

The Impact of Charismatic Leadership on Cross-Border Apologies

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ABSTRACT

An examination of communications issued by Apple, Amazon, Kingsoft, and Alibaba in response to perceived transgressions was undertaken to assess for potential cross-border differences in how organizations apologize to consumers. It was found that the transgression responses from all four organizations were structurally similar to each other, although the responses from Alibaba and Kingsoft appear to reflect a more hostile Chinese business environment. Longitudinal analysis suggests that the apologies issued by firms under the leadership of a highly charismatic CEO primarily reflect a Prospector strategy irrespective of national headquarters, while the apologies issued under the leadership of less charismatic CEO primarily reflect an Analyzer or Defender strategy, based on the Miles and Snow framework.

Keywords: Apology, Communication, Reputation, Culture, Leadership

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Apple, Amazon, Kingsoft and Alibaba are all successful tech companies founded in recent decades by charismatic CEOs. While their origins and corporate headquarters are divided between the U.S. and China, the four firms have similarly faced a barrage of customer complaints over time for perceived transgressions. As Steve Jobs once remarked, “the technology road is bumpy” (Tehrani, 2007).

The Miles and Snow framework (Miles & Snow, 1978), described by Hambrick in 2003 as “the most enduring strategy classification system available”, provides a potentially useful lens to compare the apologies issued by Apple, Amazon, Kingsoft, and Alibaba over time. The framework identifies four primary strategic groupings – Prospectors, Analyzers, Defenders, and Reactors – based on the overall approach firms employ to realize strategic objectives. Although apologies are now expected by consumers following a product or service miscue (Salvador, Folger, & Priesemuth, 2012), there is scant literature on the impact of culture on apologizing (Ren & Gray, 2009). This study contributes to the literature by addressing the interplay of cross-border cultural differences and leadership strategy on organizational apologies.

LITERATURE REVIEW

Miles and Snow Framework

The Miles and Snow framework (1978) classifies the primary strategies employed by companies based on their overall administration, innovation, and market approach as Defender, Analyzer, Reactor, or Prospector. Defenders focus on the stable growth of existing markets and products; Analyzers seek to maintain stability in some sectors and adopt a “second-but-better” approach to innovation; Reactors employ no consistent strategy whatsoever; and Prospectors are change leaders focused on innovation and new markets (DeSarbo et al., 2005).

Gurkov (2012) notes that a firm’s overall strategic approach is impacted by CEO tenure, identifying Apple as a Prospector under the helm of Steve Jobs and an Analyzer under the leadership of Tim Cook. Amazon is widely viewed as another Prospector (e.g., Griffin, 2012), which can plausibly be attributed to the continued leadership of founding CEO Jeff Bezos. While the literature suggests that new business ventures are more likely to be Prospectors, emerging research indicates that entrepreneurs in emerging markets like China face more environmental threats from competitors and regulatory bodies and are therefore less likely to pursue an innovation strategy (Tang & Hull, 2011).

METHOD

Kingsoft was randomly selected as an initial case among Chinese firms in a prior study of MNC apologies (WITHHELD, 2017). Since Apple was the only U.S. organization in the foregoing study that issued apologies in both the U.S. and China and was in the same industry as Kingsoft, it was purposefully selected as a contrasting American case study. Amazon and Alibaba were subsequently added as additional cases because they have both issued apologies at home and abroad and are also in the same industry. The foregoing selection allows for a focus on cases more likely to yield theoretical insights, in line with the rationale of Eisenhardt (1989).

ANALYSIS

Apple Apologies

The earliest transgression identified for Apple arose in 1980, when Michael Scott was serving as CEO. The Apple II design was found to have a defective power supply leading it to overheat, which ended up costing the company \$60 million (Hattersley, 2016). While customers were offered a free repair fix for the problem

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(Hattersley, 2016) the company never issued an apology. Although Mr. Scott had served as Apple's CEO since 1977, Jobs was Chairman of the Board and it was reported that, "Jobs handled the business end" (Weinberger, 2017). A leaked conversation involving Tim Cook and the head of the maps division (Mr. Forstall) in 2012 revealed that the decision not to issue an apology over the Apple III incident was made by Jobs, as Forstall defended his refusal to sign an apology to customers because, "Steve never even apologized for the Apple III" (Lemkin, 2012). While Mr. Jobs might have supported Forstall's decision, CEO Tim Cook instead fired him and issued the apology under his own name on Apple's website (Kane, 2014).

In 1980 Steve Jobs made his historical trip to the hapless Xerox researchers at PARC, where he obtained the inspiration and proof of technical feasibility for Apple's ground-breaking graphic user interface (Weinberger, 2017). While the pirate flag would not fly outside of Apple's headquarters until 1983, the visit to PARC, development of an untested product (GUI and mouse), and "no apologies" management style appear to reflect Jobs' risk-taking approach to business strategy. While his pirate-like moves and purportedly abrasive management style (Yarrow, 2011) led to innovative breakthroughs with its operating system and hardware design, these characteristics also made him "disruptive", according to his eventual replacement John Sculley (Edwards, 2015).

After the "disruptive" Steve Jobs' involuntary departure from Apple in 1983, John Sculley took over the reins at Apple as CEO. Mr. Sculley's strategic vision for Apple differed sharply from Steve Jobs. His approach focused on stable growth of the company's best-selling product: "...my job was to grow the Apple II, which was outsold two to one by the Commodore" (Edwards, 2015).

After departing from Apple in 1983, Steve Jobs founded Pixar and NeXT and then sold the companies for large sums (Crunchbase, 2017), restoring his reputation as a business leader and making him a billionaire. Meanwhile, Apple's fortunes in the volatile tech sector continued to diminish, and Mr. Sculley departed from the company in 1993. In 1997 Apple invited Steve Jobs to rejoin the company he co-founded inside a California garage. Apple still appeared to pursue a "no apologies" culture, declining to issue mea culpas for failed late 1990s products such as the Bandai Pippin (Hattersley, 2016). There was a 22 year gap between the "Lemmings" incident and the next apology event, the 2006 Stock Options matter. In 2006, Jobs was personally embroiled in a Silicon Valley scandal involving backdated stock option grants following a special report from the company's board of directors (Apple, 2006). One Apple director resigned as a result, and a report was filed with the SEC (Apple, 2006).

In 2010 and 2011, Apple also declined to apologize for a series of suicides at the China-based factories operated by FoxConn, the outsourced manufacturer for the majority of Apple's products such as the iPhone and iPad. Tim Cook, a supply-chain expert at Apple who was likely in close contact with Foxconn during this time, became CEO of Apple in August, 2011 after Steve Jobs' health issues led him to voluntarily leave the company. Under Cook as CEO, Apple lost its reticence to apologize to consumers for product-related issues; the 2012 mea culpa from Apple for problems with its map application starkly contrasts with earlier apologies from Steve Jobs criticized as arrogant (Kane, 2014). Leaked transcripts of the conversations among Cook and the extant head of its map division reveal that Jobs, "never even apologized for the Apple III" (Lemkin, 2012).

Kingsoft Apologies

Kingsoft's predecessor JinShan was founded in 1973 as a personal computer manufacturer. Kingsoft was established by JinShan in 1988 to focus on software development, releasing its first office suite one year later (Cleverism, 2017). While the company became a technological leader in Asia based primarily on its office suite, it has diversified into a broad range of product areas and earned more than half of its revenues in 2015 from its 47% stake in Cheetah Mobile (Ren, 2016). In its early years the company focused on Chinese governmental entities as its primary customers (Zhang, 2008). Like Apple, Kingsoft nearly went bankrupt at once point in its history, which it blamed on domestic software piracy (He, 2012).

Lei Jun became CEO of Kingsoft at the age of 28, the same age as Steve Jobs, and just like Jobs departed his first company to start another successful business venture (He, 2012). Jun founded Xiaomi, a leading Chinese mobile phone maker, and currently has a net worth of 6.8 billion dollars (versus Steve Jobs' 10.2 billion net worth upon his death in 2011) (Forbes, 2017b). Mr. Jun wears jeans and black tee-shirts just like Jobs, purportedly shares a similar irritable streak, and is widely considered a technology visionary. Just as Jobs returned to Apple at age 42, Lei Jun returned to Kingsoft at the same age (Lee, 2015).

Two of the three apologies issued by Kingsoft while Lei Jun was CEO were in response to product launch miscues. The 2003 JX Online statement related to a new product beta test, while the 2007 racist couch incident arose from a translation program glitch blamed on a faulty third party dictionary. The 2004 game hack apology was appended a letter from a third party hacker who accepted full responsibility for the incident, and redirected responsibility to a third party without issuing an explicit apology of its own.

The three transgressions responses from Kingsoft during the tenure of CEOs after Lei Jun's departure included a 2012 apology from a lower-level employee for a data privacy breach, and a 2012 non-apology for an employee who purportedly may have died from overwork at the company (Wang, 2012). The non-apology for overwork may also reflect a desire to avoid legal liability, and parallels the non-apology from Apple during the

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same time period for the FoxConn suicides in China. Lastly, the 2013 blue screen of death apology by Kingsoft was initially blamed on Microsoft, and led to accusations from Chinese customers that Kingsoft had offered a more sincere apology to its Japanese customers (Sina.com, 2013).

Amazon Apologies

Amazon was founded by Jeff Bezos in the city of Seattle in 1994 to enter the then-novel business of selling books online (Forbes, 2017). The company went public in 1997, and is now a global technology giant with 341,400 employees worldwide (Forbes, 2017). Mr. Bezos founded the company with the “exotic and different” spirit of the Amazon River as a metaphor, consistent with his own eccentric image. As the CEO of Amazon since its founding, Mr. Bezos has a net worth of \$99.9 billion (Forbes, 2017) and continues to shape the company’s culture. Bezos unabashedly proclaims the value of expressing “I’m Peculiar” in the workplace (Kantor & Streitfeld, 2015). Now age 53, Mr. Bezos was born as Jeffrey Preston Jorgensen in 1964, but had his last name changed to Bezos after his mother remarried in 1968 (Biography.com, 2017). Under his leadership, Amazon has consistently pursued new business opportunities (software, hardware, cloud-based, and publishing) that are reflective of a Prospector strategy (Griffin, 2012).

The Amazon apologies were consistently short, averaging just 61 words each. Notwithstanding their brevity, media perceptions of Amazon mea culpas have generally been positive; the 2000 statement from Jeff Bezos admitting it was a mistake to offer some customers better pricing than others (Bezos, 2000) was greeted with, “thousands of positive responses from Amazon customers” (Green, 2014). The praise for Amazon’s apologies derive from their speed, directness, sometimes brutal honesty (e.g., owning up to “self-inflicted” mistakes and “scar tissue” in 2005). Amazon is advantaged by the web traffic on its platform, with all but two of its apologies issued on internal websites, allowing it greater control over the narrative.

Four out of nine of the Amazon transgressions related to performance issues (such as the Misprinted Invoices apology in 2005, leading to hundreds of spam faxes), while five out of nine related to sensitivity or moral concerns. Amazon elected to forgo an apology when accusations of mean-spirited human resource practices were raised in 2015 (Kantor & Streitfeld, 2015). In lieu of a mea culpa, Mr. Bezos denied knowledge of the specific allegations purporting to highlight a “bruising workplace”, and asked that any such “rare or isolated” events be immediately taken up with Amazon’s HR department and him personally by direct email. As with Apple and Kingsoft, Amazon thus appears ready to shift blame to others and deny culpability when facing perceived transgressions relating to workplace health, which potentially involve more liability risk.

Alibaba Apologies

Alibaba was founded by Jack Ma in 1999 in Hangzhou, China, and is now one of the world’s largest technology companies (Nicholson, 2015). Mr. Ma served as CEO from its founding until 2013, stepping down from his executive role while still serving as board Chairman. Like Mr. Bezos of Amazon, Mr. Ma is a 53 years old billionaire. According to Forbes (2017) his current net worth is \$38.1 billion. Mr. Ma is a celebrity figure in China, has starred in a Kung Fu film with international action star Jet Li, and recently impersonated Michael Jackson in a dance performance at Alibaba’s 18th anniversary party. While his birth name is Ma Yun (马云), Ma continues to go by the first name given to him by foreign tourists he chit-chatted with as a young man in Hangzhou, as “Jack” was easier for them to pronounce than his real name (Bedford, 2009). Ma and Bezos appear to share many similarities as technology leaders in addition to being the same age, with both adopting a “Peculiar” style of visionary leadership (Kantor & Streitfeld, 2015).

The only analyzed transgression event with Jack Ma at the helm as CEO was in response to a critical 2011 incident involving fraudulent listings on a company website. This incident led to the resignation of two top executives, and the company’s stock price plummeted 8.6% the day after it was reported by Alibaba in a securities filing to the Hong Kong Stock Exchange (Epstein, 2011). While the entire filing is lengthy (more than 1,000 words) the only quote attributed to Mr. Ma at the end of the report was 84 words. As with the 52-word personal statement from Steve Jobs in 2006 for backdating stock options, which was issued in parallel with a much longer securities filing from Apple, only Ma’s 84-word statement is analyzed herein as an apology. Ma stressed the value of integrity in his quoted statement but implicitly shifted blame for the “unacceptable” actions to the two departing executives, who are ostensibly praised by Ma for “doing the honorable thing” (Alibaba, 2011). Ma was criticized by some in the media for failing to “walk the plank with his underlings” (Economist, 2011). However, as with the workplace incidents involving Apple and Kingsoft, the potential legal liability arising from this transgression plausibly put too high of a price tag on an explicit mea culpa.

The post-Ma era apologies from Alibaba average 178 words each and all relate to perceived integrity breaches. The 2015 Lolita Advertisement incident arose from a job advertisement for a computer programmer stating that applicants should be “adequately stunning to programmers”, and be “an open-minded Lolita like Sora Aoi” (a Japanese porn star) (Sonnad, 2015). After negative social media backlash, the ad was removed from the job board (Sonnad, 2015), and the company issued a 28-word statement of explicit apology to “anyone who was offended”. In another case involving sensitivity, the 2013 MLK Mixup arose from an advertisement for a sales event featuring an image of U.S. civil rights icon Martin Luther King, Jr. (Bischoff, 2013). After the company

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was criticized on social media for its “poor taste” (Nelson, 2013), and deemed ignorant with regard to overseas “cultural taboos”, a 28-word explicit apology was issued “to anyone who was offended” (Bischoff, 2013).

CONCLUSION

While cultural differences based on country headquarters were expected to be a paramount locus of differences for the transgression responses, the findings unexpectedly suggest that business strategy trumps national culture when it comes to the issuance of organizational apologies. Adopting a Prospector strategy appears to necessitate a higher tolerance for risk-taking, which plausibly leads to more transgressions and offended consumers. As Jobs posited, “the technology road is bumpy” ((Tehrani, 2007). Consequently, it appears that Prospector firms apologize less frequently and keep their mea culpas short and to the point.

The structural similarities in the mea culpas issued by all four companies – in terms of transgression events, non-apology instances, third-party blame shifting when plausible, less frequent apologizing under the leadership of more charismatic CEOs, and word count variances based on CEO tenure – suggest that the Miles & Snow typology may be a more useful lens for comparing cross-border organizational apologies than culture. Apple, Kingsoft, and Alibaba appear to have pursued a Prospector strategy under the leadership of their charismatic CEOs, who embark on bold initiatives in pursuit of new products and new markets rather than emphasizing stable growth. By contrast, the companies embrace stability and risk management under successor CEOs (e.g., Tim Cook), characteristic of an Analyzer (or Defender) approach. Amazon has consistently pursued a Prospector strategy since its founding, attributable to the unbroken CEO tenure of Jeff Bezos.

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