

Crisis Communications Overview in the Instant Information Age

By: Scott Y. Stuart, Esq.

Despite the wisdom of putting a crisis communication plan in place, something that is not new to the corporate culture, research indicates that up to 40% of the world's largest corporations do not have a cohesive public relations plan. Even those companies that do have a public relations crisis communications plan have to weigh which aspects of their action plan is most important. Perhaps even more importantly, however, a crisis communication plan needs to outline a variety of scenarios and specific responses to those scenarios. Simply put, priorities change based on specific circumstances. The best crisis communication plans can be re-focused quickly and effectively on developing client needs.

It's not the 1980s anymore; television and radio as the primary source of information dissemination is a thing of the past. Satellite, internet, blogs or the otherwise instant transfer of information are ubiquitous. That means information is moving at lightening speed and not all of it accurate. It is easy in the age of instant information for a company on the edge or one just having filed for Chapter 11 protection to be swamped with everything from media requests to blog posts about what is going on inside the boardroom. This is when the company must pull out its crisis communication plan and get in front of the story before potentially damaging and inaccurate information is disseminated, making something small and containable into a behemoth of a public relations problem, both internally and externally to the general public. This is especially so in consumer driven environments.

Of course, instant information dissemination also means no time lag from leak to print. In eras past, managing a company response could be thought out over the course of hours or days, making a full blown crisis communication strategy partially unnecessary. That luxury no longer exists. Bad press about a distressed company at 9 AM cannot wait until tomorrow for a response; the company must be ready with a coherent message that instills confidence in stakeholders. And, today's information flows move too fast for missteps.

To avoid panic, crisis communications should be "...a long term activity by which organizations use formal procedures to respond proactively to a crisis."¹ In other words, the worst response is one that is reactionary and defensive. The message cannot be shaped and controlled when the company in crisis is playing defense. As in any other crisis, it is difficult for those in the midst of it to think clearly and objectively. Staying on message and remaining visible and responsive is critical. Once a company is dragged into a reactionary mode, or goes into hiding, it can lose not only its center of gravity but also the momentum necessary to keep a promising reorganization plan on track.

Reflecting on past crises can provide insights into how current and future situations should be handled. Take, for example, Enron. In early December, 2001, word had started to spread in the media that Enron was going to file for Chapter 11 protection. Enron did not hesitate to seize the moment and take control of its crisis messaging. When the news broke, then CEO Kenneth L. Lay issued a statement saying, *“While uncertainty during the past few weeks has impacted the market’s confidence in Enron and its trading operations, we are taking steps announced today to help preserve capital, stabilize our business, restore confidence of our trading counter parties and enhance our ability to pay our creditors.”*

The message should have inspired confidence on the part of its stakeholders. The company had acknowledged that there was market uncertainty, seemed sensitive to its public status and trading partners, promised to make whatever was wrong right to bring confidence in the company back to a stable state, and it assured re-payment to creditors. The glaring problem with Enron’s crisis communications in this scenario was that the message was not fact-based; it did not mirror reality.

A basic tenet of crisis communications is to tell the truth. After it became clear to the media and Enron’s stakeholders that Enron’s communications were not fact-based, the company’s credibility was compromised and it lost control of its messaging.

Corporate reputations are defined and careers are ruined or enhanced depending on how crisis messaging is handled. The moral of the Enron fiasco is that honest, consistent, and proactive messaging minimizes damage in a crisis, while continued obfuscation and misleading statements merely exacerbate the crisis.

While each crisis is unique, there are some common red flags that should call a company’s crisis communication plan into action. Some of these are common to most situations. How they are addressed depends on the type of company involved and the strategic path chosen by its professionals on the road to recovery.

Every crisis is initiated by a specific event. It could be a hostile takeover, a negative earnings surprise, fatalities in the workplace or an inevitable Chapter 11 filing. Whatever the triggering event, it will cause an outside reaction that must be anticipated and addressed. The company’s response to that triggering or ongoing event must be managed both within and outside of the company, which instills confidence and creates stability.

The nature of crises is that a given corporate entity will only experience such an extraordinary event once or twice every fifty years. As such, while individual managers may learn from this experience, there is often no corporate “memory,” which perhaps explains the broad lack of crisis communications preparedness across corporations. Effective crisis communications can be the tipping point between corporate survival and

failure, and should be viewed as critical to the overall communications strategy, particularly in a Chapter 11 or similar event.

1 Gonzalas-Herrero, A. & Pratt, C.B. (1996). An integrated symmetrical model for crisis communications management. *Journal of public Relations Research*, 8(2) 79-105.

About the Author

Scott Stuart is the Executive Director of the claims management and noticing firm, Donlin, Recano & Company based in New York.