Yahoo! Inc.’s Reputation Management in China:
A Case Study of Corporate Personality and Media Challenges

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ABSTRACT

A corporate or brand personality defines how the company is known among its stakeholders, making a powerful contribution to corporate reputation. This case study explores the interactions among individual and general personalities and corporate reputation that emerged as the American online search engine company Yahoo! Inc. (YI), and specifically Yahoo! China, experienced recent business and public relations challenges related to the imprisonment of two journalists, partially based on information YI shared with government authorities. Are the practices and procedures that YI demonstrated in this case study reflective of the corporation’s values and of their senior management? Has this situation impacted other American companies who wish to establish their brand in China? Analysis of this case study addresses questions related to China’s reputation in the global economy, the role of Chinese media in doing business, the relationship between famous CEOs and their organizations, and the challenges of practicing public relations and crisis communication in China.
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A corporation’s brand and reputation is influenced not only by its own general personalities, but also by the individual personalities, such as that of the CEO, who represent the organization. Personality defines what an individual or an organization represents based on a set of defining characteristics that allow others to predict future performance. A corporate or brand personality defines how the company is known among its stakeholders, making a powerful contribution to corporate reputation. This case study explores the interactions among individual and general personalities and corporate reputation that emerged as the American online search engine company Yahoo! Inc. (YI) experiences recent business and public relations challenges in China. On November 13, 2007, YI settled with the families of two Chinese journalists and dissidents, Shi Tao and Wang Xiaoning, who accused the company of providing information to the Chinese government that resulted in the two journalists being sent to prison, each to serve a 10-year sentence.

In response to this crisis, YI’s defense was articulated primarily by CEO Jerry Yang. Yang said the company is working to establish a human-rights fund to provide “humanitarian and legal aid to dissidents who have been imprisoned for expressing their views online…. After meeting with the families, it was clear to me what we had to do to make this right for them, for YI and for the future.” During the crisis, Yang received most of the criticism and attacks for YI’s actions towards the two Chinese journalists. In this situation, where do we draw the line between the corporate personality of the business and the personality of the individual who is representing the corporation in a crisis?

YI is an established corporation with a distinct corporate personality, but based on its actions during this situation, we can ask how their overall reputation in China and in the United States has been transformed. Are the practices and procedures that YI demonstrated in this case study reflective of the corporation’s values and of their senior management? Has this situation impacted other American companies who wish to establish their brand in China? Analysis of this case study addresses questions related to China’s reputation in the global economy, the role of Chinese media in doing business, and the
challenges of practicing public relations and crisis communication in China.

LITERATURE REVIEW

Corporate Branding and Personality

A brand is important for individual or corporate personalities because it represents what others outside the organization view or perceive the person or company to be, and oftentimes part of the brand includes an overlap of the company, product and organizational leader. Brand quality may determine the success or failure of a person or company in their particular field. According to Frost and Cooke (1999), branding can be defined as being “a process for distinguishing one product from another (brand positioning) and the features that enable stakeholders to choose one product over another (brand personality)” (p. 3). At a corporate level, features that enable a customer, employee or investor to choose one organization over another include a wide range of factors, such as product value and quality to financial security, customer care and an organization's ethics record (1999).

One of the key aspects of having a corporate brand is consistency, which helps maintain the same image over a period of time among key target audiences. “Consistency has been widely acknowledged as a core principle of successful brand development” (Knox & Bickerton, 2003, p. 1009). On the other hand, Jevons (2005) stated that a brand “distinguishes a product from its unbranded counterpart through the sum total of consumers’ perceptions and feelings about the product’s attributes and how they perform” (p. 118).

According to Bernstein (2003), a brand should stand for more than just the product, and must represent more than just the surface of the corporation. For effective brands, the “link between the product or corporation and the association should not be arbitrary. The brand must be rooted – and seen to be rooted – in the product” (p. 1139). The brand identity for the brand “should be about truth: the truth of the product (i.e. physical) and truth-to-oneself (i.e. psychological)” (p. 1139). Knox and Bickerton (2003) stated that corporate branding, as compared to product branding, is considered to be “more complex by managers conducting these practices at the level of the organization [sic], rather than the individual product or service, and the requirement to manage interactions with multiple stakeholder audiences” (p.
To better understand corporate branding, it is important to discuss brand personality. A brand that has a personality can be “a product or service, which a customer perceives to have distinctive benefits beyond price and functional performance” (Knox & Bickerton, 2003, p. 999). Part of a brand personality often includes organizational leadership. Effective branding results in a number of advantages. “Consistency between attitudes, beliefs and product category images enhance the potential for brands to transfer these images and personality to a new product” (James, Lyman & Foreman, 2006, p. 175). Brand personality for a corporation is also an “important measure to include as consumers form relationships and attachments with brands that can be communicated through human personality descriptors” (p. 175). Consistency for a corporation can often determine if it will weather a crisis or not, and the personality of both the corporate brand and the leaders of the organization are part of the overall organizational and product brand.

An important element that defines a corporate personality and reputation is the company brand. A company brand can be implemented on a corporate personality as well as an individual personality. The impact of an individual personality on a corporation is important to recognize due to fact that the future success or failure for a corporation will rely heavily on this one individual.

Several characteristics should be kept in mind when looking at a corporate brand. Some of the characteristics determine the reputation and perception for the brand among other products and also among the key audiences for the corporation. Brands can become more like the company than the companies that they are known for on their own, “a devastating transformation that compromises the very viability of an organization. Because when a Brand becomes a company, it loses qualities both tangible and intangible, often permanently” (Edelman Change and Employment Engagement Group, 2006, p. 2).

Brand Equity

Brand equity is a consideration of both market value and book value. As such it can be “interpreted as a measure of the strength of consumer attachment to a brand” (Sowa, 2005, p. 95). As such it is some combination of “the associations and beliefs the consumer has about a particular brand” (p. 95).
Brand equity is an idiosyncratic blend of customer preferences, and the related associations and relationships with the product, service, or organization. In the most base terms, it rests on the answer to the question, what is the equity value of the brand, whether a product, service, or the “image or reputation” of the organization. Thus, Coca-Cola has substantial brand equity, as does General Electric. In part, the brand equity as reputation of an organization is its authority to speak on some matter, the power resources it can bring to bear either on a market purchase, share value, or a governmental policy. As Aaker (1996) reasoned, “brand equity is supported in great part by the associations that consumers make with a brand” (p. 25).

For the purpose of building strategies to strengthen a brand (i.e., company-based perspective), Farquhar (1989) defined brand equity as “the added value to the firm, the trade, or the consumer with which a given brand endows a product” (p. 32). From this approach, a strong brand serves many purposes, including making promotion more effective, helping secure distribution, insulating a product from competition, and facilitating growth and expansion into other product categories (Hoeffel & Keller, 2003). Brand equity becomes an intangible asset to increase profits in the product market through price premiums, decreasing sensitivity to competitors’ prices, and securing and maintaining distribution though channels. For example, Starbucks can be successful on supermarket shelves because of its strong brand value from in-store selling.

In the customer-based perspective, consumers perceive a brand’s equity as the value added to the functional product or service by associating it with the brand name (Aaker & Biel, 1993). Brand equity is part of the consumer’s attraction to a particular product (Keller & Lehmann, 2006). Through understanding customer-based brand equity, the firms could build strategies to strengthen a brand.

Keller (1993) said that “the concept [of brand equity] has been defined a number of different ways for a number of different purposes resulting in some confusion and even frustration with the term” (p. 43). In other words, the specific approaches to motivating and defining brand equity can vary depending on the perspective and purpose adopted. Among the three perspectives on brand equity, only the customer-based perspective leads researchers and firms to specifically consider public relations (and
advertising) roles in the management of brand equity. These roles include increasing brand awareness or making favorable brand attitudes and associations in order to build strong brand equity (1993). In advertising, there has been extensive research regarding the relationships between brand equity and advertising (Raj, 1982; Aaker & Biel, 1993; Kim, 1998). For example, a few studies examined correlation among advertising expenditure, brand equity, and financial returns (e.g., Fombrun & van Riel, 2004; Kim 1998). However, there has been little research on brand equity from the public relations discipline (Keller, 1993).

The basic premise with customer-based brand equity is that the power of a brand lies in the minds of consumers and what they have experienced and learned about the brand over time. By extension, reputation is part of brand equity, and the most vulnerable to crisis missteps.

Following this discussion, it is fair to conclude that one basic connection between crisis communication theories and brand equity focuses on the concept of a stakeholder/stakeseeker. Brand equity predicts the extent to which a stakeholder is more likely to give (trade) a stake to one organization rather than another in exchange for a product or service. The extension of this logic features the stakeseeker as one who looks for the brand that is most likely to meet or exceed the needs, wants, and other expectations.

**Brand Attributes and Attitude Theory**

The logic of brand equity and organizational reputation rests on well established attitude theory. The logic simply stated is this: Each brand is associated with one or more defining or differentiating attributes. People learn to make these associations through communication and direct experience. The extent to which markets and publics know and believe this association to be true is predictive of the brand’s equity and central to the organization’s reputation. If the belief is strong, it shapes attitudes which are dispositional; that means they motivate people to support rather than be indifferent to or oppose the organization. By this logic, individuals prefer to support (buy and recommend) the brand with the strongest equity (most favorable and strongest belief strength). Brands are variously supported by brand knowledge, what people know about the brand compared to the brand equity of competing organizations.
and brand. Brands often enjoy or suffer a subjective evaluative dimension as well. In short people have “feelings” about brands and identify with them to varying degrees.

One of the strongest theories of attitudes, information integration theory (Fishbein & Azjen, 1975) supports the theory of reasoned action (Azjen & Fishbein, 1980). In short, information integration theory predicts that an attitude is the sum of the strengths of various positive and negative attributes associated with an attitude object (such as product or organization), situation, or behavior. For this reason, this attitude theory, as is the case of attitude theory in general, seeks to understand, explain, and predict why people make judgments and take actions that seek to lead to rewards and minimize negative outcomes.

In this way, a brand and its equity can predict why people (markets or publics) would prefer one brand over others and therefore prefer to buy and otherwise associate with that brand in preference to others. As a simplified way of thinking about preference, we can use the short hand words: Likes and dislikes. By this logic, people prefer what they like most and seek to avoid what they like less or dislike.

Crisis and Crisis Communication

Similar to the concept of brand and brand equity, defining the term crisis is a challenge. Lerbinger (1997) defined a crisis as “an event that brings, or has the potential for bringing, an organization into disrepute and imperils its future profitability, growth, and possibly, its very survival” (p. 4), while noting three classes of crises – of the physical world, of the human climate, and of management failure.

Fearn-Banks (2001) incorporated threat in her latter definition of crisis when she defined it as a “major occurrence with a potentially negative outcome affecting an organization as well as its publics, services, products, and/or good name. It interrupts normal business transactions and can, at its worst, threaten the existence of the organization” (p. 480). Coombs (2007) synthesized common traits others have used to define and describe a crisis including that a crisis is perceptual, unpredictable but not unexpected, violate expectations of stakeholders about how organizations should act, serious impact, potential to create negative or undesirable outcomes, and finally environmental damage as an outcome of the accident.
Crisis is also recognized in the literature to be a perception of events rather than the events themselves; what constitutes a crisis differs from person to person (Aguilera, 1998; Janosik, 1994, Penrose, 2000). Penrose (2000) suggested that the perception of crisis can ultimately affect the outcome of the crisis. He noted that although most perceive crises as bad; when viewed as an opportunity it may have significant implications. Such implications may include the emergence of new leaders and an accelerated change in business processes (Penrose).

Much of the early research on crisis communication developed from the speech communication field, such as the seminal article in the Quarterly Journal of Speech Quarterly Journal of Speech by Ware and Linkugel (1973), who were one of the first to examine crisis response strategies as communication used to defend one’s reputation from public attack. Their article demonstrated the focus of speech communication scholars on communication coming from an individual or organization that is faced with a crisis; typically descriptive.

Much of this early research, especially by rhetoricians, focused on persuasion when communicating in the aftermath of a personal or organizational crisis. According to Heath and Millar (2004), when applying rhetoric to crisis, one must move past simply defining crisis by its potential to create damage or actual damage inflicted on an organization or its possible effects on stakeholder relationships and organizational reputation. As such, a rhetorical approach to crisis communication places focus on the responsibility, severity, and duration of a crisis while acknowledging each is questionable.

Other communication and public relations scholars have focused much more on the organizational perspective of the crisis. Dionisopolous and Vibbert (1988) extended Ware and Linkugel’s (1973) examination to the use of apologia to defend reputations. In the event that an organization’s image cannot be protected from crisis, Benoit (1997) provided an argument for using image restoration theory as an attempt to repair it. He focused on message options, or what an organization can say when faced with a reputational crisis. The image repair line of research, builds upon apologia, includes five primary aspects of image restoration: denials as a course of action, evading responsibility, reduce the perceived offensiveness of that act, corrective action, and finally mortification.
When crisis is assessed from an organizational perspective one of the primary goals is to decrease damage inflicted by the crisis. Seeger, Sellnow and Ulmer’s (1998) work is comprised of several phases including a pre-crisis stage, before the crisis actually begins; an acute crisis stage, immediately following a dramatic event; and a postcrisis stage, when an organization must respond to the crisis.

Coombs (2007) has argued that apologia offered a limited number of crisis response strategies and developed the situational crisis communication theory (SCCT) as part of a growing body of research built from attribution theory to crisis management (e.g., Coombs, 2007; Dean, 2004). Coombs (1998) symbolic approach perspective emphasizes how communication can be used as a symbolic resource to protect the organization’s image. Crisis communication provides attributes of responsibility, and in turn these attributes shape how a stakeholder feels and behaves toward an organization. According to Coombs (2007), “SCCT utilizes attribution theory to evaluate the reputation threat posed by the crisis situation and then recommends crisis response strategies based upon the reputational threat level” (p. 138). SCCT eleven major crisis response strategies are centered around four major postures: denial (attacking the accuser, denial, scapegoating), diminishing (excusing, justification), rebuilding (compensation, apology), and bolstering (reminding, ingratiation, victimage). Three factors used by SCCT to evaluate reputational threat include crisis type, crisis history and prior reputation.

According to Wan and Pfau (2004), both Coombs (1998) and Benoit’s (1997) approaches center on post-crisis communication skills that are helpful for organizations after crises have occurred. However, the need for proactive strategy focusing on the prevention of crisis in the first place is stated as their ideal orientation to crisis communication. Their results revealed that “inoculation, as well as the traditional bolstering approach, work to protect people’s attitude slippage when encountering a negative occurrence” (p. 324). Their recommendation is to be well prepared in advance for organizations that have maintained positive images (and no prior crises) to consider both supportive and inoculation approaches into their crisis communication plans.

**Brand Equity and Crisis**

Interest in crisis management (pre-crisis, crisis, and post-crisis) has sparked a wide discussion
about the role of crisis communication as a means for recovering brand equity and image restoration or repair (see Benoit, 2005, 2008). Touting this logic, Benoit (2008) observed:

A corporation’s image, or reputation, is a very important asset. Customers are, and should be, reluctant to do business with companies with tarnished reputations. We must be able to trust that products and services, from prescription drugs and food to investment advice and airline travel, are safe and effective. Therefore, when a business’s product or service does not live up to expectations, unpleasant consequences can occur for consumers, ranging from death to inconvenience. Obviously, such adverse effects can be expected to make other customers reluctant to do business with that company. Furthermore, a firm’s reputation is important for other reasons beyond the need to have consumers willing to purchase its good and services. For example, a firm’s image could influence how closely the government regulates its actions. (p. 244)

Especially since the iconic Johnson & Johnson Tylenol response, scholars and practitioners have asked how and whether appropriate crisis response can protect the brand equity of products, services, and organizations. Crisis probably was a major topic before the Johnson & Johnson case, but afterward it became a cottage industry. Crisis is also a substantial part of brand equity management because the “image” of a brand and the organization’s reputation can be tarnished by a crisis, which suggests that something damaging occurred and that recovery and restoration is needed.

Overview of Corporations with Brand Personalities

In this case study, the authors will investigate a case that illustrates one of the possible degrees of overlap between individual and corporate personalities, and explore how these entities fared during a crisis. To put this case into context, however, the authors will first examine examples of other instances in which individual and corporate personalities intersect. These examples represent a continuum from corporations with little if any individual personality influences to those with a nearly complete identification of an individual personality with a corporation. Examples include the energy drink Red Bull, the Walt Disney Company, and Sean “P. Diddy” Combs.
Red Bull provides an example of a corporation that has a strong image and reputation as a “bad boy” company without any identification with individual personalities associated with the corporation. Red Bull deliberately sold this “bad boy” attitude to push itself to the edge with images of extreme sports and fun. This bold image does raise some challenges for Red Bull executives in the event they experience a crisis situation. For example, what would happen if an athlete sponsored by Red Bull was killed or injured during an athletic competition? Even though Red Bull would not be responsible for the accident, audiences may believe that the company had some part in it due to their reputation of living hard and fast. At this point, Red Bull can’t stand up and say that they are a “Family Product.” In the event of such a crisis, a corporation like Red Bull could easily replace key executives without impacting their image and reputation, as these personalities are not closely identified with the organization.

The Walt Disney Company represents a mid-point on our continuum of individual – corporate personality intersections. Historically, the Walt Disney Company has been tightly linked to Walt Disney and other Disney family members, but in spite of retaining the Disney name, the influence of these individual personalities is not as strong in today’s corporate community. Disney’s contemporary corporate personality is much more general and impersonal than in the past. Disney projects a strong image of being the “happiest place on Earth,” but what happens when something goes wrong? Disney’s target audiences will have difficulty accepting the fact that the organization is having problems when an important part of the Disney brand is being this perfect and heavenly place where nothing negative happens. The Walt Disney Company is an example of a corporation with a very strong reputation and personality. When they have a crisis that could significantly impact both elements, the company will have to deal with it immediately and have strong communication strategies in place. In the event of a crisis, personnel once again could be replaced, as the Disney personality is not tightly linked with the personalities of the individual executives currently in place. In fact, it is unlikely that most audiences outside of the immediate industries in which Disney participates would be able to name key personnel in the corporation.

At the other extreme of our continuum are instances in which an individual IS the corporation. An
example of this intersection of individual and corporate personality is rapper / fashion designer and business owner Sean Combs, also known as “P. Diddy.” In 2006, Sean Combs was faced with a lawsuit by another individual who also identified himself as “P. Diddy.” The end result of a lawsuit brought by Richard Dearlove was an out of court settlement and an agreement that Sean Combs said that he would no longer market himself as “P. Diddy” (“Sean Combs Forced To Drop 'Diddy' Name In Britain,” 2006). In this crisis, Combs had to address several messages that made him appear as a person who was trying to take away someone else’s financial gains by taking over his name.

In contrast to corporations with other individual – corporate personality configurations, instances in which the individual and corporation overlap greatly, like Combs and Yang, are at much greater risk. On the other hand, as a single entity, Combs and Yang have much more personal control over his brand and reputation than most leaders of large corporations. Among the corporations that are intertwined with individual personalities, several variables contribute to their successes and failures in times of crisis. Corporations that fall halfway in the corporate-individual personality continuum like have reduced risk relative to Yang and Sean Combs and other organizational leaders and their entities where corporate and individual personalities overlap more, but they have less control over the situation due to the larger numbers of people involved (See Figure 1).

METHODOLOGY

Case studies are used extensively in social science research, including traditional disciplines as well as practice-oriented fields (Yin, 1994), such as public relations. Case study has been identified as one of the most important forms of research in public relations research (Broom, Cox, Krueger, Liebler, 1989; Cutler, 2004). Cutler’s (2004) research about articles published in Public Relations Review between 1995 and 1999 demonstrated that the case study has a significant presence in public relations research.

The purpose of the case study is to let you apply the concepts you’ve learned when you analyze the issues facing a specific company. To analyze a case study, therefore, you must examine closely the issues with which the company is confronted. Generally, detailed analysis of a case study should include the following areas: analyze the company's history, development, and growth, identify the company's
internal strengths and weaknesses, analyze the external environment, evaluate strengths and weaknesses analysis, analyze corporate-level strategy, analyze business-level strategy, analyze structure and control systems, and make recommendations.

Following this case study methodology and structure, this arm-chair case study consists of both an exploratory case study structure as well as an explanatory case study structure. The exploratory approach is utilized because of the unique and lack of existing case studies that address the primary research questions of the overlap of corporate and individual organizational leadership brand issues during a crisis, and an explanatory approach due to the nature of analyzing corporate strategy from an historical and post-hoc perspective.

YAHOO! CHINA CASE STUDY

Many search engines are available online for public use, with two of the largest being Google and YI. Based in Sunnyvale, California, YI was created in 1994 by co-founders David Filo and Jerry Yang. YI’s name is a term they created during graduate school at Stanford, which stands for “Yet Another Hierarchical Officious Oracle” (YI, 2007B).

It would be 1996 before the corporation marketed itself to the public and used media strategies to promote their new web site and services. In 1996, YI released its first major television advertisement with the tag line “Do you YI.” Later that year, YI was launched in other countries, including France and Germany, and in 1998 YI launched Yahoo! China (YI, 2007C). The corporate mission at YI is to create a site that “powers and delights our communities of users, advertisers, and publishers – all of us united in creating indispensable experiences, fueled by trust” (YI, 2007A, para. 2).

One of the main personalities and faces associated with YI is the CEO and co-founder Jerry Yang, born in Taiwan but raised in California. Yang received all of his degrees at Stanford University, and he serves on the boards of directors for Cisco Systems and YI Japan (“Jerry Yang Profile,” n.d.).

Problem Statement and Overview

This case study explores the interactions among individual and general personalities and corporate reputation that emerged as the American online search engine company YI! Inc. (YI)
experienced recent business and public relations challenges in China. On November 13, 2007, YI settled with the families of two Chinese journalists and dissidents, Shi Tao and Wang Xiaoning, who accused the company of providing information to the Chinese government that resulted in the two journalists being sent to prison, each to serve a 10-year sentence. This case study involves analysis of YI’s response to the arrest and imprisonment of two Chinese journalists in 2005.

Both journalists were accused of actions against the Chinese government. Wang was accused of attempting to “subvert the government” by sending emails to various political journals, while Shi was accused of sending information to the Democracy Forum about the Chinese government (Kopytoff, 2007). Shi was also accused of sending emails warning others about the media restrictions for individuals and companies entering China (MacAskill, 2007). This particular public relations challenge with YI began when the company began to give assistance to the Chinese government to help them uncover two journalists, Wang and Shi, due to the fact that they were writing emails to others about the positives of democracy (“YI Betrays Free Speech,” 2007). When asked why YI released the journalists’ emails to the Chinese government, Yang replied that it was “a legal process that we have to do to give that information. I do not like the outcome of what happened with this” (Myrick, 2005, para. 4-5). One of the key issues that also emerged during was the fact that YI had already agreed to follow the censorship regulations in place in China by signing the “Public Pledge on Self-Discipline for the China Internet Industry” three years before this crisis began (Myrick).

YI ultimately decided that it would give financial assistance to the two Chinese journalists for their suffering and trauma caused by this crisis. YI also agreed to also give the families of these two journalists humanitarian and legal support as well (“YI Settles China Lawsuit,” 2007). However, the damage to the reputation and overall image of both YI and co-founder Jerry Yang was already in effect. Due to their response and actions, YI was viewed negatively by many in media, and also opinion leaders, and many of the stakeholders related to YI. Based on how both YI and Yang handled the crisis situation, many in the industry, public, and media considered this situation to be a public relations nightmare (“YI To Pay Damages,” 2007).
At a Congressional hearing, Chairman of the House of Representatives Foreign Affairs Committee Tom Lantos made the following statement about YI's actions regarding the Chinese journalists’ crisis: “While technologically and financially you are giants, morally you are pygmies” (“YI Settles China lawsuit,” 2007, para.13). Yang apologized at the hearing for YI's actions, and said that the whole experience changed his perspective and that of the company as well. Yang made the following statement after the Congressional hearing in November 2007: "After meeting with the families, it was clear to me what we had to do to make this right for them, for YI and for the future. We are committed to making sure our actions match our values around the world” (“YI settles China lawsuit,” para.15-16).

Morton Sklar, an attorney for the World Organization for Human Rights and for Wang and Shi in this case, said that YI should have known better when dealing with international issues such as this particular case with these two Chinese journalists. Sklar argued that “There's responsibility for all U.S. corporations doing business abroad. It's no longer possible for a corporation to say 'We were just following orders’” (Kopytoff, 2007, para.7).

In an interview, Yu Ling, wife of Chinese journalist Wang, said that her husband was "subjected to torture and cruel, inhuman or degrading treatment, including arbitrary, prolonged and indefinite detention, for expressing their free speech rights and for using the Internet to communicate about democracy and human rights matters” (MacAskill, 2007, para. 6 ). In an initial response, YI denied that it had anything to do with this situation and that they were just complying with Chinese law. One of the important issues emerging from this public relations crisis is how do we determine where these companies draw the line – do these corporations follow the same rules of their country of origin, or do they adapt and follow the laws in the respective country in which they are operating? (“YI Settles With Chinese Journalists,” 2007).

Key Messages & Strategies

One of the key messages from YI in this situation with China is that they believed that it was better to have Internet access that was monitored by the Chinese government than having no access to the Internet and its resources (“YI Betrays Free Speech,” 2007). For example, Google also has the same
corporate strategy related to Internet use, that it’s better to have limited access than no access at all. Not everyone agreed. The World Organization for Human Rights issued the following statement: "They are serving 10-year prison sentences as a direct result of the information YI provided to Chinese authorities" (Peck, 2007, para.12).

**Lobbying Efforts for Journalists**

After the Wang and Shi were sent to prison and it was discovered that YI released the emails from these two journalists to the Chinese government, one of the key strategies that the corporation used in trying to reestablish their image was to lobby on behalf of the journalists. According to an Associated Press article, YI spent over $1.6 million in 2007 for lobbying efforts targeting issues dealing specifically with China, as well as other government policies that could affect the corporation (“YI Lobbied,” 2008).

Another YI strategy was to ask the U.S. government to intervene and lobby for the release of the two journalists. On February 22, 2008, Yang contacted U.S. Secretary of State Condoleezza Rice to see if there was a possibility to get the U.S. government involved in the release of Wang and Shi from prison (Boudreau, 2008). Yang wrote Rice a detailed letter about the situation that YI is currently facing with this crisis, stating the following: “I am writing to urge your assistance in alleviating the plight of political dissidents who have expressed their views over the Internet in China, and in addressing the related challenges confronting U.S. companies like YI that invest in global markets” (Boudreau, para. 3). With this statement, Yang is clearly presenting the public and the U.S. government with a key message and frame regarding this crisis. By framing the message and stating that this situation not only is going to impact YI, but other U.S. companies, the statement expands the discussion beyond the impact on YI itself to any U.S. business that wishes to operate in other countries. Yang is making sure that his message is structured in such a way that it does not put YI in the spotlight, that they are a victim in this situation, and at the same time addressing the issue that they are actively pursuing this issue.

**Reaching out to Stakeholders**

Within any business challenge, YI has to consider its primary stakeholders. These individuals can range from stockholders of YI to employees of the company. The common characteristic that these people
share is the fact that they have a vested interested in how the company is doing. For example, in a proactive move, Yang recently sent out a personal letter to all of the stockholders regarding the Microsoft proposal to purchase YI. In his letter to the stakeholders, Yang stated (Kawamoto, 2008):

I wanted to reach out to you personally to let you know why your board of directors, after a careful review by YI’s management along with our financial and legal advisors, believes that Microsoft’s proposal substantially undervalues YI and is not in the best interests of our stockholder. More importantly, I want you to know that your board is continuously evaluating all of YI's strategic options in the context of the rapidly evolving industry environment, and we remain committed to pursuing initiatives that maximize value for all our stockholders. (para. 3-4)

Even though this situation is not necessarily dealing with the issue regarding the Chinese journalists, this letter is evidence that Yang is trying to be more approachable and a personal leadership role towards YI’s stakeholders.

**Reactive Strategies and Addressing Concerns**

Even though this case involves only two journalists in China, many feel that this is not an unusual case and that there are probably many more similar incidents (Peck, 2007). YI turned over the information to the Chinese government back in 2004, and this is when the Chinese government discovered the identities of these two journalists (Pham, 2007). Lantos also mentioned that it was not only the issue of imprisonment of these two journalists that caused this crisis for YI, but it was how they were not proactive in their crisis management strategies to address this issue. Lantos concluded that "It took a tongue-lashing from Congress before these high-tech titans did the right thing and coughed up some concrete assistance for the family of a journalist who YI had helped send to jail. What a disgrace” (Pham, para.10).

Even though YI ultimately offered financial assistance and help to the families of these two journalists, that might not have been the most effective strategy to implement. What YI first should have done was to find out specifically what these individuals wanted. In fact, the family wanted something else than money from YI – and they wanted it to come from the face of YI – Jerry Yang. Sklar pointed out that
both the journalists and their families not only wanted support from YI and an apology for their actions, but they also wanted the personal commitment of Yang (Pham, 2007).

When looking at this situation, YI's actions appear reactive instead of proactive, but at least they are now taking steps to address the issues. YI has made an effort to help these journalists and their families, although some analysts do not think that this will get them out of the negative spotlight. O'Meara, the director of business and human rights at Amnesty International, stated that “compensation may help bring a small measure of justice to the families of Shi Tao and Wang Xiaoning, but it does not fix the underlying problem. Band-Aid fixes are not going to stop a case like this from happening again” (Letzing, 2007, para.12).

Setting Up an Imprisonment Fund on YI’s Web Site

One reactive strategy used by YI was to set up a humanitarian and legal aid site within the corporate web site for others jailed for the same reasons as the two Chinese journalists (“YI Settles China Lawsuit,” 2007). This web site mentions that YI will set up a fund for those individuals who have been imprisoned for expressing their views online. YI indicated that eligible individuals do not necessarily have to be YI users, which does open the door for more people to be able to use this fund to help themselves (Kopytoff, 2007).

Overall, this case provides many helpful lessons for public relations professionals representing corporations that want to operate in China or other foreign countries. Sklar observed that this case will have significant impact on the way that the United States and its businesses will have to adjust their crisis management and public relations strategies. He said “It's a terrifically important precedent, helping to establish that U.S. corporations are not obliged to simply follow orders in their host countries but have to abide by U.S. laws and U.S. human-rights standards” (Gullo, 2007, para. 9).

Implications in China for U.S. Businesses

The implications and consequences of this particular case study are tremendous for both the United States and China. In the United States, YI’s actions represent a disregard of their identity and image as a corporation that is there for customers and other stakeholders. Their hesitance and denial in
this particular case has damaged their reputation not only among their customers, but within the general public as well. In regards to China, there are many questions that have to be answered. Does this mean that American businesses such as YI will have a more difficult time establishing themselves in the country? Do foreign companies have to follow the same regulations and laws, even though they go against what they represent as a corporation and regulations in their home nation? And ultimately, the lives of the imprisoned journalists and YI relationship to their incarceration have long-lasting detrimental effects of them, their families and their country.

In this case, YI demonstrated both proactive and reactive strategies in their crisis management practices. In terms of reactive strategies, it was only when the news broke that they were involved with the imprisonment of the two Chinese journalists that they acted both with the government and media. First the company denied any involvement with the situation, and then basically had to address the concerns and make the move to provide assistance to the families of the journalists. However, it took a meeting with Congress in 2007 to make this happen. YI was proactive in a way in this crisis as well. Based on what they were experiencing in dealing with the Chinese government and media, YI realized that this was not just about their company, but all companies that want to operate in a foreign country. YI took a position of leadership in stating that the U.S. government needs to take action and address these concerns about their business and legal practices in other countries.

Yet, there are some remaining concerns about why YI decided to make changes in their strategies. Was it due to the negative perception and reputation about the company, or was it in the goodness of consciousness that they chose to act? The most reasonable assumption would probably be that in the end, it all comes down to future financial stability and growth. YI was concerned about how this particular public relations crisis was going to impact the corporation, so Yang positioned the key messages in YI’s strategies to focus on the larger picture for all U.S. businesses and not just for YI.

Overall, YI’s actions are a little too late in terms of saving their reputation in the short term. However, by continuing to pursue the lobbying techniques with the government and implementing more proactive crisis management strategies and plans for the future, Yang and the corporation may eventually
be viewed more positively. At the same time they must press for a resolution to this situation that addresses global human rights issues and business concerns at the macro level, and the fate of the two journalists. But in any case, it will take some time to restore people’s faith and confidence in a corporation that has been involved in such an international public relations crisis that has a lot at stake for the corporation, its stakeholders, and overall corporate image.

Corporate Personality Dilemmas for Yang & YI

The YI China case study brings about several additional dilemmas for both the company and for Yang. The first dilemma is that the blame for YI’s actions in China is being put directly upon on him. He has become the face of the corporation. He is the person expected to make the changes and fulfill promises to do the right thing in this situation. As a result, Yang’s individual personality and traits have had a direct influence on the overall corporate personality of YI – intentional or not. However, this may be due to the fact that Yang does have a large investment in YI’s business dealings with China, and he is very involved in establishing the company in the Asian market. The challenge that both Yang and YI have to deal with is how they are going to separate the individual personality of Yang from the corporate personality of YI – are they indeed separate entities, or are they one and the same? This is an important issue that needs to be addressed immediately.

Another dilemma that is facing YI is the fact that there are certain perceptions and expectations of the company. In the Congressional hearing, many comments quoted in media were not directed towards YI but more towards Yang himself. People view him as the leader and key spokesperson for YI, and believe that he should take full responsibility for YI’s actions and practices in China.

YI is battling not only to save their corporate reputation and image in China, but in the United States as well. There was a negative reaction towards the company when it was discovered that they turned over the journalists’ emails to the Chinese government. Many people in media, government, and the general public felt that this was going against what the company stood for and that their actions were not representative of the company mission, brand, and reputation, or that of the United States. The main criticism from the Congressional hearing is the fact that it took YI so long to get their act together and do
the right thing in this crisis, or at least what could be done so late in the game.

Overall, YI’s reactive public relations strategies and lack of involvement at the very beginning were not perceived positively among their key audiences. As a result, both YI and Yang have an uphill battle ahead of them to re-establish trust and credibility, not only in the United States and in China, but also in the eyes of the global community.

YI! Corporation: Looking towards the Future

As outlined in this paper, YI’s public relations crisis regarding their cooperation in the arrest of Chinese journalists remains a serious problem; however, this crisis is just one of several faced by the corporation as it attempts to establish its global presence and reputation. Even before this latest crisis had occurred, YI had been the target of criticism for voluntarily censoring search results at the request of the Chinese government, a practice that is completely at odds with prevailing democratic practices. A repeating theme for YI and other corporations seeking global business is the challenge of reconciling American expectations and laws with foreign regulations and practices that can be quite different.

Right on the heels of the journalist crisis, YI finds itself embroiled in another similar dilemma. Recently, China has been rocked by protesters regarding the status of Tibet, leading several countries to propose possible boycotts of the 2008 Olympic Games. Obviously, the stakes are very high for China, and it is likely that the government is very motivated to end the protests at any cost. YI has been accused of posting photographs of Tibetan protestors, which could allow the Chinese government to identify, locate, and prosecute the individuals (“YI! Denies,” 2008). Just as American standards are offended by YI’s cooperation in the prosecution of the journalists, their role in putting the protestors at risk is likely to damage their reputation and brand in the United States and other democracies.

To make matters worse, YI’s official reaction to the protester crisis was at odds with a large number of influential bloggers. In a statement that appeared in the Paris AFP, YI stated that the company did not post these pictures of the protesters, and that they “are a company founded on the principle that promoting access to information can fundamentally improve people's lives and enhance their relationship with the world around them” (“YI! Denies,” 2008, para.14). According to blogger accounts, YI China ran
a “most wanted” poster of 19 individuals, and offered rewards for information leading to their being apprehended (“YI Works,” 2008). According to several blogs, the wanted poster disappeared after a French news outlet, *Observers*, sent an email describing the wanted poster to their subscribers. The discrepancy between the blog accounts and YI’s official statements about the crisis does nothing to resolve the problem or address the impact of the situation on their global reputation.

YI has run into additional problems trying to balance American and Chinese regulations. Microsoft is in the process of offering YI a bid to merge the two companies, which would transform the computer and Internet industry. Plans for a merger are complicated by the desire of both organizations to be part of Chinese commerce. China recently passed a law that “gives Chinese regulators authority to examine foreign mergers when they involve acquisitions of Chinese companies or foreign businesses investing in Chinese companies’ operations” (Markoff, 2008, para.3). Markoff said that this new Chinese law will “make China a third sphere of regulatory influence matching the power of the European Union and the United States.” According to Markoff, this law could dramatically impact the potential partnership between Microsoft and YI. The standards used by the Chinese to evaluate the merger are likely to be very different from those typically found in Western democracies. YI’s presence in China is limited to a relatively small 40% interest in the privately held Alibaba, which publishes YI China, yet this component greatly complicates a merger that might be beneficial to the corporation as a whole. Concessions required by the Chinese in order to complete the merger might not be palatable to Western investors or consistent with YI’s corporate culture.

As a result of these ongoing crises in adapting to the Chinese business and governmental cultures, YI’s overall brand image and reputation has taken a hit due to the negative publicity and discussion of their actions. The public relations backlash and negative associations that they are facing will continue to grow unless CEO Jerry Yang and the rest of the senior management at YI realize that their actions and practices need to change. YI needs to establish a comprehensive public relations and crisis management plan that is targeted for working in China and other Asian markets. Instead of being known as one of the largest, most successful corporations in the United States and abroad, YI could become the poster-child of
corporations that struggle with managing their overall corporate brands among various global audiences.

CONCLUSION

The corporate personality in the case study examined by the authors appears to have survived its crisis. YI is still one of the leaders in the industry, even though it has suffered through some negative media coverage and lost significant stock value, let alone the personal costs to the journalists and their families involved in this situation. This case illustrates the complications during a crisis that may occur when a corporate personality is tightly connected with individual personalities. A corporation that does not have these associations with individual personalities can often resolve crises by changing leadership. That option is not easily available to organizations defined to some degree by individual personalities.

In order to understand fully the impact of these case studies on similar corporations, future research is needed to explain certain elements. Future research into the relationships between corporate and individual personality could help identify other variables that predict the outcomes for these organizations in a time of crisis. Another advantage of further research is to explain the impact of a crisis in an organization on individuals and how it affects their relationship with the organization.

Corporate personalities will always be present in business, but until we understand that all corporations are not the same and need tailored crisis communication plans, these corporations will not have the resources that they need in order to survive.
REFERENCES


Public Relations Review, 30(3), 365-375.


Figure 1: the Corporate Personalities Continuum

<table>
<thead>
<tr>
<th>Corporate Personalities</th>
<th>Mixture of Corporate and Individual Personalities</th>
<th>Individual Personalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ex. IBM)</td>
<td>(ex. Coca-Cola)</td>
<td>(ex. Steve Jobs)</td>
</tr>
<tr>
<td>*Represents corporation value</td>
<td>*Represents both individual and corporate traits in personality</td>
<td>*Risk taker</td>
</tr>
<tr>
<td>*Has characteristics, but can’t be linked to an individual.</td>
<td></td>
<td>*More control over actions in crisis</td>
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