



UNIT-11

Key Components of Crisis Management in Public

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Explore various aspects of crisis management
- ✓ Discuss basic principles of crisis management

Unit 11

Crisis Management and Public Relations

Crisis Public Relations Management is one of the most critical aspects of modern communications. Effective Crisis Management protects companies, their reputations, and, at times, can salvage their very existence. A crisis is an event that disrupts normal operations of a company or organization and if badly managed can ruin hard-won reputations in just days and even, in some cases, write off companies.

The key to Public Relations Crisis Management is preparedness. It is vital to effective crisis management that a crisis is identified before it happens and, when it does, that it does not get out of control. In this Information and Communications' Age, when a crisis does happen, it is crucial to understand the role communication plays and particularly, the role of the internet. In this unit we will examine the key principles for managing any crisis situation using a variety of case studies of both good and bad practice.

Crisis Public Relation Management: The Context

Public Relations' Crisis Management literature is filled with lists of 'dos' and 'don'ts,' together with countless checklists, for example, Howard and Mathews (1985) include a 17-point crisis plan in their media relations book. All these are helpful in describing and dissecting crises. Some of this planning relates to the preparations before a crisis has happened, but generally, the lists and guidelines concern coping with the situation in a practical sense after a crisis has happened. Heath (1997) supports the link to Crisis Management and highlights how managing issues can help prevent a crisis. He states (1997: 289): 'If a company is engaged in issues management before, during, and after a crisis (in other words, ongoing), it can mitigate – perhaps, prevent – the crisis from becoming an issue by working quickly and responsibly to establish or re-establish the level of control desired by relevant stakeholders.' In this unit, we will aim to build understanding by applying theoretical and practical models to crisis scenarios.

As a starting point, it is important to define the area. Cornelissen (2004) describes Crisis Management as a point of great difficulty or danger to an organisation possibly threatening its existence and continuity that require decisive change.

Seymour and Moore (2000: 10) use a snake metaphor to argue that crises come in two forms:

The cobra – the 'sudden' crisis – this is a disaster that hits suddenly and takes the company completely by surprise and leaves it in a crisis situation.

The python – the 'slow-burning' crisis or 'crisis creep' – a collection of issues that steal up on the company one by one and slowly crush it.

In 1989, Sam Black broke crises down into the 'known unknown' and the 'unknown unknown.' The former includes mishaps owing to the nature of the organization and its activities, e.g. manufacturing or processing and potential for spillage. The 'unknown unknowns' are events that cannot be predicted and

that can come about from employees' behavior, unconnected events, or circumstances that are unpredictable.

Lerbinger (1997) categorized eight types of crisis that he attributed to two causes: management failures or environmental forces. The eight categories are:

- 1 natural (for example, the Asian tsunami, which affected nations, governments, corporations, businesses, and the lives and social infrastructure of millions);
- 2 technological (Mercedes 'A' Class car had a design fault and 'rolled over');
- 3 confrontation (Shell Oil whose petrol stations suffered a consumer boycott after the company wanted to sink an oil platform in the North Sea –the Brent Spar);
- 4 malevolence (product tampering by a private citizen, like the Tylenol case detailed later, or direct action by animal rights campaigners, such as placing bombs under the cars of executives whose stores sell cosmetics tested on animals);
- 5 skewed management values (Barings Bank went out of business after managers were accused of turning a blind eye to a 'rogue' trader who hid details of his massive financial losses in the currency markets);
- 6 deception (examples include deceiving employees about the amount of money in pension funds after it has been used by executives to support the business, a UK case being that of Robert Maxwell and the Mirror Group of national newspapers);
- 7 management misconduct (Enron is one of the most shocking examples of this with both illegal and unethical practices rife in the senior management of the practice); and
- 8 business and economic (the late 1990s boom/bust in numerous small IT/technology companies is an example of how economic cycles can impact an organisation).

Crisis Public Relations Management VS Operational Effectiveness

However well a crisis is managed from an operational perspective, it is how an organisation communicates about the crisis that makes the real difference. There is evidence that good communication in a crisis situation can support or increase a company's reputation. Poor management or a lack of communication skills can have a powerful negative effect on a company's business.

Let us examine the case of the Exxon Valdez oil spill in March 1989. The spill took place in Alaska, one of the few true wildernesses in the world and received a considerable amount of global media coverage. Even though the accident site was appropriately cleaned up (operational effectiveness), Exxon took far too long to address its stakeholders and, particularly, the media. As a result of this failure of communication, its reputation was substantially tarnished. Insult was added to injury when the CEO finally did talk to the media as he blamed them for exaggerating 'the public relations disaster' that was created around the spill. Exxon's stock market capitalization dropped about \$3 billion in the two weeks after the Exxon Valdez Oil Spill in Alaska.

Now, consider the frequently discussed case of Johnson & Johnson. Over 20 years ago, Johnson & Johnson faced a potentially devastating crisis. Tylenol, the company's trusted and leading analgesic (pain reliever), was contaminated with cyanide by a member of the public. This action directly caused the deaths of six people in the Chicago area. Could anything worse happen to an over-the-counter product? Johnson & Johnson did not hesitate to act and act quickly. For the first time, in the history of any product, it issued a complete product recall. It literally pulled off the shelves all the capsules throughout the USA – not just in the Chicago area where the deaths occurred. The potential financial consequences of losing a leading product, and the subsequent damage to its brand, could not be exaggerated. But, at the same time, it communicated exactly what it was doing, in a timely manner to all stakeholders – shareholders, employees, press, and consumers. How would it act next? How would it re-establish confidence in the product and the brand? How was anyone to trust a Johnson & Johnson product again? Could anyone with a grievance or grudge or another random 'madman' claim to have poisoned the product and effectively blackmail them?

Johnson & Johnson's next response was both direct and decisive. It introduced tamper evident packaging. It was, in many ways, a very simple operational 'addition' in terms of production – a metal foil to visibly 'seal' the product plus two more physical barriers to entry. Its simplicity was its key. Now, without any doubt, all stakeholders could actually see that the product was safe. Johnson & Johnson acted swiftly and effectively both in terms of operation and communication. Even today Tylenol is seen as one of the best-managed crises and the brand (appropriately) is still a success around the world. This crisis was so well handled that Johnson & Johnson's reputation has actually benefited in the long term – Johnson & Johnson's words and actions were seen to be in accord.

Where do Crises come From?

A Spoonful of Sugar

Leading crisis counsellors argue that over 50% of crises occur with products that are either ingested or swallowed – including food, drink, and oral pharmaceuticals. We all eat and get ill – it is easy to understand how a damaged or defective food or pharmaceutical can be a major cause for concern. But the source of a crisis might not always be so subtle. A crisis can hit any organisation regardless of what or whom it represents. Whenever the manufacturing process is employed or whatever information is disseminated, things can and will go wrong.

It's not what you know, but who knows it

This is the Information and Communications Age and highly confidential information somehow always escapes the bounds of its host organisation. Strictly confidential, paper based hospital records have been found on rubbish dumps and the hard drives of second user computers have been found to contain sensitive company or even government information. In today's climate, it is nearly impossible to keep confidential information confidential. Any organisation should expect that what is known on the inside is just as well known on the outside.

You won't believe what so-and-so just told me

According to the Institute of Crisis Management, around a quarter of global crises are caused or triggered by employees/members of an organisation. Employees are a company's best asset when they are effectively motivated, remunerated, and appreciated. But loyalty may turn – often when least expected.

The disaffected employee or former employee taking some form of revenge can trigger a crisis – and when feelings are running high, their negative impact can be huge. One disaffected employee brought down the stock price of a leading healthcare firm by 35% by giving incorrect research information to a leading newspaper; how can we forget the one-man crisis caused by Nick Leeson who brought down the merchant bank Barings through his overzealous financial actions! These actions were well chronicled in a 1998 film, *Rogue Trader*.

Seymour and Moore (2000: 142) outline the characteristics of rumors under crisis conditions:

- Accept that rumors always generate interest and are often more attractive than the facts;
- Silence – or a vacuum caused by lack of communication – will always be filled by rumour and speculation; and
- Any organization of 10 or more people will always have a series of rumours circulating.

Under these circumstances, rumour can contribute to and exacerbate already serious problems. Thus, monitoring and pickup systems are required, especially when a company is facing or handling a crisis situation.

What are the Real Costs of a Crisis?

With any crisis there are, as we have seen, clear financial costs involved in withdrawing a product and cleaning up after an industrial accident, etc. However, compared to the damage that can be done to a reputation, these costs are minimal. Let's take a look at the real costs of a crisis.

Management Distraction

Even when a crisis is handled well, key leaders or the leadership team are preoccupied for periods that can last from several days to several weeks and cannot manage the daily business. When a crisis hits, the people running an organisation have a crisis to handle!

Labour/Employee Concern

Employees will naturally be concerned about their own welfare, jobs and financial security. Too few companies communicate effectively with their employees during a crisis. Employees, who are both well-informed and motivated, can be a powerful force in times of crisis. Without them, an organisation will not exist. With them, all things are possible.

Political Backlash

Whether on a country, EU, or global level, crises sow discontent among regulators and ‘the authorities’ and the chances of regulatory or political pressure on or against an organization are high. This may be driven by Public Reactions to the crisis.

Legal Actions

We live in a ‘do – or - sue’ world. Crises encourage litigious behavior in individuals and injury or other compensation claims can make huge financial demands. In terms of litigation, an organisation should plan for the worst – and particularly so, in the area of product liability.

Customer Reactions

It is reassuring how forgiving customers can be, but only if they feel their concerns have been adequately addressed. When an organisation fails to communicate effectively with consumers, it is likely to see its support disintegrate and market share plummet irretrievably.

Crises in Action – What actually happens and what does it Feel Like?

The following description of a crisis is based on the experiences of a senior crisis consultant who describes what happens and how it feels.

There is a distinct pattern of events and behavior that occurs during a crisis. Let’s take a look at them.

Surprise!

Crises happen at the most inopportune times – Easter, Christmas, bank holidays, or 8 o’clock on a Friday night after a week of hell, when you’re enjoying a ‘good night out.’ It’s almost guaranteed that if a crisis were to happen in Japan, it will be during the Golden Week holiday, in China, it will happen during Chinese New Year or over Thanksgiving in the USA. And the company is usually unaware of the situation until the issue is raised by someone else – be it a regulator, ‘authority’, key customer, or media. Your mobile phone rings. You don’t recognise the number, but it’s a work phone, so you answer it. What next? Snowball effect.

You’re on your toes and you can guarantee that your briefcase is not where you left it and you can’t find the number for the out-of-hours Public Relations’ officer. You think you know what to say and the caller tells you they’ve got a deadline and whatever you say is going to be quoted. As you are thinking on your feet, so, your organisation may feel they don’t have enough information to deal with the crisis. What are the facts? Who has that information and how is it best understood and represented? Both you and your organisation feel there is an escalating flow of events. Within what may feel like moments, the media are talking about the situation, investment analysts are asking awkward questions, and NGOs are getting involved. Everyone seems to be looking in on the organization – you are in a goldfish bowl and everyone is peering in. It’s highly probable that you and your organization will feel a loss of control over the

situation – there are so many different stakeholders and they want to know right now what has actually happened and what’s being done, or going to be done, and said about it.

Roll down the Shutters – Crisis Leads to Drama

There is immense and intense scrutiny from outside the company. This can lead to a siege mentality where individuals feel everyone is against them and their organisation. This reaction invariably and rapidly leads to panic. ‘I don’t know what you’re on about!’ you tell the caller. ‘I don’t believe a word of it – you’re just after a story. I suggest you go and pick on someone less gullible.’ Once panic sets in rational decision making goes out of the window. But applying rational thinking to irrational events is exactly what’s called for. ‘Those are very serious allegations. It is not appropriate for me to comment immediately. I will return your call within 15 minutes. Before this time, I’m afraid I’m unable to comment.’ What happens next?

Market Confidence and Reputation

This is the most significant cost of all. Rebuilding a reputation with stakeholders, such as, shareholders and consumers, is not only costly, it can also take years to achieve. Again, effective communication is key to reinforcing both public and market confidence.

Communicating during a Crisis

The examples and experiences described so far in this unit dramatically demonstrate that today it is more and more evident why a company or organisation should communicate effectively at the onset of a crisis. Yet, many companies argue against it. Preparing for a crisis costs time, money, and energy – and crisis preparedness training is often seen as an unnecessary luxury. Even when an organisation is urged to communicate about its situation by experienced Crisis Management counselors, there is often a list of reasons why it cannot communicate, such as:

- The need to assemble all the facts before it communicates;
- The desire to avoid panic, for instance, it fears that by mentioning the individual brand people will think the corporate brand is ‘infected,’ as well;
- It does not have a trained spokesperson and is not going to put anyone up against a seasoned television interviewer, such as, Jeremy Paxman on the BBC’s *Newsnight* (a late evening ‘hard’ news programme);
- It has had other problems recently and cannot talk about this problem because it will impact on its overall corporate reputation;
- The issue of how to solve the crises – no one knows how to solve the problem at the outbreak of the crisis; every single crisis situation companies face and its solution will be substantially different; and
- The fear of revealing proprietary information or revealing competitive information that may give the company new competitive problems.

Talking to the Media

The way a company communicates to the media is critical. Selecting a spokesperson or spokespeople is one of the most important decisions in the effective management of any crisis. Whomever acts as spokesperson should follow the proposed 5Cs Model to be effective. This is based on consultancy experience of Senior Crisis Managers.

The sections of the 5Cs Model in Figure 18.1 can be explained as follows.

Concern

Not to be confused with legal liability, concern is a simple human emotion. The organisation's spokesperson needs to show true concern about the problem, concern about what has happened and concern for the people affected now and in the future – including potential customers/service users.

Clarity

Organisations need to talk with clarity. Starting from the early hours of the crisis, they need to have very clear messages. What the spokesperson says at the outset will be repeated throughout the duration of the crisis.

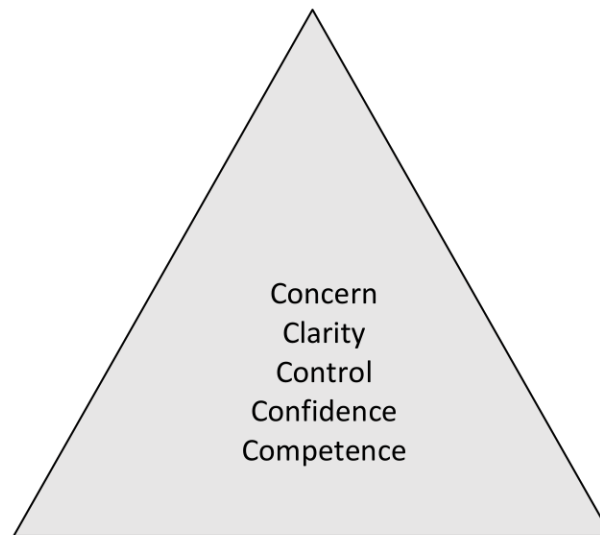


FIGURE 11.1 the 5Cs Effective Communication Model

Control

When talking to the media, spokespeople must take control of the messages, the situation, the environment, and the venue.

Confidence

The spokesperson must get the key messages across with confidence, but without appearing complacent or arrogant.

Competence

They must also demonstrate competence and reflect how, as the representative of the organisation, they will handle the crisis.

How will the Media React?

In the first instance, the media will want to know the facts. Their first questions are likely to be these:

- What happened?
- What went wrong? Why?
- Who is to blame/accountable?
- What is happening right now?
- What are you doing to prevent it from happening again?

While these initial questions are generally predictable, how the media will act and how they will report a crisis should never be assumed. Everyone asks questions from 'their own perspective' and everyone, especially the news-hungry media will have their 'own take' on the crisis situation. As well as general reporters, there may also be very well-informed specialist correspondents to consider.

The Internet and Public Relations Crisis Management

Since the days of the "Tylenol Crisis," the media environment has changed dramatically. The once limited media market has become global and highly sophisticated. The impact the internet has on crisis management today is enormous. The speed with which communications can be delivered is phenomenal and available to so many people – from home computers, via internet cafés, all the way to corporate communications infrastructure. If something happens, someone somewhere will be giving their own, often live, version of the events. From individuals, through online communities, adversarial organizations, and NGOs, the internet is very effective in putting a message out. It is impossible to censor the internet – which is both its strength and its weakness – but it is a highly effective vehicle to the dissemination of information and opinion that may masquerade as information.

Seymour and Edelman (2004) describe the new challenges posed by the internet:

But when considering how to turn around a crisis today, management teams must accept that the media represent only part of an array of communication channels – albeit one of the most noisy and demanding. In a world dominated by low trust and the corrosive effects of cynicism, corporate voices can quickly be ignored, distorted or drowned out by the incessant noise that characterizes each and every crisis situation. Over the last ten years, crisis management and communications have been forced to develop in response to a series of technology and IT driven changes. At the same time, single-issue groups and NGOs were recognising the potential of the internet. Now, it is possible for a small group to drive campaigns across the internet, while at the same time empowering individuals to express their opinions at the click of a mouse.

The totally unregulated nature of the internet gives organisations a huge cause for concern. The internet has become the new rumour mill where people can say anything they want or create websites that criticise specific organisations, companies, and specific industries.

Direct face-to-face communication in general and particularly, during a time of crisis, is, therefore, a positive advantage.

How to Prepare for a Crisis

Crises do come as a surprise and at unexpected times, but any organization – commercial or public sector – can prepare itself for the inevitable and everyone should. Methods, such as, research in the form of crisis audits, preparing a crisis manual and conducting crisis simulations or training will ensure that organizations are better equipped to handle any crisis.

Crisis Audit

The first step in preparation is to conduct an audit that assesses the current vulnerabilities and strengths of the company or organization. The audit will research key areas, such as, operations, marketing, employee relations, safety experts, environmental experts, government, legal, and communications people. It will ask tough questions to determine the most likely scenario that could happen, assess how well prepared the company is to deal with it and whether or not it has all the necessary resources.

The audit results can then be used to identify the key trouble spots, identify which stakeholders would be affected and help management build scenarios to train a key crisis team with the techniques of effective crisis management. In addition to being able to train a crisis team, the assessment can help build a comprehensive system for managing crisis communications.

Crisis Manual

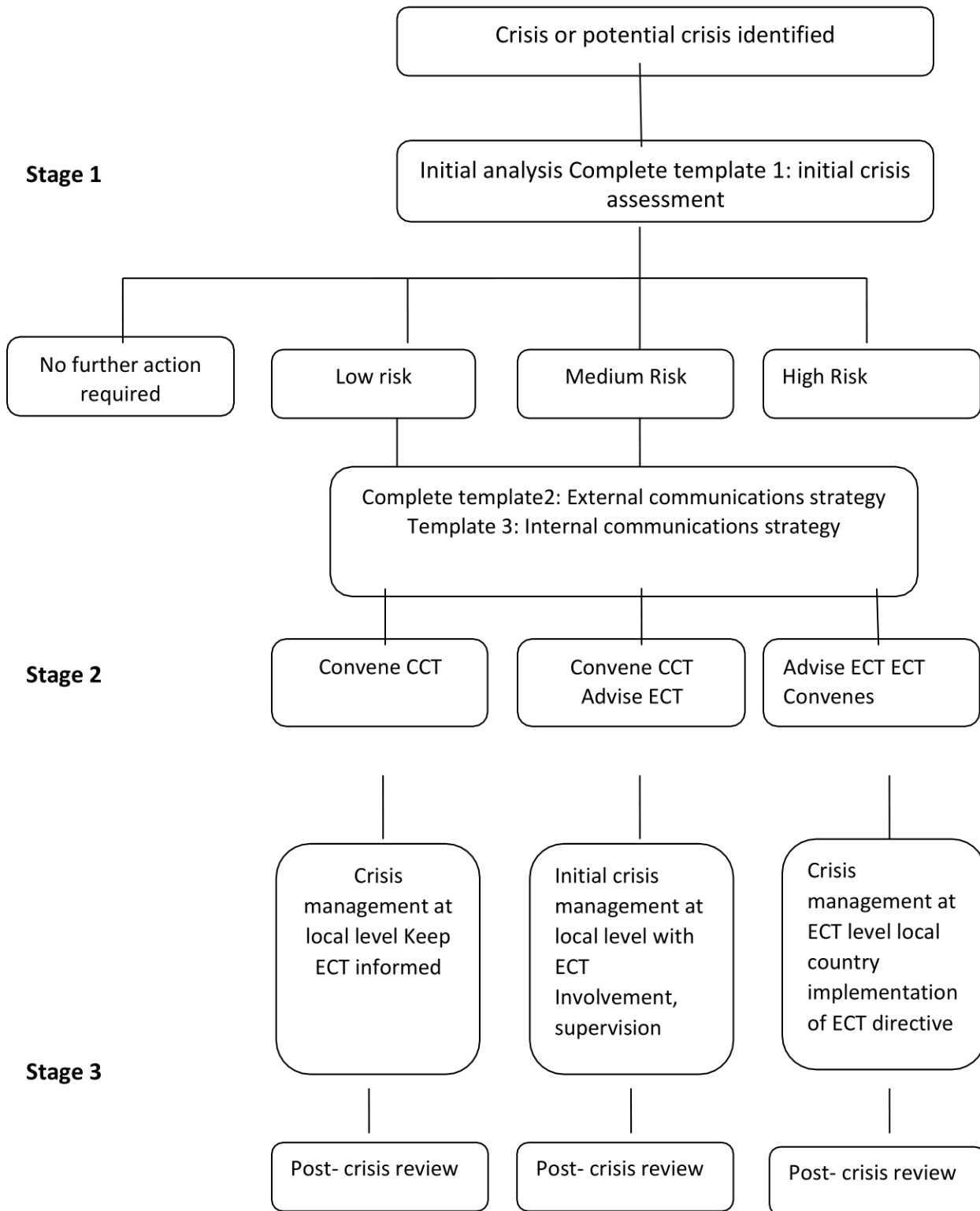
Another means of preparation is a crisis manual. A good crisis manual contains a simple system of rapid communications, basic messages, and audience identification and should not be more than 10 pages long. Anything longer will not be used in a crisis. A well-prepared crisis manual can serve as a guide for many of the basic tasks, such as, activating the crisis team and facilities, and allows more time for the crisis team to focus on the more urgent issues.

Crisis Simulation and Training

The final step in crisis planning is to conduct simulation training. Crisis Simulation Training is designed to create a real atmosphere of crisis. It integrates group and individual exercises, tests the skills of the spokesperson or spokespeople, tests the crisis plan, and finally, examines and evaluates the communications tools to find weak spots. Such exercises range from desktop exercises to full-blown global tests of the team. Repetition of crisis simulation and exercises are crucial to ensure that weaknesses are addressed.

A useful method that can also help prepare a company is to incorporate debriefing sessions into the communications plan to make sure the team understands what the emerging issues are, what they are doing in terms of community relations and how they are working with the newest techniques in crisis management. They should also be aware of the importance of community and employee relations.

FIGURE 11.2 Crisis Communications Action Plan



Key Principles in Crisis Management

To draw this unit together and support students in understanding how to manage crisis public relations situations, the following 10 key principles have been identified. These are based on the experience of leading crisis consultants (counselors) over three decades and influenced by the analysis of crises in a range of international settings, with various commercial and non-commercial situations.

Crisis Management Principles

Define the real problem: This is the most critical aspect of effective Public Relations crisis management. Define both the short-term problem – address the situation right now – and the long-term problem to ensure the brand/corporation recovers in terms of both market share and reputation.

Centralize or at least, Control

Information flow: This applies to items of information both coming in and going out. If there is a multi-country issue, have one 'central place' as the focus. This, in very practical terms, will make communication within the organisation easier. If it is not feasible to have one centre, then, all spokespeople must be rigorously trained so as to communicate the same message. Be aware of language sensitivities and terms of reference that may not translate readily from one language to another.

Isolate a Crisis Team from Daily Business Concerns

Crises, as we have seen, are by their very nature, all enveloping. While managing a crisis, the day job has to be put on hold. In the case of Tylenol, Jim Burke, Johnson & Johnson CEO, insisted he became the brand manager for Tylenol. He was able to delegate his many leadership tasks and this enabled him to focus on doing the right thing for Johnson & Johnson while relieving him of his day-to-day responsibilities.

Assume a Worst-case Planning Position

Ensure the crisis team thinks about the worst-case scenario in terms of what could happen to the brand and to the organisation. More often than not, people estimate the worst from their own perspective, or what they are able to handle, rather than a true worst case. It is therefore important to brainstorm and get as much input from others, as possible.

Do not Fully Depend on One Individual

The person managing the crisis must depend on the whole team for information, but never rely on information from just one individual. Some team members may have a vested interest in a particular area and want to protect their own or their department's reputation. It is important that the messages put out during a crisis are not subverted by the influence of one department over another. These subtleties can be worked out at a later date. There is usually more than one department's internal reputation on the line when a crisis hits.

Always Resist the Combative Instinct

Do not go into battle with the media, NGOs, competitors, or suppliers. An organisation must demonstrate it is in control during the crisis. The outcome of being combative could well destroy the brand or reputation. Words said in anger, or defence, may be temporarily satisfying, but they may not represent the best position for the crisis public relations manager or the organization. When Ronald Li of the Hong Kong Stock Exchange suspended trading in 1987 in an attempt to defuse a run on the exchange, the crisis was made worse when he lost his cool with a journalist at the subsequent press conference. The journalist suggested that closing the exchange was outside Mr Li's legal powers. Mr Li responded by demanding his name and threatening to sue him. He actually ended up in prison himself (for unrelated charges of insider trading).

Understand Why the Media are There

The media are searching for a good story. They need focus, a 'cause – and - effect' – something that their audience will relate to. A firm can assert the facts as it sees them and thus, defuses an 'on-the-face-of-it' story.

Remember all Constituents (stakeholders)

It is not just the media that need fast and relevant responses during a crisis. The crisis plan has to take all the stakeholders into consideration.

Contain the Problem

Reduce the problem to as small a geographical area as possible to prevent it becoming a bigger problem – from local – to - national or national – to - international. In these days of the international media and the internet, localising an issue is a major challenge.

Recognise the Value of the Short-Term

Sacrifice: This might involve recalling the product or dismissing the person responsible for causing the problem.

Further Reading:

- ✓ *Crisis Management and Response A Complete Guide – 2021 Edition, (2020), By The Art of Science – Crisis Management and Response Publishing*
- ✓ *Crisis Management: Leading in the New Strategy Landscape, (2020), By William Rick Crandall Ph.D., John A. Parnell Ph.D., John E. Spillan Ph.D.*