

## Communication During Crisis: Negotiation Strategies

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**To Link this Article:** <http://dx.doi.org/10.6007/IJARBSS/v12-i8/14668> DOI:10.6007/IJARBSS/v12-i8/14668

**Published Date:** 24 August 2022

### Abstract

The study aims to find out the steps the Samsung organization took to resolve the exploding Galaxy Note 7 issue and to identify the negotiation strategies adopted in the discussion. The study employed a qualitative method to analyse the content. The organisation recorded the step taken by Samsung in detail. The researchers extracted data from past studies and written online press release resources. The results showed that the Samsung organization took a fast and decisive response regarding their crisis. Moreover, integrative bargaining was used to negotiate between both parties. The customers are familiar with Samsung products as a brand and are therefore not seen as a predictor for post-crisis reputational damage. It has been concluded that Samsung organization employed well-planned crisis management strategies that proved its capability to deal with the crisis and restore its customer's trust in its product. The study concludes with the negotiation process and the actions taken concerning a crisis to provide healthy organizational crisis communication. Organizations can use this to implement a more effective strategy of crisis communication.

**Keywords:** Organization Crisis, Communication, Negotiation, Customer

### Introduction

A crisis communication strategy allows seamless communication within an organization, where the actions used in communication are meant to make the right decision during a crisis. A crisis is a significant event that potentially has a negative outcome that can affect the organization and its stakeholders. An organizational crisis can affect an organization, staff, stakeholders, and society. Though they usually are unpredictable and detrimental to the organization's daily functioning, they are omnipresent and unsurprising (Lu & Jin, 2020). From a communication perspective, addressing a crisis often puts the crisis's essence and meaning into action. Organizations use different crisis communication responses to address and mitigate risks because crises vary depending on the type of crisis, the level of corporate responsibility, the nature of the harm, the number of stakeholders involved, and the current reputation and history of the organization (Marsen, 2020). It is essential to handle a crisis effectively to retain ownership of the company, restore the corporate image, and recover

stakeholders' trust. Organizations often establish elaborate business crisis management plans. A company can quickly and easily switch from everyday operations to crisis management by a centralized reaction, whether the crisis involves a building evacuation, a stock market collapse, or negotiations like a product recall.

Negotiation is when two or more people with different needs and goals address mutually compatible alternatives. Negotiating skills are essential in business for casual day-to-day interactions and formal agreements like sales, leases, service delivery, and other legal contracts. While business negotiation somehow differs from other negotiations. This is because it is considered the most challenging communication task in business and an essential part of the management process relevant to implementing business strategies (Ghauri & Usunier, 2003). According to Beenen and Barbuto (2014), successful negotiations contribute to business success by creating stronger relationships and providing long-term, quality results. Ideally, successful negotiations make each group satisfied and able to do business with each other again. The plan should promote goodwill regardless of the differences in party priorities. Many cases worldwide fall under the business negotiation; one of them is the "Exploding Battery of Samsung Galaxy Note 7 smartphone."

### **Background of Study**

On August 19, 2016, Samsung released its new Samsung Galaxy Note 7 smartphone to public consumers (Samuelson, 2016). Each 7.9mm Samsung Galaxy Note 7 comes with an irregularly thin-sized battery of 3,500mAh lithium-ion. It also has a water-resistant S-pen, Gorilla Glass 5, and HDR video. Half of the batteries made were done with the help of Samsung's subsidiary, which later became dangerous to its users. Due to the battery's gaunt size in a thin phone, even a minor mistake in its construction can cause frequent overheating to the phone (Samsung, 2017). Battery cells are easily affected if the inside flow pathway gets clogged by its walls. Unfortunately, some of the Samsung consumers who bought the Samsung Galaxy Note 7 were befallen by unexpected tragedies of battery explosions and fire bursting from the smartphone.

A few incidents related to mobile phones were reported in August and September (Madanapalle, 2016). A Galaxy Note 7 was confirmed to have exploded on August 24 while charging in China, and 30 other cases of the same problem were reported at the end of August. Another problem arose in September of that year after the Galaxy Note 7 model that exploded was replaced with another model that ought to be safe. Madanapalle (2016) also reported an incident involving a shutdown of the Samsung Galaxy Note 7 in the pocket of a flight passenger who had started to emit smoke, prompting the flight attendants to evacuate the aircraft. Also, a video was taken from a Burger King employee holding a Galaxy Note 7 with green smoke pouring out of it. After those incidents, Samsung had two choices: to replace their consumers' Galaxy Note 7 or permanently end the model. A decision has been made to stop the Galaxy Note 7's production and sale (Titcomb, 2016). Samsung then reissued and recalled all Samsung Galaxy Note 7 phones shortly after the reports were made in September 2016. The safely made ones were mixed with high risk to cause injuries distributed evenly throughout its consumers. To avoid any more hazardous incidents, Samsung issued all 3 million Galaxy Note 7 smartphones sold worldwide returned to them. Referring to Gibbs and Yuhas (2016), those who own a Samsung Galaxy Note 7 were told to have their mobile

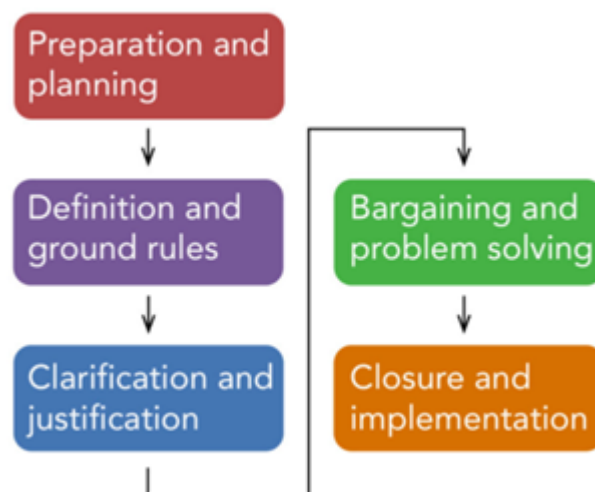
phone shut down for safety precautions before returning the smartphone. The recall was the largest in consumer electronics history, costing Samsung billions (Banerjee, 2016).

### Negotiation Strategies

Negotiations include ongoing relationships and a strategic view of what is successful and necessary instead of considering negotiating effectiveness (Arumugam et al., 2021; Chapman et al., 2017; O'Connor et al., 2005). Negotiations are often characterized as distributive or integrative. Distributive negotiations require less information exchange as there is a zero-sum, win-loss focus, with less concern for problem-solving (Beenen & Barbuto, 2014). Distributive negotiators are mainly concerned with themselves, including anchoring the spectrum of negotiations closer to the desired result of one's own and explaining why their offer is fair. Integrative negotiations, meanwhile, involve each party's best alternative to the negotiated agreement (BATNA) and aim to seek opportunities for mutual gain (Chapman et al., 2017). Integrative negotiators are concerned about others as they want long-term relationships. This negotiation style would also recognize tradeoffs, make several offers, and create trust through a problem-solving approach that seeks to produce satisfactory results for all parties.

### Process of Negotiation

Shell (1999), in his crisis management framework, mentioned the negotiation process to deal with the situation once the crisis occurs.



Process of negotiation (Shell, 1999)

During the preparation and planning phase, the party in a negotiation must figure out the nature of the crisis and determine and clarify their own goals and stand in the negotiation. Each party also needs to make predictions about what the other party expects regarding the negotiation outcome. Kang et al (2019), in their study on the exploded Samsung Note 7 phone, mentioned the negotiation strategies implemented by Samsung by determining customers' expectations of the company's reaction to the issue. During the ground rules phase, the parties involved will define their ground rules and the procedures that will be taken to conduct the negotiation process. At this phase, questions like what actions will be taken and when the procedures will be conducted will be discussed.

During the phase of clarification and justification, the party involved will explain their stand and demand. This is the phase where the party could understand the other party's views on their stand. Each party could suggest or review their negotiation strategies to determine the best outcomes for the parties involved. Next comes the most crucial element in the negotiation process, where the concept of 'give and take' takes place. The parties will use negotiation strategies to achieve their goals during the preparation phase. An agreement should be made at the end of the negotiation process. Finally, the procedures must be designed and implemented about the agreements' terms at the closure and implementation phase. To conclude, a crisis management plan should be planned carefully by considering the three phases of crisis development, pre-crisis, crisis, and post-crisis. The negotiation process should also be appropriately conducted to ensure the needs and demands of the parties involved can be addressed.

Kang et al (2019) examined the crisis of the Samsung Galaxy Note 7 explosion by analyzing posts from the social media platforms Twitter regarding the issue. The study revealed that the users often complained about the strategies that should have been taken by Samsung during the pre-crisis phase and critiqued the value of attribution and morality. The results also depict the customers' stand on Twitter, which was negative during the crisis's early phase. The following study on a relatively similar topic is by Yu (2020), which aimed to figure out the repair and response strategies used by Samsung to deal with the conflict. Mixed-method research has been used in this study, and analysis is done by adopting (Fink's crisis management theory, 1986). Business owners must take their customers' complaints seriously to maintain their loyalty to the company (Arumugam et al., 2020).

### **Statement of Problem**

Social media spreads crisis information more rapidly through user sites, virality, and worldwide coverage than other media channels (Arumugam et al., 2022; Van & Verhoeven, 2013). Moreover, to increase public focus by impacting the organization's reputation and business interests (Gou, 2016 as cited in Zhang, 2020); therefore, researchers are concerned about how crisis frameworks and social media sentiment influence global perceptions internationally. Kang et al (2019) investigated Twitter posts with negative feelings in South Korea, the United States, and Australia. The study highlighted that customer concerns and companies' breakdowns were dominant, demonstrating social media users' reactions to a company crisis. Several studies focused on the response of global users to the crisis. Samsung company got a significant impact and responded to this crisis around the world. Next, previous studies analyzed how Samsung handled the crisis. Zhang (2020) said Samsung's "double standard" strategy made a fatal error in the company. The results show that close cooperation with powerful social media is essential to crisis management. Besides that, Yun et al (2018) also examined the causes and impacts of the crisis management of Samsung's smartphone battery explosion. The study uses previous research, local and international news articles, and interviews to analyze Samsung's crisis regarding their exploded smartphone. Due to past studies, more focus on social media posts and comments on Samsung's company. However, not many studies have looked into the strategy or negotiation regarding this crisis. Therefore, to address this gap, the following research questions will be answered:

1. What steps did the Samsung organization take to resolve the exploded Galaxy Note 7 issue?
2. What negotiation has been used by the Samsung organization to deal with the crisis?
3. Did the crisis affect Samsung's reputation?

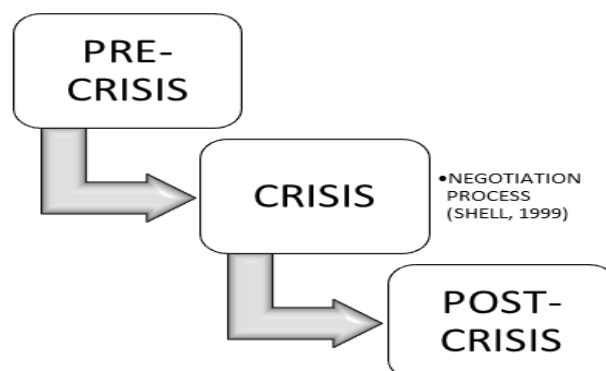
### Methodology

This study employed the qualitative method of content analysis. The data were collected from Samsung press releases, Facebook posts, and user comments. It was revealed that Samsung applied three image repair strategies: reduce offensiveness, corrective action, and mortification. Through content analysis, researchers can quantify and analyze the presence, meanings, and relationships of certain words, themes, or concepts. Since most of Samsung's actions were recorded in written form in detail, analyzing this form of information would give better exposure to the matter. Media content analysis is a part of the method of content analysis. It is a well-established research methodology, as content analysis has been the fastest-growing technique over the past 20 years, according to (Neuendorf, 2002). Therefore, this study used data collected from online press releases and articles.

### Conceptual Framework

We live in a society that is increasingly vulnerable to natural or human-made crises, humanitarian crises, and many other crises. A crisis's emergence could also affect an organization's image and reputation. Therefore, the organization needs to have a good plan to prepare for a crisis in the future. Crisis management plans should be formulated based on each stage in the crisis phase. A framework adapted from Coomb (1999); Shell (1999) was used in this study, as the framework allows researchers to analyze each stage of crisis management in detail and help the researchers to address the strategies of negotiation adequately (Kang et al., 2019).

### Stages of Crisis



The development stage of crisis (Coomb, 1999)

Coomb (1999) notes about crisis development stages; pre-crisis, crisis (negotiation process; preparing, exchanging information, bargaining, and closing), and post-crisis. During the pre-crisis phase, a plan to address the potential problems that might arise is created to ensure readiness in dealing with it. Kochigina (2020) mentioned the importance of having a crisis management plan. The medium of communication nowadays allows information to spread widely in a short period, and solid plans and communication strategies are needed for every

organization. The pre-crisis management plan is designed to address crisis occurrences and, at the same time, prevent them from happening. When a crisis occurs, several steps need to be taken to handle the situation properly and effectively. The good conduct of the problem-solution process could minimize the effect of the crisis on the organization.

## **Results and Discussion**

### *Steps Were Taken to Resolve the Exploded Galaxy Note 7 and Samsung's Reputation*

Implementing the framework of crisis management from Coomb (1999) and Shell (1999), the crisis development stages of exploded Samsung Galaxy Note 7 are divided into three stages, pre-crisis, crisis, and post-crisis.

#### *Pre-crisis*

The pre-crisis management plan is always what organizations refer to when unexpected conflict happens, as a quick response is needed to curb the crisis in the early phase. Customers, for sure, will want fast and decisive decisions made by the responsible parties. The parties' response will determine the customers' acceptance and understanding of the company's effort to deal with the situation appropriately. In late August, Galaxy Note 7 was confirmed to have exploded while charging, and 30 other cases of the same problem were reported. On September 2, 2016, Samsung released the official statement regarding the Galaxy Note 7 in response to the reported cases; "...we are conducting a thorough inspection with our suppliers to identify possible affected batteries in the market". Fisher (2016) mentioned Samsung's fast response when the crisis of exploded phones occurred, reflecting Samsung's preparedness in dealing with the situation effectively, enabling the brand to tackle their customers' hearts again. Not only that, but Dua (2017) also mentioned how Samsung manages to make use of its pre-crisis management plan smoothly; they hold themselves accountable and get to the root of the crisis, and at the same time, ensure effective communication between its employees and consumers. Samsung stated its statement in the press release:

*"We acknowledge the inconvenience this may cause in the market, but this is to ensure that Samsung continues to deliver the highest quality products to our customers. We work closely with our partners to ensure the replacement experience is as convenient and efficient as possible."*

During the pre-crisis phase, when the crisis occurs, the company must show its capability to handle the situation by making decisive responses quickly after the crisis happens. Without the pre-crisis management plan, the effort to solve the problems will take much more time. During the long period of making customers wait for their response, the company will lose their customers' trust, thus impacting their company image in the long run as well. Madanapelle (2016); Kang et al (2019); Yu (2020) agreed that Samsung's pre-crisis management strategies enabled the company to act fast in resolving the crisis.

#### *Crisis*

The crisis stage happened in 2016, when the newly-released phone, Galaxy Note 7, exploded soon after its release. Citing from the timeline of the 'Note 7 crisis' written by the BBC News online article writer, Edward (2016), he stated that the expectation and demand

were high when Samsung unveiled their latest model on August 2, 2016, soon to come out on August 19, 2016. Six days after the release date, Samsung received its first reported case of exploded Note 7 on August 24, 2016. Soon after that, more cases of the same problem were reported. The device was reported that it caught fire and overheated when charging. This is where the negotiation happened.

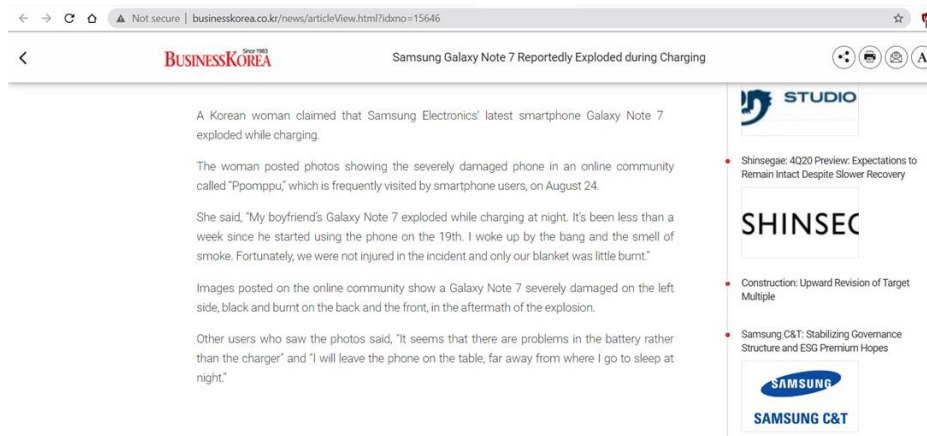


Image 1 Samsung Galaxy Note 7 Reportedly Exploded During Charging

### **Process of Negotiation**

The preparation and planning phase happened when Samsung received the exploded case. They stated in their press release, *"We take every incident report from our valued customers very seriously."* During the ground rules phase, the first step of crisis management taken by Samsung to deal with the crisis was informing their customers that they were aware of the situation and that they would take full responsibility and investigate the problem with the model as soon as possible. Below is Samsung's statement:

*"Samsung is committed to producing the highest quality products, and we take every incident report from our valued customers very seriously. We are working with our carrier partners to announce the details of the U.S. product exchange program as soon as today."*

The phase of clarification and justification, taken on September 2, as noted by Edward (2016), informed the investigation of why the phone exploded because of the faulty batteries and announced a global recall.

*"Samsung confirmed it has been collaborating with the United States Consumer Product Safety Commission (CPSC) following its announcement of battery cell issues related to the Galaxy Note 7. New Note 7 replacement devices will be issued to exchange program participants upon completion of the CPSC process. In the interim, consumers can return their Note 7 for another device."*

Then, there have been reported crises in which the replacement model also exploded (Madanapelle, 2016). Samsung is considering giving their customers the support they need, which will stop the sales and exchanges of Galaxy Note 7 while the investigation is taking place.

*"Samsung understands the concern our carriers and consumers must feel after recent reports have raised questions about our newly released replacement Note 7 devices. We continue to move quickly to investigate the reported case to determine the cause and will share findings as soon as possible."*

When Samsung identified the effect on their product, later on, during the bargaining and problem-solving phase, Samsung requested customers to return their purchased phone to the store where they bought it. Samsung's press release supported this: *"Samsung announced the expansion of the Galaxy Note 7 voluntary recall to include all original and replacement Galaxy Note 7 devices sold or exchanged in the United States before and after the original recall on September 15, 2016"*. Lastly, during the closure and implementation phase, Samsung permanently ended the phone's production. Their press release mentioned:

*"Consumer safety remains our highest priority, and we've had overwhelming participation in the U.S. Note7 Refund and Exchange Program, with more than 93 percent of all recalled Galaxy Note 7 devices returned."*

On January 23, 2017, all the phones were returned. Samsung also took steps to ensure that buyers who have not yet returned their smartphones should immediately shut them down and contact their carrier to receive a refund or exchange.

### **Post-crisis**

Dua (2017) noted that recovering from post-crises will be challenging, as people will still look at where the crack was. Koh Dong Jin, the President of Samsung Electronics, post-crisis statements as such:

*"For the last several months, together with independent industry expert organizations, we conducted a thorough investigation to find the cause of the Galaxy Note7 incidents. Today, more than ever, we are committed to earning the trust of our customers through innovation that redefines what is possible in safety and as a gateway to unlimited possibilities and incredible new experiences."*

From the press release statement above, we can see that Samsung tried to convince its stakeholders that a thorough investigation has been conducted. They are committed to earning their consumers' trust and ensuring that they will always strive to give the best to the consumers in the future. Not only that, but Samsung also confirmed the cause of the incidents with the Galaxy Note 7 via a press conference on January 23, 2017 (see Appendix A). Samsung is now focused on the future, announcing a new eight-step testing procedure to verify future safety batteries. Samsung also promises to add an external protective bracket to prevent phone drops from damaging the battery inside (see Appendix B).

### **Samsung's Reputation**

Regarding this problem, Samsung's credibility was affected by the explosive batteries of its newly announced flagship following its crisis. This crisis was held accountable by Samsung's organization and may be linked to post-crisis damage. Huisman (2017) mentioned that responsibility is not seen as a significant predictor of reputation after the crisis. Moreover, Coombs and Holladay (Huisman, 2017) have stressed that credibility declines as responsibility



intensifies and concluded that negative publicity eventually results in more reputation damage. Conversely, these studies have shown that the Samsung crisis can be considered a 'victim crisis.'

Furthermore, a crisis can be seen as a product accident detrimental to the public or even a product failure (Huisman, 2017). Thus, the type of Samsung's crisis can be described as product damage or a technical error. Besides, this is the first time that Samsung has had this exploded battery crisis. Hence, the technical failure of its product was just an accident. Also, Samsung's battery crisis does not harm credibility as it can be preventable (Huisman, 2017). Therefore, not every responsibility has an impact on a post-crisis reputation.

Some influences and consequences of this event occurred on both sides. Samsung branding is still the choice of consumers even though the situation might downgrade their image. Kemp et al (2012) concluded that negative emotions are the basis for future decision-making. Thus, a crisis's effect on a consumer will likely undermine a company's reputation. Negative emotions are not perceived to be a significant indicator of post-crisis credibility. It is unlikely to confirm the findings of this analysis (Kemp et al., 2012). Trust and reputation are not negatively impacted as the trustee is familiar with the organization. The more they are conscious of a product from Samsung Electronics, the less adverse feelings they encounter (Dunn & Schweitzer, 2005, as cited in Huisman, 2017). Therefore, negative emotions do not significantly impact brand image after the crisis.

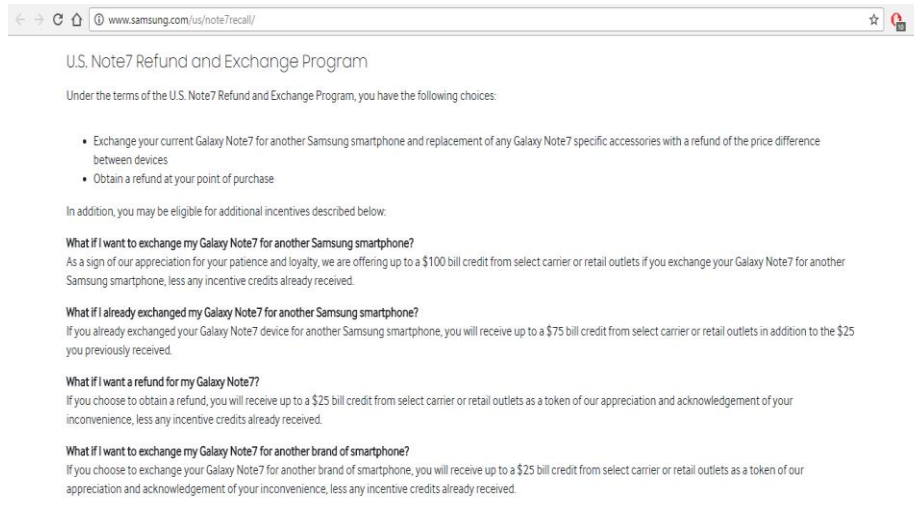
Lastly, the modesty of the CEO, who apologizes for the occurrence that occurred. *"I deeply apologize to all of our customers, carriers, retail, distribution partners, and business partners. We thank you for your patience and continuous support"*. Besides, they are responsible for replacing the current phone with the new one. This reveals their willingness to address the issue and not just be hands-off. Their reputations are not severely impacted, and their goods continue to have strong sales over others. From the customer's viewpoint, their money is not affected because they can either refund it or swap their phones for another smartphone model. In conclusion, this scenario is protected by inclusive talks since both sides have not lost anything, and it is for both parties a win-win situation.

### **Type of Negotiation Strategies used to Deal with the Crisis**

The type of negotiation that happened in the case of the Samsung Galaxy Note 7 is integrative bargaining. It is because Samsung company and its customers have a win-win situation where both parties get their winning part. The customers get replaced with the new phone, and Samsung's reputation is still in the best rating by having a press conference to explain the situation. Furthermore, Samsung knew its fault and promised to give the new phone to its customers for their safety. This integrative negotiation leads to the problem-solving method, where both parties fulfill their interest, and each party works to understand what the other needs out of the negotiation (Mirbabaie & Marx, 2019). Not only that, but Samsung also surfaces their interest and meets the needs of their customers. Interest is divided into four: substantive interest, which focuses on the critical issues in the negotiation, and process interest, which finds the way the dispute is settled (Park et al., 2019). Next, relationship interest, where they value both parties' relationship, and interest in principle, where they did what is fair for both sides, right, acceptable and ethical. In this case, the interest is more

interested in principle because it is their responsibility for the damages and has to take care of their customers' perception of them and the reputation of the business itself.

Moreover, it is widely known in business negotiation that one must have alternative solutions to settlement agreements. A term known as BATNA is a vital concept that can make negotiations more successful. Excellently, Samsung knew their BATNAs in negotiating with many parties, either the other organizations or the consumers, and showed how keen they are towards the issues of the Galaxy Note 7: recall and refund programs. Some of the alternatives taken were using their official Samsung website to give information and links on



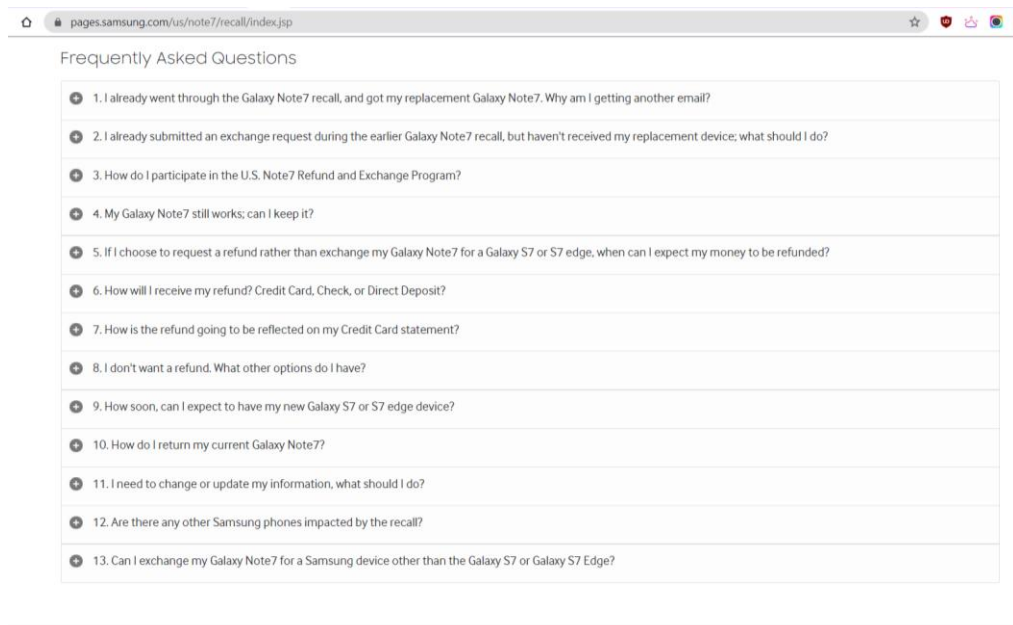
how the customers can contact them. They also made a press release to persuade a few more Galaxy Note 7 users who refused to return their phones. *“Our number one priority is the safety of our customers. We are asking users to power down their Galaxy Note 7 and exchange them as soon as possible”*. By doing so, Samsung successfully retains its company's business and reputation because of its effective crisis management. The alternatives proved they are good in the business negotiation and stand out as one of the biggest mobile phone makers. Not only that, if the negotiation goes wrong, Samsung will fail to back up itself. Integrative negotiation thus helps the negotiation promote an agreement about what is most desired by each party while maintaining a constructive relationship (Eklinder-Frick & Age, 2020).

Image 2 Samsung Nte 7 Refund and Exchange Program

Image 3 FAQ of Refund and Exchange Program

## Conclusion

This study shows that Samsung's involvement is of great importance. In answering research question one, the implementation in three phases of crisis growth of the exploded Samsung Galaxy Note 7, which are: pre-crisis, crisis, and post-crisis, has taken place in the context of the crises management system from (Coomb, 1999; Shell, 1999). The results showed that Samsung reacted quickly and decisively to its crisis. Samsung uses well-planned crisis management strategies demonstrating its capacity to handle the crisis and regain customers' trust in its product. Moreover, in answering research question number two, the type of negotiation used was integrative bargaining, where a win-win situation happened for both sides, Samsung's company and its customers. The customers get to refund or exchange the smartphones, and since Samsung is a well-recognized brand, the customers still trust Samsung. Hence, the crisis did not indeed affect Samsung's brand.



The findings and the interpretation of the results are focused on the data analysis. Furthermore, to answer research question three regarding Samsung's reputation, it is found that Samsung's company takes responsibility for the crisis and does not affect the post-crisis reputation. Samsung claimed that technological product damage caused the crisis by the battery crisis explosion. Also, negative emotions are not seen as a significant predictor of the reputation after the crisis since the customers are familiar with and know the root of their negative emotions towards Samsung's product as a well-recognized brand. The modesty of Samsung's management also can protect the company's name as an excellent brand to customer views. Therefore, Samsung's reputation is not severely impacted by the crisis. The successful way of interacting shows that the public maintains trust in Samsung's products. We also think the fault is only on the Samsung Galaxy Note 7, not the entire Samsung company. Thus, Samsung's company was well managed in crisis management, negotiating, and communicating to the media, the public, and most importantly, their affected customers.

This study also has several limitations, which the analysis was mainly from the Internet: online press releases and online articles. Not only that, Samsung's reputation was determined based on the press releases only, which none from the stakeholders' point of view. Therefore, future studies are recommended to investigate Samsung's reputation from the stakeholders' point of view by conducting surveys or analyzing the comments on social media.

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### Galaxy Note7 What we discovered

A short circuit within the battery may occur when there is damage to the separator that allows the positive and negative electrodes to meet within the polymer. Based on a detailed analysis of the affected batteries, both Battery A from the 1st recall and Battery B from the 2nd recall, we identified separate factors that originated in and were specific to the two different batteries.

#### Lithium-Ion Battery Structure

#### Battery A

| Abnormal                              | Main Cause   | Normal |  |
|---------------------------------------|--|--------|--|
|                                       | The negative electrode is deflected in the upper-right corner of the battery.                |        | The negative electrode is not deflected.                                       |
| <b>Additional contributing factor</b> |  |        |  |
|                                       | The tip of the negative electrode was incorrectly located in the curve, not the planar area. |        | The tip of the negative electrode is correctly located within the planar area. |

#### Battery B

| Abnormal                              | Main Cause   | Normal |   |
|---------------------------------------|--|--------|---|
|                                       | High-welding burrs on the positive electrode resulted in the penetration of the insulation tape and separator which then caused direct contact between the positive tab with the negative electrode. |        | The positive tab is appropriately attached to the positive electrode. |
| <b>Additional contributing factor</b> |  |        |   |
|                                       | A number of batteries were missing insulation tape.  |        | Batteries with sufficient insulation tape.                            |

## 8-Point Battery Safety Check

Since the Galaxy Note7 recall, we've re-assessed every step of the smartphone manufacturing process and developed the 8-Point Battery Safety Check. It involves putting our batteries through extreme testing, inside and out, followed by careful inspection by X-ray and the human eye. We are making a stronger commitment to safer devices.

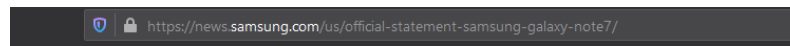
### 8-Point Battery Safety Check Test

|  |  |   |   |
|--|--|---|---|
|  |  |   |   |
| <b>Durability Test</b><br>It starts with enhanced battery testing, including overcharging tests, nail puncture tests and extreme temperature stress tests.       | <b>Visual Inspection</b><br>We visually inspect each battery under the guideline of standardized and objective criteria.                         | <b>X-Ray</b><br>We use X-ray to see the inside of the battery for any abnormalities.                      | <b>Charge and Discharge Test</b><br>The batteries undergo a large-scale charging and discharging test.  |
|  |  |   |   |
| <b>TVOC Test</b><br>(Total Volatile Organic Compound)<br>We test to make sure there isn't the slightest possibility of leakage of the volatile organic compound. | <b>Disassembling Test</b><br>We disassemble the battery to assess its quality, including the battery tab welding and insulation tape conditions. | <b>Accelerated Usage Test</b><br>We do an intensive test simulating accelerated consumer usage scenarios. | <b>ΔOCV Test</b><br>(Delta Open Circuit Voltage)<br>We check for any change in voltage throughout the manufacturing process from component level to assembled device. |

## Appendix

### Appendix A

### Appendix B

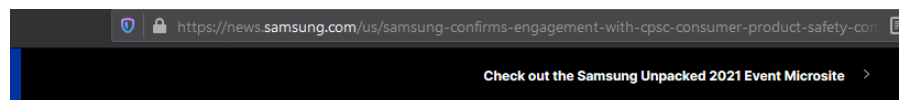


In response to recently reported cases of the new Galaxy Note7, we conducted a thorough investigation and found a battery cell issue. To date (as of September 1) there have been 35 cases that have been reported globally and we are currently conducting a thorough inspection with our suppliers to identify possible affected batteries in the market. However, because our customers' safety is an absolute priority at Samsung, we have stopped sales of the Galaxy Note7. For customers who already have Galaxy Note7 devices, we will voluntarily replace their current device with a new one over the coming weeks.

We are working with our carrier partners to announce the details of the U.S. product exchange program as soon as today.

We acknowledge the inconvenience this may cause in the market but this is to ensure that Samsung continues to deliver the highest quality products to our customers. We are working closely with our partners to ensure the replacement experience is as convenient and efficient as possible.

### Appendix C [Official Statement] Galaxy Note7 - Samsung U.S. Newsroom



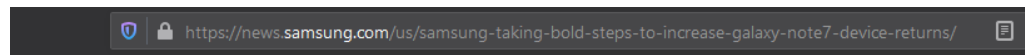
U.S. NEWS PRESS RESOURCES ABOUT

**RIDGEFIELD PARK, N.J. – SEPTEMBER 9, 2016 – Samsung Electronics America, Inc.** today confirmed it has been collaborating with the United States Consumer Product Safety Commission (CPSC) following its [announcement](#) of battery cell issues related to the Galaxy Note7. The ongoing engagement includes working with the CPSC on a voluntary corrective action plan to expedite a U.S. recall of the product.

"Samsung continues to ensure that consumer safety remains our top priority. We are asking users to power down their Galaxy Note7s and exchange them now." **says Tim Baxter, president of Samsung Electronics America.** "New Note7 replacement devices will be issued to exchange program participants upon completion of the CPSC process. In the interim, consumers can return their Note7 for another device."

### Appendix D Samsung Confirms Engagement with Consumer Product Safety Commission in Response to Note7 Battery Issue - Samsung U.S. Newsroom





Consumer safety remains our highest priority and we've had overwhelming participation in the U.S. Note7 Refund and Exchange Program so far, with more than 93 percent of all recalled Galaxy Note7 devices returned.

To further increase participation, a software update will be released starting on December 19<sup>th</sup> and will be distributed within 30 days. This software update will prevent U.S. Galaxy Note7 devices from charging and will eliminate their ability to work as mobile devices.

Together with our carrier partners, we will be notifying consumers through multiple touchpoints to encourage any remaining Galaxy Note7 owners to participate in the program and to take advantage of the financial incentives available.

## Appendix E Samsung Taking Bold Steps to Increase Galaxy Note7 Device Returns - Samsung U.S. Newsroom



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Just over a week ago, Samsung Electronics announced a global replacement program for the Galaxy Note7 as a precautionary measure due to a battery cell issue. Since then, we have been working hard to expedite product shipments in order to fulfill that exchange program and reduce any inconvenience for our customers. During the past week, we understand that there are concerns from our customers and we wish to emphasize the importance of exchanging the product.

"Our number one priority is the safety of our customers. We are asking users to power down their Galaxy Note7s and exchange them as soon as possible," says DJ Koh, President of Mobile Communications Business, Samsung Electronics. "We are expediting replacement devices so that they can be provided through the exchange program as conveniently as possible and in compliance with related regulations. We sincerely thank our customers for their understanding and patience."

Although there have been only a small number of reported incidents, Samsung is taking great care to provide customers with necessary support. Samsung has identified the affected inventory and stopped sales and shipments of those devices. We are also collaborating with national regulatory bodies.





Customers who have Galaxy Note7 devices can replace their current device with a new device based on local

## Appendix F Samsung Urges Galaxy Note7 Users to Immediately Participate in The Replacement Program

news.samsung.com/global/samsung-will-ask-all-global-partners-to-stop-sales-and-exchanges-of-galaxy-note7-while-further-investigation-takes-place

**Samsung Newsroom** CORPORATE | PRODUCTS | PRESS RESOURCES | VIEWS | ABOUT US

## Samsung Will Ask All Global Partners to Stop Sales and Exchanges of Galaxy Note7 While Further Investigation Takes Place

on October 11, 2016 Audio   Share  

We are working with relevant regulatory bodies to investigate the recently reported cases involving the Galaxy Note7. Because consumers' safety remains our top priority, Samsung will ask all carrier and retail partners globally to stop sales and exchanges of the Galaxy Note7 while the investigation is taking place.

We remain committed to working diligently with appropriate regulatory authorities to take all necessary steps to resolve the situation. Consumers with either an original Galaxy Note7 or replacement Galaxy Note7 device should power down and stop using the device and take advantage of the remedies available.

### Appendix G Samsung Will Ask All Global Partners to Stop Sales and Exchanges of Galaxy Note7 While Further Investigation Takes Place

news.samsung.com/us/Samsung-Electronics-Announces-Cause-of-Galaxy-Note7-Incidents-in-Press-Conference

**SEOUL – January, 23, 2017** – Following several months of in-depth investigations, **Samsung Electronics** today announced the cause of the Note7 incidents and measures to prevent a recurrence during a press conference held in Seoul, Korea. DJ Koh, President of Mobile Communications Business, Samsung Electronics, shared detailed results of the investigation and expressed his sincere apology and gratitude to Galaxy Note7 customers, mobile operators, retail and distribution partners and business partners for their patience and continued support.

Koh was joined by executives from UL, Exponent and TUV Rheinland, leading independent industry groups that conducted their own investigation into various aspects of the Galaxy Note7 incidents.

Speakers included:

- Sajeev Jesudas, President, Consumer Business Unit, UL
- Kevin White, Ph.D, Principal Scientist, Exponent
- Holger Kunz, Executive Vice President Products, TUV Rheinland AG

Speakers discussed the findings of the investigations in depth and unveiled new measures Samsung has taken to respond to the incidents.

### Appendix H Samsung Announces Cause of Galaxy Note7 Incidents in Press Conference - Samsung U.S. Newsroom