

Week 9. Crisis response

13 March 2017

Questions



Today's learning goals

1. Identify crises and **evaluate each crisis** based on salience, immediacy and uncertainty.
2. Describe the difference between **information and knowledge** and how it relates to crisis response.
3. List the stages in **crisis response**.
4. Be able to design **objectives and content** for a given crisis.

Crisis management stages

Macro stages	Micro stages
Precrisis	Signal detection
	Prevention
	Crisis preparation
Crisis Event	Crisis Recognition
	Crisis Containment (Crisis Response)
Postcrisis	Evaluation

Crisis Recognition – Is this a crisis?

- Some crises are easy to spot (natural disasters, terrorism, accidents...), but others (rumors, challenges...) are **sometimes difficult to see**.
- Crisis managers must be able to **identify crises** and "**sell them**" to managers, so that the CMP can be enacted as soon as possible.
- Manager might not always want to listen as going into **crisis mode is expensive**.

Crisis | Definition

"A crisis is the **perception** of an **unpredictable** event that threatens important **expectancies** of stakeholders related to health, safety, environmental, and economic issues, and can **seriously impact** an organisation's performance and generate **negative outcomes**."

Crisis Recognition – Is this a crisis?

- Crises are not just those that a company labels as such – **when a stakeholder believes there is a crisis, a crisis exists.**
- Some crises (**hacking, embezzlement**) tend to be underreported or covered up.
 - Companies are embarrassed to report them and try to cover them up.
 - Cover ups are **dangerous**. If they are exposed, they will lead to a **bigger crisis**.

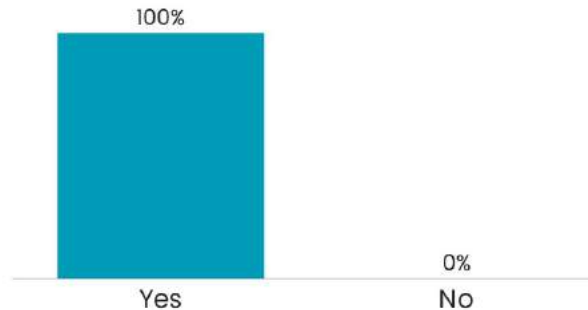
Exercise - Is this a crisis?

Example A - Samsung

- Two people in Xi'an report that their Samsung Galaxy 8 phones exploded.
- No other cases have been reported after one week.
- CCTV has called this incident "another crisis for Samsung."

Example A - Is this a crisis for Samsung?

Mentimeter



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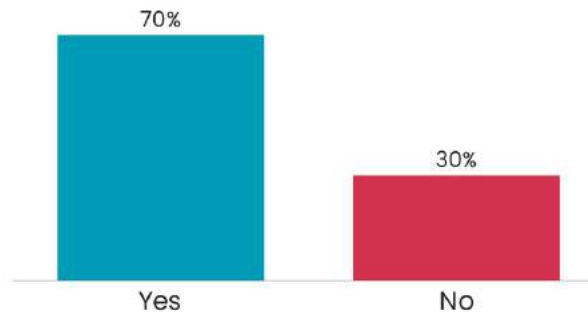
Exercise - Is this a crisis?

Example B - Hai Di Lao

- A Hai Di Lao customer posts a picture on Weibo of a rat in the restaurant.
- The message is retweeted by Xie Na (娜娜) to her 90 million followers.
- Netizens attack the user because the picture is fake.

Example B - Is this a crisis for Hai Di Lao?

Mentimeter



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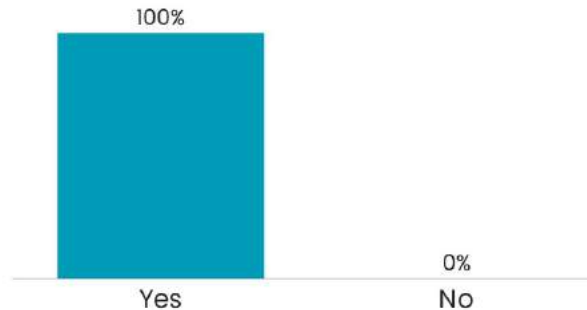
Exercise - Is this a crisis?

Example C - The Body Shop

- Greenpeace posts a video on YouTube accusing The Body Shop of testing soaps on animals.
- The story is picked up by CNN and the BBC and other international media.
- Consumers start a Change.org campaign to take legal action against The Body Shop.

Example C - Is this a crisis for The Body Shop?

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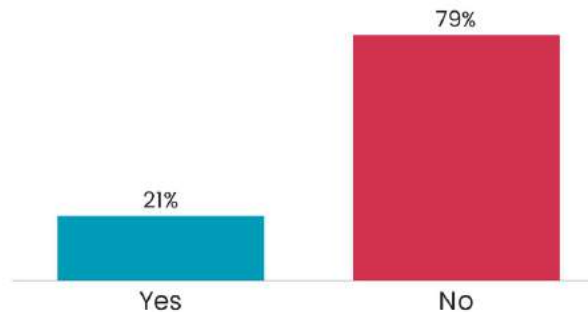
Exercise - Is this a crisis?

Example D – Festival Walk

- A shooting is reported at Festival Walk, several people are dead and many are injured.
- Footage of the attacker is posted on social media.
- The attacker has not been captured and might be on the run or hiding.

Example D – Is this a crisis for City University?

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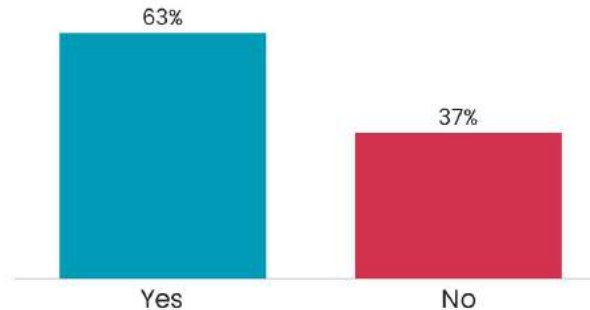
Exercise - Is this a crisis?

Example E - Baidu

- Personal information of 300 million Baidu users has been stolen by hackers.
- Passwords or credit card information were not compromised.
- Only senior Baidu officials and police are aware of the hacking problem.

Example E - Is this a crisis for Baidu?

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When in doubt... evaluate

- Whenever a stakeholder claims that there is a crisis, crisis managers must examine (or reexamine) the claims.
 - If the **claims are untrue**, they must be corrected immediately in order to diffuse the crisis.
 - If the **claims are true**, it is important to determine whether other stakeholders share the views.
 - If **multiple stakeholders support the claim**, it is likely that the crisis will escalate.

Crisis dimensions

- Identifying a crisis also implies understanding its **magnitude** (or the **dimensions of a crisis**).
- Not all crises are created equal. Some crises are more pressing than others, some can hurt more than others. Crises can be assessed according to 3 dimensions:
 - Perceived salience
 - Immediacy
 - Uncertainty

Dimensions | Perceived salience

- The salience of a crisis is related to the value of the **loss associated** with the crisis and the **probability of the loss**.
- These dimensions are related to the concepts of impact and likelihood we used when doing risk assessment.
- This is a perceived dimension – **different people perceive risk differently** based on a number of factors (trust, proximity, control...).

Dimensions | Immediacy

- Immediacy is related to the **time pressure** involved in a crisis. It has two components.
 1. How **quickly the crisis will hit** the organisation;
 - The sooner the impact, the higher the immediacy and the need for an organisation to react.
 2. How soon stakeholders are **expecting an organisation to react**;
 - When important stakeholders expect action right away, immediacy comes at play.

Dimensions | Uncertainty

- Uncertainty is **the amount of unknowns** in a crisis. The more things we do not know, the larger the uncertainty.
- Humans are **uncertainty averse** and do all things possible to reduce it. Uncertainty leads to anxiety, which tends to be reduced when information is provided.
- Organisations facing an uncertain crisis need to **allocate extra resources** to reduce it.

Two crises

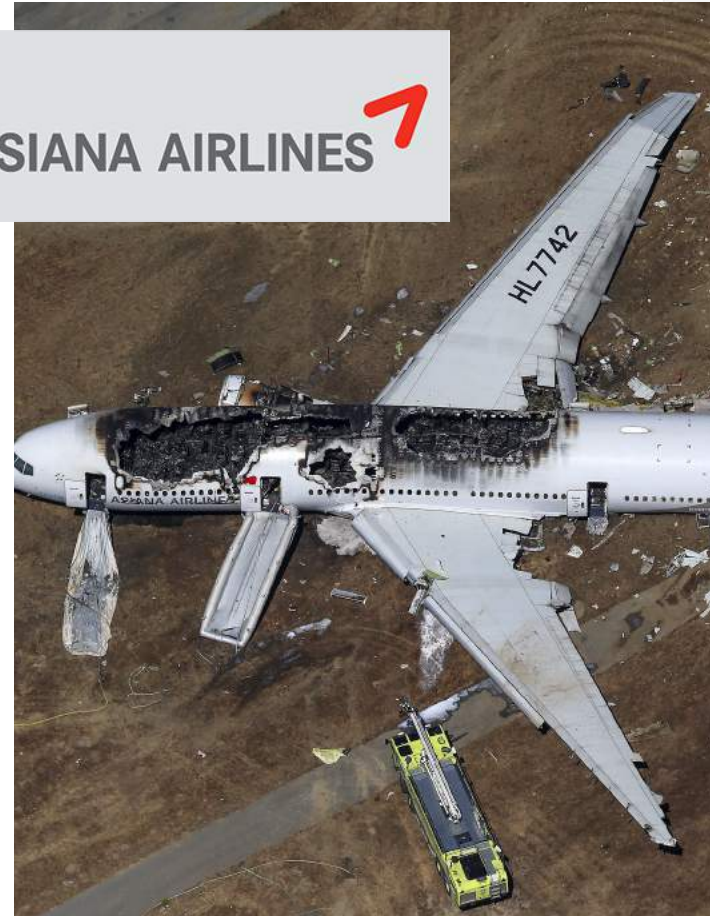
SAMSUNG



Source: <http://www.ginjo.com/actualites/telephonie-et-voip/galaxy-note-7-risque-dincendie-rappel-massif-de-part-de-samsung-20160901>

Exploding phones and a slow reaction by Samsung

ASIANA AIRLINES



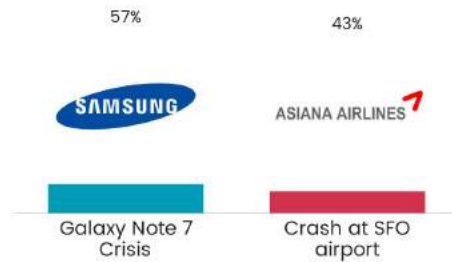
Source: <http://www.ibtimes.com/asiana-airlines-ordered-suspend-san-francisco-routes-45-days-after-last-years-crash-1723711>

Asiana Airlines (韓亞航空) crashes at San Francisco Airport in 2014

Crisis dimensions

Which crisis had higher perceived salience?

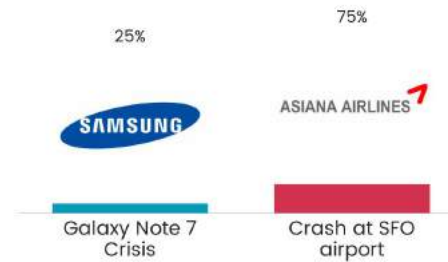
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Which crisis had larger immediacy?

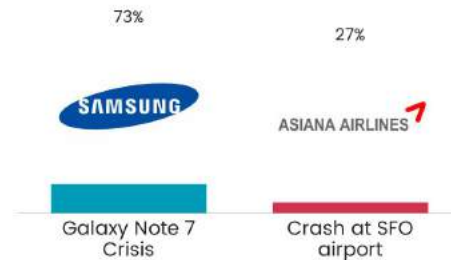
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Which crisis had greater uncertainty?

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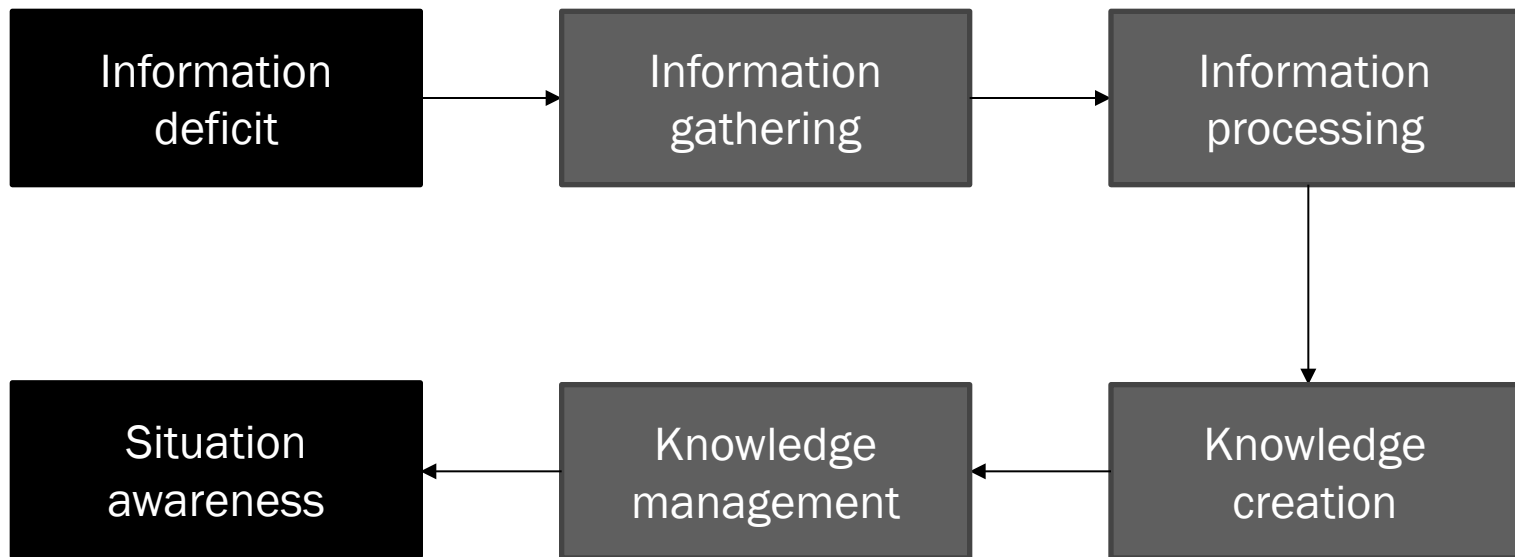
Where to start? Gather information!

- Once a crisis is acknowledged, the CMT must first gather **crisis information** (data) as quickly as possible (Who? How? Where? When? Why?).
- Information (data) **needs to be processed** and understood in order to:
 - Create useful knowledge;
 - Guide decisions making on how to apply the CMP;
 - Create messages that are to be sent to stakeholders.

Information – Knowledge

- Crises are **information-poor** and **knowledge-poor** situations. To reduce the deficit, four processes are needed:
 - Information gathering;
 - Information processing;
 - Knowledge creation;
 - Knowledge management.
- Knowledge is pre-processed and pre-analyzed information. Knowledge is what is needed the most.

Information – Knowledge



"*situation awareness* describes the point at which the crisis team feels it has **enough information and knowledge** to make a decision"

(Coombs 2015, p. 118)

Information gathering

- Information gathering should not be a random process, but an **organized search**.
- Information needs must be prioritized. Not all information is equally important.
- As much information as possible **must already be in the CMP**:
 - Contact information of stakeholders and information sources.
 - Pre-gathered links, definitions and other useful information.

Information processing

- Under stress, it is common to **make mistakes** in the information processing stage. Five common errors to watch out for are...
 1. Serial reproduction errors
 2. The MUM Effect
 3. Information overload
 4. Information Acquisition Biases
 5. Group Decision-Making Errors

(Coombs 2015, p. 121-3)

Information hierarchies

Report on the inspection of manufacturing plant [1]

Blog posts analyzing the crisis response [2]

Estimation of costs of product recall [3]

Forecast of stock market losses [5]

Estimated time to restart the plant [6]

Confirmation that the crisis is reported in the media [4]

Confirmed cases of dead costumers [7]

YouTube video claiming the crisis is an alien attack [8]

Costumers' tweets reaction to the crisis [9]

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The crisis is here: now what?

- As soon as a crisis has been identified and information has been gathered the CMT must
 - Stop the crisis from affecting **other parts of the organisation** that were not affected;
 - Prevent the crisis from **spreading** to the environment;
 - Limit the **duration** of the crisis.
- For this to happen, stakeholders must be **informed** about the crisis and **actions must be taken** to address it.

The initial response & beyond

- The first response to the crisis will usually be delivered through the media, although it is increasingly being done through social media.
 - First impressions matter. First impressions form quickly. **First impressions taint future perceptions.**
- Any form of crisis communication needs to be **quick, consistent** across messengers and **open/transparent.**

Respond quickly

- The industry standard for the first response is the golden hour, but social media is pushing responses to shorter times.
 - A better rule is to report a crisis before any other source does, by **stealing thunder**.
- A quick response helps create the idea that an organisation is in **control of the crisis**.
 - It helps avoid problems with other sources deciding what is the "angle" or the "true story".

Respond quickly

- Quick responses are important because, when there is no response then an information void is created and someone will fill that void.
 - The void might be filled by **rumors and speculation**.
- Partial and incomplete information is better than no information at all.
 - Silence **should be avoided** at all times.

Respond quickly

- Quick responses come with the **risk of misinformation**. Responding quickly should not be equated with responding inaccurately.
- Quick responses **do not mean quick resolutions to the crisis**. Crises can last days, weeks and months. A quick response is just the first necessary step.

Respond quickly

- When a quick response is not possible, **explain why and provide a time frame for an answer.**
 - Promises must always be kept. If an organisation fails to provide information it promised, the crisis will deepen.
- The "no comment" response **should be avoided** at all costs. All questions must be addressed, even if it by saying: "we do not know".

Respond consistently

- Organisations must **communicate with a single voice**, which does not necessarily mean using a single spokesperson.
- Consistent responses are achieved by
 - Making sure all official spokespersons have the **exact same information** available to them;
 - Discouraging non-sanctioned spokesperson from communicating with stakeholders, particularly on social media.

Respond consistently

- Employees might be tempted to share information with the media or online.
 - Recommendations on how to act during a crisis need to be included in **social media guidelines**.
 - If employees are provided accurate **information internally**, the risk of misinformation being channeled outside will be reduced.
 - Research shows lay employees (non-managerial) tend to be **more credible in the media**.

Respond openly & transparently

- Communication must always be open and transparent. There are three elements in openness:
 - Be **available to the media** at all times;
 - Be willing to disclose **as much information as possible**;
 - Be **honest**.
- This is sometimes hampered by tensions between the legal and communication teams.

Respond openly & transparently

- Crisis managers tend to prefer **full disclosure** of information.
 - It contributes to enhancing transparency.
 - It must protect proprietary information.
- Legal teams tend to prefer **limited disclosure** of information.
 - It avoids expensive lawsuits and reduces liability.
 - Limited disclosure can also be partial disclosure, and should be used moderately.

Strategic communication

- Crisis communication is a form of **strategic communication**. Organisations communicate with a purpose – an objective.
- The **goal of any crisis communication** is two-fold:
 - Reduce the damage a crisis inflicts on an organisation;
 - Reduce the damage a crisis inflicts on stakeholders.

Setting objectives

- During a crisis, organisations tends to have similar objectives:
 - **Safety-related objectives** – preventing stakeholders from being harmed or reducing their physical and emotional harm.
 - **Reputation related objectives** – guarantee that a gap is not created between stakeholders' expectations and the actions of the organisation.
 - **Business related objectives** – protecting market share, stock value, sales...

Objectives | Examples

- "To limit the number of people injured by the crisis to 11."
- "To have less than 5% of stakeholders reporting moderate levels of distress."
- "An increase in the percentage of positive media statements and a decrease in negative media statements within 48 hours."
- "That 20% of media reports include the key crisis message."

(Coombs 2015, p. 137-8)

Objectives | Examples

- "That 95% of the media reports provide accurate information about the crisis."
- "A less than 15% drop in reputation after the crisis."
- "A less than 12% drop in market share a month after the crisis."
- "A less than 8% drop in share price a month after the crisis."
- "A less than 10% drop in sales a month after the crisis."

(Coombs 2015, p. 137-8)

From objectives to tactics

Goal

To reduce the harm of the crisis on the organisation.

Objective

That 95% of the media reports provide accurate information about the crisis within 36 hours.

Strategy #1

Denying any implication with the crisis.

Tactics

- ✓ Sending out a press release with exact information.
- ✓ Publishing a statement on the company's website.
- ✓ Broadcast a CEO press conference through Facebook Live.

Strategy #2

Reminding stakeholders of the positive deeds of the organisation

Tactics

- ✓ Publishing a newspaper add on the top 3 papers.
- ✓ Posting pictures on Facebook, Twitter and Snapchat of CEO's CSR activities.

Strategic communication

- The objectives and strategies to be followed during a crisis need to **be guided by the CMP.**
- In drafting objectives, deciding strategies and planning tactics, it **might be useful to look at theories**—although it is not necessary.

Content

- There are three steps in the production of crisis responses:
 - 1. Instructing information** – information on how stakeholders can “protect” themselves.
 - 2. Adjusting information** – reassuring basic information about the events.
 - 3. Reputation management messages** – strategic messages that can help prevent reputational damage.

Instructing information

- During a crisis, stakeholders' **safety is a priority**. Instructing information includes:
 - What precautions they must take;
 - Where they need to go for help or shelter;
 - How can they return a recalled product.
- Business **continuity is also part of instructing information**. Internally, organisations need to:
 - Communicate with employees on how business will go on;
 - Contact suppliers and vendors for new arrangements.

Instructing information

Following an Additional Child Fatality, IKEA Recalls 29 Million MALM and Other Models of Chests and Dressers Due to Serious Tip-Over Hazard

06/28/2016 9:00 AM | [General News](#)

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[National] Consumers Urged to Anchor Chests and Dressers or Return for Refund

Recall Summary

Name of Product: Children's and adult chests and dressers

Hazard: The recalled chests and dressers are unstable if they are not properly anchored to the wall, posing a serious tip-over and entrapment hazard that can result in death or injuries to children.

Remedy: Refund or Repair

Consumers should immediately stop using any recalled chest and dresser that is not properly anchored to the wall and place it into an area that children cannot access. Contact IKEA for a choice between two options: refund or a free wall-anchoring repair kit.

Consumers are entitled to a full refund for chests and dressers manufactured between January 2002 and June 2016. Consumers with chests and dressers manufactured prior to January 2002 will be eligible for a partial store credit.

Consumers can order a free wall-anchoring repair kit. Consumers can install the kit themselves or IKEA will provide a one-time, free in-home installation service, upon request. Consumers can reorder the kits throughout the life of their chest and dresser.

http://www.ikea.com/us/en/about_ikea/newsitem/062816-pr-chest-and-dressers

Adjusting information

- Stakeholders need to have the basic facts about the crisis: **who, what, where, why, when and how.**
- They require an explanation of **what is being done** to tackle the crisis and what steps are being taken to prevent a new crisis.
- Victims expect organisations to **express concern for them.** Expressing compassion does not mean accepting guilt.

Adjusting information | Asiana



Asiana Airlines

7 / juliol / 2013 · 🌐

Press Release for Incident Involving Asiana Flight OZ 214 (July 7, 2013 06:30 KOR.Time)

The following information has been confirmed.

Asiana Airlines flight OZ214 (Aircraft Registration HL7742) departed Incheon International Airport on July 6, 2013 at 16:35 (Korea time) bound for San Francisco. Only July 7, 2013 at 11:28 (Local time) an accident occurred as OZ214 was making a landing on San Francisco International Airport's runway 28.

There were a total of 291 passengers (19 business class, 272 travel class) and 16 cabin crew aboard. The majority of the passengers were comprised of 77 Korean citizens, 141 Chinese citizens, 61 US citizens, 1 Japanese citizen, etc. for a total of 291 people.

Asiana Airlines is currently investigating the specific cause of the incident as well as any injuries that may have been sustained to passengers as a result. Asiana Airlines will continue to cooperate fully with the investigation of all associated government agencies and to facilitate this cooperation has established an emergency response center at its headquarters.

At this point no additional information has been confirmed. New developments will be announced as more information becomes available.

For further information regarding OZ213/214, please contact 800-227-4262

**When
Where
What**

Who

Why

Reputation management

- Any communication aimed at reducing the impact of the crisis on an organisation's reputation must come **only after the first two stages are covered**.
- Messages need to be **strategic and aligned** with any objectives and strategies identified in the CMT.

Apologies

- Crisis managers should **not treat apology as the standard first response**, as it is not always beneficial.
 - **Full apologies** have legal implications, as they equal to acceptance of guilt and can lead to expensive lawsuits.
 - **Partial apologies** or “non-apologies” (an expression or regret, concern and sympathy) might work better, but can hurt reputation when perceived as not sincere by stakeholders.

Denial

- Denial is a **dangerous strategy** that should be used only in very rare occasions:
 - When a false rumor is spread;
 - When a crisis affects parts of an industry, but not your organisation (*sector sprawl crises*).
- Legally, denials are the preferred response, but when misused they can lead to **double crises**.
 - Scapegoating and other forms of dissociation can be equally dangerous.

What did we learn today...

- How to identify crises and how to assess **crisis dimensions**.
- Why information gathering is important and how to reach **situation awareness**.
- Why crisis response should be **quick, consistent and transparent**.
- What is the need for a **strategic response** to a crisis.
- Which are the most effective ways to design crisis communication **content**.

Questions

