Messages from top management in crisis management play a key role in rationalising corporate events as well as framing actions and potential remedies. Organisational crises are highly ambiguous situations where causes and effects are unknown and where events, though they have a low probability of occurrence, nonetheless pose a major threat to the survival of the organisation. Crises offer little time to respond, are a surprise to an organisation and present a dilemma in need of decision and judgement.

Psychological, social-political and technological-structural issues are important factors in managing organisational crises. Digital media such as the world wide web offer firms a quick and potentially effective means to address them.

For example, in the recall of car tyres by Firestone, both Ford and Firestone used the web to provide information and top management’s view on how the crisis would be addressed and how it would impact each company. Such communication became particularly critical as news reports of the crisis grew.

As John Lampe, CEO of Firestone, noted: “I’d like to take a moment to talk to you about what we’ve done as a company since the recall – our efforts to replace the recalled tires and our extensive root cause analysis. Most important, I personally want to reiterate our company’s commitment to public safety. This is a commitment we share with many organizations, but it’s important to keep in mind that those featured in the Dateline story may have a separate agenda. They are supported by plaintiffs’ attorneys who have their own substantial financial stake in any outcome.”

(www.firestone.com news release, January 2001)

Albert H Segars examines the role of the internet in corporate crises.
Clearly, in incidents as serious as a tyre recall or the reporting of earnings that are below expectations, the use of digital media is providing management with a key mechanism for the strategic channelling of information. As noted by the CEO of Compaq:

“We ended the third quarter with positive market momentum in virtually all of our business segments... While we had a good start to the fourth quarter, it is now clear that market confidence has wavered and that we will be affected by the general softness in US consumer, small and medium business and dot-com markets. Business activity in the rest of the world remains on track.

“We are taking the actions required to adjust to changing market conditions. Channel inventories are currently at planned levels of four weeks for commercial products and just under seven weeks for consumer products. We will continue to balance growth and profitability as well as tightly manage expenses” (www.compaq.com news release by Michael Capellas, CEO of Compaq, December 2000)

Given the depth and breadth of losses that typically accompany organisational crises, we cannot simply say that anything that pulls an organisation unscathed through such events is effective. Simply surviving the crisis may not be a sufficiently stringent criterion for success. Between the two extremes is perhaps the most logical and realistic criterion for success - credibility. Between the two extremes is perhaps the most logical and realistic outcome in which to gauge the success of crisis management.

Crisis management is effective when the organisation is able to maintain or regain the momentum of core activities necessary to satisfy the needs of customers. In addition, stakeholder confidence must be maintained and organisations learn lessons that can be applied to future incidents. In general terms, crisis management is successful when key stakeholders believe that management understands the crisis and is capable of formulating an effective response. A key to establishing this credibility is immediate and effective response through digital media.

**The five points of effective crisis communication**

In many instances, messages from senior management are not the work of one person. However, they do embody the “corporate-speak” typical of top management and provide an important cue to employees and investors about what to think of the “personality” of the enterprise in terms of performance. The actions of these stakeholders, which are a direct result of beliefs and attitudes derived from communications, have a significant impact on organisational value through variations in stock price.

Unfortunately, few guidelines exist for developing “effective” strategic communication through digital media. Such guidelines seem crucially important in the age of the world wide web, where broadcasting of strategic communications is instantaneous and where discussion and analysis of the message is made easier through electronic media such as email and electronic analysts’ reports).

Our research suggests that five points of communication tend to be present in effective crisis communication via the web. These are based on analysis of data collected from the consumers of these reports (financial analysts) as well as multiple interviews with their creators (senior management).

Importantly, the most favourably reviewed accounts of corporate crisis contained all of these elements rather than one or two. The messages that contained these attributes are perceived to be indicative of a management that is responsive and worthy of confidence. The attributes are credibility, efficacy, responsibility, resolve and commitment.

**Credibility**

A majority of organisations now spend between 25 per cent and 50 per cent of their total corporate communications budget on issues related to articulating corporate strategy. This sort of spending is allocated in the hope of enhancing the view of key stakeholders regarding the firm’s overall strategy and its strategic planning capability. Communications from senior management contribute towards this end by creating a sense of strategic credibility and the content can be an important means of validating quantitative and qualitative outcomes that may result from an organisational crisis.

Strategic messages have enormous rhetorical importance in building credibility and imparting confidence, convincing investors that the company is pursuing sound and effective strategies in the midst of crisis.

The perceived integrity and authority of the message writer is particularly important in adverse situations, where honesty and candour are seen as essential elements of credible information. To establish this credibility, readers must perceive the strategic direction as focused and realistic. Further, readers must form a favourable image of senior management through its accurate analysis or rationale of past events and future opportunities. The image of senior management as a sincere and accurate interpreter of events and strategies indicates to observers that the company is operationally sound and stable.

In other words, managers explain a crisis and their company's performance not merely so that they are...
understood or to boost their personal esteem but also to account for it in such a way that investors and employees can decide to become involved (or not) in the organisation.

In the best cases, firms show a willingness to discuss operating problems in realistic terms; in the worst, they develop speculation or cast blame as a means of rationalising current events. A prime example of this is the communication by the accounting firm Andersen in the wake of the Enron scandal. The “renegade cowboy” message, which suggested that a few “out-of-control” managers were responsible for the firm’s misfortune, did not create the sense of rationality essential to credibility. In many respects, the message was viewed as simplistic and elusive rather than plausible.

Firms that fail adequately to inform key stakeholders of their strategic intentions may well be penalised for their lack of candour and openness. Given that reputation constitutes a barrier to entry within an industry, credible communication from top management can certainly be counted as an important component of solidifying a favourable corporate perception among key constituencies, thereby discouraging the entry of rival firms.

**Efficacy**

Whether organisational performance is favourable or unfavourable, stakeholders frequently raise questions about management’s ability to exert control over its activities and their outcomes. These questions may in part arise from a recognition that powerful and varied environmental forces and interest groups will affect the functionality of the organisation.

Paradoxically, though, these stakeholders still hold management accountable for outcomes, even though management may be unable to control the factors that determine them. This predicament can threaten management’s political viability and provides the rationale for the “symbolic” role of managing.

Two of the most salient cognitive categories in organisations are “threat” and “opportunity.” Both terms are used by organisations in formal planning processes and by managers in their everyday vocabularies. Evidence suggests that the perceptions of controllability and the negative or positive expectations that the labels threat and opportunity imply may be more important in framing people’s realities than the labels themselves. What the symbolic role of management implies is that management not only directs organisational activities but must also foster belief among
constituencies that it does so – and will continue to do so. Management, therefore, must create the appearance of efficacy in a world where control is often elusive. Efficacy may be manifested through the association of managerial action to outcomes, the perceived competency of management in understanding factors impacting the organisation, and managerial responsiveness to changing competitive conditions.

A prime example of communicating efficacy is Microsoft’s antitrust litigation. Throughout Microsoft’s legal troubles, management communicated messages that characterised the firm and its management as “in control” of a situation that for many firms would be cast as “out of our hands”. In contrast, AT&T frequently paints its fortunes as dependent on telecommunications litigation or court actions, which implies that management is at the will of uncontrollable forces. This impression erodes the efficacy of management in the eye of key stakeholders.

**Commitment**

Companies adopting and implementing customer commitment strategies have a significant message to communicate to potential customers – both as a way of generating new business and reinforcing already established relationships. Communicating customer commitment is clearly a senior management responsibility, hence it is reasonable to expect them to take every opportunity to express it. This expression by senior management is significant since “customer-oriented values” flow directly from the strategic direction articulated by top-management.

Indeed, some view messages from the CEO as the best opportunity to synthesise past and current operations and set forth corporate philosophy and strategy regarding customers.

Using messages from senior management to communicate customer commitment has two benefits. First, customers and prospective customers who read the messages will know that the company has made at least a verbal commitment to its customers. Second, employees who read the report can pass on their view that management is expressing the organisation’s commitment to its customers. Sending the right signals regarding continuing commitment to customer needs articulates the marketing concept. But it also needs to be manifested through an acknowledged appreciation of customers, a statement addressing the firm’s commitment to meeting customer needs, the search for new products and markets, and the building of long-term relationships with customers.

Aircraft manufacturer Boeing is a good example of the effective communication of commitment.

In the aftermath of the 9/11 terrorist attacks in the US, Boeing’s messages have been based around the concept of connecting people through core products such as aircraft as well as through services. The concept of people as ultimate customers and beneficiaries of products (rather than the air transport industry) provides a broader context for defining the value added by the firm and its new role in a dramatically changed environment.

**Responsibility**

Along with credible reporting and marketing, strategic communication must also shape a positive image of management’s integrity in its dealings with various constituencies – regulatory, social, and employees. Corporate responsibility messages inform such constituents that the organisation is a “good citizen” in its relationships with business partners and employees. In addition, they convey management’s concern for social or environmental issues that are beyond the typical realm of business activity. Like customer commitment, the communication of corporate responsibility sends a powerful signal to employees and investors regarding the value-structure and set of ethics which the organisation operates in.

CEOs often suggest “people themes” for their messages. In times of restructuring, they want to reassure remaining employees that their contribution is still valued. These statements create an environment of trust among potential and current customers and an environment of confidence among the investing community. Some refer to this commitment as the carrying out of “stewardship” functions in the organisation. Failure to enunciate corporate responsibility can create an atmosphere of scepticism among potential shareholders due to its implication of lower standards in terms of ethics and values and the potential for litigation.

A good example of this communication is found in DuPont. For this firm, a potential crisis is just around the corner with each wave of research on environmental issues. On questions such as new chemical production, global climate change and sustainable development, the firm clearly articulates the issue and its position. DuPont also draws a clear parallel between its strategy and actions that are socially responsible.

**Resolve**

Resolve is the drive, determination, and resolution an organisation builds to achieve its objectives through its decision making. It also represents a chain of logic and decision making that is adequate in addressing crises. In some organisations, lack of commitment for a change effort is readily evident in the passive and inconsistent decision making of top managers. Those charged with carrying out a change agenda may become reluctant to implement it if they feel...
the organisation will not embrace or get behind a change proposition. In other instances, the chain of logic in arriving at or implementing change is not obvious or well reasoned.

To achieve success here, management must articulate a course of action that is based on sound reasoning, a deep understanding of competitive dynamics and is achievable. Management must also demonstrate the tenacity to “stay the course” in rebuilding the firm to its post crisis stature, restoring growth and avoiding the same or other potential crises.

Lack of resolve is readily apparent in the airline industry. Beyond the obvious impact of 9/11, airlines have been plagued with labour problems, escalating costs and competition. For the most part, managers in these firms are not able to articulate a level of resolve that convinces investors these issues have been addressed in a manner that lessens their probability of happening again.

The lone exception seems to be Southwest Airlines, which clearly articulates its chain of decision making, the expected outcomes and the underlying philosophy of its approach to crises.

**Implications for managerial practice**

“Our senior management team is shocked by these discoveries,” said John Sidgmore, appointed WorldCom CEO on April 29, 2002. “We are committed to operating WorldCom in accordance with the highest ethical standards.”

www.worldcom.com June 26, 2002

Effective strategic communications are rapidly becoming a matter of survival rather than just an opportunity to gain an edge over a competitor. The key feature of the successful company of tomorrow will be actively communicating with and being involved with a wide variety of stakeholder groups. Clearly, top management must make clear and explicit statements of its intentions and the core messages that follow from them.

Unfortunately, the contributions of managerial activities such as communications are difficult to quantify in practice. Yet, for strategic communications to be formally and accurately evaluated, desired outcomes should be known and constantly reconciled with realised outcomes. This has perhaps never been more important given the emergence of a broadcast media such as the web.

Through our study we identify effective communication as achievement in terms of:

- establishing credible communication through reliable, concise and realistic strategic direction
- establishing managerial efficacy through impact, control and responsiveness to ever-changing environmental conditions
- creating a sense of commitment to customer needs through identification of new markets and the building of long-term relationships
- the establishment of a favourable image through social and environmental responsibility
- articulating a reasonable and accepted chain of decision making and outcomes for restoring a firm’s health.

These factors – measurable as credibility, efficacy, commitment, responsibility and resolve – represent dimensions of effective crisis management that should underlie managerial communication to key stakeholders. Managerial planners should find the dimensions a useful tool for rationalising and refining strategic communication. These broad dimensions may also provide a useful set of themes for strategic planning that helps build common dialogue and coordination among senior management.

Along with structuring a strategic agenda, a potentially important issue for executives is assessing the perception of strategic direction among constituents inside and outside the organisation. While web-based reporting directly communicates facts about a firm it also communicates implicit beliefs about the organisation and its relationships with the surrounding world. However, do organisational constituents perceive managerial communication as it is intended? Do investors believe that the communications from senior management exhibit qualities of credibility, efficacy, commitment, responsibility and resolve? Without a sound context for measuring these beliefs, managers may form the wrong conclusions about how effective of their communication efforts really are.