
Corporate Communication and Crisis Management
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Crisis communication – two examples

The Elk Test

October 1997: An “A class“ vehicle of Daimler-Benz AG turns over while being tested in Sweden (the test is carried out by a Swedish automobile magazin). The board’s reaction: “The board does not consider it as necessary to make an official statement just because some car has turned over.“

Even in September, two tires of a speeding car had lifted in Denmark. Preparations for the product placement continue without delay.

In interviews, the board rejects reports of the journalistic “elk tester“ as damage to the company’s reputation and even considers to take legal action.

At the end of October, the following statement is made at a press conference: “The A class is absolutely save.“ Two days later, Jürgen Schrempp declares the A class to be an official matter of the management – he takes over, but fails to communicate. The media wait vainly for an expression of consternation.

Shortly after that: Delivery stop of the A class. Prior reports on this matter had been denied by the company’s spokesman though. The last severe fault of communication: Advertisements in daily newspapers with the headline: “We want to bring the discussion regarding the safety of the A class to an end. Once and for all.“ No company can announce the end of a public discussion!!!

The company had to deal with these incidents for months. A thorough communication was necessary to stabilize the image of the A class which is completely accepted nowadays.

Crisis communication – two examples

Extract from speech by Shell uk Country Chairman

The following is an extract from a Stakeholding Speech to the Aberdeen Business Breakfast Club, 17 September 1998, by Malcolm Brinded, Shell uk Country Chairman. It explains how Brent Spar changed attitudes within Shell towards communication.

Today, demands for increased openness and transparency in business reporting come from a wide range of stakeholders and are being actively promoted by government. Recently, the DETR wrote to companies reminding them that "environmental reporting should be seen as part of an effective communication strategy and not just a public relations exercise." One thing is certain. The days when companies were judged solely in terms of economic performance and wealth creation have disappeared - which is not to say that these factors are unimportant, since economic prosperity remains the foundation stone on which our wider contributions can be built. For us, Brent Spar was the key turning point. It was a wake up call, not only to Shell, but to the entire oil and gas industry, and to industry in general. Brent Spar required a unique solution, but the Spar dialogue set important general precedents for the future. Major dialogue events were held in Copenhagen, Rotterdam, Hamburg and London in October 1997. Participants included Greenpeace and other environmental NGOs. In addition, we set up a dedicated Brent Spar internet site, which has so far attracted over 25,000 hits, and sent out 2,500 CD-Roms to interested stakeholders. The dialogue process was an undoubted success; it led to a Brent Spar solution which has been formally approved, and, just as important, has been widely accepted by ALL concerned stakeholders. And I'm pleased to say that the stakeholder dialogue process which Brent Spar followed is now being repeated on other front-line business issues. Nowhere is this more obvious than in the setting of Shell Expro environmental targets and in the recently announced oil industry drill-cuttings dialogue. Earlier this year, Shell Expro held its first in-depth meeting with external stakeholders to review our approach to managing environmental performance. This was a key step to gaining effective stakeholder input into establishing Shell Expro's long-term environmental targets. For stakeholders have a key role to play in helping us to make difficult decisions about where the environmental pound is best spent. One thing is certain. These are not black and white choices. For example, should additional spending be directed to further reducing oil to sea discharges where the public interest is greatest, but where emission levels are already very low? Or should investment be directed to other, less obvious, areas where the environmental benefit may be greater? The workshop helped us re-set our long term goals and also highlighted to us the need to address the issue of cuttings left over from past drilling activity.

Definition: The Crisis

Corporate crises: Temporary processes neither planned nor intended by the companies concerned. They can be influenced to a certain degree. Their outcome is ambivalent.

Frank Roselieb, Frühwarnsysteme in der Unternehmenskommunikation, manuscripts from the Institutes for Business Economics of the Universität Kiel, no. 512, Kiel, 1999

Crises triggers

endogenous triggers → influenced by the company

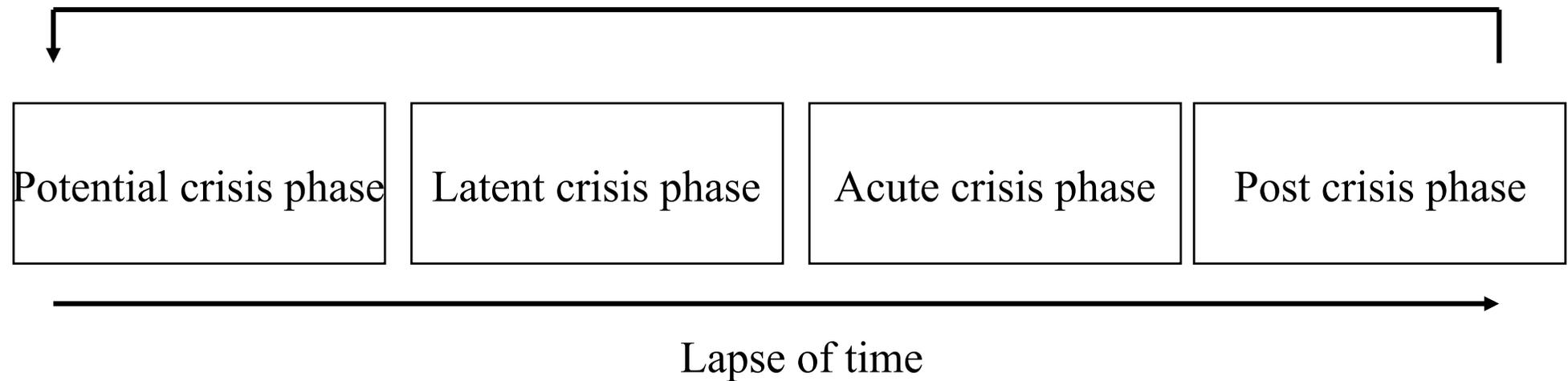
exogenous triggers → not influenced by the company

further headwords: multicausal, multistage

How does a crisis develop?

- It is often perceived subjectively
- Characterization according to the duration of the process possible
- Extreme forms:
 - Crisis that appears suddenly and develops rapidly, extremely short duration of the process
 - Crisis process marked by slow development and long duration

Modell of the four phases of a crisis



Source: Frank Roselieb, Frühwarnsysteme in der Unternehmenskommunikation, manuscripts from the Institutes for Business Economics of the Universität Kiel, no. 512, Kiel, 1999, page 5.

The upcoming crisis...

- Corporate crises are sometimes in the air long before they actually break out
- Companies develop odd mechanisms to ignore even obvious signs of an imminent crisis
- Defects within the internal and external corporate communication can rapidly turn a latent crisis – which means one that is already perceived – into an acute crisis

Relative frequency of the crises triggers

Media	→	20.9%
Production Processes	→	19.4%
Processes of Transport	→	14.7%
Citizens' Initiatives	→	10.1%
Laws and Conditions	→	7.8%
Crime and Terrorism	→	7.8%
Storms	→	4.7%
Employees	→	3.9%
Customers and Suppliers	→	3.9%
Managers	→	1.6%
Industrial Espionage	→	1.6%
Unions and Management	→	1.6%
Products and Services	→	1%
Finances	→	1%
Trade Companies	→	1%

Crisis management

Core of the company's presentation

The public does only trust those who shares their sorrows and fears.

Therefore, crisis communication must include the message that the company does not regard its actions as problem-free.



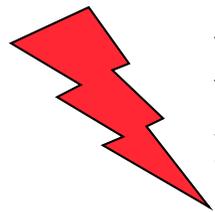
Basics of the information policy during a crisis

- Information regarding the future is given priority over information regarding the past.
- Information regarding payments is given priority over information regarding success positions.
- Expectations that are rather pessimistic are given priority over rather optimistic ones.
- Simple, vague but fast information is given priority over complicated, slow but exact information.
- Truth will out – so do denials

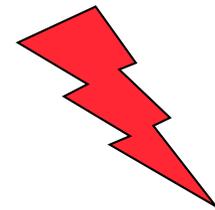
Integrated communication – today's magic word

PR has to be in tune with other instruments of communication!!!

- ➔ advertising
- ➔ sales promotion



It might be necessary to do without any of these instruments during a crisis.



Main steps to cope with a crisis

What to do in case of emergency?

- Do not answer media inquiries as regards content right away. Gather as much information as possible about the journalist's knowledge first.
- Inform important personalities within the company.
- Gather information regarding the crisis.
- Draft a first statement. Call journalists back!!! Make **and fax** a first statement!
- Summon a crisis team. Decide on a strategy.

Main steps to cope with a crisis

How do you continue?

- Coordinate comrade-in-arms, information and instruments!
- See to the facts!
- Continue strategy!
- Write follow-up statements.
- Take your time for media inquiries.
- Answer questions to your best knowledge and belief, but only those which have actually been asked!!!
- Don't forget to inform other important public institutions.

Crisis handbook

- Phone numbers (privat and mobiles included!!!)
- e-mail addresses of important contacts at agencies, institutions, related companies, media
- Rules of conduct for the emergency
- Check lists for press releases, statements, press conferences

- Make also available via the intranet

The interview:

Prepare for those present

Questions regarding the opposite number

Who is the interviewer?

How is our relation?

What is his intention?

How familiar am I with his position / the position of his medium?

How familiar am I with the medium and its users?

Questions regarding yourself

What can / may I say? Where does my competence end?

Whom do I want to convince?

Where is my sore point?

The interview:

Preparation regarding contents

Which questions are foreseeable?

What could we be reproached for?

Which are the real problems / deficits / flaws?

What do I really want to tell the audience?

Where do our strengths and competences lie?

Which figures / data / facts should be at hand?

The television interview:

Additional preparation

Programme's character / aim?

Which story shall be told?

Broadcasting time?

Which audience will watch the programme?

How does the interviewer act? How does he ask?

How long is your contribution?

How much time do you have for talking?

The interview: Preliminary talk

Which medium?

Which target group?

How much time?

Which purpose?

Which role (expert, affected person, accused person)?

Which standard/demand (entertainment, background...)?

Which framework?

Have a check list with the questions on your desk for possible phone calls. Always let people know that quotations have to have your blessing before being printed, this is your right!!!

The statement:

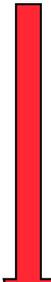
What is it and how is it structured?

direct statement directed at the audience

oral (pre-recorded / live)

written

5-step clause

1.  clear position 
2. message 1
3. message 2
4. message 3
5.  clear result 

The emergency statement

1. What has happened?
2. Has anybody been harmed?
3. What do we know regarding the consequences?
4. Which steps have we taken so far?
5. Which steps will we take next?

The statement – an example

Position: The environmental certificates of the teak furniture have been issued by a renowned certification institute. There has been no reason for us to question their authenticity so far.

Message 1: The company had demanded environmental certificates for the furniture since we only sell teak furniture from ecologically friendly lumbering.

(responsible action)

Message 2: We cooperate with reliable suppliers who are carefully chosen in accordance with the criteria of industrial health and safety standards, environmental protection and the protection of species.

(care)

Message 3: After the BUND had drawn our attention to the fact that the certificates of the furniture delivered to us could possibly be forged, we immediately stopped to sell the articles concerned.

(responsible reaction)

Result: The company does not sell furniture made of tropical woods which are not in line with environmental standards.

Potential cases

- Assault / assassination during an exhibition (grenade in a group of persons or against key persons: David Avrell (GE Fanuc), Dr. Inaba (Fanuc), Lloyd Trotter (GE Ind Sys))
 - Technical accident at exhibition with injuries of public
 - Accident in the company (HQ of offices) with high damages (building or people)
 - Accident on industrial site (automotive, food, oil and gas) with high damages (building or people) because of GE / GE Fanuc / FANUC products
 - Post war issues: Discovery of material of mass destruction (chemical or biological) produced by GE equipment in Iraq or with GE involvement
 - Large accident (airplane crash, fire, ..) in HQ or office with high damages (building or people)
 - Assassination of GE / GE Fanuc / FANUC employees (management).
- Amok
- Eruption of Mt Fuji

The statement – exercise

In pairs, one example from the potential cases each.

You each play two roles one after another:

1. a company's spokesman
2. a journalist

Start with individual preparation (20 minutes):

For 1. Prepare a statement and prepare yourself for a short interview.

For 2. Think about the medium you are representing and which questions you want to ask for your story.

Then continue in pairs in front of the camera:

First, make your statement. You are then asked two or three questions.

Risk analysis

Why?

Which are the risks?

How probable is a crisis?

What would be the consequences of a crisis?

Risk analysis

Example of corporate risks

- Who are influential individuals?
- Which are the influential groups?
- Which are the country's top concerns at present?
- Which positions do the individuals and groups take with regard to this topic?
- Which are possible solutions to these problems?

Crises triggers and early-warning systems

The observation of media and citizens' initiatives (CI) is of paramount importance (why press clipping, or: "You are only paid for reading the papers!")

Fifties to sixties: 10% triggered by the media, 0% by CI

Eighties to nineties: 25% triggered by the media, 15.6 % by CI

Attention: an over-average duration of crises that have been prompted by the media require continuous observation, also beyond the latent crisis phase.

Early-warning systems and efficiency: Bad news

Only one out of six crises was discerned during the latent crisis phase (15.6%).

For 85 per cent of the crises, the existence of early-warning systems was irrelevant!!!

Early-warning systems and efficiency:

Good news

But: 40 % of all crises initiated by citizens' initiatives could be stopped during the latent phase (after being discerned).

The use of early-warning systems does not aim at a crisis prevention but rather at an early recognition of crises and thus at gaining more time for making decisions.
Early-warning systems are promising for CI.

Crisis PR via internet

- One out of four registered crises is directly or indirectly linked with the internet.
- The power of the internet is underestimated (new demands for the management)
- The internet is a successful instrument for crisis communication
- WWW as crisis trigger

The power of the internet

Strengthening of the consumers' power: Consumers are able to band together swiftly and easily via the net. Hate sites



Calls for boycotts, reports concerning supposed or real product defects, ethical misdemeanours of the members of the board



No filtering, regardless of the substance
Spread around the globe in a matter of seconds

Tracking down an upcoming crisis in the internet

- Entering the company's corporate, product and brand names in search machines regularly
- Search the net for topics critical of and for the company
- Hire external service enterprises to make enquiries
- Comb central refuges for letters of protest (www.essential.org)

Long-range study shows: Only in 15.6 % of the cases, crises are preceded by weak signals

 five out of six crises became urgent right away...

The dark site

- Internet sites with background information regarding the company, its products and management
 - ➔ will be released in a crisis situation
- Journalists, residents, the “interested public“ might inform themselves via the internet and only have to contact the corporate communication when details are concerned.
- Swift reaction of the company shows that the company takes the events seriously.

Appearance on TV:

Prerequisites for a successful appearance

- Thorough knowledge of how the media function
- Clear conception of the respective programme
- Professional, systematic preparation
- Short, clear messages
- Good dialectics
- Familiarity with the situation

Appearance on TV:

What you should know about TV

- Increasingly varied, superficial and banal
- TV news: Reality is boring
- Television is no longer a media for information!
- Television is electronic entertainment industry!!!
- You have no opportunity to make any explanations in mass programmes.

Appearance on TV: What you can bring across

Competence

Frankness

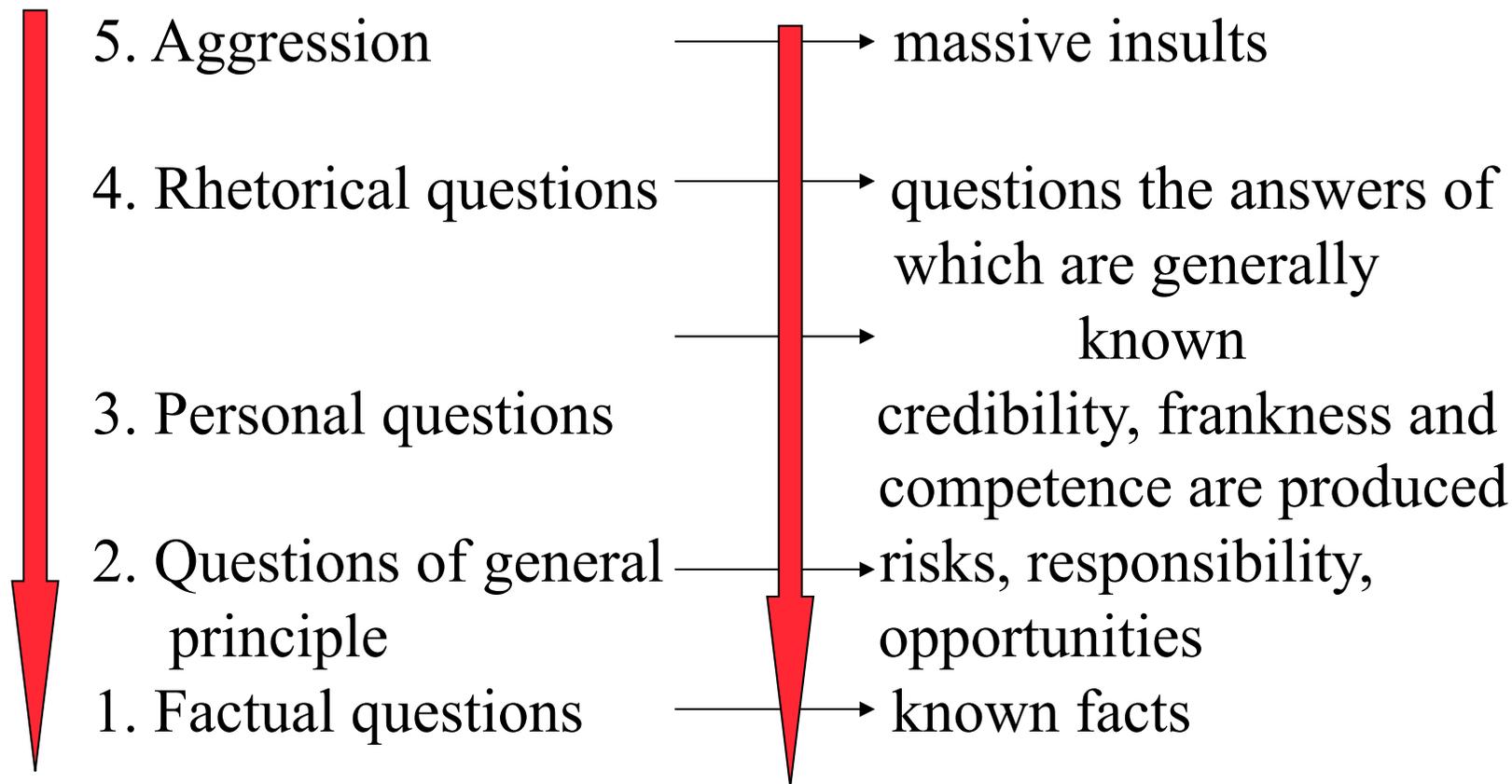
Sense of responsibility



Appearance on TV:

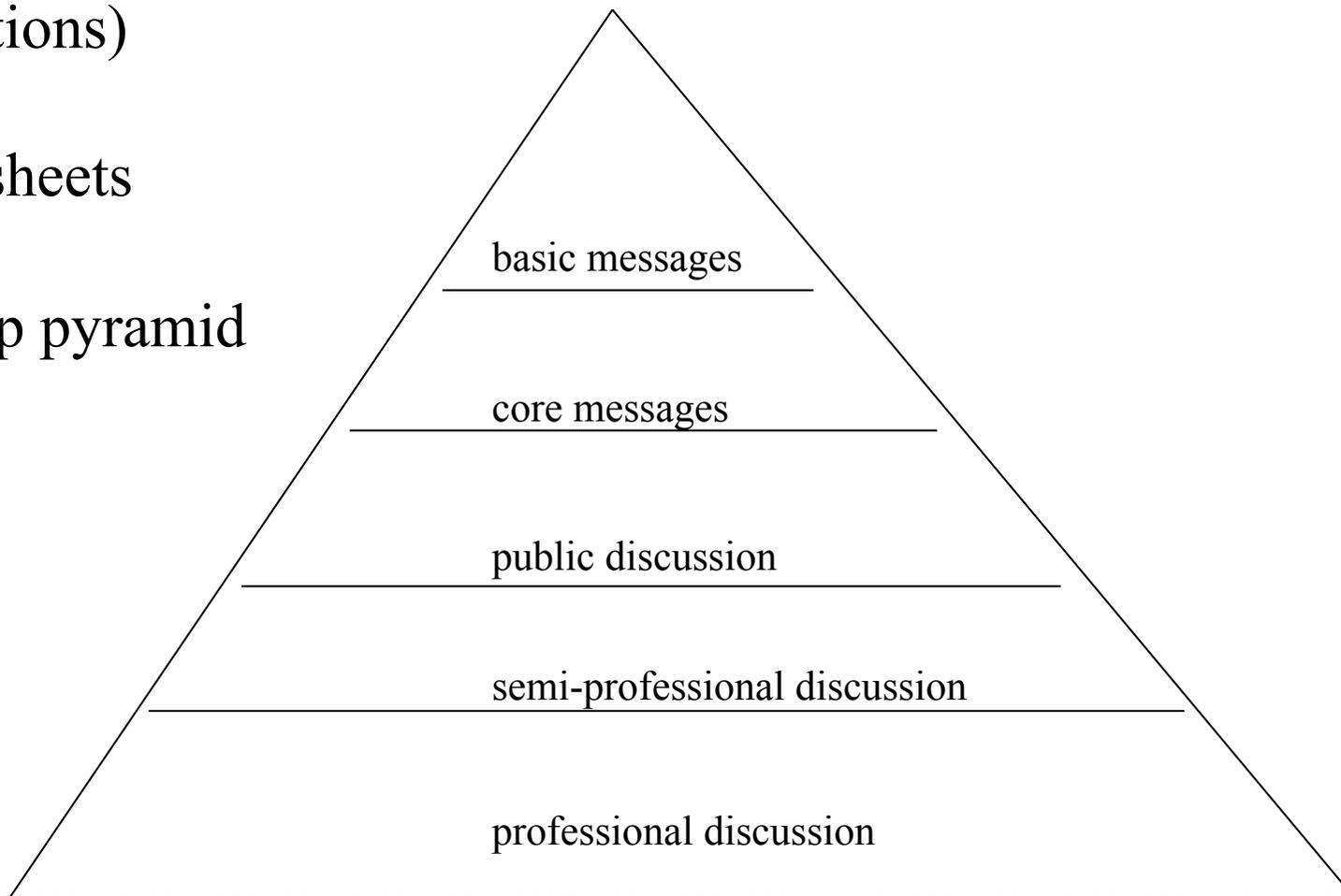
The economy's mistaken model for dialogue

Kriebel's five-level model:



Appearance on TV: Question and answer catalogues??

- Question and answer catalogues (FAQ=frequently asked questions)
- fact sheets
- 5-step pyramid

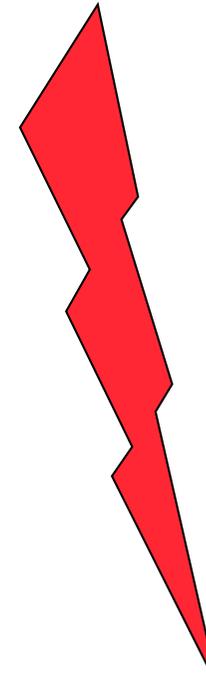


Appearance on TV: Dialectics

- break
- fan
- speed
- misrepresentation with subsequent question
- remark made at the end of a long discussion that leads to a
- wrong conclusion
- leaps between levels
- black-and-white question
- ignoring
- sounding balloon
- apparant connection

Appearance on TV: Warnings

Do only talk about topics you are familiar with.
Get a clear conception about the programme.
You have to know your opposite number.
Prepare yourself for being recorded.
Make yourself familiar with the interview situation.
Stick to the topic.
Defend yourself consistently against false assertions.
Practise your dialectics.
Keep your course.



Appearance on TV:

General check list for the media appearance

Does your company have to take part in the programme?

If not: Should your company take part in the programme?

Who shall represent your company?

Do you have sufficient information?

Are you prepared for the media appearance?

Have you rehearsed your appearance?

Appearance on TV:

Check list for the media appearance “appearance“

Do the clothes suit the situation ?

Choose a comfortable position.

Check camera work / microphones.

Pay attention to the use of light.

Be “natural“.

Be aware of extreme gestures.

Exercise - dialectics

Practice your dialectics with the same partner as yesterday.

Stick to the exemplary scenarios. For each form of assault, develop an example and a possible response. Check the result in a discussion. (25 minutes)

Plenum feed-back afterwards (20 minutes).