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Ethics and its Vital Role in Crisis Communication: a Research on How to Survive From a Crisis in Today's Challenging Business Environment

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ETHICS AND ITS VITAL ROLE IN CRISIS COMMUNICATION: A RESEARCH ON HOW TO SURVIVE FROM A CRISIS IN TODAY’S CHALLENGING BUSINESS ENVIRONMENT

BY

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Seton Hall University

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DEDICATION

The author wishes to dedicate this thesis study to her husband Onur, daughter Cemre and the new coming of the family. Their support and love made the finishing of this study possible.
# TABLE OF CONTENTS

ACKNOWLEDGMENT ........................................................................................................... ii

DEDICATION ......................................................................................................................... iii

**CHAPTER I**

INTRODUCTION .................................................................................................................. 1
  Research Question ........................................................................................................ 3
  Subsidiary Questions ..................................................................................................... 3
  Need for the Study .......................................................................................................... 4
  Objectives ....................................................................................................................... 6
  Definition of Terms ....................................................................................................... 6
  Limitations ...................................................................................................................... 7

**CHAPTER II**

PERSPECTIVE FROM THE LITERATURE: DEFINITION OF CRISIS COMMUNICATION AND ETHICS ........................................................................................................ 9
  Introduction .................................................................................................................. 9
  Crisis Versus Problem ................................................................................................. 12
  Necessity of Communication Between A Company And Its Constituencies .......... 13
  Corporate Communication, Especially in The Era Of Crisis Communication .......... 14
  How To Handle Communications During A Crisis ..................................................... 17
  The Organization Has A Crisis Communication Plan; What Is Next? ..................... 20
  What Should An Organizational Crisis Communication Require? ......................... 21

**CHAPTER III**

A PERSPECTIVE FROM THE LITERATURE: RESPONDING TO A CRISIS ......................... 30
  Being Ethical While Managing A Crisis ...................................................................... 30
  What Not To Do? .......................................................................................................... 36

**CHAPTER IV**

RESEARCH AND RESPONSE EXAMPLES ..................................................................... 38
  Can A Company Survive Through A Crisis By Being Ethical? ................................. 38
  Consequences Of Not Being Ethical During A Crisis .............................................. 42
  What Is The Role Of Internet In Crisis Communication? ....................................... 43
  Image, Reputation...Most Powerful Tools For Surviving In A Crisis .................... 44
  Research And Survey-Study Results ........................................................................ 46
Chapter 1

INTRODUCTION

Our society is at the beginning of the new millennium, new horizon, new chances, and new challenges. One of the biggest questions and one of the biggest challenges for a company or an organization is the size and extent of its business. The world is getting smaller and smaller; businesses are getting more complex and hard to manage by their large national and international capacities. Even an organization, which has no international contacts, is struggling with a great deal of nationwide competition with other companies in its industry. Changes in technology, the need for highly skilled personnel, changed service concepts, changed needs, and demands from public as well as changed ideas of communication among companies and their publics are some of the reasons for the difficulties that companies may have faced or may face.

When a company or an organization is in business, it needs to deal with public. The reason a company survives is because of its relationship with its publics. While dealing with its publics, a company should be aware of challenges and be prepared for crises. Often, a crisis catches the company unexpectedly and untimely. “No company, organization, or individual whose livelihood depends on public reaction can afford to function without a crisis management/communications plan” (Fearn-Banks, 1996, back cover).

This study focuses on a need for a company to act ethically during a crisis. Being timely, honest, and open during such a period gets the company through the difficult times; and sometimes even making the company’s reputation stronger. “Building a
company that does the right thing might not be cheap or easy, but firms that have such a foundation can avert crises, and show real returns” (Fandray, 2000, p. 2).

During, before, and after a crisis, a company is responsible to its key publics. The first, and maybe the biggest responsibility of a company to its publics is the responsibility of building the best way of communication between the company and its publics. “Open lines of communication are essential ingredient of any successful ethics program” (Fandray, 2000, p. 3).

Before discussing the ethical ways to act when a crisis occurs, it would be wise to describe crisis, since the word ‘crisis’ can be mixed with a problematic situations that a company may face in its every day routine. From the Scholl of Communications, University of Washington, Fearn-Banks (1996) describes ‘crisis’ in a book Crisis Communications: A Casebook Approach as follows:

“A crisis is a major occurrence with a potential negative outcome affecting an organization, company, or industry, as well as its publics, products, services, or good name. It interrupts normal business transactions and can sometimes threaten the existence of the organization” (p. 1)

Target audiences/key publics seek as much information as they can get from the company. A company’s target audience can only act with the information they can gather from the company. “When a crisis occurs, it is critical to provide factual information to your target audiences as quickly and regularly as possible to reassure them that you are taking care of the problem” (Remsik, 1999, p. 3). At the same time the reputation of the company is a powerful weapon that the company can use to save its public image, and as
a parallel result of having a good reputation, regain and retain the target audiences' trust to the company.

Research Question

It has been proven that having the lines of communication open, honest and timely not only provides the best understanding between a company and its publics, but it also gives the company the opportunity of maintaining a balance when something wrong unexpectedly and untimely happens.

The question that this study plans to answer is as follows: How does being ethical during a crisis help a company or an organization handle a crisis, and help the company return to its normal business routines?

Subsidiary Questions

For a better understanding of why it is important to be ethical and how it affects a company's previous and future successes, the author will also address the following questions:

1. What is crisis? Describing 'crisis' is necessary to differentiate between a problem and a crisis.
2. What should a company do before a crisis happens and hurts the company's reputation?
3. What should a company not do before, during, and after a crisis?
4. Can an organization avoid having a destroyed image and reputation while a crisis is happening?
5. Can a well-structured crisis communication plan help the company restore and even strengthen its trustworthiness and reputation?

6. What lessons can a corporate communicator learn from crises that have happened before?

The author attempts to answer these questions in a comprehensive review of the literature related to crisis management and crisis communications. This research does not attempt to find out the exact solution, but attempts to find out the reasonable common realities that will take the company through hard times without loosing its reputation and trustworthiness. A reputation means everything to a company.

Need for the Study

The biggest challenge for a corporate communicator is to build an effective, open, honest, and timely information flow between an organization and its publics. The word ‘spin doctor’ is not a descriptive term appropriate for corporate communicators. Even though most of the time a communication person prefers to be timely, open, and honest, sometimes the communication practitioner or the authorized person in the company chooses to stay silent. This ‘silence play’ and its consequences are what studies show the Japanese businessmen have used in years past. Stay silent is “a tactic many Japanese managements believe conveys an image of calm deliberation.”(Dawson, 2001, p. 2). In an editorial book review in Investor Relations Business magazine, Robin Cohen, a PR consultant and the author of The PR Crisis Bible, states “The problem is that silence leads to conjecture about the company that makes an unpleasant story linger for far longer that
if the corporate communications department had managed the crisis in an open manner" (as cited by editorial staff, 2000, p. 2).

A company is responsible to its publics. During a crisis, what the company's publics' request is true information about happenings and developments in the company. If the company does not answer those needs, the company loses its publics' trust and eventually this jeopardizes the company's image and trustworthiness. Working with the media, having an interactive two-way communication between employees and the company, and a good information flow to the customers and stakeholders helps the company build that trust among its publics. "It does require an understanding of how the process works to be successful" (Reid, 2001, p. 3). Having public support is the key for a company to be successful in order to have a good image. Still, some companies do not seem to understand the importance of this issue. "After a couple of years of unsuccessful lawsuits, we did a survey to find out what we were doing wrong here." said Bob Newman, president of NOCO Express Shops. "From the survey, we found out that we didn't have the public behind us." (Newman, 2001, as cited by Reid, 2001, p. 2)

"When crisis strikes, companies should respond by being seen to take the appropriate action and express the appropriate sentiments for as long as is needed." (Regester, 2000, as cited by Simms, 2000, p. 4). The author of this study thinks that measuring what is 'appropriate' is what the communication practitioners struggle with most, and researching what is 'appropriate' is part of the reason for this particular study.

Changing nature of businesses, changing ideas on how to handle a crisis, and the natural results of those changes, such as the necessity and neediness of being ethical during a crisis, are sufficient need for further research.
With this research, the author hopes to reach common and reasonable insights, based on what is shared in the literature.

Objectives

The author has three objectives in this study of neediness and necessity of being ethical during a crisis. The first of these objectives is to present a clear description of crisis, because the words crisis and problem/difficulty can be mixed and this confusion might result in a wrong treatment. Secondly, the author seeks to explore the needs for why being ethical, not being a spin-doctor, is important during a crisis. Finally, the third objective is to find out the consequences of being ethical before, during, and after a crisis.

Definition of Terms

1. **Communication**: “The process of human beings responding to the face-to-face symbolic behavior of other persons” (Adler & Rodman, 1994, p.5).
3. **Company**: A business organization selling goods or services.
4. **Crisis**: A complex incident or issues, which negatively impact organizations’ reputation and multiple target audiences.
5. **Crisis communication**: “The communication between the organization and its publics prior to, during, and after the negative occurrences. The communications are designed to minimize damage to the image of the organization.” (Fearn-Banks, 1996, p.2).
6. **Effective (ness):** Producing a result that is wanted.

7. **Ethics:** Beliefs about what is morally right and wrong.

8. **Image:** The general impression that a person or an organization gives to the public.

9. **Key publics/target audiences:** The specific groups targeted by the communications programs.

10. **Message:** A written or spoken piece of information that is passed from one person to another.

11. **Organization:** An organized group of people who do something together.

12. **Reputation:** The opinion that people in general have about what somebody/something is like.

13. **Spin-doctor**

14. **Strategy:** "an approach, how one handles a problem." (Fern-Banks, 1996, p.12)

15. **Two-way communication:** An interactive way of communication, which allows the open information flow (upward and downward) between each side of constituencies.

**Limitations**

This study does not cover every aspect of corporate communication. It is limited to the vital role of ethics—specifically—during a crisis. This study does not include other stages of organizational communications, but only crisis communication.
This study only includes crisis periods and consequences of being ethical before, during, and after a crisis.

Another limitation is that this study is only guided by a comprehensive review of literature. During the completion of the study, interviews were not used as supportive resources.

Another possible limitation, related to the review of the literature, is that the research only covers the literature that has been published in the last ten years. In this study, only some of the cases that occurred in the last ten years were examined. This was done in order to be current. In addition, crisis communication as a basis for research has gotten the most attention over the last ten to fifteen years.

Because of the limitations, the author acknowledges that this study will not be an authoritative one on crisis communication as not all elements or literature are being explored.
Chapter II

PERSPECTIVE FROM THE LITERATURE:

DEFINITION OF CRISIS COMMUNICATION AND ETHICS

Introduction

The word 'spin' was first used in Time magazine in 1988. That same year a group of students in Columbia University called themselves 'spin doctors'. The definition of 'spin' has different meaning. At the Bulldog Reporter and PR Newswire Media Relations '98 Conference, Robert L. Dilenschneider--from the Dilenschneider Group in New York, defines it as “deliberate and reckless disregard for the truth” (Dilenschneider & Kosmicki, 1998, p. 1). According to Stuart Ewen, “spin is the transformation of public discourse into public manipulation” (Ihotar, 1999, p. 2). Although for a period, communication specialists were known as spin doctors, it is not a valid, desired, or effective way of describing a communication person now. Companies demonstrating that they are learning from their mistakes and believe that the way to build a well structured image is to expose spin. Companies now believe that informing the constituencies, especially in a crisis, is the most effective way of remaining as a trustworthy and dependable organization in the eyes of the company’s key audiences.

Understanding of corporate communications function has been changed throughout the years. Augustine Ihator, an associate professor of public relations in the Journalism Department of Western Kentucky University, in an article for business community, community relations, and image, claims that:
"Corporations have traditionally been the source of message and perceived to be the superior partner in the communication and relationship with the society. Though some public relations practitioners are now adapting symmetrical communication model that permits bi-directional information flow and mutuality, corporate communications has historically been linked to publicity, persuasion, and press relations, which are essentially unidirectional in nature" (p. 3).

This symmetrical communication is especially essential in the era of crisis communication. The topic of ethics is another important and unavoidable ingredient in crisis communications.

"The topic of ethics has always been discussed since the origins of democratic capitalism. As integral part of the community with great power and influence, some political leaders and ordinary citizens are demanding that corporations go beyond the pursuit of profitability and equally demonstrate social responsibility and corporate citizenship"(Ihator, 1999, p. 5).

Crisis management is a diverse and complex process. "One of the most important issues in the field of business ethics, especially in a practical sense, is how to make business behavior more ethical" (Nakano, 1999, p. 1). Crisis communications and ethics have been subjects of importance to corporations all around the world; giving managerial importance in the corporate culture. Based on a 1985 survey made by The Center For Business Ethics at Bentley College in Boston. "American corporations are much more concerned with ethics now than in the past, and they have taken many positive steps to institutionalize ethics" (p. 2).
The importance of business ethics is also an important issue for countries all over the world. America and Japan are the first two countries about which surveys and studies about business ethics have been done. In 1997, Nakano, an Associate Professor of Management in the International School of Economics and Business Administration at Reitake University, and a research associate of the Institute of Moralogy, Chiba, Japan, did a study about business ethics. Nakano's study indicates, "Japanese managers tend to choose the interest of the company over their own ethical believes when they conflict with each other" (p. 3). The same study says, "For Japanese managers, the company is their primary frame for their ethical decision-making. Japanese corporations can help managers make ethical decisions and can reduce their unethical decisions by incorporating ethical values into their organizations" (p. 3).

Although, these findings sound like executives and managers tend to act ethical, the interesting fact that people might get confused when something bad happens and they need to act fast. The case studies show that there are still communication people who choose to act unethical during a crisis. "Most organizational theorists agree that crises, of varying magnitude, are inevitable" (Fink, 1986 & Perrow, 1984, as cited by Ulmer & Sellnow, 2000, p. 2). Robert Ulmer is an Assistant Professor at University of Arkansas at Little Rock and Timothy Sellnow is an Associate Professor and Chair at North Dakota State University in Fargo, ND. In a paper that was presented at the Fourth National Conference on Communication Ethics, Gull Lake, MI, they continue by saying "If handled effectively, organizations have the potential to benefit from crisis" (p. 2).

This thesis study focuses on business of ethics in the era of crisis communications: What communication specialists think as a right way to communicate
with the company’s constituencies; how those communication specialists tend to act when a crisis occurs; and what the consequences of those acts might be, are the focuses of this study.

Crisis Versus Problem

Although acting the fastest way gives a communication specialist an edge, figuring out if the situation is a crisis or a problem is more critical. Mixing a problematic situation to a crisis may put a company in a place that might cause a real crisis.

A problem is an everyday occurrence and it is a nature of business’ itself. Problems have everyday solutions, and they do not end changing the company’s everyday business routine. Problem means, according the Oxford Wordpower Dictionary, “1. a difficult situation that you must deal with; 2. a question that you must solve by thinking about it.” (Oxford University Press, 1998, p. 490). Therefore, a problem is normal part of daily business routine.

The definition of crisis is given as “a time of great danger or difficulty; the moment when things change and either improve or get worse,” in Oxford Wordpower Dictionary, Wehmeier S. (Ed.) (1993, p.151). Crisis’ definition is also given as a situation that “interrupts the normal flow of business” (Fearn-Banks, 1996, p.2). In book, Crisis Communications: A Casebook Approach, Fearn-Banks continues saying that “so, a crisis can not be a normal part of the flow.”(p. 2) Crisis is an unexpected and untimely occurrences that interrupt the routine business flow and even threaten the existence of the organization. “In a crisis unlike in a problem emotions are on edge, brains are not fully functioning, and events are occurring so rapidly.” (P.3).
Necessity of Communication Between A Company And Its Constituencies

Communication is the base of any relationship, including organizational and public relations.

"Communication is the sharing of information. People communicate both interpersonally (between individuals) and through communications systems that transmit messages between large numbers of people. Individuals communicate using many different modes- that is, in many different ways. For example, they may communicate through gestures and facial expressions as well as by speaking and writing. Communication systems, also called media, range from long-used systems, such as books, to new systems, such as the Internet, a worldwide network of computers. Other major medias include newspapers and magazines, sound recording, film, telephone and telegraph networks, radio, and television. Together, the communications media form a vast industry of great social importance." (Communication [70], on-line, www.aolsvc.worldbook.aol.com/wbol/wbAuth/na/ar/ct/).

As the above paragraph points out, the human being is in need to communicate from the beginning of its existence. This necessity of communicating has shown itself in the business environment, too.

"In today's competitive business climate, all organizations are faced with complicated and challenging issues. Many companies find themselves asking difficult (and lingering) questions about ways to manage transitions and change in their company, corporate culture, customer and employee experiences and the bottom-line."
Many companies faced with these same challenges have overcome them by evolving into competitive, focused organizations – with an emphasis on goal setting, thoughtful cultural and change management and strong internal and external communications." (Better Solutions [6], web-site, www.freemancompanies.com/corp/better-solutions/index.asp, 2001, December 7)

An organization seeks to have the support of its key audiences. The key audiences seek for information that they can get from the organization to make any business decisions. An organization’s reputation depends on its audiences’ trust. Open lines of communications are the best way to build that trust. Company’s employees, customers, and all other stakeholders are in need to be informed correctly about the happenings in the organization. Crisis times are especially the times that all constituencies of the company desperately need the true information flow from the organization in order to find reasonable solutions and make the right moves, less the routine of business falls apart.

Corporate Communication, Especially in The Era of Crisis Communication

Communication especially in the times of organizational crisis gains more of an importance. During a crisis, interpersonal relations, employee relations, relations between the company and its constituencies depend on that communication bridge.

“Organizations can and often do benefit, in the long run, from effectively managing their communication during organizational crisis.”(Ulmer & Sellnow, 2000, p. 12)
In today's business environment, communicators face complex challenges of enhancing an organizations' success. To meet these challenges the communication specialist needs to build a strong bridge between the company and its target audiences. The biggest challenge for a communication person is to supply the best way of communication between the organization and its constituencies. "The complexities of organizational crises and the diversity of needs held by the many stakeholders involved combine to make communicating, in the wake of crisis, a formidable task." (Ulmer & Sellnow, 2000, p. 12) Corporate communications and especially crisis communication requires open, honest, and proactive two-way communication tie between the company and its publics. "Communication plays a critical role in successfully managing an emergency. To survive, a company must respond capably and swiftly to communicate a response." (Rugo, 2001, p. 2)

Communication people face difficulties every day. Problems and difficulties are unavoidable. They are the nature of business. The important issue is to differentiate between problem and crisis.

Crisis is an incident or issues, which negatively impact organizations reputations, either financial or medical, sometimes both. Nothing about the routine business activities goes right. Crisis may cause customers and stakeholders to stay away from the organization. Crisis is a complex situation and it affects the organization's multiple audiences. Speed is crisis' nature. Bad news is followed by other bad news so quickly. There is also unusually intense screening by the media.

"A crisis is a major occurrence with a potentially negative outcome affecting an organization, company, or industry, as well as its publics, products, services, or
good name. It interrupts normal business transactions and can sometimes threaten the existence of the organization. A crisis can be terrorism, fire, a boycott, product tampering, product failure, a strike, or numerous other events.” (Fearn-Banks, 1996, p.1)

Sometimes communication people can get confused about things that are going wrong in a company, and they call it ‘crisis’, even when it is just a problem that needs to be solved on daily basis. "There is no organization that does not have a problem at some stage or an issue that requires careful communication." (Canniffe, 1999, p. 1) Mary Canniffe is highlighting the importance of how to handle a crisis and the importance of the first response in an article, and adds that:

“...But issues will arise for most companies at some stages, ranging from the communication of unpopular price rises through dealing with serious accidents or environmental damage or business problems to situations where the company or rogue executives may have been involved in fraud or other crimes of mismanagement damaging customers or suppliers.”(p. 1)

When a crisis occurs, how an organization handles the crisis makes a significant effect on public impression and company image. "How a crisis is handled will leave a lasting public impression about the company. If it is handled badly the company image can be seriously damaged and it can prove difficult to recover a good image.”(Canniffe, 1999, p. 1)

In 1999, Augustine Ihator claims that:

“Enhanced knowledge of society's moral compass, and the social metaphors and stereotypical images of the business institution may lead to the mapping and
understanding of the cultural space of corporate communication. Also, the awareness of environmental noises that may hamper corporate message would be helpful in formulating creative and pragmatic strategies that enhance corporate perception, image, and mutually rewarding interactivity between a business and its various constituencies" (p. 1).

Knowledge, awareness, and understanding gain much more of an important role during an unexpected and untimely incident. As Vanessa Rugo suggests (2001), in the article talks about the necessity and importance of having a crisis communications plan at hand, “These incidents are cause for alarm. They can happen with no warning at all—and they can severely affect a company’s reputation, bottom line stock price, and even its existence” (p. 1). Crisis times require more cautious and effective communication process. “The goal is to move through the crisis as quickly as possible, minimize damages,” says Rugo (2001, p. 2).

Bob Fienberg, searches communications, and information management in Asia and the Pacific (1999), hypothesizes in an article that “There is a proven process with which to handle communications in a crisis situation.” (p. 3).

How To Handle Communications During A Crisis

“A corporate crisis is defined as any event that has an adverse impact upon a company, its employees, customers, vendors, or other key audiences.” (Rugo, 2001, p. 2)

Organizational crisis are “specific, unexpected and non-routine events or series of events that create high levels of uncertainty and threaten or are perceived to threaten an organization’s high priority goals.” (Seeger & Ulmer, 2001, p. 2).
Communication has always been an important element of success. Its importance is having a rising momentum in the beginning of the new century. "Communication is more complex and rapid than ever before, particularly with the advent of the Internet. Information transmitted quickly can make a corporate crisis more dangerous and harmful. Therefore, communication plays a critical role in successfully managing an emergency." (Rugo, 2001, p. 2)

Fienberg (1999) supports the idea of having a communication people involved in decision making process. "The communication consultant or in-house public affairs director must be included early in discussions. A communications team must be assigned to plan and manage the announcement and coordinate communications with all key stakeholders." (p. 3). After knowing the importance of having communication people involved in the process, the necessity of a well-structured company culture comes in mind and obviously creating a company culture is not easy. Creating a culture that is aware and well prepared to any crisis that may occur in the company is an uphill achievement.

"In all areas, but especially when it comes to ethics, the leader sets the tone and character for the entire organization." (Sheffert, 2001, p. 3)

"All companies have values. Some are positive, and more a company forward. Others are not so good, and may impede an organization's progress. All of these values are woven into the fabric of a company to create a corporate culture." (value-based ethics [8], web-site, www.workingvalues.com/vbe.html, 2001)

To establish such a culture in any organization, the best way is to have responsibilities and expectations presented in written form. An emergency action plan or
a crisis communication plan is a must that any company and organization should have.

"You never know when disaster will strike or what form it will take, and you ever know when your emergency action plan will be needed," says Fred Muldon (2001, p. 1), vice president, Consulting and Professional Services, for Compliant Corporation. Ellen B. Mullally, who is managing for Rainmaker Creative Thinking – a full service communications agency in Reston, VA- also adds “Whether or not you can see a crisis coming, companies of all sizes should have a crisis communication plan at the ready. Hopefully you’ll never need it. But in this instance, it is definitely better to be safe than sorry.”(2001, p. 2)

The neediness of an effective and updated crisis communication plan is explained in an article by Rugo (2001) is as follows:

“A corporate crisis communication plan can ensure a company is prepared to respond effectively to potential emergencies to minimize damage and protect the business’ reputation. Facing the glare of public scrutiny during an emergency can be more damaging than the emergency itself. This societal examination requires that, in addition to handling the legal, financial and logistical aspects, a business must communicate its competence in handling such an event.” (p. 1)

Necessity of having a crisis communication plan at hand is also examined in Ellen B. Mullally’s article (2001) and she mentions in her article that, “Having a crisis communication plan in place will enable you to respond quickly and effectively –in the event of an emergency.”(p. 2)
An Organization Has A Crisis Communication Plan; What Is Next?

"Most organizational theorists agree that crises, of various magnitude, are inevitable. If handled effectively, organizations have the potential to benefit from crises. To do so, effective communication is essential." (Ulmer, Sellnow, 2000, p. 2)

Communication is an ingredient to a successful business for any period. But especially crises periods are the times that require more effective and cautious communications between the company and its key publics.

"Remember, the frequency of disaster and emergencies may be low, but the severity of an occurrence can be very high. An unplanned event can put your company out of business." (Muldon, 2001, p. 3)

As the above paragraph explains, a crisis threatens the normal routines of business itself and even a crisis may threaten the existence of the business. In that case, crisis communications needs focused, effective, and on the route communication strategies that can protect the company and its audiences at the very best.

"For many, crisis management is identical with putting the 'best spin' on a crisis. In contrast, crisis leadership is proactive and high-level. It's about doing everything humanly possible-doing all the 'right things'- to prevent crises before they happen." (Mitroff, 2001, p. 2)

When a crisis happens all constituencies of the organization are in need of a timely and correct information flow from the organization. This information flow provided by the company gives all the key publics to act accurately and rationally. Therefore, there is a need from the company to satisfy all its audiences. "Although single speakers seek to appeal to as large an audience as possible, organizations can not survive
unless they are able to satisfy diverse audiences or stakeholders with distinct interests.”

(Ulmer & Sellnow, 2000, p. 2)

As Ulmer and Sellnow (2000) mentions in the same article:

“On a day to day basis, the communication expectations of organizational stakeholders vary widely. For example, employees and stockholders receive consistent and systematic communication from the organizations with which they are affiliated. Conversely, the local community or consumers may have little regard for the routine operations of the organization.” (p. 3) But as a reality of a crisis, these needs intent to be different during such a period. “The threat imposed by a crisis often reaches beyond the financial or procedural operations of the organization, extended to the well-being of relevant consumers and communities. As such, the communication needs of all parties are greatly intensified by crisis.”(Ulmer R., Sellnow T., 2000, p. 3)

What Should An Organizational Crisis Communication Require?

Having a crisis communication plan at hand and having the personnel to adapt the plan during such a period is vital. Ambiguity and uncertainty are the nature of a crisis. So, the challenge for an organization “is to communicate expeditiously and accurately to all stakeholders despite the ambiguity and uncertainty of a crisis.”(Ulmer & Sellnow, 2000, p. 5)

An organization has a diverse group of audiences. Those audiences demand an information flow from the company. As a routine, this information flow is provided for
the company’s key publics. When a normal business routine is broken, this demand may get extended and is required by different publics addition to the regular audiences.

Ulmer and Sellnow (2000) describe ‘the corporate audiences’ as “groups that have a stake in the actions of the organization”(p. 3). In Ulmer and Sellnow’s article those audiences-stakeholders are named as “stockholders, workers, consumers, suppliers, creditors, competitors, government agencies, professional groups, and the local community.” (p. 3) They also highlights the fact that “Not only are these groups affected by the organization, they, in return, may impact the organization’s stability. Hence, an organization’s viability depends upon its ability to maintain a positive relationship with its stakeholders.”(p. 3)

“Failure to meet the needs of stakeholders in a reasonable time frame can result in these groups intensifying the crisis for the organization. Moreover the crisis may have an extended impact on stakeholders as a result of the organization’s failure to take action.”(Ulmer & Sellnow, 2000, p. 4)

Maybe the most important issue, especially during a crisis, is a company’s reputation. This reputation is built over years and how the public perceives the happenings can cause a big difference. “In a crisis, the public perceives the truth to be whatever public opinion says. In the court of public opinion, a person or an organization is guilty until proven innocent.”(Fearn-Banks, 1996, p.9)

“Public opinion is difficult to define, but it is based on attitudes of individuals toward specific issues.”(p. 9) Therefore the company’s respond to any crisis makes an incredible impact on how the publics view the happenings.
In order to respond correctly to what a company should do first is to “identify stakeholders impacted by the event, and secondly try to offer as much information as possible to these groups in order to move the crisis toward resolution. Communication should be provided to all stakeholders impacted by the event.” (Ulmer & Sellnow, 2000, p. 4)

To establish a good reputation, a company firstly needs a well-established mission, vision, and values statements. These written statements show the public who and what the organization is all about. Mark W. Sheffert (2001), chairman and CEO of Minneapolis-based Manchester Companies Inc., which provides business recovery, financial and management advisory services, also mentions that point in an article:

“If you don’t have a written values and ethics statement that establishes in black and white the standards of behavior you want for your organization and what you will hold yourself accountable for, then your organization is just operating randomly, making up the rules along the way.” (p. 3)

Ethics and the necessity of being ethical – especially during a crisis period has became more important. As researches and the literature show, companies who did not follow the way that code of ethics requires, paid for their failure. Sheffert (2001) mentions that: “Failure to set and implement a well thought-out code of ethics can create major trouble for a company especially during a crisis.” (p. 1) And he continues by saying:

“Good management – that is, management with real thought behind it – does not bother trying to make its way by trickery, for it knows that fundamental honesty is the keystone of the arch of business. It knows that you will fail if you think more
of matching competitors than of giving service: that you will fail if you put money
or profits ahead of work, and that there is no reason why you should succeed if
what you do does not benefit others.” (p. 1)

“There are a number of strategies for responding to a crisis situation,” (Mullally,
2001, p. 3). That respond strategies may vary to different companies. Surely management
gives the framework for that respond but “when a crisis breaks, panic or fuzzy thinking
can sometimes prevent doing the important thinks first.” (Hoffman, 2001, p. 3) Therefore,
the company’s first response is so important and it affects the company’s reputation and
good name. “When an emergency happens, what you do immediately and what you do
for the next 24 hours is what defines your response, and it will affect your company’s
ability to recover from the emergency.” (Muldon, 2001, p. 3)

Ulmer and Sellnow also explain why the first response is important by saying
“early and candid public response to a crisis by the afflicted organization’s leadership can
minimize the potential damage to the organization’s credibility.” (Ulmer & Sellnow,
2000; see also Marconi, 1992, etc.)

Then Ulmer and Sellnow (2000) point out the challenge a company may face in
such a situation and they say a challenge for an organization “is to communicate
expeditiously and accurately to all stakeholders despite the ambiguity and uncertainty of a
 crisis.” (p. 6)

Being timely is not only the part of being ethical but it is also prerequisite of
being expedient and accurate during a crisis. Jeffrey Remsik is president of Bottom Line
Marketing & Public Relations, Inc., a full service PR agency located in Milwaukee.
Remsik (1999) makes his point about the importance of being timely as follows:
“When a crisis occurs, it is critical to provide factual information to your target audiences as quickly and regularly as possible to reassure them that you are taking care of the problem. If you don’t communicate early and often, the rumor mill will rocket out of control and cause even more damage to your corporate reputation and your customer relationship.” (p. 3)

It is always the manager who shapes the employees view of crisis and their response to it. “It’s at this time that leaders have to make decisions quickly, take charge, and get their employees to do the right thing that they know are necessary to fix what’s wrong.” (Cohen, 2001, p. 3)

“Despite all the attention and effort applied to operating safely, however, the fact remains that accidents do occasionally happen. When they do, they are usually dramatically traumatic to the company and the surrounding community.” (Hoffman, 2001, p. 1) When an incident is matter of community and interests the local or national public crisis, caused by that incident, the media covers it.

“There is public interest in the company’s developments, it is a public matter and has to be dealt with accordingly.” (Fienberg, 1999, p. 2) Whenever there is something that the company’s constituencies may be interested in, company should bring it out to all its publics as soon as possible. Otherwise, the media will do it. This is never something that any company would like and any of its publics would appreciate. A company should work with the media. To do so, the company should have an “understanding of how the process works to be successful.” (Reid, 2001, p. 3). The research shows that a company should send clear, concise, well-rehearsed, and timely messages. They should send the message out
quickly, answer all the questions, and be sure to stay on the main message point. Of course, to be able to do so, a company should have a trained spokes person even before a crisis hits the company.

When a crisis occurs and the company ignores the media or attempts to mislead the media, it is “very likely to backfire.” (Reid, 2001, p. 5) Not cooperating with the media, not sharing developments with the company’s publics jeopardize the efforts of clearing the mistakes and smoothing the failure. Truth will be heard quickly whether or not company intends to do so. “Recognize that every crisis is a communications crisis. If any stakeholder first hears of your problem from the mass media, your crisis communications program has failed.” (Newman, 2001, p. 6)

In addition to ignoring the media or misleading the company’s publics, not responding to the publics is another big mistake that some companies may make. “Failing to communicate at all is a classic mistake,” says Jane Simms (2000, paragraph 17). In the article, Simms tries to point out how a well-managed crisis communications plan can improve a company’s reputation. “Never assume that an impending action can be kept a secret. One of the first actions of the communications team should be to prepare a stand-by statement should the media or other interested parties get wind of the impending action.” (Fienberg, 1999, p. 2) Companies should understand that they could lose more by choosing not to respond at all, instead of taking a proactive approach to any crisis that may occur. “This proactive approach will pay off if a problem occurs, because your target audiences will know that you made an effort to prevent the problem, and will likely react more sympathetically.” (Remsik, 1999, p. 4)
"The truth always gets out." (Newman, 2001, p. 3) This is an ancient precept of life and given that we are living in an Internet world, it can be safely said that the truth gets out real fast. "Communication is more complex and rapid than ever before, particularly with the advent of the Internet. Information transmitted quickly can make a corporate crisis more dangerous and harmful." (Rugo, 2001, p. 2) So why would jeopardize the company’s good name? It is and it will always be a fact that company’s publics need and demand for information about the developments in the company. A company’s relationship with its key publics depends on that well organized communication flow. "Even in the worst cases, an admission of guilt and the announcements of initiatives to make sure the problem doesn’t happen again can pay off in the long run." (Reid, 2001, p. 6)

"In many businesses, it seems as though values and ethics are considered just flowery words about honesty and integrity." (Sheffert, 2001, p. 2) Companies who understand ethics as a group of flowery words and do not imply those values and codes of ethics to their daily business routines soon or later will face the failure of such misconduct. "Ethical problems usually don’t occur because someone intentionally did something wrong. They happen because good people made mistakes, lacked appropriate training or didn’t have enough information." (Sheffert, 2001, p. 3)

As mentioned before, crisis may occur in any businesses, and threat of a crisis is always present for any company. If so, there should be a guide to all companies to imply their regular business schedule: "All businesses need to dedicate a high-level function to crisis leadership and have mechanisms and structures in place that enables them to conduct business with few interruptions." (Mitroff, 2001, p. 2)
Implying core values and ethics into corporate culture and making them values of everyday routine, also affects employee relations. “Employees who feel that their companies conduct business with honesty and integrity show markedly higher levels of commitment than those who rate their companies low on these values.” (Fandray, 2000, p. 4) It is obvious that ethics is a key driver for employee commitment.

Carole M. Howard is specialized on public relations and communication and she relates a company’s reputation to four factors:

“The reputation of any organization is determined by four factors: First, the quality of your products and services. Second, the commitment, and customer orientation of your employees. Third, the mission and values of your organization. And fourth, the consistency and relevance of your communications, outside and in.”(1998, p. 2)

Those four factors are based on good communication among the organization and its key publics. A company should be as open as possible. Being ethical means doing the right thing at the right time. “Spin is self-defeating in the long run. It wins some battles but loses the war.” (Dilenschneider, 1998, p. 2)

There are requirements to handle a crisis successfully and Mary Canniffe gives those requirements as “openness, accessibility, and availability.”(1999, p. 2) In an article by Canniffe “honesty” is described as a “best policy,” (Slattery, 1999, as cited by Canniffe, 1999, p. 3).

When a company makes a mistake, sometimes lawyers take the route of being silence and wait until everything might be happen to happen. Even though lawyers try to get the best for the company, this attitude (staying silence) most of the time ends with
failure. Taking the responsibility immediately and apologizing for the mistake will strengthen the company's good name in the eyes of its publics. But an explanatory response should not come so late that public realizes the company is doing whatever it possibly can to protect its publics.

"Crises are the times that "leaders have to make decisions quickly, take charge, and get their employees to do the things that they know are necessary to fix what is wrong." (Cohen, 2001, p. 3)

All company's publics are desperately need the right information flow comes from the company, in order to be informed and make the right decisions at the time. Ethics cannot only be flowery words written in one of organization's files but it should be come a life during everyday routine of the business. Every employee should understand that being ethical is one of the most important motto's in company culture, and all executives and leaders of the company should make their employees believe that they value ethics and do the right thing at the right time.
Chapter III

A PERSPECTIVE FROM THE LITERATURE:

RESPONDING TO A CRISIS

Being Ethical While Managing A Crisis

Ethics is one of the issues that almost all business people have been arguing about. While some executives believe in the power of ‘doing the right thing at the right time’, some still argue with that and put company interest ahead of the interests of the company’s target audiences. “One of the most important issues in the field of business ethics, especially in a practical sense, is how to make business behavior more ethical.” (Nakano, 1999, p. 1) Therefore, a company should imply ethical values to the company culture and make them institutionalized.

Open lines of communication create the base for a good crisis communications.

“Corporations have traditionally been the source of message and perceived to be the superior partner in the communication and relationship with the society.” (Ihator, 1999, p. 3)

There is always a question mark on the reality and possibility of how successfully companies apply and use the ethical values in their business. “Can profit oriented business promote at the same time corporate profitability and social value?” asks Ihator (1999, p. 6) while discussing the possibility of using ethics in any business decision. But researches and the real world show us that good strong communication provides a bridge for successful public relations and doing the business ‘the right way’ always profits the company in the long run.
There is always a problem for a company and a crisis may occur any time. Crises are difficult to deal with. How a crisis is handled makes a big difference. Handling the crisis “will leave a lasting public impression about the company. If it is handled badly the company image can be seriously damaged and it can prove difficult to recover a good image.” (Canniffe, 1999, p. 1)

Taking responsibility, responding to any problem quickly, being timely, and being honest about the developments in the company is crucial. Responding quickly “is in the company’s own interest. Otherwise the whole process of speculation starts and that can be even more damaging for the company that the original issues,” warns Marry Canniffe (1999, p. 2).

The ultimate public relations challenge is the ability to handle a crisis and protect the company’s image. At that point, a ‘no comment’ response is the wrong one that will lead the key publics think that the company is hiding something bigger or not doing what is necessary. “Do not stone wall, be honest with the media, respond quickly, and provide them with as many facts as are available, don’t blame anyone or anything for the disaster,” warns Gene Koprowski (1995), in an article that focuses on marketing tools, and continues by saying, “The essence of handling emergencies is to have a workable plan. The plan must provide for an authoritative spokesperson, openness with the media, and quick responses to unpredictable twists and turns of the situation.” (p. 2)

Including supervisors “as an integral component of the communications effort” (Howard, 1998, p. 2) is a key component to be successful in a crisis. “Make supervisors the most important link in your communications chain.” (p. 2) All employees with a set of ethical values in mind make an enormous difference in the crisis communications.
Preparation is another key point and may be the most important element to prevent and - if it is late to prevent and the incident is already on the stage – to manage the appropriate communication during a crisis. "When a disaster strikes, preparation can help a company's reputation. Most companies will face a crisis, and being prepared is key." (Simms, 2000, p. 2) An article by Simms, controlling a crisis, is about marketing and management of a crisis. In the article Simms says, "Crisis management needs to be seen in the context of reputation management." (p. 2)

A company's reputation is its most important value. "Reputations go down the pan in a matter of seconds. But if companies handle a crisis well, it can be a building block that underpins all the other messages about the company. Careful planning can turn a crisis into an opportunity," says Grayling (as cited by Simms, 2000, p. 5).

To promote the company's reputation "company should be well prepared and the people well trained." (p. 4) says Regester, partner at reputation risk management consultancy Regester Larkin. Regester suggests to "think, speak, and act like a human being rather than a corporate automation." (Regester, 2000, as cited by Simms, 2000, p. 4) According to Regester "When crisis strikes, companies should respond by being seen to take the appropriate action and express the appropriate sentiments for as long as is needed." (as cited by Simms, 2000, p. 4)

The managerial attitude toward a crisis gives the framework of the overall response to a crisis. A company has a diverse and complex group of key publics. "The surprise, vulnerability, and diverse audiences that are typical in organizational crisis situation yield a high degree of ambiguity." (Ulmer & Seilnow, 2000, p. 5) Ulmer and
Sellnow (2000) mention the relationship between the company and its audiences as follows:

"These groups are affected by the organization’s response to the crisis. An organization’s denial of responsibility or shifting of blame to any number of stakeholders can lead to secondary crises or a crisis for the stakeholders. In short, due to the close relationship between organizations and their stakeholders, the extent of the crisis damage typically extends well beyond the afflicted organization." (p. 3)

Again, a company, faced with a necessity of responding responsible and truthfully through a crisis, must satisfy and make its publics believe that the company is doing what is necessary to overcome the difficulty and make sure that it will never happen again. "How well the communications aspects of a crisis are handled, especially in the critical first few hours, will have a dramatic impact on a company’s corporate reputation." (Hoffman, 2001, p. 1) To help to maintain the public support and protect the company image, a company should continue having communication lines open and trustful. "Information and compassion reassure stakeholders by helping to create the perception that the organization is in control of the crisis." (Coombs, 2000, p.2)

Surely, that response should be quick. Key publics of the company have no luxury of loosing time while waiting for a response from the company. The best way to response to any crisis is to take responsibility, tell the truth, answer every question, provide a steady stream of information, be aware of media needs and deadlines, be available, and keep track of news coverage. Lanny Davis is a public relations specialist whose focus is now on legal counseling and quelling scandal. Davis has a simple philosophy: “tell it
early, tell it all, tell it yourself.” (as cited by MacDonald, 2000, p. 2) He also believes that organization's itself should be the one who break the bad news. “It is going to come out anyway,” he says (p. 3). “And if a company owns up to it, reporters may think things must not be all that bad,” Elizabeth MacDonald adds in an article which focuses on managing of crisis.

Being ethical means doing the right thing at the right time. “These involve providing immediate and open responses to stakeholders, while limiting legal liability where possible.” (Seeger & Ulmer, 2001, p. 3) Seeger, an associate professor in the Department of Communication at Wayne State University. Seeger and Ulmer care the stakeholder relations during a crisis and mention that:

“Crises are high impact events that often strip an organization to its core values. In these cases, core values concerning corporate social responsibility and entrepreneurship, translated into virtues of immediacy of response, supportiveness of victims, and rebuilding and renewal. Too often, important ethical issues are ignored during the immediacy, uncertainty, and stress of a crisis, damaging the organizations image and relationship with stakeholders.” (p. 7)

To overcome a crisis, to maintain their image and good name, to preserve and enhance their reputation “ethics and integrity do matter.” (Fandray, 2000, p. 4)

To supply the very best of employee commitment ethics again plays a big role. “This is really a key driver of employee commitment,” says Pfau (as cited by Fandray, 2000, p. 4), a national leader for organization measurements at Watson Wyatt Worldwide. To conclude about how effective is having ethical values in the company culture, Watson Wyatt’s survey gives an idea:
“Employees who feel that their companies conduct business with honesty and integrity show markedly higher levels of commitment—68 percent—than those who rate their companies low on these values. The latter came in at a 12 percent commitment level. High level of employee commitment is crucial to success in today’s economy. Employees rated their companies high on the honesty and integrity scale had a total return to shareholders of 101 percent averaged over three years. Companies rated low on the honesty and integrity scale averaged only 69 percent.” (Fandray, 2000, p. 4)

What should a company do about having employees satisfied and trusted depends on how successfully management uses the communications among its employees.

“Making communication a priority at your company and make sure employees know you value it, providing employees with the opportunity to talk to management, and creating the environment of trust,” (Grensik-Pophal, 2000, p. 1) would be the requirements that are necessary to provide a successful employee relations in a company. Also, an ethics training program is a strong sign to company’s employees that the company genuinely cares about the ethics.

The public remembers what and how a company reacts when it is in need to recover a disaster. “As the old staying goes, it does not matter whether you win or lose, its how you play the game that counts. It is also the part of the game that everyone remembers.” (Fienberg, 1999. p. 3)

Mary Canniffe (1999) states, “What often happens in a crisis situation is that top executives are shocked by what has happened and go into ‘freeze frame’.” (p. 2) She explains:
“Companies need to manage their message or they have no influence on the public perception of the company and no intelligence on what is being said about them. When a company refuses to comment, journalists will go elsewhere for information and the company will end up reading in the newspapers things they did not know were being said about them.” (p. 2)

“The key requirements to handling a crisis properly are openness, accessibility, and availability,” Canniffe advises, and continues “timing and fast reaction are important but it is equally important not to compound the problem by lack of judgment.” (p. 2)

Media is one of the most important publics and this group needs to be informed in a timely and honest manner. If a company does not go to the media, the media will come to them, and even sometimes, the news that the company would never want to see in the newspapers might be on the front page. “In a crisis, you must work faster than the media, and executives have to be prepared to share what’s being done to rectify the situation. Listen to what the public is saying about your company and the way you are handling the situation. If they think you are wrong, you are no question about it.”(Strout, 2000, p. 6)

What Not To Do?

A response to a crisis may cause more depth chaos at the end of crisis period. Communication people should be aware of consequences of their acts and should remember the responsibilities that a company has over to its key publics and act accordingly, and there are some do not do’s when a crisis hits:

1. “Try to prepare in detail for every contingency, thus creating an unwieldy procedure.
2. Delay.
3. Say "no comment."
4. Hope that the crisis will go away if you lie low.
5. Think that if you just communicate the facts you will win the battle.
6. Hand it all over to the PR people.
7. Hand it all over to the lawyers.
8. Expect ethical attitudes from your employees without giving them an appropriate training about it." (Simms, 2000, p. 7).

Understanding of crisis communication is changing. Leaders of companies begin to put company audiences interest ahead of the company's own interests. In the long run, it pays off. Even sometimes, it is hard to make every body in the company believe in the power of ethics, consequences of not being ethical will eventually hunt the company at the end of the period. Then, following the rules of ethic codes would be the healthiest way of conduct business for any company.
Chapter IV

RESEARCH AND RESPONSE EXAMPLES

Recent research and responses from companies to various crisis that are covered in this thesis study show that ethical values not only help a company handle a crisis successfully but also help the company enhance its image and strengthen its place in the industry. In some cases, even though every communication specialist knows the value of being ethical during a crisis, the decision of being ethical is not always one the communication person makes.

Crisis is the period in which a company is more vulnerable. That is why company’s response should be very careful and the leader of the company should be aware of the responsibilities that a crisis put on the leader’s shoulders. “The complexity of crisis situations allows for corporate responses to create multiple interpretations for organizational stakeholders concerning crisis evidence, the organization’s intentions, and the locus of responsibility.” (Ulmer & Sellnow, 2000, p. 1) “It’s at this time that leaders have to make decisions quickly, take charge, and get their employees to do the right things that they know are necessary to fix what’s wrong.” (Cohen, 2001, p. 3)

Can A Company Survive Through A Crisis By Being Ethical?

Good communication is the key to prevent or handle any crisis. Dana James’ (2000) study looks at the changing phase of crisis. She points out that honesty and timeliness can save any company from a possible crisis. She illustrates with these examples:
“1. When Alaska Airlines Flight 261 crashed off the California coast, killing 88 people, the Seattle-based airline immediately transformed its web site into a crash-information hub, posting updates hourly. As a result, even broadcast organizations put hyperlinks to the company’s site. And when a Seattle newspaper erroneously reported that the airplane had incurred problems during a stop in Mexico, Alaska Airlines was able to short-circuit the report at once on its site. (p. 5)

2. One often unacknowledged source of rumor and negative stories is a company’s own employees, particularly if the firm is going through a period of upheaval. Marketers can also use the Internet with this audience to avoid being the last to hear of an internal rumor by setting up their own discussion board. In the mid 1990’s, when Westinghouse Electric Corporation was in negotiations to sell off some of its business units, employees worried about their job security began venting and speculating about their units’ future in an Internet chat room. The corporate communications team created a protected, internal Intranet site called ‘Speak Up,’ which allowed employees to post questions anonymously and have them answered by company executives.”(p. 5)

Several other authors have focused on ethical behavior during a crisis. Following scenarios describe such behavior:

1. “In May of 1998 PamAmSat’s Galaxy IV satellite shut down unexpectedly. Not only did the satellite handle broadcast feeds for CBS, but also audio feeds for National Public Radio, news feeds for Reuters, and cable feeds for a number of niche programmers such as the Airport Channel. It also serviced about 90% of the nation’s paging customers. The people affected by the situation didn’t care about malfunctioning satellites. They wanted their service restored, and they wanted it restored fast.” (Mullally,
2001, p. 2) At the time, PanAmSat had a crisis communication plan. They were able to act quickly. They followed the plan, responded quickly and they were able to “restore service and reassure customers on a timely basis.” (p. 2). This quick response and recovery saved the company from a possible disaster.

2. Malden Mills is a successful textile producer located in Lawrence, Massachusetts. It is owned and managed by Aaron Feuerstein. The company was founded and has been operated by the Feuerstein family for over 90 years. “In early 1995, the plant exploded resulting in 36 injuries, eight of which were critical. Much of the facility was destroyed, placing in jeopardy the jobs of many employees. Aaron Feuerstein, made an immediate commitment to rebuild his company and to continue to pay workers and provide their health benefits. He continued to pay salaries and benefits for the two months required to make the plant operational and return workers to their jobs.” (Seeger & Ulmer, 2001, p. 4) Aaron Feuerstein rebuilt the company and only 70 employees were displaced as a result of the fire. “Feuerstein sums up his company philosophy as ‘sensitivity to the human equation’ suggesting that ‘the corporation has a responsibility to all its people”’(p. 4).

3. Cole Hardwoods employs about 110 workers in its Logansport, Indiana facility. With a widely diversified customer base, Cole provides hardwood for architectural uses as well as furniture, cabinetry, and lumber yards throughout the United States and internationally. On Saturday June 13, 1998, a fire broke out at the Cole facility. Over the next six days, ten buildings, covering about 140,000 square feet, were destroyed representing essentially all the company’s inventory and lumber warehousing capacity along with about half of the company’s lumber handling equipment. The main offices
destroyed along with a small retail outlet. As the fire still burned, Mr. Cole announced to
his assembled workers that he would immediately rebuild the faculty and that all
employees would continue to be paid.

The rebuilding effort began almost as soon as the fires were out. The company
was split into two shifts to accommodate the lack of equipment. Although hampered by
the lack of warehousing space, the company continued to operate and pay workers until
the new facilities were completed. Over a year after the fire, the company is making
record profits and is continuing to rebuild and grow.” (p. 4, 5, 6)

For Milt Cole, the results of the fire were not his initial concern. He was
concerned about the employees. As his initial response, he supported his employees and
his employees supported Cole. “Personal loyalty and commitment, interpersonal trust and
credibility represent core values in his approach to business.”(p. 5) “In terms of crisis
management, the firm reacted appropriately and had effective responses to the crises. The
organization responded in very immediate ways, reducing the uncertainty of the crisis
and its potential harm to stakeholders. Customers were rapidly notified immediately, and
employees were rapidly given assurances that pay checks and benefits would continue.
These immediate responses allowed the planned rebuilding and recovery to begin almost
immediately.”(p. 6)
Consequences Of Not Being Ethical During A Crisis

The author believes it is necessary to give some negative response examples in order to realize the consequences of being unethical during a crisis. The following examples are from an article by Ian Mitroff (2001):

1. In 1996, a Valujet airliner crashed in a Florida swamp killing all 110 people on board. Improperly stowed, half empty oxygen canisters were responsible for starting a fire that destroyed the aircraft’s controls. After the crash, Valujet’s president stated repeatedly that there was nothing wrong with the airline’s operations or maintenance procedures even when it was demonstrated that Valujet farmed out its maintenance operations to the lowest bidder, and had the worst safety record of any airline. One year later, Valujet went out of existence.

2. In 1999, cans of Coca-Cola were ordered off the shelves of all stores in Belgium after children complained of feeling ill after drinking ‘foul smelling’ cans of Coke. Belgium’s Minister of Health took the action after the Coca-Cola Company ‘failed to respond in a timely and appropriate manner.’ The company delayed its response because it believed that there was ‘nothing technically wrong’ and that the children and their were overreacting to the situation. Because of the delay in the company’s response, a severe drop in Coca-Cola’s sales was experienced in Europe. The crisis cost the company about $200 million.

3. In August 2000, blowouts of Firestone tires, primarily on Ford Explorer Sport Utility Vehicles, resulted in over 100 deaths and hundreds of serious injuries. Both companies denied that they had any advance warning of problems even though several
national TV programs ‘exposed’ confidential company documents showing that there were indeed warnings of serious problems. The crisis is costing the parent company of Firestone, Bridgestone, billions of dollars in lawsuits.” (p. 2)

The Firestone-Bridgestone incidence also shows the negative impact of ‘silence policy’ in a crisis. The author believes that culture and even personal background of a leader may frame the instance response of the company, and especially the Asian culture drives people to be silent in a disaster. It is a sign of shame and disgrace; although silence is a sign of bigger mistake and the effort of hiding something else in Western culture. When the Bridgestone crisis stroked, “Japanese management used ‘silence’ as a tactic to convey an image of calm deliberation.” (Dawson, 2001, p. 2) This crisis should teach us that silence and denial are not the correct ways of shouldering any crisis.

These examples successfully show that a company which chooses to act unethical not only loses too much financially after the crisis, but also loses its prestige and good name, which are the most important elements for a company to strengthen its place in the industry. The consequences of being unethical should not only be measured with monetary losses but also, moral losses should be foreseen.

What Is The Role Of The Internet In Crisis Communication?

The Internet gains more and more importance in corporate communication. It has become an effective tool of communication. The companies that use the Internet effectively can achieve more successful communication targets. The Internet is such a communication tool that company has full control of it. Obviously, this is a great advantage for a company to get its message out and to inform its constituencies in a
timely manner. “The Internet is an invaluable, but frequently overlooked medium in a crisis. The web is a very controlled medium that allows companies to get their message across far more reliable than through the press or broadcast media.” (Simms, 2000, p. 4)

The media has its special needs and deadlines. If the media is not informed promptly and correctly, the media shall go to other sources and this is never a good thing for any company. The best thing for any company is to provide necessary information to the audiences by itself. The Internet provides that advantage to companies. “Journalist’ mistrust of corporate communicators is even exacerbated by the new media technologies, especially the Internet and the other electronic media channels. Practitioners now have at their ready disposal many avenues to communicate with their relevant audiences. This naturally enhances their bargaining power in their relationship with journalists” (Ihator, 1999, p. 7).

While emphasizing the importance of the Internet and its power, it is also emphasized that “the fundamental principles of honesty, direct communications, emphasis on the facts and taking corrective action” (James, 2000, p. 2) still apply in today’s crisis communications programs.

Image, Reputation…Most Powerful Tools For Surviving In A Crisis

Reputation is what makes any company stay powerful and prestigious in the public eye. “Reputation is like a line of credit in a bank, which a company can draw on when it has a problem,” (Simms, 2000, p.2). When a company’s reputation go down it is hard to fix the consequences. The author finds it helpful to give an example that is given in an article by Jane Simms, Controlling A Crisis, (2000):
“On May 1, 2000, P&O’s much vaunted luxury cruises ship, Aurora, was launched amid fanfare and celebration, and embarked on its maiden voyage. Eighteen hours out from Southampton the captain turned back because a bearing in a propeller shaft and overheated. The captain had reduced the temperature by slowing down the ship, but the problem could only be fixed in port.

The captain notified shore-based management immediately, though it was the middle of the night. The managing director, operations manager, marketing team, and PR consultancy were quickly alerted, and the crisis management plan kicked in.

A statement was issued as quickly as possible. The passengers were told what was happening. A compensation package, including a free cruise, was announced to passengers before the ship docked, and they were welcomed back to Southampton by the chairman, managing director, and marketing team of P&O. Passengers praised the way they had been dealt with, and press coverage was overwhelmingly favorable.” (p. 5). The author believes that being truthful, timely, and respectful - as it is in the above example - to the key publics puts any company away from disasters. According to Regester “when a crisis strikes, companies should respond by ‘being seen to take the appropriate action and express the appropriate sentiments for as long as is needed.’” (as cited by Simms, 2000, p. 4).
Research And Survey-Study Results

The author also feels the need to give examples of research and survey-study results to emphasize the necessity of application of ethics to a crisis communications, and, to show how companies apply ethics to their businesses. Chiaki Nakano (1999) cites the following survey study in an article:

"Based on The Center for Business Ethics (CBE) at Bentley College’s 1984-85 surveys, the CBE concluded that American corporations are much more concerned with ethics than in the past and have many positive steps to institutionalize ethics. According to the survey, for example, 93% of the sample corporations have written codes of ethics, 44% have ethics training for employees and nearly 70% require it, and 44% have social audits, most of which cover such areas as equal opportunity, safety, community involvement, environmental protection, and multinational conduct (CBE, 1986 as cited by Nakano, 1999, p. 2). In its 1989-90 study, the Center for Business Ethics contends that American corporations are expanding their effort at institutionalization. For example, having ethics comities and in-house training in ethics has became a more common practice than in 1984-85.” (p. 2)

The Center For Business Ethics was found in 1976 and since then provides an international forum for the advancement of business ethics. CBE also made two other surveys; one is on 1999 and 2000. Although the 1985 survey says that ethics is getting a high importance and companies effort more to institutionalizing ethics, the 1999 survey shows that less than half of working Americans believe that their senior leaders are people of high integrity. As a parallel outcome of 2000 survey of the center shows that
employees are observing a high level of illegal and unethical conduct on the job. These results are obvious signs of the necessity for companies to work more and efficiently on getting ethics institutionalizing and make it a part of their way of conduct business in the company.

The following examples are from The Working Values Group's web site (2001):

1. A 1999 DePaul University study of 300 large companies found that firms making an explicit commitment to follow an ethics code provided more than twice the value to shareholders than companies that did not.

2. According to Business for Social Responsibility, as large companies increasingly look beyond their own ethics practices to those of their suppliers, companies with poor ethics practices may find contracts canceled or future business lost. In 1998, Royal Dutch-Shell cancelled 69 contracts with companies that failed to adhere to its ethical, health and safety, and environmental policies.

3. A 1998 Burson-Marsteller study on the link between CEO's and corporate reputation reported that a CEO's ethical reputation enhances a company's ability to attract investment capital, recruit the best employees, and earn the benefit of the doubt in times of crises.

4. A 2000 KPMG survey of 2390 workers found that close to 80% of employees who believed management would endorse improper conduct
would not recommend their companies to recruits.” (value-based ethics [8], website, www.workingvalues.com/vbe.html, 2001)

All research and survey studies covered in this thesis study give clear and concise outcomes about the importance of being ethical during a crisis. In any condition and in any crisis, companies benefit from acting ethical. At the end, doing the right think always benefits companies in crisis.
Chapter V

SUMMARY AND CONCLUSION

In the not distant past (30-40 years ago), companies did not even bother to report their businesses and let their publics know about the company’s developments. Firms felt the target audiences of the company should be satisfied with what that company wanted to tell them about its operations. Today, companies all over the globe now realize the importance of the company’s relationship with its publics. Most importantly this relationship should be honest, complete, timely, and open.

When the company’s target audiences come to mind, employees, customers, media, stockholders, suppliers, local community, and government agencies, etc are recalled. Even in a routine time of business, all of these audiences demand honest, open and timely information flow from the company.

Public relations, loyalty toward the company, and support for company products and services, all depend on how successfully a company builds a communication bridge between its audiences and the company itself.

Crises happen and all audiences of the company are affected. The first thing that company executives should be worried about is how to handle a crisis and how to respond to key audiences. A crisis communication plan should be at hand. All supervisors should be included in the period of managing a crisis. All employees should be informed that the leader of the company values ethics and follow the rules of ‘doing the right thing
at the right time' philosophy. Customers and stockholders should be well informed about
the developments in the company. Media should not be overlooked. Communication
specialist of the company should be aware of the media’s deadlines and expectations.
Timely, honest, open, concise, and on the point explanations should be available for the
media. First response and its timing is crucial. All constituencies should hear about
development from the company itself. Letting other sources respond to a company’s
audiences first would end in situations that no company would like to face.

One way or another, the truth gets out and it gets out fast. Keeping the truth a
secret and being silent is a way some executives still believe, but especially the recent
crises set examples that silence is not the correct policy to follow during a crisis.

Instead of keeping the truth quite, honest first response plays a great role in the
progress of managing any crisis. The first response is crucial. In order to be effective
enough, the chairperson should be prepared before a crisis hits. The communication
specialist should give enough training to the chairperson that no problem would arise
during the first contact with the audiences. One important detail is to remember that the
group that the company is dealing with during any crisis is human beings; so, company
leaders should be aware of that they are dealing with people. This requires empathy and
sincerity. A company's first response should be to try to answer the affected audiences
needs, concerns, and worries.

The results of this thesis study shows that ethics is what all constituencies are
concerned about and companies should conduct their business accordingly and
communicate with their audiences same way. Companies who value ethics have loyal key
publics. The key public's loyalty ensures a company its good name and reputation.

Although being ethical benefits companies in the long run and strengthens their relationships with their key publics. It is a given fact that companies value ethics more than they did in years past. However, it is still obvious that there is still some doubts about applying a code of ethics to a company's routine businesses. Especially during a crisis periods, because of the fast-paced nature of crisis, there is a need for quick response. At that time, almost no one can think clearly. Unfortunately, avoiding ethics still might be the chosen way of acting in a crisis. Our society is still faced with that kind of executive and that kind of decision making in a crisis. It is obvious that efforts on behalf of being institutionalized in any and every organization should be the most important and challenging role of any communication specialist.


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Appendix A

Surveys
Bentley College Center For Business Ethics

1999 National Business Ethics Study
(also called 1999 Employee Relationship Report Benchmark)

A survey by Walker Information Inc. in association with The Hudson Institute,

September, 1999

Study Background:

1. Represents all U.S. (lower 48 states) workers from business, non-profit, and
government organizations of at least fifty employees.

2. Represents a cross section of industries.

3. Examines employees' perceptions of integrity and other perceptions of the
workplace.

4. Response rate of the survey is 75% (2,293 out of 3,075.)

5. Survey results were collected from mid-April through May of 1999.

Study Results:

1. Less than half (47%) of the employees believe that their senior leaders are people
of high integrity

2. 56% feel that integrity has been well communicated internally.

3. 55% say there is little pressure to cut corners on ethical/compliance issues.
4. 59% say their organization is highly ethical, 25% are neutral or not sure, and 16% do not believe their workplace is highly ethical.

Types of Integrity Violations Occurring:

1. Nearly a third of all employees (30%) know of or suspect ethical violations in their organizations in the past two years.

2. The top seven violations are:
   1. Unfair treatment of employees
   2. Lying on reports or falsifying records
   3. Lying to supervisors
   4. Stealing/theft from employer
   5. Conflict of interest
   6. Sexual harassment
   7. Abuse of drugs/alcohol

Some Industry Sectors Struggle with Integrity Issues More than Others:


Industry Sector Which Sets the Pace for Workplace Integrity:

Financial Services

Financial Services scored highest on 7 out of the 10 measures. Employees from this sector were particularly inclined to believe that:
1. Their company was highly ethical overall
2. Their senior leaders have high personal integrity
3. Their firm doesn't back off from ethical standards in the pursuit of profiles
4. They witness fewer ethical violations than in other industry groups.

Integrity at Work Relates to Employee Commitment and Loyalty

1. Employees were more truly loyal (both committed to the organization and planning to stay) when they believed their workplace had ethical practices.
2. Employees with negative views of workplace integrity were more likely to be trapped (low commitment, yet staying) or at risk (low commitment and low intention of staying)
3. Over half (55%) of those rating their organization highly ethical are also truly loyal - this compares with just 24% of those neutral about the ethics at work, and just 9% of those who flat do not believe their organization is ethical.
4. Nearly 8 in 10 of those doubting their senior leaders' integrity are, from a loyalty standpoint, classified as either trapped (planning to stay, but not really committed - 36%), or high risk (neither planning to stay nor committed - 43%)

Some Summary Conclusions

1. Views on integrity in the workplace are mixed
2. Less than Half of Working Americans Believe that Their Senior Leaders are People of High Integrity.

3. Employee Perceptions of Ethics Within the Organization Have High Connection with Commitment and Loyalty to the Organization.


5. Some Industry Sectors Set the Pace for Workplace Integrity.

6. Employers Must Define What Integrity and Ethics Mean in Their Specific Industry or Workplace.

2000 Organizational Integrity Survey

A survey conducted by KPMG, 2000

Background

1. Questionnaires were fielded between October 15 and November 15, 1999.

2. A total of 2,390 completed questionnaires were returned for a response rate of 78%.

Survey Highlights Percentage of employees who observed illegal or/and unethical conduct on the job. By industry:

1. All industries - 76%
2. Consumer markets - 81%
3. Industrial markets - 78%
4. Health care & Public Sector - 74%
5. Information, communication & entertainment - 73%
6. Financial Services - 68%

Percentage of employees who observed misconduct. By industry:

1. All industries - 49%
2. Consumer markets - 44%
3. Industrial markets - 44%
4. Health care & Public Sector - 57%
5. Information, communication & entertainment - 45%
6. Financial Services - 48%

Percentage of employees who believe that misconduct is caused by:

1. Cynicism/low morale/indifference - 73%
2. Pressure to meet schedules - 70%
3. Pressure to hit unrealistic earnings goals - 65%
4. Desire to succeed or advance careers - 56%
5. Inadequate training - 50%
6. Desire to steal from or harm the company - 22%

Percentage of employees believing that organizational integrity would be improved
by:

1. Incentives and rewards for adhering to company standards - 51%
2. Stronger commitment from top management - 50%
3. More time and resources to perform their jobs - 50%
4. Stronger support for raising questions and concerns internally - 48%
5. Increased communication and training - 46%
6. More realistic earnings and growth goals - 38%
7. Increased oversight by the board of directors - 37%
8. Better policies and procedures - 36%
9. Tighter auditing and controls - 28%

Percentage of employees who would recommend their company to recruits based on how they view management in dealing with improper conduct in the workplace.

1. On average, 66% of the employees surveyed would recommend their companies to recruits.
2. Among those who believe that management would authorize improper ethical conduct, only 21% would recommend their companies to recruits.
3. Among those who believe management would not authorize improper conduct, a full 81% would recommend their companies.

Percentage of employees who believe that their customers would recommend their
companies to others based on how employees view management in dealing with improper conduct in the workplace.

1. On average, 69% of the employees surveyed believe that their customers would recommend their companies to others.

2. Among those who do not believe management would uphold company standards, only 40% expect customer recommendations.

3. Among those who do believe management would uphold company standards, a full 80% expect customer recommendations.

Summary conclusions:

1. Employees are observing a high level of illegal and unethical conduct on the job.

2. Misconduct observed by employees is of a serious nature.

3. Companies are sending the wrong messages to employees on how to meet business goals.

4. Improving organizational integrity requires comprehensive solutions.

5. Management's commitment to business integrity enhances its ability to attract and retain good employees.

6. Management's commitment to business integrity enhances its ability to attract and retain customers.
Appendix B

Executive Summary
Master's Thesis Study

Ethics And Crisis: A Research On How To Survive From A Crisis In Today's
Challenging Business Environment

By Ozden Erım

Research Question

How does being ethical during a crisis help a company or an organization handle the crisis, and help the company return to its normal business routines?

Reason For The Study

Providing the most effective communication bridge, balancing it when a crisis hits and acting appropriate are vital for any company. Measuring what is ‘appropriate’ is what the communication practitioners struggle with most, and researching what is ‘appropriate” is part of the reason for this particular study.

Objectives Of The Study

a. Present a clear description of crisis,

b. Explore the needs for why being ethical, not being a spin-doctor, is important during a crisis,

c. Find out the consequences of being ethical before, during, and after a crisis.
Limitations

1. This study does not cover every aspect of corporate communications but only the vital role of ethics in crisis communications.

2. This study is only guided by a comprehensive review of literature.

3. This study only covers the literature that has been published in the last ten years.

Lessons Learned

All researches that this thesis study has covered show that code of ethics are a vital tool that any company should imply to its business routine and use before, during, and after a crisis hits. Being unethical has its consequences that no companies would like to face with. A company has diverse audiences. Those audiences need effective, timely, open, and honest information flow from the company. Especially during a crisis, these needs of constituencies raise to the top. Companies, who fail to provide that communication flow and be unethical when constituencies need the right incomes most, face with a danger of losing its publics’ support and trust. Without that trust, company’s reputation and good name goes down, and it means that the company’s livelihood will be jeopardized.