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**A MODEL IN CRISIS COMMUNICATIONS MANAGEMENT**

**By**

**Alfonso González-Herrero**

**A THESIS**

**Submitted to  
Michigan State University  
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## **ABSTRACT**

### **A MODEL IN CRISIS COMMUNICATIONS MANAGEMENT**

**By**

**Alfonso González-Herrero**

**This thesis reviews published literature on crisis management and provides lessons that can be learned from past experiences. It establishes the origins of crisis communications management, defines the terms *crisis* and *crisis management*, and identifies the common denominators of most of crises as well as the types of crises an organization might confront.**

**Based on a situational theory of publics and several frameworks relevant to crisis management, the author proposes a long-term management approach that incorporates the concepts of proaction and symmetry as well as the early identification of issues. Such approach is summarized in a model that shows the stages at which management intervention is more crucial. The thesis, then, concludes by giving some tips to the practitioner.**

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**A mis padres,  
Lourdes y Virgilio.**

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## **CHAPTER ONE: INTRODUCTION**

Business crises occur daily. News coverage of business crises in the United States jumped 45 % in 1992 compared to 1991 ("Crisis news coverage," 1993). Nike's footwear, Pepsi's needles, Jack in the Box's meat, GM's trucks, and AT&T's African monkeys, are just a few of the most recent examples. Some others have become virtually synonymous with a specific type of crisis. Johnson & Johnson's Tylenol, Nestle's infant formula, Union Carbide's Bhopal, NASA's Challenger, Perrier's sparkling water, are classic examples crises managers have confronted.

Nevertheless, as Meyers and Holusha (1986) indicate, most organizations are unwilling to plan and prepare for adversity. In today's organizations, the aggressive and successful executive is required to think in terms of success, plan for success, nurture no negative thinking, relate with positive people, and emphasize accomplishment and cast off losers.

In fact, in a study published by Fink (1986), 89 % of the chief executive officers of the top Fortune 500 answered that a crisis in business today is almost inevitable, but 50 % admitted that they did not have a crisis management plan. Yet 97 % felt either very confident or somewhat confident that they could respond adequately to a crisis.

In the best of the situations, when a crisis plan exists, it is usually filed away, outdated, unwieldy to use, and doubtfully useful in a crisis. It may have been constructed several years ago, may have never been updated, and may consist of page



after page of ponderous policies that require subsequent layers of approval for any decisions or actions taken (Gottschalk, 1993).

The "Oh-my-gawd-experience," as Berge (1990, p. 1) has called it, can be avoided by identifying potential crises. Certainly a crisis is, by definition, surprising and sudden, but scanning what happens outside and inside the organization can help management to anticipate a crisis. Besides, planning for the type of crises that are more likely to occur in the firm's industry helps also to minimize the hurt in case the crisis cannot be avoided.

As Hearle (1993) illustrates, medical science concluded that high levels of cholesterol were bad for people. Obviously, this was a warning to the egg producers, but also a sign to other industries like the manufacturers of egg cartons. The cholesterol finding eventually provoked a change in all these markets and altered the way in which business were done. However, this sign was not initially seen as a threat with the exception of the egg producers.

In most crises, there are signals that indicate future trouble. And management has available a number of tools to identify such problems: crisis and risk assessment audits, issue tracking, public opinion tracking, etc (Berge, 1990). This has been described as "proactive crisis management" (Nudell & Antokol, 1988) consisting of anticipatory measures "that enable an organization to coordinate and control its responses to an emergency" (p. 20).

However, companies seldom learn from the mistakes of others and they frequently disregard early warnings (Nolan, 1984). Many managers recognize that a

crisis might happen in their industry but they are unable to consider the possibility of similar crises happening in their own companies. Besides, the everyday requirements of the job leave less available time to consider such possibility.

This being so, the purpose of this thesis is to summarize the lessons learned from past organizational crises and evaluate whether an improvement in the way companies manage crises communications can be achieved. A four stage conceptual model based on proactive communications will be proposed in order to manage effectively a crisis.

### **1.1. Origins of crisis communications management.**

The history of crisis communications management is parallel to the history of public relations. Certainly, crisis management is a phenomenon of the 20th century. Nevertheless its origins could be tracked in the history.

Noah<sup>1</sup> was probably the first crisis manager. He made use of a privileged warning system directly connected to God and his planning for the impending catastrophe exemplifies the role modern management should play in a crisis. Noah did not wait until the first rain began to fall to build his ark. His contingency plans to

---

1

Personage of the Old Testament. His legend narrates how, the earth being filled with violence, God resolved on its destruction, but Noah, the just, He purposed to save alive. God advise him to build an ark and take with him a pair of animals of every race. "Whilst Noah was building his ark, all those who passed by mocked him (...)" and ignored his warnings (Baring-Gould, 1885, p 110-118).

confront the announced "crisis" were made well in advance, and it was this fact what saved him while the rest of the humanity died in Floods.

Historically, however, the role of the public relations practitioner in a crisis has consisted in justifying the situation (to avoid major problems for the organization) more than in preventing it.

At the beginning of this century, there was a tendency among corporations to disregard the public interest. As Moore and Kalupa (1985) indicate, the theory behind this trend was that the less knowledge the public had about a company, the better the company fared. Crisis management, therefore, consisted of secrecy and had an internal orientation based on the company's interest. This began to change with the emergence of the first public relations counselors such as Ivy Lee and crises began to be successfully managed. Lee intervened in the anthracite coal strike of 1906 and issued a "Declaration of Principles" stating the determination of his company to inform the public openly and accurately. Effectively, he opened the channels of communication with the reporters and provided them with punctual information about the strike.

At this point, however, public relations' role was largely reactive and measures were usually taken just during the life crisis.

Later, in the years of the World War I, the role of public relations developed fast and helped government agencies and businesses to create a favorable climate toward them and their goals.

In the 1920s and 1930s incipient research of the public opinion provided tools

to the practitioner to execute a more systematic and scientific approach of public relations. It is the time for Edward Bernays and George Gallup. In his book "Crystallizing Public Opinion," Bernays asserted that corporations could no longer deny the existence of public opinion and that the responsibility of a corporation was to understand the pulse of its constituencies to be prepared for crisis and public recrimination (Barton, 1993). Yet, publicity, press agency and mass propaganda still dominate public relations practices, although a new group of ethical and sociable responsible professionals are emerging.

Bernays's suggestions of the role of public relations in modern society developed and, in the 1970s and 1980s, public relations became the "management of communication between an organization and its publics" (Grunig & Hunt, 1984). In the late 1980s and early 1990s persuasion is substituted by understanding, reaction by proaction, and the concept of two-way communication by the one of symmetrical communication. Corporate social responsibility acquires relevance as opposed to the classical economical corporate responsibility and organizations are more than ever interested in avoiding conflicting situations with the court of public opinion.

Today, a new subspecialty, issues management, provides the best preparation for organizations because of its characteristics of anticipation, proaction, and monitoring of issues that could affect the company's operations in the future. Sophisticated methods have been developed for situations when business disruptions are inevitable and technologies provide management with appropriate tools to handle crises more efficiently than ever.

## 1.2. Definition of "crisis."

Defining the word "crisis" is fraught with difficulties. Every discipline and subdiscipline offers its own definition of crisis and, even within disciplines, the definitions present important differences depending on the authors' perspectives.

In the management literature, scholars and professionals have attempted over the years to reach a consensus on the term "crisis" (Pauchant & Mitroff, 1992). For example, Hermann (1963) defined it as "an event surprising individuals, restricting their time for developing a response, and threatening their high-priority goals," but this definition has been criticized by later researchers because, in their opinion, a "crisis" does not always contain those characteristics (Billings, Milburn, & Schaalman, 1980).

From a practical, business-oriented point of view, Fink (1986) embraces Webster's definition of "crisis": "a turning point for better or worse," "a decisive or crucial time, stage, or event." He concludes that a crisis is:

*Any prodromal situation that runs the risk of:* 1) Escalating in intensity. 2) Falling under close media or government scrutiny. 3) Interfering with the normal operations of business. 4) Jeopardizing the positive public image presently enjoyed by a company or its officers. 5) Damaging a company's bottom line in any way. (pp. 15-16)

A similar classification of "turning points" has been later adopted by other

authors such as Gigliotti and Jason (1991) who distinguish among "emergencies," "contingencies," "crises," "catastrophes," and "disasters."

Following Perrow (1984) and Habermas (1973), also Pauchant and Mitroff (1992) indicate the possibility of distinguishing among "incident," "accident," "conflict," and "crisis."

Distinctions among preceding terms are, however, beyond the scope of this thesis. For our purposes all these terms will fall under the general category of "crises." Thus, we will look at the word "crisis" (and the term "crisis management") in a very general sense.

In fact, the differences among "extraordinary events," like those mentioned in preceding paragraphs, are not as important as the planning stages to avoid them. In Gigliotti and Jason's (1991) words, "For all practical purposes, planning for extraordinary events includes certain generic elements or components since the basic difference between extraordinary events is intensity" (p. 4).

This thesis adopts Slatter's (1984) definition of crisis: "A situation that *threatens* the high-priority goals of the organization, (...) restricts the amount of time available for response and surprises decision-makers by its occurrence, thereby engendering high levels of stress" (p. 6).

Consequently, and based on this managerial definition of crisis, the term *crisis* can be defined from the communications perspective as: *a situation that threatens the goals of the organization, altering the relationships among the organization and its publics, and requiring extraordinary intervention from the communications managers.*

*Because of its surprise a crisis restricts the amount of time available for response for the communications practitioners, producing levels of stress not present in normal circumstances.*

### **1.3. The negative and positive sides of a crisis.**

It has been observed (Meyers & Holusha, 1986) that it is an error to think of crises only in negative terms. Usually, critical events also present a positive side. "Crises present opportunities as well as challenges, opportunities that are not available at any other time" (p. 27).

These authors identify several potential positive consequences in a crisis such as that heroes are born, change in the organization is accelerated, latent problems are finally faced, people can be changed, new strategies evolve, early warning systems develop, or new competitive edges appear.

For example, in the insurance business recent disasters have served to magnify the importance of public relations planning and further integrate the practice into industry management (Gore, 1993). This change is a positive consequence of crises.

In the same line, Fink (1986) points out that a crisis in business is not necessarily bad news but merely reality. In Fink's (1986) opinion, with proper planning there can be a positive side to a crisis. He writes, "The Chinese have embraced this concept for centuries. The symbol for their word "crisis" -called wei-ji-

is actually a combination of two words, 'danger' and 'opportunity' (p. 1).

Thus, contrary to the popular belief, a crisis is not necessarily bad. It is simply characterized by a certain degree of risk and uncertainty. Controlling this risk and uncertainty will allow the manager to make use of the positive aspect of a crisis.

#### **1.4. Crisis management: a definition.**

Having defined "crisis," a clarification of "crisis management" is now necessary.

Gigliotti and Jason (1991, p. 13) define it as "the ability of an organization to deal quickly, efficiently, and effectively with contingency operations with the goal of reducing the threat to human health and safety, the loss of public or corporate property, and adverse impact on continued normal business or operations."

More generally, Fink (1986, p. 16) defines "crisis management" as the act of planning for a turning point -a crisis-; as "the art of removing much of the risk and uncertainty to allow you to achieve more control over your own destiny."

Based on both definitions, this thesis will adopt the following definition of crisis management: *the ability of an organization to plan for a turning point in order to prevent negative consequences from occurring and enable itself to deal quickly, efficiently, and effectively with contingency operations if necessary.*

Those organizations unable to do so are what Pauchant and Mitroff (1992) call



"crisis prone" organizations. Those others that, "while not totally immune, have at least done everything possible to prevent major crises from occurring in the first place and to better manage those that do occur" are denominated "crisis prepared" (p. 1).

### **1.5. Common denominators of crises.**

Apparently, each crisis that arises seems to be unique and distinctive. Nevertheless, if we examine the roots and the evolution of the different crises, we can find many common elements. This pattern of predictability is the key to forecast business crises and to avoid or moderate their negative effects (Meyers & Holusha, 1986).

This does not mean that two crises are exactly the same, but that, even when many things can differ from one company to another (the culture, the corporate mission, the organizational structure, etc.) the common characteristics found in different crises will serve as a guide to prepare the organization's crisis plan.

Consequently, a review of the crises common denominators discussed in the management literature is essential to build a conceptual model that helps decision-makers in understanding such crises.

As Smart, Thompson and Vertinsky (1978) indicate, the organization's susceptibility to a crisis is determined by some common variables: a) competitive and environmental variables (product-market decisions, business cycles, etc.); b)

managerial characteristics, such as individual capabilities and management styles; and  
c) organizational attributes, such as resources and structures.

Additionally, in most crises certain characteristics (Berge 1990) are present. First, we find a need for quick decisions. The speed with which events typically happen provokes an escalation of the intensity of the crisis. Time is not on the organization's side and the decision-maker has to act and has to do it fast. If this is not done, rumors and speculation will tend to be uncontrolled (with the consequent risk of baseless speculations).

Second, inaction or inappropriate decisions may have far-reaching implications and are likely to produce undesirable consequences: mistrust among customers, demotivation with the employees, etc. To avoid this, it is not enough to assure the public that everything is OK. To be credible management must provide details of how that conclusion was drawn.

A third characteristic of most crises is that the news media are highly interested. Media scrutiny is a fact of business life whether the organization likes it or not. Silence in the midst of a crisis implies guilt, whether justified or not and reporters face deadlines hour by hour. Control of the situation requires that the company controls the message. Therefore, nobody better than the organization itself to answer quick and effectively to all media inquiries.

Some other denominators of crises are that management has just a limited number of options to act; that the organization has to deal with groups with conflicting objectives; or that the chief executive officer usually becomes directly

involved.

Finally, the way managers react and behave in a crisis tends to be very similar (Berge, 1990; Luzaszewski, 1987). Surprise, panic, frustration, narrow-minded focus, disbelief, siege mentality, and -especially- defensive avoidance when first confronted with a crisis, seem to be usual common reactions.

But not only crises share common denominators. Also successful crises plans seem to contain common elements.

Regarding this common requirements needed in a crisis plan, we find the following generic requirements (Berge, 1990; Luzaszewski, 1987; Nudell & Antokol, 1988; Meyers, 1993):

- \* It must state the organization's policy on the issue/s and have the approval of key players.
- \* It must assess the threat to the organization of the different possible crises.
- \* It must identify the organization's resources.
- \* It must identify the potential crisis team members and assign them specific responsibilities. Spokepersons must be identified.
- \* It must establish the procedure to quickly notify the government agencies, manufacturers, vendors, etc. about the situation.
- \* It must contain the location of the crisis management center.
- \* It must indicate the equipment needed at the crisis center.
- \* It must contain training programs for the crisis team personnel.
- \* It must include a test program and emergency procedures.

- \* It must establish how the organization will deal with the media.
- \* It must consider how the organization's normal work done will get done during the crisis.
- \* It must provide procedures to deal with the possible victims and their families as well as with the other affected publics.
- \* It must establish the way the organization will return to normal after the crisis (both operationally and in human terms).

In addition, any crisis plan should (Meyers, 1993):

- \* Be flexible: it should consist of guidelines, rather than details tied to specific disaster situations.
- \* Contain a maintenance process, so that the plan can be updated.
- \* Be cost effective.
- \* Provide for an organized response: the plan should provide a checklist of issues that need attention immediately following a crisis.

#### **1.6. Types of crises.**

When we talk about crisis management we tend to think in Tylenol type of crises, but maybe we should also think in terms of managing some other kinds of uncommon events that require immediate action like a hostile takeover or a strike

(García Galera, 1992). This is, managers might confront a wide variety of crises.

Furthermore, there seem to exist currently a surge of crises on a scale not previously encountered. Crises now are certainly more varied and diverse than those of past decades. Today most of crises are human caused. "Increasingly, modern crises are due to criminal human intervention (such as product tampering), errors in design and systems maintenance, mistakes in operation, or faulty values and culture (as when bad news is deliberately kept from company leaders)" (Pauchant & Mitroff, 1992, p. 10). In principle, all human-provoked crises can be prevented. Regarding acts of nature such as hurricanes, all the organization can do is to get ready to mitigate their negative consequences.

Along these lines, there is a tendency among scholars and researchers to classify crises depending on their nature. Some of them take a simple and global approach such as the one which divides crises in (a) financial, (b) reputation, and (c) outside forces. This is the case of Gottschalk (1993).

Other classifications are, however, more in detailed (Berge, 1990; Meyers & Holusha, 1986) and include natural and outside events in their classification of crises. Under this point of view, situations calling for implementation of a crisis plan may include, among others, product tampering or failure; systems malfunctions disrupting the normal course of business; accidents; natural disasters, such as floods, tornados, fires, and explosions; civil disorders, such as riots and sabotage; death of an executive; misuse of funds, and scandals in top executives' private lives; major litigation against the company; a hostile takeover, etc.

A third way of classifying crises is by their degree of urgency, this is, by the time available to management to respond to the crisis (Berge, 1990; Reinhart, 1987). Depending on this, crises will fall under the categories of "emergencies" (explosions, accidents, etc.) or "non-emergencies" (protest demonstrations or the release of sensitive data).

More specifically, Reinhardt (1987) identifies the next types of crises depending on their time constrain: A) Immediate crises: there is no time for researching the problem or developing a detailed plan of action (this should have been done in advance). Examples would be natural disasters or an airline crash. These crises could be fueled by an adversarial relationship with the media, a negative image among the publics, or disagreement among top management on how to act. B) Emerging crises: while some time for research and planning is available, practitioners cannot be sure when or how the crisis will hit. Example: public-health issues. And, C) Sustained crises: these are crises that last for months or even years. Spin-off stories in the media keep the crisis alive. Example: the periodic rumors of the recall of the GM pickups.

But maybe the most original classification of crisis is the one implied by Berge in his book on crisis communications (1990). According to Berge, every crisis would fall into one of these two categories: chronic or acute. In a chronic crisis situation every decision is taken in light of former misconceptions. The organization has gone so far that it certainly cannot go back. A chronic crisis situation can last for a long time sometimes even years, wearing everyone out in the process. In an acute crisis

situation, "the damage has been done and the highest ranking person will need to step in and personally minimize the loss. You have to do something and you have to do it right now" (pp. 11-12).

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Planning: a decisive stage.**

Planning enables an organization to avoid crises or, when this is not possible, to prevent any damage to the organization and/or its publics. Being prepared enables an organization to avoid the most common, most devastating mistakes and misjudgments in times of crisis, which usually are a consequence of precipitation and lack of time to decide. Preparatory measures can save the organization not only problems but also great amounts of money.

┌ A crisis management plan has to be ready in advance to the crisis. There must be no waste of time. Much of the thinking work can be done ahead of time. Establishing the most important publics, determining the lines of communications for internal as well as external contacts, or obtaining the chart of the organization and decision-making structures, for example, can be done in advance. ┘

However, as Berger (1990) observes, some companies believe that they can improvise a crisis plan from scratch during the initial time period of the crisis. They do not realize that one of the key words in crisis management is "planning" -the other is "communication." They do not realize that the surprise itself is the first damaging factor in most crises. The immediate period of time following the emergence of a crisis is critical in configuring the external perceptions in the publics┐ Once these perceptions are formed it is extremely difficult to change them. Thus, whether the



organization gains control over the situation is determined within a very short period of time. ]

The starting point in any crisis plan (after gaining top management support) should be establishing the objectives of such a plan. To prevent misunderstanding, provide focus, and facilitate implementation of the crisis plan it is important to define the object of the plan (prevent crisis from occurring; contain the impact of a crisis if one does happen; provide an organized response to a incident, etc.). Crisis planning means different things to different people (Katz, 1987; Myers, 1993).

We must remember here that protecting people must be the top objective of the organization and its crisis planning effort. Protecting property and assets must always be secondary to protecting people (Gigliotti & Jason, 1991). Nevertheless, it is common that organizations reverse these priorities. The results easily result in deaths, victims, and the subsequent sanctions for the company involved.

Some authors believe the crisis plan should be as detailed as possible (Nudell & Antokol, 1986). Under this perspective, the more detailed and comprehensive the planning, the easier the decision-making process. The purpose of such a planning would be to have as many decisions as possible already taken and ready for being implemented.

Some others (Myers, 1993; Gigliotti & Jason, 1991) defend a different approach. For Myers (1993) the crisis plan is intended to be used only as a guideline. For Gigliotti and Jason (1991) both a general and an specific plan have pros and cons. A general plan is versatile and can be adapted to a wide variety of crises, although it

will be somewhat lacking in details. An event specific plan, while not generally adaptable to a wide variety of situations, is generally the consequence of a great deal of pre-event planning, which hopefully will have taken into consideration all probable (and perhaps some improbable) contingencies and have detailed procedures for dealing with each of these probabilities.

If the organization whose task is to implement the emergency plan is small and the number of personnel with whom it must deal is similarly limited, then a general plan is perhaps the best choice. (...) An event-specific plan generally works well in very large organizations (...) where the personnel staffing and available resources can adequately support a complex operation. (Gigliotti & Jason, 1991, pp. 27-28)

Nevertheless, when things go smoothly crisis planning is the last thing on the list to do; when bad times come and profits are low, crisis planning is an excellent candidate to be cut from the budget. This means that the more expensive a crisis plan is, the more likely it is that it will not be approved by top management (Myers, 1993).

To avoid this, Myers (1993) proposes two areas on which to focus in such a planning: (1) keep costs at a minimum by using a plan development methodology designed to yield cost-effective solutions and (2) minimize testing requirements.

## **2.2. The planning process.**

Any crisis plan should include the steps to follow before, during, and after a crisis.

Scholars and practitioners seem to coincide in the basic steps necessary to develop the organization's crisis plan. Basically, these include: identifying the types of crises that have occurred or are susceptible to occur in the company's industry; determining those that could affect the organization in the future (and which scenarios are possible in each situation); and establishing liaisons with the mass media, governmental agencies, external consultants, and other constituencies that could play a relevant role in a crisis. Once the plan is completed, simulations to know whether the plan works and would be effective in the case of an emergency play an important role.

Once the first crisis plan is developed the organization must review it periodically to detect any possible gaps. This being so, many emergencies can be prevented completely while others can be anticipated.

However, senior management often thinks that devoting time to such low-probability events is a waste of the organization's most valuable resources, and the time of senior management. As Myers (1993) puts it:

The problem is that cost-conscious executives are reluctant to commit substantial resources to develop a detailed plan for an event, the scope and dimensions of which are unclear, such as a disaster. This is because a plan implies precise logistical and procedural commitments that translate into high costs for development, maintenance, and testing. (p. 2)

The organization, therefore, has to look for a solution to achieve an equilibrium between the need to take some reasonable preventive measures and the low probability of a crisis. This solution should consist in the development of a methodology that balances both of these factors so that: <sup>(a)</sup> preventive measures to

reduce the possibility of a crisis are taken, b) an organized response if a crisis does happen is available, and c) business continuity during a crisis recovery period is possible (Myers, 1993).

Most writers on crisis management provide a list with the steps to follow when preparing a crisis plan (Berge, 1990; Brewton, 1987; Carney & Jorden, 1993; Gigliotti & Jason, 1991; Hearle, 1993; Katz, 1987). These steps are summarized in the following list:

- 1 Spot crisis indicators.
- 2 Delimit the risk that a specific issue might escalate. Provide an inventory of company vulnerabilities. Determine the potential effects of any incident.
- 3 Develop different scenarios of how a crisis might progress.
- 4 Anticipate for each scenario possible questions and the ramifications.
- 5 Establish the alternatives and select a course of action. Prepare formal plans that address all potential crises that the organization could suffer.
- 6 Identify the organization's most important publics.
- 7 Analyze the importance of various audiences and translate this into corporate policy decisions.
- 8 Know in advance which are the most appropriate ways to address each of the publics.
- 9 Establish a Crisis Management Team with members from different areas with power to make decisions.
- 10 Involve top management in the planning process.

- 11 Establish clear lines of responsibility and authority among the members of the Crisis Management team.
- 12 Pay attention to details in developing any contingency plan.
  - Have checklist of things to do and people to contact available.
  - Designate a place where would be established the control center should a crisis occur.
  - Make sure the center is well equipped.
  - Establish a formal method of emergency notification.
- 13 Appoint an official company spokesperson.
- 14 Become acquainted with the media and the trade press people before the crisis occurs:
  - Ensure the managers are trained to deal effectively with reporters during a crisis.
  - Have written material with facts about the organization available.
- 15 Identify employees who can handle the stress of a crisis by performing simulation games.
- 16 Identify outside experts who can work with the company's people in the event of a crisis.
- 17 Ensure that everyone in the organization knows about the crisis plan.
- 18 Have regular drills and rehearsals. Test a portion of the plan periodically, involving CMT members.
- 19 Establish contingency plans and budgets.

20     Review and evaluate periodically the crisis communications plan.

21     Update and modify the plans as required following each exercise.

Three of these authors (Berge, 1990; Gigliotti & Jason, 1991) coincide in the methodology to develop the crisis plan, and take into account the principles of "issue tracking," "scenario development," and "action plan."

Under their perspective, the planning process begins with the development of an "issue analysis" procedure which helps the organizations to find indicators that give an early warning of a crisis. After that, the first thing to do is to make a comprehensive list of all possible types of events that could occur. Then break the list into events that are the result of actions initiated by people or natural events. The next step would be to rank each item on the list from 1 to 10, with 10 being those incidents that have the highest degree of probability of occurring and 1 the lowest. This would include the company's vulnerability to: security concerns, product recall/ban, employee morale problems, community unrest, bad publicity, major news coverage, new legislation, supply problems, activist concern, etc. Once this list has been completed, the concrete plans to deal with each contingency can commence.

Based on this information, the decision-makers can now go on to the next steps. These include: "an *issue statement* to describe the scope, intensity and direction of an issue; a strategy to spell out the course of action; (and) a company position paper to define the company's response and policy on the issue" (Berge, 1990, p. 39). The use of "issue tracking" and "issue analysis" on a regular basis helps the company to think more in terms of vulnerabilities (see also Myers, 1993).

In addition, the crisis management plan should be written. A written plan establishes clear lines of responsibilities and can be helpful even when the manager who has the knowledge to handle the crisis is not available.

Finally, training sessions and tests should be conducted within the organization. The purpose of such simulations is that everyone in the organization knows his or her role in the event of a crisis, as well as to integrate lessons learned into more cost-effective solutions (Berge, 1990; Gigliotti & Jason, 1991; Katz, 1987; Myers, 1993). Ideally the individual responsible for evaluating an existing plan should not be the same person who was initially involved in its development.

These tests are, however, not always done, and after an initial reading of the crisis plan, this is normally relegated to a drawer where it remains waiting for the call to action that may not come for many years (D. A. Haynes, personal communication, October 5, 1993; Gigliotti & Jason, 1991).

### **2.3. Top management, strategic planning, and crisis management.**

Several authors (Caywood & Stocker, 1993; Katz 1987; Pauchant & Mitroff, 1992; Pinsdorf, 1987) point out the importance of getting top management early involved in crisis communications planning. A serious dedication by top management, preferably by the chief executive officer, seems to be essential to achieve a good outcome from the planning process.

However, as Pauchant and Mitroff (1992) report, executives, when asked to indicate the effectiveness of various strategies for convincing top management to adopt a program in crisis management, say that the number one strategy is the direct personal experience of a repeated series of major crises. It is after the organization has suffered a crisis when top management realize about the importance of its involvement in planning.

Even if this particular management activity only occurs once in a company's lifetime, the existence and the proper execution of the crisis plan can be just as important, or more, to the functioning of the organization as it is admitted to be the marketing or financial plans (Caywood & Stocker, 1993). Therefore, crisis management should be as much a part of modern management as the more traditional business functions.

And, what is more, crisis management should be extended to the whole organization. As Pauchant and Mitroff (1992) puts it,

Effective crisis management is no longer just a matter of managing crises. All the concerns and questions we have considered up to this point are equally applicable to the skills and strategies that all organizations need if they are to survive in today's highly competitive global economy. The same basic set of processes are involved in both crisis management and strategic management. Managers in crisis-prepared organizations have learned this fundamental lesson: crisis management concerns the totality of their organization as well as their relation with their environment and is an expression of the organization's fundamental purpose or strategic vision. (p. 126)

In certain industries top management is certainly aware of the need of using public relations as a necessary strategic management and crisis anticipation tool. This is the case of the insurance business where crises and impending disasters are



everyday fare. As a result, public relations practitioners are involved in creating and maintaining the corporate business plans of most insurers (Gore, 1993).

#### **2.4. The role of the CEO in crisis management.**

It is important to determine the role of the CEO should a crisis hit. Of course, we are talking about crisis where the top manager is not part of the crisis itself. Today, the number of lawsuits, for example, against top managers are increasing (Dunn, 1987) and CEOs become part of the crisis.

In this section, however, we refer to those crises where the CEO is not the problem. Some questions arise. For example, Which should be the role of the Chief Executive Officer in a crisis? and, Does the CEO have to be the firm's spokesperson?

In Berge's (1990) opinion, the CEO's role is to control the situation, stay involved, and stay visible, often being the leader of the crisis management team. This does not mean however that he also has to be the spokesperson. Everyone in the organization has a role and the CEO has to coordinate and manage the crisis team.

What is more, there are certain instances when the best thing a CEO can do is stay away from the main scenario. As Pinsdorf (1987) comments, although everyone initially praised the concern that Warren Anderson, CEO of Union Carbide, demonstrated in 1984 by flying to the scene of the Bhopal tragedy, others question now whether it was in the best interest of anyone -Anderson, who was arrested by

Indian authorities, or Union Carbide, which linked its corporate presence directly to the disaster rather than localizing responsibility in its subsidiary.

Certainly, some crises may better be handled by a subordinate. This is the case when the role of the crisis management team is intentionally limited to one of technical and/or logistical support and planning for recovery operations (Gigliotti & Jason, 1991). The team leader must delegate tasks. He has to "manage," and this mean to set goals and priorities as well as selecting the right people for the different tasks (Nudell & Antokol, 1988).

But top management must be careful in assessing the magnitude of the crisis and the degree of delegation required. Delegation means assigning tasks to subordinates but in no way means not to be involved in the crisis operations. In September 1985, the hurricane Gloria hit Long Island leaving with no power to thousands of Lilco customers. Even as late as ten days after the hurricane about a thousand customers still lacked electricity. The utility's Chairman, William J. Catacosinos, remained vacationing in Europe until a week after the catastrophe, and attempted to justify the situation at a press conference upon his return (Pinsdorf, 1987). Too late.

## **2.5. The effect of crises on management behavior.**

Slatter (1984) describes a "crisis situation" as characterized by: surprise, short decision time, and a high threat to important values.

As a consequence of this, the stress on both the organization and the individuals increases.

It is generally recognized by organizational behavior theories that some degree of stress is an essential prerequisite for problem-solving, and that without it there is no motivation to act. This is, a crisis causes stress, which, in turn, affects managerial behavior (cognitive performance) affecting the quality of decision-making. Related to this, Holsti (1978) has indicated that the major effects of stress provoked by a crisis are a reduction in management's span of attention, an increase in their managerial inflexibility, and a reduction in their time perspective.

Organizational behavior findings also indicate that there is a an inverted U relationship between stress and the performance of individuals and groups. This is, some stress is positive for problem solving but after a certain point stress produces negative results (Murphy, 1959).

In addition, Slatter (1984) defends that an intense and continuous stress tends to make individuals extremely inflexible, and to reduce their ability to cope with complex problems. Stress makes the individual to focus his/her attention on the present and immediate future rather than on long term factors. Also the perceived time pressure may adversely affect decision-making.

This being so, Barton (1993) indicates the need to include a consultant in psychology in the crisis planning process and in the post-crisis stage to help managers and personnel to plan or to recover from an stressful situation.

Policymakers cope with these time limitations, lack of knowledge and other

pressures which provoke stress, by using a simplistic strategy for arriving at a decision. They rely on a few simple decision rules which enable them very quickly to arrive at a solution that seems to be satisfactory, instead of approaching a crisis as a problem to be worked on by engaging in a careful information search, deliberation about alternatives, and contingency planning (Janis, 1989).

## **2.6. The crisis management team.**

Crises are better solved by a specialized task force than by individuals alone. This is the conclusion that can be drawn from the literature review conducted to elaborate this thesis. In fact, one of the first things to do in crisis-prepared organizations is to create such a task force (Pauchant & Mitroff, 1992). It can be labelled "crisis management unit," "crisis management group," "crisis management team," etc., and depending on the size of the organization it can be just a simple committee or a whole department headed by a vice president of crisis management or similar title.

An interdisciplinary task force is especially productive when the crisis requires measures to be applied to different areas of the organization. The disciplines included should represent all possible areas relevant to a crisis. Once a certain crisis occurs the task force can be redefined including just those people relevant to the particular crisis. In the planning phase, however, the list should be large enough so that every function

of the organization is represented. An alternative to this would be to include a core group of people to any crisis and some other interchangeable depending on the specific crisis. The core group could for example include the CEO, the senior communications officer, an expert lawyer, etc. (Fink, 1986; Hearle, 1993).

The appointment of this task force or crisis management team (CMT) has to take into account that while these executives will have the responsibility for managing the crisis some others need to run the normal operations of the company. Some executives simply do not belong on a crisis team because they can make greater contribution by running the normal operations of the company (Hearle, 1993).

The crisis task force must be invested with the power to make decisions (and not just recommendations) to be effective. This is why it is an advantage to compose the task force with people from senior and upper management.

The role and responsibilities of each of the components of the task force must be clearly specified in writing. Too often the chain of command is not defined enough so that decisions in the organization are subject to internal disputes that make the crisis itself worse.

In some other organizations where the reporting relationships are well known sometimes these do not coincide with the formal organization chart (Myers, 1993). This can provoke problems among members of the organization if not considered in advance.

The leader of the crisis management team will be in charge of controlling all the group activities and implementing the decisions taken. He or she needs to have

sufficient authority so that he can make on-the-spot decisions within the framework of overall organization policies. When top management is not directly involved in the CMT, the team leader must have access to top decision-makers, and the ability to recognize which decisions to make independently and which to refer to upper management (Nudell & Antokol, 1988).

Likewise, is essential to carefully consider where the crisis management team is going to develop its job. "The physical location and equipping of the Crisis Management Center are considerations which are too often overlooked until an incident occurs. At that time, the Crisis Action Team is forced to utilize whatever available space is at hand" (Nudell & Antokol, 1988, p. 56).

## **2.7. Crisis management and organizational culture.**

The pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that has worked well enough to be considered valid, and to be taught to new members as the correct way to perceive, think and feel in relation to these problems (Schein, 1990) is what we call *organizational culture*. More simply, the term organizational culture refers to the convictions of the company: its values, beliefs and ideology. The culture is usually portrayed in the credo or philosophy statement of the firm. Every company reflects a different organizational culture.

The concept of culture is important to the study of crises for three reasons:

- 1- Slatter (1984) has shown how some cultures are more susceptible to crisis than others (although no single cultural configuration leads to crisis). "Exhibiting power" cultures (the-one-man-bands) and "bureaucratic" cultures (firms governed by rules and procedures) appear to be the most susceptible to crises.
- 2- A crisis action plan must be written in line with the principles of the organization's culture and philosophy. This indicates the importance of communicating clear organizational policies and procedures well in advance of any possible emergency (Nudell & Antokol, 1988).
- 3- May (1950) defends that a crisis is exactly what human beings need in order to challenge their basic assumptions. This is, crises can precipitate changes in the corporate culture.

The specific culture of the organization is one of the elements (the other is individual ability) that determines the degree of success of the public relations professional to influence strategic planning and, therefore, to help the CEO to avoid the crisis rather than just handling the emergency when it happens.

While handling a crisis is a hallmark skill for seasoned practitioners, helping management avoid the crisis in the first place is a far more valuable talent to the organizations we represent. And the most effective way to exercise that talent is to gain a seat at strategic planning sessions, where the opening moves are mapped out. (Kinkead & Winokur, 1992, p. 18)

Sometimes a crisis provides the opportunity to change the basic assumptions on which the culture is based. This is what happened at John Hancock Mutual Life Insurance Co. (based in Boston). The company had to face a crisis period in 1990

after two well-regarded insurance companies failed and public confidence on insurers decreased. Because the public relations director had a well prepared crisis plan to act, the company was able to maintain customer and employee confidence while other firms were under fire. Since then, public relations has won strategic planning privileges at John Hancock (Kinkead & Winokur, 1992).

In some other cases the public relations practitioner is so enthralled in its new role of strategic manager that he or she gets blinded and can be unable to serve as a counselor of his or her organization due to a lethal absorption of corporate culture (Hicks, 1987).

## **2.8. Crisis management and corporate image management.**

Communication practitioners know the importance of corporate image: it is the key to generating public support as a step toward attaining an organization's healthy bottom line, among other things. Communication practitioners know a number of strategies by which corporate image can be both nurtured and sustained.

Communication practitioners whose corporate images have been besmirched know a number of image-restoration strategies that can turn around a sullied reputation. And communication practitioners know the factors that can make or break corporate image. The way a crisis is handled is one these factors.

Effectively, a crisis affects (positively or negatively) the company's most



valued asset: its credibility and reputation. This is, a crisis can undermine the company's corporate image.

There are times when the publics question the authenticity and legitimacy of a message because of an unclear perception of who is sending it (Windahl, Signitzer, & Olson, 1992). Some other times, however, the problem is not an unclear perception about the sender but a clear negative perception about the sender.

This idea is illustrated by the following example described by Gwin (1990): residents close to nuclear plants responded to the emergency warnings depending on the attitudes they have formed about the plant. "People who believe that a nuclear plant is being operated safely appear more inclined to take an appropriate first response in an emergency than people who do not believe the plant is operated safely" (p. 148).

The public must perceive the organization as straight forward and honest. Gwin (1990) points out how people must believe in the disseminator of the information before they will accept that information. And this is specially true in a crisis situation.

Therefore, creating strong links with constituencies seems to be critical for a successful crisis communications program. It should be subject to systematic planning (Berge, 1990) and, as the various publics of the organization are not entirely independent of one another, a company must present a "consistent corporate viewpoint" across the whole range of audiences.

However, as Dickson (1984) says:

Companies still expect that PR can work miracles and that it can produce a positive response even when the company has done something that is obviously stupid or wrong. (...) Companies have not learned the lessons of the past very well. Many still react to the public in a negative way, that is, not by telling the truth or doing good works, but rather by being suspicious of the public's motives, trying to manipulate opinion rather than understanding and profiting from it, and simply using public relations to cover up mistakes. (p. 4)

Bernstein (1984) indicates how the different publics of the organization join the different impressions (emitted voluntarily or not, directly or indirectly) received from the firm and shape a corporate image. This image about the company will coincide with management's vision of reality or not, but it always will be the public's reality. A corporate image, therefore, consists of the essential qualities attributed to the corporation. A corporate image is a composite of people's attitudes and beliefs about that corporation (Gray, 1986).

It is easy to understand an immediate consequence: the company cannot directly modify its image. This modification is dependent on public perceptions and, therefore, it corresponds to the publics to change their image about the company. The only thing the organization can do is intervene in the two factors that precede and provoke the corporate image: corporate identity, and corporate communications.

A prerequisite to a cohesive corporate communications program is a harmonized corporate identity (González Herrero, 1992). The corporate identity can be defined as "the projection of a clear idea about what the company is and what it aims to be" (van Riel, 1992). It consists of three main elements (Figure 1): the corporate mission, the corporate behavior, and the corporate visual identity. A fourth element, included by van Riel (1992) might be added: the corporate communications

*per se*. Nevertheless, this thesis simply considers corporate communications as a linking element which serves as a bridge between the organization's identity and its projected image.

The corporate mission is, in Garbett's (1988) words, "analogous to the product positioning statement used in product marketing. Its importance lies in developing communication that is consistent over time and among the many voices emanating from the corporate body" (p. 18). Therefore, establishing the firm's mission is an essential first step in establishing a successful corporate image.

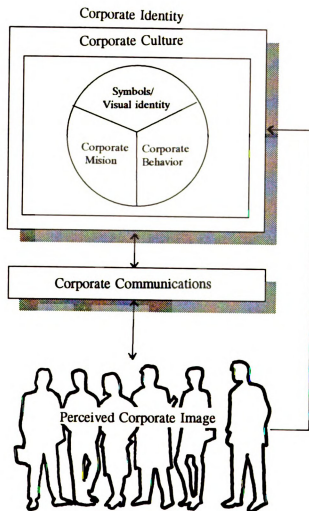
The corporate behavior (where crisis management is included) and the visual identity should both emanate from the mission, which is also a reflection of the corporate culture, but, unfortunately, this does not always occur.

Corporate behavior has been defined as the policies and behavior patterns that guide how the company operates (Campbell & Tawaday, 1990).

These elements (mission, visual identity, and corporate behavior) also explain the "corporate culture" (already defined in preceding pages).

As shown in the figure, the culture of an organization serves to identify the organization and distinguish it from other organizations. This "identity" will be transmitted to the publics through corporate communications (any form of communication emitted, voluntarily or not, from the company) and the corporate image will be formed. The corporate image, therefore, is a reflection of the corporate identity (van Riel, 1992).

At the same time, the corporate image might influence the corporate culture by



**Figure 1.** Corporate identity, corporate communications, and perceived corporate image.

altering, for example, the corporate behavior. If this occurs over time, and a change in the corporate culture occurs, the organization will project a different identity and, consequently, a change in the corporate image will also occur.

The corporate image frequently not only determines the rentability of the commercial actions but also prevents crisis from occurring. A well planned and managed corporate image attracts top-notch personnel, it attracts customers, and it attracts investors. It improves employee morale, customer and community relations, and corporate/government relations (Bernstein, 1984; Garbett, 1988; Gray, 1986; van Riel, 1992).

Tejada Palacios, Sanz de la Tajada, and Echevarría (1991) distinguish three different levels in the corporate image: a) the image as a result of a series of omissions from the company; b) the image as a result of a series of non voluntary actions from the company; c) the image as a result of a series of voluntary actions from the company.

It is true than an important number of the actual corporate images aroused spontaneously without any kind of planning from the management (and this is also true in what we can call traditional successful companies like IBM, Procter & Gamble, etc.). But, it is also certain that these organizations currently have an extraordinary carefulness about their images, and this through a programmed and planned intervention.

Such an intervention has the next characteristics: foresight of actions; foresight of ways to execute these actions; existence of a logical sequence of operations; it

gives an steady and progressive effect to the corporate image.

It is clear that planning, again, is the key word.

#### 2.8.1. GM vs. NBC.

In February 1993, GM accused NBC of rigging a test crash of a pickup truck. Public attention focused on the apparent ethical repercussions for the journalistic profession. However, neither GM nor NBC were primarily concerned with moral considerations. They were for the most part interested in the consequences this crisis implied for one of their most valuable assets: their corporate image.

This example serves to illustrate how crises influence public opinion and conform people's attitudes, beliefs, and, ultimately, their image about a corporation. General Motors is the focus of my attention.

##### 2.8.1.1. The facts.

In February 1993, General Motors Corporation launched a major legal and public relations campaign against critics who charged that it had manufactured millions of unsafe pickups for more than a decade.

GM publicly accused NBC of rigging a test crash of GM pickup trucks on its "Dateline" news program. NBC's program showed plumes of smoke jetting out of the

bottom of the pickup before impact, suggesting that the subsequent fire may have been caused not by the crash but by toy-rocket engines, which were detonated by remote control. GM said that "Dateline NBC" produced a horrifying picture of a burning truck that unfairly damaged the company's reputation (Kolbert, 1993).

For some days, GM management canceled all advertising on NBC News and even wanted to cancel its entire \$160 million-plus ad budget on NBC. Finally they were convinced that this move would hurt GM more than it would help and postponed such a decision. GM was NBC's largest advertiser.

At the same time, NBC admitted that "sparkling devices" had been used in the test, and read on-air an extraordinary apology. This being so, GM agreed to drop the lawsuit against NBC that had been announced.

Some people thought GM's movement had been just a maneuver to distract attention from a recent unfavorable verdict. A jury in Atlanta had awarded \$105 million to a family whose son was killed when his truck exploded in flames in a traffic accident.

The legal costs, however, are irrelevant compared to the company's image and what it might mean to sales. As an example, after the sentence in Atlanta, in heavy trading on the New York Stock Exchange, GM shares fell \$1.125 to \$38. The publicity surrounding the pickup case also could hurt future sales of a key vehicle. Large pickups were GM's best-selling vehicle and one of its most profitable (McCarthy & Lavin, 1993).

In the background, the National Highway Traffic Safety Administration is still

investigating whether to order a recall of the pickups, and critics remind us that for years GM has fought against mandatory installation of seat belts and air bags and that it once hired a detective to follow the activities of Ralph Nader, the consumer advocate (Bryant, 1993).

#### 2.8.1.2. Considerations.

Modern corporations have observed that a good "company reputation" among their publics simplifies most of their marketing problems, and that all actions, all products, all pronouncements of the corporation convey signals and generate messages that contribute to the public perception.

Consequently, it is not strange that GM took great efforts to defend its image. Positive beliefs and attitudes toward its trucks were crucial to sell them and to sell other GM products. In the decision making process consumers evaluate alternatives in terms of expected benefits and narrow the choice to the preferred alternative (Engel, Blackwell, & Miniard, 1993).

Nevertheless, GM maintained that they had done nothing wrong and that the company's trucks met Federal safety standards. As Robert C. Stempel, GM's former chairman, said in a trial "We don't have any problem."

GM executives defended that the Insurance Institute for Highway Safety had found that GM's pickups statistically were neither safer nor more dangerous than Ford's or Chrysler's overall (Treece, Kerwin, & Yang, 1993). They insisted that,



however, media and consumer groups' focus was usually narrowed to fiery side-impact collisions, the kind of accident that had led to the Atlanta verdict, where GM's trucks had a measurably higher rate than similar vehicles.

Regardless of this, Mr. Stempel and the rest of the GM staff should have considered that from a consumer behavior perspective it doesn't really matter whether the trucks were objectively safe or not. The fact is that they were perceived as dangerous by the public.

GM hoped that their public presentation accusing NBC would let them regain the initiative in this particular crisis and in defending its corporate image. However, some analysts indicated G.M. was taking a significant risk by aggressively defending itself and attacking its critics. "A successful rebuttal won't make anybody go out and buy the trucks" said an analyst. "The publicity can't do anything but hurt them" (Bryan, 1993).

GM tried to justify its behavior by accusing NBC (which certainly did not act properly). Media ability to exert informational influence is affected by its credibility, and, when, as in the NBC case, this credibility is called into question corporate chances to gain the public trust are increased.

Nevertheless, GM could have limited public relations damage by quietly acknowledging problems and moving on, as other cases show how difficult is in certain cases to change public attitudes.

For example, Ford Motor Company in the 1970's strongly defended itself from charges that it had been aware that the gas tanks on some of its models were

hazardously vulnerable in rear-end accidents, but did nothing to rectify the problem. The charges resulted in lasting damage to Ford's corporate image.

Similar problems confronted Audi in 1986 after a CBS's "60 minutes." Some analysts think Audi has not yet fully recovered from the incident. The company's sales dropped alarmingly.

## **2.9. Media relationship.**

An important part of the literature on crisis communication management is dedicated to establishing the principles that should guide the organization's relations with the mass media.

Dealing with the media is an important component in crisis planning since in most cases communication with the publics is going to be conducted through the media. The crisis plan must include steps to deal with the media both before and during a crisis.

Before the crisis, any crisis plan should include an evaluation of media relationships and if they are not sound, steps need to be taken to improve them (Gottschalk, 1993). The idea is being accessible to the media also during the good times. Mass media are one of the most important publics involved when a crisis hits because they influence public opinion. Therefore the company should not wait for a

crisis to acquaint itself with local media (Berge, 1990). Newspapers, TV and radio stations, must be clearly identified in the crisis plan and a detailed list of telephone and fax numbers included.

Also during the good times is the moment to provide media training to the top executives of the organization and especially to those designated as spokesperson.

During the crisis, the task of the communicator is to make the job of the news media easier, keeping them informed and being honest. At this stage "truth" and "honesty" are the key words to handle any situation as well as to obtaining favorable publicity (Burton, 1966; Fink, 1986).

Eight principles should characterize the organization's relations with the media (Berge, 1990; Bird & Yutzi, 1984; Gottschalk, 1993; Katz, 1987; Nudell & Antokol, 1988):

1. The company has to inform the media no matter the information it has available. Usually, there is a lack of information coming out from the crisis scenario, especially in the earliest stages of the crisis, and companies delay a press release until they have complete information. The problem is that the press cannot wait. They have deadlines and time pressure. They do not have always time to verify the facts. For these reasons they will use any available information they can get (from facts, speculations, and suppositions).

Therefore, to avoid invention and rumors the company must give as much information as it is possible. The total story can wait until later. Besides, public's fears are minimized when they are informed.

The organization's silence during a crisis often will be interpreted by the public as: guilty. It gives the impression that the organization has something to hide.

2. The organization has to communicate the bad news quickly and at once. By doing this, the organization avoids the continuing-story effect and regains control over the situation instead of being pushed to react to the media information. Being proactive instead of reactive is critical to successful crisis communications.
3. If the company does not talk about bad things somebody else will. The public has different information sources but the most competent people to speak about the crisis is the company itself. If the company does not do it some other source will and the public could be misinformed.
4. Urgency does not mean improvisation. Even when there is a lot of pressure, it is advisable to take the time to properly prepare media communications whether a release or a press conference.
5. It is advisable to limit communication with the mass media to one spokesperson to ensure that the company speaks with one voice. Everybody in the organization must understand that any inquiry from the press should be referred to the designated spokesperson (Nudell & Antokol, 1988).

The spokesperson needs to be trained for the job (especially for media interviews and governmental testimony) and be kept completely informed. Besides, an ideal spokesperson for one kind of crisis is not necessarily the

right one for another kind, so several of them should be on the resource list (Gottschalk, 1993; Katz, 1987).

Sometimes the nature of the crisis demands a spokesperson specialized in a certain field. This is the case of takeovers and lawsuits related crises where the role of legal and financial experts is crucial. However, when the crisis has no technical details involved and is of considerable importance (like in the Tylenol case), the best person to convey the organization's message is usually the CEO.

6. In cases where more than one spokesperson is required, communication among them must ensure that the company is saying the same thing, all the time, to all the different publics" (Berge, 1990, p. 66).

For example, Florida Power & Light's crisis plan is based in the realization that a centralized control of communication is not adequate in this kind of industry. In opinion of the company officials what is needed is a) centralized coordination, b) authority to communicate to field and customer service workers, and c) training on how to communicate (Ingredients of a crisis plan, 1993). In 1993 the company won PRSA's "Best of Silver Anvil" for its comprehensive public relations campaign after Hurricane Andrew. FP&L kept up a constant stream of communications with its employees, customers, government agencies and the media (Florida utility wins, 1993). The company "empowered" its staff to make decisions on-the-spot while maintaining one clear voice. Training received in advance by the employees

made this possible. The communication greatly contributed to maintaining safety and calm and after the crisis surveys showed that public's satisfaction had increased by 20%.

7. The mass media have a legitimate interest in the subject. The organization must avoid thinking in terms of "us versus them" (Berge, 1990). The interests of the mass media are different from those of the organization but that does not mean that they are against the company.
8. Public Relation officials should have clear knowledge of the authority they have to release information without previous authorization from top management. A study by Bird and Yutzy (1984) shows how public relations directors are not always sure whether they have the authority to release information or not. In some companies public relations shares this responsibility equally with other departments. In others there are no clear procedures. When this occurs public relations people tend to protect themselves. As a result, the public relations department becomes a closed door instead of a window to the public and creates ill feeling instead of goodwill. The authority of public relations officials should be therefore clearly stated.

## **2.10. Crisis recovery planning.**

After the crisis stage ends, the preparation for the next one begins (Nudell & Antokol, p. 126). At this stage it is the time to (Berge, 1990; Nudell & Antokol,

1988): A) Carry out an internal critique of the organization's performance (evaluation of plans, procedures, equipment, personnel, etc.). B) Identify problems in the execution of the plan and its strengths. C) Examine the effectiveness of the organization's liaison(s) with external constituencies such as government agencies, customers, and the media. D) Try to reduce the long term damage that can follow the crisis. E) Assess the public's attitudes towards the organization. F) Update the current crisis plan -if it exists- incorporating improvements learned from the recent crisis. G) Thank those who have helped or assisted the company during the crisis stage. H) Oversee the assistance victims might require in certain crises. And, I) Elaborate an archive to record the previous plans and emergency actions to avoid reinventing the wheel.

Specifically, in the communications arena, this post-crisis analysis can produce the following advantages for the communications department. It can elevate the public relations function in the organization; it can focus public attention on matters of critical concern and reaching audiences otherwise unavailable; it can build credibility; it can force an organization to review all policies relating to social responsibility (Pinsdorf, 1987).

## **2.11. A classic in the crisis management literature: Tylenol.**

There are certain instances where events are so atypical and unpredictable that

improvisation is the only conceivable action. This is the opinion of a considerable number of authors when they approach the Tylenol poisonings of 1982. In that case, Johnson & Johnson's credo worked when planning couldn't.

Effectively, a classic in the crisis communication literature is the 1982 Johnson & Johnson's Tylenol poisonings (Berge, 1990; Fink, 1986; Meyers & Holusha, 1986; Gottschalk, 1993; Pauchant & Mitroff, 1993; Pinsdorf, 1987; etc). It is difficult to find a book on crisis management with no reference to this case.

For many, the Tylenol crisis exemplifies one of the most grotesque aspects of being the market leader: the product can be used as a vehicle to cause the greatest hurt to the greatest number of people (Pauchant & Mitroff, 1993). For some others, the Tylenol case set the guidelines for modern crisis communication management: high visibility, integrity, and honesty. A brief review of this case seems, therefore, advisable.

In fall 1982 seven people died in Chicago after taking Tylenol capsules poisoned with cyanide. Within hours the chairman of Johnson & Johnson, the manufacturer of the product, formed a seven-member crisis team to manage decisions and coordinate all company actions. A national withdrawal of every capsule was ordered and the entire stock of capsules destroyed on J&J's own initiative.

Johnson & Johnson was trying to do the best it could, and the public perceived the company as the unfortunate victim of a terrible crime.

The company established toll-free consumer and media lines, halted production, held several press-conferences from the crisis headquarters nationwide via



satellite, prepared a group of executives to appear on television shows, and elaborated a employee relations program to obtain support from inside the company. Managers didn't try to deny any connection between the company's product and the murders.

To take decisions, J&J executives relied on research. Telephone surveys and focus groups were conducted by independent research firms hired by J&J to secure feedback on company actions and be informed about the public's opinions and attitudes.

At the same time, J&J officials visited about 160 congressional offices in Washington to treat several issues regarding the come back of Tylenol capsules to the market and were in permanent contact with the medical community.

Four years later, in 1986, the company decided to leave the capsule business and promote pills in its place after another person died in New York after taking Tylenol.

## **2.12. The crisis life cycle and issues management.**

The so-called life cycle, in which a crisis passes sequentially through phases of birth, growth, maturity, and decline, has been observed in many crises. This concept of "crisis life cycle" is drawn from the biological model of living organisms being born, growing, reaching maturity and then dying (Urban & Star, 1991). An analysis of the different crises effectively suggest some correspondence with this analogy. This

model can be used to describe the outcomes that should be expected from each stage of the cycle.

Under proper management intervention, however, a crisis might not reach its growing and maturity stages. In fact, it could not even be born. This is, management can avoid crises even before they are born.

This being so, the pattern of a crisis being born, growing, reaching maturity, and declining would just correspond to those cases where management did not handle the crisis until it effectively threatened the organization's interests.

The concept of crisis life cycle is related to that of "issue life cycle." An important number of crises is associated to issues that could have been detected by the organization. Buchholz (1988), Hainsworth, (1990), and Meng (1992) indicate the stages an issue might go through before and after provoking an organizational crisis.

*Issues management*, therefore, is related to the notion of crisis management. In fact, *issues management* is so related to *crisis management* that, sometimes, it is found in the same department as the crisis management function. Kasser and Truax (1988) describe how, in certain cases, both activities are together in the corporate communications department (the same department where the crisis communications function usually is). In the same line, as Hainsworth and Meng (1988) report, many public affairs specialists view public affairs/public relations as synonymous with issues management.

The fact that both activities seem to be found together, especially under public affair departments, is the reason why it is not uncommon that both functions are

executed in a parallel way (overlapping one each other) and that it is difficult to differentiate the forecasting stage of crisis management from the issues management function.

As Hainsworth and Meng (1988) conclude in their study, "the generally understood purpose of issues management is to afford the organization early identification of issues which may have an impact on its wellbeing" (p. 26), which is also one of the objectives -not the only one- of crisis management as defended in this thesis. This is the reason why this thesis includes the concept of issues management in its proposed model. The crisis management plan must include an independent issues management program to anticipate, identify, and address issue related problems before they become crises (Katz, 1987).

### **2.13. Stages of the crisis life cycle.**

Several authors (Fink, 1986; Kharbanda & Stallworthy, 1986; Myers, 1993; Nolan, 1984; Nudell & Antokol, 1988) refer to the concept of crisis life cycle. Meyers and Holusha (1986) incorporate the steps of most of the others.

1. **Pre-crisis stage:** at this stage the crisis begins to give its first warnings. It is also called the "prodromal" (Fink, 1986) or "dormant" (Nolan, 1988) stage. This should be the time for planning, for considering all potential scenarios and its consequences, establishing contacts with key subjects, training, testing

and evaluation of the crisis plan, etc.

However, the crisis at this stage is still recognized by relatively few and the early warnings are usually ignored by management. It is still a "hidden crisis" (Kharbanda and Stallworthy, 1986).

2. **Crisis stage**: at this phase the crisis has already been scrutinized by the news media and governmental agencies are likely to appear on scene. It corresponds with the "opinion development" and "institutional" phases described by Nolan (1984). The key at this point is to retain the public affairs initiative as well as keeping records of the flow of events. At this stage, however, some companies tend to deny the crisis; management does not act and the crisis is explained away. As a consequence the organization begins to disintegrate. Some action occurs then, but too little and too late (Kharbanda and Stallworthy, 1986).

This is, in Fink's (1986) view, the point of no return. At this point the warnings have ended and some damage has been done. The role of the manager is now to avoid further damage.

3. **Post-crisis stage**: phase of getting back to normal. Some damage has been done and the organization has to confront a recovery phase. It is time for evaluation and analysis. Rewarding would also occur at this stage if the crisis was managed properly. It is time for further crisis management planning -analyzing what went right or what went wrong and taking appropriate actions. Also at this stage Congressional investigation, or an audit, or a newspaper expose can take place (Fink, 1986).

Recently, also Myers (1993) has written about what he calls the "disaster life cycle." In his book "Total Contingency Planning for Disasters" Myers describes and explains how to use a copyrighted plan development process (the Myers Plan) designated to generate contingency planning solutions that are both practical and cost effective. Although Myers' book focuses on specific contingency plans for specific business functions, his concept of disaster life cycle can be applied to a more general notion of crisis. Myers' model describes four stages in a disaster: (1) normal operations, (2) emergency response, (3) interim processing, and (4) restoration.

The key word in the crisis management process is **proaction** and should be initiated at the pre-crisis stage. However, as Nudell and Antokol (1988, p. 14) point out "most of what passes for crises management is reactive and ad hoc. Often, there is little (...) planning, or what planning there is consists of untested assumptions filed away (...) until an emergency occurs." The same opinion is maintained by Pauchant (1988) who affirms that most of the articles written on crisis management are of the "what-to-do-when-the-worst-happens" school, and that most crises management programs in organizations are reactive in nature.

Effectively, most firms have initiated their crisis management efforts either in reaction to a particular crisis (what Pauchant & Mitroff, 1992, label "crash management") or by focusing on a specific and technical area ("security management").

However, an effective program on crisis management must include not only crash management plans -what to do when a crisis happens- but also understand why

crises happen in the first place and what could be done to prevent them. This view requires that top management sees crisis management as a total necessary activity as it is for example marketing.

And this is precisely the major difference between crisis-prone and crisis-prepared organizations.

What fundamentally distinguishes crisis-prepared organizations from crisis-prone ones is the overall mood from which they view crisis management. Managers of crisis-prepared organizations do not consider crisis management a cost; they view it as a strategic necessity for ensuring the reliability of their products and production systems and for providing competitive advantages. (Pauchant & Mitroff, 1992, pp. 151-152)

Through proactive crisis management an organization is able to maximize its opportunities and minimize the dangers it could confront in a crisis. Thus, organizations that have developed capabilities in crisis management understand that most crises and disasters have a history that can be studied with the appropriate process. For these organizations, detecting a crisis in its early stages is the main objective of the crisis management process. It will provide the manager with the opportunity to avoid the crisis and/or to orient further crisis management activities.

## **CHAPTER THREE: A MODEL FOR CRISIS MANAGEMENT: THEORETICAL FRAMEWORK**

The foundation for a crisis management model must rely both on communication and organizational theory. Similarly to the work of the public relations practitioner (Prior-Miller, 1989), much of the crisis manager work is based on interpersonal and mediated communication. At the same time, his or her activities are inherently organizational and focus on the relations that the organization has with its publics.

Since such relations with the publics are usually assumed by public relations (or equivalent) departments, it seems logical that public relations managers play an important role in determining crisis management policies and strategies.

### **3.1. A situational theory for crisis communications management.**

Grunig and Hunt (1984), Grunig (1992), and Grunig and Repper (1992) have proposed a situational theory to identify publics that is useful for crisis communications management.

According to Grunig (1992, p. 13), "when conflict occurs, publics 'make an issue' out of the problem." ~~✗✗~~ If the organization waits for these issues to occur before managing its communications with its publics, the organization will have to confront a crisis and to appeal to short-term crisis communications. However, if the organization

uses issues management to identify and anticipate potential issues before they reach a threatening stage, then long-term symmetrical<sup>2</sup> communications can be planned and crises avoided.

Grunig (1992) distinguishes several steps to achieve this. They include: a) the identification of potential problems in the relationship with the organization's stakeholders; b) the segmentation of publics that respond differentially to those problems; c) the identification of objectives for communications planning; and, d) the evaluation of the effects of those communication programs.

The situational theory of publics, first proposed by Grunig and Hunt (1984), is especially useful in the second of the stages. According to this theory, and based on the work of social scientists Dewey (1927) and Blumer (1966), Grunig and Hunt (1984) define a public as a group of people who face a similar problem (for example, pollution, product tampering, or illegal hiring practices). Publics, however, differ in the degree to which they are aware of the existence of the problem and organized to do something about it.

Because of these differences among publics, the situational theory distinguishes: "non-publics" (people who do not share any problem), "latent-publics" (people who face a similar problem but do not recognize that the problem exists), "aware-publics" (people who recognize that the problem exists but do not organize to solve the problem), and "active-publics" (people who organize to do something about the problem).

---

2

The concept of symmetry is explained later in section 3.2.4.



Furthermore, publics can also be categorized by its level of "activity" (Grunig and Repper, 1992) and four types of active publics distinguished: 1) All-issue publics: publics active on all of the issues; 2) Apathetic publics: publics indifferent to all of the issues (non-active); 3) Single issue publics: publics active on one or a small subset of the issues that concerns only a small part of the population; 4) Hot issue publics: publics active only on a single issue but which involves almost everyone in the population (usually with extensive media coverage).

The crisis communications manager should be informed of the state of the different publics. Grunig and Repper (1992) indicate how organizations can communicate more easily with active than passive publics. Active publics, however, are also more difficult to persuade (because they seek information from many sources). Short-term crisis communications deal almost exclusively with active publics and generally involve media coverage, while long-term crisis communications strategies also deal with passive publics and with less or without media coverage of the issue.

Passive publics can become active, and the organization should not ignore them. The purpose of a well-planned crisis communications strategy is to build a positive relationship with both passive and active publics. This being so, passive publics will not need to become active and those that are already active will participate in a "symmetrical dialogue" with the organization. From this dialogue both, the public and the organization, will benefit. The crisis situation is, then, averted.

A two-way-symmetrical communication approach as defended by Gruning

(1989) seems, therefore, adequate for crisis management.

As the proposed model will show, a proactive approach to crisis communications instead of a reactive one must be applied. This means to be open to the publics, cooperative, and responsible rather than a close system with an internal orientation. And this should be the policy to follow not just in a crisis situation but always. When a company is clearly viewed as proactive and two-way symmetrical by its constituencies it can minimize the risk of getting involved in a crisis and of seeming guilty if a crisis occurs. As Burger (1984) puts it, the organization must talk from the viewpoint of the public's interest, not the company's.

### **3.2. Crisis management models.**

The model this thesis proposes incorporates the ideas developed by Meyers and Holusha (1986), Pauchant and Mitroff (1992), Westley and MacLean (1957), and Grunig and Hunt (1984). The relevance of such models reside in that they are one of the few frameworks practitioners can use to understand crises and manage communication programs strategically.

#### **3.2.1 Meyers and Holusha's model.**

Among the models that provide a partial insight on the understanding of crisis management is that proposed by Meyers and Holusha (1986).

This model, applied recently by several authors (Barton, 1993; Brewton, 1987), is based in four major considerations: a) Dimension: the size of the crisis; b) Control: the ability of the organization to influence the environment; c) Time: the time the organization has to manoeuvre; and d) Options: the number and quality of the options of the organization. The way in which these factors relate indicates what management tools should be applied.

The four dimensions can be combined in two four-square matrixes (Figure 2). By assessing where the company is situated in both matrixes, the manager will be able to take the adequate corrective actions more confidently.

**The dimension-control matrix:**

- Low dimension, high control: represents a crisis situation that is not very serious for the company and over which management has control. Strikes usually fall under this category.
- Low dimension, low control: the situation is not severe for the company and the outcome does not greatly depend on how management acts. A temporary shortage of power could be an example.
- High dimension, high control: the situation is now more serious but the company is still able to manage effectively the crisis. However, a wrong action in this situation could put the company at risk. A takeover is an example.
- High dimension, low control: this is the most dangerous quadrant. The

**DIMENSION-CONTROL MATRIX**

<b>Control</b>	High	Low dimension High control	High dimension High control
	Low	Low dimension Low control	High dimension Low control
		Low	High
		<b>Dimension</b>	

**TIME-OPTIONS MATRIX**

<b>Options</b>	High	Little time A lot of options	A lot of time A lot of options
	Low	Little time A few options	A lot of time A few options
		Low	High
		<b>Time</b>	

Figure 2. Two matrixes for the diagnosis of crises. Based on "When it hits the fan: Managing the nine crises of business." (pp. 207-216) by G.C. Meyers & J. Holusha, 1986, Houghton Mifflin Company. Boston, MA.

situation is really threatening for the organization and top management has little control over the outcome. A small company facing the costs of a massive recall is an example.

Depending on the quadrant where the crisis is situated, the organization will have different options to act. For example, in the Low dimension/High control and High dimension/High control quadrants, top management has options to be proactive and solve successfully the crisis. However, in the Low dimension/Low control and High dimension/Low control, contingency and post-crisis plans will become the only option of the organization since it has a lower control over the crisis.

#### The time-options matrix:

- Little time, a lot of options: the organization has a short period of time to react to the crisis. Reaction measures are inevitable as a first step in containing the crisis. However, management counts with a good range of options to choose from. Example: impending shortage of raw materials due to the strike of one of our main suppliers.
- Little time, a few options: the worst of the situations. The crisis stage is impending and the organization has almost no courses of action to take. Example: a product tampering story which is going to appear in the media next day.
- A lot of time, a lot of options: the least severe of the situations in this matrix.

The company has enough time and options to plan ahead. Proactive management can be applied and hopefully the crisis can be avoided or at least its negative consequences minimized. The neighbors' concern about the increasing of violence in their city could be an example.

- A lot of time, a few options: the organization has some good paths to follow and try to avoid or minimize the consequences of the crisis. Proactive management can still be applied. An example here could be the neighbors' concern about the construction of a prison in their neighborhood.

Time constraint is, therefore, an important characteristic to take into account when planning for a crisis. When the crisis will start and how long the crisis will last, determines the time the organization has to manage the situation.

### 3.2.2. Pauchant and Mitroff's model.

A second framework relevant to our model is the one developed by Pauchant and Mitroff (1992). In their book "Transforming the crisis prone organization," they propose a model based on the stages through which crises move and on the types of crisis management. In this model (Figure 3) the boxes labeled "signal detection" and "preparation/prevention" constitute *proactive* types of crisis management and will avoid many crises from occurring. "Containment/damage limitation" and "recovery" are the *reactive* activities done when or after a crisis has happened to contain its damage or recover from its effects. The box named "learning" corresponds to the

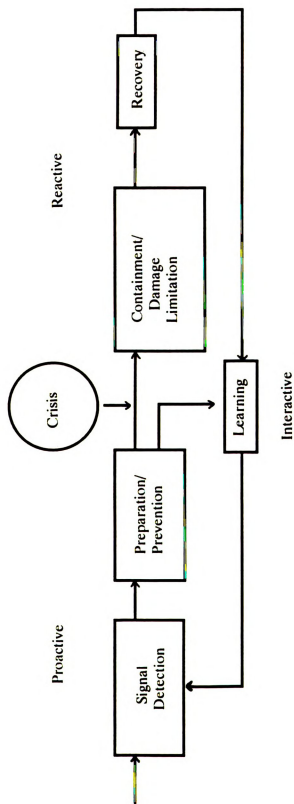


Figure 3. The five essential phases of crisis management. From "Transforming the crisis-prone organization: Preventing individual, organizational, and environmental tragedies," (p. 142) by T.C. Pauchant & I.I. Mitroff, 1992, Jossey Bass, San Francisco, CA.

*interactive* type of crisis management. It can be a part of the crisis plan in the absence of a crisis or a result of the experience of a crisis.

### 3.2.3. Westley and MacLean's model.

Westley and MacLean's model of mass communication (1957) unfolds the process through which an organization communicates with its publics. This model serves to illustrate the relationship organization-media-publics and, especially, the role mass media play in short-term crisis communications.

Westley and MacLean's model is based on Newcomb's *ABX* model (1953). The *ABX* model introduced the concept of orientation: the way people feel about other people, objects, and abstract concepts. This concept is similar to the concept of *image* discussed in chapter two.

Based on this model (see Wahlstrom, 1992), Westley and MacLean elaborated a model for mass communication. In their model, two subjects (*A* & *B*) communicate about a topic or object (*X*) with the mediation of a third subject, the mass media (*C*). *A* could be an organization involved in a crisis situation, *X* could be the crisis itself, and *B* could be the publics of the organization.

*A*'s purpose is to modify *B*'s perception of *X*. *C*'s role in the model is to provide *A* with access to the channel reaching the *B* audience. *C*'s intent is to meet *B*'s need for adequate information. This model also provides for a variety of feedback from all three subjects to the others.



Whaltstrom (1992) points out how both Newcomb's and Westley and MacLean models ignore, however, the issue of power and assume that the goal of the relationship depicted is to achieve a system that is mutually beneficial. This is not always the case since political relationships (between *A* and *C*) will determine which messages *C* will select to send to the audience (*B*). The degree of criticism of *C* towards *A*'s posture will depend on this factor. Besides, the message *A* selects to send to *B* is characterized by the intended effect of changing *B*'s perceptions toward *X*.

Westley and MacLean's model emphasizes the role of the media in the configuration of attitudes of the receiver. The model proposed in this, however, maintains that, in certain cases, organizations should not be that much concerned about media coverage. If the organization solves its external problems before its publics make an issue out of them, the role of the media will be minor: publics will not need to use the mass media to bring attention to their cause (Grunig, 1990; Grunig & Repper, 1992; VanLeuven & Slatter, 1991).

Nevertheless, crises are not always avoidable and, in these cases, the relevance of the media is unquestionable.

#### 3.2.4. Grunig and Hunt's model.

Grunig and Hunt's (1984) two-way symmetrical communication model incorporates the concept of "symmetry" to the Westley and MacLean's model of mass

communication.

Grunig's two-way symmetrical model is what Cutlip and Center (1985) call "open systems model" of communication. Both of these models defend that the communication process must ensure that both the organization and its publics get more correct pictures of one another. The effect sought is to achieve goals that are in the organization's and the public's *mutual* interests. Those goals found to be in conflict with mutual interests are modified or eliminated. Proactive action may be the main and most valuable element of the open systems model of public relations. Steps taken in advance reduce both the amount of effort required and the trauma associated with crisis-oriented reactive public relations (Cutlip & Center, 1985).

Grunig and Hunt's (1984) ideas have, however, also been criticized (Mallinson, 1990; Pavlik, 1989; Rakow, 1989). As Grunig and White (1992) summarize, the two-way-symmetrical model presupposes that the organization has motivation for reciprocity. Nevertheless, while organizations feel that they have more power than publics, the two-way symmetrical model is unlikely to be applied.

### **3.3. A proposed model.**

Based on the previous concepts, and taking into consideration the ideas discussed along the earlier chapters, this thesis proposes the next model for crisis management.

Four boxes (Figure 4) represent the main four steps that should characterize the crisis management process. In the figure, time goes from left to right, beginning the process at the "issues management" stage and ending at the "post-crisis" box.

I- The box labeled "issues management" corresponds to the stage where the organization scans the environment looking for public trends (or issues) that may affect it in the future. Detected issues are collected and evaluated in an issue statement by the issue managers. At this stage management concentrates its efforts in preventing the crisis to occur (impeding the issue to arise or redirecting its course). Successful issue management allows the organization to avoid the crisis stage as shown in the figure. At this point it has not been necessary to elaborate any specific contingency plan since a "no crisis" situation has been reached.

II- The box labeled "planning-prevention" shares with the issues management stage the characteristic of environment monitoring (in search for further warnings). It also makes use of information, warning, and internal communications systems.

However, while in the issues management stage the two key elements are identification and influence (Hainsworth & Meng, 1988), in the planning-prevention stage a third element is added: prevention. In the previous phase the issue had been detected and some actions taken to influence the development of the issue. However, since issues managers work on issues out

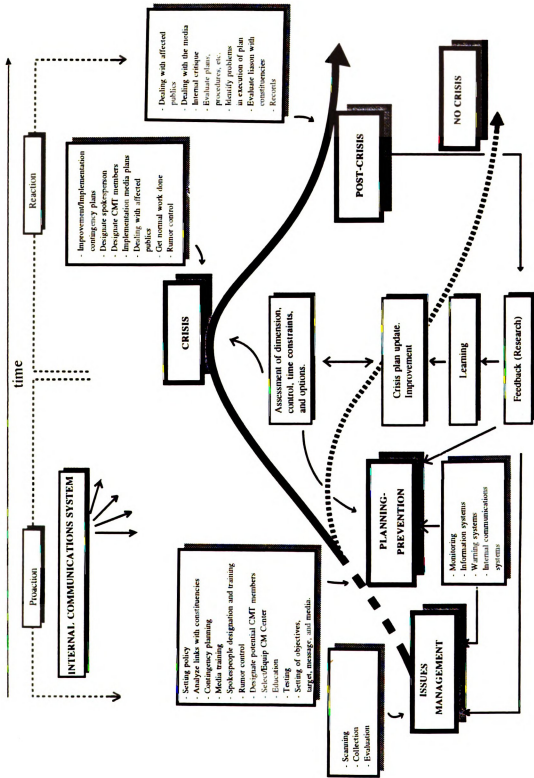


Figure 4. A model in crisis communications management.

of the scope of the current year (Ewing, 1987), planning-preventive measures take more relevance at this stage. Planning is also more relevant here because a crisis is more likely to occur if management does not handle properly the situation.

The idea here is to show that, once an issue is perceived to have passed the limits of issues management, when it is recognized that a crisis might happen suddenly, or when an issue might scale quickly in intensity (e.g., an accident), the organization has still to monitor it through its information and warning systems at the time that prepares itself in case the crisis hits.

Now it is the time to set a policy on the issue, analyze the organization's links with its constituencies, prepare general or specific contingency plans, and accomplish the other steps of the crisis plan.

It is also at this stage when management must assess the dimensions of the problem, the degree of control the organization has over the situation, and the different options the company can choose from in developing the crisis plan. Like in the rest of the model, research plays here an important role. The organization has to make sure that its plans are in tune with the publics' attitudes and respond to reality. Subsequently, this feedback will allow the company to acquire new knowledge about its constituencies and about itself (learning) which, in turn, will serve to improve the quality of the crisis plan or update it according to the new beliefs of the different publics. Besides, research serves the purpose of evaluating the situation, since the assessment of the characteristics of the possible crisis must be done repeatedly.

If this stage is effectively managed, the organization will be able to avoid the crisis (and a "non-crisis" reached) or, at least, minimize its negative consequences in case the crisis could not be eluded.

- III- The crisis: At this point, the organization might have lost all proactive initiative. Should a crisis plan not exist the organization's response will be in reaction to the events and limited to contingency measures that limit the damage. When a plan exists, proactive measures are still possible.

This is the time to definitively designate the members of the Crisis Management Team (according to the particular characteristics of the situation) among those that were preselected. It is also when the individual in charge of representing the company, the spokesperson, must be appointed. In addition, the media programs, the rumor control mechanisms and the rest of the measures contained in the crisis plan are implemented at this point. Previously, the real situation should have been reassessed again to see whether it certainly responds to the situation depicted in the crisis plan or not.

- IV- The post-crisis stage: once the crisis hits, some damage is inevitable. In the best of the situations the organization will be able to limit this damage to the minimum. In any case, however, crisis management does not finished when the crisis ends. In every crisis there is a "post-crisis" stage where the company is aimed to recover its previous state.

The organization must still pay attention to the affected publics and the media must be informed. Now it is also the moment to evaluate how the crisis plan (if existed) worked and how management and workers responded to the situation. This feedback must be incorporated to the crisis plan in order to improve it and prevent or avoid future potential crisis. Management must realize that the end of one crisis is the beginning of the next one. The process starts again and the issues management and planning mechanisms are newly activated to prevent future negative situations.

Successful crisis management takes effective action primarily during stages I and II (issues management and planning-prevention boxes), with the presumable consequence that stages III and IV (crisis and post-crisis) will never occur, or would do it with the company situated in the best of the positions to confront them (Figure 5).

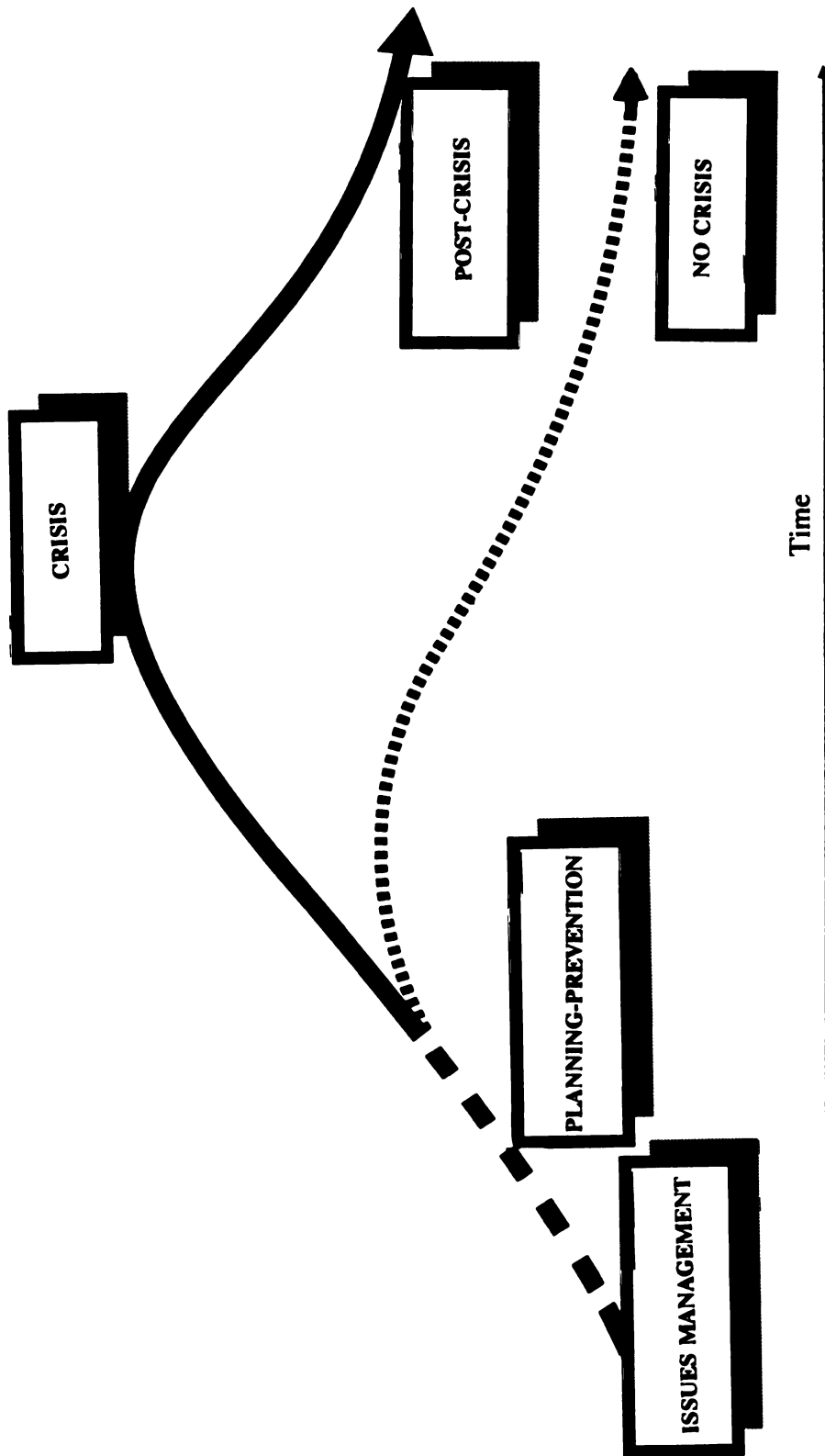


Figure 5. Development of issues with and without management intervention.



## **CHAPTER FOUR: CONCLUSION**

**This thesis has shown how crisis management must be part of a systematic approach put into place before a crisis hits. Knowing the common patterns and stages of most crises and following certain steps, the manager will be in a better position to handle any "turning point" (using Fink's, 1986, terminology).**

**This thesis has also indicated the role communications should play in preventing crisis from occurring as well as the keys for successful crisis communications in those cases where crises cannot be avoided. This is, speed, accuracy, credibility, consistency, and thoroughness as well as management control of the information (Berge, 1986; Carney & Jorden, 1993; Katz, 1987).**

**With these ideas on mind, the public relations or public affairs practitioner has the responsibility of developing communication strategies for the different publics of the organization. Public relations practitioners must identify, analyze, and understand the interests of the different publics and translate them into the organization's communications policy.**

**\* Know your publics.**

**As Grunig & Repper (1992) point out public relations seldom will be effective if it directs its messages to a mass audience. The reason is simple: marketing and**

communications research has shown how mass audiences (general publics) consist primarily of the most passive and unresponsive publics where significant cognitive effects are unlikely to be achieved. Certainly, mass audiences also have active publics but the cost of reaching these publics through unsegmented communication will be generally much greater than if targeted through segmented communication (which, in addition, allows the manager to "personalize" the message).

This is specially true in crisis communications where the concerns of the different current or potential active publics must be attended separately.

Therefore, even before considering whether the emphasis must be placed in either external or internal communications, the first step in developing a communications action program is to define the objectives and the target audiences that need to be reached to solve the problem (current or potential). Once these factors are clear, the message and the different media to be used must be determined.

\* Be proactive: Pepsi's needles.

Today's managers are not used to open communications. In fact secrecy is a common characteristic in crisis situations (Slatter, 1984). Crisis management, however, calls for proaction and openness even when the organization finds itself in the center of a sudden crisis.

An excellent example of open and proactive communications is the crisis faced by Pepsi in 1993. In June of that year, consumers from all around the United States

reported to have found different items (from needles to bullets) inside Pepsi's cans. Suddenly, Pepsi-Cola found itself in what promised to be its worst crisis ever.

After an initial confusion, the company took command of the situation by opening its bottling plants in most parts of the country and producing video news releases which sent up via satellite to address its publics. The first of these videos was viewed by more than 182 million people (more than the audience of the 1992 Super Bowl). At the same time, the company's CEO, Craig E. Weatherup, participated in TV talk shows, and other Pepsi officials actively collaborated with the FDA in order to protect consumer interests.

A few days after the first needles were reported, twenty people were arrested accused of making false claims. With public sentiment finally in its favor, Pepsi used the opportunity to pitch its planned summer promotions. Rebecca Madeira, Vice President of Public Affairs of Pepsi, said that a crisis can only be in control when cooperation with the media exists, and the company invites and furnishes reporters with facts. "Your only defense when your company is on trial is to be a participant of this trial" (Greenberg, 1993, p. 13).

\* Don't be reactive.

On the other extreme, a recent example of closed and reactive crisis management is the one experienced by Sears, Roebuck and Co. in 1992 about the controversy over its car repair operations.

The company's commission system in its auto centers was being investigated by the California Consumer Affairs Department. In responding to the investigation, Sears' first action was to appoint a lawyer as its spokesperson, which automatically put the organization in a defensive position. Once the company turned into the public relations experts, the firm righted its wrongs and abandoned the quota system and invited the media into stores. The lesson here is that a proactive plan could have avoided the first false steps in responding to the crisis. This is extremely important since the first impressions are generally lasting impressions and can cost the organization millions of dollars (Carney & Jorden, 1993).

\* Control your message.

Another lesson Pepsi learned was that "direct communications" are sometimes essential to get the message across without the filter of the TV stations. The same happened in the case of the Convention and Visitors Bureau (Arkansas) when facing floods in 1990. Similarly to the Pepsi case, the Bureau did not rely on the mass media to reach key audiences, and tourism rates remained steady (Mitchell, 1993).

Any company should know the ways to produce such direct communications in a promptly manner. Suppliers with fast turn-around times, etc. must be included in the crisis plan (Katz, 1987).

\* Rely on research.

The model proposed in this thesis emphasizes that crisis management decisions must rely on research and that, therefore, a mechanism to know the public's attitudes and opinions must be part of any crisis plan. Research will avoid the firm to have to retract or alter initial statements, at the time it serves to identify the publics affected by the crisis. It will also allow the public relations practitioner to develop accordingly the message to be communicated.

How the message is communicated is as important as the message itself. Meaning is shaped by audience and situation (Fielden, 1988). Therefore, to select the appropriate way to put the message (the way it is going to be presented or encoded), crisis communicators are advised to rely -as always- on research. The message must be adapted to each audience as well as to each medium (Carney & Jorden, 1993; Fielden, 1988). Sometimes simple focus groups can give to the practitioner the key for a more effective communication:

Too often, risk communicators are more concerned with educating the public, rather than first listening to them and then developing communications programs to provide critiques and feedback to their designers. Using feedback from focus groups, researchers can gain qualitative insights on how people perceive risk, as well as evaluations of the perceptual or cognitive effects of the risk information format. Such feedback is crucial to communicating risk more effectively. (Desvousges & Smith, 1988, p. 479)

This is an example from the nuclear industry but it can be applied to any other industry. Feedback is essential to know the way the key message should be developed and through which media it should be communicated.

**\* Communicate internally.**

Good internal communications are also crucial for successful crisis management. The crisis plan must contain mechanisms to coordinate communications inside the organization and filter the information coming from different departments or functional areas. By doing this, the organization will avoid to suffer from information overload:

The beginning of crisis usually results in a faster pace of activity as individuals begin to realize something has to be done about the threatening situation. In many firms, particularly larger ones, the effect of the faster pace is to increase the volume of communications, resulting in information overload. (Slatter, 1984, p. 67)

To get things done, the crisis manager has to ensure a constant and precise flow of information and instructions through the crisis management team and the rest of the organization's workforce. In spite of this, the skills of most managers regarding effective internal communications seem to be poor indeed. Drucker (1977) maintains that poor communication is the direct result of ignorance, and indicates that managers do not know what to say, when to say it, how to say it, and to whom to say it.

Also, communication technologies are playing an increasing important role in internal crisis communication management. "In the United States, for example, some firms have created a network of toll-free emergency lines. With these lines they can instantaneously track the physical location of the calls received and establish an ongoing 'map' of the crisis" (Pauchant & Mitroff, 1992, pp. 159).

**\* Balance your communications.**

The composition of the publics most affected by the crisis influence the way practitioners should act (Reinhardt, 1993).

- When the crisis implicates product recalls, public health issues, or environmental cases affecting the general public, the company is morally obligated to disseminate information to a broad audience. External communications are crucial.
- When the crisis is of a more internal nature such as employee safety or a merger of two companies, internal communications will probably be paid more attention than external ones.
- When issues affect both internal and external constituencies, a combination of internal and external media must be used.

#### **4.1. Who is responsible for crisis communications management?**

What department is responsible for crisis communications management? In practice, modern companies do not have a clear answer to this question; every case is different and this function is performed depending on the specific company needs and its structural organization. We can distinguish the next situations:

- 1- Assignment of this responsibility to a person in charge of concrete aspects of

the corporate communications.

- to the director of the Public Relations Department.
  - to the director of External Relations/Affairs.
  - to the director of Consumer Affairs.
  - to the director of Investor Relations.
- 2- Assignment of this responsibility to an expert (individual or group) staff of top management.
- 3- Assignment of this responsibility to external consultants. This is a frequent case since the process that a company must undertake to organize its crisis plan requires a great doses of experience that only in a few cases can be found inside the organization.

Whether external consultants should be hired or not entirely depends on the expertise of the company's professionals. It should be especially considered in companies with limited personnel or with personnel with no significant experience in crisis situations. External consultants are not substitutes for management commitment, but they can represent an important contribution when time is short and the organization's talent is limited.

Fink (1986) indicates how 70 percent of the companies he studied reported that they have turned, or would turn, to outside help during a crisis. "Such help included firms specializing in crisis management, law, investment banking, public relations, and/or media consulting" (p. 69).

A possible explanation for Fink's results is that, in the real world, only large



organizations can afford a full-time internal public relations or public affairs executive who can perform at top management level. Sometimes external consultants can also do a better job than internal executives because they are able to look at the company from an outsider's point of view and this allows more objectivity (Berge, 1990).

Pauchant and Mitroff (1992) still give another reason to include outsiders in the organization: it constitutes a means of challenging the organization's basic assumptions.

A company in the chemical industry has recently include two environmental activist on its board; another in the oil industry has hired key executives with no backgrounds in the industry or in technology in general; other firms have also hired outside consultants as "insultants," to use Peter Drucker's term, in the attempt to challenge some of their basic assumptions. (p. 153)

And, finally, another two reasons to bring outside specialists is that while everything goes normal in the organization no one has the time to devote to developing a crisis plan, and that the external consultant usually has a special problem-solving process in which no one in the organization is trained (Myers, 1993).

In any case, once the crisis communications plan has been developed by the consultants and assimilated by the organization's decision-makers, internal executives are usually more appropriate to manage and control the firm's crisis plan.

Thus, this thesis proposes that the main responsibilities are set in the public relations or public affairs department, but under the guidance and supervision of top management in the adoption of key decisions affecting corporate policies and strategies. And, although attention must be paid by public relations executives to the functions of "research" and "planning," they should be primarily concerned about the

"communications" role. Unfortunately, as Garbett (1988) cites, "today's management considers corporate communications too important to leave to public relations people" (p. 86).

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