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Improvised or Planned Communication? Identifying the Determinants of Positive Effects in Crisis Situations

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Abstract. The economic downturn will almost certainly increase the length, nature, and depth of crises to be faced by companies. These conditions open opportunities for crisis communication, but the literature still differs about how to plan for crises. This article suggests that public relations learn from business and economics in accepting a crisis as a normal stage, attempts to provide an empirical contribution to the general debate on planning, and sets a benchmark for future studies in the area in Poland. The author's analysis of field research surveys partially confirm the view that existing universal crisis communication procedures can make an organization unnecessarily rigid and that the benefit of such procedures is limited. Therefore, the results challenge the predominant 1990s paradigm (and its contemporary supporters), with regard to planning reactions to a crisis situation. Its provisional conclusions suggest no statistically significant relation between the lack of a specific crisis plan and the outcome (in terms of either economic or reputational losses). However, there are two areas (finance and production), in which the positive aspects of a crisis are closely correlated with organizations which have experienced crises and acted without a communication plan.

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Introduction

The crisis literature outside of public relations has different emphases. Two key differences are in how the economics and management literature very often defines a crisis: firstly, it describes a situation with both negative and positive effects (Baily & Chakrabarti 1988; Oldcorn, 1989; Taylor 1982; Veseth, 2002); and, secondly, it often views a crisis as a normal stage of a market or company's development (Greiner, 1994; Hoehn, 1974). From the microeconomics perspective, at a particular stage (e.g., age or size) of a company's existence, one can observe a crisis of leadership or a lack of autonomy. Each stage calls for the implementation of significant changes enabling further development of the company. To successfully introduce them, a company requires a specific package of tools each time it has a crisis. Paradoxically, every solution which at a given stage is ideal and enables the

development becomes the source of the next crisis (Greiner, 1994).

Crisis as an economic phenomenon is considered not only from the perspective of particular persons or companies but also from the perspective of entire sectors, regions, national economies or the world economy (Hoehn, 1974). From the macroeconomics point of view, a crisis - as one of a few phases of the business cycle - is a normal stage of a market's clearing in order to restore balance and ensure further economic growth (Reddy, 2004). The phenomenon of fluctuations in current cycles can be dampened by means of, among others, rapid flow of reliable information on the economic situation and its perspectives (Orlowska & Pangsy-Kania, 2003).

With notable exceptions (c.f., Gilpen & Murphy, 2008; Millar & Heath, 2003, Vercic & Grunig, 2003), the public relations literature rarely concurs and tends to define a crisis as an unexpected or expected event that could potentially exert a negative influence on the reputation, material assets, etc. of an organisation (Dutta & Kim, 2009). The majority of proposed solutions focused mainly on strategies that were to protect the organization against changes and maintain, or restore, the reputation, defined as the perceptions of an organization shared by an audience (Benoit, 1995; Moffit, 1994; Moffit, 2001; Holtzhausen & Roberts, 2009).

In line with those strategies, the prevalent opinion suggested that efficient protection was possible only if the reaction of a given organization to a potential threat was planned in advance. In order to prevent and anticipate such situations, many (Hoffman, 2001; Lazar, 2000; Mitroff & Anagnos, 2000; Register & Larkin, 1997) recommended that companies prepare detailed papers on internal and external communication procedures to be used to disseminate information and monitor the reactions of its environment at the times of a crisis (Barton, 2001; Coombs, 1999; Fearn-Banks, 1996; Fink, 1986).

Paradoxically, although most empirical surveys (e.g., Fink, 1986; Stanton, 1989) confirmed that planning crisis management had been perceived by American businesses as extremely important, such declarations did not translate into preparing even the most basic crisis management plans (Kiger, 2001; Holder, 2003; Stacks, 2003; Wisenblit, 1989). In most cases, CEOs perceived public relations as internal communications, or communication with the press, rather than issue management or crisis management (Petersen & Martin, 1996).

Their attitude might have been influenced by the fact that public relations experts did not treat a crisis as an economic phenomenon, but rather a social one that only impacts on the economic sphere (Ehling, 1992). This is a point where public relations can usefully learn from economics.

Prior to 11th September 2001, there were countervailing opinions to the planning orthodoxy. Sturges, Carrell, Newsom, and Barrera (1991), for example, suggested that universal crisis procedures can make an organization unnecessarily more rigid and, if applied uncritically, may even be detrimental. That negative view increased only at the beginning of the new millennium (Gilpen & Murphy, 2008; Leonard, 2001). Those perspectives suggested that a prepared and imposed plan of communication during crises may limit the reactions of persons responsible for the communication to only those procedures already included in the plan. In the event that such procedures are inadequate to specifics of the actual crisis situation, the problems may accordingly escalate (Millar & Heath, 2003).

The phenomenon of a crisis should also be perceived, just as in the economics literature, as a stage in the development of a company. Such a stage can then also be seen to have its positive aspects in facilitating radical change as advocated by economist Milton Friedman (2005) in seeing the aftermath of Hurricane Katrina as an opportunity to reconstruct education.

Bearing in mind the perhaps dubious efficiency of detailed communication plans, the researcher conducted a survey. Based on the terms and definitions presented in the

introduction, the following alternative hypothesis was assumed: H1 – Positive and negative effects of the crises for companies being in crisis situations depend on the mode of communication - planned or improvised - undertaken by a given organization.

Methods

The survey was carried out in June-July 2008 with the use of the Computer Assisted Telephone Interviewing (CATI) in a few stages. An invitation to participate in the survey was sent in the form of an e-mail to the thousand largest companies operating in Poland (according to the Home&Market monthly). Upon gathering initial declarations from the companies, 864 of them qualified to the next stage: 356 commercial and service companies, 414 production companies as well as 94 state owned companies. During the first telephone contact, 146 requests were filed from companies wanting to be excluded from the survey due to the lack of time or the necessary knowledge. Finally, after contacting on the phone 718 companies, the pollsters gathered 181 correct and complete interviews. In each case, depending on the ownership structure of an interviewed company, respondents were members of the top management.

The questionnaire included 36 conjunctive closed- and open-ended questions. The structure of questions included a five-, seven-, or ten-point Likert scale. The dependent variable for this study were the effects of crises in companies. Member variables of the dependent variable related to the negative effects included: damage of the company's reputation, decrease in the trust in the company, excessive engagement of employees, difficulties with recruiting new employees, compensation claims, introduction of strict legal regulations, decrease in share prices, loss of market share, decrease in the sale of a product or service. The interviewed persons assessed the strength of each of the phenomena (10-point scale, where 1 stood for insignificant strength and 10 for enormous strength). In the case of positive effects, the partial variables were categorised and aggregated by the researcher on the basis of answers to an open-ended question.

The independent variable in the survey was (i) mode of communication during crisis.

Additionally, there was also a filter variable, namely experiencing a crisis situation – only companies which declared they had faced a crisis were analysed. An analysis of the results was conducted by means of SPSS ver. 14.0 PL software.

Results

RQ1: Is there any interrelation between mode of communication with the environment undertaken by a given company during a crisis and impact of negative effects it experiences?

The main negative aspects of the crisis enumerated by the respondents included damage to the reputation of the company (48.2%). The mean for strength of this phenomenon in the case of companies acting in line with a plan stood at 5.73 (SD=1.85), while in the case of companies which improvised it stood at 5.60 (SD=2.95). Less frequently the respondents also mentioned a decrease in the sale of a product or service (45.8%; for planned $M=5.24$, $SD=2.17$; for improvised $M=5.82$, $SD=2.07$), trust decrease (43.4%; for planned $M=4.63$, $SD=2.11$; for improvised $M=5.25$, $SD=2.70$) as well as loss in the market share (32.5%; for planned $M=5.40$, $SD=2.01$; for improvised $M=6.36$, $SD=2.31$) and compensations (19.3%; for planned $M=4.13$, $SD=2.85$; for improvised $M=2.60$, $SD=1.34$).

However, it should be mentioned that there are sectors which depart from the general trend (e. g., the energy sector, in the case of which the main negative aspect are compensations (66.7%) followed by the reputation deterioration (50%). The thesis concerning

the influence of the mode of communication on impact of negative effects was verified by means of a T-test for two independent samples. The mode of communication constituted the criterion which allowed the division into groups. The obtained mean difference between the strengths of particular phenomena failed to reach the required significance level $p < .05$ and therefore there is no ground to reject the null hypothesis and adopt an alternative hypothesis. Mode of communication during crisis does not differentiate the strength of negative phenomena resulting from a crisis.

RQ2: Is there any interrelation between mode of communication with the environment undertaken by a given company during a crisis and reaping benefits?

Among the companies which experienced a crisis situation (N=83) 37.4% of the respondents indicated only negative aspects, while 51.8% believe a crisis has also its positive aspects. According to 10.8% of the respondents, the crisis was neutral to their organization.

According to the respondents the greatest number of positive aspects of a crisis relate to changes in the area of organization and management (e. g., preparing new procedures (76.3%), staff education and selection (18.4%), changes in the production, e.g. developing new products or modifying old ones (18.4%) and improving the financial standing of an organization (15.8%). The analysis of quantitative data shows that there is a balance between the positive aspects of a crisis and the groups of companies which act on the basis of a plan or those which improvise - in both cases it stands at ca. 52% of the respondents.

If the analysed data are limited only to the group of respondents who indicated positive and negative effects of a crisis (N=43), one can notice a strong correlation between acting without a crisis communication manual and the positive effects of the crisis for the organization in the area of finances (Pearson Chi-Square = 11.767, $df=1$, $p < .001$; Pearson's $r = .523$, $p \leq .001$). A weaker, though still statistically significant, correlation between acting without a crisis communication plan and positive effects was also observable in the area of production (Pearson Chi-Square = 4.190, $df=1$, $p < .05$; Pearson's $r = .312$, $p \leq .05$). In certain cases improvising may prove more beneficial for a company than acting according to a plan, which means the alternative hypothesis can be partially approved.

Discussion and conclusions

The presented results of the survey converge more with the opinions of those experts and scholars who believe that the communication plans do not improve the response to crisis situations. While the subjective nature of the response makes firm conclusions impossible, it can be said that, on that evidence, there is no statistically significant dependence between the lack of a crisis communication plan and significant losses recorded by a company caused by a crisis. To the contrary, a detailed analysis shows there is a correlation between the lack of a communication plan and perceiving positive results of crisis situations in the selected areas of an organization. When improvising and adjusting flexibly to arising threats, companies can enjoy more benefits than those organizations which act in line with a scheme prepared in advance. This could mean that while improvising companies are able to adjust their communication activity more successfully to the phenomena they witness and ad-hoc communication foster adjusting their product offer to the current market needs.

The results of the survey should be, however, interpreted very carefully as it is necessary to remember that they are a subjective view of the respondents and not of the entire environment in that there are no external stakeholder views. It is also impossible to definitely conclude whether the opinions concerning the negative aspects of acting in line with a plan during a crisis situation are true. One should assume that a crisis is a dynamic and complex phenomenon and that the efficiency of the applied measures may depend on many factors. In the future, when continuing surveys of this type, it would be useful to study also the

environment of an enterprise to verify how a crisis affects its reputation and trust in the case of particular external and internal stakeholders. It would also enable the assessment in what crisis situations, among which environment groups and for how long can the trust remain at a high level. It would be also useful to verify which crisis situations can be solved by means of ready schemes, and that call for invention and creativity.

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