Crisis management: Can you afford not to take action?

By Nigel Hollis , issued by Kantar

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Ford has been roundly criticised for their response to the Kuga crisis in both social media and the press. Social media has not changed the formula for communicating in a crisis - it has simply made it more important that companies be prepared, act quickly, and say the right things. There are lessons to be learnt from the current Ford Kuga crisis.

Take responsibility

On 31 October 2014, Virgin Galactic's SpaceShipTwo crashed in the Mojave Desert during a test flight. One pilot was killed, and the second seriously injured. Virgin founder Richard Branson flew immediately to the Mojave Air and Space Port and, a day later, expressed his concern for all involved, along with a commitment to work with investigators and his continued support for the project. He emphasised the team's intention to learn from what went wrong, improve safety and performance, and move forward together.

A tried and tested formula

In making these announcements, Branson was following a well-established formula for dealing with a crisis, taking his lead from the three principles that guided Johnson & Johnson's response to the Tylenol poisonings in 1982:

- Put the public's welfare first.
- Act quickly and decisively.
- Communicate with openness and sensitivity.

Though no member of the general public was harmed in the SpaceShipTwo accident, Branson acted quickly, expressed genuine sympathy for those affected, and committed to finding out what happened and act on the findings.

The formula is even more important today

Many question whether the principles established by J&J still hold true in today's world of 24-hour news, social media, and widespread litigation (a viewpoint bolstered by J&J's own challenges with product recalls in 2010). Though social media has changed the speed with which both bad and good news can spread, human nature has remained the same. In times of crisis, people still seek information and reassurance. And since many of today's consumers distrust the motives of big corporations, senior executives must respond quickly when a crisis strikes. Top leadership need to be visible and communicate with the public and other stakeholder groups just as Philip Clarke, CEO of Tesco, did with his Talking Shop blog during the horsemeat scandal of 2012. Big or small, how well a company communicates in the face of a crisis impacts how the stakeholder response affects corporate reputation and profits.

The stakes are high

Failure to follow the principles of crisis communication means that companies often end up looking indifferent, slow, and inept. The cost can be measured in lost reputation, reparation costs, and sale or closure. Unfortunately, many recent examples demonstrate how poor communication can exacerbate an already bad situation.

In 2010, Toyota fumbled its response to accusations that sticking gas pedals caused unexpected acceleration by issuing conflicting messages about the cause of the problem. Regaining control of the situation cost billions in additional recalls and lost production - over and above the costs directly related to the crisis. In the USA, Toyota's market share dropped 10 percent from an all-time high as positive consumer attitudes eroded. In times of crisis, state clearly what is known and what is not known, and commit to discovering the truth.

The phrase, "I'd like my life back," sealed the fate of Tony Hayward as BP's Chief Executive Officer following the Gulf of Mexico oil spill disaster in which 11 oil rig workers died. The statement helped intensify the perception that BP was slow to respond and lacked transparency. In times of crisis, spokespeople must stick to the script and be seen as honest, caring, and concerned.

Be prepared

No one knows when a crisis could strike, but that is all the more reason to be prepared. Companies thinking about crisis management need to answer three important questions as part of their planning.

How big is the risk?

For many consumer-packaged goods, the majority of sales result from the appeal of the brand name, so food and drink brands are particularly vulnerable to negative consumer reaction following a crisis. In China, concern over the safety of food products has reached fever pitch after various contamination crises affecting milk, pork, and chicken. What might a crisis cost your company in terms of sales and shareholder value? The higher the reliance on branding to drive sales, the more quickly a company needs to act to defend its asset.

Is our crisis radar working?

A crisis management plan can be effective only if it is put into action at the right time. General Motors' 2014 ignition-switch crisis developed from over a decade of related incidents and failed attempts to investigate and remedy the problem. Internally, company personnel must have incentive to follow escalation procedures rather than trying to deal with a problem themselves or hoping it will simply go away. Externally, consumer tracking, media and social monitoring systems need to highlight emerging issues quickly and ensure an appropriate response. There is nothing worse than an ill-considered tweet to add fuel a PR nightmare. Existing monitoring systems may need to be supplemented with ad hoc research to establish the likely impact of the crisis and how best to respond.

How do we ensure transparency?

With distrust of corporations on the rise, consumers and other stakeholders will anticipate a cover-up. Companies need to diffuse that distrust as quickly as possible. When crisis strikes, do as Richard Branson did. Share what you do know, state what you do not, and outline your plan going forward. The exact response will depend on the context, but with a pre-existing communications plan and monitoring of media and popular opinion, it will be a lot easier to anticipate and deflect criticism.

While the threat of legal action and short-term costs may make many company executives think twice about addressing an evolving crisis until they have the full story, their delay may jeopardise the future income stream from their brands. The rules of handling a potential crisis have not changed; if anything, the three basic principles of response have become even more important. Hold back, and your company may suffer even more than settlement costs.

About the author

Nigel Hollis is Chief Global Analyst at Kantar Millward Brown, a global market research company. He brings over 30 years of research experience to bear on his understanding of how marketing communications can build and sustain brands. Nigel's first book The Global Brand published by Palgrave Macmillan, takes a close look at the challenges facing marketers and global brands today and identifies the best practices to help aspiring global brands achieve success on the world stage. His latest book, Brand Premium, details how to develop a strong brand and generate financial revenue growth. Nigel is a

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