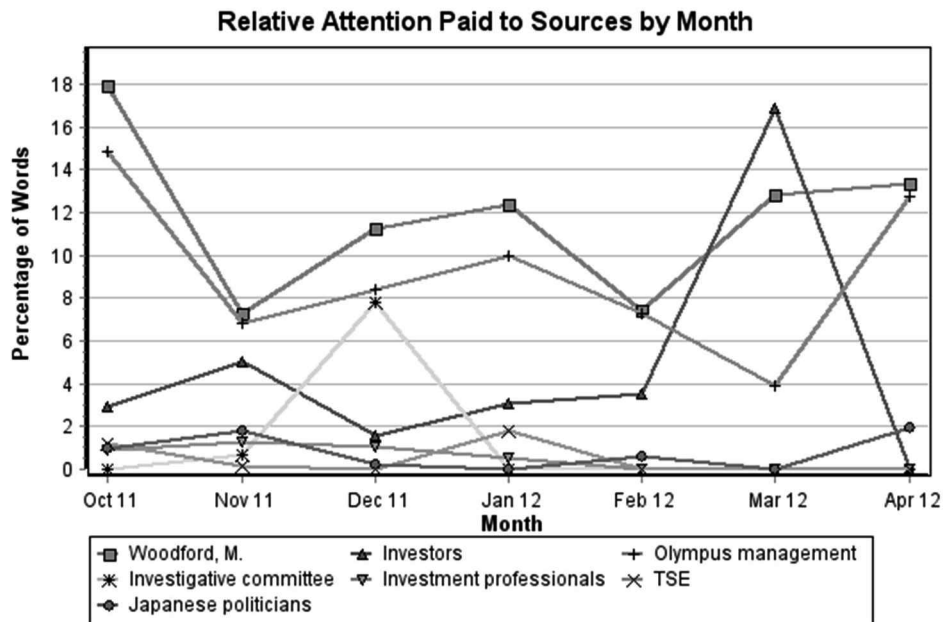


Figure 2 Code Category: Source – Word Percentages by Month

The Active Crisis Phase: Part 2 – The Arena Expands

On November 8, 2011, the much-debated question of what exactly had happened at Olympus was finally answered. Nearly one month after the crisis had begun, the newly appointed CEO and president Shuichi Takayama stepped before cameras at a specially appointed press conference and admitted to a loss-hiding scheme that had spanned decades. The announcement however, was again delivered solely in Japanese. This admission marked a clear shift in Olympus’ crisis communication strategy away from denial. At the press conference, Takayama bowed frequently and deeply in a traditional Japanese apology. He claimed not to have known about the loss hiding until the previous night, a statement that was met with derision by Woodford who said in a telephone interview later that day that, “it’s beyond belief that Mr. Takayama claims he only found out about it last night. If he didn’t know before I started [my inquiries] then he should have known after” (Yasu & Fujimura, 2011). Takayama’s traditional Japanese apology received much criticism in the Western press. He failed to provide additional information and

gave little in way of an explanation. He did not address why a number of former and current Olympus executives had perpetrated such an elaborate fraud. Olympus did however complement its apology with an attack the accuser strategy. Takayama explained during the press conference: “the reason why shares fell so much is because Mr. Woodford gave that important information including things we did not even know. [...] If it was not for Mr. Woodford, we would still be well placed in the market and our business would be healthy” (Farrell, 2011). This statement was not well received by the Western press which mainly echoed Woodford’s colorful assessment of the claims, who stated in an interview with *Bloomberg’s* Lisa Murphy: “What a ludicrous, idiotic statement, [...] it’s offensive” (Farrell, 2011). Olympus’ attacking the accuser strategy seemed designed to resonate with a press and public, which traditionally share a cultural dislike for disloyalty.

After the revelation of the large-scale loss hiding activities, the focus of the rhetorical arena now shifted from questions of what had happened, to why and how this could have happened? The question of why can be key in establishing a compelling narrative of a crisis situation (Pfarrer, DeCelles, Smith & Taylor, 2008). In the case of Olympus, the absence of an explanation, while rather typical for a Japanese apology, allowed for a narrative spearheaded by Woodford and highly critical of the Japanese ways to dominate the rhetorical arena. Olympus permitted a narrative to emerge that told the story of the morally upstanding Western executive uncovering the fraud by a corrupt Japanese board and the reputational damage began to spread far beyond Olympus itself. Headlines read: “Focus Should Not Be Solely on Olympus” (King, 2011), “Japan Tries to Limit Olympus Fallout” (Nakamoto, 2011), and “It’s No Good Pretending This Is an Isolated Case” (Lewis, 2011a). The now dominant narrative framed the crisis in terms of the overarching Japanese context, which caused a further expansion of the rhetorical arena. During the week beginning November 7, 2011, 16 articles discussed the Olympus case in terms of overarching context. Codes included Corporate Governance (N=5), Japanese Business Culture (N=5), The Regulatory Environment (N=5), and Japan (in general) (N=7). Corporate governance experts, Japanese regulators, and politicians began to be represented more frequently in the media. On November 9, 2011, Leo Lewis (2011a) writes: “In the coming days, the great effort by the government, regulators, prosecutors and corporate Japan will be to pretend that everything horrible still washing up from the 1980s is specific, rather than systemic; that Olympus was unique. It was not. [...] Japan, not just Olympus, has again been caught in a spectacular scandal.” Japanese financial service minister, Shozaburo Jimi promised sweeping changes: “It is troubling to see investors, both domestic and abroad, question the fairness and transparency of the Japanese markets. I am determined to take every measure necessary, if any issues for improvement [of fairness and transparency] were to be identified through untangling of this case” (Nakamoto, 2011). Japan’s Prime Minister Yoshihiko Noda reinforced Japan’s commitment to tough regulatory action: “We have to address it sternly when such an inappropriate case surfaces. By doing so, I would like to secure confidence in Japan’s financial market” (Nakamoto & Mure, 2011).

The release of the third-party committee report on December 6, 2011, ended most discussion about the why and how of the actual loss hiding, and was highly damning for Olympus. The document contained sharply worded criticism of the company management and board of directors and described in great detail how Olympus perpetrated its accounting fraud. Olympus published an unofficial English translation of the report as well as a shorter summary report on its website accompanied by an apology and a promise for corrective action. Differences in translations of the report between Olympus and the Western press show clearly how language can be used to emphasize a point of view. For example, the Japanese “*keiei chūshin bubun ga kusatte ori, sono shūhen bubun mo osen sare*” (Olympus Corporation, 2011a, p.179) was translated by Olympus as “the core of management was corrupted, and the periphery was also contaminated” (Olympus Corporation, 2011b, p. 179), while the Western media

quickly spread the much more imaginative phrase “rotten to the core”. This is, while not a mistranslation, a somewhat stronger meaning than the original Japanese phrase implied. As no official translation was provided, *The New York Times* wrote: “The management was rotten to the core, and infected those around it, said the report, which ran more than 200 pages, with appendixes” (Tabuchi & Bradsher, 2011). Both *Bloomberg News*, and *The Times* repeatedly echoed the more colorful “rotten to the core”, which quickly became a defining image of the scandal. Ho et al. (2014) describe how a photograph or a phrase can become enduring representations of defining moments of a crisis. “An enduring image constitutes a prime representation of the accused in a given crisis” (Ho et al., 2014, p.519). These images are full of symbolic potential and become permanently embedded in the public consciousness. The emergence of the “rotten to the core” narrative and image could have been mitigated if not prevented through the use of a strong, quotable and widespread translation of the key elements of the report by Olympus. While Olympus provided an unofficial English translation of the report, this translation appeared on its website in form of a low-quality photocopy in PDF format in conjunction with a press release. A strong spokesperson giving television interviews could have potentially spread the preferred translation avoiding the emergence of the evocative “rotten to the core”. Olympus’ communication processes with its Western stakeholders continued to suffer from poor cultural alignment in media, genre and text. Olympus’ communication in English remained limited throughout the crisis to direct translations of Japanese language press releases, which can be seen as further evidence of a lack of awareness of contextual differences between the many voices in a cross-cultural rhetorical arena.

The Post-Crisis Phase: The Power of Quiet Voices

The weeks after the release of the third-party committee report spelled the beginning of the post crisis phase. Ill-adjusted communication processes had dragged out the active crisis phase for nearly two months. The release of the committee report had yet again sparked massive press coverage (Figure 3), but Olympus’ clearly structured reform plans, combined with investigations into executive and non-executive liability, constituted a solid recovery strategy. Content analysis of Olympus’ press releases revealed that managerial reform through corporate governance changes and corporate restructuring made up the message of renewal and rebirth that Olympus chose to frame its recovery efforts. These messages were widely reflected in the Western media. *Bloomberg News* cites Takayama as saying: “We’ll be reborn as new Olympus so that we can provide value to all

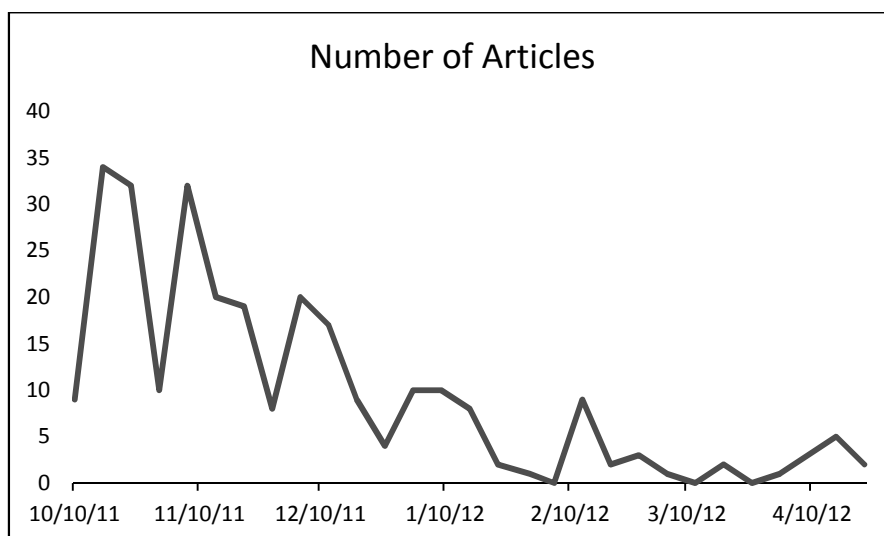


Figure 3 Articles Analyzed per Week (N=273)

our stakeholders including shareholders, customers, banks and our employees” (Yasu, 2011). Yet, content analysis showed the post-crisis phase was defined by three major points of contention.

The first major point of contention was the existence of considerable differences in the approach to executing reform plans. While foreign voices led by Woodford demanded the immediate resignation of the board this did not happen. To ensure smooth crisis management and a successful handoff of responsibilities, the board announced it would continue to perform its duties until an Extraordinary Shareholder’s Meeting could be called. Woodford on the other hand, strongly opposed allowing a “tainted and contaminated” board to continue to lead the company (Mure, 2012).

The second point of contention was the return of Woodford to the position of CEO. This move, while popular with international investors, did not find support with Japanese institutional investor and Olympus’ main bank, Sumitomo Mitsui Banking Corporation (SMBC). The bank, along with the Japanese Bankers Association, had pledged its continued support for Olympus after the company avoided delisting from the Tokyo stock exchange in mid-December 2011 (Sato & Taniguchi, 2011). Woodford lamented the lack of support from Japan’s institutional investors as he abandoned his attempts to rejoin Olympus in January in favor of suing the company: “The Japanese institutional shareholders have not spoken one single word of criticism, in complete and utter contrast with overseas shareholders, who were demanding accountability” (Tabuchi, 2012). By January, media attention had decreased (Figure 3) and while Western stakeholders and Woodford remained loud proponents of change, a hereto-quiet stakeholder was gaining importance. Japanese institutional investors began to shape the post-crisis landscape. Olympus now began addressing this hereto-quiet voice. This is clearly reflected in the third point of contention, Olympus’ roster for its new board of directors. While Olympus did make some concessions to Western voices—more than half of the new 11 people board was made up of outside directors in an effort to satisfy demands for strengthened corporate governance structures—efforts to place a Western director on the board failed. As chairman, shareholders approved Yasuyuki Kimoto, a former executive at SMBC, a placement reminiscent of the main bank’s authority during the heyday of relational monitoring (Sheard, 1989; Suzuki, 2011). The Western press lamented the maintenance of the status quo in essential governance structure and board make-up. “The creditor orientation of the board is unacceptable,” commented Southeastern Asset Management Inc., which held 5.1 percent of Olympus stock at the time (Yasu, 2012). Woodford gave a voice to many Western stakeholders and asked: “A new start at Olympus? How dare you? Shame on you, [...] Do you not realize how that looks to the world” (Tabuchi & Inoue, 2012).

Clearly Olympus’ efforts to utilize corrective action as a crisis communication strategy failed in the execution and follow through in the eyes of international stakeholders. However, Olympus crisis communication strategies and actions in the post-crisis phase satisfied its most salient stakeholders at the time, Japanese institutional investors and banks. While the Western press, as a loud and aggressive opinion shaper was the most dominant voice in the rhetorical arena during the active crisis phase, Japanese institutional investors became increasingly important during the post-crisis phase. While this stakeholder group held little definitional power in the rhetorical arena it held considerable real life power. This suggests that as a rhetorical arena loses importance and a crisis draws to an end, rhetorical dominance does not necessarily equal influence over eventual organizational outcomes. While the Western view of Olympus as a deeply corrupt organization dominated the rhetorical arena the sweeping corporate governance changes demanded by these dominant voices were not achieved due to the strong influence of a silent voice with which Olympus’ crisis communication efforts had clearly had the desired effect. This analysis suggests that while Olympus’ failed in its communication efforts with Western stakeholders its strategies were somewhat more successful within its home context. The subsequent recovery of the Olympus share price and the current

overall performance of the company are a testament to that ².

Conclusion

This case study has demonstrated that cultural differences in cognitive schemes (collectivism and high context communication), socio-cultural norms (apology practices and in-group focus), and organizational context (media environment) can have a significant impact on the appropriateness and effectiveness of crisis communication efforts in a cross-cultural arena. While Olympus' crisis communication efforts were viewed quite critically in Japan as well, cultural differences between Olympus and the many voices in the rhetorical arena compounded the reputational damage to the company. The Olympus case has shown that when an organization is ill-prepared to communicate effectively in a diverse multi-vocal rhetorical arena, unfriendly voices can emerge as a dominant force and lead audiences' sense making of a crisis.

A key take-away for Japanese companies conducting crisis communication in a Western context, is the importance of a quick and honest response. While the Japanese media might tend to be somewhat permissive of denials and obfuscation, this is unlikely to work in a Western context. A second important point is the need for an English-speaking spokesperson with a strong media presence. A prominent spokesperson can serve to counter narratives established by the opposition by providing an alternative frame for the situation as well as giving the press a strong source of information. While not every crisis situation will entail as prolific a voice for the injured parties as Woodford, having a highly visible spokesperson is clearly important. Finally, the establishment of a cross-culturally competent crisis management team that can create, translate and deliver a culturally adjusted frame through appropriate choices of media, genre, and text for a culturally diverse arena is of the essence.

While the scope of this paper was limited, and conclusions were based on a single case study, findings do show the potential impact of cultural differences on diverse rhetorical arenas and highlight the need for more research in the field of cross-cultural corporate crisis communication. Future research should attempt to confirm and validate the effect of cultural differences on crisis communication in experimental settings and formalize the findings of this admittedly highly anecdotal inquiry.

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² By May 2013 Olympus had recovered its pre-crisis share price and by November 2015 company shares attained near record levels. This study does not seek to dispute the fact that a key factor in this recovery was Olympus' near monopoly position in the worldwide endoscopy market. However, without the continued support of its major Japanese creditors and institutional investors, the company would have been unlikely to survive as an independent entity.

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Appendix

Appendix A: Code book for Analysis of Olympus Press Coverage (N=273)

Theme	Code	Description	Unit of Coding
Key Issues	Accusations	Passage talks about the accusations against Olympus.	These codes are text or paragraph level codes.
	Background	Passage focuses on the Background of the Olympus Scandal (e.x. the financial bubble, accounting reform).	
	Firing Woodford	The passage discusses the firing of Woodford.	
	Issues in Japan	The passage talks about issues in Japan concerning/framing/surrounding the Olympus crisis. This coding will overlap with one or more of the overarching context codes.	
	Recovery	The passage addresses Olympus' recovery efforts.	
	The Revelation	The passage focuses on the revelation of what had happened at Olympus.	
Negative Sentiment	Contradictions	The passage discusses contradictions in Olympus' narrative.	These codes are sentence or paragraph level codes.
	Criticism	The passage is critical.	
	Negative Image	A strongly negative image is evoked in the passage.	
	Strongly negative	The passage is strongly negative (significant departure from neutrality).	
	Suspicion	The passage expresses suspicions about Olympus' activities.	
Positive Sentiment	Positive	The passage expresses a clearly positive sentiment towards Olympus.	
Source	Investigative Committee	The passage directly or indirectly quotes the investigative committee.	
	Investment Professionals	The passage directly or indirectly quotes the investment professionals.	
	Investors	The passage directly or indirectly quotes Olympus' investors.	
	Japanese Politicians	The passage directly or indirectly quotes Japanese politicians.	
	Olympus Management	The passage directly or indirectly quotes the Olympus Management.	
	TSE	The passage directly or indirectly quotes Tokyo Stock Exchange officials.	
	Woodford, M.	The passage directly or indirectly quotes Woodford.	
Olympus CRS	Apology	The passage discusses Olympus' use of the apology CRS.	
	Attack the Accuser	The passage discusses Olympus' use of the attack the accuser CRS.	
	Bolstering	The passage discusses Olympus' use of the attack the accuser CRS.	
	Corrective Action	The passage discusses Olympus' use of corrective action.	
	Defeasibility	The passage discusses Olympus' use of excuses and evasion.	
	Denial	The passage discusses Olympus' use of the denial CRS.	
	Good Intentions	The passage discusses Olympus' claims to have acted with good intentions.	
	Investigation	The passage discusses Olympus' promise and use of a third-party investigation committee.	
No comment	The passage discusses Olympus' use of the attack the accuser CRS.		
Points of Contention	Bank/Institutional Shareholders	The passage addresses the support for and lack of censure of Olympus by Japanese creditors and institutional shareholders. Banks and institutional shareholders are discussed in terms of their lack of support for or their opposition to Western demands.	
	Resignations	The passages talks about the controversy regarding the resignation of the current board of directors.	
	Timing of Shareholder meeting	The passage discusses the controversy regarding the timing of the extraordinary shareholder meeting.	
	Woodford return	The passage discusses demands for Woodfords return or Olympus' response to these demands.	
Concerns	What happened?	The article is dominated by the question of what happened in the Olympus case.	These codes are applied at the text level of analysis.
	What will happen?	The article's focus is on the future of Olympus and its recovery.	
	Why did it happen?	The article focuses on the revelation what had happened at Olympus.	
Overarching Context	Business Culture	The Olympus scandal is discussed in terms weaknesses or shortcomings of Japan's business culture.	These codes are sentence or

	Corporate Governance	The Olympus scandal is discussed in terms weaknesses or shortcomings of Japan's corporate governance practices and regulations.	paragraph level codes.
	Japan	The Olympus scandal is discussed in terms of Japan in general. This code is applied when none of the other Overarching Context codes apply.	
	Japanese Media	The Olympus scandal is discussed in terms of the Japanese media environment and practices.	
	Banks and Institutional Investors	The Olympus scandal is discussed in terms of Japanese banks and institutional investors.	
	Morality	The Olympus scandal is discussed in terms weaknesses or shortcomings of Japan's business culture.	
	Regulation	The Olympus scandal is discussed in terms weaknesses or shortcomings of Japan's regulatory environment.	
	Yakuza	The Olympus scandal is discussed in terms of the Japanese organized crime.	
Translation	"core was rotten"	The article mentions the phrase "core was rotten".	These codes are applied at the text level of analysis.
	"rotten at the core"	The article mentions the phrase "rotten at the core".	
	"rotten to the core"	The article mentions the phrase "rotten to the core".	
	"rotten core"	The article mentions the phrase "rotten core".	

Appendix B: Code book for Analysis of Olympus Press Releases (N=62)

Theme	Code	Description	Unit of Coding
Crisis Response Strategies	Denial	Olympus employs a denial strategy.	All codes applied to the paragraph or sentence level of analysis.
	Attack Accuser	Olympus employs an attack the accuser strategy.	
	Apology	Olympus employs an apology strategy.	
	Shifting Blame	Olympus employs a shift the blame/scapegoating strategy.	
	Corrective Action	Olympus employs a corrective action strategy.	
	Bolstering	Olympus employs a bolstering strategy.	
	Differentiation	Olympus employs a differentiation strategy.	
Reforms	Management	Olympus promises management reforms.	
	Corporate Governance	Olympus promises corporate governance reforms.	
	Company Structure	Olympus promises corporate restructuring.	
	Nomination Committee	Olympus promises/announces the formation of a nomination committee.	
	Correct Financial Statements	Olympus promises to/announces the release of corrected financial statements.	
	Board will resign	Olympus promises the resignation of its board of directors.	
	Business Alliance	Olympus promises to enter business alliances to aid recovery.	
	Submission of Financial Results and Forecasts	Olympus promises the timely submission of financial results and forecasts to maintain its TSE listing.	
	Shareholders' Meeting	Olympus announces plans to hold an extraordinary shareholders meeting.	
	Lawsuits	Olympus promises to pursue lawsuits against key individuals involved in the fraud.	
	New Board Selection	Olympus discusses the selection of a new board. This code is similar to but distinct from the Nomination Committee code.	
Stakeholder Demands	Immediate Change	Olympus addresses stakeholder demands for immediate changes.	
	Legal Action	Olympus addresses stakeholder demands for legal actions against the company and key individuals involved in the fraud.	
	Disclosure	Olympus addresses stakeholder demands for increased disclosures.	
	Choice of Board Members	Olympus addresses stakeholder choices for members of the new board.	
Response to Demands	agree	The company agrees with stakeholder demands and promises swift action.	
	agree but later	The company agrees with stakeholder demands but makes no promises for immediate action or urges stakeholders to be patient.	
	deny	The company refuses stakeholder demands outright.	